

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
OIL COUNTRY TUBULAR GOODS) Investigation Nos.:
FROM ARGENTINA, ITALY,) 731-TA-711 and 713-716
JAPAN, KOREA, AND MEXICO) (Second Review)
)

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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 FROM ARGENTINA, ITALY,) (Second Review)
 JAPAN, KOREA, AND MEXICO)

Thursday,
 April 12, 2007

Room No. 101
 U.S. International
 Trade Commission
 500 E Street, S.W.
 Washington, D.C.

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

APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

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 SHARA L. ARANOFF, VICE CHAIRMAN
 DEANNA TANNER OKUN, COMMISSIONER
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THE HONORABLE SHERROD BROWN, United States
Senator, State of Ohio

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Ted Strickland, State of Ohio
THE HONORABLE JAY WILLIAMS, Mayor of Youngstown,
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In Support of the Continuation of Antidumping Duty Orders:

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DIDIER HORNET, Chairman, V&M Star
ROGER LINDGREN, President and CEO, V&M Star
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JIM BREIHAN, President, Tubular Technology and Services Division, Tubular Corporation of America
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JOHN CAUSEY, President, Cinco Pipe and Supply
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JOHN SHOAFF, President, Sooner Pipe, LP
JIM DIONISIO, Manager, OCTG Products, Red Man Pipe and Supply Company
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P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN PEARSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 731-TA-711 and 713-716 (Second Review) involving Oil Country Tubular Goods From Argentina, Italy, Japan, Korea, and Mexico.

The purpose of these five-year review investigations is to determine whether the revocation of the antidumping duty orders covering oil country tubular goods from Argentina, Italy, Japan, Korea, and Mexico would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

I would note for the record that following a negative determination in its five-year review, the Department of Commerce published its revocation of the countervailing duty order on OCTG from Italy on December 26, 2006.

Accordingly, effective December 26, 2006, the Commission terminated its review of the countervailing duty order on OCTG From Italy, Investigation No. 701-TA-364 (Second Review), so if you came here hoping for a countervailing duty

1 hearing, you're in the wrong place.

2 The list of witnesses, notice of
3 investigation and transcript order forms are available
4 at the public distribution table. All prepared
5 testimony should be given directly to the Secretary.
6 Please do not place testimony directly on the public
7 distribution table.

8 All witnesses must be sworn in by the
9 Secretary before presenting testimony. I understand
10 that parties are aware of the time allocations. Any
11 questions regarding the time allocations should be
12 directed to the Secretary.

13 Finally, if you will be submitting
14 information you wish classified as business
15 confidential your requests should comply with
16 Commission Rule 201.6.

17 Madam Secretary, are there any preliminary
18 matters?

19 MS. ABBOTT: Yes, Mr. Chairman. With your
20 permission we will add Randall McGill from Shell
21 International to the second panel on page 6 of the
22 calendar, and also all witnesses for today's hearing
23 have been sworn.

24 (Witnesses sworn.)

25 CHAIRMAN PEARSON: Okay. Without objection,

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1 Mr. McGill will be added.

2 Will you please announce our first
3 congressional visitor?

4 MS. ABBOTT: Our first speaker will be the
5 Honorable Robert P. Casey, Jr., United States Senator,
6 Commonwealth of Pennsylvania.

7 CHAIRMAN PEARSON: Good morning, Senator
8 Casey. Welcome to the International Trade Commission.

9 MR. CASEY: Good morning. Good morning, Mr.
10 Chairman. I want to thank you and the members of the
11 Commission for this opportunity.

12 I appreciate this opportunity to appear
13 before the ITC and also to speak directly to the
14 important issues you're considering today, in
15 particular regarding the second sunset review of
16 antidumping and countervailing duty orders on oil
17 country tubular goods and the important issues that
18 will arise from that.

19 The work that you do here, as you all know,
20 gives life to the laws that Congress has enacted to
21 address and redress the effects of unfair trade. It's
22 critical that the enforcement of those laws be done
23 thoughtfully and strictly as we look to the Commission
24 to put these laws to work for all Americans,
25 especially the manufacturing sector. American workers

1 and American enterprises deserve nothing less.

2 I represent the people of the Commonwealth
3 of Pennsylvania, which, as all of the members of this
4 body know, have seen a stunning decline in
5 manufacturing jobs and the manufacturing base over the
6 past several decades.

7 The particular cases under review here today
8 affect plants in Pennsylvania such as the Koppel and
9 Ambridge plants owned by IPSCO and other producers
10 with operations in Pennsylvania such as U.S. Steel.
11 The Koppel and Ambridge plants in Pennsylvania
12 directly employ a combined 670 workers. The jobs have
13 a multiplier effect in their communities, and the
14 threats to the 670 IPSCO jobs also put those ancillary
15 jobs at risk.

16 IPSCO is also involved in capital
17 improvement projects at these plants and is investing
18 a combined \$54 million in the two plants. These are
19 exactly the type of jobs we should be working to save.

20 The investments being made in the plants in
21 Pennsylvania and other plants are investments in our
22 communities and in the productivity of our workforce.
23 They also demonstrate that this industry remains
24 highly competitive and that the participants are doing
25 what they need to do in order to continue to compete

1 in a global marketplace.

2 As you know, this case focuses on one class
3 of products, oil country tubular goods, which are
4 piping and tubing products made to the very exacting
5 standards so that they can withstand the requirements
6 of the oil and gas industry.

7 In the past few years, domestic producers
8 have done well in this industry, and that is a
9 testament to the ingenuity of American producers and
10 the productivity of American workers. This case
11 demonstrates that with a level playing field U.S.
12 workers will not only compete, but will thrive, will
13 thrive in the global economy.

14 Now, some may argue here today that the
15 recent improvements in domestic producer results
16 demonstrates that the current antidumping orders are
17 not necessary. I urge the Commission to reject -- to
18 reject -- this logic for a number of reasons, the most
19 important being that the underlying justification for
20 these antidumping and CVD orders remain.

21 Unfair and illegal practices continue, and
22 foreign producers remain poised to sell artificially
23 cheap products in the U.S. market. In fact, OCTG
24 imports have risen dramatically over the past few
25 years from some 500,000 tons in 2002 to over two

1 million tons in 2006.

2 At the same time, U.S. producers are losing
3 domestic market share and have fallen from 79 percent
4 of the U.S. market in 2002 to 59 percent last year, 79
5 percent to 59 percent in just that short time period.
6 Removing the antidumping and CVD orders under review
7 here today will open the floodgates for foreign
8 producers using unfair practices and advantages.

9 Additionally, this case is emblematic of the
10 challenges faced by domestic producers. They're being
11 squeezed at the high and low end of markets by various
12 forms of unfair competition.

13 The United States has some of the lowest
14 trade barriers in the world, and our workforce can and
15 does compete at world class levels, but what our
16 companies and our workers cannot do and should not be
17 forced to do is compete with unfair and illegal trade
18 practices on the part of foreign governments or
19 multinational companies.

20 The countries involved in the cases before
21 the Commission today are attempting to unfairly
22 compete at the higher end of the market where American
23 companies have been successful at defending their
24 market share. At the same time, China is making a
25 tremendous push into the low end of this market with

1 the aid of both direct subsidies and currency
2 manipulation.

3 Statistics show that China is becoming
4 increasingly successful in penetrating the market, and
5 its imports to this country have risen dramatically,
6 including a 60 percent increase from 2005 to 2006.
7 Without the continuation of these antidumping and CVD
8 orders, the recent success of American producers will
9 quickly give way to a torrent of artificially cheap
10 imports.

11 The squeeze that American producers face at
12 the high and low ends of the market threaten jobs in
13 places like the Koppel plant in Pennsylvania, as well
14 as all the ancillary jobs that this industry creates.
15 If these plants are forced to cut back production or
16 close, the communities will lose the jobs at the
17 plants, as well as the multiplier jobs. The profits
18 from these companies and these industries will flow
19 overseas, and investment in our communities will
20 decline.

21 Mr. Chairman, the people of Pennsylvania and
22 especially the families affected by these injustices
23 know very well that once jobs like these are lost they
24 are likely gone forever. Our manufacturing base in
25 Pennsylvania and across America has been devastated

1 over the past few decades, and working families have
2 felt the sledgehammer of that loss.

3 As a Senator from Pennsylvania, part of my
4 job is to work every day to support policies that will
5 level the trade playing field and remove the economic
6 insecurity which is now so pervasive in the lives of
7 American workers and their families.

8 What this Commission can do is enforce the
9 laws we have given you thoughtfully and strictly to
10 prevent the specific harm to a specific industry
11 because of documented unfair practices on the part of
12 foreign producers.

13 I'd like to conclude this morning by saying
14 that our domestic industries need the mechanisms that
15 are in place like the ITC to work so that they can see
16 that fair trade conducted on a level playing field
17 does in fact work.

18 If we turn away from fair trade we risk
19 turning away from all trade, which will harm us just
20 as surely as unfair and noncompetitive practices on
21 the part of foreign producers will.

22 I'm honored to appear before you today on
23 this important case, and I want to express and
24 reiterate my strong support of continuation of these
25 OCTG orders. I want to thank the Commission for this

1 opportunity, and I thank you for your time.

2 CHAIRMAN PEARSON: Thank you, Senator.

3 Are there any questions for Senator Casey?

4 (No response.)

5 CHAIRMAN PEARSON: Okay. Thank you very
6 much.

7 MR. CASEY: Thank you.

8 MS. ABBOTT: Our next witness is the
9 Honorable Sherrod Brown, United States Senator, State
10 of Ohio.

11 CHAIRMAN PEARSON: Good morning, Senator.

12 MR. BROWN: Good morning.

13 CHAIRMAN PEARSON: Welcome to the
14 International Trade Commission.

15 MR. BROWN: Glad to be back. Thank you.
16 Appreciate that.

17 Chairman Pearson, members of the Commission,
18 thanks for the opportunity to testify this morning
19 regarding the imports of steel casing, tubing and
20 drill pipe from Argentina, Korea, Italy, Japan, and
21 Mexico.

22 I had the opportunity to appear before this
23 Commission five or six years ago in connection with
24 the first reviews of the unfair trade orders at issue
25 and am here to explain why I think maintenance of

1 these orders is just as important today as it was
2 then.

3 It's no secret that our country is facing an
4 increasingly troubling situation with regard to its
5 manufacturing sector. Confidence in the global
6 trading system is at an extraordinary low point among
7 people all over our country. We're not getting a fair
8 shake when it comes to trade, and our workers, our
9 families, our communities are not seeing the benefits
10 that we supposedly bargained for in setting up the
11 current system.

12 In a macro sense of a sort, when I first ran
13 for Congress in 1992 we had a trade deficit in this
14 country of \$38 billion. Last year, depending on
15 whether you count services or not, it exceeded \$700
16 billion, as you know. That's a problem that lies
17 deeper than the issues being considered today, and
18 it's something that I and all members of Congress need
19 to place as a first priority in our legislative work.

20 In my mind, the work you do in many ways,
21 the foundation, the necessary basic condition is for a
22 successful trade policy. While there's much to be
23 done, nothing we do in an effort to reestablish faith
24 in the international system and to reestablish the
25 health of our nation's manufacturers will have any

1 chance of success if we cannot guarantee fair trade
2 for our products and for our workers.

3 It's the bare minimum our companies and
4 unions should expect. It's certainly not too much to
5 ask for us as public servants to ensure that they are
6 not disappointed in that expectation.

7 In Ohio I've seen the devastating impact of
8 dumped and subsidized imports, as has my colleagues
9 from Pennsylvania. The layoffs, the plant closings,
10 the bankruptcies that result from unfair competition
11 have catastrophic economic and social effects.

12 I appreciate the role of this Commission in
13 addressing anticompetitive behavior and ensuring a
14 level playing field for U.S. products. I'm
15 particularly concerned about these orders because
16 they've been vital to the success of U.S. Steel's
17 tubular mills in Lorain, Ohio.

18 I represented Lorain in the House for many
19 years before my election to the Senate. I have lived
20 in Lorain County for 14 years and was always proud to
21 speak for the men and women of that community. I'm
22 very familiar with the tubular mills in Lorain and the
23 workers who are employed there and have watched their
24 ongoing and aggressive efforts to remain on the
25 cutting edge of the global pipe business.

1 Just a few years ago, U.S. Steel invested
2 some \$85 million in a new quench and temper line at
3 the Lorain No. 3 mill, putting that mill in a much
4 stronger position to compete on the high end of the
5 OCTG market.

6 This type of investment gives workers hope
7 for the future and is precisely the type of commitment
8 that we ought to encourage. You're going to hear a
9 lot of evidence today. I very much want to address
10 just a few critical points.

11 First, I understand there is some suggestion
12 that an industry that is profitable should not have
13 the benefit of our trade laws and that this is somehow
14 a license for unfair trade in the market.

15 I can tell you that's not what our trade law
16 says, not what it means, not what it was ever
17 intended. Companies are supposed to do better after
18 relief has been imposed. The fact that our OCTG
19 workers and companies have put themselves in a footing
20 to compete and succeed is just what they should be
21 doing.

22 The job of this Commission is, as you know,
23 simply to determine whether unfair imports would make
24 an industry materially worse off. The fact that our
25 industry is profitable does not and in your analysis

1 should not in any way mean that it is incapable of
2 being harmed by unfair trade.

3 Second, I ask you to remember that the
4 domestic companies in this industry, like many other
5 domestic companies these days, are facing an
6 extraordinary challenge in the form of exploding
7 imports from China. Such imports clearly benefit from
8 unfair Chinese trading practice, including currency
9 manipulation, subsidies and others.

10 Just a few years ago, Chinese OCTG was a
11 relatively small part of this market. Last year they
12 shipped over three-quarters of a million tons. That
13 is having a profound impact on this market and has in
14 large part taken over the commodity and lower end
15 uses.

16 Not surprisingly, U.S. producers are quickly
17 losing market share. As compared to a market share of
18 around 90 percent when these orders were put in place,
19 domestic producers now account for only 59 percent of
20 the market. The domestic industry has maintained its
21 foothold and profitability by focusing on high value
22 uses and customers.

23 Unfortunately, it's precisely these high end
24 users that the subject producers would go after. They
25 too are facing pressures from China and their other

1 export markets. They too know that premium products
2 and uses are essential for their success and that the
3 U.S. market is the biggest and the most attractive in
4 the world.

5 If the subject producers are allowed to
6 bring unfair competition to the very portion of the
7 market that is so critical to domestic producers, the
8 results will be quick and predictable: Fewer sales,
9 lower profits, declining employment and very, very
10 clear material injury.

11 I urge the Commission not to allow this
12 outcome. U.S. workers and businesses are doing the
13 right things. They're investing in their business.
14 They're playing by the rules. They're increasingly
15 productive, and they're succeeding.

16 They should not face another flood of dumped
17 and subsidized imports. These important orders are
18 crucial and should be maintained.

19 Thank you for having me here today.

20 CHAIRMAN PEARSON: Thank you, Senator.

21 Does anyone have a question for Senator
22 Brown?

23 (No response.)

24 CHAIRMAN PEARSON: No? Thank you very much.

25 MR. BROWN: Thank you, Mr. Chairman. Thank

1 you, Chairman Pearson.

2 MS. ABBOTT: Our next appearance is Mark
3 Barbash, Chief Economic Development Official, Ohio
4 Office of Development, Office of Governor Ted
5 Strickland, State of Ohio.

6 CHAIRMAN PEARSON: Welcome, Mr. Barbash.

7 MR. BARBASH: Welcome. Let me just say I've
8 appreciated very much the warm welcome that I've been
9 given this morning to the point where we've discovered
10 a number of Buckeyes in among your staff, and we're
11 going to be working very hard to bring them back to
12 the State of Ohio.

13 You also have a copy of my testimony, so I'm
14 not going to read it. Let me just talk about a couple
15 of points.

16 The first thing is let me tell you it's a
17 great honor to be preempted by Senator Sherrod Brown.
18 He is standing up for the critical issues in Ohio's
19 economy, and we appreciate his work.

20 I also understand you're going to hear from
21 Mayor Jay Williams of Youngstown, and I think he's got
22 an important perspective to hear.

23 I'm Mark Barbash. I'm what's called the
24 Chief Economic Development Officer for the Ohio
25 Department of Development. I work for the Governor,

1 Ted Strickland. I work for the Lieutenant Governor,
2 Lee Fisher, who is the director of the department.

3 Our department works with communities on the
4 ground and at 30,000 feet to help try to both bring
5 jobs, retain jobs and keep Ohio's economy healthy.
6 That's the reason that I'm here today. I'm here today
7 because Ohio has been going through a wringing out
8 process over the last several years.

9 Value-added steel is a very important part
10 of this, but historically the State of Ohio has gone
11 through all sorts of issues in the last several years.
12 We've lost over 200,000 jobs. Manufacturing used to
13 be our major industry, and because of a whole range of
14 issues the state is starting to turn around, but the
15 last several years we feel like we've gotten wrung
16 out, and we feel like we're in a position to be able
17 to make some substantial changes.

18 The consideration that you are giving today
19 is an important part of this because from Ohio's
20 perspective, from the perspective of the people who
21 live and work in the State of Ohio, each one of these
22 opportunities is an opportunity to make sure that fair
23 trade occurs and that our companies are able to
24 compete and our folks are able to work.

25 This is not an issue of foreign versus

1 domestic. The State of Ohio is home to more than
2 1,000 foreign owned firms, including several in the
3 steel industry. We are in fact the eighth largest
4 exporting state and the only state whose exports have
5 grown every year since 1998. The challenge is that
6 because we've lost more than 200,000 jobs, any
7 activity as it relates to fair trade in the steel
8 industry compounds that staggering loss.

9 A local research organization in Cleveland
10 called Policy Matters looked at what happens when we
11 get into layoffs in the steel industry, and what they
12 found is that more than half of the manufacturing job
13 loss in the State of Ohio in 2006 was caused by
14 foreign imports or by the relocation of Ohio
15 manufacturing operations to other countries.

16 It's equally important to know that while
17 it's easy to say that we're going through a change in
18 the manufacturing economy and that the harm to workers
19 will eventually be ameliorated because the people who
20 lose their jobs will eventually find more productive
21 employment, the same group, Policy Matters, found that
22 in fact that is not the case.

23 They found that workers who have lost
24 manufacturing jobs have found it difficult to find a
25 new job, particularly one with comparable pay. In

1 fact, they found that only 35 percent of such workers
2 in the U.S. who lost their jobs were reemployed as of
3 January 2006, and one-third had jobs with wages 20
4 percent below their previous job.

5 I would invite you to come out to Ohio. I
6 would invite you to come out to Lorain to look at the
7 U.S. Steel facility and to Youngstown to look at the
8 V&M Star facility. These are two of the brightest
9 spots that we have.

10 So that's the perspective that Ohio is
11 coming from. We're coming from the perspective that
12 we're used to hearing that international trade causes
13 winners and losers, and our task at this critical
14 point in time is to make sure that we have more
15 winners than losers.

16 You are in an important position to be able
17 to evaluate and research this issue and make a
18 decision that will make it possible for companies in
19 Ohio and in the United States to compete fairly.

20 Thank you very much for the opportunity to
21 be here.

22 CHAIRMAN PEARSON: Thank you, Mr. Barbash.
23 Are there any questions?

24 (No response.)

25 MR. BARBASH: Thanks.

1 CHAIRMAN PEARSON: Thank you.

2 MS. ABBOTT: Our next appearance is the
3 Honorable Jay Williams, Mayor Youngstown, Ohio.

4 CHAIRMAN PEARSON: Welcome, Mr. Williams.

5 MR. WILLIAMS: Thank you very much. Good
6 morning, Chairman Pearson and commissioners. It is an
7 honor to be here before you today to speak on this
8 very important manner. My name is Jay Williams and I'm
9 the Mayor of the city of Youngstown, Ohio. Youngstown
10 is home to V&M star, one of the largest prominent
11 employers in the city. For the past two years, V&M
12 has also been the single largest tax contributor to
13 the City of Youngstown. They employ 450 workers at
14 their Youngstown plant and in 2006 had a payroll of
15 \$42.6 million.

16 They have also made significant improvements
17 and investments in the plant, which has led to greater
18 efficiency and production. They're an outstanding
19 corporate citizen, one that the City of Youngstown
20 would like for now and to keep also for future
21 generations.

22 Please allow me to give you an abbreviated
23 perspective on the City of Youngstown over the past
24 few decades. Approximately 40 years ago, Youngstown
25 was at the center of one of the largest steel

1 producing regions in the world. The steel and related
2 products manufactured in the Youngstown region not
3 only helped to fuel the growth of local and the
4 regional and state economy, but also helped to satisfy
5 the insatiable demand for steel products across the
6 nation and the globe.

7 The city was one of the fastest growing in
8 the state with a population expected to reach well
9 over 200,000 individuals. Then came 1977, the year
10 that the Youngstown region experienced a collapse of
11 its lifeblood industry. The near simultaneous closure
12 of several steel mills left the community reeling.
13 The life and soul was sucked out as tens of thousands
14 of people became unemployed in the following months
15 and years.

16 The resulting vacuum created a shock and
17 paralysis that would haunt the community for many
18 decades to come. During the subsequent years, the
19 community continued to spiral into economic disarray.
20 Societal problems that were facing many urban centers
21 were compounded by the effects of organized crime and
22 other parasitic influences. The quality of life in
23 the community seemed to plummet with each passing
24 year.

25 However, it has been said that time heals

1 all wounds. With the passage of time, Youngstown and
2 surrounding regions have begun the healing process.
3 While there still exists very visible and painful
4 scars from our yesteryears, the community has started
5 to redefine its existence.

6 In fact, over the past two years, the City
7 of Youngstown has received significant positive
8 recognition and rewards for its award-winning
9 Youngstown 2010 comprehensive planning initiative.
10 The city's planning and development efforts have been
11 acknowledged and rewarded by a number of notable
12 organizations, including the American Planning
13 Association, *Governing* magazine, the *Wall Street*
14 *Journal*, the *New York Times Sunday Magazine*, and *USA*
15 *Today*, to name a few.

16 As a part of this city's planning and
17 redevelopment efforts, significant steps have been
18 taken to diversify the economy of Youngstown and the
19 region with the recognition and the need to be
20 responsive to changing global and national markets.

21 Within the scope of the city's diversified
22 economy, manufacturing continues to play an important
23 role and, as we know, has also been the backbone of
24 the American economy. At the center of that role in
25 northeast Ohio is V&M Star.

1 It would be impossible for me to overstate
2 the importance of V&M Star to the City of Youngstown's
3 present and future conditions. In fact, the
4 significant progress that has been accomplished within
5 the city during the past two years can
6 straightforwardly be associated to the presence of V&M
7 Star.

8 After having endured decades of the ill
9 effects of urban decline, the City of Youngstown has
10 been able to make substantial progress in addressing
11 issues important to improving the quality of life for
12 more than 82,000 citizens within the city limits and
13 over 500,000 citizens in the surrounding region.

14 As a result of V&M Star's contributions to
15 the City of Youngstown's tax base the past two years,
16 the city has been able to make substantial progress in
17 many areas.

18 Just as an example, the city has been able
19 to strengthen its neighborhoods by the removal of
20 dangerous and dilapidated structures, over 400 of them
21 last year, many of them that had been rotting in
22 various neighborhoods for decades. The amount of
23 demolition as a result of V&M contributions to the
24 City of Youngstown was triple what we have been able
25 to do over the past several years.

1 Through V&M's presence, the city has been
2 able to employ additional safety forces and provide
3 them with the equipment necessary to do their jobs, to
4 keep the community safe. The City of Youngstown was
5 able to adequately fund its economic development
6 programs, which resulted in the opening of several
7 small businesses. It's a perfect example of the
8 multiplier effect of having a successful large
9 business in the community that also provides ancillary
10 benefit to small entrepreneurs.

11 Finally, Youngstown was able to avoid
12 multimillion dollar deficits of the not too distant
13 past and close its fiscal year in the black as a
14 result of V&M's presence in the community.

15 As a business school graduate with a
16 background in finance and economics, as one who has
17 worked for several years in the private sector before
18 being elected mayor, I can understand and appreciate
19 the need to compete in the global economy.

20 I generally believe in free and, more
21 importantly, fair trade. However, I'm also keenly
22 aware that when other countries adopt trade distorting
23 practices in order to gain access to the U.S. market
24 through dumping and subsidization, which in turn
25 injures U.S. manufacturers, it becomes necessary to

1 enforce the trade laws.

2 This has been the case in previous reviews
3 on OCTG products where orders were continued. The
4 Commission will hear from industry experts at today's
5 hearing about the trends in imports and why these
6 orders should not be revoked. I ask that the
7 Commission give consideration to the industry and the
8 worker views.

9 However, I would also ask the Commission to
10 give consideration to the hundreds of thousands, if
11 not millions, of Americans whose lives will be
12 negatively impacted if an order on OCTG is allowed to
13 expire. We have an opportunity with your assistance
14 to help maintain a level playing field.

15 As I conclude, it might not appear on the
16 surface that a city like Youngstown, Ohio, which I am
17 confident is representative of other communities
18 across the nation, has a vested interest in whether or
19 not duties on OCTG imports are continued.

20 However, I speak for and represent hundreds
21 of thousands of people in the Mahoning Valley region
22 whose lives and well being will be significantly and
23 adversely impacted should V&M Star and other domestic
24 OCTG producers lose their ability to compete because
25 of unfair global competition.

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1 I believe that U.S. manufacturers should be
2 able to continue to compete, and I would agree that
3 the continuation of these orders will provide a
4 positive result for U.S. companies, their workers and,
5 most importantly, their communities.

6 Thank you for your time and consideration.

7 CHAIRMAN PEARSON: Thank you, Mr. Williams.

8 Are there any questions?

9 (No response.)

10 CHAIRMAN PEARSON: Thank you very much.

11 MS. ABBOTT: Opening remarks in support of
12 continuation of orders will be by Roger B. Schagrín,
13 Schagrín Associates.

14 CHAIRMAN PEARSON: Welcome, Mr. Schagrín.
15 You may proceed.

16 MR. SCHAGRIN: Thank you. Good morning,
17 Chairman Pearson, members of the Commission. A
18 special good morning to the new Commissioners,
19 Williamson and Pinkert. The good Lord willing, I hope
20 to see a lot of you over the next nine years. I hope
21 the feeling will be mutual.

22 There are several major legal issues and key
23 facts that we ask the Commission to focus on during
24 today's hearing and in your sunset determination.

25 First, the sunset statute directs the

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1 Commission to consider all relevant economic factors
2 that are likely to have a bearing on the fate of the
3 U.S. industry during a reasonably foreseeable
4 timeframe if the orders were to be revoked, including
5 likely declines in output, sales, market share,
6 profits, productivity, return on investments,
7 utilization of capacity and likely negative effects on
8 cashflow, inventories, employment, wages, growth and
9 ability to raise capital and investments.

10 The statute certainly does not direct the
11 Commission to look only back at prior years' profit
12 margins to determine the vulnerability of the
13 industry.

14 Second, the record evidence in this case
15 must lead to the conclusion that the tremendous
16 inventory overhang in OCTG cannot return to a normal
17 inventory level while roughly 100,000 tons of new
18 Chinese OCTG is arriving in the market monthly.

19 These tons are likely to increase
20 significantly as the Chinese Government just announced
21 two days ago that they are eliminating export tax
22 rebates on almost all steel product exports from
23 China, but that they are maintaining the 13 percent
24 export tax rebate on pipe and tube products, which
25 would include OCTG.

1 This factual situation is in marked contrast
2 to the recent plate sunset reviews before the
3 Commission in which there was a reasonable expectation
4 that the plate inventory overhang would dissipate
5 through reduced domestic production because there were
6 zero plate imports from China.

7 Third, there is really no disagreement among
8 the parties that Tenaris' purchase of Maverick Tube in
9 no way will influence Tenaris' exports of high value
10 seamless OCTG, much of it with Hydril threads. The
11 only area of debate is how high the volume will be of
12 Tenaris' and Japanese seamless shipments to the U.S.

13 We submit that they will be quite high
14 because Tenaris, like everyone in this room, is a
15 profit maximizing company and will shift export volume
16 from lower priced Mid East and African markets to the
17 higher priced U.S. market.

18 Fourth, there can be no question about the
19 likely increased volume of Korean OCTG to the U.S.
20 market. The U.S. and Canada are the only markets in
21 the world for welded OCTG.

22 Demand in Canada, like demand in Mexico, is
23 falling, and in addition to the present Korean and
24 Japanese welded tube producers a new welded pipe and
25 tube producer, NetSteel, will have 13,000 tons a month

1 of welded OCTG capacity that can be exported to the
2 U.S. by the end of this year. There is a big
3 difference between a 12.29 percent dumping margin and
4 no order with respect to the volume of those exports.

5 Fifth, any mention of oil prices during
6 today's hearing is basically a waste of time.

7 Drilling in the U.S. is now 85 to 90 percent for
8 natural gas. We ought to rename this product gas
9 country tubular goods.

10 While there is demand among forecasters as
11 to U.S. demand for OCTG in the reasonably foreseeable
12 timeframe, there can be no doubt that at least the
13 rate of growth of demand is slowing, that gas prices
14 are as unpredictable as next year's weather and that
15 major companies in the drilling services areas have
16 recently warned of slowing and weakening demand, which
17 will make this industry more vulnerable.

18 Finally, there is one thing I can assure you
19 of in today's new business paradigm. If you sunset
20 these orders and a large increase in subject imports
21 are added to the massive volumes of Chinese supply,
22 the U.S. industry's market share is going to plummet.

23 It's already gone from 79 to 59 percent over
24 the period of the sunset review. It is probably less
25 than 50 percent in the first quarter of 2007. Long

1 before this import surge has an impact on these
2 companies' bottom lines, Mr. Conway's members will
3 find themselves on the bread lines.

4 I submit to you that in implementing the
5 intent of the statute and the SAA if you find there
6 will be a significant increase in imports that will
7 have a likely major negative impact on production,
8 shipments, market share, employment and wages, as well
9 as an impact on pricing and profit levels, you must
10 find that there will be a recurrence of injury.

11 Therefore, I urge you to make an affirmative
12 determination as to all five countries in today's
13 proceeding. Thank you very much.

14 MS. ABBOTT: Opening remarks in support of
15 revocation of orders will be by John D. Greenwald,
16 Wilmer Cutler Pickering Hale & Dorr.

17 CHAIRMAN PEARSON: Welcome, Mr. Greenwald.
18 Please proceed.

19 MR. GREENWALD: Thank you. I am John
20 Greenwald of Wilmer Cutler Pickering Hale & Dorr. We
21 are representing the Japanese producers in this
22 hearing, but this opening statement will be on behalf
23 of all Respondents.

24 You would not know it from the briefs that
25 the domestic industry has supplied, nor frankly would

1 you know it from the mass of domestic industry
2 representatives that are here today, but there has in
3 fact been a radical transformation of both the OCTG
4 industry and the OCTG market since the last sunset
5 review of these orders.

6 On the demand side, the rise in energy
7 prices has led to a structural shift away from the
8 shorter boom/bust cycles of the past. We are in a
9 period and will remain in a period of strong sustained
10 demand for the foreseeable future.

11 On the supply side there has been a radical
12 restructuring and consolidation of OCT production both
13 in the United States and internationally. The
14 consequence of that has been to give producers much
15 more control over pricing than ever before.

16 The combination of a structural increase in
17 demand and consolidation in supply has produced record
18 operating results in terms of production, in terms of
19 revenues, in terms of profits for the U.S. industry.
20 I do not recall ever seeing an industry doing so well
21 press so hard for continued trade protection. To call
22 the OCTG market in the United States robust, which was
23 the word of choice used by U.S. Steel's chairman, is
24 in fact an understatement.

25 Petitioners' response to all of this is to

1 portray their current good fortune as precarious.
2 That is not true. In fact, it is not even close to
3 being true. There are no credible forecasts of either
4 a drop in demand at any time over the foreseeable
5 future nor of a material weakening of the U.S.
6 industry at any time over the foreseeable future.

7 As you listen to Petitioners testify, what I
8 ask you to do is to keep in mind the following
9 questions: First, isn't it true that the U.S. rig
10 count, which drives OCTG demand, stands at over 1,700,
11 and isn't it true that at the last sunset review the
12 domestic industry told you that the upper limit of the
13 rig count was 1,300? And isn't it equally true that
14 projections are for the rig count to rise over the
15 next several years?

16 Second, isn't it true that there has been
17 strong growth in operating rigs outside of the United
18 States?

19 Third, isn't it true that OCT producers in
20 Japan, in Argentina, in Italy and in Mexico are
21 producing at their practical capacity supplying
22 international markets?

23 Fourth, doesn't the evidence show that these
24 producers are selling in international markets at
25 prices that are high enough to eliminate -- and let me

1 emphasis this; eliminate -- any real incentive to
2 shift their focus to the U.S. market?

3 Fifth, in the case of Korea isn't it true
4 that capacity utilization is high and that there is no
5 indication that OCTG imports from Korea have been
6 affected one way or the other by the order or in fact
7 have harmed the U.S. industry in any way?

8 Sixth, isn't it true that the confidence of
9 the U.S. industry in its future in this market is
10 reflected in U.S. Steel's very recent decision to pay
11 a 39 percent premium to acquire the outstanding stock
12 of Lone Star?

13 Seventh, if by any chance U.S. Steel were to
14 appear before you today to suggest that there is a
15 real prospect of near term material injury, doesn't it
16 have to be true that its decision to spend \$2.1
17 billion of its shareholders' money to acquire Lone
18 Star would at the very, very least have to be
19 considered irresponsible?

20 The case that Petitioners will put on today
21 is contradicted in all material respects by the
22 evidence. At bottom, Petitioners take the position
23 that protection is their right whatever the facts may
24 be, and what we urge you to do is to focus on the
25 facts.

1 MS. ABBOTT: Will the first panel in support
2 of the continuation of orders please come forward?

3 CHAIRMAN PEARSON: Who is coordinating this
4 panel? I see so many capable counsel present. Mr.
5 Lighthizer?

6 MR. LIGHTHIZER: I am guilty, Mr. Chairman.

7 CHAIRMAN PEARSON: Okay. The floor is
8 yours.

9 MR. LIGHTHIZER: Thank you, sir. Good
10 morning. I am Bob Lighthizer representing United
11 States Steel Corporation.

12 I would like to start our presentation with
13 an overview of the major issues. Let's begin with
14 some key points. First, arguments made by the other
15 side simply ignore the statutory definition of
16 material injury.

17 Second, both the chairman of Tenaris and
18 Tenaris' U.S. subsidiary have recently conceded many
19 of the major issues in these reviews.

20 Third, because of imports from China and
21 other nonsubject countries, U.S. producers are
22 dependent on high end customers.

23 Fourth, revocation will allow subject
24 producers to attack the high end business inevitably
25 leading to material injury.

1 The evidence of cumulation is overwhelming.
2 For each of the subject countries, major conditions of
3 competition are identical. These orders have been
4 very effective. Here you see what has happened to
5 imports from Argentina, Italy, Japan and Mexico.
6 While subject producers once held a significant share
7 of the market, they cannot ship major volumes without
8 dumping.

9 Here you see imports from Korea, including
10 nonsubject imports from Hyundai. Even this public
11 data show that the orders have severely limited dumped
12 OCTG. The APO numbers in the staff report are even
13 clearer.

14 Next I will address Tenaris, which controls
15 OCTG producers in four of the five major countries.
16 This slide gives you a sense of just how enormous this
17 company is. The overall capacity of the four subject
18 producers controlled by Tenaris equals U.S. total
19 production of casing and tubing.

20 On March 8, the top executives of Tenaris
21 gave a major presentation to their investors in which
22 they essentially conceded most of the key issues
23 before you. For example, Tenaris has told the
24 Commission for years that it doesn't need the U.S.
25 market, but, as you can see here, that's not what it

1 tells its investors.

2 That is only one of the issues that Tenaris
3 has effectively conceded. There are several more.
4 Tenaris officials admitted that they currently have
5 available capacity to increase sales. They will be
6 active throughout the full range of the U.S. market.
7 They cannot serve high end customers from Maverick,
8 and they cannot use their Canadian subsidiary, Algoma,
9 to cover the full range of OCTG applications.

10 Don't take my word for this. At the back of
11 the hard copies of these slides we have attached
12 relevant quotes from the Tenaris March 8 presentation.
13 I urge you to read those quotes very carefully.

14 Furthermore, Tenaris/Maverick has filed its
15 own brief directly contradicting many of the arguments
16 made by the subject producers. For example, the other
17 side has emphasized that strong demand will insulate
18 domestic producers from material injury, but Maverick
19 admits that even in a rising market an additional
20 supply of dumped imports will depress price and thus
21 negatively impact revenues.

22 That's not all. Once again here is a list
23 of key points in the Maverick brief. Taken together,
24 these points make clear that revocation of these
25 orders will result in material injury.

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1 The actual quotes from the Maverick brief
2 are also attached to our slides. Please read these
3 quotes and ask yourself this: If Maverick is worried
4 about dumped imports from Japan and Korea, how can
5 Tenaris claim this industry is not vulnerable?

6 When you're assessing Tenaris' capability,
7 remember this quote. It comes from 2000 when the
8 Commission was trying to decide whether to revoke an
9 order on OCTG from Canada. As you see here, Siderca
10 testified that exports of OCTG from Canada were not a
11 consideration at all in its business plan. Other
12 Canadian producers made similar claims.

13 The Commission believed this testimony and
14 revoked the order. Here is the result. Imports of
15 OCTG from Canada, including imports of seamless OCTG
16 from Tenaris' Algoma plant, have exploded. Last year
17 Algoma's shipments of seamless OCTG to the U.S.
18 equaled about 27 percent of its total reported
19 capacity. Now Tenaris openly proclaims its intention
20 to serve the U.S. market from Canada. So much for its
21 previous testimony.

22 We agree with Maverick that you should keep
23 the orders on Japan and Korea. As you can see here,
24 subject producers in these countries are export
25 oriented. They are active in the U.S. market. They

1 would have an incentive to shift production from other
2 products to OCTG upon revocation, and they are both
3 facing problems with China.

4 For all of these reasons, as well as the
5 additional ones discussed in our brief, it is
6 important that these producers remain under order.

7 Before turning to a key legal issue, I want
8 to quickly cover some important factual points.
9 First, Maverick is correct when it says that U.S.
10 prices are relatively high. We intend to provide more
11 evidence on this point in the confidential version of
12 our posthearing brief.

13 Second, China has recently gone from being a
14 net importer of OCTG to a major net exporter. Those
15 exports are squeezing subject producers in other
16 markets around the world.

17 Third, Chinese producers are shipping an
18 incredible volume of OCTG to this market. Fourth,
19 those imports, along with imports from other
20 nonsubject countries, have taken much of the U.S.
21 market from the domestic producers.

22 Fifth, despite strong demand, prices for low
23 end OCTG have been weak for most of the last year. As
24 a result, domestic producers are increasingly
25 dependent on the high end of that market.

1 Unfortunately, this is precisely the part of the
2 market likely to be attacked by the subject producers
3 if the orders are revoked.

4 Subject producers maintain that because the
5 domestic industry is so healthy lost sales to dumped
6 imports will not constitute material injury. As a
7 matter of law, this argument is simply wrong.

8 First, the Commission is not supposed to
9 decide how much money this industry should make.
10 Instead, you should focus on whether the industry's
11 performance will change as a result of revocation.

12 Second, the amount of change necessary to
13 cause material injury is very low. U.S. law
14 specifically provides that material injury means "harm
15 that is not inconsequential, immaterial or
16 unimportant."

17 It is simply nonsense to maintain that
18 revocation of these orders will have no consequence
19 for the producers sitting before you. I don't think a
20 single person in this room truly believes that.
21 Accordingly, as a matter of law, we believe you must
22 keep these orders in place.

23 MR. SUTHERLAND: Good morning, Chairman
24 Pearson and members of the Commission. I have been
25 with IPSCO for 30 years and have been president and

1 chief executive officer for the past six.

2 I spearheaded the startup of our U.S.
3 tubular operations in the 1980s, and last year IPSCO
4 made the largest acquisition in the company's history
5 by purchasing NS Group for \$1.46 billion. The
6 acquisition was completed in December of 2006.
7 Essentially the acquisition signaled IPSCO's entry
8 into the seamless OCTG market.

9 In 2006, 93 percent of NS Group's sales were
10 of OCTG, and approximately two-thirds of those sales
11 were of seamless OCTG. In essence, IPSCO's
12 acquisition of NS Group was the reverse of Tenaris'
13 acquisition of Maverick where Tenaris entered the U.S.
14 welded market.

15 While there is still some overlap between
16 IPSCO's seamless and welded products, it is not
17 significant and is completely absent in product lines
18 such as seamless alloy premium threaded tubing.

19 The same would be true of the majority of
20 Tenaris' seamless production which will not overlap
21 with Maverick's production. Therefore, increased
22 imports of seamless products from Tenaris' plants
23 located in the named countries and from Japanese
24 companies will have a dramatic effect on IPSCO's
25 ability to obtain a return on its investment in

1 acquiring NS.

2 Between 1998 and 2006, IPSCO invested \$72
3 million in its U.S. facilities. During that same time
4 period, NS Group invested \$117 million. In 2007
5 alone, we will be investing \$118 million in our U.S.
6 OCTG operations. As can be seen, our companies have
7 utilized the period of relief to make significant
8 investments.

9 The massive import surge of OCTG from China
10 has contributed to a growing inventory glut of OCTG in
11 the United States marketplace. Continued increased
12 imports from China, along with moderating usage, is
13 preventing that inventory glut from subsiding. The
14 result is decreased orders, production, shipments,
15 employment and reduced profit margins for our company,
16 particularly in our welded operations.

17 Since December, we have laid off 72
18 employees at our OCTG plants in Blyville, Arkansas,
19 and Comanche, Iowa. We reduced welding crews from
20 four crews to three crews initially. We are now
21 reducing that to two crews in April. Our seamless
22 operations have cut back from seven to five day
23 operations.

24 This is in marked contrast to our experience
25 in plate where effective antidumping relief against

1 China allowed inventory corrections to take place in
2 the U.S. marketplace and allowed our operations to
3 return to normal operating rates after that inventory
4 correction took place. Thus, our company is currently
5 suffering in the low and medium end of the product
6 range from the high import levels from China and
7 Korea.

8 If these orders are revoked, we would expect
9 to see the flood of imports joined by imports from the
10 Tenaris companies, Korean companies and the Japanese
11 firms causing a reoccurrence of the injury suffered in
12 the 1990s to occur.

13 Thank you.

14 MR. SURMA: Good morning. I'm John Surma.
15 I'm the chairman and chief executive officer of United
16 States Steel Corporation.

17 Given our compressed timeframe this morning,
18 I'll limit my remarks to a few specific topics. Of
19 course, I'll be delighted to try to respond to your
20 questions.

21 The last several years have been good for
22 the OCTG business. We're generating solid profits,
23 which is as it should be considering that we're
24 operating in the largest market in the world and
25 demand in that market has doubled over a relatively

1 short period of time. We've also invested the capital
2 and developed the human resources necessary to
3 capitalize on these positive conditions.

4 But this is, of course, not how things have
5 always been. Over the last 25 years, this industry
6 has experienced a series of shocks on both the demand
7 and the supply side that have made this a very, very
8 tough business to be in. Our fortunes depend to a
9 large degree on the level of activity in the oil and
10 gas sector, which has always been notoriously
11 volatile.

12 When demand in that sector plummets, as it
13 has on several occasions, we have not done well.
14 That's what it means to be in a cyclical industry, and
15 I can assure you we have seen these cycles from just
16 about every angle.

17 Moreover, from time to time we've also gone
18 through hard times even when demand was strong. This
19 has happened when the market was forced out of balance
20 on the supply side by unfairly traded imports.

21 It's important to remember that the orders
22 that are at issue in this case are the direct result
23 of just such an experience. Thus, these orders have a
24 history, and it is a history that is not a happy one
25 from our industry's perspective.

1 Given the better times we're experiencing
2 now, the Commission must consider the impact of
3 removing these fair trade orders. In my view, and I
4 believe from any rational point of view, the effect
5 would be significant. Let me focus on several
6 important facts.

7 First, we're already losing significant
8 domestic market share because of the surge in imports
9 from China and other nonsubject countries. China has
10 gone from shipping around 65,000 tons of OCTG to this
11 market in 2002 to over 750,000 tons in 2006, 65,000 to
12 over 750,000 tons in 2006. Our concern with this
13 situation is only heightened by the strong evidence
14 that much of the capacity expansion in China is
15 heavily subsidized and otherwise not driven by market-
16 based considerations.

17 Rest assured that not only U.S. producers,
18 but all of the responding companies before you here
19 today, are very concerned about the implications of
20 China's exploding production and the resultant
21 subsidized exports to world markets.

22 Having said that, many of the Chinese
23 producers have not yet gained acceptance for the
24 highest end uses and customers in this market. By
25 focusing on precisely those uses and customers and in

1 a very good market, our domestic market has maintained
2 strong profitability.

3 Lifting this relief would open up intense
4 unfair competition in precisely the high value market
5 areas of most importance to our domestic industry.
6 Almost every sale they would take would come out of
7 our domestic industry's hide, and for every dollar
8 they would undercut price levels in this market those
9 effects would be felt throughout all the sales we
10 make.

11 If someone is suggesting to you that such
12 unfair competition has no material effect in the
13 market they're wrong. The recent statements by
14 Tenaris about its interest in this market and its
15 strong desire to see these orders lifted should not be
16 surprising.

17 The U.S. OCTG market is, as it has been for
18 a long time, the largest market for OCTG in the world
19 by a considerable margin. If you are a significant
20 producer of OCTG, if you're hoping to service key
21 customers globally, you want and need to be in this
22 market. For that reason, Tenaris' recent acquisitions
23 in this market and its stated interest in sourcing
24 from the subject countries makes all the sense in the
25 world from a business standpoint.

1 As you know, U.S. Steel has recently
2 announced a significant acquisition in the tubular
3 segment, namely of the high end welded pipe producer,
4 Lone Star Technologies. We view this as a strategic
5 acquisition that will provide many competitive
6 benefits, direct cost savings and operating and market
7 synergies over the long run.

8 From the outset, it will allow us to expand
9 our current primarily seamless business to include a
10 full range of high end seamless and welded OCTG
11 products. Our acquisition of Lone Star is of course
12 premised on a belief that this is a robust market with
13 strong promise for the future. It is also based, as
14 are all of our strategic decisions, on a belief that
15 this market will be characterized by market based
16 competition and that our trade laws will be enforced.

17 I find it ironic that the other side in this
18 case has tried to point to the Lone Star transaction
19 as a reason to lift relief. The suggestion is that an
20 industry that is doing well and investing for its
21 future, an industry that is, by the way, facing import
22 penetration of over 40 percent, does not need the
23 benefit of fair trade laws or the assurances of
24 market-based competition. This suggestion is, of
25 course, coming from producers who operate in countries

1 that allow essentially no imports into their own
2 markets.

3 I'm a business person and not a policymaker,
4 but I will say that if investing and succeeding in an
5 industry is grounds for penalizing U.S. producers and
6 our employees, grounds that is to allow unfair trade
7 in this market, then we have a law that does not make
8 much sense.

9 How well this industry will do in the future
10 depends to a great extent on market conditions and
11 demand. We're hopeful and optimistic about the
12 future, and that is, of course, one of the reasons we
13 decided to proceed with our pending acquisition of
14 Lone Star.

15 Whatever happens with demand or market
16 conditions, a return of unfair trade would have a
17 significant impact. If you allow unfair trade back in
18 this market, the fact is we will not be as profitable
19 as we otherwise would be. We won't make as much OCTG,
20 and we won't be able to invest in our workers and
21 facilities the way we would in the absence of unfair
22 trade.

23 It will mean that our workers and our
24 communities won't have the same opportunities that
25 they otherwise would. It will mean in essence that

1 you, the International Trade Commission, will be
2 putting a cap on how well this industry can perform.
3 You will be saying to our workers and businesses that
4 they are not entitled to earn a return dictated by
5 market forces, but only one that is artificially
6 suppressed by unfair trade.

7 At a time when manufacturing is struggling
8 in this country that would be a profoundly unjust and
9 unwise policy decision. We should be celebrating the
10 successes that we're able to achieve and making clear
11 that our trade laws are fully available and that the
12 ITC's doors are 100 percent open to the most
13 successful workers and companies so long as unfair
14 trade is materially impacting the results we would
15 otherwise be able to achieve.

16 As I understand it, that is what the law
17 says, and that is what I respectfully encourage you to
18 do. Thank you.

19 MR. LINDGREN: Good morning, Mr. Chairman.
20 As you heard from Mayor Williams, V&M Star is very
21 important to the City of Youngstown. While we're
22 owned by Vallourec & Mannesmann, we are a U.S. company
23 focused on the domestic market with virtually the
24 entire management structure of the previous owner,
25 North Star Steel.

1 I am accompanied today by our VP of Sales,
2 Ronny Clark, and our Chairman, Didier Hornet, who is
3 knowledgeable about the international OCTG markets and
4 competition. I suggest you take advantage of his
5 expertise during the question and answer period today.

6 We are here to ask you to continue the order
7 that imposes a check on countries that have practiced
8 illegal dumping behavior in the past and we have
9 reason to believe would continue this predatory
10 behavior if given the opportunity.

11 We believe this is important to the United
12 States because of the strategic importance of our
13 industry and the economic health of our steelmaking
14 communities. Over the last three years, most
15 companies in the oil and gas business, including V&M
16 Star, shared in the benefits of the unusually long
17 surge in oil and gas drilling. However, you only have
18 to go back to 2003 when we lost money in this cyclical
19 industry.

20 Make no mistake about it. We are not immune
21 to the business cycle, and the downward move for U.S.
22 drilling will recur. Given the current inventory
23 overhang that's been outlined by others today, a
24 future increase in imports from these five countries
25 who have consistently been aggressive exporters to the

1 U.S. market will likely lead to a collapse of the U.S.
2 market prices.

3 In fact, our order book in the first quarter
4 of 2007 is down significantly compared to the same
5 time period last year even as imports continue their
6 surge. Continuation of this surge will put our
7 domestic industry at risk.

8 Nothing points to the need for a strong
9 domestic industry more than the recent BP pipeline
10 incident in Alaska. While BP executives and numerous
11 press reports first indicated that imports would be
12 needed to satisfy BP requirements, in fact V&M Star
13 and U.S. Steel supplied this vitally important
14 seamless pipe in record time, minimizing the supply
15 disruption and potential of sending oil and gas prices
16 even higher.

17 To meet these types of demands, companies
18 like V&M Star must continue to earn reasonable rates
19 of return in order to continue investments into
20 maintaining and upgrading our operations. In response
21 to our customers' needs, V&M Star is investing over
22 \$100 million to expand capacity in Ohio by 100,000
23 tons and to increase heat treating capabilities at our
24 Ohio finishing facility to improve our capability to
25 produce more sour service products, such as C-110.

1 This heat treating expansion that will
2 enable us to produce complex, high value sour service
3 products was commissioned in February of this year.
4 After the rest of these investments are completed in
5 2008, we will be able to supply the entire range of
6 sour service demands in our size range in the United
7 States and leave a portion remaining for export.

8 We will not be exporting this product to
9 Mexico or Argentina. While Tenaris argues that they
10 want an open market for their dumped product in the
11 United States, their markets, for whatever reason,
12 remain closed to V&M Star. This results in much
13 higher prices in Mexico and Argentina than in the
14 United States.

15 However, drilling has declined in Mexico.
16 Thus, demand for OCTG has also declined.
17 Notwithstanding this whole market decline, TAMSA has
18 increased their heat treating capacity by 70 percent
19 and their sister company, Siderca, in Argentina by 90
20 percent. This positions them to focus their imports
21 on the market segments served by V&M Star and similar
22 mills.

23 The only outlet for this product will either
24 be U.S. or world markets such as Africa or the Middle
25 East. Tenaris and Sumitomo routinely sell these

1 products to these markets at prices far lower than
2 U.S. prices.

3 The referenced countries face increasing
4 competition in foreign markets that will be
5 exacerbated by the addition of new mills such as
6 Mittal's announcement of a new Saudi mill.
7 Additionally, our opponents have international
8 contracts with companies like ConocoPhillips and
9 Chevron Texaco that could be leveraged into our
10 domestic market at dumped prices.

11 Finally, payback on a major acquisition such
12 as Hydril by Tenaris for the announced price can, in
13 our opinion, only be realized through significant
14 revenue earned from combining Hydril thread with their
15 imported seamless pipe.

16 Bottom line, the referenced countries will
17 have significant interest in reentering the U.S.A.
18 market. No matter what you hear this afternoon, rest
19 assured that large quantities of Tenaris, as well as
20 Japanese and Korean, products are headed to the U.S.
21 market within a short period of time if you decide to
22 revoke this order.

23 This will undoubtedly cause V&M Star to fail
24 to get a return on our new investments, and it would
25 adversely affect the employment in Youngstown, Ohio,

1 an area of this country that cannot afford further job
2 losses.

3 Thank you.

4 MR. DUNN: Good morning, Chairman Pearson
5 and members of the Commission. I'm Byron Dunn,
6 President and CEO of Lone Star Steel Company.

7 The recurrence of injury which will be
8 caused by sunseting these orders against the five
9 subject countries is very real to Lone Star Steel.
10 Beginning in the third and continuing into the fourth
11 quarter of 2006, we saw our order book and new order
12 entry rate decline rapidly as tubular inventories
13 soared from massive amounts of OCTG imports entering
14 this country.

15 As a result, and even though the domestic
16 OCTG demand held firm during that period, we were
17 forced to materially reduce our OCTG production
18 schedules in response to the huge inventory build
19 which was occurring in our industry which resulted in
20 lower production rates and lower shipment levels as
21 compared to 2005.

22 Further, we experienced a significant
23 narrowing of our margins during the second half of
24 2006 as we were unable to pass along the rapidly
25 rising raw material cost to our customers in part due

1 to the softness in the market conditions brought about
2 by the oversupply and because of injurious pricing
3 offered by the vast number of imported OCTG products
4 principally from China, which has drained substantial
5 earnings power from our industry.

6 Though notwithstanding Tenaris' recent
7 acquisition of Maverick, we have no doubt that Tenaris
8 companies intend to export large quantities of OCTG to
9 the U.S. if you were to sunset these orders.

10 I was here a few years ago for the Canadian
11 case when Tenaris said it would not increase exports
12 from Algoma in the event of revocation. In fact, what
13 happened was Algoma exports to the U.S. increased over
14 tenfold since their testimony to levels we believe to
15 be in excess of 70,000 tons last year.

16 One of our customer witnesses was shy in his
17 testimony that day. He told me it was because he was
18 concerned about the ramifications of his comments, and
19 they might leave him and his customers short of four
20 and a half and five and a half inch seamless casing
21 from Algoma as his punishment.

22 We did not ask him to come here today
23 because we understand that his company is now the
24 leading distributor for Algoma products, and I know
25 that he would not want to compromise those handsome

1 profits he makes on low-priced imports to testify here
2 today against Tenaris, which, by the way, are sold to
3 him at pricing levels below domestic seamless and ERW
4 prices.

5 Those prices are likely to fall even further
6 in the face of the rapid decline in OCTG demand in
7 Canada as a result of the decline in drilling activity
8 which is now occurring there. Trust me. If you
9 sunset these orders, that distributor and more like
10 him will be happy to harvest the generous margins from
11 sourcing lower priced products from subject countries
12 where Tenaris has numerous manufacturing facilities.

13 Even with these orders in place, we have
14 faced increased import competition from Korean OCTG
15 mills as well. We now understand that NetSteel is
16 building a new mill coming onstream later this year
17 that is directed at heavy-walled, premium service
18 welded products which were actually pioneered in this
19 country by my company and are certain to threaten our
20 market position here in the U.S.

21 While the future of the U.S. drilling demand
22 can always be debated, everyone will have to agree
23 that OCTG exploration is a very high risk business,
24 and therefore the U.S. drilling activity will be a
25 very difficult market to predict over the next several

1 years because the rising drilling cost measured
2 against the volatile wellhead prices, which will
3 determine the domestic drilling rig count and
4 therefore the tubular demand in this country.

5 If you vote to sunset these orders, you will
6 unleash a flood of new imports on the already 40 to 50
7 percent import share and, when combined with the
8 substantial inventories already on the ground, will
9 severely compound the oversupply situation we now
10 face, which is certain to injure Lone Star Steel and
11 our employees.

12 For this reason, my plea is that you do not
13 sunset these orders. Thank you.

14 MR. CONWAY: Chairman Pearson, members of
15 the Commission, I appreciate the opportunity to appear
16 before you again. I'm Thomas Conway, Vice President
17 of the United Steelworkers Union.

18 I want to make two points about these
19 reviews from the perspective of the men and women who
20 make the OCTG in this country. First of all, I
21 understand the other side contends that the domestic
22 industry should lose this relief because it's been
23 relatively profitable in recent years.

24 Indeed, we at the union noticed that this
25 Commission has a depressing tendency to deny relief

1 unless the domestic industry can show it's in dire
2 straits. This makes no sense to us. Lost sales and
3 lost revenue from fair trade plainly constitutes
4 injury, even if a company makes a profit despite these
5 difficulties.

6 Furthermore, from our perspective such a
7 policy is particularly bad. After the crisis of the
8 '90s, we signed a series of new agreements that many
9 of you are familiar with. A key concept underlying
10 those agreements was that the workers would share in
11 the industry's success.

12 For example, many of the steel companies are
13 putting aside a significant portion of their profits
14 into voluntary employee beneficiary associations or
15 VEBAs. These VEBA funds guarantee their health care,
16 their drug benefits, supplement their medicare for
17 both current and future retirees.

18 After the restructuring, that's largely how
19 the health care has been formed. It's a good
20 arrangement, but it means that any loss in profits
21 immediately hurt our members. When the domestic
22 industry's profits fall, our benefits also decline.

23 By the time the domestic producers are
24 losing money, we've already suffered massive losses in
25 those areas. In short, any decline in the

1 profitability of domestic producers plainly
2 constitutes material injury from the perspective of
3 the U.S. workers.

4 Second, I want to tell you how frustrated we
5 are about the lost market share that domestic
6 producers have experienced in recent years. This
7 never should have happened. When these orders were
8 imposed we had 90 percent of the market. Then a flood
9 of imports from other countries started to enter the
10 market in 2000 and in 2001.

11 In 2002, the domestic industry brought the
12 AD and CVD cases against 13 different countries, but
13 unfortunately the Commission went negative on those
14 cases. Since that time, imports of OCTG have simply
15 exploded.

16 The other side claims this is no big deal
17 because the companies are still making money. We
18 disagree. Every ton lost to foreign mills is a ton
19 that won't be made by an American worker. These are
20 people in towns like Lorain in Ohio who want to work
21 for a steel company and who could have gotten good,
22 middle class jobs if domestic producers had maintained
23 the type of market share that they had when these
24 orders were originally imposed.

25 Thanks to a surge of imports, most of which

1 are probably traded unfairly, those people were never
2 hired. Do not make a similar mistake here. Keep
3 these orders in place. Thank you.

4 MR. BROGLIE: Good morning. I'm Les
5 Broglie, General Manager of Tubular Products for
6 United States Steel Corporation. I want to give you a
7 real world sense of what we would face if these orders
8 are revoked.

9 Tenaris has said publicly that it will
10 export to this market from Mexico to supply major oil
11 and gas producers like Chevron if the orders are
12 revoked. This would have serious implications for us.
13 Tenaris has agreements to supply the worldwide needs
14 of Chevron and ConocoPhillips outside the United
15 States and also is a leading supplier to Shell
16 worldwide. We are also major suppliers to all these
17 companies.

18 This business is extremely important to us.
19 This business provides an important base load for our
20 operations and also contributes materially to our
21 financial performance. Please keep this in mind if
22 Tenaris tells you that they will only export small
23 amounts of OCTG from the countries under order. We
24 don't believe that.

25 You need to know that whatever they export

1 to this country would be an essential component of a
2 broader range to take large amounts of business away
3 from producers like us.

4 When they go after business of a major end
5 user they want all their business, and then they try
6 to get it by selling themselves as a supplier of the
7 full range of products. They need to import from the
8 countries under order to do that.

9 We have invested heavily in our people, in
10 our facilities, and we are proud to provide pipe for
11 the most stringent applications from within the Arctic
12 Circle to the deep waters of the Gulf of Mexico. We
13 make as good a product as anyone in the world. When
14 they come to us for a quote, we provide it. When they
15 give us an order, we make it.

16 We offer all API products, premium and sour
17 service products made to demanding customer
18 specifications, including those of Shell and Exxon
19 Mobil, and our own proprietary line of premium
20 products for Arctic, high collapse and sour service
21 applications.

22 Thank you.

23 MR. BREIHAN: Good morning. TCA is the
24 largest processor of high end seamless OCTG products
25 in the United States. We focus on high collapse, sour

1 service products and probably supply over half --

2 CHAIRMAN PEARSON: Excuse me. Could you
3 please just identify yourself?

4 MR. BREIHAN: Yes. I'm Jim Breihan with
5 TCA. I'm sorry.

6 CHAIRMAN PEARSON: Thank you.

7 MR. BREIHAN: We focus on high collapse,
8 sour service products and probably supply over half
9 the U.S. demand for these high end products. We
10 rarely export our products and maintain our capacity
11 for our U.S. customers.

12 Sumitomo and Tenaris companies are two of
13 the largest worldwide competitors for these high end
14 products, but they have not been allowed to dump their
15 products in the U.S. market for the past decade.

16 Tenaris' recently announced acquisition of
17 Hydril will make them an even tougher competitor and
18 allow them to bundle OCTG with premium threads
19 directly to energy companies.

20 Interestingly, before Tenaris' purchase of
21 Hydril, Hydril itself pointed out in their own
22 disclosures to their shareholders and to the
23 Securities and Exchange Commission that integrated
24 tubular companies such as Tenaris that could provide
25 premium connections and bundled sales could have a

1 material adverse effect on Hydril and its operations
2 and profitability.

3 Now that Tenaris is purchasing Hydril, that
4 threat to TCA and the rest of the U.S. industry is
5 very real if Tenaris can bundle their dumped tubular
6 products with Hydril threads to our customers.

7 As detailed in Attachment C of our
8 questionnaire response, our backlog at TCA plummeted
9 through 2006. This is largely because the demand for
10 sour service products is declining as offshore rigs
11 were moved from the Gulf of Mexico to other markets
12 around the world with larger potential oil finds and
13 without sky high post Katrina insurance rates.

14 As a result of the declining backlog and now
15 falling production, we have reduced our number of
16 employees at TCA this year. Dumped high end products
17 into the market from Tenaris in Japan will severely
18 harm TCA's future operations.

19 I know that this afternoon you will hear
20 from witnesses from Shell complaining about their
21 ability to purchase sour service products. I hope
22 either at the lunch break or after this hearing these
23 executives could contact me and place additional
24 orders. We desperately need the business.

25 On behalf of our remaining employees, I ask

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1 you not to allow Tenaris and Sumitomo to harm our
2 employees and jeopardize our business by revoking
3 these orders. Thank you.

4 MR. SHOAFF: Good morning. I am John
5 Shoaff, President of Sooner Pipe, one of the world's
6 largest distributors of OCTG.

7 I would like to explain why demand will not
8 insulate domestic producers from injury if the orders
9 are revoked. Much of the increase in OCTG demand
10 consists of demand for low end products that are used
11 in onshore drilling.

12 Domestic producers are being squeezed out of
13 this end of the market by imports from nonsubject
14 countries, particularly China. As a result, domestic
15 producers are being forced to concentrate on high end
16 products and customers such as the major oil
17 companies.

18 Furthermore, demand for high end OCTG is by
19 no means unlimited. Whenever companies like Chevron
20 or BP announce a major drilling project, there is
21 fierce competition for that business not only from
22 domestic mills, but from international mills such as
23 V&M.

24 There is also stiff competition for high end
25 contracts with major end users who sometimes prefer to

1 negotiate a single deal to cover all of their global
2 OCTG requirements. This competition takes place
3 almost entirely on the basis of price.

4 Allowing a company like Tenaris to undercut
5 domestic prices in these negotiations would certainly
6 hurt the domestic industry. Domestic producers would
7 have no good option. They could either reduce their
8 prices or lose the business. Moreover, once they cut
9 prices to get one contract, they would have to lower
10 prices for all of their high end customers.

11 There is simply no possibility that demand
12 will be sufficient to insulate domestic producers from
13 the impact of such a development. Thank you.

14 MR. DIONISIO: Good morning. I'm Jim
15 Dionisio, Manager of OCTG Products for Red Man Pipe
16 and Supply. My job requires me to study this market
17 closely. Here's what I believe will happen if these
18 orders are revoked.

19 First, the subject producers will almost
20 immediately become more active in this market. The
21 U.S. is by far the largest and most profitable market
22 for OCTG in the world, and no major producer would
23 willingly stay out of it.

24 Second, the subject producers will target
25 high end customers. For example, importers pride

1 themselves on serving high end companies like Chevron,
2 Shell and Exxon Mobil. Currently they cannot do that
3 here. Once the orders are revoked they will
4 immediately go after the most advanced and most
5 profitable contracts in the market.

6 Third, the subject producers will start
7 winning high end contracts. They already serve a lot
8 of these companies in other markets, and they will
9 undercut domestic producers on price. Once they do
10 that they will get the business. I can assure you
11 that OCTG customers are always looking for lower
12 prices.

13 Fourth, once subject producers get a few of
14 the key contracts, this entire business will change.
15 Please understand there are no secrets in this
16 business. All of the major players in this business
17 are very sophisticated, and they closely monitor
18 pricing developments throughout the market.

19 If one end user gets a lower price, other
20 end users will demand similar treatment. Once that
21 happens, domestic producers will be hurt. There will
22 be nothing they can do other than to be hurt. That's
23 why we need this relief.

24 Accordingly, I urge you to keep these orders
25 in place. Thank you.

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1 MR. TRUE: Good morning. I am Dave True,
2 President of Tool Pushers Supply Company headquartered
3 in Casper, Wyoming.

4 Tool Pushers Supply Company is a distributor
5 of OCTG and has been in the oil field supply business
6 since 1953. We have seven store/warehouse locations
7 and eight sales offices covering the oil and gas
8 industry in the Gulf Coast, Texas, Oklahoma and
9 throughout the Rockies.

10 My family is also an oil and gas exploration
11 production independent with most of our activities in
12 the Rocky Mountain region, and we also operate a
13 drilling rig contracting company, so I come with a
14 fairly broad background.

15 In our supply business, we primarily
16 distribute domestic products, but we also handle some
17 imported tubulars via third party importers as well.
18 We have experienced the real, on-the-ground
19 consequences that Halliburton referenced a few weeks
20 ago and Neighbors Industry more recently with their
21 weaker earnings forecast for 2007.

22 Drilling in the Rockies is definitely
23 softening. Our OCTG sales are down significantly in
24 2007 compared to 2006 and 2005, which means in turn we
25 are reducing our purchases from U.S. mills. As a

1 matter of fact, our sales may be down more
2 significantly than sales of many import wholesalers
3 who are directly handling Chinese product, which is
4 being traded at notably lower prices than U.S.
5 manufactured OCTG.

6 Inventories are very high by historical
7 standards, and thus operating companies are ordering
8 less far in advance from us, and we are waiting until
9 we need product because we know that mill lead times
10 have shortened.

11 We would like to see the OCTG months of
12 supply inventory at no more than four months or a
13 third lower than the current rate of nearly six months
14 of supply. There is a very large quantity of
15 inventory reduction that has to take place, and it
16 will take a lengthy time and probably at painful
17 economic consequences.

18 In our drilling company, only seven of our
19 12 rigs are currently working all for outside
20 customers. The current situation might beg the
21 question how does demand for drilling services going
22 down with the rig count moving up?

23 You must understand that new rigs and
24 remodeled rigs have been contracted by exploration
25 companies many months or even years in advance. The

1 operator must take that new rig when it is ready and
2 release the older rig. Over the past year there have
3 been more rig additions than the growth in rig demand.

4 The other reason that rig usage in drilling
5 is declining in the Rockies is that the price
6 differential between natural gas at the wellhead in
7 the Rockies and the Henry Hub price in Louisiana,
8 which is normally 50 to 75 cents, is now between \$3.50
9 and \$4.

10 It means that we are getting about \$3.50 to
11 \$4 at the wellhead in the Rockies compared to over \$7
12 per MCF in many other areas of our nation. That is
13 not healthy. The biggest drilling growth in the U.S.
14 over the past several years has been in the Rockies,
15 and it seems to be the area in which we are seeing the
16 most weakness now.

17 As a family business sitting on millions of
18 dollars of OCTG inventory, as well as a family
19 business with our roots deep in the American oil and
20 gas business, we believe that trade remedy laws should
21 continue to be applied so that our U.S. suppliers
22 should not have to compete with unfairly traded
23 product particularly at a time when we seem to be
24 heading into a weaker part of the cycle and a
25 tremendous oversupply situation partially caused by

1 low-priced Chinese imports.

2 Thank you.

3 MR. STEWART: Good morning. I'm Dick
4 Stewart, Vice President and General Manager of J.D.
5 Rush Corporation, a major distributor of OCTG. My job
6 depends upon my ability to predict which way the
7 market is going.

8 Let me tell you what I'm seeing right now.
9 Like everyone else here, I've seen the optimistic
10 projections of energy prices and rig counts. I hope
11 they are correct. But I have been in this business
12 for 39 years, and I've seen many downturns that no one
13 expected. I also know that the current increase in
14 demand, which has already lasted for three years, is
15 extremely unusual.

16 Based on the last 25 years of history in
17 this market, we are overdue for a downturn. We are
18 seeing signs of the downturn. At J.D. Rush we notice
19 that the prices for carbon grades of OCTG, what we
20 think of as the low end of the market, started to drop
21 off about a year ago. This was due in large part to
22 the enormous volumes of the imported OCTG in the
23 market.

24 The prices for high end alloy material
25 stayed firm until about six months ago, but since then

1 they have also fallen. Our profit margins have been
2 slashed, and we may soon have to ask our suppliers for
3 a price cut. Meanwhile, inventory levels are too
4 high. We have about six months worth of inventory
5 right now, which is about two months more than we
6 would like.

7 In short, while some projections of OCTG
8 demand are quite optimistic, I'm very concerned about
9 the near term future of this market. At a minimum, I
10 am certain that demand will not increase by any amount
11 large enough to make up for the increased supply that
12 would result from revoking these orders.

13 Accordingly, I am convinced that revocation
14 will harm domestic producers. I urge you to keep the
15 orders in place. Thank you.

16 MR. CAUSEY: Good morning. I'm John Causey,
17 President of Cinco Pipe and Supply. I've been in the
18 oil and gas business for 45 years and was a co-founder
19 of Cinco Pipe and Supply in 1976. I am the president.

20 Ralph Bell, the CEO of the company, was one
21 of my fellow co-founders, and it is a pleasure to have
22 had a chance to work with someone for 31 years.

23 Our company is headquartered in Houston,
24 Texas. Our distribution of oil country tubular goods
25 is primarily to mid-sized independent operators. For

1 many years we were a primary distributor for Japanese
2 stainless pipe produced by Nippon Steel.

3 After these dumping orders went into effect
4 in 1995, we began shifting to predominantly domestic
5 product, mostly Lone Star Steel's ERW product. The
6 majority of our business was for offshore production,
7 but given the decline in offshore drilling our
8 business is now fairly evenly split between offshore
9 and onshore drilling.

10 While overall real demand has definitely
11 increased over the past few years, the increase in
12 inventories has far outstripped the increase in demand
13 leading to a massive inventory buildup of OCTG in this
14 country. Put another way, demand is good, but we are
15 in a horrible oversupply situation in the U.S. market.

16 As I mentioned, we handle Lone Star's large
17 ODE heavy-walled ERW product, which is accepted in
18 most offshore applications in competition with
19 seamless OCTG. To be honest, in 10 3/4 and above
20 heavy-wall casing we do not really think we are
21 competing with any of the welded products made by
22 Maverick.

23 However, if you sunset these orders we will
24 almost certainly see tremendous additional import
25 competition. That is certainly going to make our

1 competitive life more difficult, and it is already
2 difficult enough given the massive oversupply and
3 overinventory situation of the U.S. market.

4 For those self-serving reasons and based on
5 the fact that we would like to see continuation of a
6 strong domestic supply base for the U.S. exploration
7 industry, we think that this Commission should
8 continue to maintain fair trade in the U.S. market for
9 OCTG.

10 Thank you.

11 MR. JOHNSON: Good morning. I am Jim
12 Johnson, Executive Director of Hunting Energy
13 Services, which provides a variety of services to
14 parties drilling for oil and gas both in the United
15 States and around the world.

16 I agree with the portrait of the industry
17 you have heard so far, and I would like to fill in a
18 few critical details. First, by increasing their
19 sales in the United States, the subject producers
20 would not only improve their position here, but would
21 also be more successful in other markets they serve.

22 The United States is the leading OCTG market
23 in the world. Producers want to be here for the same
24 reason that baseball players want to be in the majors.
25 It shows that they are the best.

1 If the subject producers get high end
2 business in the United States, this would help them
3 obtain even more business overseas. This is a major
4 incentive for subject producers to increase exports to
5 the United States.

6 Second, while overall demand is good right
7 now, demand for high end OCTG has not been so great.
8 Rig counts in the Gulf of Mexico have declined in
9 recent years. A lot of new rigs are drilling
10 relatively shallow onshore wells to reach
11 unconventional gas such as methane found in coal
12 seams. This type of drilling does not require high
13 end OCTG. Thanks to imports, domestic mills are
14 losing much of this business so they really cannot
15 afford to lose any of the high end sales.

16 Third, while you'll hear a great deal about
17 the major oil companies, Tenaris has made clear that
18 it also intends to serve independent oil producers,
19 which account for most of the OCTG used in the United
20 States. This will certainly harm domestic producers.

21 For all of these reasons I am certain that
22 these orders should stay in place. Thank you.

23 CHAIRMAN PEARSON: Thank you. The red light
24 has come on, so we will turn now to Mr. Cannon and to
25 Maverick.

1 MR. CANNON: Thank you, Mr. Chairman. We'll
2 proceed with testimony from Jeff Shorter.

3 MR. SHORTER: Good morning. My name is Jeff
4 Shorter. Until the acquisition by Tenaris in October,
5 I was the Vice President and General Manager of
6 Maverick Tube Corporation. I've been involved in this
7 business for 14 years.

8 Since the merger I've been training in
9 Argentina to fully understand the Tenaris global
10 organization. At the end of the year I'll be
11 returning to the United States to assume a position
12 with the Tenaris management team.

13 As set forth in our prehearing brief,
14 Maverick strongly supports the antidumping orders
15 against Japan and Korea. At the same time, Maverick
16 will benefit if the antidumping orders are terminated
17 with respect to tubing and casing from Argentina,
18 Italy and Mexico.

19 Maverick is now the largest U.S. producer of
20 welded casing and tubing. We account for over 17
21 percent of the total U.S. OCTG production. Tenaris
22 has invested over \$3 billion in the Maverick
23 acquisition, and we have over 3,000 employees in this
24 country.

25 We are fully committed to supplying the U.S.

1 market from our plants in Arkansas and Texas, and this
2 is evident in our long-term supply contract with Nucor
3 and our continuing steel purchases from U.S. Steel and
4 Mittal.

5 Let me describe the products we make.
6 Maverick manufactures welded tubing and casing.
7 Maverick only produces welded products, and all of our
8 products are electric-resistance welded or ERW
9 products.

10 ERW products are generally used in less
11 demanding onshore applications. Seamless products are
12 generally used in more demanding applications.
13 Although seamless products can be used in place of
14 ERW, it does not make economic sense to do so. The
15 average selling price of seamless products is
16 substantially higher than the price of ERW tubing and
17 casing, and the ERW products perform equally well in
18 these less demanding applications.

19 Maverick has gone to the marketplace to
20 educate our customers and build acceptance of ERW
21 pipe. That's one of the ways that ERW increased its
22 market share over seamless tubing and casing. The
23 rest of the world, by comparison, still uses seamless
24 products the majority of the time. Because of this,
25 the U.S. consumes 86 percent of all welded OCTG tubing

1 and casing, and Canada consumes much of the rest.

2 Maverick is particularly concerned that
3 Japanese and Korean imports of welded tubing and
4 casing will be directed to the U.S. market if the
5 antidumping orders are lifted. As the Commission has
6 previously found, Korea and Japan have significant
7 capacity, and they have no home markets. Therefore,
8 they produce in order to export.

9 Most, if not all, of these Japanese mills
10 have the capacity to produce ERW products, and the
11 Korean mills subject to the antidumping orders only
12 produce ERW tubing and casing. It is obvious the
13 termination of the antidumping orders will allow
14 producers in both countries to again target the U.S.
15 market.

16 As for the Japanese products, Japanese
17 welded tubing and casing have largely disappeared from
18 the U.S. market because of the high dumping rates
19 established by the orders. Before the antidumping
20 order was in place, imports from Japan were
21 substantial and were increasing rapidly.

22 Japanese products since the 1980s have been
23 perceived in the market as the highest quality OCTG
24 products. They are sold by nearly every distributor,
25 and in fact three major distributors in the U.S. are

1 owned by Sumitomo.

2 Because of the fact that our distributor
3 customers have historically carried the Japanese
4 products, we will be forced to compete with these
5 products if the antidumping order is lifted.

6 Japanese mills have an incentive to produce
7 the OCTG products that can earn the highest return on
8 investment. OCTG products sell for a premium price.
9 Also, the Japanese producers have invested in
10 upsetting, heat treating, threading and finishing
11 operations.

12 These investments are not utilized if the
13 companies make line pipe, structural pipe or other
14 replacement products. Welded OCTG products made in
15 Japan will seek out the U.S. market because it is
16 almost the only market for welded OCTG.

17 Unlike the imports from Japan, Korean
18 imports subject to the antidumping duty order did not
19 stop. Korean producers do not really have a stake in
20 the marketplace and are concerned primarily with
21 moving product and making sales. This approach is
22 illustrated by the sharp increase in Korean imports in
23 the last 10 years. Total imports from Korea more than
24 doubled from 2001 to 2006 according to the Census
25 Bureau.

1 At Maverick we encounter direct competition
2 from Korean imports across the market. In some cases,
3 Korean imports are the lowest priced in the market,
4 even lower than the Chinese imports. We have lost
5 sales due to these low prices.

6 For example, our largest customer buys both
7 tubing and casing from us, but in the area of tubing
8 they only buy 30 percent of their tubing from us and
9 70 percent from Korea. To make matters worse, foreign
10 producers have piggybacked on our efforts to get
11 welded pipe accepted in the marketplace.

12 After Maverick has invested time, money and
13 resources to guide customers in substituting ERW for
14 seamless, Japanese and Korean producers find very
15 little resistance switching their customers from U.S.
16 made ERW to their imports.

17 Given these conditions, if the antidumping
18 orders on Japan and Korea are terminated, dumped
19 imports will invariably return, depressing U.S. price
20 levels, capturing market share and causing material
21 injury to the U.S. industry.

22 For these reasons, the Commission should not
23 terminate the antidumping orders on Japan and Korea.
24 Thank you.

25 MR. CURA: Good morning. My name is Germán

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1 Curá. I'm the Managing Director for Tenaris North
2 America and also the President and CEO of Maverick.

3 I appeared before the International Trade
4 Commission in 2001 as President of Siderca Corp., and
5 at the time I supported revocation of the antidumping
6 orders against Argentina, Mexico and Italy.

7 I appear today as a member of the U.S.
8 industry that is committed to the U.S. market, and I
9 again support the revocation of the dumping orders
10 again Argentina, Italy and Mexico.

11 To begin with, I want to emphasize that the
12 U.S. market has dramatically changed since I was here
13 in 2001. The landscape has changed. First,
14 consumption of OCTG in the U.S. market has increased
15 from 2.9 million in 2001 to 4.5 million in 2006.

16 Second, the U.S. industry has consolidated.
17 The growth in demand has attracted both domestic and
18 foreign investment. Third, China has become the
19 largest single supplier of imported OCTG to this
20 market.

21 In the midst of these changes, Tenaris has
22 taken a leading role with its acquisition of Maverick.
23 The merger of Maverick and Tenaris was not intended to
24 give Tenaris a sales agent. Maverick is one of the
25 three largest manufacturing bases in the Tenaris

1 system today. Our intention is to grow it further.

2 Once the Hydril transaction closes, our U.S.
3 employment will grow to around 4,500 U.S. employees.
4 This will make the U.S. one of our two largest
5 employment bases around the world.

6 Tenaris acquired Maverick because of our
7 commitment to grow in the single biggest market for
8 less demanding or low end pipe application and because
9 of Maverick's leadership position in the U.S. market.
10 As a part of Tenaris, Maverick is now able to better
11 serve its customers with a full basket of tubular
12 products.

13 Also to better serve our customers we have
14 planned for the first year an additional investment of
15 \$70 million to streamline Maverick's operations and
16 debottleneck and improve the product quality.

17 In these circumstances, Tenaris will not
18 undermine its own investment by depressing prices and
19 causing material injury to the U.S. market. At the
20 same time, Maverick will become a stronger company
21 because it will be better equipped to compete against
22 increasing imports.

23 In fact, the merger of Maverick into Tenaris
24 has changed the way Tenaris approaches the market
25 altogether. In other countries, Tenaris sells

1 directly to the end users and provides some of the
2 pipe services that are needed by the few, big state-
3 owned or multinational companies that purchase our
4 OCTG products.

5 This approach by and large reflects the fact
6 that there is no pipe management infrastructure for
7 selling OCTG in those markets. The U.S. market is
8 structurally different. We recognize that.

9 The U.S. market is automatized. Customers are
10 geographically dispersed. In this market, a major
11 market presence such as Maverick cannot be sustained
12 without the complementary services that are supplied
13 by the existing distributors. As a long-term U.S.
14 producers, Maverick looks at the major distributors as
15 partners.

16 Now, you must not ignore the change that has
17 occurred since the first sunset review. Tenaris is
18 now a committed and a major U.S. producer, and as a
19 U.S. producer and given that the U.S. is such an
20 important base for Tenaris we are in a very different
21 position than producers in Japan or Korea.

22 In these circumstances, the orders with
23 respect to casing and tubing from Argentina, Italy and
24 Mexico are no longer justified. Thank you.

25 CHAIRMAN PEARSON: Okay. Your timing is

1 perfect. The light just turned red.

2 I would just like to express my appreciation
3 for the depth and breadth of experience that is
4 represented here this morning by this panel in oil
5 country tubular goods. I appreciate the time that
6 you've taken to come here. It's a pleasure to have
7 you all.

8 With that we will turn to Commissioner
9 Pinkert for the first questioning.

10 COMMISSIONER PINKERT: Thank you, Mr.
11 Chairman. I, too, would like to thank the panel for a
12 very informative presentation.

13 I want to start with the last witnesses and
14 to ask Mr. Cannon if he can to explain to me how the
15 position of Maverick in the U.S. market producing
16 welded product has any impact at all on Tenaris'
17 incentives to export seamless product to the United
18 States.

19 MR. CANNON: Thank you, Commissioner
20 Pinkert. You will hear, and you can hear from German
21 after me, and you will hear I'm sure this afternoon
22 from Tenaris' executives who appear with Respondents
23 about their plan for the world and about their
24 business strategy.

25 Tenaris has a global business strategy.

1 They have plants in 10 countries. The U.S. is now one
2 of the top three of their manufacturing bases. What
3 they are is essentially a diversified company. They
4 have put a plant in many markets to serve those
5 markets.

6 As a result, when the oil business goes up
7 in one area of the world or goes down in one area of
8 the world, they can take advantage when it goes up in
9 another area of the world. They want to serve local
10 markets. They're a home market producer.

11 In the U.S. market, they've studied the
12 market, and a big portion of the U.S. market -- 60
13 percent of it -- is for less demanding applications.
14 Those less demanding applications are ideally served
15 by Maverick, so in their judgment the best position in
16 the U.S. market is Maverick in order to take advantage
17 of that.

18 Now, indeed there are more demanding
19 applications where you need seamless. As you've
20 heard, Maverick is able to obtain that from Canada.
21 As demand has increased, indeed they've brought in
22 some product from Algoma, and they're able to do that.
23 Algoma is not covered by a dumping order. They don't
24 dump, and there is no issue there.

25 So the real question here is, and I think

1 Roger said it at the beginning, what's the volume that
2 Tenaris is likely to import? Our position on that is
3 that you can look at what they've been importing from
4 these countries.

5 The U.S. market has not been using Tenaris'
6 high end product because it's not a market in which
7 they need to be selling that product. They are
8 committed to selling Maverick's product here.

9 MR. CURA: I think, Commissioner Pinkert,
10 the short answer to your question is the end users are
11 by and large buying complete packages for all of their
12 tubular needs, both seamless and welded.

13 Naturally Maverick is a very strong player
14 in the welded field. We are today by and large
15 complementing some of the seamless requirements that
16 are coming from some of our production bases, but we
17 believe that our ability to compete with a full basket
18 of tubular products, both seamless and welded, would
19 make the U.S. companies stronger vis-à-vis integrated
20 requirements from the end users.

21 COMMISSIONER PINKERT: Thank you. Perhaps
22 some of the other members of the panel would like to
23 comment on that issue?

24 MR. DUNN: I'd just like to mention just one
25 thing relative to complete packages. Byron Dunn.

1 In order for Tenaris to offer complete
2 packages to their customer base here they'll have to
3 import. He just told you what he plans to do.

4 COMMISSIONER PINKERT: All right.

5 MR. SCHAGRIN: Commissioner Pinkert? I
6 would just like to add. This is Roger Schagrin. I
7 think your first question kind of points out, and
8 we're going to go through this all day, a very unusual
9 situation.

10 I've been doing this for 25 years now before
11 the Commission, and I've never before been a
12 participant on a domestic panel which really has kind
13 of a Trojan horse in the panel where the same panel
14 that's supposed to be supporting the opposition to
15 revocation of the orders is also answering questions
16 about why the orders shouldn't be revoked.

17 It's a very unusual situation. We protested
18 it to the Commission, but I think it's appropriate
19 before the Commission to just point out how difficult
20 this is. In the past in situations where people are
21 bipolar and we have a globalized industry, folks like
22 Tenaris and Maverick were put on their own panel. It
23 would have made things a lot cleaner.

24 I hope we'll get through it. Obviously the
25 answers to this question demonstrate, as the whole

1 domestic industry testified today, including the
2 distributors, that Maverick can only supply welded
3 products to about 60 percent of U.S. consumption.

4 The other 40 percent takes seamless product,
5 and that's what Tenaris is making in those four
6 countries so in order to access that other 40 percent
7 of the market they will have to dump products here
8 after revocation of the order. That's the product
9 that all the seamless producers here and, to a certain
10 extent, Lone Star are focused on.

11 That's a huge portion of the market and the
12 only portion of the market where they're not getting
13 chased by China right now, which is really focused,
14 albeit it with seamless products, extremely cheap
15 seamless products, on that lower 60 percent of the
16 market. Thank you.

17 COMMISSIONER PINKERT: Is there another
18 witness that wishes to speak?

19 MR. KAPLAN: Yes, Commissioner. I think
20 there are extremely strong --

21 CHAIRMAN PEARSON: Could you please identify
22 yourself, Dr. Kaplan?

23 MR. KAPLAN: Seth Kaplan from the Brattle
24 Group.

25 I think there are extremely strong reasons

1 to expect large volumes of imports from Tenaris to
2 enter. I think the first point is that seamless and
3 welded pipe are complements. In the same well, all
4 qualities of pipe could be used. End users buy
5 baskets of different qualities.

6 Members of the panel will talk about
7 physical limitations and quantity limitations of the
8 potential seamless products of Tenaris from Canada,
9 but they're better situated to supply these products
10 from their other countries.

11 Second, as an economic matter, you're going
12 to equalize and maximize profits, and you're going to
13 do this by finding the lowest marginal cost supplier
14 of the particular tubular product across your whole
15 company.

16 It could be the case in fact that Maverick
17 will be better off by being able to supply seamless
18 products that are complementary with its tubular
19 welded products, but the rest of the U.S. industry
20 will be worse off as increased imports from the
21 dumping countries would enter as complements to their
22 welded product.

23 Now, I'd like you to take a look at an
24 exhibit from the Maverick brief. It's Exhibit 3,
25 which is a Tenaris investor day presentation from

1 2007. On page 4 they show where their net sales have
2 been around the world, one from the fourth quarter of
3 2003 and the second from the fourth quarter of 2006.

4 What you will see first is that they could
5 shift product around the world pretty quickly as these
6 shares have changed, but in the fourth quarter of 2006
7 their net sales largest was North America at 36
8 percent and the Middle East and Africa at 25 percent.

9 As we have put in briefs and there will be
10 testimony too, there are large seamless mills now
11 being built and plan to be built in Saudi Arabia.
12 That is their second largest market.

13 These mills are coming on board, and where
14 are they going to go? Their incentive is to come into
15 North America where they complement their Maverick
16 product, where they have deep wells using their types
17 of seamless products, where they have ambitions to
18 enter.

19 Whereas people have testified it's important
20 that they sell to the high quality producers, where
21 they are selling to producers that already exist here,
22 that they sell to in other parts of the world through
23 worldwide sourcing contracts because prices are higher
24 here because there's price gaps around the world.

25 Because they have significant amounts of

1 divertible capacity from where they sell into other
2 parts, because of the growing importance of the U.S.
3 market and the growth of the U.S. market, because of
4 the emergence of China as a competitor pushing them
5 out of certain other markets, because of the
6 demonstrated ability of subject OCTG from them to
7 enter markets quickly through existing distribution
8 channels.

9 So there are many, many reasons they will be
10 here. I do not think it's credible that they will
11 ignore the world's largest market. As a profit
12 maximizing multinational enterprise, I think it is not
13 credible to believe they wouldn't source from all
14 their mills given the physical requirements that do
15 not overlap between all their mills and the inability
16 of Canada to supply the product.

17 I think it is plain that they will come here
18 in significant quantities to increase their profits
19 and make the synergies with their Maverick purchase
20 realized should the orders be lifted.

21 COMMISSIONER PINKERT: Thank you, Mr.
22 Kaplan, and thank you, Mr. Chairman.

23 CHAIRMAN PEARSON: I have some experience in
24 cyclical markets. You know, sometimes things go well,
25 and sometimes they don't go so well. Frankly, I

1 really like being on the upside of things because
2 making money is just a whole lot more fun than the
3 opposite.

4 I'd just like to celebrate with you the fact
5 that things have gone well here recently. I think
6 that's great for your industry, and we all can be glad
7 of that.

8 What I'm trying to get a more thorough
9 understanding of is the trend for apparent consumption
10 in the United States. I mean, apparent consumption of
11 OCTG has roughly doubled over the period of review,
12 and I think we have an argument from Respondents that
13 there have been structural changes in the marketplace
14 that will keep OCTG demand high.

15 How do you see this? Is there a structural
16 change, and are we going to be looking at a different
17 market for OCTG going forward than we have in the
18 past, or is this a normal cycle and we're just peaking
19 out at a very nice, high level and it heads down from
20 here? Any thoughts on that?

21 CHAIRMAN PEARSON: Mr. Surma.

22 MR. SURMA: Mr. Chairman, I'll make a modest
23 attempt, thank you.

24 In our view there has been a substantial
25 change in the marketplace in the last several years,

1 driven of course by the much higher energy price
2 structures which prevail in the world and, naturally,
3 North America. And given our North American demand
4 for energy we think it's likely that drilling rates
5 would be higher over time than in the past and that in
6 fact OCTG demand would be higher than it has been in
7 the past. But that does not in any way eliminate the
8 likelihood of there being continuing cycles in this
9 business. We think that's quite likely over time.

10 In my history at one time I was the Chief
11 Financial Officer for Marathon Oil Company. In late
12 1997 and 8 I was doing price forecasts and budgets
13 with WTI of 10, 15 and 20. And Henry Hub Gas at 2, 3
14 and 4. So I don't expect it to be back at that level
15 soon but I don't expect us to have no cyclicity in
16 what is a notoriously cyclical industry. So I think
17 we have a higher level of OCTG consumption likely for
18 the long term but not likely to be completely
19 eliminating cycles.

20 CHAIRMAN PEARSON: Any other comment? Mr.
21 Cura?

22 MR. CURA: Thank you, Mr. Chairman. I would
23 like to say that we agree with Mr. Surma's view. And
24 I think there's a structural reason for that which we
25 will be very happy to expand with post-hearing notes.

1 Over the last four years the consumption of
2 OCTG recount has increased in the numbers that we're
3 seeing dramatically. Notwithstanding that, the gas
4 production in the countries has stayed about the same
5 level. And that deals with I think two factors: one,
6 the notion that the gas fields are maturing, that the
7 declining rates of each and every well getting done is
8 dramatic, we're talking about elements like 50
9 percent. And consequently to sustain the level of
10 domestic production industry has no other choice but
11 increase the level of drilling, increase the level of
12 activity.

13 I tend to agree also with Roger with respect
14 to calling the products gas country tubular goods. It
15 is in fact driven by that. And it is in fact the
16 reason why we've seen these dramatic increases.

17 CHAIRMAN PEARSON: Okay. You are agreeing
18 with Mr. Schagrin there I take it then?

19 MR. CURA: Only in the name, yes.

20 MR. SCHAGRIN: Mr. Chairman, I would like to
21 invite Mr. Hunt and Mr. True to answer your question
22 because they are both actually drilling for gas. And
23 I think they can talk about how there's been
24 structural changes in costs as well as in prices which
25 may not result in any structural increase in drilling.

1 CHAIRMAN PEARSON: Right. Yes.

2 MR. SCHAGRIN: Mr. Hunt, you first and then
3 Mr. True, please.

4 MR. HUNT: I think there's definitely an
5 uncertainty in where gas prices are in the United
6 States at this time. Our company curtailed drilling
7 for gas third and fourth quarter last year, first
8 quarter this year. Prices for gas has significantly
9 come off. The costs of drilling our wells are more
10 than doubled, almost tripled, so our return on
11 investment sort of plateaued.

12 I think drilling stays up for a while but
13 the uncertainty over what our industry has been able
14 to accomplish with L&G imports certainly figures into
15 what the demand for domestically produced gas is.
16 There is quite a bit of uncertainty in where we are in
17 the natural gas business right now. I think they
18 would probably agree with that.

19 CHAIRMAN PEARSON: Could you just clarify
20 why have your drilling costs doubled or tripled
21 recently? Is it are there factors other than the
22 rather high price you're paying now for oil country
23 tubular goods?

24 MR. HUNT: Oh, that's a minor part. The
25 costs of drilling rigs, the costs of all your

1 services, cementing, stimulation in particular,
2 logging. Almost anything that goes into drilling a
3 well is way up.

4 CHAIRMAN PEARSON: Availability --

5 MR. HUNT: And to be fair, there needed to
6 be price increases for return on investment to all the
7 people that hadn't had much when times were really
8 bad. It's just like so many cyclical businesses,
9 prices have gone up for what it costs to drill and now
10 the price of natural gas is certainly off from \$10.
11 Where we are in West Texas and New Mexico our gas that
12 we're getting is \$5.50 to \$6.50, not what's posted at
13 Henry Hub. But I think L&G is the biggest import item
14 that we don't know about. Plus there's a big overhang
15 over the five-year historical average of where we are
16 coming out of the winter on inventories. So all those
17 things enter into it.

18 CHAIRMAN PEARSON: Could you just clarify,
19 are there sufficient skilled drilling crews available
20 or is availability of skilled people sufficient to
21 keep the rig numbers up there?

22 MR. HUNT: The question is skilled. It is
23 extremely hard for the service companies to find and
24 keep skilled people on their rigs. It's not a
25 glamorous job. It's a hard job. They've managed to

1 increase the number of rigs working. The productivity
2 is not near what it was three or four years ago
3 because the people can't do the job as well as they
4 used to.

5 I'm not completely sure how to answer that
6 but I have severe doubts as to that question.

7 CHAIRMAN PEARSON: Okay. Well thank you.

8 Mr. Schagrín, you had another person who was
9 going to comment?

10 MR. TRUE: Mr. Chairman and Commissioners,
11 I'm Dave True. And as my testimony indicated, we
12 operate, our family operates a drilling rig
13 contracting firm as well as an E&P operating firm. So
14 I come with both sides of that perspective along with
15 being a distributor or OCTG.

16 In the Rocky Mountains, as my testimony
17 indicated, our differential that we receive or that
18 reduces the price that we receive in the Rockies for
19 well-head gas has grown significantly to where it is
20 now three to five times what it normally would run
21 just to reflect the transportation difference. That
22 reduction in prices has caused some operators,
23 including ourselves, to take a more severe look at
24 various projects. It is relatively safe to say that a
25 lot of the low hanging fruit in gas drilling in the

1 Rockies has been taken. So right now we're looking at
2 projects that have less economic return than some of
3 those low hanging fruit projects did in years past.

4 So with the reduced prices that we're
5 getting for our well-head gas we're taking a much more
6 critical look at the projects that we're considering
7 drilling.

8 The other thing is the rig count last week
9 in Wyoming stood at 69 rigs. A year ago it was right
10 at 100. So regionally we are seeing a real reduction
11 in utilization of drilling equipment.

12 The crew situation, I can speak specifically
13 on that, and Mr. Hunt is accurate, we have been able
14 to staff our rigs but the experience level is
15 certainly much lower than it was when the rig count
16 was significantly lower. Fortunately, with a couple
17 of years of this increased activity we have been able
18 to train more people. The experience level is gaining
19 but it's still not what it used to be.

20 So it's a combination of factors. With our
21 distributing company, as I testified, our dollars and
22 tonnage of OCTG that we have handled so far this year
23 the first quarter is significantly below what it was
24 in the first quarter of '05 and '06 by the magnitude
25 of roughly 30 to 40 percent. So I truly believe we

1 are seeing a softening in the overall market as we go
2 forward.

3 CHAIRMAN PEARSON: Thank you very much for
4 those answers. My time has expired. So I think we
5 will turn now to the Vice Chairman.

6 VICE CHAIRMAN ARANOFF: Thank you, Mr.
7 Chairman. I want to join my colleagues in welcoming
8 this panel. We appreciate so many of you spending the
9 time with us to share your expertise.

10 We heard a lot in all of your direct
11 testimony this morning about two categories of
12 imports, current non-subject imports and likely
13 imports from subject companies. There is a third
14 category that I wanted to ask some questions about.
15 And particularly if you look at Table 4 in the Joint
16 Respondents' Brief it indicates that domestic
17 producers and their affiliates import a non-trivial
18 quantity of OCTG from non-subject sources. Could I
19 have some of the domestic producer witnesses explain
20 why this product was imported at a time when the
21 domestic industry appears to have a substantial amount
22 of unused capacity?

23 MR. HORNET: Didier Hornet. I am the
24 Chairman of V&M Star. And it is true that when both
25 in domestic manufacturing and imports and the imports

1 we make into the United States are coming in addition
2 to complement the size, range and grade that we are
3 able to deliver from our domestic manufacturing. Our
4 point is that the level of imports that we made over
5 the last five years has remained constant in volume.
6 Yes.

7 MR. SUTHERLAND: I will perhaps make a
8 comment. We are producers of oil country tubular
9 products in both Canada and the United States. And
10 for a period of time certainly in 2006 and before we
11 were bringing product into the United States because
12 in the United States we were not able to produce the
13 products that to round out with respect to some of our
14 accounts. And at a point in time there were certainly
15 some opportunities because the Canadian marketplace
16 was not as strong as the U.S. marketplace was.

17 But what we did, which I noted in our
18 testimony, is we made an acquisition which we closed
19 on in the first of December of 2006 which will round
20 out the products that we have here and will displace
21 any need to bring products from Canada to the United
22 States. And so you are very likely to see a
23 significant shift at least in terms of our
24 contribution to that from Canada to the U.S. from
25 products that are going to be made principally in

1 Kentucky.

2 VICE CHAIRMAN ARANOFF: Okay. To follow up
3 on that the Respondents assert in their brief, or at
4 least they strongly imply that in looking at the
5 likely volume of subject imports if these orders were
6 to be revoked the Commission should compare what it
7 thinks that likely volume might be to two things, both
8 the current volume of non-subject imports for which
9 domestic producers and their affiliates are
10 responsible and which we just discussed or,
11 alternatively to the current volume of domestic
12 producers' exports. Do you think that either of those
13 comparisons has any probative value in assessing the
14 likely volume and its likely impact?

15 I've got a hand up in the third row. And
16 that's Mr. Narkin is that you back there? No?

17 MR. VAUGHN: No, it's Mr. Vaughn.

18 VICE CHAIRMAN ARANOFF: Mr. Vaughn. Sorry.

19 MR. VAUGHN: Vice Chairman Aranoff, what
20 you're supposed to be thinking about is, is the likely
21 volume of imports from the subject countries going to
22 be significant if the orders are revoked? The focus
23 in your analysis should be that likely volume and how
24 that likely volume is going to affect market
25 conditions here in this market.

1 Comparing it to these other measures is not
2 necessarily, you know, probative or helpful. With
3 respect, for example, to the imports that are being
4 brought in by other U.S. producers, I mean are those
5 dumped imports? Is there any data on whether or not
6 they're dumped imports? Is there any evidence that
7 the imports have been unfairly traded? There's really
8 sort of no way to know that.

9 Whereas, the subject imports the Department
10 of Commerce is already saying they're going to be
11 dumped and they're going to be unfairly traded. So a
12 comparison between those two measures is very helpful.

13 Second of all, with respect to the issue of
14 exports by the domestic industry, I mean again
15 presumably these are exports that are being taken
16 place in a market-based system, you know, they're not
17 dumped in any way, there's trade that's going on from
18 one party to another party. And once again, you don't
19 have a whole lot of data about how those particular
20 exports may be affecting pricing in this market.

21 So I think the focus here, what the law
22 tells you to do is to focus on how revocation is going
23 to affect the domestic industry in this market. And I
24 think the focus there is not just comparing, you know,
25 weighing tonnages, it's sort of trying to think

1 through if the orders are revoked how is the market
2 going to change as a result?

3 MR. SCHAGRIN: Vice Chairman Aranoff, this
4 is Roger Schagrin. I would first agree with Mr.
5 Vaughn as to his legal analysis of the fact that I
6 don't think the Commission should give much probative
7 value to the comparisons claimed by Respondents. But
8 I would add a couple of factual points in case the
9 Commission is considering that probative value.

10 First, V&M Star is in the midst of a major
11 expansion of capacity and heat treating which will
12 allow them to make even more higher grade alloy
13 products which could affect their need to import from
14 their related parties. You already heard Mr.
15 Sutherland say that their acquisition of NS Group has
16 changed their need to import products from Canada
17 because they've already rounded out what they're
18 making in the U.S. market. And I would suppose that
19 the acquisition by U.S. Steel of Lone Star would also
20 round out the offerings, complement your offerings of
21 those two companies which would reduce the need for
22 either of those companies to import products
23 previously to complement. And that's different from
24 now Tenaris needing to import to complement Maverick.

25 Secondly as to exports, I think you'd find

1 that about 80 percent of U.S. exports of OCTG have
2 been to Canada. And Canada over the last few years
3 has been a really robust growth market. That now
4 based on looking at rig counts and permits seems to be
5 slowing down maybe because the low hanging fruit for
6 natural gas has also changed up there. And so we have
7 seen a pretty significant decline in demand in Canada
8 through the first part of 2007 as it's already
9 affecting 2007 exports to Canada. And that will mean
10 that there's going to be more product that U.S.
11 producers have to sell in the U.S. market because
12 their principal export market is declining. I think
13 that is a condition of competition that you could take
14 into account. Thank you.

15 VICE CHAIRMAN ARANOFF: Thank you.

16 U.S. producer Lone Star announced that it
17 recently entered into an agreement with a Chinese
18 producer of OCTG and that as part of the agreement
19 Lone Star committed to import into the United States
20 in 2007 approximately 200,000 tons of OCTG produced in
21 China. In light of this agreement how should the
22 Commission interpret the concerns expressed by members
23 of the domestic industry, including Lone Star, about
24 China's growing market share?

25 MR. DUNN: Couple of things. First of all

1 that we haven't calculated that investment yet. The
2 200,000 ton estimate is inaccurate. There was a press
3 release that indicated that we would have access to as
4 much as 200,000 tons, not that we intended to import
5 200,000 tons. So let's be real clear about that.

6 And the investment is intended to diversify
7 our manufacturing base.

8 But if I could just kind of piggyback on
9 your earlier question and that ties to Chairman
10 Pearson's question. The key issue here from my point
11 of view is not about the demand as much as it is about
12 the balance of supply. You can have a really good
13 market if your demand is going off the charts and you
14 can't keep up with it. But the benefit that our
15 industry has realized the last few years has generally
16 come to us as the result of a balance in supply and
17 demand. We got our operating rates up. We
18 supplemented, Lone Star supplemented our inventories
19 with some material that we source from outside, non-
20 subject countries. And we have dissipated that since
21 the supply has become excessive. In fact, we
22 terminated several of those relationships.

23 So watch supply. That's much more important
24 to our prosperity than the demand.

25 VICE CHAIRMAN ARANOFF: Appreciate those

1 answers. And as my light is yellow, thanks, Mr.
2 Chairman.

3 CHAIRMAN PEARSON: Commissioner Okun.

4 COMMISSIONER OKUN: Thank you, Mr. Chairman.
5 And I join all my colleagues in welcoming all of you
6 here today, welcoming back many of you. I appreciate
7 the time you have taken to be here and to discuss this
8 case with us.

9 I would like to continue along the lines of
10 the Vice Chairman in trying to understand some of the
11 changes you've just described about what products you
12 will be producing in the United States because again
13 on this issue of, as I've heard you describe, that the
14 imports by the domestic industry have been to round
15 out the product line that you offer. And Mr. Schagrin
16 has made a point of distinguishing Maverick in that
17 sense of not having to import from subject countries.

18 But I'm not sure, maybe you can just point
19 me to the record if it's already in there, for each of
20 you is there, at the current time there's product you
21 do not produce that you want to supply to your
22 customers that you import, and for the post-hearing
23 can you put in there when, when you will have the
24 ability to manufacture those products and, well, when
25 you expect they are and what those products are? But

1 let me start over here, Mr. Hornet, and just help me
2 understand the timetable and specifically what types
3 of products we're talking about? Because obviously
4 one of the points made by Respondents is that to the
5 extent on the service load that the U.S. has not had
6 the ability to consistently produce the product
7 needed, and if you could respond to that as well, all
8 of you on that one?

9 MR. HORNET: First, starting with the type
10 of products we are manufacturing and importing in the
11 U.S., the core business of V&M Star is to manufacture
12 a range of products between 5 inches and 10.75 and
13 mostly etricivised. So we are less involved in let's
14 say the low grade material where we show a huge amount
15 of Chinese imports.

16 The big difference also from Tenaris is that
17 we are domestic already for the manufacturing of these
18 seamless pipes. So we only need to import to the U.S.
19 a little bit of tubing but mainly caving, so pipes
20 with a diameter above 10.75. Still, we have the
21 possibility to increase our capacity and our
22 capability within our domestic mill. And this is what
23 we did and what we plan to do over a 3-year capital
24 investment program. So this capital investment
25 program is about 100 million U.S. dollars. We started

1 with the first phase that, as Roger Lindgren was
2 stating, is already operational because starting
3 February 2007 we are now able to manufacture in the
4 U.S. self-service grades, so high end grades,
5 including C-110. I know Shell is similar, we talked
6 about C-110. So including C-110 up to 10.75.

7 Parts of this material were before imported
8 from Europe typically to the U.S. And we are now
9 through this investment planning to manufacture it
10 domestically. And a significant reason for that is
11 that being domestic allows us to deliver to our
12 customers on a shorter lead time. So we also have an
13 interest as a company to grow our business
14 domestically.

15 COMMISSIONER OKUN: Okay. Mr. Sutherland?

16 MR. SUTHERLAND: Thank you.

17 As I mentioned in our testimony we, and I
18 mentioned a bit later, we acquired a firm and closed
19 in December of 2006. That closing, the closing of
20 that transaction virtually eliminated almost all the
21 need to bring any other product from Canada which may
22 have been brought in in 2006 and prior.

23 We are spending an additional \$118 million
24 this year, just this year, that's cash out the door
25 this year to bring additional capacity and capability

1 to the facilities here in the United States but which
2 will both add further diameters to our offering here
3 in the U.S. and as well allow us to upgrade a
4 considerable amount of the product that we produce
5 today. Those investments are being made both in the
6 NS facilities, that's the firm we purchased in
7 December, and there are also investments being made in
8 the IPSCO firm that existed prior to the close of that
9 transaction.

10 COMMISSIONER OKUN: Mr. Sutherland, can you
11 remind me in terms of the specific product --

12 MR. SUTHERLAND: Right.

13 COMMISSIONER OKUN: -- would that be
14 described, how would you describe, a high end and are
15 there other specific categories?

16 MR. SUTHERLAND: It's actually -- I'm sorry
17 for interrupting. Yes, it's actually both. We're
18 investing upwards of \$90 million in capacity which
19 will allow us to participate in the higher end, as
20 it's been called this morning. This is seamless
21 products both in the ability to make further diameters
22 but also in the ability to further heat treat that
23 product to make higher grades if you like. As well we
24 will -- that increases our capacity and capability in
25 the lower end products. I sometimes take exception to

1 that phrase since that's all we were in as it's been
2 described this morning until December. But that also
3 increases our range there as well because up until
4 December all we were able to make was up to 8 5/8
5 diameter in a welded product here in the United
6 States. And with the acquisition we are now able to
7 make diameters up to 16 inch.

8 COMMISSIONER OKUN: Okay.

9 MR. BROGLIE: Les Broglie, U.S. Steel. We
10 are not importing pipe to this country.

11 MR. DUNN: Let me just for the, maybe the
12 risk of being a little over-dramatic, the ramp-up in
13 this industry for tubular demand --

14 COMMISSIONER OKUN: Just so the reporter
15 gets your name?

16 MR. DUNN: Excuse me. Byron Dunn, Lone Star
17 Steel.

18 -- has been driven by basically three casing
19 sizes and tubing. 4.5, 5.5 and 7 inch heat treat
20 casing has been the largest growth demand because of
21 the unconventional drilling that's taking place for
22 gas in the Barnett Shales and Fayetteville and Arcomb
23 and other basins, more information in tubing. So as a
24 result of those increased demands that's where the
25 ramp-up has been.

1 Lone Star Steel saw that demand coming our
2 way. We committed capital to increase our thermal
3 treating capabilities to be able to make 4.5, 5.5, 7
4 inch heat treat casing to serve that need. But in the
5 interim we were supplementing it from a manufacturer
6 in Colombia, a non-subject country, Tubo Caribe. We
7 had an alliance with those people. It was our largest
8 import source of supply in 2005. A significant amount
9 of our supplemental tonnage came from Tubo Caribe. It
10 is now owned by Maverick, which is obviously therefore
11 owned by Tenaris. That will be, that's one of their
12 sources of supply.

13 We have since completed our heat treat
14 capacity and, you know, we no longer have that
15 requirement for that supplemental source.

16 COMMISSIONER OKUN: Okay. Yes, in the back
17 there?

18 MR. VERELLEN: Tom Verellen, U.S. Steel.
19 Commissioner, you know U.S. Steel is - like Les said -
20 we don't import anything. It's because we make the
21 entire size range. We make from 2 3/8 J-55 up through
22 24 inch seamless casing. We make every grade that
23 there is. You know, we play, we have to play in the
24 low end, you know, due to the volume that we make.
25 But we make C-100. We've made it for Shell. We make

1 C-110. We're developing a C-120. So I mean we
2 believe we can supply everything that anybody needs in
3 the United States.

4 COMMISSIONER OKUN: Well, on that point to
5 the extent there have been -- that the Respondents
6 have made arguments that it hasn't I think been
7 consistently supplied or not supplied and the
8 quantities, again I'm not sure, I mean I was going to
9 be asking Respondents this afternoon because there
10 aren't specifics as I see them on the record but it
11 may mean that I need to come back to you for some
12 post-hearing information depending on what I hear this
13 afternoon.

14 Then help me, and this may go then to
15 counsel. A lot of what I've heard in the testimony is
16 that the reason for the not, for the order to stay on
17 is that if this order were lifted that the subject
18 producers would be competing in this high end, and
19 since there's a lot of product coming in from non-
20 subject sources in the low end. In particular, as you
21 described it, that the competition is really going to
22 be in this high end. And I'm trying to evaluate that
23 in terms of what that means in looking at changes
24 since the original investigation, changes since the
25 review, and how to evaluate it going forward.

1 Am I looking then saying it's going to be
2 competing in a different part of the market than what
3 we saw in the original investigation and in the first
4 review and that's where I should be focused, not what
5 I looked at before? Mr. Schagrín?

6 MR. SCHAGRIN: No, Commissioner Okun, it is
7 competing in the same parts of the market. I mean the
8 foreign producers haven't changed. It's kind of
9 interesting this presentation saying it only changed
10 in the U.S. Really haven't been changes very much, a
11 little bit in Japan, in the foreign industry. They
12 are still making basically the same product. They
13 have expanded a lot themselves to get more towards the
14 high end of the market. They are also trying to run
15 away from the Chinese internationally. That's why
16 you've seen huge Tenaris investments in heat treat
17 capacity in Mexico and in Argentina. So to the extent
18 there's been change they're moving more towards the
19 high end of the market.

20 And I think what we were trying to point
21 out, notwithstanding the fact Korea is still at the
22 same low and moving more towards the high end with new
23 capacity there, is that one big change, and it's
24 really showing up now in this terrible over-inventory
25 situation, is how the Chinese are chasing the domestic

1 industry out of the low to mid-end of the market.
2 Their pricing is insane. And so the retreat for the
3 domestic industry, a retreat that in which they have
4 benefitted the most from this anti-dumping release is
5 they've all made investment to make more high end
6 product, which as Mr. Dunn just said, has been a
7 growing part of the market.

8 And it's that area of refuge that is now the
9 most threatened. And that is a condition of
10 competition that I think the Commission should take
11 into account. Hope I answered your question.

12 COMMISSIONER OKUN: Okay, thank you. My red
13 light's come on.

14 Thank you, Mr. Chairman.

15 CHAIRMAN PEARSON: Commissioner Lane.

16 COMMISSIONER LANE: Good morning. I'd like
17 to follow up with some questions relating to what
18 Commissioner Okun was referring to.

19 Could you all provide me with specific data,
20 including perhaps exhibits, that support your
21 assertion that the United States industry is making
22 its money at the high end of the product and that the
23 non-subjects are taking away the lower end of your
24 market?

25 MR. LIGHTHIZER: We'll certainly be happy to

1 do that, Commissioner. And I would just for purposes
2 of discussion right now reference our chart which sort
3 of shows the difference between what's happening at
4 the low end and at the high end, which was our chart
5 number 17, which shows that there's a bigger and
6 bigger gap. What is happening, as Roger said, is that
7 we're seeing the Chinese come in at incredibly low
8 prices in the low end. It almost doesn't matter what
9 price you bid against them they go down below it.
10 They take that market. And everyone is focusing more
11 and more on the high end of the market. And I think
12 that that chart was put in there to demonstrate that
13 point.

14 But we certainly have additional information
15 that we'd be happy to share, where our sales are,
16 things that we've bid on and the like.

17 COMMISSIONER LANE: It seems to me that if -
18 -

19 CHAIRMAN PEARSON: Excuse me, Commissioner.
20 Commissioner, I'm sorry.

21 Could I please encourage even people who are
22 really well known to this Commission to identify
23 themselves for the benefit of the court reporter.
24 That was Mr. Lighthizer who was speaking earlier. And
25 apologies for that.

1 Give another 30 seconds to Commissioner
2 Lane, please.

3 COMMISSIONER LANE: And hopefully I won't
4 have forgotten my question.

5 Bar Mr. Lighthizer's mike.

6 MR. SCHAGRIN: Okay. I just wanted to get
7 on the record, this is Roger Schagrin, that the
8 information you requested, Commissioner Lane, we will
9 provide that confidentially from the producers we are
10 representing in our post-hearing brief.

11 COMMISSIONER LANE: Right. It seems to me
12 that, let's take U.S. Steel's answer for instance,
13 that it makes a whole range of product. And I would
14 be interested in seeing that whole range and where
15 you're making your money and where the Chinese or the
16 other non-subjects are coming in and taking away that
17 market.

18 And then my follow-up question is can you
19 give me specific projections as to what you think will
20 happen if these orders come off to substantiate what I
21 think you are saying which is if the market, if the
22 orders come off that the subject imports or the
23 subject product which maybe is a higher end than the
24 non-subjects are going to be competing head-on with
25 your higher end? And I mean I would like to see grade

1 by grade or size by size to see what this is going to
2 do.

3 MR. SURMA: This is John Surma. Thank you,
4 Commissioner, we will provide that information of
5 course confidentially. And my colleagues will
6 assemble it.

7 But what is implied by your question is
8 precisely what I tried to emphasize in my testimony
9 that for our company we are indeed competing most
10 effectively in the higher end product, casing and
11 tubing, and what we are concerned about is if the
12 orders are revoked that that's precisely the market
13 that the countries that we're discussing here will be
14 aimed at. They will do so by underpricing that
15 market. And that will then be conveyed throughout the
16 market suffer and we'll suffer not just on those tons
17 but all the tons we'd be selling into that high end
18 market.

19 So that's precisely the risk that we see
20 here, precisely what we think the outcome would be.
21 And we will provide the information to you. I will
22 have to allow my colleagues to consider the question
23 of projections. I don't know what form we might have
24 the information but we will do our best to answer your
25 question fully and confidentially.

1 COMMISSIONER LANE: Okay, thank you.

2 MR. LIDTHIZER: Commissioner, could I also
3 just add.

4 COMMISSIONER LANE: Identify yourself
5 please.

6 MR. LIDTHIZER: This is Bob Lidthizer
7 again.

8 Commissioner, I would also just add, I think
9 there was some reference to this before, this product
10 is going to come in from Tenaris. There's no question
11 about that. They spent an enormous amount of money in
12 their Mexican plant. They fully expect to ship it up
13 here to supplement what Maverick has to offer. They
14 have done the same thing in Argentina. That we
15 believe is their global strategy, to go after that
16 market with these souped-up plants to go precisely at
17 the high end of the market in the U.S.

18 COMMISSIONER LANE: Yes, sir?

19 MR. HORNET: Yes. If I may I think we --

20 COMMISSIONER LANE: Okay, would you please
21 identify yourself, please?

22 MR. HORNET: Excuse me. Mr. Hornet.

23 So I should add that if we are defining the
24 high end market as seamless etricivised I think we
25 should not forget that the Chinese are already in this

1 segment. The Chinese are not today only supplying low
2 grade carbon that competes with the let's say seamless
3 carbon or ERW, the Chinese are already supplying
4 etricivized to the U.S. market. The capacity is
5 increasing. Their imports have doubled from 2005 and
6 2006. We will be able to provide you that on post-
7 hearing briefs.

8 So the oversupplying that we see globally,
9 if we analyze the oversupplying by segment, so low end
10 and high end, this oversupply is starting to appear
11 also in the high end. And the additional imports of
12 subject countries will only accelerate what's already
13 started from the Chinese imports.

14 And I may add at that point that one, I
15 think that one of the strategies when U.S. Steel or
16 IPSCO or Tenaris is investing in all the size range,
17 in seamless like ERW, in carbon and etricivised this
18 is because they also need to protect their low end
19 business, bundling it with high end segments of the
20 market. And this is not by chance. I think that
21 Tenaris for example are too investing in Maverick,
22 that's leaving the U.S. in a weak situation because of
23 the pressure for imports. Just after that invested in
24 Hydril, that is in the premium high end business ready
25 to be bundled with seamless imports, ready to be

1 bundled with Maverick's low end. This will allow them
2 to deliver a complete package to customers like
3 Chevron Texaco. And they told that in their quarterly
4 conferences. And this is the best way they will have
5 to protect this Maverick business that may be at risk,
6 that is at risk today from Chinese imports.

7 If bundling let's say some volumes are at
8 risk against the Chinese with dumped seamless imports.
9 This is our belief.

10 COMMISSIONER LANE: Okay, thank you.

11 Would the subject imports be able to sell
12 significant quantities into the United States market
13 from existing capacity? And in answering could you
14 please tell me why or why not? And if not, would they
15 be likely enabled to increase capacity to sell more
16 product into the United States market?

17 MR. LINDGREN: Commissioner Lane, my name is
18 Roger Lindgren from V&M Star. Just to highlight a
19 point I made in my testimony that Tomsa has increased
20 their heat treating capacity by 70 percent and their
21 sister by 90 percent, notwithstanding the decline of
22 drilling in Mexico. So they will have an increased
23 capacity for the as we're referring to high end
24 products but a decreased domestic demand.

25 MR. HORNET: Maybe to add another point is

1 that the pressure that the domestic industry sees in
2 the U.S. from Chinese imports this is also happening
3 worldwide. So low cost countries, Russia, Chinese are
4 exporting also the same type of product at the same
5 type of process in the Middle East. Which means that
6 these subject countries are facing today much more
7 pressure on what they are today supplying to areas
8 like the Middle East. And this is why, I mean the
9 capacity today that they are delivering to these
10 locations, to the Middle East, could be easily
11 switched, eventually changing the mix, heat treating
12 more -- this is why we believe they invested in heat
13 treating capacity -- so could be switched to the U.S.

14 And I would say it makes a lot of sense to
15 deliver the U.S. from Mexico that is a trucking
16 distance from Texas instead of delivering from Mexico
17 to the Middle East.

18 MR. LIGHTHIZER: Commissioner, I'd just add
19 a point too, and that is that the chairman of the
20 board of Tenaris on March 8 said that they have
21 capacity. That's one of the things he told his
22 investors, that in fact they have capacity and they
23 can come in here.

24 Also I would point out obviously the prices
25 are higher here so it's a real incentive, he has an

1 incentive to ship products into the OCTG with other
2 products, and they're being pushed out of other
3 markets. They're being pushed out of by the Chinese
4 in some places but also, yeah, the Middle East.
5 There's a report that we've indicated there's going to
6 be a new big middle plant in the Middle East. It's
7 going to be a real, real problem for Tenaris.

8 Also there are capacity issues in Korea
9 which we have in our confidential brief, and Japan
10 which we can't talk about yet.

11 COMMISSIONER LANE: Okay, thank you.

12 Mr. Chairman, I will wait till my next
13 round.

14 CHAIRMAN PEARSON: Commissioner Williamson.

15 COMMISSIONER WILLIAMSON: Thank you, Mr.
16 Chairman. I want to express my appreciation for the
17 in-depth testimony that has been given so far.

18 I'd like to continue a little bit on the
19 question of high end and low end. I know on page 17
20 of the chart that Mr. Lighthizer referred to that you
21 have a distinction between carbon SMR casing as low
22 end and I guess the alloy SMR casing as high end. Is
23 this just an example or is this, what is the
24 definition of high end and low end? And would be
25 interested in what is the share of the U.S. market

1 that is represented by high end and what is the share
2 that's represented by low end and is this relationship
3 changing?

4 MR. BROGLIE: Les Broglie from U.S. Steel.
5 We define the market basically in three segments, low,
6 medium and high. And we estimate roughly 60 percent
7 is in the low end category and 30 percent in the
8 medium and about 10 percent in the very high end. We
9 talked a little bit about sour service.

10 As far as, you know, one of the other issues
11 that we haven't talked about here is the Gulf of
12 Mexico. And that's been a drastic change here in the
13 last four or five years, there's been a drastic
14 decrease in the amount of rigs operating there. So
15 that is where we spent \$85 million at Lorain to focus
16 our product in that area. And we've seen a major
17 fall-off there.

18 So as far as those percentages that's, you
19 know, where we see the market. And again back to the
20 Gulf of Mexico. Thank you.

21 MR. LIGHTHIZER: Commissioner, if you want,
22 we certainly have people that can talk about all the
23 details of the various levels of this product. And I
24 realize that it is for those of us who are lawyers
25 complicated and confusing to speak as one who has

1 studied it. And we have other people who can go into
2 that.

3 But the way I look at it it's sort of a
4 spectrum. And there are questions of quality that run
5 from one end of the spectrum to the other, questions
6 of chemistry and physical characteristics like wall
7 thickness that makes it more higher end versus lower
8 end or brittleness or strength. Welding comes into it
9 and the welding can be not very highest but up towards
10 high end, at the very high end. And there is low end
11 seamless if it doesn't have high quality, it doesn't
12 have all the characteristics of it.

13 The carbon alloy example that we gave here
14 is like a proxy for that because there's a hundred
15 different ways you could talk about these things. And
16 it is sort of a spectrum that overlaps in various
17 places. And I realize the fact that it is confusing.
18 But the important thing to remember is that the high
19 end is actually very expensive and very small by
20 comparison to the overall market, and that there's a
21 lot of fairly expensive and high technology stuff in
22 the middle then too I believe.

23 But we have other people who will develop
24 this if you want to develop it now or if you'd like to
25 develop it later for the post-hearing briefs.

1 COMMISSIONER WILLIAMSON: Okay, thank you.
2 You can develop it later. But I think the point is
3 trying to understand the point that everyone is making
4 that the subject imports are going to compete at the
5 high end with the U.S. producers and the fact that the
6 U.S. producers are trying to move up the scale in
7 terms of what they're producing. And so that's what I
8 was trying to get further clarification on.

9 Yes?

10 MR. VAUGHN: Commissioner Williamson, this
11 is Stephen Vaughn. I just wanted to clarify one point
12 about our argument to make sure that the Commission
13 fully understands the argument we're making. We do
14 believe very much that these imports are going to come
15 in and compete at the high end market. But one of the
16 things that the Commission should also understand, and
17 the industry people can testify to this as well, I
18 just want to lay out for purposes of our argument is
19 that a lot of the times you're dealing with a
20 particular customer. And that customer may have high
21 end business, medium business, low end business. And
22 if you can go to the customer and offer them the
23 entire range of the business, you know, focusing in
24 the high end you may get the medium end and the low
25 end business as well.

1 So I just wanted to make clear we are not
2 saying that they are only going to take high end
3 sales. There could be situations where they take a
4 customer and get all that customer's business or they
5 take the business associated with a particular well
6 and get all that business. But their sort of entre
7 into the market, particularly for Tenaris, would be at
8 the high end.

9 COMMISSIONER WILLIAMSON: Thank you for that
10 clarification.

11 As a follow-up to that, I think Mr. Hornet
12 mentioned that the importance of bundling and
13 everybody is trying to bundle. I think there have
14 been comments that in the U.S. the oil companies are a
15 lot of independents. Do they also look for bundles
16 packages as well as the large companies like Shell and
17 CONOCO?

18 MR. SHOAFF: In some instances they do. In
19 most cases it would be the major independents, the
20 larger independents. But there is kind of a mixed bag
21 sometimes when it comes to, you know, when they come
22 up in specific inquiries. But I would say that going
23 forward into 2007 we are seeing more of that, there is
24 more actual package bidding going on for longer term
25 contracts and that will be coming up. We're seeing

1 more of that in the future than we've seen in the last
2 couple of years. So that will play a larger role, you
3 know, going forward.

4 COMMISSIONER WILLIAMSON: Thank you for that
5 clarification.

6 I would like to turn to the question of
7 inventories. And I think several of the producers
8 have stated that inventories are unusually high. And
9 I wonder do you expect an inventory correction to
10 occur? If so, when? And how long is it likely to
11 last?

12 MR. SHOAFF: This is John Shoaff again with
13 Sooner Pipe. I wish I knew the answer to that
14 question, maybe wouldn't be here. But it takes a
15 while, it takes quite a while for an inventory
16 correction to happen. And really the answer to that
17 question depends on how many more imports are going to
18 be coming in here. And that's what, obviously what
19 we're here for. Those numbers, as you've heard, have
20 grown substantially in the last couple of years. And
21 right now we don't see anything, you know, in place to
22 limit those. And of course that's why we're here in
23 this particular case.

24 You know, when you talk about 6.2 months of
25 inventory on the ground, just to help clarify, you

1 know if everybody just, you know, stopped what they
2 were doing in business I mean in six months it
3 wouldn't rectify itself. There's a lot of things that
4 go into that with regard to mix of product, usage of
5 the product and those types of things.

6 So our best recollection as distributors is
7 that we're going to have this inventory problem
8 definitely through the end of '07 and probably even
9 into '08. And if the imports keep coming at the rates
10 they are it's going to just exacerbate itself.

11 MR. BROGLIE: This is Les Broglie, U.S.
12 Steel. Regarding inventory, you know, we saw a major
13 change in the last couple years, significant inventory
14 put out there, domestic shipments are up. However,
15 you know, there was some material bought as inventory,
16 not getting used particularly. And that inventory has
17 not gone away.

18 If you look at the latter part, and some of
19 my colleagues have commented already that they've cut,
20 you know, reduced production and all that and there's
21 still high inventory levels on the ground. If you go
22 through Houston and everything else you'll see it.
23 But sort of like Mr. Shoaff said, it's going to be a
24 while before this gets corrected. And we don't know
25 when exactly it's going to happen. And right now

1 there's still somewhat of a build in inventory.

2 Thank you.

3 MR. TRUE: Mr. Commissioner, this is Dave
4 True with Tool Pushers Supply. The difficulty of
5 answering that question is there are so many
6 components that make up the answer to that. If the
7 demand stays high and production reduces then that
8 inventory can run off relatively quickly.
9 Unfortunately, we believe in our particular situation
10 that the supply, rate of supply being produced will
11 continue at a relatively high level and if additional
12 imports are allowed into the country that will
13 exacerbate the amount of inventory on the ground. And
14 with the softening of demand we will actually expand
15 the problem, not reduce it.

16 So there are many factors that go into that.
17 It's almost beyond my ability to analyze it because of
18 all the different factors.

19 The other point I'd like to reference is one
20 of the historical comparisons were back in the '80s.
21 We had way more inventory than we needed as a company
22 and as an industry. And it took years literally to
23 work through that. And it was very painful
24 economically.

25 Thank you.

1 MR. SHOAFF: Mr. Commissioner, this is John
2 Shoaff at Sooner Pipe again. To add a little bit to
3 that because this does kind of speak to the cyclical
4 nature of our industry, I would agree with Mr. Surma's
5 comments earlier that even though we are in a stronger
6 market the thought that we're going to be in this
7 great market forever is pretty foreign to us people
8 who have been in this business a long time.

9 There's a certain saying that none of us
10 every say because we're afraid it's going to jinx
11 ourselves and it's saying that "this time it's
12 different." We've all been in this industry many,
13 many years and there's been a whole lot more bad times
14 than there has good times. So I would just say that,
15 you know, and another comment with regard to gas
16 prices and the extra rig count that we talked about
17 earlier, you know, I was at a meeting the other day,
18 Mark Pappa, the chairman of EOG Resources, which is a
19 large producer of natural gas in the United States,
20 and his comment was that, you know, if we wouldn't
21 have had this cold spell that we had across the
22 country in like mid-January to mid-February his actual
23 comment was that "saved our bacon." Because the gas
24 prices, without that the gas prices were going down.

25 And one thing about our industry, it's

1 extremely delicate. And when gas prices start going
2 down you start seeing rigs going down. You start
3 seeing rigs going down, then obviously demand goes
4 down. And as distributors here we sit on inventory,
5 that's what we do for a business. My particular
6 company sits on in excess of \$250 million of
7 inventory. It has a certain cost to that. And if we
8 continue to allow, you know, low, low priced imports
9 to come in here, this thing happens overnight, our
10 inventory can come devalued 20 percent within a very
11 short period of time. And the ramifications of that
12 are not very pretty.

13 COMMISSIONER WILLIAMSON: Thank you, Mr.
14 Chairman.

15 CHAIRMAN PEARSON: Commissioner Pinkert.

16 COMMISSIONER PINKERT: Thank you, Mr.
17 Chairman.

18 I have some questions focused on capacity
19 constraints. And I want to begin by asking the
20 industry people whether the manufacturing processes to
21 produce seamless and welded OCTG in the United States
22 are similar to the processes used in foreign
23 countries, subject countries.

24 MR. SUTHERLAND: This is Dave Sutherland.
25 And the answer to that is yes. There is no secrets to

1 the technology. And in fact in tubular production as
2 opposed to other aspects of the steel industry there
3 has not been any significant disruptive technology
4 brought to the market in some time.

5 Now that's not to say that there's not
6 significant know-how. You've heard from a number of
7 people, Didier and John or some of John's colleagues,
8 about the significant amount of intellectual know-how
9 that's going into making higher and higher grades.
10 And that is significant. But that's being done on the
11 same piece of gear. It's just operating it
12 differently or adding changes in chemistry or changes
13 in thermal circumstance to the product to enhance the
14 product. But it's being made on the same types of
15 equipment here in this continent that is being
16 utilized anywhere else in the world today.

17 COMMISSIONER PINKERT: Thank you.

18 Now what I'm interested in understanding
19 from a technological point of view is how difficult is
20 it to produce seamless OCTG on the same machinery
21 that's used to produce other seamless products, non-
22 subject seamless products? This will help me
23 understand the capacity constraint issue.

24 MR. BROGLIE: Repeat the question again
25 please?

1 COMMISSIONER PINKERT: How difficult is it
2 to produce seamless OCTG on the same machinery that's
3 used to produce other seamless products, non-OCTG
4 products?

5 MR. BROGLIE: We sell both product lines and
6 we can make both products the same. I mean it's
7 without heat treating and those kinds of things. But
8 we can easily make both product lines, if that's what
9 you're asking.

10 COMMISSIONER PINKERT: On the same
11 machinery?

12 MR. BROGLIE: Right. Yes.

13 COMMISSIONER PINKERT: Okay. And do you
14 have the same answer for the welded OCTG?

15 MR. TRUE: I'm not sure from a welder's
16 perspective. The welders' facilities that we
17 certainly have are quite versatile. So we would on
18 the same equipment we would produce either OCTG line
19 pipe, what's called standard pipe and in some cases
20 structural tubing, squares and rexes as we often call
21 it.

22 One of the differences though is that there
23 is no product that any of us would make whether it be
24 seamless or welded product that undergo as many steps
25 and as much additional value add as would OCTG in

1 contrast to the other products that the same machinery
2 -- or the other applications that they could make a
3 seamless product for. Because you could make a
4 seamless product for another application and perhaps a
5 half or two-thirds through the whole process that
6 product would be a finished product for the other
7 application but it still has to go through a number of
8 iterations and a number of additional steps to produce
9 OCTG, especially in the higher grades.

10 The highest grades of OCTG would likely
11 utilize or will utilize much, much more equipment and
12 steps to produce than many other products.

13 COMMISSIONER PINKERT: Okay, so I guess
14 perhaps the lawyers might wish to comment on how we
15 are to view capacity constraints that are reported
16 from subject countries for this product?

17 MR. SCHAGRIN: Commissioner Pinkert, on all
18 the time, right, Mr. Bishop? Okay. I think it's good
19 enough.

20 You know, I probably can project. Even I'll
21 bet the court reporter can probably -- No?

22 Commissioner Pinkert I would comment based
23 on having participated in cases on other seamless and
24 welded products that this commission has long
25 recognized. In fact, very recently in a negative

1 determination on seamless standard line and pressure
2 pipe from Mexico, the commission went out of its way
3 to say, given the strength in OCTG that they didn't
4 the Mexican producers shifting to lower value products
5 like standard line and pressure.

6 Now of course in this case, because with the
7 high end, it's just the opposite, which this
8 commission did recognize in the first sunset review.
9 That all of these producers who have seamless
10 equipment or welded equipment will always choose to
11 make OCTG first because it's the highest value product
12 that they can make and the one in which they should
13 get the highest return.

14 So when you lose capacity constraints, if a
15 producer in X country says "our capacities' 200,000
16 tons on a seamless mill, we're running flat out at
17 200,000 tons", your only making 100,000 tons of weld
18 country and 100,000 tons of other seamless products,
19 you can assume that they will will try to shift that
20 100,000 tons of other seamless products towards OCTG
21 if they have the opportunity to. I think you have
22 that kind of information in your record on total
23 product mixes and I think it's very reasonable to
24 assume, and this commission did properly assume it at
25 the investigation phase in the first sunset reviews

1 that producers make multiple products on the same
2 equipment will shift towards OCTG.

3 MR. SHOAFF: This is John Shoaff. To add to
4 Mr. Schagrin's comments, not only would they prepare
5 to make OCTG but if they had a preference, and I think
6 I can speak for the manufacturers here because as a
7 distributor it's the same way, we would prefer usually
8 to sell the higher end product. So I think the
9 manufacturers if they had their druthers, if you will,
10 would prefer to manufacturer the higher end. From a
11 commercial standpoint you have a higher dollar per ton
12 and it's a more attractive product commercially.

13 And of course that's why we are saying that
14 the subject countries we think they would focus on
15 bringing the higher end product in here since they
16 already have the lower end, you know, product already
17 covered.

18 MR. SUTHERLAND: Excuse me. This is Dave
19 Sutherland again with IPSCO. And that's where the
20 \$118 million that we're spending in '07 is going, to
21 the higher end of the marketplace.

22 MR. SHORTER: Commissioner Pinkert, this is
23 Jeff Shorter from Maverick. I think it's important to
24 note that when you look at the Japanese and the Korean
25 imports that all of the Korean and the majority of the

1 Japanese subject imports are ERW welded products. And
2 these products when you utilize a substitute product
3 to produce on these lines they're not utilizing the
4 huge, the very large part of the capital investment
5 that they've made in threading, heat treating,
6 upsetting and finishing equipment. So when they're
7 making substitute products their margins and their
8 utilization of their capital is much, much lower.

9 So again to emphasize that in the two cases
10 of Japan and Korean focusing on the welded market that
11 their substitute product that they're currently
12 making, because basically keep in mind the only market
13 for OCTG ERW is basically the U.S. and Canada, the
14 bulk of that being the U.S., they are forced to make
15 substitute products that they're not utilizing their
16 investment on. So when you look at Japan and Korea I
17 think you have a significantly different case.

18 COMMISSIONER PINKERT: Mr. Hecht.

19 MR. HECHT: Jim Hecht. And I just to follow
20 up on that, five years ago in this review the
21 Commission did find that these producers would have
22 the capability to shift products in response to
23 relative profitability levels. So that's something
24 that's been looked at and the Commission found and we
25 think it's still true today.

1 The other factors to think of, of course, is
2 in terms of restraints in markets. You know, you have
3 producers like the Japanese that are subject to other
4 anti-dumping orders here which would give them an
5 added incentive if these orders were lifted to perhaps
6 devote more of that production to OCTG if, for
7 example, they're getting lower returns on those
8 products in other markets.

9 MR. DUNN: This is Byron Dunn. Just think
10 about it like a cake, the difference between a cake
11 and a souffle: similar ingredients, the oven doesn't
12 really care, but there's a lot more value added on the
13 souffle. So that's exactly what they would like to
14 produce.

15 COMMISSIONER PINKERT: Thank you.

16 I'd now like to turn to questions about the
17 relative attractiveness of the U.S. market. And
18 perhaps Mr. Hornet could explain whether U.S. OCTG
19 prices are generally higher than in other markets, and
20 in particular the subject markets that have a domestic
21 market for this merchandise?

22 MR. HORNET: Could you repeat? You are
23 telling that the U.S. market is higher than the
24 subject market?

25 COMMISSIONER PINKERT: Than those subject

1 countries that have a significant domestic market.

2 MR. HORNET: Oh yes. Okay. So it's I mean
3 the competitive pattern, it's difficult to answer
4 because let's say the market prices on each region of
5 the world depends on the supply/demands regionally.
6 So it's a fact today that the market, the prices in
7 the U.S. market are slightly higher than what they are
8 in the Middle East and West Africa for example. I
9 have no other explanation for this.

10 MR. DUNN: But I might add that the -- this
11 is Byron Dunn, Lone Star Steel -- the sales prices in
12 Mexico and Argentina those are much higher transaction
13 prices than they are here in the U.S. They have a
14 protected market which we can't participate in. So
15 they're going to, you know, sell all they can and
16 export the rest. So there's only a limited supply or
17 demand for product in their home markets and they're
18 going to export it right at the U.S.

19 MR. HORNET: Another comment I would make is
20 that it's very difficult to compare the rest of the
21 world with the U.S. because the customers are not the
22 same. You understood that. In North America,
23 typically not also the U.S. but also Canada, the means
24 of selling to distribution and distribution providing
25 the services before selling to the end user. In the

1 Middle East for example a company like Saudi Aramco
2 buys the pipes and stores the pipes and they take care
3 by themselves of all the financing, handling, I mean
4 all the services that is added on these pipes in
5 addition.

6 So it's at the end of the day not so easy to
7 compare prices. Still while you have some ways to
8 compare what this would mean in terms of export,
9 export prices for Mexico. But it's a complex process
10 to reveal because the structures of the markets are
11 not the same.

12 MR. HECHT: Jim Hecht. If I could just
13 quickly follow up. I think you need to distinguish
14 again between the home markets for these countries, as
15 Mr. Dunn was saying, and the available export markets
16 that they can ship to. The home markets in Mexico and
17 Argentina for example really are closed markets which
18 is why we're here today, which is why they dump. They
19 have protected markets. They tend to get higher
20 prices there and then will sell at lower prices in
21 available export markets.

22 The point we're making is that if you look
23 at the prices in the available export markets they
24 tend to be lower than the U.S. market prices. So they
25 would have an incentive to ship those sales to the

1 U.S. market. And that's a point that, for example,
2 Tenaris/Maverick make in their brief. They seem to
3 have conceded that point. Staff report has data on
4 that, public data. And we have provided some
5 proprietary data and we'll try to do some more of that
6 to prove that up.

7 MR. LELAND: I'm Martin Leland with U.S.
8 Steel.

9 CHAIRMAN PEARSON: Excuse me. You're on
10 red, right?

11 COMMISSIONER PINKERT: I'm on red.

12 CHAIRMAN PEARSON: Okay.

13 COMMISSIONER PINKERT: I'll pick up on this
14 in my next round.

15 CHAIRMAN PEARSON: Okay, thanks.

16 Mr. Shoaff, at the conclusion of my
17 questioning an hour ago you were seeking recognition.
18 And you may not recall what you had in mind but we
19 were discussing the high level of apparent consumption
20 and whether that would be a permanent feature or
21 whether consumption was softening. So if you wanted
22 to comment now you may.

23 MR. SHOAFF: Yes, sir. And I think I
24 covered that with Commissioner Williamson I believe
25 with regard to the cyclical nature of the business and

1 whether or not there would still be volatility in the
2 future. And again I think my point was that that
3 would be hard for us to believe that we're going to
4 have a great market for the next 20 years in a row.
5 You know, I think I made that comment of the saying of
6 "this time it's different" is pretty tough for us to
7 swallow.

8 So it is a very cyclical market, a lot of
9 variables depend on whether our market is strong or
10 not, whether rigs are operating or not. But I think I
11 did cover that with Commissioner Williamson.

12 CHAIRMAN PEARSON: Okay, thank you.

13 MR. SHOAFF: Thank you.

14 CHAIRMAN PEARSON: Tables 4, 29 and 30 on
15 pages 4, 52 and 53 give it's the Baker Hughes
16 worldwide rig count figures. I really found that
17 quite interesting. It gives ten years of global rig
18 counts. And these things would be familiar to you,
19 they were less familiar to me.

20 Over the ten years that we have data we have
21 enough growth in U.S. rigs so that U.S. rigs are
22 almost equal to the total rigs worldwide back in 1995.
23 And the U.S. rig count now is just a little over half
24 the global rig count. What is it that causes that?
25 Because the United States is not the largest producer

1 of oil, I don't think we're the largest of gas either,
2 why is the United States such an attractive market for
3 drilling rigs?

4 MR. SUTHERLAND: Because it's the largest --
5 excuse me, this is Dave Sutherland -- it's the largest
6 consumer. And there clearly are opportunities and
7 there are people willing to go out and search for
8 them. So you're always going to have high levels here
9 as has been the case in Canada. Where as you point
10 out from the data, well over half of the rigs in the
11 world are on this continent.

12 MR. LELAND: Martin Leland with U.S. Steel.
13 One of the things too to remember is as we've talked
14 about it, this is a gas market, where oil you can
15 bring oil in, you can export it. You know, we import
16 a lot of our oil so that keeps the oil rig count down,
17 we import the oil. You until recently we just
18 liquified natural gas. We're just kind of kicking off
19 but it's a recent thing. Your natural gas that you
20 consume you have to go find it. And America is the
21 largest consumer of natural gas so you're going to
22 have a tremendous amount of natural gas rigs running
23 to supply the gas to this country.

24 MR. VIVIAN: Chairman Pearson, this is Paul
25 Vivian from Tenaris.

1 CHAIRMAN PEARSON: Yes.

2 MR. VIVIAN: It also goes to the issue as we
3 were talking earlier about this being a gas market and
4 the depletion situation in terms of the need to drill
5 more wells in order to keep supply constant. I think
6 what we've seen is that we're drilling more and more
7 wells, consuming more and more of this product in
8 those markets yet we're not increasing supply, we
9 continue to see the supply of natural gas in the
10 United States going down. So the depletion issue is a
11 big part of that.

12 CHAIRMAN PEARSON: Mr. Surma?

13 MR. SURMA: Thank you, Commissioner. It's
14 John Surma.

15 Just one thing I'd add also is that with
16 respect to gas in North America we have extensive and
17 excellent infrastructure for gathering and
18 transmission. In other regions of the world you can
19 certainly find gas, it's like finding sand on a beach,
20 but it doesn't do you much good to have it where no
21 one can use it. So I think our infrastructure here
22 which allows it to be transported and consumed in an
23 environmentally friendly way is also very favorable.

24 CHAIRMAN PEARSON: Okay. So these points
25 that have been made are they a reflection of the

1 relative maturity of the industry in the United
2 States? The fact that perhaps the easiest supplies
3 got pumped out some years ago and now we as a nature
4 are worker harder to find the bits that are left and
5 get them to the marketplace?

6 MR. DUNN: Byron Dunn, Lone Star. I would
7 say if not for the significant advancements in
8 technology in recent years, last four, five years, the
9 decline curves that Mr. Vivian referenced earlier
10 would be steeper. But the technology to lift the
11 hydrocarbons from tight formations, which is a set of
12 conventional drilling that I spoke of earlier, has
13 really kept the activity rate in the U.S. for natural
14 gas exploration and production at a higher level.

15 MR. SHOAFF: This is John Shoaff with Sooner
16 Pipe. I think your comment is especially true in the
17 Gulf of Mexico. It is getting they feel like they
18 have drilled up more the I guess we could call it the
19 easier stuff and now they're going into more difficult
20 deep water plays. Those are extremely expensive.
21 Those are years, you know, many years long projects.
22 And so that's definitely true for the Gulf of Mexico.

23 But as Byron said, we are seeing the focus
24 on land towards the natural gas plays now because we
25 do have 85, as Mr. Schagrin mentioned earlier, 85 to

1 90 percent of the rigs are drilling for gas.

2 MR. SCHAGRIN: Chairman Pearson, this is
3 Roger Schagrin. One of the repercussions certainly of
4 what all these witnesses are talking about of the gas
5 currently being more difficult to find is also it
6 becomes more expensive to find. And contrary to what
7 Mr. Greenwald said in his opening of, oh gee, every
8 forecaster has all agreed that things are going to
9 boom forever, you know, we have had three of the
10 largest service providers, and everybody when they
11 drill is using a major service provider, and we have
12 had three of them, Halliburton, Baker Hughes and
13 Nebors, say within the past 30 days telling Wall
14 Street that they are forecasting a decline in their
15 profits related to drilling in the United States. And
16 they have all cited that the increase in the costs of
17 drilling are outpacing the return on drilling, i.e.
18 where the gas price is, and so these companies are
19 forecasting decline.

20 There is contrary information. We all like
21 to see things boom forever. But that's one of the
22 repercussions, as the easy gas has been extracted it
23 costs more to extract the less easy and makes your
24 costs go up. If the price of gas isn't going up these
25 independent gas producers aren't going to keep

1 drilling, they're going to cut back somewhat until
2 either the price goes up for the gas or the cost for
3 drilling goes down.

4 CHAIRMAN PEARSON: So if the United States
5 is using a lot of OCTG because it's a mature market
6 and we're working hard to get the remaining supplies,
7 if we look around the world at other countries as
8 their production matures are they going to be
9 demanding more and more OCTG to keep their rigs
10 running?

11 MR. DUNN: This is Byron Dunn, Lone Star
12 Steel. I think there is a correlation between
13 increased drilling and increased OCTG demand that's
14 pretty tight, we demonstrated in this country. But
15 since we filled out our questionnaire, finished our
16 questionnaire and forwarded it to the ITC there has
17 been, golly, 3 or 4 million tons of new OCTG
18 production capacity announced the world. There's been
19 reference to one in Saudi. There's been several in
20 China, some in South America. There's going to be
21 plenty of OCTG.

22 And back to my original point, it's not
23 about demand, it's the supply. So, you know, the
24 world is doing such a massive amount of OCTG capacity
25 that's what we're looking at now. You know, it's

1 already large but it's getting bigger by the day.

2 Just yesterday getting on an airplane to
3 come up here there was an announcement of a Chinese
4 mill adding 250,000 tons of, a mill I've never heard
5 of, of OCTG capacity. And it was going to have it
6 onstream the end of this year. Just amazing what's
7 going on in non-subject countries which is why we're
8 so fearful that if you vote to set these orders aside
9 subject countries are just going to add insult to
10 injury here.

11 CHAIRMAN PEARSON: Mr. Vaughn.

12 MR. VAUGHN: Chairman Pearson, a couple of
13 points. One is that if you look at this Table 429 and
14 430, actually you know the ratio of the U.S. to the
15 rest of the world from 1995 to 2006, if you look at
16 those numbers you'll see that the U.S. actually became
17 sort of bigger with relative to the rest of the world
18 over that time period. So at least up to this point
19 the United States is still far and away the most
20 attractive market.

21 Second of all, these different stories in
22 these different countries are playing out in different
23 ways. For example, there's been a lot of reports
24 recently about some of the problems that Mexico is
25 having in terms of some of the difficulties facing

1 PEMEX and so they're not able to invest as much,
2 they're not able to drill as much as they may have in
3 the past. So in some ways some of these maturing
4 things in a market like Mexico may actually make the
5 U.S. seem more attractive vis-a-vis Mexico. So that
6 sort of it kind of cuts in different directions.

7 CHAIRMAN PEARSON: Yeah, but let me make
8 sure I understand. Your comment about Mexico and the
9 potential for some slowdown in drilling that is a
10 political or policy issue rather than a technical
11 issue of what would be required to maximize output; is
12 that correct? I mean if the Mexicans ran their oil
13 industry like the U.S. industry wouldn't there be more
14 drill rigs and there'd be more demand for OCTG?

15 MR. HUNT: One of the distinctions you have
16 to make -- this is Clay Hunt -- is that the United
17 States is the only country in the world with a
18 significant independent drilling population. In fact,
19 I believe that they drill more than the major
20 companies in the United States today. In other parts
21 of the world they don't have an independent industry
22 that's family run that drills ten, five, ten, 20 wells
23 a year, they're all major companies or state-run
24 companies that have to drill very high-volume wells.
25 The independents are willing to pick that low, that

1 harder fruit, and it makes an impact to an individual
2 company that it wouldn't even pay for, you know,
3 somebody's salary at a major oil company.

4 So you've got a whole lot of people drilling
5 wells here that don't drill wells in any other part of
6 the world.

7 CHAIRMAN PEARSON: Okay, thank you. My time
8 has expired.

9 Madam Vice Chairman.

10 VICE CHAIRMAN ARANOFF: Thank you, Mr.
11 Chairman.

12 The material that's presented in Exhibit 72,
13 U.S. Steel brief, suggests that the bulk of Chinese
14 OCTG exports and recent increases in those exports
15 have been to the United States and to Canada. In
16 light of this, what can you tell me is the basis for
17 the domestic producers' argument that increasing
18 Chinese exports will likely displace subject producers
19 or are displacing subject producers from their export
20 markets and therefore, you know, creates an incentive
21 or a need for them to move that production into the
22 U.S. market if these orders are revoked?

23 Or to put it another way, can you identify
24 the evidence in the record that would show me what
25 individual export markets there are where increased

1 product from China has displaced or shortly will
2 displace subject production?

3 CHAIRMAN PEARSON: Mr. Vaughn?

4 MR. VAUGHN: Yes. Vice Chairman Aranoff,
5 first of all I don't want to get into any confidential
6 data. In our brief we went through a lot of the
7 questionnaire data which discusses particular
8 countries that some of the subject producers are going
9 in and we compared some of those countries to what was
10 going on with respect to China, so we have put a great
11 deal of information about this sort of on the record.

12 But just to give some examples you were
13 correct that they are very active in the United States
14 and in Canada, but if you sort of go through the
15 Chinese export numbers, I mean, they ship significant
16 volumes to Algeria, they ship significant volumes to
17 Kazakstan, they ship volumes to Pakistan, they shipped
18 77,000 tons to Singapore, 45,000 tons to Saudi Arabia,
19 74,000 tons to Sudan, 26,000 tons to Thailand, 30,000
20 tons last year to the United Arab Emirates.

21 You know, it was 1.3 million tons of exports
22 last year, so they really are sort of not just in the
23 U.S. and Canada but in a lot of other markets around
24 the world.

25 VICE CHAIRMAN ARANOFF: I appreciate that

1 they're in a lot of other markets and I do know that
2 you had that Chinese data in the record, but I'm still
3 not sure that connects the dots for me and also the
4 displacement argument, that China either is displacing
5 or is going to displace. I guess the first thing I'm
6 trying to understand is to what extent has there
7 already been displacement?

8 Clearly China is exporting, but that doesn't
9 necessarily prove that there's been displacement. And
10 to what extent does the displacement argument depend
11 on things that haven't happened yet like for example,
12 you know, the opening of new production facilities,
13 some of which you pointed out are coming on line.

14 MR. NARKIN: Vice Chairman Aranoff, this is
15 Steve Narkin with Skadden Arps. If I could just add
16 briefly the gentleman from Tenaris Maverick, that's
17 exactly what they have told you is happening as well.
18 I wonder if the gentleman from V&M could shed some
19 light on this as well.

20 MR. HORNET: Yes. Thanks. Mr. Hornet
21 speaking. So we have some documents that we could
22 provide to you in posthearing brief that shows the
23 results of tenders, I mean, these are internal
24 information we gather ourself within the middle east
25 and we see definitely that on the standard API

1 segments let's say low cost countries from China and
2 Russia typically have significantly displaced the
3 subject countries on the typically thin ice over the
4 last 18 months. We will provide you this information.

5 VICE CHAIRMAN ARANOFF: Okay. I appreciate
6 that and any further information that you can provide
7 that just helps connect up the dots between where the
8 Chinese exports are going and who is being displaced
9 will be very helpful. Let me turn to another
10 question. Historically the U.S. and Canada have been
11 the only major markets for welded OCTG, but my
12 understanding is that demand for welded OCTG is now
13 growing in other markets, particularly in Russia and
14 China.

15 Can anyone describe the extent to which
16 demand for welded OCTG is growing outside of North
17 America and what accounts for that trend? Nobody
18 wants to take a stab at that? Okay. Well, if anyone
19 can give us something -- wait, wait, wait. All the
20 way back.

21 Mr. Kaplan, coming to my rescue.

22 MR. KAPLAN: Thank you. Seth Kaplan from
23 Brattle. I would just refer to the exhibit. It's a
24 confidential exhibit put together in the Maverick
25 Tenaris brief about the shares of welded and seamless

1 throughout the world.

2 It's Exhibit 2 to the Williams Mullen brief,
3 and I think it fits with their own previous statements
4 and their direct testimony by Mr. Cannon regarding the
5 import and the size of the Canadian and U.S. market
6 with respect to welded. So, you know, we agree.

7 VICE CHAIRMAN ARANOFF: Okay. In contrast
8 to other pipe products that the Commission has
9 investigated seamless and welded OCTG products have
10 consistently been found to encompass a single like
11 product and yet I note that in these reviews there
12 have been a great many issues that have been argued
13 differently for the seamless part of the market and
14 the welded part of the market, and so I'm thinking at
15 least a little bit about whether the Commission should
16 reconsider the like product issue.

17 I realize that nobody argued for it and we
18 don't frequently do that in reviews when no one raises
19 the issue, but I can't help raising it here this
20 afternoon in any event.

21 MR. LELAND: Martin Leland with U.S. Steel.
22 We know that seamless and ERW all cuts and casing can
23 be used in the same applications. In fact they can
24 even go in the same wells depending on the depth of
25 the wells. The ERW casing can be at the top of the

1 well, the seamless casing would be at the bottom and
2 you could reverse that.

3 The only significant factor can be in price.
4 If you get prices right in many cases they're
5 interchangeable and all. In most business that you
6 see except for certain that 10 percent high level
7 application out there sometimes can be a little
8 different, but it can be used. It's interchangeable
9 in the marketplace, and we quote against the Lone Star
10 people daily.

11 We quote against each other for the same
12 piece of pipe and the same well.

13 MR. NARKIN: Vice Chairman Aranoff, this is
14 Steve Narkin again. Just speaking to the legal issue
15 as I'm sure you know the degree of interchangeability
16 that you require in order to find that two products
17 belong in the like product is not necessarily that
18 high.

19 I'm sure you know, also, that the Commission
20 has frequently found that there's a continuum of
21 products where there's some overlap in the middle, but
22 actually just about no interchangeability at the
23 outsides and that in those cases pretty much
24 consistently the Commission has found products like
25 that to be a single like product.

1 VICE CHAIRMAN ARANOFF: Yes.

2 MR. SCHAGRIN: Vice Chairman Aranoff, this
3 is Roger Schagrin. Once again, if you want to say it
4 because there is a lot of talk about, has been today
5 about low end, high end, extremely high end, if you
6 want to think about it that usually breaks down to
7 carbon, and then alloy and then the super high alloy
8 and special threads. Because about 60 percent of the
9 U.S. market is carbon, you know, that can either take
10 seamless, J55 and K55 or ERW.

11 Now, you know, historically at the very
12 lowest ends because seamless prices were higher than
13 welded prices you didn't at the very lowest end of the
14 market have that much competition between seamless and
15 welded. The Chinese have changed that. They now sell
16 seamless carbon, J55 and K55 every day in the U.S. at
17 30 percent below U.S. welded prices.

18 So that Chinese seamless interchangeable all
19 the way down to the bottom end of the market. When
20 you get to the middle part you have a lot of
21 competition between the two. In fact Lone Star makes
22 a very high proportion of their welded product is in
23 heat treated alloy that is substitutable for alloy
24 seamless product, so once again you have overlap
25 there.

1 So it's really market segments more than
2 seamless and carbon. At the very top what TCA does,
3 their production is 100 percent seamless. They don't
4 quench, temper, heat treat, get special threads put on
5 to welded product. What they do on the sour service
6 type products is so high end that little part of the
7 market at the top is really just seamless.

8 VICE CHAIRMAN ARANOFF: Okay. Well, I
9 appreciate those answers and since my time is nearly
10 up I'll just ask if in the posthearing you could just
11 address for me aside from the lower price is there any
12 reason why an end user would prefer welded to seamless
13 in any particular use? That would be helpful.

14 Thanks, Mr. Chairman.

15 CHAIRMAN PEARSON: Commissioner Okun?

16 COMMISSIONER OKUN: Thank you, Mr. Chairman.

17 Let's see. I'm going to put this question
18 first to you, Mr. Surma, but then I'd appreciate the
19 other producers, both Maverick and V&M, to respond as
20 well. You made the point in your testimony that the
21 investment that U.S. Steel made in Lone Star, the
22 Commission in evaluating that shouldn't penalize you
23 for making an investment in the future when you've had
24 orders in place.

25 I guess my question for you to help me

1 understand is how should we evaluate the acquisitions
2 that have occurred since the second review in light of
3 a large increase in nonsubject imports and at a time
4 when the industry has lost market share yet we've seen
5 these significant investments go on? So that's the
6 part I'm interested in.

7 MR. SURMA: John Surma. Thank you,
8 Commissioner. It's a complicated question, and I'll
9 give you my take on it and I'll speak mostly for our
10 pending transaction with Lone Star Technologies, which
11 of course is not complete yet, so it limits a bit what
12 I can say. In our particular instance we viewed a
13 transaction like that in the context of market
14 conditions that will change over time that in general
15 are going to be favorable conditions compared to the
16 last 20 or 25 years for some of the reasons we
17 described earlier.

18 We will certainly have cycles, we'll have
19 ups and downs and we'll have periods where we'll have
20 to be in discussions with people like you about
21 subjects like this, but we felt that over time we
22 would base our decisions on the fact that we expected
23 trade to be fair and the trade laws of our country to
24 be enforced and well-enforced by you and your
25 colleagues.

1 So that's the framework for our overall
2 conclusions, our overall investments. In our
3 particular case you should also be aware of course
4 that one of the reasons we're comfortable with our
5 overall investment strategy in the Lone Star
6 transaction is that Lone Star is steel short, so
7 they're buying slabs and hot-rolled bands to make into
8 bands to make into pipe.

9 We're a flat-rolled steel producer and we
10 therefore have some synergistic opportunities beyond
11 the market synergies, beyond the obvious G&A synergies
12 and things like that.

13 So we have a particular economic platform
14 upon which to form an investment decision that would
15 be markedly different than someone who would not have
16 a steel position and an onward position really all the
17 way back to our integrated operation that we can look
18 to for a means of synergy that allows us to make what
19 we think is a wise investment.

20 We recognize fully that there's going to be
21 continued discussion about the low end penetration
22 from China, particularly on a subsidized basis. You
23 heard from Senator Brown that we invested over \$80
24 million in a quench and temper line in Lorraine, and
25 we did that with money that we borrowed and we

1 intended to pay back.

2 We're competing with people from China that
3 did that with money that they can turn into equity,
4 that they can have a subsidy on exports as you heard
5 from Attorney Schagrín as well. We took all that into
6 account in deciding that we still thought that adding
7 a high end premium welded business that my competitor
8 and colleague, Byron Dunn, helps to manage was the
9 right thing for our company over a range of market
10 conditions, over a long period of time considering the
11 overall synergies that we think we could enjoy.

12 COMMISSIONER OKUN: Okay. Mr. Hornet?

13 MR. HORNET: Yes. Concerning V&M I told you
14 that we are investing especially first in the
15 treatment and then we'd increase our running capacity.
16 This investment was made following the market lease
17 and the market volumes that we are forecasting for the
18 coming years. While we're comfortable that the market
19 for our segment of the product each which alloy was
20 going to grow and we were not planning to increase our
21 penetration to the U.S. market for -- but through
22 domestic manufacturing.

23 So basically we listened to our customers,
24 the distribution, we listened to our end users by the
25 way asking for more volume but also asking for let's

1 say our uniques even as I was explaining that some of
2 the technology that we're imposing today we'll be able
3 now to manufacture in the U.S., so this was the driver
4 let's say for this investment.

5 Just two comments, maybe? The first one is
6 that the cycle we are using ourself and we provided to
7 the Commission to evaluate the pay back of our
8 investment are not exactly the speediest type because
9 well, we have been like everybody here for a long time
10 in the business. Management invented the seamless
11 pipe business 100 years ago, so the cycle in the oil
12 and gas business, we went through that.

13 Let's say we know that a lot of things can
14 change, I mean, even geopolitically, that can impact
15 the supply demand in the U.S., so we are never using
16 the bullish forecast that you may see from Spears for
17 example. So this is my first comment. And the second
18 comment I would make is that this investment that we
19 started in February, definitely this investment today
20 is not running.

21 It's empty. So let's say it's difficult to
22 tell when we will not have anymore impacts of the
23 inventory that is on the ground and that we will be
24 able to run this investment as planned, but the fact
25 is that this investment is empty.

1 COMMISSIONER OKUN: Okay. Going to turn
2 back to you, Mr. Cura.

3 MR. CURA: Thank you. I think the basis of
4 our investment in the U.S., Commissioner Okun, deals
5 with two dimensions. One I mentioned, that is we are
6 convinced that the country would require energy and
7 the industry would be compelled to continue to drill.
8 This translates in specific numbers that we review.
9 That is OCTG consumption almost duplicating despite
10 the fact that gas production has more or less stayed
11 at the same level.

12 It deals with the nature of the fields, or
13 gas fields, it deals with the nature of the operation
14 and depletion rates. So by and large and despite this
15 last quarter we are confident that the drilling
16 activity in the United States will continue and that
17 in the end energy needs would be by and large provided
18 by domestic production.

19 Now, with respect to Maverick specific when
20 Maverick is the biggest player on these less demanding
21 pipe applications, segment that I was referring to,
22 that today account by and large something close to 60
23 percent of the overall market size. That provided us
24 an opportunity to naturally grow as a company by
25 establishing a very important production base that is

1 devoted by and large to service, a very important
2 component of the market starting from U.S. production.

3 Now, with respect to the threats naturally
4 like everybody in this room we see the Chinese are
5 bringing us with major concerns and that is why we are
6 convinced that some of the elements that we are trying
7 to do, would like to do which are in fact as expressed
8 being done today by some of the other industry
9 participants in terms of complimenting our product
10 would constitute without a doubt a very important
11 element to confront these Chinese companies and with
12 what we I think all have serious reservations about.

13 Now, I'd like to just take two more seconds
14 to clarify an issue which is today Tenaris has the
15 ability to participate in the seamless markets. We
16 have been doing this for a few years with I would say
17 relatively small volumes, and again, all with the
18 intent of being able to complete packages to reinforce
19 the competitive position of the important production
20 based in the States.

21 COMMISSIONER OKUN: Appreciate those
22 comments.

23 Counsel, did you want to comment at all in
24 terms of how the Commission should evaluate continued
25 investment in this industry in looking at our forward

1 looking analysis?

2 MR. HECHT: This is Jim Hecht. Yes. I
3 mean, I think it was said pretty well by Mr. Surma
4 that when you look at these investments which are
5 justified over the long-term and under different
6 market conditions based on value enhancement to the
7 industry I think in the context of the assumption that
8 our laws will be enforced those are exactly the type
9 of transactions that you would want to see the
10 industry pursuing and that they should be able to
11 pursue.

12 That should in no way disqualify them from
13 coming in and making use of the trade laws. So again
14 I think these are long-term investments made
15 essentially to enhance the competitiveness of these
16 companies and based on the assumption that these laws
17 will be enforced.

18 COMMISSIONER OKUN: Okay. I'm not sure if
19 this is a quick question, I'll try to get it in, which
20 is it's clear to me where Maverick stands with regard
21 to Korea and Japan. If the Commission were to
22 exercise its discretion, not cumulate, I don't know if
23 the other producers would comment on Korea
24 specifically in terms of its competition in the market
25 or its -- yes. Back row.

1 MR. VERELLEN: Tom Verellen, U.S. Steel.
2 You know, as we've said we make the full range of
3 products. Koreans bring in today tremendous amounts
4 of carbon tubing. We have a facility in Lorraine,
5 Ohio, I mean, as you know that's working one shift
6 five days a week. That mill makes three products. It
7 makes tubing, it makes small diameter standard and
8 line pipe and makes green tubes for drill pipe.

9 You will be ruling on all of those things,
10 you know, within the next few weeks. So, I mean, it
11 is very critical to the continued existence of that
12 facility that no more imports come in here.

13 COMMISSIONER OKUN: I have a question, but,
14 Mr. Dunn, my red light's come on. I'll come back
15 because I have other questions about that as well.

16 Thank you, Mr. Chairman.

17 CHAIRMAN PEARSON: Commissioner Lane?

18 COMMISSIONER LANE: Mr. Sutherland, you said
19 that the United States is the largest consumer of
20 natural gas and more and more drilling is taking
21 place, and you made a reference to depletion. Are any
22 of you suggesting a specific timeframe for which
23 natural gas reserves in this country will be depleted
24 thus that fact affecting your OCTG market?

25 MR. SUTHERLAND: There may well be others in

1 the room that could comment -- this is David
2 Sutherland, I'm sorry -- as to when it may be
3 depleted. That I'm not sure. What we do know however
4 is that all of the low hanging fruit I think was
5 mentioned or all of the easier opportunities have long
6 since passed on the continent.

7 As Mr. Dunn said earlier fortunately with
8 respect to the technological improvements that have
9 taken place over the last five to 10 years the
10 industry has had the opportunity to continue to search
11 across the continent and to find natural gas where
12 that many years ago they would have not been able to.

13 You'll also note all of the discussion that
14 has taken place, a lot of it in a political
15 circumstance, as to going into further and more
16 complex parts of the continent, some of which are
17 within areas of which people just don't want to see
18 exploration taking place, whether it be up north or
19 whether it be on the waters that surround the country.

20 But as well what's happening is that as the
21 search for gas becomes more complex the products that
22 are needed to complete those wells are becoming more
23 complex, and so there has been and will continue to be
24 a shift from the so-called low grade products to
25 higher grade products as we continue to drill.

1 COMMISSIONER LANE: Okay. Mr. Conway, did
2 you want to make a comment?

3 MR. DUNN: I'm not Mr. Conway, I'm Byron
4 Dunn, Lone Star Steel.

5 COMMISSIONER LANE: I'm sorry.

6 MR. DUNN: It's okay. Tom left. I did want
7 to just piggy back on that if I could. Relative to
8 the declined curves somebody mentioned Mark Pappa, the
9 chairman of EOG, earlier. He's got a decline graph
10 that shows about 29 to 30 percent the last few years
11 on natural gas reserves. It's out quick. We're
12 pulling them down. So it's going to require some
13 drilling in the future, but here's the issue.

14 The biggest limitation in natural gas
15 drilling would be access, and I think Mr. Sutherland
16 touched on that. I just want to emphasize that access
17 to public lands and access to frontiers that have not
18 been drilled will limit the activity. That's as
19 uncertain as the weather in terms of the demand for
20 the product is the access for the drilling
21 opportunities in this country.

22 COMMISSIONER LANE: Okay. Thank you. Now,
23 in the past we have seen significant upward swings in
24 gas and oil prices and comparable upswings in active
25 drilling rigs in the United States and worldwide.

1 However, the current upswing of prices and drilling
2 activity does not seem to have the relatively short
3 life span that we saw prior to 2000. Why do you
4 expect this upswing to slow down other than your past
5 experience?

6 Mr. Dunn?

7 MR. DUNN: Thank you. Again, Byron Dunn.
8 Just because of the economics. I mean, you've heard
9 testimony already and maybe Mr. Hunt can expand on it,
10 and my testimony on the point of the drilling cost and
11 the volatile well head prices. Well head prices are
12 driven by demand for that hydrocarbon generated by
13 weather.

14 If you get good weather, you get good
15 seasonality, again a reference from Mr. Shoaff earlier
16 about Mr. Pappa's comment about it saved our bacon
17 that we had cold weather in the country, if not the
18 gas prices would have fallen as they did last year to
19 dangerous levels. It started curtailing drilling last
20 year which caused part of this overhang because
21 shipments were targeted to the U.S. based on the
22 continuing climb of that drilling rig which flattened
23 out mid-year.

24 So I think that's fundamental economics. I
25 think Mr. Hunt, somebody, or Mr. True, that's been in

1 that business can tell you about the rest that they
2 have to contemplate when they allocate capital to oil
3 and gas drilling.

4 MR. TRUE: Commissioner Lane, this is Dave
5 True again with Tool Pushers Supply. I truly believe
6 that the Rocky Mountain region is a small sampling of
7 what reality is. As my testimony stated the well head
8 price for natural gas is about a half of what it is at
9 the Henry Hub currently and you then compare that to
10 the drilling activity in Wyoming which a year ago
11 involved 100 rigs roughly and last week involved 69
12 rigs.

13 The industry as a whole is still subject to
14 the rules of economics in my opinion. Those results
15 that we're seeing in the Rocky Mountains will apply
16 industry wide. Again, referencing Mr. Pappa if we had
17 not had that cold spell in the northeast this winter
18 the natural gas nationwide would be significantly
19 lower today and consequently the demand for drilling
20 services would be lower.

21 One other item I'll mention that I don't
22 know has been verbally mentioned today is that the
23 number of drilling permits in the U.S. has
24 significantly dropped in the last months and that is
25 the most direct indicator of future drilling that the

1 industry has. So there are many, many signs that not
2 only in just the Rocky Mountains but industry wide we
3 could be looking at a softening. Thank you.

4 COMMISSIONER LANE: Okay. Thank you. Going
5 to another issue looking at the staff report, and it's
6 probably confidential, but the productivity of
7 domestic producers is different from what I would have
8 expected. Could you please give me your views of
9 productivity in the domestic industry and how we
10 should be interpreting those numbers?

11 Perhaps that will need to be posthearing
12 specifically, but maybe generally you can tell me what
13 they're telling us?

14 MR. SURMA: This is John Surma,
15 Commissioner. I read the brief, but of course not the
16 confidential parts, so I'm not sure exactly what the
17 numbers you're seeing are, but just in general and
18 speaking only for our company it would be not just for
19 our OCTG tubular operations but throughout our
20 operation picking up on what Mr. Conway said our steel
21 industry in North America underwent an enormous
22 transformation in the earlier part of this decade.

23 On May 20, 2003, when our company acquired
24 National Steel we were employing in North America
25 26,500 people. Today we employ 20,200 people making a

1 little bit more steel five times as safe with better
2 quality including our OCTG business.

3 What we arrived at was a labor arrangement
4 that allowed us to unlock the huge productivity we
5 knew our employees had, but through a joint process
6 never really allowed them to exercise and also began
7 to reward them with a more realistic share of the
8 profits including for our retirees as Mr. Conway said
9 and it's been a very successful productivity
10 improvement, perhaps the largest in our industry we've
11 seen for the last 50 years.

12 That is evident in our OCTG productivity
13 numbers I think as well as our overall steel numbers.

14 COMMISSIONER LANE: Mr. Hecht?

15 MR. HECHT: Yes. We would be happy to do
16 that. I think it probably would be better posthearing.
17 I think it's going to require taking a look at a
18 company by company basis to see exactly what's going
19 on. I agree with you there's a few issues with the
20 numbers that are a little bit different than you've
21 seen in some other cases, and we would be happy to
22 address that.

23 MR. SCHAGRIN: Commissioner Lane, this is
24 Roger Schagrin. I think one of the reasons that in
25 OCTG, and this is in the public version of Table C-1

1 on page C-4, that you don't see increases for this
2 industry in productivity in terms of tons per 1,000
3 hours as you have in all the other steel cases you've
4 seen recently.

5 A lot of that is some product mix change
6 over the period of this sunset review. If Lone Star
7 is making more tons or if any of these producers,
8 IPSCO, U.S. Steel, is making a higher share of their
9 tons or higher value added, have more quenching and
10 tempering, have more heat treating, then you're going
11 to see less tons per hour of product, but more value
12 per hour.

13 I think that is somewhat unique to the OCTG
14 industry compared to the other segments of the steel
15 industry. Doesn't mean there haven't been increases
16 in productivity, though they may not be the same
17 extent as others, but I think there has been a change
18 in product mix to a higher share.

19 Once again, I hate to beat a drum, but over
20 this period of sunset review with this huge increase
21 in imports from China the domestic industry is to a
22 certain extent fleeing up the value chain and making a
23 lot of investments to get up the value chain and
24 there's more hours per ton of output for the higher
25 value product than there would have been for the lower

1 value product.

2 I hope that helps and we can address it
3 further in the posthearing.

4 COMMISSIONER LANE: Okay. Thank you.

5 Thank you, Mr. Chairman.

6 CHAIRMAN PEARSON: Commissioner Williamson?

7 COMMISSIONER WILLIAMSON: Thank you, Mr.
8 Chairman. In looking at the question of the
9 likelihood of recurrence of injury -- this is for the
10 domestic producers -- do you have a position on how
11 long the reasonable foreseeable time should be in this
12 case?

13 MR. HECHT: You know, I would note that one
14 argument that was made by at least one of the
15 Respondents in their brief is that because this
16 industry is so volatile you should look at a shorter
17 period of time. I would argue exactly the reverse. I
18 mean, traditionally what, you know, the analysis
19 you've employed would say that you want to wait and
20 see how this change would play out through the typical
21 conditions in an industry.

22 If you're looking at a volatile industry I
23 would think you would want to see it through the
24 cycle. So if anything we think that would argue for a
25 longer period of time not a shorter period of time.

1 MR. SCHAGRIN: Commissioner Williamson, this
2 is Roger Schagrin. You know, normally we would say
3 before this Commission that given the need to get
4 returns on investment for these major capital
5 investments that the Commission ought to at least look
6 out two to three years as a reasonably foreseeable
7 timeframe.

8 The other thing is that it depends on how
9 speculative some of the information would be. For
10 example we highlighted the recent announcement of a
11 joint venture between Arcelor Metal and Saudi
12 investors to build a new 500,000 ton seamless plant,
13 almost all of whose output will presumably go to
14 Aramco and displace product currently being shipped by
15 Tenaris and others to Aramco.

16 You know, they have a projection. They're
17 going to start construction later this year, the
18 beginning of next year and be finished in 2009. Now,
19 the Commission might normally say gee, 2009, two years
20 out, that's more than my reasonably foreseeable
21 timeframe, but when you're not speculating on what
22 happens in 2009 but you have a definite timetable
23 published by the largest steel company in the world,
24 you know, that's definite information.

25 You know what's going to happen. So at the

1 least where you have documented evidence going out a
2 couple of years that should be well within that
3 reasonable foreseeable timeframe that the Commission
4 should take into account. Thank you.

5 COMMISSIONER WILLIAMSON: Thank you.
6 Several of the domestic producers have argued in their
7 briefs that the casing and tubing industry is
8 vulnerable to material injury. Is there a precedent
9 in which the Commission has found an industry with the
10 kind of production growth and profit levels
11 experienced by the casing and tubing industry to be
12 vulnerable? Is there a precedent for doing what the
13 domestic producers are asking us to do in this case?

14 MR. HECHT: Jim Hecht. Again, I'll jump in
15 first here. I can't give you an example offhand, and
16 I think that traditionally the Commission has tended
17 to look not necessarily correctly in my view more in
18 terms of absolute levels of performance in making that
19 analysis. What vulnerability really is under the
20 statute is susceptibility to material injury.

21 In other words what's your susceptibility to
22 seeing a material change in your performance. As you
23 know from the legal argument we've been making we
24 really hope the Commission will engage on this issue
25 because under the statute your job is not to look at

1 some abstract level of performance, but it's to look
2 at what change would occur because of a return of
3 subject imports.

4 So in terms of susceptibility to change we
5 think you could be operating at a reasonably high
6 level and still be susceptible to change, and we think
7 this is just such a case.

8 MR. SCHAGRIN: Commissioner Williamson, this
9 is Roger Schagrin. I would probably take as two
10 examples in the steel segment hot-rolled sheet from
11 Japan, Brazil and Russia where the industry was
12 already profitable, where production shipments were
13 increasing and yet the Commission found given the
14 likely increases of imports from those three countries
15 who were major players in that industry that injury
16 would be likely to recur.

17 Similarly probably cut to length plate from
18 France, Italy, Japan, Korea, Indonesia and India was
19 another affirmative determination in which the
20 industry had already shown increased production in
21 shipments and profitability, but the Commission made
22 an affirmative determination.

23 Finally, the first sunset review in this
24 case in which the industry was improving. It wasn't
25 in quite the same condition it's in the past couple of

1 years, but the data on the record was an industry that
2 was benefitting relief, that did have in the 1998,
3 1999, 2000 timeframe improved production shipments and
4 profitability.

5 In fact the Commission went so far as to say
6 we don't find the industry presently vulnerable, but
7 we find that there is so likely to be a major increase
8 in imports that we're making an affirmative
9 determination. So I think it's good to read the first
10 review. I know we've highlighted it in our brief, but
11 a lot of similarities between the first review here
12 and this review. We believe that those conditions
13 still are maintained. Thank you.

14 MR. LIGHTHIZER: And not to beat a dead
15 horse, but just to make a point, Commissioner, that it
16 is not necessary for you to find us vulnerable in
17 order to continue these orders. Indeed it is our
18 sense that if you see a change will come about as a
19 result of the revocation and that change will have a
20 consequence for us, that is what the Congress had in
21 mind when they decided that you should determine
22 whether or not there's material injury in a case like
23 this.

24 So you could find us not vulnerable, indeed
25 in the last case you specifically did not find us

1 vulnerable, and still maintain the orders or I would
2 suggest in a new case you could very easily determine
3 that there was material injury caused by imports
4 without ever finding the people vulnerable if you
5 determine that the impact on the industry was going to
6 be such that it was not inconsequential, unimportant
7 or insignificant.

8 Indeed I guess I take the final step that if
9 you found that that would be your legal obligation
10 would be to find that. I'm stressing this because
11 there have been times in the history of the Commission
12 when certain Commissioners for whatever reason seem to
13 have developed a much higher standard than the law
14 actually requires. Unlike most of the people here I
15 was actually working on the Hill.

16 I was the Republican staff director of the
17 Finance Committee when we put the material injury
18 standard into place, and I can assure you it was not
19 meant to be this huge threshold. Indeed if you look
20 at the whole history -- and I'll just spend one second
21 on it if I can -- if you look at the threshold in 1921
22 we essentially put in place this Act and we had an
23 injury standard.

24 We put an injury standard in place for the
25 simple reason that the Customs officials said we can't

1 investigate every single case so put some kind of a
2 standard in where it will administratively be kind of
3 easier to deal with this. The Treasury Department
4 dealt with that until 1954. Then in 1954 they decided
5 we're going to have the U.S. Tariff Commission make
6 this determination.

7 Then there was debate over a period of time
8 every now and then about what injury is, not material
9 injury, but injury. In 1975 in a statute they made it
10 quite clear approximately what we're saying now. They
11 did not add the word material, but they said
12 approximately the same thing. They said material
13 injury means any injury that's not spiritual.

14 To give you some idea of what they in fact
15 think the threshold was in 1979 we added the term
16 material injury. Senator Long was the chairman. Some
17 of you probably remember Senator Long. He made it as
18 clear as a person could be that it was not meant to be
19 an increase in the standard of injury. Both the House
20 report and the Senate report, Ways and Means and
21 Finance specifically state that.

22 If you go to the floor you will notice
23 Senator Hines and Senator Ribacoff, some of you
24 probably remember them, both having a colloquy sort of
25 saying if there's any doubt about what our standard

1 is, this is a very low standard. In part I believe
2 and this is sort of based on personal experience that
3 they were reacting to the fact that now and then you
4 would get Commissioners who were not sympathetic to
5 the antidumping laws and they would apply a higher
6 standard.

7 They made it as clear as they could be in
8 both legislative history and in both Committee reports
9 that this is a standard in which if you can show a
10 consequence you've proven material injury. So what
11 we're saying really is -- and I'm sort of dwelling on
12 this because we seem to be spending our time talking
13 about whether oil is going to get more expensive or
14 less expensive, is building rigs going to be more or
15 less.

16 In either event if you determine that by
17 bringing in Tenaris and bringing in Japan that you're
18 going to see a change and it's consequential for us
19 then you should maintain these orders.

20 COMMISSIONER WILLIAMSON: Okay. Thank you
21 for that explanation. Okay. I think my time is about
22 up.

23 CHAIRMAN PEARSON: Commissioner Pinkert?

24 COMMISSIONER PINKERT: Thank you. I want to
25 follow-up on that last line of questioning. Perhaps

1 Mr. Lighthizer could clarify some of what he just
2 testified to. Are you saying that a material change
3 is equivalent to material injury under the statute?

4 MR. LIGHTHIZER: I'm sorry. I'm sorry,
5 Commissioner. I'm saying that if you look at the
6 statute what it says is that you have to show an
7 impact. There are a lot of other things. And you
8 worked on the Hill as I think just about everybody up
9 there worked on the Hill at one point or another, so
10 you have some appreciation for the process.

11 They were trying to determine a low
12 threshold. There is absolutely no question about
13 that, and anybody who argues to the contrary is just
14 not being truthful. Their sense as a policy matter
15 was that this is unfair trade. This is hurting
16 people, this is costing American jobs and in most
17 cases, the vast majority of cases it should not be
18 tolerated.

19 That's clearly what everybody had in mind.
20 It was not Republican, it was not Democrat, it was
21 clearly what everybody had in mind. What they said
22 was you have to have an impact. If you look at the
23 kind of terms that they use they are terms that are on
24 their plain face sort of changed terms. You have to
25 have something, you have to be in effect.

1 There are terms like that. So you're to
2 look at the effect. There is no word anywhere that
3 suggests you have to actually be losing money or doing
4 badly. Nothing. Now, if you said but, Mr.
5 Lighthizer, some Commissioners seem to feel that way,
6 I would say yes, historically there have been some. I
7 think some of this legislative history was directed
8 exactly at slapping down those people.

9 That's my personal opinion. So there have
10 been people. Some of them believe it or not didn't
11 believe in the antidumping laws or in the enforcement
12 of the antidumping laws. There were times when that
13 was more of a problem or less of a problem. Hopefully
14 it's not a problem at all right now. So you have a
15 combination of change and then material injury.

16 Then material injury is spelled out as
17 clearly as it could be. You can put yourself in
18 Senator Long's shoes if you think for a second. The
19 legislative history is saying we're not changing what
20 the law was before we added material injury. We're
21 absolutely not changing it. So he said to himself how
22 do you write that into a statute?

23 They took the terms material injury means
24 harm which is not inconsequential, immaterial and
25 unimportant. It's about the lowest standard you can

1 imagine. Then if you look at the legislative history
2 that was a discussion in the Senate side, which is
3 where I'm most familiar where I was actually sitting
4 on the floor, it was between Senator Hines and Senator
5 Ribacoff. Ribacoff at that time was subcommittee
6 chairman.

7 They went through and talked about some of
8 the exact same language that was used in the 1975 Act.
9 It was the 1974 Act, but it was signed in January,
10 they said it was 1975. Was talking about well, what
11 is material to you? Immaterial means spiritual, and
12 they even say it in legislative history. It means
13 spiritual. That's how little.

14 And individuals can have spiritual harm but
15 not companies. That literally is the term. That's
16 right in the legislative history in the colloquy.
17 It's not in the Committee report language. It's in
18 the Committee report language by the way from 1974.
19 So I guess this is a very, very long winded way of
20 saying you can find that we're doing fine, you can
21 find if you like that we're not vulnerable.

22 If you think that having the biggest
23 aggressive exporting company in the world can come in
24 and cause us to have a change in our situation and
25 that is anything that's not insignificant,

1 inconsequential, unimportant, if you make that
2 determination then you have to keep these orders in
3 place regardless of whether or not we're vulnerable.

4 I guess I would say finally anything else
5 would make no sense as a matter of public policy. The
6 public policy here is that if you're cheating you
7 ought to be punished at least in our market.

8 MR. SCHAGRIN: Commissioner Pinkert, if I
9 could just add I know I'm not as old as Mr. Lighthizer
10 so I wasn't there on the floor in 1974, but I was --

11 MR. LIGHTHIZER: Let the record show I was
12 there in 1979, not 1974.

13 MR. SCHAGRIN: 1979. There you go.
14 Actually, I look older than Bob, but anyway I am his
15 junior. But I was around when the Congress did the
16 Sunset Act.

17 I think the only thing that's important to
18 add to everything that Bob correctly stated is that
19 there was a lot of debate when the Uruguay Round
20 Agreements Act was being debated, and the SAA was
21 being prepared and Congress was taking their action as
22 to a lot of argument from the respondent's side and
23 from foreign countries actively lobbying that we have
24 to make it really a rebuttable presumption.

25 These cases should sunset and they shouldn't

1 be continued. Congress went out of their way to say
2 no, we're specifically rejecting that. We are going
3 to make this standard the same as the injury standard
4 for the initial investigation and all we are asking
5 the Commission to do is find that it is likely that
6 imports will increase and cause this material injury.

7 Now, the Courts have interpreted that likely
8 is more likely than not. So really in order to
9 justify a negative determination you have to find it
10 is not likely that imports are going to increase where
11 it's not likely that when imports increase there's
12 going to be any material impact on the U.S. industry
13 and we don't think this record can support that.

14 COMMISSIONER PINKERT: I'm not focused here
15 on the question of whether a conclusion that the
16 industry is doing fine right now would be sufficient
17 to compel a particular result. I'm focused on this
18 question of whether material change is equivalent to
19 material injury. I suppose one way of flushing out
20 the question would be to ask a hypothetical question.

21 Suppose the industry is doing fine now and
22 suppose the industry would be doing fine if the orders
23 were revoked, but suppose that there would be a change
24 between those two. What is your legal analysis of the
25 result of a sunset review under those circumstances?

1 MR. HECHT: Jim Hecht.

2 MR. SCHAGRIN: Well, anyway. Let me just
3 finish because I was -- is that if the difference
4 between doing fine and doing less fine that change is
5 that there has been an impact on production,
6 shipments, employment, wages, investment, prices,
7 profits, any of those, doesn't have to be all of
8 those, then that is material.

9 So, you know, for example if the industry
10 were to lose another five or 10 points of market share
11 and their production and shipments would decrease but
12 their profits only went from 27 to 23 percent but
13 another 15 or 20 percent or 10 percent of the
14 workforce lost their jobs that would be material. So
15 it's that if that change is material then that's
16 material injury. Regardless of the place that the
17 industry's at, if the change is material.

18 COMMISSIONER PINKERT: Mr. Hecht?

19 MR. HECHT: Yes. This is Jim Hecht. To
20 follow-up on that I think the way you asked that
21 question if you're fine and will be fine I don't see
22 where the statute calls upon you to ask whether an
23 industry is fine.

24 COMMISSIONER PINKERT: I'm actually quoting
25 from Mr. Lighthizer's testimony on that point.

1 MR. HECHT: Well, you know, I don't know
2 exactly what you're referring to, but the point I'm
3 trying to make is if you mean by that an abstract
4 assessment of where an industry is, in other words it
5 defines material injury and then it tells you in
6 determining that look at the price, volume and impact.
7 Volume obviously is movement in time, price I'd ask
8 you to look at suppression or depression, again
9 movement from one position to another, and then on
10 impact it sets out a whole series of factors.

11 Declines and outputs, sales, market share,
12 profits, declines. I don't see where it calls upon an
13 abstract assessment of fine if you see what I'm trying
14 to get at. Same thing with negative affects on cash
15 flows, inventories, employment. Again, I think it
16 makes sense. How would you come about that abstract
17 assessment of where an industry should perform?

18 I'm not sure that's a determination that
19 could be easily made. To me what the statute seems to
20 be saying is an industry should earn what it can earn
21 in a market characterized by fair trade whatever that
22 is. That's sort of not this Commission's decision to
23 make. Your question is would it be materially
24 different if you had unfair trade in the market? At
25 least that's how it reads to me. Thank you.

1 COMMISSIONER PINKERT: Thank you.

2 Thank you, Mr. Chairman.

3 CHAIRMAN PEARSON: Have you had enough for
4 one round? I could yield you a couple of minutes if
5 you need more.

6 COMMISSIONER PINKERT: That's all right.

7 CHAIRMAN PEARSON: How do you respond to the
8 Respondents' argument that both the industry producing
9 OCTG and the marketplace for OCTG have changed so much
10 since the original investigation that producers now
11 simply have more pricing power in the market and are
12 less likely to be injured by imports? If I haven't
13 stated their argument quite correctly I express my
14 regrets to the Respondents, but that's the question I
15 have in mind.

16 MR. DUNN: Byron Dunn, Lone Star Steel. If
17 we had pricing power my testimony would be different.
18 We would have been able to pass on those rising steel
19 costs to our customers and the surge of imports would
20 not have had a negative affect on our margins. So I
21 take exception to their comment.

22 CHAIRMAN PEARSON: Well, if I could just
23 follow-up, and I recognize you don't have access to
24 the confidential information in the confidential staff
25 report, but what you've just said does not square with

1 what I see regarding cost of goods as a percentage of
2 sales and the ability to pass-through, so just let me
3 mention that.

4 Who was seeking recognition?

5 MR. NARKIN: Yes, Chairman Pearson. They
6 have made the statement that there's been a lot of
7 consolidation in this industry and that has had an
8 affect on prices. I think what they're hoping they'll
9 accomplish with that is for you to have it in mind
10 that in the flat-rolled industry there has in fact
11 been some consolidation resulting in fewer players in
12 the business.

13 The truth of the matter is that in this
14 industry until very recently there has been no
15 consolidation of different players. You know, they
16 will point to things like V&M's acquisition of
17 NorthStar. Well, that didn't take a player out of the
18 market. So, you know, that's sort of one point I
19 would make. The other point is we seem to be getting
20 this in case, after case, after case, assertions that
21 consolidation has given the domestic industry power
22 over pricing.

23 Well, that is exactly the thing that the
24 Justice Department looks at when it decides whether or
25 not to let transactions like some of which are now

1 occurring go forward in this market. To the extent
2 that they looked at, and they clearly did, for example
3 IPSCO's acquisition of MS Group, they let it go
4 through.

5 What you're being asked to do in essence is
6 to second guess the decision of the agency and the
7 U.S. government that has experience in analyzing those
8 issues and has the authority to do it. We
9 respectfully submit to you that you ought not to put
10 yourself in that business.

11 CHAIRMAN PEARSON: Okay. Well, I would just
12 note that I think there has been some consolidation in
13 this industry since the original investigation. I
14 mean, we were at I think 11 producers then, we're now
15 down to four substantial ones. Things have happened
16 here.

17 MR. NARKIN: You've seen some very small
18 players being picked up by outfits like Maverick.
19 That's all you've seen.

20 CHAIRMAN PEARSON: I would just note, too,
21 that there's been consolidation in the rest of the
22 world with Tenaris playing a role that you have
23 highlighted here where there now seems to me to be
24 pricing decisions sitting in fewer hands and perhaps
25 less likelihood of an undisciplined pricing

1 competition that would take prices down.

2 MR. NARKIN: If I could respond to that
3 briefly, Chairman Pearson. Specifically with respect
4 to Tenaris when you have them making acquisitions with
5 having their long history of pricing aggressively
6 everywhere they operate in the world and they are
7 acquiring facilities in different countries to me that
8 doesn't reduce the prospect for aggressive pricing, it
9 increases it.

10 CHAIRMAN PEARSON: I would recognize someone
11 from Maverick to respond to that if you'd wish.

12 MR. CURA: I do. Thanks, Mr. Chairman.

13 CHAIRMAN PEARSON: Mr. Cura.

14 MR. CURA: This is Mr. Cura speaking, with
15 Maverick. I think I'd like to be short now. I think
16 my colleagues -- will have plenty of time to
17 specifically address this point later in the day
18 today. But I would agree with you 100 percent.
19 Within the premises of the law there's been
20 consolidation in this market, and I think this is
21 absolutely good.

22 The second thing that I would argue is the
23 reference to the pricing. We will see and create the
24 argument that the United States' price, and these are
25 public numbers, are well above, well above the average

1 prices also published by some of the existing
2 companies here today and that creates from our
3 perspective very little incentive for us to turn that
4 situation around.

5 Again, we would be very happy to expand not
6 only on the posthearing notes, but later this
7 afternoon as well.

8 MR. SCHAGRIN: Chairman Pearson, following
9 the Respondents' argument at the morning session I
10 would like to say that the argument that you cited at
11 the inception of your question that Respondents argued
12 that consolidation of the industry, and I won't deny
13 that there's been consolidation, has created pricing
14 power on the part of the industry. It's not on your
15 record through 2006. You do have some decline in
16 pricing products in the latter half of 2006.

17 But in 2007, and we are now some 45 days or
18 so into the year, I get this wonderful publication
19 ever day called *American Metal Market*, I read it every
20 day and I'm going to say in the first 45 days of this
21 year I've seen maybe 50 reports on price increase
22 announcements in steel products reflective of the
23 increase in cost primarily in scrap, which is about
24 \$100 a ton this year, and those increase announcements
25 have gone through all different -- I have not seen one

1 on oil country tubular goods.

2 These witnesses already testified their
3 costs are going up. Their scrap is going up, their
4 slab is going up, their hot-rolled is going up and
5 they're not increasing prices. Now, any industry that
6 sees increased costs -- and I recognize if you go back
7 to 2006, to 2004 you find the industry doing a better
8 cost of goods sold, I submit to you there's already
9 evidence on the record in 2007 that this industry has
10 no pricing power.

11 CHAIRMAN PEARSON: Okay. Dr. Kaplan?

12 MR. KAPLAN: Several points. The first is
13 that consolidation could have two effects. First as
14 Steve pointed out the Department of Justice reviews
15 all significant mergers to see if there was any market
16 power that would develop, and in the matters here they
17 have not. But with respect to pricing one of the
18 bigger effects that occurs especially between
19 sophisticated buyers and sellers is the efficiencies
20 created from the merger which actually has an effect
21 of pushing prices down.

22 U.S. Steel talked about their ability now to
23 supply a welded producer with hot-rolled. Tenaris has
24 talked about the debottlenecking Maverick. So the
25 notion that mergers create market power on its face is

1 not correct.

2 CHAIRMAN PEARSON: If I could comment,
3 though. The examples you gave would indicate that
4 costs may have gone down, but not that pricing would
5 have gone down. I think you did state that pricing
6 would go down if I heard correctly.

7 MR. KAPLAN: Well, you have demand
8 conditions changing. I'm thinking all things being
9 equal, does the merger create market power and give
10 control of prices? I said the first point is that
11 generally -- well, first the Justice Department looks
12 at it and gave you a definitive no.

13 They do have an army of attorneys and an
14 army of economists that have been charged with looking
15 at this and a very well-developed statute and the
16 ability to sue people to stop the merger if they think
17 that's going to happen and they haven't done any of
18 that and their thresholds are relatively low.

19 So I think the wild claim by someone who
20 hasn't seen confidential data, hasn't looked at it and
21 is contradicting what's happening in the Department of
22 Justice should be giving as much weight as that
23 sounds, which is none. The second is that there's
24 efficiencies created which could lower costs and lower
25 prices. Then I think the final point is the fact that

1 prices are higher here has nothing to do with market
2 power.

3 The prices higher here have everything to do
4 with the reason we're here today. There's dumping
5 orders against the people that will lower the prices
6 in the United States market should the orders be
7 removed and those prices would fall to the prices that
8 they're charging in other markets especially given the
9 pressure that they're facing in those markets with new
10 capacity coming on.

11 So the facts are consistent, the evidence
12 has been examined by expert agencies, and there's no
13 reason to believe there's market power and every
14 reason to believe that the price gap just discussed by
15 Tenaris would cause prices to fall if the order would
16 be removed.

17 CHAIRMAN PEARSON: Right. My light is
18 changing. I would just observe I don't think that
19 there's necessarily a problem with some increase in
20 market power in an industry like this that had been
21 perhaps too fragmented. I don't think that's a bad
22 thing. I don't do antitrust, I don't know what's
23 going on there, but just you can't have an industry in
24 which everybody is losing money and things go on
25 happily forever after.

1 It just doesn't work. So there's been some
2 consolidation and it makes sense, okay? I would just
3 observe that when we look at the empirical record that
4 we have and particularly for 2006 we see an industry
5 that doesn't appear to be in just terrible shape.

6 We have the highest level of sales in the
7 POR, we have the highest level of capacity
8 utilization, we have the highest level of export
9 shipments, we have the highest level of prices, we've
10 got the highest level of employment in the industry.
11 I mean, this is an industry where a bunch of things
12 are going right. I don't think we should be hesitant
13 to say that.

14 My time has expired. I turn to the Vice
15 Chairman.

16 VICE CHAIRMAN ARANOFF: Thank you, Mr.
17 Chairman. For novelty a question about drill pipe.
18 Can somebody please comment on the argument that NKK
19 Tubes made that drill pipe is priced higher in other
20 markets than in the United States. In particular
21 their method involves comparing U.S. mills' average
22 unit values with the average unit values of Japanese
23 export shipments. Is that a valid way to look at this
24 question?

25 MR. HECHT: It's Jim Hecht to kick it off.

1 We don't think that it probably is valid. We think
2 there may be differences in how the AUV, what products
3 you're talking about, whether it includes the full
4 finished product or not, and we can try to address
5 that further if you'd like in our posthearing.

6 VICE CHAIRMAN ARANOFF: I'd appreciate that.
7 I mean, as you know we're always somewhat skeptical of
8 looking at AUVs in these cases. Where there are
9 product mix issues the product mix issues that affect
10 drill pipe may be fewer than the ones that affect
11 casing and tubing, but they may still be there, so
12 that would be informative.

13 Can anyone describe what is the reason for
14 the increase in U.S. drill pipe processors export
15 shipments during the later portion of this period of
16 review? We have one processor here, right? Do you
17 want to comment?

18 MR. SCHAGRIN: TCA processes only oil
19 country. They don't process drill pipe.

20 VICE CHAIRMAN ARANOFF: Okay. All right.
21 Well, if there's anything anyone wants to add on that
22 in the posthearing I'll appreciate hearing it. I have
23 one other question. This is a question about Tenaris,
24 but I would like to hear answers from all of the
25 domestic producers other than Tenaris and ask Tenaris

1 to please answer this question this afternoon when you
2 have your Respondent's hat on.

3 Here is the question. There are Tenaris
4 products currently entering the United States from
5 both Canada and Romania. What I'd like to know from
6 the domestic industry since you are arguing that you
7 would expect that if the orders are revoked that
8 imports would increase from Tenaris what product does
9 Tenaris make in the subject countries that the company
10 does not make in Canada, in Romania or in its U.S.
11 facilities that you would expect to enter the U.S.
12 market?

13 And in answering the question I'd like you
14 to be very specific about both what the products are
15 and what the countries are where those products are
16 produced because I really want to address the question
17 of whether we can expect to see a total increase in
18 imports or simply a shift in imports from Tenaris
19 between its nonsubject and subject facilities.

20 MR. SHOAFF: This is John Shoaff with Sooner
21 Pipe. Don't hold me exactly to this. I'm not real up
22 to speed on Romania and maybe somebody could give me a
23 little support there. With regard to Algoma it's my
24 understanding, I mean, for the last few years they've
25 only been able to make up to seven inch material. I

1 believe it's my understanding they now make nine and
2 five-eighths or will be able to make nine and five-
3 eighths sometime soon.

4 I don't believe and just to my knowledge
5 that any of that material has come into the U.S. yet
6 on the larger material. With regard to the subject
7 mills in question here it's to my knowledge that they
8 can make pretty much the full product line. It is a
9 good quality product and even into the high grades,
10 and high alloy grades, and larger OD, and heavy wall
11 materials that we had been discussing earlier
12 obviously they don't have that capability yet at
13 Algoma.

14 I don't believe, and again don't hold me to
15 this, this is my opinion, that the Romanian mill has
16 the ability to make some of those products and maybe
17 some question on the quality of the Romanian mill
18 which I would expect knowing Tenaris like I do that
19 they'll get that remedied sometime soon because they
20 are a quality producer.

21 MR. VAUGHN: Vice Chairman Aranoff, just to
22 support what Mr. Shoaff said this was an issue that
23 came up in that March 8 conference call with the
24 investors.

25 I mean, Tenaris at that call made a big deal

1 out of the fact they're very focused on the U.S.
2 market, it's a huge market, it's a very important
3 market, they need to be here to balance out their
4 risk, they need to be here because it helps them
5 develop business in other markets outside the U.S.,
6 and so they were sort of making a big pitch about
7 their interest in the U.S. market.

8 At one point they actually got a question
9 from a Morgan Stanley analyst who made the point that
10 at this time they cannot serve a company like Chevron
11 all the way down through the well with the plants that
12 are available to come into this market.

13 In response to that the Tenaris people, I
14 believe they said that the Romania mill only goes up
15 to five and a half inches in outside diameter, and
16 that the Algoma mill only goes up to nine and five-
17 eighths inches in outside diameter and then of course
18 Maverick as we know only makes welded, so they would
19 need to bring in the larger diameter seamless product
20 from Siderca or particularly TAMSA which goes up to I
21 think 20 inches or again Dalmine, I think it also goes
22 up to 20 inches.

23 So they would need to bring those products
24 in. If they wanted to go to a customer like Chevron
25 and say we want all your business and here's sort of

1 the whole package that we've put together just for
2 you, they can't do that right now. They would have to
3 bring in stuff from the subject mills.

4 VICE CHAIRMAN ARANOFF: Okay. Mr. Vaughn,
5 that's really helpful. I guess I just encourage all
6 of you to the extent that you can really quantify that
7 for me because you'll recall that in their brief
8 Tenaris actually gives a number what they think their
9 exports to the U.S. would be from subject countries.
10 Perhaps you could view that as a concession on their
11 part that their total exports subject and nonsubject
12 to the U.S. would go up by that much.

13 They didn't actually say that. I may ask
14 them that this afternoon, but, I mean, take a look at
15 that number. Let me know if you think that's a
16 realistic number given what you know about the size of
17 the U.S. market for this large diameter product that
18 you're describing.

19 Mr. Hecht?

20 MR. HECHT: If I could just make a few small
21 points on that, too. It's worth keeping in mind again
22 for example with the Algoma mill that's a mill that
23 they came in and told the Commission they had no
24 interest in using to ship here and that they had a
25 full market in Canada for everything they had. They

1 right now are shipping material from Argentina up to
2 Canada and then shipping a similar amount back down
3 into the United States, so I think that's a little bit
4 relevant to think about as well.

5 I just don't know that you've had a case
6 like this where it's not like we're telling you. They
7 pretty much laid a road map as to what they wanted to
8 do in the U.S. market in that conference call, and
9 it's a pretty vivid description. It talks about how
10 globally they are a one stop shop all the way from the
11 very highest end down to the lowest end, that they can
12 bring that model to the U.S. now with Hydraul and
13 Maverick and that they want to bring that model here.

14 They talk about how they have all these
15 mills that can do different things. They bundle and
16 package together all your needs and bring it in. It's
17 a pretty vivid description, and we think it's pretty
18 hard to see how that would not have some material
19 affect in the market.

20 VICE CHAIRMAN ARANOFF: Okay. Two things I
21 would to follow on. The first is, you know, I know
22 you made the comment about Algoma and what happened in
23 the past case a number of times. The best of my
24 recollection is that at the time that those arguments
25 were being made who the they was was in some doubt.

1 The plant was either not producing, or not
2 producing very much, it was in the process of changing
3 hands, so when we refer to who the they was who made
4 the statement it may not be the same they who is here
5 right now.

6 MR. SCHAGRIN: Vice Chairman Aranoff, I
7 think you're right. I haven't been in both cases.
8 You're right in the Canada hearing, but you're wrong
9 as to the first sunset review here because the Canada
10 and Taiwan OCTG sunset reviews were about one year as
11 transition reviews before these reviews.

12 By the time of the first sunset review here
13 the Tenaris executives who then were fully in control
14 of Algoma were then saying you don't have to worry
15 about us as Tenaris going forward because look, we now
16 own Algoma and we're not going to use Algoma to export
17 to the United States.

18 VICE CHAIRMAN ARANOFF: Okay.

19 MR. SCHAGRIN: So I think you're right.
20 There was confusion, the deal wasn't done in the
21 Canada review, but by the time they were talking about
22 Algoma which is some of the quotes that we put in our
23 prehearing brief it was actually in the sunset review
24 here, not the Canadian sunset review.

25 VICE CHAIRMAN ARANOFF: Okay. All right.

1 My time is almost up. I'm sorry, I don't want to have
2 wasted more of it on that, but let me throw one more
3 question out there which maybe I'll have you answer
4 posthearing so we don't have to spend a lot more time
5 on it, but there's been a lot of reference to Tenaris,
6 and one stop shopping and providing all of a customers
7 needs.

8 So I guess I would ask the producers and the
9 distributors here how common is it for purchasers of
10 this product to want to single source? That wouldn't
11 be my impression. My impression would be that they
12 would want to have multiple sources. Indeed I did
13 hear some testimony from some of these gentlemen
14 about, you know, customers who split their purchases
15 70/30 or something like that.

16 So if you could just give me some
17 information in the posthearing about how especially
18 the large oil companies or energy companies deal with
19 the question of whether someone coming in to them and
20 saying we'll provide everything you need is actually
21 attractive to them or not that would be helpful.

22 Thanks.

23 I want to thank all the witnesses for your
24 answers this morning and this afternoon.

25 Thanks, Mr. Chairman.

1 CHAIRMAN PEARSON: Commissioner Okun?

2 COMMISSIONER OKUN: Thank you, Mr. Chairman.
3 Just a follow-up I think to the Vice Chairman's
4 request with regard to what Tenaris produces in other
5 countries that it doesn't produce in nonsubject
6 countries. If you can help put a number on that in
7 terms of the quantity because again I think that's
8 relevant to the question asked earlier of what the
9 domestic industry is importing and trying not to
10 import in the future and whether those are in fact the
11 same products where they would be competing.

12 Second just briefly on the Canada issue that
13 the Vice Chairman raised which is I wouldn't want my
14 colleagues to be left with the misimpression that the
15 Commission relied on the statements about what would
16 happen with the Algoma plant in the Canada review
17 because in fact the Commission did not. The
18 Commission assumed there would be some volume and
19 really it was just the significance of that particular
20 volume, part of which that we recognized would come in
21 from IPSCO.

22 So I wanted to make sure my colleagues don't
23 think we relied on statements by Siderca about volume
24 in lifting that order.

25 All right. Mr. Dunn, at the end of my last

1 round I was asking about Korea in particular and Japan
2 and welded and you had a comment. Is that still --

3 MR. DUNN: Yes. Byron Dunn, Lone Star.
4 Just to be brief I just wanted to point you to my
5 testimony where I made a very specific plea about the
6 Korean new mill capacity at Nexsteel and their focus
7 on the heavier wall high performance ERW which is
8 right in the center of our fairway. That's right in
9 the heart of our product offering, and I made mention
10 in the testimony that it would be injurious.

11 COMMISSIONER OKUN: Okay. I remember that
12 now. Is that product that's not currently coming in
13 from the Koreans?

14 MR. DUNN: Yes.

15 COMMISSIONER OKUN: Okay. So that would be
16 an additional volume --

17 MR. DUNN: They're going up the value added
18 chain to put heavier wall high performance ERW into
19 the marketplace with this new capital investment.

20 COMMISSIONER OKUN: Okay. Any other
21 comments about Japan or Korea in particular?

22 (No response.)

23 COMMISSIONER OKUN: Okay. Then let me ask,
24 and I'm not sure if the representative from TCA, Mr.
25 Breihan, is able to answer this, but with regard to

1 Grant Prideco I wondered if anyone could comment on
2 whether their position or their role in the market has
3 changed since the first review?

4 MR. BREIHAN: There's someone better that
5 could probably answer that question than I can from
6 the Grant Prideco perspective, but are you talking
7 relative to drill pipe or relative to --

8 COMMISSIONER OKUN: Relative to drill pipe.

9 MR. BREIHAN: Yes. From our standpoint
10 we'll provide some information postbrief from those
11 who are more responsible for drill pipe, but from our
12 standpoint it's a completely different product and has
13 a different customer base, a different use in the OCTG
14 that we're talking about here.

15 COMMISSIONER OKUN: I'm not focused too much
16 on the difference. I'm just trying to understand the
17 role of Grant Prideco. I mean its dominance in this
18 market and whether there's been any changes since the
19 first review that we should be aware of. I mean, I
20 know that if you look at the import numbers of drill
21 pipe they look different from the review, but that's
22 accounted by their purchases of --

23 MR. BREIHAN: They have grown a larger
24 international base and produce in joint ventures in
25 China. I don't believe they're importing any drill

1 pipe into the U.S. It's all export.

2 COMMISSIONER OKUN: Okay. Well, if there's
3 anything then for posthearing that counsel can provide
4 with respect to Grant Prideco, and its role and how we
5 should take that into consideration in evaluating the
6 drill pipe part of this case, appreciate that.

7 Then I would like this to be counsel to
8 domestic producers other than Maverick. Are you
9 planning to make any argument that Maverick should be
10 excluded from the domestic industry?

11 MR. SCHAGRIN: This is Roger Schagrin, and I
12 think given the fact that the Tenaris acquisition of
13 Maverick was completely basically five and a half to
14 five and two-thirds years into the period of review
15 that we would not be making that argument that you
16 don't have factors that the Commission focuses on in
17 terms of related party and exclusion.

18 They're clearly now related parties, so
19 you're going to have to look at it and I'm sure you'll
20 address it in your determination, but you don't have
21 information on the record for virtually any, you know,
22 timeframe that would be of any significance on those
23 related party factors.

24 COMMISSIONER OKUN: Okay. Is Mr. Schagrin
25 speaking for you, Mr. Lighthizer and Mr. Hecht?

1 MR. HECHT: Yes. I think we would agree
2 with that in terms of the underlying data, obviously
3 in terms of the position they're taking today now and
4 why they're taking it. I'm not sure that goes in
5 terms of excluding data or looking at that. Obviously
6 we'll have arguments in terms of what they're saying,
7 why they're saying it and what significance we think
8 you should give to that.

9 COMMISSIONER OKUN: Okay. And then this can
10 be for posthearing to counsel with regard to
11 cumulation which is in other sunset cases before the
12 Commission the Commission has not exercised its
13 discretion to cumulating cases where there has been
14 significant ownership changes in the U.S. market. I
15 just wanted to invite you to give further comments on
16 that in posthearing.

17 I know you address cumulation, but if you
18 would address other cases where we have in fact not
19 exercised our discretion to cumulate based on some of
20 the arguments that Tenaris put forward in their brief.

21 MR. SCHAGRIN: We'll do that in our
22 posthearing brief. Roger Schagrin.

23 COMMISSIONER OKUN: Appreciate that. And
24 then I wanted to go back on this issue about the
25 permits and what that means for how we should look at

1 demand going forward. I don't recall hearing that in
2 other cases talking about the permits.

3 In other words, you know, and I'm sure we
4 will hear from the oil companies that they look at --
5 Hughes, they look at rig count activity in making
6 these investments, and they look at forecasts on what
7 the price of gas is going to be in what their business
8 forecasting reasonably foreseeable future is.

9 Is there something that you provided or that
10 you can provide that would show where permits are a
11 more relevant consideration in that?

12 Mr. True, is that you?

13 MR. TRUE: Yes, Commissioner. Dave True.
14 The reference that I used came from the OCT's G
15 situation report. It's a monthly report. It graphs
16 the number of permits nationwide, and it's a very
17 dramatic graph. If the Commission can take a look at
18 that and if counsel chooses to do so provide it in
19 posthearing brief. But it is industry wide that is
20 truly one of the leading indicators of future
21 activity.

22 Just based on my experience over the last
23 four decades that has truly been a leading indicator
24 based on my own personal experience.

25 COMMISSIONER OKUN: Okay. Well, if that's

1 available on a historic basis so that we could see how
2 it relates to, you know, the rig count that would be
3 helpful I think.

4 Mr. Schagrin?

5 MR. SCHAGRIN: Commissioner Okun, if there's
6 any other comments from the experts here that would be
7 fine, but I would just point out that in Exhibit 9 to
8 our prehearing brief we do have a graph that goes from
9 January 2003 to January 2007. Normally the rig count
10 and the permit count are moving in tandem, and then in
11 about September of 2006 the permit count starts moving
12 down even though the rig count continues moving up.

13 Then we also graph out that I think is
14 reflective of what Mr. True is talking about is
15 Exhibit 10 shows the number of permits per rig. You
16 also see a steep decline in the last several months.

17 We'll further explicate this in our
18 posthearing brief, but we do think that a decline in
19 permits, and I think both Mr. True and Mr. Hunt can
20 comment on this, my understanding is you're not
21 allowed to drill a well, you may have a rig, but you
22 can't drill a well until you've gotten a permit from
23 the state in which you're drilling in. So it's almost
24 like, you know, housing starts.

25 Talking about the real estate. We're

1 getting permits for building houses where you can't
2 build a house until you get a permit. It's the same
3 thing. It's a good forecaster of future activity
4 because if they've stopped getting permits from the
5 states that means the drilling is going to decline in
6 the future.

7 COMMISSIONER OKUN: I'll look for that
8 posthearing. Then, also if you could address the
9 additional points that have been raised that in fact
10 it's not, I mean, it's rig counts but it's also how
11 much OCTG is needed to get out these increasingly less
12 productive wells. I'm trying to make sense of that.

13 Also, just I know, Mr. True, you've talked
14 about the Wyoming sector. You know, if I look at the
15 rig count I think you have a colleague back there from
16 Texas. I mean, Texas looks like it ate up everything
17 that Wyoming lost. So, you know, just to help us put
18 in context where there are real declines versus
19 geographic declines that would be helpful. It looks
20 like my red light's on. I appreciate all of your
21 input. I much appreciate all the information you've
22 given and I'll look forward to rereading your post-
23 hearing submissions.

24 COMMISSIONER PEARSON: Commissioner Lane?

25 COMMISSIONER LANE: I would like to ask

1 people in the industry: How do you calculate your
2 capacity and capacity utilization, and how many hours
3 per day, and days per week, do you use to do that
4 calculation?

5 MR. SUTHERLAND: This is Dave Sutherland
6 with IPSCO. In our case, and it may well differ, but
7 in our particular case with the high levels of capital
8 investment required to build these facilities, we
9 report them internally and externally on the basis of
10 24/7 virtually every day of the year.

11 COMMISSIONER LANE: Are you operating 24/7?

12 MR. SUTHERLAND: No, we're not.

13 COMMISSIONER LANE: Okay. I guess that's
14 really what I'm asking. So that's how you calculate
15 your capacity, and your capacity utilization, but what
16 are you actually doing?

17 MR. SUTHERLAND: Well, that varies. We can
18 provide that post this because I don't have every
19 plant down by number. But I think we've been
20 reporting and it was stated in my opening comments
21 this morning, and I heard it from virtually all the
22 other facilities here whether they be pipe mills or
23 service providers, that, in fact, capacity utilization
24 is well down today from where it was let's say at the
25 end of the third quarter.

1 We don't have one single facility that we
2 have not furloughed staff.

3 COMMISSIONER LANE: So this change is since
4 the third quarter.

5 MR. SUTHERLAND: Yes.

6 COMMISSIONER LANE: Can you provide that to
7 us too post-hearing?

8 MR. SUTHERLAND: Sure, by all means.

9 COMMISSIONER LANE: Okay. Does somebody
10 else --

11 MR. LINDGREN: Commissioner Lane, this is
12 Roger Lindgren, from V&M Star. I would say the same
13 thing that was mentioned by Dave Sutherland, that we
14 calculate our utilization in the same way; and we have
15 had some decline. We will give you the details in a
16 post-hearing brief.

17 COMMISSIONER LANE: Okay. Let me have a
18 clarification. If that's how you calculate your
19 capacity and your capacity utilization, is that only
20 for OCTG, or is it for everything that you produce in
21 those facilities?

22 MR. LINDGREN: As I mentioned earlier in
23 response to a different question: Our facilities can
24 produce a number of different products, especially on
25 the welded side. So when we report capacity

1 utilization, it's capacity utilization regardless of
2 what's its making.

3 But the preponderance of our capacity in the
4 United States, and 93% of the capacity of NS Group,
5 which, as I mentioned earlier, we closed on in
6 December was dedicated to OCTG. So when you see a
7 capacity change in the last couple of quarters, it's a
8 change in utilization rates producing OCTG.

9 COMMISSIONER LANE: Yes, sir.

10 MR. SURMA: Commissioner, John Surma from U.
11 S. Steel. I think what my distinguished colleagues
12 have described is essentially how our company would do
13 it as well. The only thing I'd add is that it should
14 not be understood that capacity increases are in a
15 very linear fashion.

16 In our particular case, in order to expand
17 capacity, which we have the ability to do, we would
18 need to have trained crews that are prepared to
19 operate the facility for an additional term per week,
20 per month, and additional working capital, additional
21 spares, et cetera.

22 That's an extensive process, and an
23 expensive process. It takes a lot of time. We don't
24 like to do that for just one order. We want to make
25 sure we've got a sufficient amount of orders that are

1 behind the mill in order to allow us to do that in an
2 economical fashion.

3 So it's not a simple linear increase to move
4 up additional capacities. It is something that
5 requires some expectation for a decent supply and
6 demand balance for a period time, precisely what would
7 be at risk; and indeed we have taken crews off in the
8 last five years because of injurious imports, exactly
9 what would be at risk if these orders were revoked.
10 Thank you.

11 MR. SHORTER: Commissioner Lane, this is
12 Jeff Shorter from Maverick. I'd have to agree that
13 Maverick calculates our utilization basically in the
14 same manner that was described here by my colleagues.

15 COMMISSIONER LANE: Okay, thank you.

16 Now I would like to discuss the types and
17 grades of OCTG. I would like for you to contrast the
18 ranges of types and grades of OCTG today, and what was
19 available five or more years ago?

20 What changes have taken place in the types
21 of OCTG offered by the domestic industry since 2001?

22 MR. LINDGREN: Commissioner Lane, this is
23 Roger Lindgren from V&M Star. I can comment for us
24 that in the period that you've discussed, we have
25 developed and produced more enhanced collapsed

1 products; and we are developing and producing more
2 sour service products.

3 The one thing that we have been unable to
4 do, but now with our February start-up in the facility
5 we described, is the final one, let's say the C-110
6 product, which is now in some demand.

7 COMMISSIONER LANE: Okay.

8 MR. BREIHAN: This is Jim Breihan with TCA.

9 COMMISSIONER LANE: Yes.

10 MR. BREIHAN: The same numbers that Roger's
11 got, we have increased the offering of sour service
12 products from T-95 to C-100s, C-110s. These are
13 specific for sour service applications, high-collapsed
14 products.

15 So it's been a whole myriad of different
16 products and enhancements that have come along. A lot
17 of these have been done in collaboration with our
18 customers, particularly Shell and some of our other
19 ones.

20 MR. VERELLEN: Tom Verellen, U. S. Steel.
21 In 1996-97, we came out with an enamelized grade; and
22 in 1997, we began making, above API, sour service
23 grades, the C-100s. We had always made T-95, which is
24 an API grade. We supplied Shell their C-100 in 2003.

25 Basically, those are the grades. And just

1 to comment on the Shell C-100, which seems to be a
2 major concern here. I mean Shell has identified us as
3 their second-largest producer and supplier in the
4 world. That is based strictly on the U.S.A. The C-
5 100, we understand, is very important to them. But.
6 as we are such a large supplier, we meet with those
7 folks in many ways. We have a quality-improvement
8 program that we do with them; and we used to do
9 meetings about twice a year.

10 Since we have so few quality issues, we have
11 slowed down to once a year, but I have the minutes
12 here from the last quality improvement meeting with
13 them. The scope of the minutes says: Representatives
14 from Shell, Chickershorn, and U. S. Steel met to
15 discuss quality issues, as well as product
16 requirements involving U. S. Steel's tubular products.

17 So this would be the forum to discuss any
18 issues between us, and C-100 is never mentioned here.
19 It's our belief that they don't have issues getting
20 that and they haven't brought them to us. We know
21 that we have supplied it to them, and we know that TCA
22 supplies it to them on a regular basis.

23 MR. BREIHAN: This is Jim Breihan with TCA
24 again. We supplied about 100,000 feet of C-100 to
25 Shell last year. There were some notes that there may

1 be some off-shore business that we can't supply. We
2 looked back on our quotations and that's in the range
3 of 1 to 2% of what we quoted that we've not been able
4 to satisfy.

5 But I think V&M has the ability to offer
6 those sizes that we could not.

7 MR. HORNET: Yes, there is no question that
8 we can deliver any type of grades and work thickness
9 that Shell would need in the U.S.A. And with all the
10 respect I have for Shell, that it is a very good
11 customer for us, we did not receive any inquiry for
12 the last two years on the last type of product.

13 MR. VERELLEN: I would like to make one
14 final comment on adding to Mr. Breihan's comment: As
15 TCA is a processor, people could raise the concern
16 that they don't have access to the steel to make the
17 products as needed. But, very recently, U. S. Steel
18 and TCA have extended the supply agreement between us
19 so they have a guaranteed supply across their entire
20 size range through 2011; and that also includes the
21 actual chemistry that they use to make their sour
22 service grades.

23 COMMISSIONER LANE: Okay, thank you.

24 That's all the questions I have. I thank
25 you all for answering my questions today.

1 Thank you, Mr. Chairman.

2 COMMISSIONER PEARSON: Commissioner
3 Williamson?

4 COMMISSIONER WILLIAMSON: Just a few brief
5 questions. On the Staff Report, on p. 29, it talks
6 about the demand for OCTG. depending on the number of
7 active rigs, and they also mention the depth of rigs.

8 I was just wondering whether or not there
9 was any data available on the trend in terms of depth
10 of rigs, and does that give us anything about future
11 demand?

12 MR. DUNN: Byron Dunn of Lone Star. There's
13 public data. We can supply that in a post-hearing
14 brief. It gives rig profiles by depth. We can supply
15 some interesting information about that.

16 MR. BROGLIE: We can also supply that type
17 of information on the depths of the wells in the
18 United States.

19 COMMISSIONER WILLIAMSON: That gives us some
20 relevance in terms of future demand.

21 MR. SUTHERLAND: Excuse me, and when you're
22 looking at that -- this is Dave Sutherland -- it's not
23 only a function of what the demand is going to be.
24 But it is also going to be some indication of what the
25 well complexity is going to be; and, therefore, the

1 nature of the types of products that are going to be
2 consumed, and targeted out will be the kinds of
3 products that we're talking about today, which is
4 toward the higher end.

5 COMMISSIONER WILLIAMSON: Thank you for the
6 explanation. This is a question for Maverick: Can you
7 explain the respective roles that Maverick's U. S.
8 management, and Tenaris corporate management played in
9 determining the nature of the mix of welded tubular
10 products that Maverick produces?

11 And to what extent is Maverick's U. S.
12 management required to coordinate with either Tenaris
13 management or other Tenaris production facilities
14 around the world in determining product mix?

15 MR. CURA: Of course. Let's say that Tenaris
16 operates as a one-only entity, and Maverick has become
17 the U. S. base of Tenaris, as I described during my
18 initial testimony.

19 By operating as a one-only entity, the
20 decisions of what Tenaris does in the states is taken
21 by the U. S. management that at the same time runs
22 Maverick as a company, as a U. S. pure company.

23 This is how we're structured; this is how we
24 operate not only in the United States, but on all
25 other countries where Tenaris has a production base.

1 COMMISSIONER WILLIAMSON: Thank you. Just
2 one last question: Going back to the question of
3 capacity utilization, I assume there are lines where
4 you could be running OCTG or non-OCTG products.

5 Do you have to allocate them? When we do
6 look at a capacity utilization for OCTG, how do you
7 deal with that in coming up with the capacity
8 utilization figure?

9 MR. VAUGHN: Commissioner Williamson, this
10 kind of goes to the question of how we filled out the
11 questionnaires, so I'll just kick this off.

12 I think that the way that the Staff did it
13 in this questionnaire was they had two questions.
14 First: What is your overall capacity for the whole
15 mill, and all the different product lines that could
16 be made on the mill?

17 Then, second of all: What is your capacity
18 in production of this particular product?

19 What we do is, and I think this is sort of
20 general practice: You sort of take your overall
21 capacity and your overall production, and then you
22 sort of see what percentage of that is say OCTG.

23 Then you would allocate that percentage of
24 things, like capacity, to when you answer the capacity
25 question. So that way, when you guys get our capacity

1 utilization number for OCTG, it's consistent with the
2 capacity utilization number for the mill as a whole.

3 COMMISSIONER WILLIAMSON: Okay, so it could
4 change as your product mix changes from year-to-year?

5 MR. VAUGHN: Yes, it could. For example, if
6 you had a situation in which a mill had a different
7 product mix, say maybe, at one point, they were making
8 a certain percentage of OCTG, and now they're making a
9 different percentage of OCTG. That allocation would
10 change from year-to-year on the OCTG table.

11 COMMISSIONER WILLIAMSON: Okay. And I
12 assume the foreign mills probably do the same thing
13 would you say? You may not know, but I was just --

14 MR. VAUGHN: I can't speak for them. I
15 would just like to make a couple of points about this
16 capacity question. One is: We would say that these
17 mills are generally designed to run on a sort of 24/7
18 type environment. That's kind of the way the mills
19 are designed.

20 So, in order for you to get a sense -- of
21 what you guys are sort of looking forward to. You're
22 trying to figure out what can these different mills
23 do? That is the sort of information that you really
24 need to sort of say: Okay, what can this mill really
25 do, or what can it kind of do across all these lines,

1 and how can we make sure that this utilization number
2 sort of reflects the number for the mill as a whole?

3 That should be the practice. Whether or not
4 it is the practice, I can't say for sure.

5 COMMISSIONER WILLIAMSON: Okay, thank you.

6 I have no further questions. I want to
7 thank the panel for their presentations today.

8 COMMISSIONER PEARSON: Commission Pinkert?

9 COMMISSIONER PINKERT: I have nothing
10 further. And I would like to thank the panel as well.

11 COMMISSIONER PEARSON: Are there any further
12 questions from the dais?

13 No response.

14 COMMISSIONER PEARSON: Okay. Do the members
15 of the Staff have questions for the domestic industry
16 panel?

17 MR. CORKRAN: Douglas Corkran, Office of
18 Investigations. Thank you, Chairman Pearson. The
19 Staff has no questions.

20 COMMISSIONER PEARSON: Thank you. My
21 goodness, I think it's lunch time. Let me also
22 express my appreciation to this panel. It's been a
23 long morning, but a very interesting one. Thank you.

24 Thank you, Mr. Secretary. Yes, I have this
25 perfectly decent script in front of me, if I would

1 just read it. So don't blame the Secretary for the
2 Chairman's oversights, please.

3 Does counsel for the Respondents have any
4 questions for the domestic industry panel?

5 MR. CAMERON: I don't --

6 COMMISSIONER PEARSON: That's Mr. Cameron
7 saying that he doesn't think so, okay. Thank you.

8 Now it's lunch time. I should advise you
9 that the room isn't secure. Please don't leave any
10 confidential business information, or anything else
11 like that in here. Let's come back at 3:10 p.m.

12 This hearing stands in recess.

13 (Whereupon, the hearing in the above-
14 entitled matter was recessed to reconvene this same
15 day, Thursday, April 12, 2007 at 3:10 p.m.)

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1 finally, Shell Oil Company will conclude.

2 At the outset, I would like to make a couple
3 of introductory remarks. With regard to Mr.
4 Lighthizer's rather bizarre statutory argument in
5 discussion of spiritual injury, we will be glad to
6 respond to any questions that this Commission has
7 because there is a lot of experience on this panel as
8 well; and some of us were also at the birth I guess,
9 not in 1921 but in other areas.

10 We are also not going to comment on Mr.
11 Lighthizer's statement that there have been
12 Commissioners in the past who didn't believe in the
13 antidumping law. Personally, I wasn't aware of that,
14 but he can perhaps elaborate in his post-hearing
15 brief.

16 Now, I don't know whether each Commissioner
17 got an opportunity to read the entire three-volume set
18 submitted by U. S. Steel in this case. But if you do,
19 please don't spend a lot of time searching for a
20 discussion of U. S. Steel's \$2.1-billion investment in
21 Lone Star, nor a discussion of why, given their
22 apparent perception that the market is currently
23 precarious, they paid a 39% premium to get Lone Star.

24 In the U. S. industry briefs, they spent a
25 lot of time discussing China. But I also don't recall

1 seeing a discussion of Lone Star's plan to import up
2 to 200,000 tons of OCTG from China in 2007. But,
3 again, this case isn't about China. China is not
4 subject to these orders, and I realize that it would
5 have been difficult to have know that if you had just
6 landed on this planet; and, in this hearing room this
7 morning, you would have thought actually that it was
8 all about China, but actually it's not.

9 When all is said and done, the projections
10 of gloom and doom this morning from the lawyers have
11 no credibility in light of their investment decisions.
12 I would note, however, that the Chairman of U. S.
13 Steel and Maverick's representative, actually agreed
14 with Respondents' view of the structural changes in
15 the market that have occurred since the original
16 investigation, and indeed since the first Sunset
17 investigation.

18 They also agreed that demand is going to
19 remain strong for the foreseeable future. I think
20 they already voted on that with their money. Now, in
21 the case of the Korean industry, you can see for
22 yourself what the extent of the participation of the
23 Korean industry is going to be in this market.

24 It has been unaffected by the orders. But
25 if this is true, then actually the orders ought to be

1 lifted. If you want to know what Korea's
2 participation in the market will look like in 2007 and
3 2008, look at 2006.

4 In responde to Commissioner Pinkert, the
5 Maverick representative this morning testified that
6 Korean producers have a major incentive to shift ERW
7 capacity to OCTG because, while they can run all pipe
8 products on ERW mills, they need to maximize their
9 "heat treating, upsetting. and threading equipment."

10 Well, that's very interesting since subject
11 Korean producers don't have the capacity to heat treat
12 or upset, and they have very limited threading
13 capacity. In fact, this is the reason why subject
14 Korean producers import plain-end pipe and it's all
15 finished in Houston.

16 In order to produce OCTG, it also requires
17 the proper grade of hot-rolled coil, as Mr. Lee will
18 explain in a moment.

19 Finally, the U. S. industry has sought to
20 inflate the volume of imports from Korea by focusing
21 on subject and non-subject imports from Korea.

22 We would remind this Commission that Hisco
23 is not subject to the order from Korea. They received
24 a de minimums in the original investigation; and,
25 quite frankly, they were the only investigator

1 producer, since the only other mandatory respondent in
2 the original investigation was going out of business;
3 and, therefore, refused to answer the questionnaire's
4 from Commerce because they didn't want to spend the
5 legal fees.

6 It was understandable, but the order on
7 Korea is a best-information finding based upon a
8 company that went out of business.

9 Now, I would like to turn to Mr. Lee.

10 MR. LEE: Hello, my name is Gene Lee. I am
11 the Vice President and General Manager of Pan Meridian
12 Tubular in Houston, Texas. Pan Meridian is a division
13 of SeAH Steel America, Inc. Both Pan Meridian and
14 SeAH Steel American are owned by the Korean producer,
15 SeAH Steel Corporation.

16 SeAH is the leading producer of pipe and
17 tube products in Korea. Pan Meridian is the exclusive
18 U. S. importer of OCTG products from SeAH Steel.

19 I joined Pusan Steel Pipe in 1978, which is
20 the same year that Pusan Pipe first became authorized
21 to use the API monogram on its OCTG and line pipe
22 products. In 1996, Pusan Pipe changed its name to
23 SeAH Steel Corporation. This was done in part to
24 reflect the fact that SEAH Steel is not just a pipe
25 company -- it produces both pipe and tube and also

1 some flat rolled steel products.

2 I have been involved in the sales and
3 marketing of OCTG, line pipe, and other pipe products
4 to the United States since 1982. During the past 25
5 years, I have participated in the U. S. OCTG market in
6 good times as well as bad times. SeAH is a
7 conservative company that has adjusted its strategy in
8 the U. S. market over the years to try to decrease
9 risks associated with the ups and downs of the market.

10 Between 1978 and 1986, SeAH exported and
11 sold only plain-end pipe to distributors. However,
12 based on our experience with the market collapse in
13 1983 and 1986, we decided it was necessary to
14 diversify our product offerings in the U. S. market.
15 In 1987, we began importing plain-end pipe and
16 finishing it in the United States using unaffiliated
17 further processors. Korean producers produce only
18 welded ERW OCTG. We do not produce seamless OCTG.

19 In 2005, we decided to expand our end-user
20 business by opening a Denver office to serve the Rocky
21 Mountain region. The distributors we used were not
22 serving that market and we felt this was an important
23 market for SeAH to expand its customer base. Our
24 Denver office opened in May of 2005 and we began
25 servicing small and mid-size end-users from our Denver

1 office.

2 Thus, while our sales level has remained
3 relatively steady with a small increase since 2003,
4 Pan Meridian has reduced its reliance on distributors.
5 This evolving strategy has enabled SeAH to diversity
6 its business without appreciably increasing its sales
7 of Korean OCTG.

8 I am here today to provide testimony based
9 on my 25 years of experience in the U. S. OCTG
10 market. I fully support the revocation of the
11 antidumping duty order on imports of OCTG from Korea
12 and all subject countries.

13 The first point that I would like to discuss
14 is the significant changes that have occurred in the
15 Korean OCTG industry since the time of the original
16 investigation. Two Korean OCTG producers at the time
17 of the original investigation - Dongbu Steel and Union
18 Steel - have left the market completely. Today, SeAH,
19 Husteel and Hysco (formerly Hyundai Pipe) are the only
20 major Korean OCTG producers. Hysco is excluded from
21 the antidumping duty order.

22 The antidumping duty order on Korea has had
23 little effect on Korea's shipments to the United
24 States because the antidumping duty margins have been
25 low. In the case of SeAH, the margin for the most

1 recently completed 2004-2005 administrative review is
2 0.77%, and Husteel received a de minimis margin in
3 that same administrative review.

4 As already mentioned, Hysco is excluded from
5 the order based on its de minimis margin in the
6 original investigation. These low margins are not a
7 significant factor in determining exports to the
8 United States.

9 The past five years have seen significant
10 and positive change in the U. S. OCTG market. The oil
11 and gas industry has taken off in the last few years,
12 and this has lead to skyrocketing demand in prices for
13 OCTG in the U. S. market. For the first time in my
14 life, I have seen carbon steel OCTG producers able to
15 include a scrap surcharge - and have been able to get
16 it.

17 In addition, the selling price for OCTG has
18 more than doubled in the past three years. Supply was
19 so tight in 2006 that, for the first time since 1980,
20 the processors in Houston put importers and
21 distributors on allocation for processing.

22 During this boom in the U. S. OCTG market,
23 the volume of imports from SeAH has been consistent
24 with the overall growth in the U. S. market. The
25 marginal increase in SeAH's exports to the U. S. has

1 been a result of growing demand. Our imports slow
2 when the market slows down, and they increase when
3 demand increases.

4 Yet, even with very low or de minimis
5 antidumping duty margins and booming demand in the U.
6 S. market, Korean producers have not significantly
7 increased their exports of OCTG to the United States.
8 This behavior on the part of the Korean producers
9 provides the Commission with a clear indication of
10 what the Korean producers' exports to the U. S. would
11 likely be if the antidumping duty order on Korea is
12 revoked. They would be at the same insignificant
13 level that they were in 2006.

14 Simply put, if Korean producers were ever
15 going to significantly increase their exports to the
16 United States, it would have happened during this
17 unprecedented period of strong demand and prices for
18 OCTG in the U. S. market.

19 Korean producers sell the vast majority of
20 their OCTG production to the United States. So what
21 you see, as far as Korean imports into the U. S. now,
22 is indicative of what you would see if the antidumping
23 order is revoked. There is no real issue of Korea
24 shifting exports from other markets to the United
25 States.

1 In addition, there has been some discussion
2 today regarding the impact that China is having on the
3 behavior of the subject producers. China has had no
4 impact whatsoever on the Korean producers' ability to
5 sell OCTG in the Korean home market since there is no
6 Korean home market for OCTG. Furthermore, China is
7 not a major export market for SeAH, so the increased
8 supply of OCTG in China has not significantly impacted
9 SeAH's exports, and has not forced SeAH to shift
10 exports away from China into the Untied States. My
11 understanding is that the same applies for Husteel.

12 There is no reasonable likelihood that SeAH
13 will shift production away from non-subject products
14 to begin producing more OCTG if the antidumping duty
15 order on Korea is revoked. The reason is that there
16 are practical limitations on SeAH's ability to produce
17 more OCTG.

18 The particular grade of hot-coil used to
19 produce OCTG is not readily available in the Korean
20 home market. SeAH is forced to purchase this hot-coil
21 from unaffiliated vendors who do not have a large
22 supply of this type of hot-coil. The hot-coil used by
23 SeAH and Husteel is mainly produced by POSCO or
24 Japanese producers.

25 Furthermore, SeAH exports plan-end pipe to

1 the U. S. market, and does not have the capability to
2 perform finishing of OCTG in the United States. It
3 must use unaffiliated foreign processors to perform
4 the upsetting, heat treatment, and threading that is
5 necessary to produce finished OCTG. These factors
6 place practical limitations on SeAH's ability to
7 increase the production and sale of OCTG in the U. S.
8 market.

9 Apart from these practical limitations on
10 SeAH's ability to increase production of OCTG, SeAH
11 has no incentive to increase its OCTG production.
12 Although there is no demand for OCTG in the Korean
13 home market, there is a large demand in Korea for
14 other pipe products. SeAH has established customers
15 in the Korean home market for these other pipe
16 products and has a strong interest in meeting the
17 needs of these long-standing and valued customers.

18 Finally, with the strong demand in the U. S.
19 market, SeAH has absolutely no incentive to lower
20 prices below global or U. S. prices.

21 In conclusion, with the fundamental changes
22 in the Korean and U. S. OCTG markets, and the strong
23 demand and prices that exist and which are projected
24 to continue in the future, there is no reasonable
25 basis to think that the relatively small volume of

1 imports from Korea will cause any future injury to the
2 healthy and extraordinarily profitable U. S. industry.

3 I'll be happy to answer any questions that
4 the Commission may have.

5 COMMISSIONER PEARSON: Thank you.

6 MR. SPAK: Thank you, Mr.Chairman and
7 Members of the Commission. I am Gregory Spak of the
8 law firm of White & Case. I am here today on behalf
9 of the Tenaris Exporters in Argentina, Italy and
10 Mexico.

11 We have two representatives from Tenaris;
12 and also one distributor, Mr. Vogel from Colorado
13 Tubular.

14 I will turn it over then to Guillermo Vogel
15 from Tenaris. Thank you.

16 MR. VOGEL: Good afternoon. Thank you very
17 much for allowing us to be here. It is my first time
18 in an experience like this. it has been very, very
19 interesting I have to say.

20 My name is Guillermo Vogel. I am the Vice
21 President of Finance of Tenaris, and I'm on the
22 Tenaris Board of Directors. Before serving in this
23 position with Tenaris, I served as the Second Vice
24 President and CEO of Tamsa, the company that is now
25 the Tenaris Seamless Mill in Mexico.

1 Over the course of my career in the seamless
2 pipe business, I have seen a lot of changes in the
3 competitive conditions of the market. We heard about
4 some of those changes this morning, including the fact
5 that Tenaris is investing over \$5 billion in the U. S.
6 industry over a nine-month period. This is the
7 largest investment that we have ever made, and it is a
8 significant event for us and for the market.

9 In addition to making Tenaris a significant
10 U. S. producer, it means that we have to have a clear
11 approach to this market. As you heard this morning,
12 the main element of that approach is to supply the U.
13 S. market from Maverick and to grow Maverick even
14 more.

15 This is the same approach that Tenaris has
16 taken in other markets. For example, in the three
17 other Tenaris markets that you are reviewing today,
18 95% of the total Tenaris shipments in those markets
19 are supplied by the local Tenaris mill.

20 Now that does not mean that we will operate
21 Maverick as an isolated stand-alone facility. That
22 would be foolish and would deprive Maverick of a
23 significant asset, which is the ability to operate
24 within the Tenaris system, which has global reach.

25 But, as my colleague Mr. Balkenende will

1 explain in more detail, having Maverick operate
2 successfully as a Tenaris producer in the U. S. does
3 not require significant seamless imports from the
4 Tenaris mills in these three countries. In fact, we
5 are already supplementing Maverick's production with
6 Tenaris seamless from Canada and Romania.

7 The import volumes are not significant and
8 account for only about 10-15% of our sales from
9 Maverick. So Tenaris, who has implemented this
10 strategy already, is acting as one would expect as a
11 responsible supplier to the U. S. market, a market in
12 which it has a significant stake.

13 Before giving Mr. Balkenende the floor, I
14 want to offer one issue that has obviously bothered
15 the Commission in the past: Tenaris's global reach.
16 The Commission, in the past, has decided this is a
17 threat to the U. S. industry. Some members of the
18 domestic industry are inviting the Commission to do
19 that again. In our view, this is a misreading of the
20 global OCTG market and of Tenaris.

21 Tenaris has become a global supplier because
22 it puts its customers first, and because it provides
23 its customers with a high-quality product and service.
24 Our customers face increasingly demanding drilling
25 conditions around the world. Many of the drilling and

1 production companies need high-specification pipe, and
2 several have their own proprietary specifications to
3 which you need to adopt. If you don't produce it,
4 your competitors will.

5 Also, it is very important that these
6 companies have access to the pipe they need when they
7 need it. The cost of the labor is substantial and the
8 cost of proceeding with the wrong pipe is even higher.
9 Our global reach at Tenaris the result of paying
10 attention to these needs and satisfying them.

11 We have good relations with our customers
12 because we have invested in the relationships through
13 product design, and long-term supplier arrangements,
14 even long-term programs in some markets. And our
15 customers recognize our commitment through fair-
16 pricing arrangements.

17 In our experience, the average price that we
18 command in international markets for our product mix
19 is higher than what we would be able to get in the U.
20 S. market, which has a different product mix. This
21 will continue as the drilling conditions in our
22 international markets become increasingly complex, and
23 our international customers demand high-end products.

24 In this context, it is simply wrong to state
25 that Tenaris will have undone this approach to the

1 international market and shift our OCTG to the U. S.
2 This makes no sense for us, especially now that we can
3 supply the U. S. market from Maverick and we're
4 investing in Maverick to make it an even stronger
5 supplier to this market.

6 Along these lines, I was surprised to see
7 how anxious the U. S. producers were to proclaim that
8 Tenaris mills will lose their global markets to other
9 producers, particularly the Chinese producers. We
10 acknowledge that China possess a challenge to all of
11 the OCTG producers, but we are also confident in our
12 ability to compete.

13 The Tenaris strategy is to provide high
14 value-added pipe, while the Chinese lay claim to the
15 less demanding part of the market. Also, Tenaris
16 provides services and technical support to its
17 customers that other producers, including the Chinese,
18 do not provide.

19 As a result, we do not believe that Tenaris
20 will lose its customers in other markets and ship to
21 the U. S. In fact, we are adding a threading facility
22 in China, so that we can increase our service to
23 clients in the Chinese and other Asian markets.

24 In 2006, we exported over 100,000 tons of
25 pipe to China. I would also ask the Commission to

1 evaluate carefully the U. S. industry's claims that
2 Tenaris is poised to lose its markets in Latin
3 America. Many of these statements are farfetched and
4 completely contradict our market intelligence.
5 Particularly incredible to me are the statements that
6 Tenaris's whole market demand in Mexico has the
7 potential for collapse, citing PEMEX's uncertain
8 future. This is simply not true. The Mexican home
9 market is an important source of demand for TAMSA's
10 OCTG, and we have built a solid relationship with
11 PEMEX over decades.

12 This relationship has been enhanced by
13 service-related innovations introduced by Tenaris.
14 Such as the extensive just-in-time inventory-supply
15 arrangements with PEMEX.

16 Tenaris expects that demand in Mexico will
17 increase significantly over the next two years. As
18 the Commission evaluates the Tenaris companies in
19 Argentina, Italy and Mexico, it has to do so on the
20 basis of facts and the proven results that Tenaris has
21 achieved.

22 Tenaris knows its markets and has made
23 strategic investments over the course of the last two
24 decades. This investment in product and customer
25 service is the reason that Tenaris is in the position

1 that it is today. Tenaris has now made two strategic
2 investments in the U. S. market, and it is equally
3 committed to making those investments successful.

4 I will now turn over the discussion to my
5 colleague, Mr. Baklenende, who will explain why the
6 success of our U. S. investments do not imply a
7 significant increase in imports.

8 I look forward to your questions at the end
9 of this presentation. Thank you very much.

10 MR. BAKLENEDE: Good afternoon. My name is
11 Roland Baklenende. I am President and General Manager
12 of Tenaris Global Services U. S. Corp. I am also the
13 Commercial Director of Tenaris for the United States.

14 As a result, I am responsible for the sales
15 of all Tenaris tubular products in the U. S. market.
16 Two months ago, I appeared before you in a case
17 involving seamless line pipe from Argentina. I stated
18 that the U. S. market for that product is not very
19 interesting for us.

20 Tenaris's production and sales for seamless
21 line pipe is focused on only one specific market
22 segment which is: the use of SLP in Greenfield
23 Projects.

24 I could tell you, with confidence in that
25 case, that imports of that product would be negligible

1 if the order is revoked because the project-market
2 segment is not significant in the U. S., and SLP is
3 only a small portion of the segment that is supplied
4 by Tenaris's non-subject mills.

5 Today, I'm here to talk about OCTG, and
6 other tubular products. In contrast to seamless line
7 pipe, Tenaris has expressed, through its actions, that
8 it is interested in and committed to the U. S. OCTG
9 markets.

10 Through the \$3.2-billion acquisition of
11 Maverick, Tenaris has invested heavily in the OCTG
12 market in the United States. Moreover, after the
13 acquisition, we have made \$70 million in further
14 investments to improve and upgrade the Maverick
15 plants. But it is interesting that the OCTG market
16 does not translate into significant import volumes
17 regardless of whether the Commission decides to revoke
18 the order on the countries in which Tenaris produces
19 OCTG, which include Argentina, Italy and Mexico.

20 There are two main reasons for this. First,
21 having invested significantly in the U. S. market over
22 the last nine months, we are focused on making this
23 investment work. As you heard this morning, this
24 means that we have to produce efficiently and sell
25 effectively the products that we produce in Maverick.

1 The Tenaris business model is based around
2 the Maverick acquisition. Tenaris's goal is to supply
3 the U. S. OCTG markets mainly from Maverick. Growth
4 and development will be based on complementing
5 Maverick's product offerings. This does not mean that
6 there is no role in the U. S. market for Tenaris's
7 seamless imports.

8 In fact, we have already integrated some
9 seamless products into the Tenaris tubular package
10 being offered in the U. S. market. For a few years
11 now, we have been importing Tenaris OCTG from our
12 seamless mills in Canada and Romania. This has worked
13 well for us, and we plan to continue to supply the U.
14 S. market in the same manner going forward.

15 With this arrangement, we currently offer a
16 wide range of Tenaris OCTG to our U. S. customers. A
17 complete line of welded OCTG is a significant part of
18 the seamless product, including sour service up
19 through 9-7/8 inch OD. Most, more than 85%, of this
20 supply is from Maverick facilities in the U. S.

21 Based on our projections of future demand,
22 we expect that additional seamless products will be
23 required to complement Maverick's product range, which
24 falls into two categories: Sizes over 9-7/8 up through
25 13-5/8, and products related to sour service

1 applications.

2 The Tenaris mills in Argentina, Italy and
3 Mexico can supply these products; however, these
4 products would typically be a small part of the
5 customer's need. Therefore, there would not be
6 significant volumes of imports of these products.

7 The second reason that we project modest
8 levels of imports from the Tenaris mills in Argentina,
9 Italy and Mexico is that these mills are operating at
10 very high levels of capacity utilization, and are
11 projected to continue to do so in the foreseeable
12 future.

13 Moreover, all the investments made in the
14 companies have been focused on increasing the
15 percentage of higher value-added OCTG within the
16 existing capacity rather than adding new OCTG
17 capacity. We have been able to achieve these high
18 rates of capacity utilization without any exports to
19 the U. S. market.

20 So what it comes down to is: I have not
21 shipped to the U. S. market since the orders were
22 imposed in 1995, and Tenaris has not exported to the
23 United States during the second Sunset review period.

24 Tenaris has engaged in commitments in other
25 markets that it cannot just abandon. Tenaris's

1 priority is to service the home markets in which its
2 production facilities are located. Siderca, and
3 Tomson in particular, have active home markets that
4 account for a significant portion of their overall
5 sales; and both companies provide a high degree of
6 services to their home market customers. These
7 include stocking programs and just-in-time inventory
8 programs that build a long-term commercial
9 relationship with the customer, which adds stability
10 to the customer base.

11 In addition, Tenaris has long-term
12 commitments to global alliances with customers,
13 including major oil and gas companies. These
14 commitments, in home and export markets, provide
15 Tenaris with a rich product mix. Tenaris has no
16 incentive, based on price, to shift from supplying
17 these markets to any great extent in order to supply
18 the U. S. market.

19 The pricing in Tenaris's other markets
20 compares favorably to the prices we can obtain for
21 OCTG in the United States. Between the home markets
22 and export markets, these mills do not have the
23 capacity, or the incentive, to ship a significant
24 volume of OCTG to the United States.

25 If Tenaris were to abandon its current

1 approach and customers, and instead serve customers in
2 the U. S., the cost to the company would be extremely
3 high. We have no economic incentive to do this; and,
4 to the contrary, every incentive to maintain the
5 successful Tenaris strategy.

6 It is for these reasons that we projected
7 such modest imports to the United States in the
8 future. The projected volume, included in our pre-
9 hearing brief for 2008, corresponds to specific pipe
10 that would complement the range currently offered in
11 the U.S., which include Maverick-welded products and
12 the seamless imports already in the market.

13 These are the reasons that I'm confident
14 that revocation of the orders on OCTG from Argentina,
15 Italy and Mexico will not lead to any injury to the U.
16 S. industry. We have no reason to injure this market.
17 Instead, we are intent on supplying this market from
18 within, and using Tenaris's seamless imports in a
19 complementary role, as we are currently doing.

20 We believe that revoking the order will be
21 beneficial for the Maverick plants as they will be
22 better able to supply their U. S. customers.

23 Thank you for the opportunity to explain our
24 position. I look forward to your questions.

25 MR. ALTSCHULER: Good afternoon, my name is

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1 Duke Altschuler. I am the Managing Partner of
2 Colorado Tubulars, which is a pipe distributor. I
3 founded Colorado Tubulars in 1985. Before that, I was
4 National Sales Manager for IPSCO in the states; and
5 before that, I was involved in sales for Lukin Steel
6 in their plate products.

7 Maverick has been one of my principal
8 suppliers of OCTG for the last fourteen years or so.
9 We have had a good relationship commercially over the
10 years. In fact, I like to think that we developed
11 with Maverick the type of relationship that went
12 beyond the normal mill-distributor relationship.

13 We developed with Maverick a type of joint
14 approach to customers, one in which we could go to our
15 customers with the confidence that we had a reliable
16 mill source to back us up. Frankly, I was a little
17 surprised when I heard that Maverick was being sold to
18 Tenaris, a company that had the reputation for going
19 to the end user and cutting out distributors.

20 I'm here to tell you, though, that my
21 relationship with Maverick/Tenaris in the last few
22 months, since the acquisition by Tenaris, has been
23 very positive. They work with us to take client
24 service to a new level.

25 What do I mean by this? It's very simple.

1 They are helping me offer a broader product range to
2 my traditional customers, which allows me to offer my
3 customers the benefit of single-mill sourcing. This is
4 good for my customers; it's good for me; and it's good
5 for Maverick.

6 Let me give you one real-world example of
7 this experience. In a typical project that we would
8 supply, I might need to source three to five different
9 sizes of pipe; and, generally, a few different sizes
10 of tubing.

11 For me to be told by Maverick in the past
12 that they weren't particularly interested in supplying
13 the tubing for me and my customer, that meant that I
14 would have to go look for tubing elsewhere, adding to
15 the cost, logistics and potential quality-control
16 issues. It also hurt my business because customers
17 who preferred single-mill sourcing knew that I could
18 not provide that. Well, this has changed now.

19 Since the acquisition, Maverick has not only
20 been willing to produce the tubing that my customers
21 need, but they did it and they did it very quickly.
22 This has helped my business, my customers' businesses
23 and Maverick's.

24 Now what does all this mean for Tenaris's
25 seamless product that it produces in other countries?

1 As far as I can see, it is of great value to me, even
2 though I don't believe the volume is going to be that
3 big. What they have demonstrated to me is that they
4 are serious about producing and selling Maverick's
5 welded product, and doing it in a way that adds value
6 to my business and to my customer's.

7 Is it possible that some of my customers
8 might start looking to me to sell them this Tenaris
9 seamless product? Yes, it is. This business will be
10 complementary, but marginal to the welded product line
11 that I now offer. If it happens, it is nice to know
12 that I can offer this from Tenaris, but it is unlikely
13 to change the main focus of my business or that of
14 Maverick, which is providing welded OCTG to the U. S.
15 market.

16 Thank you for your attention. I will be
17 happy to answer any questions.

18 MR. CASSIDY: Mr. Chairman, Commissioners,
19 my name is Robert Cassidy. I am with the law firm of
20 Wilmer Cutler Pickering Hale and Dorr. My partner
21 John Greenwald and I are appearing before you this
22 afternoon on behalf of JFE Steel Corporation, Nippon
23 Steel Corporation, and Sumitomo Metal Industries, Ltd.

24 We will begin our presentation today with a
25 statement by Mr. Hirofumi Yamamoto, President of

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1 Sumitomo Metal USA.

2 MR. YAMAMOTO: Mr. Chairman, Commissioners,
3 my name is Hirofumi Yamamoto. I am President of
4 Sumitomo Metal USA. I am appearing before you today
5 on behalf of JFE Steel Corporation, Nippon Steel
6 Corporation, and Sumitomo Metal Industries.

7 I have been employed in the steel industry
8 for 26 years, and I have worked in the United States,
9 Japan and Britain. The Japanese OCTG producers have
10 been operating at or near capacity in recent years to
11 supply product to the booming global OCTG market.

12 Demand for product is growing in Asia and
13 the Middle East in particular. Demand for our steel
14 OCTG, not covered by the antidumping order, is also
15 strong in the United States and elsewhere. We expect
16 global demand, including demand in the United States,
17 to remain strong for the next few years at least
18 because our customers tell us that is what they
19 expect.

20 Because OCTG prices are high and, by all
21 accounts, will remain high for years to come, the OCTG
22 market today is very different form the market five
23 years ago. The rising energy prices appear to be a
24 long-term trend. Demand for energy is growing faster
25 than supply; and, therefore, so is the rise in demand

1 for OCTG.

2 There has been a clear break from the short
3 OCTG business cycles of the past. We do not see a
4 return to the short-term boom- and bust cycles that
5 characterized the OCTG markets in the United States,
6 and elsewhere, at the time of your last OCTG Sunset
7 review decision in 2001 for at least two reasons.

8 First, global demand for energy is
9 increasing dramatically. We know this because we are
10 increasing sales to our largest export markets,
11 particularly in Asia. We have substantial exports of
12 OCTG to China, and we expect these exports to
13 continue, notwithstanding the growth in China's OCTG
14 production capacity.

15 My company, Sumitomo Metals, can do this by
16 exporting high-end, high-priced OCTG to China that the
17 Chinese industry cannot make.

18 The second reason: the short-term, boom- and
19 bust cycles have disappeared, so that there are fewer
20 suppliers of OCTG in the global market today. And
21 they react to changes in demand much more rapidly than
22 in the past. No OCTG producer benefits from low
23 prices for OCTG.

24 I suggest that you take a look at the OCTG
25 business plan of my company, which is on the

1 confidential record, to get the sense of our focus on
2 profitability. None of the Japanese OCTG producers
3 are interested in gaining market share anywhere at the
4 expense of their profitability.

5 The Japanese OCTG producers play to our
6 strength. At Sumitomo Metals, we focus on a very
7 high-quality product that is difficult to make, and
8 that is often made to proprietary customer standards.
9 One consequence on our focus on high-end products is
10 high prices. The average value of our export to the
11 world is much higher than the average value of U. S.
12 producers' shipment.

13 Another consequence of our focus on high-end
14 products is that we work hard to develop long-term
15 relationships with major oil and gas companies, who
16 are our most important customers. These relationships
17 permit us to develop cutting-edge products for the
18 most demanding applications. These relationships also
19 mean that short-term changes in spot-market demand do
20 not have any significant effect on our sales.

21 The Japanese OCTG producers urge the
22 Commission to terminate the antidumping orders, the
23 antidumping order on Japan in particular. We do not
24 intend to sell standard-grade OCTG to the United
25 States in competition with the U. S. industry, the

1 Chinese, and other suppliers. That is not our
2 business.

3 We do intend to sell OCTG products which are
4 not available from U. S. producers, or are in short
5 supply, to our existing customers in the United
6 States.

7 For example, Sumitomo Metals' customers tell
8 us that they cannot get enough sour service OCTG from
9 U. S. or German sources. Sour service OCTG must be
10 made under very carefully controlled conditions from
11 blending chemical components of distilled using OCTG,
12 all the way through heat treatment and final
13 processing to ensure that the product is extremely
14 fine, and that it will not crack in severe
15 environment, particularly in very deep wells.

16 We supply sour service OCTG to the global
17 market and we will supply it to the United States'
18 market if our customers want it and the antidumping
19 order on Japan is terminated. WE have no reason to
20 believe these shipments would have any significant
21 effect on the OCTG producers. The quantities
22 involved, even under our most optimistic scenario,
23 would be a trivial share of total U. S. OCTG demand,
24 less than 1%.

25 In addition, the prices would be high

1 because this product is very difficult to make and
2 there is demand for the product in markets outside the
3 United States. Since we are operating at capacity,
4 why would we give up high-profit sales to make global-
5 profit sales in the United States? The answer is
6 clear. We would not do it, we will not.

7 Mr. Chairman, this concludes my statement.
8 I will be pleased to answer any questions. Thank you.

9 MR. GREENWALD: Let me wrap up. My name is
10 John Greenwald of Wilmer Cutler Pickering Hale and
11 Dorr.

12 Let me take a couple of minutes to make some
13 concluding remarks from a producer's point of view.
14 They are particularly Japanese industry oriented but
15 I'd like to start with the question of accumulation
16 because seem to me to be important.

17 In the corrosion resistant and plate cases,
18 you established a standard for whether or not you
19 exercise your discretion to cumulate, on the basis of
20 whether the various countries and producers and
21 exports, the countries would compete in the United
22 States under different conditions of competition. I
23 think right here you have seen and heard very clear
24 differences.

25 The Koreans are very much into a welded

1 unprocessed product which is then processed in the
2 United States. The Tenaris company ship essentially
3 to supplement Maverick production and they expect very
4 small volumes. The only product that is likely to
5 come in from Japan, if these orders are terminated,
6 are very, very demanding sour serviced grade
7 proprietary specification material. This is not your
8 standard API grade material even at what's called the
9 high grades.

10 Now, let me turn to supplements on things
11 that Mr. Yamamoto said. This morning the Petitioners
12 testified that revocation of the order against Japan
13 would lead to significant increase of standard-grade
14 OCTG from Japan. There was not one single shred of
15 hard evidence to support that. Rather it just seemed
16 to be: Well, that's what Japanese producers do.

17 Mr. Yamamoto testified that that is in fact
18 untrue. What I would urge you to do in considering
19 what is clearly these contradictory statements is to
20 assess the credibility by looking at the evidence
21 before you. Mr. Yamamoto's testimony is, in fact,
22 supported by the evidence. He informed you that the
23 Japanese mills are operating at practical capacity.

24 You have capacity data in the record, but in
25 fact, it's understated. This goes to a question that

1 Ms. Lane asked regarding the capacity utilization
2 figures. What you have before you are ruling
3 capacity.

4 When you're making OCTG, especially at the
5 alloyed grades and up, you need your heat treatment
6 and your threading capacity, which are invariably less
7 than the rolling capacity. So, in fact, the capacity
8 utilization figures that you have in the Staff Report
9 for the Japanese, though high, are understated.

10 Second, Mr. Yamamoto testified that Sumitomo
11 Metals, and the other Japanese mills, are making good
12 profits from the markets that they have developed
13 internationally since the orders went into effect. On
14 this point, we have done something that, as far as I
15 know, is fairly extraordinary for a Japanese company
16 in particular.

17 We have provided to you profit-segment
18 profitability. It is in the record. It is not in the
19 Staff Report. We did highlight it in our brief. The
20 way you can assess the significance of those data, is
21 to compare the gross-profit data that we gave you with
22 the data in the Staff Report by you as producers.
23 That will answer the question: To what extent does
24 there exist a profit motive to shift from
25 international markets to the U. S. market?

1 Similarly, you have, in the record before
2 you, unit-value data. Now I recognize that unit-value
3 data are an imperfect surrogate for relative pricing
4 data. None of us disagree with that. Nevertheless,
5 they are directionally instructive. So if for
6 example, in the Staff Report, you see data that show
7 let's say a significant high average selling price of
8 Japanese exports to let's say China, the conclusion is
9 exactly what Mr. Yamamoto said, i.e., that the
10 Japanese are selling very, very high-grade products
11 where there is not competition from the Chinese,
12 either in the Chinese market or in the U. S. market.

13 In addition to the profit data, which we
14 gave you, Sumitomo, and another company, JFE, have
15 provided their business plans. Again, this is very
16 unusual in the twenty-odd history that I've been
17 appearing before the Commission to find a foreign
18 manufacturer willing to supply their business plans.
19 We have done that and they support everything that Mr.
20 Yamamoto said.

21 In fact, his testimony is based on his
22 business plan. I ask you to contrast that with the
23 assertions that are not backed by any evidence at all
24 that were made this morning.

25 Lastly, Mr. Yamamoto said that his company's

1 interests and the interests of the Japanese producers
2 in the U. S. market is limited to sour service OCTG
3 made to propriety specifications. There was a lot of
4 talk this morning about high-end, low-end sour
5 service.

6 Let me be very clear what we are talking
7 about. These sour service grades of material comprise
8 a tiny part of the OCTG market, but a critical part to
9 companies like Shell. The Japanese industry has zero
10 plans to ship to the United States standard carbon-
11 grade products. Those are your J-55s, your K-55s,
12 whether welded or seamless; and they have zero
13 interest in shipping standard-grade alloyed products.
14 These are: N-80, L-80, C-95, P-110, and Q-125, Rather
15 we are talking about proprietary sour service grade
16 products.

17 The short of it is that the Japanese
18 industry's interest in the U. S. market does not
19 overlap to any significant degree, and I wanted to say
20 any degree whatsoever with the interests of U. S.
21 producers. A company like Shell, or any major oil and
22 gas companies, can source the material they need from
23 the United States sources. We have no doubt that
24 that's what they will do.

25 The interest of the Japanese is in meeting

1 demand for customers for grades of product that their
2 customers say they cannot get in the United States.
3 The testimony that we've been given today is grounded
4 in evidence in the record, essentially the record in
5 detail. It didn't find its way, as fully as we would
6 like it to, into the Staff Report.

7 By contrast, what you heard today from the
8 domestics about the rise in standard-grade imports
9 from Japan, as if these are orders taking off, is
10 nothing more than assertion and speculation. It is
11 grounded in air.

12 COMMISSIONER PEARSON: Thank you, Mr.
13 Greenwald.

14 MR. HEBERT: My name is Marc Hebert. I am
15 with the law firm of Jones Walker. I represent the
16 Shell Exploration and Production Company. With me
17 today from Shell are Mark Brannan with Purchasing;
18 Lillian Skogsberg, Metallurgy; and Randy McGill,
19 Quality Services.

20 I am not going to say very much because they
21 are here today. These are the people within Shell
22 that buy the products of interest to them, and that
23 set the specifications for the proprietary specs that
24 Shell uses in its deep water and other applications
25 like sour service. Mark?

1 MR. BRANNAN: Good afternoon. I am
2 representing Shell as the oil company's Category
3 Manager responsible for purchasing all OCTG in the
4 United States. We are honored to speak to the
5 Commission today and we appreciate your time.

6 Shell is committed to domestic-energy growth
7 and Shell prefers to buy OCTG domestically. However,
8 our experience has proven that domestic energy cannot
9 provide all products for all applications,
10 particularly those products intended for use in sour
11 service water floods, and high-pressure, high-
12 temperature wells.

13 I would like to go back to Commissioner
14 Okun's question to U. S. Steel earlier. Mr. Greenwald
15 mentioned something to this effect as well regarding
16 high-grade OCTG, or higher-grade OCTG. We want to
17 emphasize that we are not speaking of L-80 or P-110,
18 or Q-125, or any other industry API standard that
19 exists and is manufactured here in the U.S.

20 We are speaking specifically of operator
21 proprietary grades. Some projects requiring these
22 products have been canceled in the past and others may
23 not go forward without available product made to our
24 proprietary specifications.

25 Lillian Skogsberg, to my left, has served as

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1 a metallurgist to Shell for over 25 years. She is
2 keenly aware of the concerns that we have, and she
3 will explain to the Commission some of those concerns.

4 MS. SKOGSBERG: Good afternoon. It is a
5 pleasure to be speaking before you this afternoon on
6 the topic of OCTG. Also, let me introduce myself. I
7 am Lillian Skogsberg. I am a metallurgist for Shell.
8 I have been working in the specific area of oil and
9 gas production in severe and challenging environments.
10 My specialty is metallurgy and corrosion, a 4-H 2-S
11 service-and-oil- and gas production. Let me just say
12 that I'm a buck-eye and a proud supporter although
13 albeit suffering from angst right now.

14 But anyway, let me go on and also reiterate
15 the Shell position: It is our commitment to have a
16 strong oil- and gas domestic energy industry. We
17 would like to continue to produce in the United
18 States. We are very active in the Gulf of Mexico.
19 We're the biggest oil- and gas producer in the Gulf.
20 We have active exploration in there now, and we are
21 also an active, primarily gas producer, on-shore in
22 the United States. We are also a very strong
23 supporter of a domestic steel industry. We are
24 committed to working with our domestic steel partners
25 to develop the steel products that we need for our

1 challenging environments.

2 However, over the years, this is now the
3 second time that we've appeared before the Commission
4 on lifting the antidumping order. We are finding that
5 some of our proprietary grades are not able to be
6 produced in the United States.

7 Right now, we are into new oil developments
8 where we have either high pressure, or high
9 temperature, from very deep gas wells. We're talking
10 20-to-25,000 feet. Also, we are continuing to develop
11 and keep our aging oil- and gas wells going. Some of
12 these projects involve slightly sour service, which is
13 the most demanding for steel needs.

14 Because of our keen commitment to prevention
15 of catastrophic failure, we have high standards for
16 steel when its going into these environments. But, as
17 time has passed, we've found that our requirements are
18 not being met domestically.

19 As an example, in 1996, after the order had
20 first come into play, at our Ram Powell platform in
21 the Gulf of Mexico, we purchased steel from Japan at
22 that time even with the applied tariff. So we
23 purchased at a high price because of our commitment to
24 quality and our need to have our proprietary steel
25 specs met.

1 Since that time, we have backed away from
2 our requirements, because as the domestic producers
3 come to us with their product, they're unable to meet
4 our specs. So, we have to consider the use of the
5 material on a case-by-case basis because of this
6 safety concerns. So, every project is a case-by-case
7 basis when H2S is present.

8 Additionally, we have a multimillion dollar
9 research program to mitigate H2S in the reservoir,
10 understand how it comes into the reservoir, and what
11 its levels are when steel is exposed, because we would
12 like to continue to buy domestic steel even though it
13 does not quite meet our requirements. So, we're
14 trying to attack this in another way.

15 But, nevertheless, there are some projects
16 that just cannot be mitigated in this fashion and
17 primarily big diameter pipe with heavy wall. We're
18 talking over an inch thickness wall are not made
19 domestically. In some cases, we've had to go to
20 Germany for this heavy wall pipe and had take a long
21 delivery time, because Germany is so committed to
22 their already existing European customers, they have
23 very little spare capacity to address U.S. needs. So,
24 consequently, let me emphasize that we're talking
25 about very high performance product. It really

1 applies to less than five percent of our requirements
2 in OCTG. And, again, let me say when we have a
3 project where the steel does not meet our requirements
4 for sour service and we have no way to mitigate it in
5 any process or operational fashion, we have to put a
6 stop on the project and it does not go forward. I
7 can't over emphasize our commitment to safety and to
8 the environment.

9 So, let me just say that again, the oil
10 price spikes have led to growth in the rig count. We
11 continue to see our rig count grow. For the next two
12 years, it will probably increase for another 50
13 percent and Mark will reiterate some of those numbers.
14 And we continue to support a strong domestic steel
15 industry, but it is encountering itself, capacity
16 constrained and just cannot make the big tubes with
17 heavy thick wall that we require. And we understand
18 and we have been working with the industry, but,
19 nevertheless, domestic sources are not available to
20 cover all our sour service requirements. So, again,
21 we're here asking for relief on this point and to
22 allow us to purchase these very high sour service
23 grade steels from other makers in the world. Thank
24 you.

25 MR. BRANNAN: If I could just make one -- a

1 couple of final comments. Against 2006, Shell
2 forecasts a rig utilization increase of approximately
3 36% in the U.S. and in 2007 50% for Shell. To
4 clarify, against 2006, Shell forecasts a Shell rig
5 utilization increase of 36% for 2007 and 50% for 2008.
6 And though less than five percent of the total OCTG
7 purchases that we have forecasted are expected to be
8 premium sour service material, we do forecast that the
9 tonnage demand will increase by about 49 percent over
10 2001 levels. But, again, it only represents about
11 five percent of our total purchases or less than five
12 percent.

13 Shell, again, prefers to buy domestically,
14 as I think has been emphasized several times. And we
15 do find, though, however, we cannot buy some of the
16 products that we need domestically, though we are
17 willing and we have worked with domestic industry to
18 continue to increase their ability to do so. As a
19 result of not being able to buy domestically, some
20 projects have been canceled and others may not go
21 forward. But, again, we do want to emphasize that we
22 would like to buy domestically, we just don't find
23 that that is an option at this time.

24 Thanks for your time and considerations of
25 our concerns as consumers and as a company dedicated

1 to domestic energy production. And we're glad to
2 answer any questions at this time. Mr. Chairman, that
3 concludes our presentation. We will reserve the rest
4 of our time.

5 CHAIRMAN PEARSON: Okay. Thank you, very
6 much. Permit me to offer my welcome to this panel.
7 Some of you have traveled long distances. All of you
8 have taken at least a day off to be here, maybe
9 longer, I don't know. And I really appreciate the
10 perspective that you're able to provide.

11 For the domestic industry panel, I address
12 the issue of the cyclicity of the business.
13 Frankly, even though I have some experience in
14 cyclical businesses, for our analysis here at the
15 Commission, I find it easier to deal with non-cyclical
16 businesses. Give me a nice steady demand pattern,
17 it's much easier to then understand what's going on.
18 As we look at the demand picture in the United States
19 and in the global market for OCTG, how should we
20 understand it? Is this a demand that's going to
21 continue to grow the way it has over the period of
22 review or is the market getting topy and about to
23 turn such that any additional supply that would come
24 into the United States from subject countries really
25 could have a deleterious effect on the domestic

1 industry?

2 MR. GREENWALD: Mr. Chairman, one of the
3 things I wanted -- John Greenwald, Wilmer, Cutler,
4 Pickering, Hale and Dorr. One of the things that I
5 wanted to do, we didn't get around to it unfortunately
6 at the opening statement, was to blow up this chart,
7 because it seems to me it gives you --

8 CHAIRMAN PEARSON: What's that chart?

9 MR. GREENWALD: Well, I'm going to tell you.
10 It's Exhibit 1 to the joint Respondent's brief, if you
11 have it there. And the value of this chart is it
12 gives you a very good historical perspective of what
13 has gone on in the past and what is going on now.
14 What this chart correlates is the rig count, which is
15 the bold line, with the price of oil. And what you
16 see at the beginning years, really from 1979 -- 1978
17 right through to 1985, you have over 3,500 rigs
18 operating worldwide. Right now, the rig count is
19 below that. At that time, the thinner line, which is
20 the price of oil, goes up to roughly \$35 a barrel.
21 And then what you see is a fairly sharp drop off and
22 you see the spikes. I mean, there are little ups and
23 downs and they're fairly frequent. But, it's at a
24 fairly low level until the price of oil begins to jump
25 again around 1999. And here, what you find on the far

1 right-hand side is a oil price, which is now \$60 a
2 barrel. And what you find with the rig count is it
3 has been going up. There are month-to-month or some
4 short term variations, but the trend line is straight
5 up. The point of this chart that I think is so
6 impressive to me is it shows you that if you take the
7 price of oil, price of energy as a benchmark and you
8 look at rig counts past versus rig counts present, the
9 rig count has a lot of growth in it yet to go. And
10 sort of the language of the chart, the heavy black
11 line is just beginning to go up steadily since 2002.
12 And if we are going to reach anything close to
13 historic levels, the rig count has several years of
14 growth in it.

15 Now, there is one other point here that
16 matters that's not in the chart and that is as your
17 wells get deeper, you use more OCTG per rig. So, the
18 combination means that there is, in fact, a very, very
19 robust not only present market, but long-term market.
20 The chairman of U.S. Steel, I think, came as -- well,
21 came pretty close to truth when he talked about -- as
22 much advocacy, anyway, as allows, when he talked about
23 the market being a promising market for 20 years out.
24 That's right. I mean, there will be ups and downs as
25 the rig count rises and as demand for OCTG rises, but

1 it is very clearly a rising market and a strong market
2 for the foreseeable future. And I don't think the
3 testimony this morning actually contradicted that
4 point.

5 MR. VOGEL: Mr. Chairman?

6 CHAIRMAN PEARSON: If I could, just a --
7 because I have a post-hearing question. The chart
8 that you've provided does address the relationship
9 between the price of oil and the rig count. Do you
10 have a similar analysis for the price of natural gas
11 and the rig count?

12 MR. GREENWALD: I'll have to go back and --
13 this is just simply taken off the Internet.

14 CHAIRMAN PEARSON: Right. But, I think it
15 might be helpful to us, given that we have testimony
16 that 85 percent of the rigs in the United States are
17 drilling for natural gas. If we're to give a lot of
18 weight to this particular chart, we might also want to
19 look at the natural gas rig count chart.

20 MR. GREENWALD: We'll see what we can do.

21 CHAIRMAN PEARSON: And if we should
22 differentiate between a chart for natural gas, as we
23 look at the U.S. market, compared to looking at the
24 global market, let me know that, as well, because
25 there is some possibility that the chart that you have

1 here has more significance for a worldwide market than
2 for a U.S. market.

3 MR. GREENWALD: Okay.

4 CHAIRMAN PEARSON: Okay. Mr. Vogel?

5 MR. VOGEL: No, I just wanted to mention
6 that this thing of cyclicity, we have looked a lot
7 since we started this whole experiment, because it
8 effected a lot of share -- our price share. So, it
9 was very important for us. And when you start to see
10 -- what you see, there's a structural change in terms
11 of what has happened worldwide. I'm talking about
12 right now the world and I'm talking about oil, because
13 the rig count worldwide is much more leaned to oil
14 than to gas, as a big difference with the United
15 States. But when you see -- you see that the big
16 fields, we're really discovering the 1960s and the
17 1970s and that there has been no new big discovery
18 since then. And you have seen that reserves depletion
19 has been much higher than additional new reserves.
20 And then what we see, the world consumes 85, 86
21 million barrels per day and there is spare capacity
22 only of around two million barrels per day, 2.2, 2.3
23 million barrels per day. So, what this tells you is
24 that if there is a reduction in the drilling in
25 anyplace without having an increase in drilling in

1 another place, what that's going to mean is that the
2 price of oil is going to go up, because there's going
3 to be a lot of pressure. So, you might have small
4 links, but you have very definitely a very strong
5 situation of our growing demand for OCTG.

6 One of the things that we analyzed during
7 this when we went -- today, we operate, we have
8 production facilities in 10 countries, is that by
9 having a fully diversified market, you might lose
10 market one year in one side, but you're going to win
11 it in another side. And so, as a company, we very
12 strongly have reduced the cyclicalities in that sense.

13 When you come to the U.S. market, it's a
14 different market in terms of the analysis, because
15 it's much more related to gas than related to oil.
16 But, you're going to have exactly the same effect.
17 The depletion -- the gas depletion in this country is
18 so high that if you stop drilling for a certain amount
19 of time, what you're going to find out is the price is
20 going to go up, because there's not going to be enough
21 gas. So, you're going to have a recuperation in a
22 very short period of time. So, there may be cycles,
23 but our view of this is that the cycles are going to
24 go on the upside and they're going to be short linked.
25 For example, today, we see a cycling in Canada.

1 Canada has gone very low in the drilling activity
2 versus one year ago. It's assumed what's happening.
3 But, we think that this is going to be recovered next
4 year. So, this is a view that we see. We see a very
5 different cyclicalilty in terms of the demand and much
6 smoother than we were seeing in the past. And we see
7 a sustainable increase in the demand for OCTG, because
8 in order to maintain the levels of production, you
9 need to have a much more intensity of OCTG invested in
10 the drilling process to produce one barrel of oil.
11 So, each barrel of oil, the amount of OCTG that you
12 require to product one barrel of oil is increasing
13 continuously and it's increasing very strongly in the
14 world, because the complexity of the drilling is
15 getting much and more -- more complex every time.

16 So, you have a dollar component. You have a
17 component of an increase in the demand for oil,
18 because the world economy is growing. And then you
19 have another factor, which is the amount of OCTG that
20 you need to maintain that same level of production.
21 And that gives you a very sustainable view, which is a
22 view that we have today, that the market is going to
23 go up. I think that when you analyze the actions of
24 U.S. Steel of buying Lone Star or of IPSCO buying N.S.
25 or ORVASO buying Maverick and continuing to invest in

1 this industry, because we are really seeing a return
2 in a sustainable situation in the market.

3 CHAIRMAN PEARSON: Thank you. My light is
4 turning. If I could just ask a request of counsel.
5 I'm not sure what we have on the record now that would
6 illustrate the relationship that Mr. Vogel was just
7 discussing between the increasing volume of pipe
8 that's required to product a barrel of oil and it
9 probably isn't so terribly difficult to document that.
10 If we don't have it on the record now, please, can you
11 provide that? And if we --

12 MR. CAMERON: We will try and find
13 something, sure.

14 CHAIRMAN PEARSON: Okay. Thank you, very
15 much. Madam Vice Chairman?

16 VICE CHAIRMAN ARANOFF: Thank you, Mr.
17 Chairman. This morning I asked the domestic producers
18 to comment on a number that was provided in Tenaris's
19 pre-hearing brief, which I believe was Tenaris's
20 estimate of how much product from subject countries it
21 might expect to export to the U.S. if these orders
22 were revoked. And I just wanted to ask you to clarify
23 with respect to that number, would that number
24 represent a net increase in imports from all Tenaris
25 companies outside the U.S. or would that represent

1 some increase and some shift among subject and non-
2 subject Tenaris facilities?

3 MR. BALKENENDE: I will take that question,
4 Roland Balkenende. That would mean we have the
5 ability to supply all materials up through 9-7/8th
6 through the facilities in Romania and Canada. What we
7 have in that number was the additional quantity needed
8 from the other mills in Mexico, Siderca, and
9 Argentina.

10 VICE CHAIRMAN ARANOFF: Okay. So, that
11 would all represent --

12 MR. BALKENENDE: Yes, that's a limited
13 range.

14 MR. VOGEL: I would like to complement.
15 That amount represents those ranges and types of pipe
16 that we cannot produce today in Romania and in Canada.
17 We're talking about pipe over 9-5/8ths and we're
18 talking about sour gas. The pipe over 9-5/8ths, if
19 you remember the testimony this morning, somebody
20 mentioned that the substantial market, we're in 4-1/2,
21 5-1/2 and seven. So, we're talking about a range of
22 market, which is a very limited amount of number.
23 It's a range that there's only one producer in the
24 United States, I would like to mention that, which is
25 U.S. Steel. Nobody else in the United States produces

1 over 9-5/8ths.

2 And there was another comment this morning
3 that was done by our very good friends of V&M. They
4 mentioned that basically, they -- somebody asked about
5 their imports and they mentioned that there were
6 imports coming into this country to complement their
7 line. Those imports, what they cannot produce here as
8 exactly those ranges, all ranges above 9-5/8ths and
9 some of those sour gas. So, at the end of the day,
10 what they are importing today is exactly that same
11 ranges that we're talking about here and which are the
12 ones that we cannot produce today and supply into the
13 U.S. market.

14 VICE CHAIRMAN ARANOFF: Okay. A couple of
15 follow-up questions. I assume it's confidential, so
16 in your post-hearing brief, if you could do anything
17 to explain to us how you calculated the number that
18 you gave us.

19 MR. VOGEL: Absolutely yes.

20 VICE CHAIRMAN ARANOFF: Looking at total
21 demand in the U.S. market and what's currently being
22 supplied, either by U.S. Steel or by imports, by V&M
23 Star or however else it's getting into the market.

24 MR. VOGEL: I think that the question you
25 posed this morning was an excellent question. It

1 would be very interesting to know, we don't know it,
2 so we don't tell you, for example, what percentage of
3 those ranges today are imported and what percentage
4 are produced by the domestic mills. There was also
5 the question this morning about like products -- okay,
6 I'm sorry.

7 VICE CHAIRMAN ARANOFF: Okay. That was my
8 question, but I don't think I'm going to use my time
9 right this second. I may come back to it.

10 Another question for Tenaris. Much
11 attention has been focused on Tenaris's seamless pipe
12 facilities in subject countries, but not a lot of
13 attention on the fact that Tenaris also has welded
14 pipe facilities in subject countries and particularly
15 I wanted to ask you to comment on the decision to
16 cease production of welded OCTG in mills in both
17 Argentina and Mexico and how we should weigh or
18 consider the existence of that capacity in making our
19 determination in these reviews.

20 MR. VOGEL: I am Guillermo Vogel. Again,
21 I'm sorry. Actually, the mill that produced the OCTG
22 in Mexico, we don't own it. It's not part of the
23 Tenaris system. It's an affiliated company, because
24 it's an affiliated of --, but it's not a company where
25 we have a control or a say in or we don't manage it,

1 so to speak. So, what we understand is that for
2 business reason and in terms of focusing them into the
3 internal market, they are moving -- you know, they
4 decided to cancel, also, because they had very limited
5 capacity in terms of the finishing of the pipe. As
6 was mentioned this morning, when you produce OCTG or
7 you produce another product, you use the same basic
8 facilities, but then you use different equipment at
9 the end. It's different industrial configurations
10 that you need to do one or the other, although you use
11 the basic facility to produce the other pipe, so to
12 speak. So, our understanding is that these mills in
13 Mexico that produce OCTG has ceased operation and has
14 no intention to start up anything again.

15 And the mill in Argentina has a full
16 orientation towards the line pipe business. It's not
17 within the OCTG. It is not an industrial structure to
18 produce OCTG. And it's not been a player in the OCTG
19 market.

20 VICE CHAIRMAN ARANOFF: Okay. Well, I take
21 your point on all of those, but I guess the
22 Commission, in looking at OCTG historically, has
23 always said that OCTG is sort of the cream of tubular
24 products, that anyone who can make it will make it, if
25 they can find a market for it, because it's a higher

1 value-added product and you do use the same equipment
2 that you use to make line pipe up until the end. So,
3 the fact that this capacity exists in these subject
4 countries is something that the Commission is going to
5 need to address, in looking at what is likely to
6 happen on revocation. So, if there is anything that
7 you can add --

8 MR. VOGEL: Well, I would say that very
9 definitely, very definitely, there is a big change
10 from the past, which is the Maverick acquisition.
11 Those mills or those facilities, which they cannot,
12 because they don't have the finishing facilities to
13 produce OCTG. It would be a very bad decision on our
14 part having excess capacity in our mill here in
15 Maverick and having the market right here to say we're
16 going to invest in Argentina, we're going to create
17 finishing facilities for -- facilities within the line
18 pipe or the welded operations to bring product into
19 the United States. I think that the Maverick facility
20 today and our philosophy, as I mentioned during my
21 presentation, is that we really try to supply and we
22 have a very definite strategy to supply the needs of
23 those markets where we have production facilities from
24 those production facilities. And we are investing
25 today over \$70 million to increase the capacity in the

1 product quality of those facilities in the United
2 States, in order to -- you know, working within this
3 philosophy of fully supporting the local markets.

4 VICE CHAIRMAN ARANOFF: I appreciate those
5 answers and look forward to any confidential details
6 that you can supply.

7 Let me start with the Japanese Respondents,
8 if I could, and some questions about capacity. It's
9 very difficult to figure out how the Commission should
10 look at reported capacity figures in this case when
11 capacity can be shifted between different tubular
12 products and when -- as I said, we've always found in
13 the past, and I don't think anyone in this case has
14 disagreed that if one can produce all of the products,
15 one would prefer to produce OCTG. So, how should we
16 weigh the capacity utilization and capacity data that
17 have been submitted, in light of the fact that
18 capacity that's producing other products could be
19 producing OCTG?

20 MR. YAMAMOTO: Hirofumi Yamamoto, Sumitomo
21 Metal. We cannot produce more OCTG products than our
22 current production level, because due to a limitation
23 of a threading and heat treatment capacity, although
24 rolling capacity is very -- in case of OCTG was made
25 by capacity of our threading and heat treatment, not

1 rolling capacity.

2 VICE CHAIRMAN ARANOFF: Now, are you
3 answering for all of the companies that you're
4 representing or just for --

5 MR. GREENWALD: We will supplement it in the
6 post-hearing brief by going back. But, I believe that
7 it is generally true that the heat treatment capacity
8 and the threading capacity is always much more limited
9 than the rolling capacity. So, the ability, for
10 example, to take a standard pipe and turn it into an
11 oil country tubular just isn't there.

12 VICE CHAIRMAN ARANOFF: Okay. Well, if
13 that's the bottleneck, it would be good to see the
14 capacity and capacity utilization reported in terms of
15 that bottleneck. And, also, maybe to have you address
16 why Japanese producers couldn't do what cream
17 producers do, which is send the unfinished product to
18 the U.S. for finishing.

19 MR. GREENWALD: Let me just give you a word
20 on that generally, because in the brief, and you never
21 -- I never really know the extent to which things we
22 want to say are said as effectively as we would like.
23 The Japanese producers, for Sumitomo, let's speak
24 about Sumitomo, the antidumping order was an occasion
25 to leave the U.S. market. They weren't driven from

1 it. They actually have a zero deposit rate. But for
2 lots of reasons, including the cost of reviews -- I
3 mean, one of the things that I don't think you all
4 appreciate is that if you are in an annual review at
5 the Department of Commerce, it's a commitment of
6 \$500,000 a year, every year, year in, year out, just
7 to go through the process. So, you make a decision
8 that you're going to de-emphasize the U.S. market and
9 you wind up focusing your corporate energies and your
10 corporate effort on developing markets, both overseas
11 and OCTG and then line pipe and other issues. You
12 can't walk away from that. In the Japanese industry,
13 in particular, there are long-term supply contracts
14 that are binding. Now, it isn't only that and if you
15 look at the breaks, you'll Nippon Steel talk about
16 spot prices, which are the functional equivalent,
17 because of customer relations. But, the idea that any
18 Japanese company, in particular, could shift away from
19 businesses that it's developed over the last 10 years
20 simply because there is a marginal differential you
21 can get from the U.S. market isn't true.

22 VICE CHAIRMAN ARANOFF: Okay. I appreciate
23 those answers. You've raised something else I want to
24 ask, but I'll have to wait until my next round.
25 Thanks, Mr. Chairman.

1 CHAIRMAN PEARSON: Commissioner Okun?

2 COMMISSIONER OKUN: Thank you, Mr. Chairman.

3 I join my colleagues in welcoming all of you here this
4 afternoon. I very much appreciate all your
5 willingness to travel and be with us today. And for
6 those that are here for the first time, welcome.

7 Let me ask a couple more questions about
8 forecast in the U.S. and for global demand. One of
9 the exhibits that Petitioners raised this morning had
10 to do with the rig permitting and whether that was
11 evidence of a drop off in the North America, in the
12 U.S. market specifically. I wondered if, I don't know
13 if the Shell folks or others could comment on what to
14 make of that evidence.

15 MR. BRANNAN: I can only answer for Shell,
16 of course. But, as far as the correlation between rig
17 permitting and rig utilization, I can't really comment
18 on that correlation either. But, really to the extent
19 of forecasting for rigs, I can comment that in 2006,
20 we looked at a baseline of rigs and in 2007, we'll
21 have 36 percent more and in 2008, we'll have 50
22 percent more.

23 COMMISSIONER OKUN: Okay. And then you had
24 in, I believe, your brief and also in the Exxon brief
25 talked about how you make your forecast. Sometimes,

1 you can look a few months out or sometimes you can
2 look longer term. And just, can you go through that
3 for me what you look at when you make those
4 projections on what you see out there? Are you
5 looking at EIA forecasts? Are you looking at for gas
6 oil, what are the best indicators for your company?

7 MR. BRANNAN: In terms of forecasting?
8 Excuse me, in terms of forecasting for OCTG demand?

9 COMMISSIONER OKUN: Yes.

10 MR. BRANNAN: We make our forecast for OCTG
11 demand based upon what the expected rig utilization
12 will be for the upcoming year.

13 COMMISSIONER OKUN: Okay. So, the number
14 you just gave me is the number that you base it on,
15 okay. And then the other comment that I wanted to get
16 your response on was, I believe, as Mr. Schagrin had
17 referenced remarks by some of the service providers or
18 forecasts coming out from service providers, including
19 Haliburton, Nabors, he may have named another one, can
20 you comment on that, in terms of whether that shows a
21 different forecast. And I think specifically, Mr.
22 Greenwald, Mr. Schagrin was saying it's not all rosy
23 out there, if you look at these service providers. Do
24 you have a response on that?

25 MR. GREENWALD: The short response is a

1 serious company like U.S. Steel does not invest \$2.1
2 billion in Lone Star Steel unless they believe, as the
3 chairman of U.S. Steel said to you, that the forecast
4 for OCTG consumption over the foreseeable future is
5 strong, that there will be ups and downs. The other
6 point I would like -- but, the trend line is clearly
7 very bullish and I don't think anything that was said
8 this morning undermines that. I mean, I did not say
9 it's going to go on with annual increases forever.
10 What I did say and what the evidence shows is that the
11 market is a strong market and all the projections I
12 have looked at suggests that it is going to be steady
13 maybe in 2007 and pick up growth through 2012, with
14 ups and downs.

15 Now, one of the interesting exercises is to
16 take the statements that were made in response to the
17 questionnaires and compare them to public statements
18 about the future of the OCTG market that the
19 corporations make in their annual reports. We tried
20 to set these out. I can't specifically speak to
21 Haliburton or any of the others, but I can say that
22 certainly amongst the OCTG producers, there is no
23 serious evidence of any downturn beyond what all of
24 them refer to as temporary inventory corrections.

25 COMMISSIONER OKUN: Okay. I appreciate

1 those further comments.

2 MR. CAMERON: Commissioner?

3 COMMISSIONER OKUN: Yes, back on the back
4 row first and then I'll come back up to you, Mr.
5 Cameron . Mr. Spak?

6 MR. SPAK: Yes, Greg Spak. I just wanted to
7 mention, and this also goes to Commissioner -- or
8 Chairman Pearson's comment earlier, I just want to
9 make sure that everybody knows that we do have --
10 there is a graph on the record in Exhibit 2 of the
11 joint Respondent's brief, which includes both the spot
12 price of oil, the gas price, also, which I think was
13 the question from Chairman Pearson, and the projection
14 of U.S. Steel for the rig count. So, all of that is
15 on the record and they corroborate what Mr. Greenwald
16 has said, also.

17 COMMISSIONER OKUN: Okay, I appreciate that.
18 Mr. Cameron?

19 MR. CAMERON: Yes. This gets to back to the
20 issue that John just raised about the investment
21 activity. And as you've heard this morning, the
22 investment activity, according to the U.S. industry,
23 is well nigh irrelevant to this Commission. And, yet,
24 really when they're committing money at this level,
25 you have U.S. Steel, 2.1 billion, you have Tenaris and

1 Maverick on the order of three billion, you have IPSCO
2 with N.S. When you total up all the investments into
3 the U.S. industry over the last year alone, you're
4 talking about nine billion dollars. Now, I would
5 simply suggest to you that they didn't do that based
6 upon looking at projections that said, you know, the
7 market might -- may or may not work -- I don't think
8 so. When the chairman of U.S. Steel comes out at the
9 time of the investment and says that the market is
10 robust, he means it. He couldn't even say with a
11 straight face this morning that he expected the market
12 not to be strong. He absolutely said, yes, there has
13 been a structural change in the industry. There has
14 been a structural change in the market and it's going
15 north. Well, that's right. That's exactly what we're
16 talking about.

17 And when you talk about Baker, Hughes, and
18 these other things, what they are doing is they are
19 simply supporting that. The fact that there may be
20 some blips in the market, nobody ever said that the
21 business cycle is going to be eliminated. But, what
22 we are saying is they're starting from a much higher
23 level.

24 COMMISSIONER OKUN: Okay. And on the
25 subject of what companies say to investors, let me

1 turn back to the representatives of Tenaris with
2 respect to the emphasis placed on the investor call
3 and what Tenaris's interest in the U.S. market. And
4 what I'd like you to respond to specifically is, you
5 know, I understand the argument you're making of
6 bringing in products that would complement Maverick's
7 line, that that is why you established Maverick and
8 that these other -- or you would establish the U.S.
9 market through Maverick and then bring in these other
10 products that you discussed with the Vice Chairman
11 most recently. I guess my question is, help me better
12 understand -- I can understand why that's good for
13 Maverick and I can understand why it's good for
14 Tenaris. If you're the other U.S. producers, who are
15 producing what I think would be these complementary
16 products, how do we evaluate what prices you're
17 bringing? You've helped us with what you believe the
18 volume of products you would come in with and there
19 has been some questions about that I have some further
20 ones. But, in terms of pricing, what's the best
21 evidence that the Commission would look to in
22 evaluating what prices these complementary products
23 from Maverick would come in at and how that might
24 impact the other U.S. producers?

25 MR. VOGEL: Guillermo Vogel from Tenaris. I

1 would like just to mention in that regard that there's
2 already evidence on the record, in terms of what our
3 price structure is, in terms of the seamless products,
4 because we're already bringing them from Canada and
5 from Romania. So, you have evidence that our pricing
6 policy is a pricing policy, which is serious. And our
7 philosophies that we don't win a customer because of
8 the price . We try to win it because of the service
9 and because of the quality and the reliability. This
10 has been our gaming all over the world, not only in
11 the United States, in all of the world. And for us,
12 it's very important to maintain discipline in the
13 pricing, because we are a world leader. What we do in
14 the States is reflected in every -- this morning,
15 somebody was mentioning precisely that. When you are
16 under a price in one place, you have an effect in many
17 others. We have them all over the world. We
18 represent 20 percent of the OCTG supply worldwide.
19 So, we have to be as price leaders very careful, in
20 terms of how we manage the prices.

21 Also, the pricing structure, even though
22 you're talking about a certain range of product, which
23 is very limited and which I were to say the position
24 to be able to offer a full range of products, to give
25 you an idea, during Mr. Surma's presentation on the

1 Lone Star, he mentioned it as a big benefit for U.S.
2 Steel. He said the benefit of having a full range of
3 welded and seamless products for an energy sector.
4 This morning, the V&M, when was questioning, why the
5 volumes, why are you importing these volumes, he said,
6 because I want to offer a full range of products. And
7 today, there was testimony in that sense. For
8 Maverick, it's very important, because it helps --
9 even it keeps a very strong advantage versus, for
10 example, the Chinese imports. We have to see how we
11 maximize our investment despite all these Chinese
12 imports, et cetera, et cetera. And we try to create a
13 structure, in terms of prices, and try to compete
14 versus the Chinese in pricing, we're going to lose it.
15 We're going to lose it, because those imports are
16 coming in a highly subsidized way. So, we have to
17 find other ways through the service, through the
18 quality, through the reliability, to be able to offer
19 different prices and to sell.

20 And finally, I would like just to say, to
21 remark what I said a little while ago, this morning,
22 V&M said, we are bringing these products, importing to
23 complement our product line . It's a small range of
24 tubing, small amount of tubing, and the rest are the
25 sizes we cannot produce here, which is above 9-5/8ths.

1 When you see the total size of the market and when you
2 see the amount of imports that have come, because we
3 don't have that specific information, but we know
4 what's coming from imports from those countries, what
5 you're going to see is that it is in a large amount of
6 the market. So, I ask myself, you know, who else is
7 in that market. Is it really the U.S. producers or
8 it's really being supplied by imports, that specific
9 range, where we have today a limited situation.

10 COMMISSIONER OKUN: Okay. Mr. Vogel, you
11 probably can't see, my red light has been on for some
12 time.

13 MR. VOGEL: I'm sorry.

14 COMMISSIONER OKUN: I have some other
15 questions. I'll come back to you. Thank you. Sorry,
16 Mr. Chairman.

17 CHAIRMAN PEARSON: Commissioner Lane?

18 COMMISSIONER LANE: Good afternoon. I
19 welcome all of you, too, to spend the morning, the
20 afternoon, and the evening with us. Mr. Altschuler, I
21 have a follow-up question from your direct testimony,
22 something that I didn't understand. You said that
23 Maverick now is able to help you provide a broader
24 product range than you were able to have prior to
25 their acquisition by Tenaris. And I am just wondering

1 what product are you able to get now from Maverick
2 that you weren't able to get before and where is that
3 product coming from?

4 MR. ALTSCHULER: In the past, and this is
5 pretty typical in the distribution network, you're
6 going to get a bid and you're going to bid tubulars
7 and go to a number of suppliers, try to put the best
8 package together. Now, in our particular company, we
9 do a lot more things. There's a lot of value-added
10 stuff for logistics and truck handling and so forth.
11 And so to be able to go to one supplier, in this
12 particular case, Tenaris, it becomes a lot more
13 efficient in the way that we quote it, in the way that
14 we handle the product, and it's a lot better sale or
15 saleability when you take a look at quality control
16 being across the board.

17 Now, in the particular case I mentioned
18 earlier, Maverick, at times, wanted to take on tubing
19 and other times, they didn't have the capacity for it.
20 My understanding is, and I certainly have seen it, is
21 that Tenaris came in and put their money into the
22 finishing facilities at the mill domestically and
23 increased the capacity to the point where I can take a
24 whole project and not split it up and go to different
25 people. And that's what I meant.

1 COMMISSIONER LANE: And so, it would be
2 provided domestically for you, the whole line of
3 product that you need?

4 MR. ALTSCHULER: Yes.

5 COMMISSIONER LANE: Okay. Thank you. My
6 second question was for the Shell witness. Could you
7 tell me have your requirements for your product
8 changed over time? I mean, I was struck by the fact
9 that you were talking about that you need specific
10 product now. The domestic industry cannot provide it
11 for you. And I am just curious as to whether this has
12 always been the case or is this something that has
13 developed recently?

14 MS. SKOGSBERG: It has evolved over the last
15 about 10 years. And our requirements have not
16 changed, but what happens is when a specific
17 requirement, either a mechanical property or a
18 corrosion resistant property is not met, then we take
19 what is known in the industry as a waiver. We go back
20 and look at our well, see what are the requirements
21 for the completion of that well, and look at the
22 casing that's available and the quality of the casing
23 that we're looking at and which specific property is
24 not being met. From that position, then we're able --
25 we do a fitness for purpose evaluation, look to see if

1 that product that's available and the time frame for
2 completion will meet the requirements of that specific
3 application. But, we don't change them. We continue
4 to ask for the best sour service resistant materials.
5 When we don't get it, we have to reevaluate and see if
6 it will work in a project. If it doesn't work, then
7 we go back to our project and see if we are going to
8 continue with the project or maybe complete the well
9 in a different horizon or look at operations to see
10 how we will handle the shortcoming that we're seeing.

11 COMMISSIONER LANE: And does this happen
12 often?

13 MS. SKOGSBERG: It has happened in the last
14 few years, as we go into slightly sour service. This
15 means that we're into water flood, secondary recovery,
16 and other reservoirs that need water flood where
17 slightly sour service will be present. It's happening
18 more often than not. So, we have engineering staff
19 that has to work on this. It takes time and resources
20 to develop a position, a fitness for purpose for
21 specific projects. When we don't have a mill
22 qualified, we don't get our first requirements met.

23 COMMISSIONER LANE: Okay, thank you. This
24 is a general question that anyone can take a stab at.
25 Do you believe that there will be any significant

1 changes or events in the oil and gas market that will
2 either adversely or positively effect world demand?

3 MR. BALKENENDE: Well, adversely, I think
4 that is maybe guessing. Roland Balkenende, Tenaris.
5 But, at this stage, I think in line with earlier
6 projections made, we see energy consumption globally
7 increasing, even with all efforts in the United States
8 that you want to be -- that we want to conserve
9 energy. Even if the gas consumption would go down a
10 bit, production of OCTG will still go up. Emerging
11 nations, Asia, South America, we only can see that
12 developing countries will need more energy. If that
13 stops, that could -- if that all would stop, that
14 could have a negative impact. How that would stop, I
15 would not know, but it could happen.

16 COMMISSIONER LANE: Okay, thank you.
17 Anybody else want to take a stab at that? Mr.
18 Cameron?

19 MR. CAMERON: Commissioner, I believe that
20 what Mr. Vogel is really talking about is if you had a
21 worldwide, almost a deep recession or depression,
22 that, yes, then demand in developing countries goes
23 down and global demand goes down. But, we can see and
24 you don't really have to be a rocket scientist to see
25 that global demand is increasing. It's not only

1 because of our demand domestically, but as other
2 nations -- just look at the Chinese. The Chinese
3 emergence and development, they require oil and they
4 are competing for oil and there is scarcer and scarcer
5 resources around. And, as a result, there is a demand
6 to develop those resources. It really is as simple as
7 that. And that's why when the chairman of U.S. Steel
8 refers to the fact that, yes, demand is going up,
9 well, why is he saying that? It's because it is an
10 observable fact. There is -- we're desperate for more
11 energy and we have to figure out how to get it. And
12 as a result, there is going to be more need for the
13 OCTG that's necessary to get it from where it exists
14 to the consumer.

15 COMMISSIONER LANE: Okay, thank you. Lone
16 Star's 2006 10K report indicates that the company's
17 inventories are largely pre-sold. Is this generally
18 true for producers in the subject countries and does
19 it indicate that there is less flexibility in
20 inventories than our data might usually indicate?

21 MR. VOGEL: Yes. Virtually all, if not all
22 of the inventories that are in those subject countries
23 are, indeed, pre-sold.

24 MR. GREENWALD: I think for the Japanese,
25 they are six months or so sold out. They're aren't

1 inventories in Japan that are unsold. We'll try and
2 supplement the question if we find out more specifics
3 in the post-hearing brief.

4 COMMISSIONER LANE: Okay, thank you. Much
5 has been written about the large increase in
6 production supply of OCTG products from China during
7 the last year. What market effects do you anticipate,
8 assuming increased competition from Chinese producers
9 in the world market, if, in fact, China substantially
10 increases its production and export of OCTG products?
11 Are subject and non-subject imports going to be facing
12 stiffer competition from China?

13 MR. YAMAMOTO: Sumitomo, Hirofumi Yamamoto.
14 Now, we are not competing with Chinese OCTG, any
15 market, in terms of quality. We, Japanese mills, will
16 not be squeezed out of any export markets, we believe,
17 and talking about high-end products. And it is very
18 difficult to produce, not to be qualified by
19 customers. In the foreseeable future, we don't expect
20 that they, the Chinese, will compete with our product.
21 Other oil and gas companies know well about Chinese
22 quality.

23 COMMISSIONER LANE: Okay, thank you.

24 MR. GREENWALD: Commissioner Lane, may I, on
25 this point, because, again, it was one of emphasis

1 this morning, refer you to page 429 of the staff
2 report and what you will see there is a profile of the
3 Japanese industry and one of the more interesting
4 statistics there is the per unit value of Japanese
5 shipments to China.

6 COMMISSIONER LANE: Okay, thank you. I'll
7 look at that. Thank you, Mr. Chairman.

8 MR. CAMERON: Commissioner, could we respond
9 to you on your next round?

10 COMMISSIONER LANE: Okay, yes.

11 MR. CAMERON: Thank you.

12 MR. VOGEL: And I would say that we have a
13 very similar view than our Japanese friends. We see -
14 - we have concentrated and our strategy has been to go
15 high valued-added products in the world international
16 market.

17 COMMISSIONER LANE: Thank you, Mr. Chairman.
18 It's not my fault. I tried to hand over the
19 microphone.

20 MR. VOGEL: I'm sorry.

21 CHAIRMAN PEARSON: You just asked such good
22 questions. And the real problem may belong to Mr.
23 Cassidy, who makes a much better door than a window
24 there in front of the red light.

25 (Laughter.)

1 CHAIRMAN PEARSON: Commissioner Williamson?

2 COMMISSIONER WILLIAMSON: Thank you, Mr.
3 Chairman. I want to welcome the panel and express my
4 appreciation for being here throughout the day. And
5 actually rather than waiting for your next round of
6 question, maybe Mr. Lee can address that question
7 about the Chinese competition.

8 MR. LEE: Thank you, Commissioner. Today, I
9 am here for Korean manufacturer processor and a lot of
10 people talking about OCTG, mainly on seamless. We're
11 the only one, only country that makes ERW product.
12 And I cannot decline any competition from Chinese
13 product, but there are difference between Chinese
14 product and Korean product. Korean OCTG has been in
15 this market only 1980s and the quality has been
16 improved and a lot of good size and mis-size end users
17 accept the quality and use our product. And the
18 difference between Korean and Chinese is the service
19 and the quality level. There are a lot of product
20 coming into the market, but the question about the
21 quality. And it is not the proven product and
22 inventories is very high. But, no one knows what kind
23 of quality product they have, that I can say.

24 MR. BRANNAN: Mr. Williamson, if I might
25 just take a quick answer. In reference to the

1 proprietary grade pipe that we have discussed, we do
2 not believe it can be provided by China.

3 MR. CAMERON: We should also add in the case
4 of Korea that number one, the suggestion has been made
5 about diversion. Well, we don't have any place to
6 divert from. You know what the imports from Korea
7 are. They're coming to the United States from subject
8 producers. They've been coming here since the advent
9 of the orders and before the orders. The orders have
10 had very little impact on it. But, the suggestion has
11 been made that while the imports from China are going
12 to go into Korea, I don't know where they suggestion
13 came from. But, there is no OCTG demand in Korea that
14 I'm aware of.

15 There's been a suggestion that OCTG from
16 China would then drive Korean exports out of other
17 markets. Well, Korea is in the Canadian and the U.S.
18 market. There's no markets to drive Korea out of.
19 What you see is what you get with the Korean material.

20 If I may add one more thing, for all the
21 discussion we have heard about Canada and the Canadian
22 market, as you know, the Canadian government lifted
23 their antidumping order on OCTG around 2001, I
24 believe. If you look at the imports from Korea after
25 that point, what you'll find is they're quite

1 moderate. They don't really do very much. And when
2 the market has gone down, they've gone down, which
3 substantiates exactly what we're saying, yes, okay,
4 Canada is the second largest market on the continent.
5 And, yet, the Korean producers are making a good
6 living on what they have, but they don't have a lot
7 more, because they can't get anymore hot coil.

8 COMMISSIONER WILLIAMSON: Well, I guess the
9 question -- maybe rephrase the question. Given that
10 people often talk about the Chinese quality is
11 improving, clearly their volumes are going up. If
12 you're looking in the future, is this going to be a
13 problem for you either in terms of competition in the
14 U.S. market or other export markets?

15 MR. VOGEL: I would like to take that
16 question, saying that the market is evolving. The
17 market is growing very much in terms of the high
18 proprietary products. And it's not that there's a
19 definition where you are high or you are low. You are
20 really different grades of high and the definition is
21 a lot from the terms of who is talking about. This
22 morning, for example, the U.S. industry was saying,
23 you know, carbon is the low and then we have the
24 alloy. For us, API is what we consider the low,
25 whatever is the specification. So, it's a moving

1 target. And what our marketing intelligence tells us
2 is that the growth in this proprietary grades is going
3 to be higher in the world market, I'm not talking
4 about the U.S. market, but in the world market, it's
5 going to be higher than the growth in the carbon side.
6 And I think what we are going to be seeing in Japan --
7 in China, for example, is a gradual increase in
8 getting more and more first into, you know, carbon,
9 then into alloy, then in terms of proprietary. But,
10 at the same time, we're moving. This is like a run
11 against the lion. You know, it's not that you have to
12 run faster than the lion; you just have to run faster
13 than the guy that is running at your side.

14 (Laughter.)

15 This is what we're experimenting here, you
16 know, a situation where we have to continue to
17 develop. In our case, we are working at full
18 capacity. To give an idea, for example, we have over
19 100 patents in existence. And when you go to the
20 countries, we have over 550 patent rights. We invest
21 -- are the company that invests the highest amount of
22 money in R&D. Last year, we invested between \$40 and
23 \$50 million in product development, in research for
24 new products. We did the acquisition of Hydril
25 precisely to be able to move a little bit faster in

1 the run, in terms of the technology that we can supply
2 to the world market. And it's a continuous run. And
3 I think China is going to be moving. But just to give
4 you an idea, when you're talking about a premium
5 thread, if you want to develop a new mill, a premium
6 thread, it's probably going to take seven, eight years
7 to take it to the market. This is a long-term
8 process. This is not a short-term process, take time.
9 And we will continue to concentrate the high value-
10 added and we believe we can maintain our plants
11 running at capacity within the markets that we're
12 looking at.

13 COMMISSIONER WILLIAMSON: Thank you. I
14 don't want to take any more time on this, although I
15 do wonder what happens when a lion starts flying.

16 (Laughter.)

17 COMMISSIONER WILLIAMSON: Let me go to
18 another question, though. I'm thinking about the
19 likelihood of recurrence of injury and having to
20 address that question. I wonder, do you have a
21 position on the reasonable foreseeable time? What
22 should be the reasonable foreseeable time in this
23 case? What should we look at?

24 MR. GREENWALD: I think our view is two
25 years, maybe three years. Certainly not the time

1 horizons that Petitioners seem to be talking about
2 this morning. I mean, it is true that you have to --
3 whatever -- you have to be able to project from
4 current trends and current data. So, there is a
5 present evidence anchor to what you can do. I don't
6 see how you can take that much beyond two years.

7 MR. CAMERON: Commissioner, excuse me, Don
8 Cameron for the record. The Commission -- there is no
9 written rule, obviously, and, yet, this Commission
10 generally has collected data on a two-year time frame.
11 And as John is saying, there's a recognition of the
12 fact that the further out that you think you're going
13 to project, the more subject to the unknown those
14 projections are, which is one reason that the
15 Commission has generally used the two-year time frame.
16 And I would suggest to you that your -- the data in
17 the record generally is tailored to a two-year time
18 frame. It's what this Commission has used in
19 virtually every sunset case that I'm aware of. And in
20 this case, I would say that that's appropriate.
21 There's been no indication that there's something
22 vastly different between this industry and any other
23 industry subject to sunset investigations, aside from
24 the 26 percent profit margin that this industry has
25 had for the last two years that would indicate that

1 they should have a different time frame.

2 COMMISSIONER WILLIAMSON: This morning, it
3 was suggested to us that we should also take into
4 account the fact there is certain known investments
5 that are likely to happen, for example, the one in
6 Saudi Arabia. Any -- what would be your view on that?

7 MR. GREENWALD: Well, I mean, because once
8 you get -- you're talking about investments. I recall
9 the statement was going to come on stream as currently
10 projected in 2009. Wasn't that right? You have to
11 assume that it's produced as it's -- I mean, it
12 finishes as it is supposed to finish. It finishes on
13 time. That there are -- the capacity in the world
14 doesn't somehow -- the capacity in the world is such
15 that it's supply for which there is no demand. You
16 have to make all sorts of assumptions about what's
17 going to be happening and the impact of this that are
18 untethered to any hard evidence that you have in the
19 record. I mean, all you know is there is a plan on
20 the books to have a OCTG plant of some significance in
21 Saudi Arabia by a certain time. You don't know
22 whether it's going to happen. You don't know what
23 it's going to be producing. You don't know what the
24 quality is. You don't know whether it's going to be
25 able to meet the premium grades that we're talking

1 about. All these issues are nothing more -- you have
2 to speculate on that. And I don't see how you can
3 legally do it.

4 MR. CAMERON: Commissioner, this Commission
5 actually addressed a very similar issue in the recent
6 sunset case on H-Beams from Korea and Japan, where it
7 was suggested that the Canadian market was a perfect
8 Petrie dish. And what the Commission said is, well,
9 okay, it's very interesting, but we have no idea what
10 the conditions for competition are in that market.
11 So, it's very difficult to evaluate what exactly those
12 mean. I would suggest it's the same thing with the
13 investment in Saudi Arabia. Is there going to be more
14 -- are there going to be more wells drilled there?
15 What is the environment? Again, as John says, it
16 becomes entirely speculative. So, okay, it's another
17 fact. I'd rather talk about the investments that
18 they've made in this industry right over the last
19 year, which they didn't really talk about, because
20 that actually shows what they think of these
21 investments.

22 COMMISSIONER WILLIAMSON: Okay, thank you.
23 Since my time is up, thank you.

24 CHAIRMAN PEARSON: Commissioner Pinkert?

25 COMMISSIONER PINKERT: Thank you, Mr.

1 Chairman, and I'd like to thank this panel, as well,
2 for coming here and for a very informative
3 presentation. I would like to start with Japan, Mr.
4 Greenwald. I understood Mr. Cameron's response about
5 the competition or lack thereof between the Korean
6 producers and the Chinese producers and third-country
7 markets. I'm not sure that I understand what the
8 situation is for Japanese producers competing against
9 Chinese product in third-country markets.

10 MR. GREENWALD: Let me be as clear as I
11 possibly can on this. There is no competition between
12 Japanese OCTG and Chinese product. Let me give you a
13 specific example. Sumitomo was asked by one of its
14 major customers outside the United States to supply
15 carbon grade, that is J55, K55, I think it was
16 seamless pipe. They said, we can't. We're not going
17 to do it. They are moving very deliberately out of
18 that standard API carbon grade product. I was trying
19 to think, how can I illustrate to you the absence of
20 this competition. I mean, we'll say it, on the record
21 will say it. But, I guess the answer would be to have
22 you look at what the prices that the Japanese --
23 certainly, the only average values, but their average
24 export values, they are very, very high. The most
25 interesting of them is the average Japanese export

1 value to China. You would think that if there were
2 direct competition, serious head-to-head competition
3 between the Chinese and the Japanese and the OCTG
4 market, where it really would be felt would be in
5 China's home market, where there is a lot of drilling
6 activity. When you look at those data -- they're
7 confidential in the report, so I can't talk about it -
8 - but when you look at those data, I think it becomes
9 very clear that Japan continues to have a significant
10 presence in the Chinese market, but that Japan's
11 pricing pattern is such that it disproves the claim
12 that they are competing with Chinese production. High
13 end and low end has been thrown around far too
14 loosely. But, in this particular business, the
15 Japanese are probably the most expensive producers
16 making the most expensive products.

17 COMMISSIONER PINKERT: Mr. Yamamoto, are you
18 aware of competition within the Chinese market between
19 Japanese producers and Chinese producers of OCTG?

20 MR. YAMAMOTO: We have no competition with
21 Chinese mills even in China market. They need our
22 very high quality products in specific field and the
23 condition environment.

24 COMMISSIONER PINKERT: Looking forward, do
25 you anticipate competition between Chinese mills and

1 Japanese mills in the Chinese market, looking forward?

2 MR. YAMAMOTO: In foreseeable future, I
3 cannot see any competition with China mills.

4 COMMISSIONER PINKERT: Thank you. I would
5 like to address my next question to Mr. Balkenende
6 and, in particular, what I'm interested in is the OCTG
7 that is currently being exported from Romania to the
8 United States and whether it would make sense if the
9 Mexican order were lifted, if it would make sense to
10 shift that sourcing from Romania to Mexico; in other
11 words, instead of Romania to the United States, Mexico
12 to the United States for that merchandise?

13 MR. BALKENENDE: If I may respond to that,
14 Commissioner Pinkert. The way we supply material or
15 the way we get -- how we serve customers in the world,
16 we have mentioned we are working on full capacity or
17 close to full capacity and we serve our home markets
18 first. We have obligations to serve certain
19 customers. By just saying are we going to shift it
20 from one country to another, it's a bit more involved
21 than only say, oh, we switch when the light is green
22 or red. And if we have currently, we serve certain
23 customers in the United States with products from
24 Romania. We have the intent on continuing doing that,
25 because it would not disrupt the model we currently

1 have. For the rest, if we would say from subject
2 countries, as we have stated before, we would have
3 interest. The items we have mentioned that we would
4 have interest in would be in the size range over 9-
5 7/8ths. Our mill in Romania does not produce that.
6 So, to be very clear about the question from Mexico,
7 no, that would not be the case because of this size
8 range. But, it is more to it than only the question of
9 technical capability.

10 COMMISSIONER PINKERT: Well, can you talk
11 about whether the cost of moving the merchandise from
12 Romania to the United States would be a factor in
13 decisions on sourcing if the order on Mexico were
14 lifted?

15 MR. VOGEL: I would like to mention that in
16 the industrial sector we have some sites a very
17 effective producer, over five and a half. When you go
18 below five and a half we have to go in Mexico to two
19 processes that greatly increase the cost because we
20 have to, we go and we produce the size and then we
21 reduce it in another portion. In Romania, it's a very
22 efficient producer up to five and a half inch.

23 So the cost of the difference in
24 transportation costs that we have wouldn't make it
25 efficient for us to do the switch. It's a matter of

1 cost and it's a matter of productivity. If in times
2 is able to produce about 7.5 inch going up, the mill
3 gets much more productive than if we try to produce
4 the smaller diameters.

5 So from an economical perspective it
6 wouldn't make sense for us to switch those ranges that
7 are below five and a half and bring them into Mexico.

8 COMMISSIONER PINKERT: As a follow-up, what
9 is the share of TAMSA's production of large diameter
10 OCTG relative to its total OCTG production in Mexico?

11 MR. VOGEL: I'm going to have to send you
12 that in the brief. I don't have it in my head. I'm
13 sorry.

14 MR. SPAK: Excuse me, Commissioner Pinkert,
15 Greg Spak.

16 Could you just specify what you mean by
17 larger diameter there? is it just the 13-3/8, 13-5/8?

18 COMMISSIONER PINKERT: I believe that Mr.
19 Balkenende had referred to product that was slightly
20 smaller than that in his answer.

21 MR. BALKENENDE: Over 9-7/8.

22 MR. SPAK: Okay, we'll get that for you.

23 COMMISSIONER PINKERT: Thank you.

24 My next question is directed to all of the
25 Respondent foreign producers and it relates to

1 capacity.

2 How difficult would it be for you to add an
3 additional shift to your current production cycle and
4 thereby add capacity?

5 MR. VOGEL: In our case we are full. We
6 couldn't increase the production of smaller pipe, so
7 to speak. We are approaching capacity.

8 We have one exception which is Canada. The
9 Canadian market went down. This year it is over 50
10 percent below last year. What we have done in Canada
11 is that we have reduced production. We have laid off
12 300 people and we're operating at a level which is
13 less than, it's 30 percent below what we were because
14 of the reduction in the Canadian market.

15 But for us, it's much rather more
16 interesting to reduce the production than to try to
17 just send that pipe to the United States. This is the
18 only mill today where I could say we have excess
19 capacity. We have laid off people. And we believe
20 that the market is going to gradually come back and
21 our intention is to continue to service that market to
22 Canada.

23 MR. YAMAMOTO: In our mills, working three
24 shifts. That means a full operation. We have no room
25 to increase more capacity.

1 MR. LEE: This is Gene Lee, Pan Meridian.

2 The ERW pipemaking is quite different from
3 seamless manufacturing process. Even though there is
4 capacity available and human labor is available,
5 without coil we cannot produce the product we want.
6 So first we have to source in the raw material and
7 then pick the products. It is well known in the past
8 few years it is very difficult for our company to
9 secure the raw material for this OCT product.

10 COMMISSIONER PINKERT: Thank you.

11 Thank you, Mr. Chairman.

12 CHAIRMAN PEARSON: This morning the domestic
13 industry made reference to the possibility that
14 imports of liquefied natural gas could have an
15 influence on the domestic gas market in the United
16 States that would hurt the economics of drilling for
17 gas.

18 Is that something we would expect to see in
19 the reasonably foreseeable future?

20 MR. BALKENENDE: Roland Balkenende with
21 Tenaris.

22 I have seen in the news that building
23 receiving terminals for LNG is a very complicated
24 effort and runs in a lot of resistance in many areas.
25 So before that becomes an effective part for the

1 United States I believe it will be not so much the
2 foreseeable future. Definitely the projected growth
3 for LNG is there, but not in the next few years of a
4 major impact.

5 CHAIRMAN PEARSON: That's related in large
6 part to infrastructure requirements?

7 MR. BALKENENDE: Yes. It has to do with the
8 ability to have receiving terminals. LNG is being
9 produced globally, but to get major capacity to bring
10 it into the United States it has to be brought in by
11 vessels and receiving terminals need to be built.

12 CHAIRMAN PEARSON: As we look farther ahead,
13 and this is just kind of for my general interest
14 because based on your statement it's beyond the
15 reasonably foreseeable future here, but if the
16 economics of gas drilling in the United States did get
17 worse, could we have a situation in which three drill
18 rigs in Saudi Arabia, for instance, might substitute
19 for some 300 drill rigs that currently are looking for
20 gas in the United States? Is there the potential for
21 that sort of global reduction in the number of drill
22 rigs because of backing away from what might be
23 smaller volume sites that would be explored in the
24 United States in favor of larger volume sites off-
25 shore?

1 MR. BALKENENDE: The few, and I think it is
2 the forecast by the energy agency, when we look at the
3 next ten years the gas consumption in the United
4 States, production will not go up. The increase in
5 demand will indeed be served by the increase in LNG.
6 I think those are the forecasts that we all have seen
7 and we all believe in. What we have said earlier
8 today, to produce that same amount or even a slightly
9 less amount in the United States we need a lot more
10 wells and we need a lot more OCTG to serve that
11 production.

12 CHAIRMAN PEARSON: Mr. Hebert?

13 MR. HEBERT: Thank you, Mr. Chairman. Marc
14 Hebert.

15 Shell does not have with us today the people
16 who can answer these particular questions related to
17 overall natural gas consumption or the use or
18 projection by Shell. We will seek to attain that
19 information from within the organization and provide
20 it in our post-hearing brief.

21 CHAIRMAN PEARSON: Thank you for that. I'd
22 appreciate it.

23 I just want to make sure that we're
24 relatively comfortable that for the reasonably
25 foreseeable future we would expect the need for a lot

1 of natural gas drill rigs in the United States.

2 MR. BRANNAN: Mark Brannan with Shell.

3 I can tell you that the expected, in the
4 Rockies we're drilling for natural gas. In 2006 we
5 had six rigs and we expect to have an increased number
6 of rigs in 2007 and 2009, as high as 33 percent
7 increase by 2009.

8 CHAIRMAN PEARSON: Thank you.

9 Mr. Vogel, is Mexico under-explored and
10 under-drilled for both oil and gas relative to the
11 United States?

12 MR. VOGEL: Absolutely, Mr. Chairman. But
13 Mexico is in a difficult situation also in terms of
14 what it has to do.

15 This morning there was a lot of talk about
16 PEMEX so let me give you my, if I might, because I
17 don't want to take all the time. I feel bad.

18 PEMEX, to give you an idea, yesterday I was
19 reading I think it was the Wall Street and they were
20 talking about the five major U.S. and European oil
21 companies had generated \$120 billion in Operation
22 Lincoln.

23 Last year PEMEX generated over \$70 billion
24 of EBITDA. So it's a highly profitable company.
25 Highly profitable company which generates a lot of

1 cash.

2 However, all of this cash is taken away by
3 the government. So when you see of this EBITDA, how
4 much it's taken in the past, it was 103 percent, 105
5 percent it was taken. So what happened is that
6 actually PEMEX started to get increasing level of debt
7 in order to finance their drilling program.

8 This is what we saw. We saw that the level
9 of debt of PEMEX increased by \$42 billion in the last
10 ten years. But we also saw the level of debt of the
11 external debt of the Mexican government decreased by
12 \$46 billion. So it's just a game of allocation
13 because the debt of PEMEX is fully guaranteed by the
14 Mexican government.

15 Having said that, what happens in Mexico, we
16 have historically had a very very productive field
17 which is the Canteren Field, it has been very very
18 productive, and this field has come to a very high
19 depletion stage. Now Mexico has to face this very
20 high depletion rate and has to substitute it because
21 it depends a lot in terms of the generation of oil.

22 However, the wells today, within the proven
23 research, that have been discovered and are being
24 drilled, have much less productivity. We have various
25 fields. We have one in Chicontapek, we have KMC which

1 you need much more drilling in order to compensate.

2 So this is why when you see the program of
3 PEMEX, what you see is that the best investment that
4 Mexico can do is in oil, and there is a requirement to
5 highly increase the demand for pipe, for OCTG.

6 Secondly what I would like to mention is
7 that we're coming out of a political timing because
8 there was elections in Mexico and the whole thing was
9 delayed, and this caused a small reduction in the
10 drilling activity in Mexico. But we see that starting
11 the second half of the year we see PEMEX coming back
12 and then we see a very strong situation in Mexico
13 moving forward precisely because new requirements that
14 Mexico has in order to be able to maintain the
15 production, the low production levels.

16 CHAIRMAN PEARSON: Thank you.

17 For the benefit of the court reporter would
18 it be correct to assume that EBITDA stands for
19 earnings before income tax, depreciation and
20 amortization?

21 MR. VOGEL: Oh, absolutely.

22 (Laughter.)

23 CHAIRMAN PEARSON: Some people may have
24 thought it was a Spanish word. I did understand.

25 Those comment were directed specifically to

1 Mexico, and if you have anything you can put on the
2 record that would elaborate the plans that PEMEX might
3 have to increase drilling, that could be helpful.

4 MR. VOGEL: We will gladly do that.

5 CHAIRMAN PEARSON: Let me expand a little
6 bit more broadly. I asked about Mexico because I
7 thought you would know something about it.

8 Are there other countries where we would
9 expect to see a similar shift in production that would
10 lead to some meaningful increase in consumption of oil
11 country tubular goods in the reasonably foreseeable
12 future preferably.

13 (Pause.)

14 MR. VOGEL: What we have seen is we have
15 seen important increases in the Middle East and in
16 North and West Africa. We have seen an important
17 increase in drilling activity.

18 We have the view that these markets are
19 going to have strong drilling projects for the future
20 and we believe that we are following them very closely
21 in order to be able to service these fields.

22 Latin America is also a market which is a
23 market, as you know, it's a market which is subject to
24 different trends. We have been there for a long time.
25 We have a facility in Venezuela which is a limited

1 production facility because it has limited production,
2 but Venezuela is a very important market for us.

3 The view that we have is that within the
4 strategy that these countries are following, oil
5 continues to be a major element of support to the
6 country projects, so we don't see a big fall in any
7 country right now. In our view, our market
8 intelligence says there is going to be an increase in
9 drilling activity in those places.

10 So we generally see a bullish situation in
11 the world market. And we see it not only in terms of
12 the volume, but we see it very much more in terms of
13 the requirement for high value added products. We see
14 this tendency moving more and more to more complex
15 drilling conditions and the requirement for more
16 difficult products, sour gas, high collapse, thick
17 wall thickness. We see these trends very definitely
18 and we are following up. This is a basic part of our
19 business money.

20 CHAIRMAN PEARSON: Thank you very much. My
21 light is changing.

22 If there's anything that should be added to
23 the record that would augment our understanding of the
24 demand trends globally. We know a lot more about the
25 United States than we know about other countries. But

1 OCTG is used every place they drill. So what happens
2 elsewhere in the world can have some meaningful
3 implications for the U.S. market. That's why I ask
4 these questions.

5 Madame Vice Chairman?

6 VICE CHAIRMAN ARANOFF: Thanks, Mr.
7 Chairman.

8 In pre-hearing briefs and to some extent in
9 statements today a number of the Respondents have
10 stated that you have commitments or long term supply
11 arrangements with existing customers in home markets
12 or in third country markets, either for OCTG or for
13 other tubular products, line pipe, standard pipe, and
14 that you would never have any incentive to abandon
15 these commitments in favor of shifting OCTG into the
16 U.S. market if these orders were revoked.

17 That of course is an argument that the
18 Commission hears quite frequently in these reviews and
19 if you look at our recent opinions you see that we are
20 more inclined to accept those arguments in cases where
21 parties are able to produce for us very specific
22 company by company information on who are the
23 customers, how longstanding are they, how much tonnage
24 are you providing to them relative to your total
25 production or capacity so that we can actually look at

1 them. In some cases people can provide us with long
2 term contracts and show us that coverage. In other
3 cases there aren't contracts, there are spot sales,
4 but they can show us that they've sold significant
5 tonnages to the same customer for four or five or ten
6 years.

7 So I want to ask each of the Respondent
8 groups here whether that is the kind of information
9 that you would be able to provide to us, and if you're
10 willing to give us a preview now, that's great. If
11 you'd like to do it confidentially, that would be
12 okay, too.

13 Let me start with Mr. Yamamoto since you had
14 raised this earlier.

15 MR. YAMAMOTO: Hirofumi Yamamoto.

16 I will respond to it in a post-hearing
17 brief.

18 VICE CHAIRMAN ARANOFF: If you could do it
19 for each of the Japanese producers that you represent,
20 Mr. Greenwald and Mr. Cassidy.

21 MR. GREENWALD: We will do it. We have put
22 in in confidence already the percentage of Sumitomo's
23 shipments that are under long term contract and we
24 have identified specifically the companies to which
25 they sell.

1 VICE CHAIRMAN ARANOFF: Okay. Whatever more
2 detail you can provide, and the longer period of
3 history you can cover the more persuasive your story
4 is.

5 MR. GREENWALD: That's what we'll do.

6 VICE CHAIRMAN ARANOFF: Mr. Lee, do you want
7 to comment on that?

8 MR. LEE: We did have a couple of line pipe
9 projects, various countries. So we can provide that
10 information too.

11 It is mainly for oil company line pipe
12 projects.

13 MR. CAMERON: I must say that I think our
14 situation is somewhat different than the other
15 suppliers because we are not claiming that we have
16 long term contracts in other markets that will tie us
17 to those. Actually our claim is that we have been
18 supplying this market rather consistently and we have
19 made the OCTG that we can with the raw materials that
20 we have available, so we will try to supply as much
21 information as we can.

22 But I think our thrust, the thrust of the
23 Korean story actually is somewhat different than those
24 of the others.

25 VICE CHAIRMAN ARANOFF: A fair point. If

1 there's anything you want to say in response to why,
2 since the other major market is Canada and things
3 don't look so good in Canada right now, whether that
4 adds to your explanation.

5 MR. CAMERON: We'll do that. I think the
6 data speaks for itself. I don't think that,
7 especially in the case of SeAH which is the, there are
8 two producers. I don't want to do too much in
9 confidential information, but the fact of the matter
10 is that SeAH is the only one of the subject producers
11 that has been in the Canadian market and they have
12 never been a major supplier to the Canadian market.

13 So we're more than happy to supply the
14 information which I think resolves the concern that
15 you have. I think you're absolutely right. This
16 comes up on every one of these cases and it's a valid
17 concern, but we can address that. Thank you.

18 VICE CHAIRMAN ARANOFF: Maybe I could ask
19 someone from the Tenaris panel who wants to take a
20 look at this question.

21 MR. BALKENENDE: Yes. Roland Balkenende.

22 Yes, we have that information and we are
23 pleased to provide it to you confidentially in the
24 post-hearing.

25 VICE CHAIRMAN ARANOFF: Thank you. I

1 appreciate that very much. I know this is difficult
2 information to do, especially when you start doing it
3 country by country and producer by producer, but I
4 just have to urge you looking back at our cases that
5 the more detailed information we get, the more likely
6 the Commission has been to be able to rely on it.

7 I'm not sure if any of my colleagues have
8 asked this question, but one of the things I have been
9 trying to figure out in this case is the extent to
10 which prices at different ends of the range and for
11 seamless and welded affect each other in this market.
12 So for example, if you have producers saying yes, we
13 would probably serve the U.S. market more if these
14 orders were revoked, but it would be with a volume of
15 very high end product.

16 What price effect would we expect that to
17 have in the rest of the market? On the one hand it
18 would be high priced product you're telling me, but on
19 the other hand it would be additional volume in the
20 market. So how would that play out in the rest of the
21 market in terms of affecting prices for other OCTG
22 products in the U.S. market?

23 MR. CAMERON: Commissioner, if I may start.
24 Don Cameron for the record.

25 I think that it's useful to look at the

1 experience of the U.S. market from the period 2001 to
2 2006. In the period of 2001 to 2006 we know exactly
3 what happened to prices in this market as a result of
4 imports. Ultimately that is what you're talking
5 about. The reality is that the prices sky-rocketed
6 for the domestic industry which of course led to an
7 average of 24 percent profit merely over the last
8 three years.

9 So we would suggest to you that the answer
10 to your question is actually in the data that you have
11 already collected. The experience, number one, is
12 that we're not going to have anywhere near the volume
13 of imports that we have had over the POR, not anything
14 close to that.

15 Secondly, the evidence that we have over the
16 POR is that yes, there have been imports. Yes, many
17 of those imports have been lower priced. No, those
18 imports have had no impact on the U.S. industry other
19 than as we heard this morning, everybody who is
20 importing says they're supplementing their existing
21 supply, or in the case of Lone Star, yes, we intend to
22 buy up to 200,000 tons but we don't really want to say
23 how much that's going to be.

24 I think the data actually on the record
25 supports that.

1 VICE CHAIRMAN ARANOFF: I take your point,
2 but I guess I have to raise the point that the
3 domestic producers raised with me earlier today. I
4 was going to say this morning, but it might have been
5 this afternoon. That perhaps in the context of the
6 dumping laws, not all imports are created equal and
7 they affect that non-subject imports which have not
8 been found to be dumped might be different from the --

9 MR. CAMERON: That's very interesting that
10 you say that because the answer you received from Mr.
11 Vaughn was well, I mean how can we talk about the
12 imports by domestic producers because of course we
13 don't know that these are unfairly traded. And two
14 minutes later, in fact for the entire rest of the
15 presentation, what we heard about was the dumped
16 imports from China, the dumped imports from Canada was
17 implied, and basically they were saying yes, non-
18 subject imports are crushing us but for purposes of
19 the legal analysis in answer to your question, how
20 would we know? How could we know?

21 That was exactly what they talked about.
22 They didn't talk about the impact of those imports.
23 They didn't talk about the fact that the volume of
24 those imports dwarfed subject imports. They didn't
25 talk about any of that. And to be more specific, they

1 didn't get to the relevance of the fact that well,
2 okay, so why are the other imports relevant anyway?
3 They are relevant because they speak to the
4 relationship between the volume of imports and what
5 happens in this industry.

6 And yes, this is important because you have
7 addressed this on two previous occasions during this
8 POR. Once in the safeguards investigation and once in
9 the preliminary determination on OCTG from China and
10 other countries.

11 What did you conclude? You concluded that
12 actually, yeah, there's an increase in import volume,
13 but that increase in import volume when put into the
14 context of the conditions of competition in this
15 market are not substantial and not material. The fact
16 of the matter is that the objective evidence in your
17 record supports both of the conclusions that you came
18 to in those cases.

19 So yes, I realize what they said, but they
20 didn't have any basis for what they said.

21 MR. GREENWALD: Commissioner Aranoff, will
22 you accept a softer answer on behalf of Japan?

23 (Laughter.)

24 VICE CHAIRMAN ARANOFF: Go ahead, Mr.
25 Greenwald.

1 MR. GREENWALD: The impact of the likely
2 Japanese imports if the orders are revoked will be
3 limited to the proprietary grades. I don't know if
4 Shell feels comfortable talking about its view of the
5 prices it is willing to pay let's say Sumitomo for
6 goods that meet its specifications and whether they
7 have any impact on any other transactions that go on
8 in the market. I expect the answer is no, and I don't
9 mean to put the Shell contingent on the spot, but if
10 you can answer it go ahead.

11 (Laughter.)

12 MR. BRANNAN: This is Mark Brannan with
13 Shell.

14 We purchase based upon quality. I can
15 attest that the pipe that we're speaking of are
16 extremely expensive.

17 VICE CHAIRMAN ARANOFF: I understand all of
18 that, and my light is red so I don't want to go on,
19 but I do remind you all that the Commerce Department
20 has told me that these imports will be dumped if we
21 revoke the orders and they've told me at what margins
22 and they're not the margins that apply to imports now.
23 I'm not allowed to question that under the law, so
24 those are the circumstances under which we need to
25 operate here.

1 MR. CAMERON: Well, it is the discretion of
2 this Commission as to exactly how they're going to
3 evaluate those margins and we would also suggest to
4 you that the margins that we have had recently are the
5 probative margins and those are virtually zero in the
6 case of Korea.

7 MR. BALKENENDE: Excuse me.

8 Could we make later on a comment on this
9 question as well?

10 VICE CHAIRMAN ARANOFF: I'll come back to
11 you if one of my colleagues doesn't.

12 CHAIRMAN PEARSON: I was going to say that
13 was very highly effective use of the red light. You
14 got a lot of mileage out of it.

15 (Laughter.)

16 CHAIRMAN PEARSON: Commissioner Okun?

17 COMMISSIONER OKUN: For continuity, Mr.
18 Vogle or Mr. Balkenende, did you want to just go ahead
19 and respond to the Vice Chairman's question on my
20 time? Go ahead.

21 MR. BALKENENDE: On the question of price.

22 For us, being Maverick in the United States
23 we have a great concern about a negative impact on
24 pricing. So the concern about dumping or pricing
25 going down or irresponsible price behavior has a great

1 concern to us.

2 We do have to say that price is a function
3 of demand. Things happen.

4 But what we also heard today is that the
5 real high end is primarily imported. That's currently
6 happening. That part, we would see no change if there
7 is a negative impact on the pricing.

8 What we feel is that if the order is revoked
9 that we as a company, Tenaris, Maverick, combined with
10 the other mills of Tenaris, that we will have a very
11 responsible behavior. We protect our own interests.
12 We invested more than \$3 billion in Maverick and we'd
13 like to keep that in fact healthy.

14 MR. HEBERT: Marc Hebert.

15 I'd just like to make one additional comment
16 on the issue of price and the product that is of
17 interest to Shell in this particular investigation.
18 The products, remember, are the very high end
19 proprietary grade products, OCTG, that are not made
20 domestically or scarcely available domestically.

21 So the issue for Shell with respect to these
22 particular products is not an issue of price. It's an
23 issue of availability, if you can get it.

24 COMMISSIONER OKUN: On that, I don't know if
25 you've had a chance to respond to this yet. What we

1 heard from the domestic producers who, as I understand
2 it, are supplies of Shell of some products, was that
3 this isn't an issue that's come up. It was a little
4 unclear to me of whether the proprietary grades you're
5 referencing right now are part of what the U.S.
6 producers have ever supplied or are supplying in some
7 part.

8 Can you clarify that here or do you need to
9 do that post-hearing?

10 MR. HEBERT: We can answer it today, and we
11 will further clarify that in the post-hearing brief
12 because it is very technical and we would like to be
13 sure that the Commission has the appropriate details
14 to make a reasonable decision on the issue.

15 COMMISSIONER OKUN: My request would be that
16 to the extent there have been comments with regard to
17 where it is not available or material has not been
18 available from domestic producers, or the cancellation
19 of contracts or the delay, are there any details,
20 again, projects that you can cite to specifically in
21 the timeframe, that would be very helpful as well.

22 MR. HEBERT: Absolutely. We do have that
23 information and it will be provided to the Commission.

24 COMMISSIONER OKUN: Okay. Thank you.

25 MR. BRANNAN: It probably would be easiest

1 to answer in the manner -- Mark Brannan with Shell --
2 in the manner that Mr. Hebert suggested. But at a
3 very high level I would say we do have, Mr. Verellen
4 mentioned with US Steel, we do have quality
5 improvement process meetings with them. We used to
6 have them two times a year. We now have them about
7 one time a year. We just recently decided that.

8 The reason that it was not mentioned, the
9 C100 in particular was not mentioned this year is
10 because we have discussed C100 in the past and we have
11 previously determined that US Steel could not meet the
12 exact specifications that we were interested in.

13 And at the time we were making an order, the
14 most recent order, TCA, who also made a comment
15 earlier today, we did in fact make an order to TCA
16 with high hopes that they would meet our
17 specification. However, after making that order we
18 did determine that it did not meet our specification.
19 We did take waivers to the extent that Ms. Skogsberg
20 mentioned earlier, before, based on hardness and sour
21 service resistance, meaning that that pipe was
22 acceptable for particular projects that we had on the
23 table at that time, however, there's still no mill
24 qualified at this time to provide domestically on a
25 regular basis for our preferred product that we would

1 like to buy.

2 COMMISSIONER OKUN: I'll look forward to
3 seeing those details post-hearing.

4 I may be remembering this wrong, but I
5 thought that the representative from V&M had also
6 discussed their ability to supply. Could you comment
7 on that?

8 MR. BRANNAN: Yes, and perhaps there's some
9 debate upon what an inquiry is to a mill. I think in
10 many contexts a mill may define that as a formal
11 request for quotation. But we did in fact inquire
12 with V&M Roth in Germany, and verbally at least on
13 this product, but we were told that V&M could not meet
14 our delivery time. That's why we did not make an
15 order. So availability was the issue in that case.

16 COMMISSIONER OKUN: I appreciate those
17 further comments and I'll look forward to the details.

18 To the extent that the same request could be
19 made to Exxon if they plan to provide post-hearing,
20 I'd appreciate seeing their same details with respect
21 to their examples they had given.

22 Let me turn to you, Mr. Yamamoto, with
23 regard to the questions about whether there's any
24 competition with China. I heard your response earlier
25 to one of my colleagues.

1 I would ask for post-hearing, Mr. Greenwald,
2 that you address in Table 4-16 the export trends from
3 Japan to China. If you could look at those and help
4 me understand if that squares with the testimony that
5 you talked about about not seeing competition in
6 China.

7 MR. GREENWALD: Yes.

8 COMMISSIONER OKUN: The other question I
9 still have from this morning which relates to this
10 issue of having complementary products in the U.S.
11 market, and that's on this issue of how many customers
12 prefer a single source. I don't know whether to start
13 back there with our Tenaris representatives or not.

14 What I'm trying to understand is for those
15 where you are trying to provide the full package, how
16 does pricing work? Are you pricing it globally? And
17 perhaps when you provide the detailed information that
18 the Vice Chairman asked for you can actually point to
19 specifics there, but maybe start with the first
20 question which is if you're providing a package to a
21 global energy player, are you quoting globally? Are
22 we quoted different prices? This package with
23 Maverick.

24 MR. BALKENENDE: Roland Balkenende.

25 When we have a global arrangement that does

1 not necessarily mean we have one price applicable all
2 over the globe. That's definitely not the case.

3 What we try to do in a global arrangement is
4 to come to certain quality standards, operating
5 practices. All those things are being arranged, to
6 work on the one frame agreement, but there can be all
7 different types of local services.

8 We have mentioned before that in areas like
9 West Africa, Kazakhstan, we provide as a company a lot
10 of services because there is no infrastructure that
11 can take that. In the United States we include the
12 service of distributors, an entirely different
13 program, a different model.

14 I hope that answered the question. It's not
15 one number that applies all over the world.

16 COMMISSIONER OKUN: I guess perhaps to help
17 put that in context when you provide information on
18 what commitments Tenaris has, these long term
19 commitments, help me understand what the pricing is
20 there and how applicable that would be to the extent
21 the order is lifted if you're bringing in your, what
22 you call your complementary product into U.S.
23 purchasers.

24 Mr. Vogel?

25 MR. VOGEL: Just to give you an idea.

1 Really what we tried to do was to develop what we
2 call, we didn't want to be just a pipe producer. We
3 really wanted to be viewed as a pipe management
4 provider, as a service provider to, like an old
5 service provider to the U.S. industry. We thought
6 that it was going to have a lot of good effects in the
7 commercial arena, and also in the stock. The
8 multiples are much higher for the oil service than for
9 the steel producer especially when we were selling
10 this process.

11 But what we learned is that really we could
12 create a system that generates a lot of savings.
13 Because, for example, if we were providing three
14 different oil companies in the same region and if we
15 took control of the management of the inventory we
16 could do it on a much less cost structure. Why?
17 Because with a much lower level of inventory we could
18 supply the needs of the three. Instead of having
19 different warehouses, we could have one warehouse and
20 we could concentrate.

21 Then we started to learn that in this
22 service it was a lower value so we said we are not
23 selling you pipe, we're trying to sell you the service
24 of the pipe. All of these costs that we are taking
25 away from the system, all of these costs we share so

1 our prices start to reflect those because there is
2 much more than just the production of a pipe in a
3 mill. It's really a very sophisticated supply chain
4 structure where we know the requirements of our
5 customers and we try to provide them and we try to
6 align our service to this structure.

7 This is now what we're trying to do with our
8 distributors because the structure, basic structure is
9 there. In terms of IT and in terms of surge. This is
10 why for us we said it's much more important that we
11 sell the full service. Then the oil companies start
12 to have less importance of the price because even
13 though they are paying a lower price in terms of all
14 the savings it's getting and sharing a very important
15 structure.

16 So to do a service, complete service, you
17 have to do the full range of products. So this is
18 something we are aiming here in terms of the U.S., and
19 our competitors now are doing very much the same.

20 When US Steel, for example, is talking about
21 the full range of products, US Steel is a very good
22 company, it's a very well managed company, and it's
23 moving in that direction also. This is why we said
24 it's one way to compete against the Chinese.

25 COMMISSIONER OKUN: Thank you, Mr. Vogel,

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1 and thank you for all those comments.

2 CHAIRMAN PEARSON: Commissioner Lane?

3 COMMISSIONER LANE: Mr. Cameron, I'd like to
4 start with you.

5 I'd like a clarification on Korea's position
6 on cumulation. While you state that a negative
7 determination is warranted for the order on Korea if
8 that country's imports are not considered on a
9 cumulated basis it is not clear whether you are
10 arguing that Korean imports should not be cumulated.

11 On page seven of your brief you contend that
12 revocation of the order on Korea "will have no
13 material impact on the condition of the U.S. industry
14 in the reasonably foreseeable future."

15 Are you arguing only that revocation would
16 have no material impact? Or that it would have no
17 discernable adverse impact?

18 MR. CAMERON: Commissioner, we're arguing
19 it's not going to cause material injury. We're not
20 arguing no discernable impact.

21 COMMISSIONER LANE: Thank you.

22 Now I have a question on cumulation to
23 Tenaris.

24 Your brief states that subject imports from
25 Argentina, Italy and Mexico should not be cumulated

1 with subject imports from Japan or Korea. You do not
2 expressly argue, however, that subject imports from
3 Argentina, Italy, and Mexico should not be cumulated
4 with each other.

5 Could you clarify that you do not contest
6 cumulation of subject imports from Argentina, Italy
7 and Mexico?

8 MR. SPAK: Commissioner Lane, Greg Spak from
9 White & Case.

10 We have presented it both ways to the
11 Commission because in our cumulation discussion we've
12 talked about how these three Tenaris countries are
13 different from the other two subject countries so that
14 you can exercise your discretion not to cumulate the
15 group of three countries with the other two.

16 We also provide there, there are some
17 certain factors regarding the conditions of
18 competition that are present in each of the three
19 companies, and you could exercise your discretion on
20 the basis of those factors also not to cumulate any of
21 the countries individually.

22 So we have presented both arguments to you.

23 COMMISSIONER LANE: Thank you.

24 This is for the industries in general.

25 To what degree have changes in raw material

1 costs influenced prices of OCTG sold in your home
2 market, the U.S. market, and other markets since 2001?

3 MR. CAMERON: Commissioner, while we're
4 sorting this out I think that the record that you have
5 suggests that pricing is largely based on demand and
6 not raw material costs. Clearly, demand has been such
7 that raw material costs have all been able to be
8 captured plus some.

9 But I think that the important, the
10 distinguishing factor, it's really kind of fascinating
11 given all the steel products that you have looked at
12 over the years. When you look at this product as
13 opposed to other steel products, this is not going to
14 be determined largely by the price of scrap where you
15 could say geez, hot rolled coil went up because the
16 price of scrap went up and therefore mini mills had to
17 increase their prices to recoup the cost, and there
18 was also demand of hot rolled.

19 In this product prices are largely demand
20 based. I think the domestic industry has suggested
21 that that is exactly the way that they look at it in
22 some of the questionnaire responses.

23 MR. YAMAMOTO: Commissioner, the raw
24 material costs, we are mainly using INOR in the
25 closing costs, material costs, dramatically increased.

1 But on the other hand, big demand of our OCTG, the
2 price of OCTG is increasing faster than the increase
3 of raw material in our case.

4 COMMISSIONER LANE: Thank you.

5 MR. BALKENENDE: If I may make a comment.

6 Since 2001, I think about 2004, globally the
7 steel prices went up dramatically and the prices for
8 tubular products have risen. All these costs have
9 been passed on to the market at that time.

10 There is another factor that determines the
11 price and it is demand. But for sure the increases in
12 raw material costs have been passed on to the market.

13 COMMISSIONER LANE: Thank you.

14 Mr. Chairman, that's all I have.

15 CHAIRMAN PEARSON: Commissioner Williamson?

16 COMMISSIONER WILLIAMSON: Thank you, Mr.
17 Chairman.

18 All of the subject producers make various
19 products on the same line that they use to make OCTG.
20 I wonder what is your process for determining your
21 allocation of capacity among OCTG and other products?
22 When is this allocation made? What factors are
23 considered?

24 I'm getting really to the question of how do
25 you determine how much OCTG you're going to produce.

1 MR. GREENWALD: Mr. Yamamoto is going to
2 give you the specifics on that, but I want to question
3 one of the predicates which is they're all produced on
4 the same line. In fact they are produced in part on
5 the same line. A tube comes off a rolling mill, but
6 thereafter, and I think this is consistent with the
7 testimony that was given this morning. Thereafter
8 what happens to it depends.

9 OCTG is a rolling mill plus, so you're
10 capacity constrained by your heat treatment capacity
11 and by your threading capacity.

12 MR. YAMAMOTO: Right. And actually, our
13 operation capacity over OCTG is full, producing OCTG
14 out to full capacity. The last is for line pipe and
15 other products.

16 The basic allocation to each category is
17 based on profitability. OCTG full capacity working
18 now.

19 COMMISSIONER WILLIAMSON: You're saying that
20 your production of OCTG is really limited by how much
21 the --

22 MR. GREENWALD: I think what we're saying is
23 you have to try and schedule your production. You
24 have so much of your rolling capacity and that is
25 demand driven. But you're limited in how much of that

1 rolling capacity can be dedicated to OCTG by the
2 subsequent heat treatment and threading steps that are
3 less capacity than your rolling capacity.

4 In other words you have an allocation issue
5 with regard to rolling. You try and fill up the full
6 mill. Contracts enter into it, the nature of demand,
7 the relationships, who's asking what. But with regard
8 to OCTG in particular you cannot produce more than
9 your threading capacity or your heat treatment
10 capacity will allow.

11 MR. LEE: Our case is the same as the
12 Japanese case. We are all dependent on the
13 availability of the raw material. Even though we have
14 good demand, if we cannot get the hot coil then we
15 cannot produce. So it's strictly based on the
16 location of the hot coil.

17 Second thing is last year, even though we'd
18 like to bring more than what we can, but the
19 restriction was the further processing. We have a
20 very strict number of joint to process in the states.
21 That's why we couldn't bring any more. If we bring
22 more content then it going to be staying as plain end.
23 Cannot sell the product.

24 COMMISSIONER WILLIAMSON: Could you repeat
25 that last part? I didn't understand about the

1 restriction in the U.S..

2 MR. LEE: Last year was very unique as I
3 testified in my experience. Since 1988, for the first
4 time in the United States, in Houston, the processor
5 who offsetting and heat treating and threading, they
6 have allocated to each importer based on their
7 history. So we are limited to quantity to bringing in
8 to that specific processor. We cannot bring in more
9 than can process.

10 COMMISSIONER WILLIAMSON: Thank you.

11 Another question for you, Mr. Lee.

12 On page eight and nine of your pre-hearing
13 brief you state that while there's no demand for OCTG
14 in the Korean home market there is a large demand in
15 Korea for other pipe products such as standard and
16 line pipe and thus Korean producers have little
17 incentive to devote additional production capacity to
18 OCTG.

19 Could you provide information on this large
20 demand for other pipe products? If that's the case,
21 if OCTG is more profitable or is a higher price, would
22 you still have an incentive to focus on that?

23 MR. LEE: Yeah, it is repeat, to say to you
24 that we have restrictions to secure the raw material.
25 Even though we have good profit in OCTG, but we have

1 to have raw material to produce that OCTG product. We
2 have to buy hot coil from unaffiliated supplier.

3 MR. CAMERON: The other thing that I thing
4 that you're referring to is that yes, they have
5 actually a very strong and vibrant domestic market for
6 standard and line pipe in Korea. Standard pipe, line
7 pipe not so much. They have some.

8 But they have, it's a longstanding industry.
9 The demand is strong and they have to supply that
10 industry because if they don't supply it somebody else
11 will.

12 They need to keep their business. So yes,
13 OCTG is profitable. Yes, they're actually producing
14 and selling good amounts of OCTG here. But raw
15 material, access, especially with respect to the OCTG
16 quality as opposed to, for instance, standard pipe
17 where they can get hot rolled coil of standard pipe
18 quality and meet that, and they can get that not only
19 from Pasco but from other imported sources.

20 For the OCTG quality it has been more
21 limited and partly because both the Japanese suppliers
22 and Pasco have been unwilling to give them unlimited
23 supply, so there is a limitation with respect to that.

24 But we will be glad to give you the
25 information with respect to demand in the Korean

1 market for other pipe products. That's not a problem.

2 COMMISSIONER WILLIAMSON: Thank you for that
3 clarification. That was helpful.

4 MR. VOGEL: In terms of capacity I would
5 divide it into a couple of things.

6 One, in this like product, for example, it's
7 very important to understand that a seamless producer
8 can easily switch and substitute a welded producer or
9 let's say a high value added producer can substitute a
10 low value producer, and in full substitution there.
11 But it is not the same the other way around. So that
12 when a producer cannot go ahead and substitute the
13 high value applications of the seamless.

14 So when you're looking at a capacity in a
15 market it is very important to understand where that
16 excess capacity might exist or may not exist. You
17 might show that overall there is a big capacity, but
18 for example in seamless the plants are operating at
19 full. That means there are going to be shortages in
20 that market because the welded cannot enter and cannot
21 provide that type of situation.

22 Then when you do, in our terms, in terms of
23 how much you can switch, for us we operate in ten
24 domestic markets. Some very large, like Europe. And
25 we are committed to those markets. So in those

1 markets we have to cover all of the requirements, the
2 line pipe, the pressure pipe, industrial pipe,
3 mechanical, automobile, because we have the
4 responsibility to be a provider because generally
5 speaking, for example in Mexico we are the only
6 seamless pipe producer. In Argentina we are the only
7 seamless pipe producer. So we cannot just go ahead
8 and go in a market and tell a customer I'm not going
9 to produce for you any more because I'm going to go
10 and I'm going to take it to the States. It's a long
11 term commitment to a market that we follow.

12 Then you have the limitation in terms of the
13 equipment. How much high grade you can go is in terms
14 of equipment.

15 The basic equipment is the same. So you can
16 produce the mother pipe. But for example, if you want
17 to go to certain metallurgical applications you have
18 to have differences in the melt shop. You might have,
19 for example, the gassing. If you don't have the
20 gassing you cannot produce there. Then you need heat
21 treatment to go to well culture alloy pipe. Then you
22 have finishing.

23 If you don't have that, you cannot produce
24 an OCTG or you have to do some of those applications
25 some other place which makes it very uncompetitive or

1 you can make it very costly.

2 When you see our situation, for example, we
3 are running basically at capacity in terms of the
4 OCTG. Mexico, we are producing over 80 percent OCTG
5 and overall in the overall system in terms of the
6 amount of OCTG that we can produce, with the exception
7 of Canada that I mentioned before, we are working
8 today at capacity.

9 COMMISSIONER WILLIAMSON: Thank you.

10 My time is running out but I would like to
11 either post-hearing or if we get another round,
12 address your planned investment, anticipated
13 investment in Hydril and how that might affect your
14 supplying the U.S. market with seamless tube.

15 CHAIRMAN PEARSON: Commissioner Pinkert?

16 COMMISSIONER PINKERT: Thank you, Mr.
17 Chairman.

18 I want to take up Mr. Cameron and perhaps
19 the other lawyers on the panel on the offer to discuss
20 the history of the statute.

21 In particular, the issue that was raised
22 earlier about whether material adverse change is
23 equivalent to material injury for purposes of this
24 particular type of proceeding.

25 MR. CAMERON: I'll start, but I have so many

1 people here that actually want to jump in on this that
2 I actually only want to take one moment.

3 If this is the legal argument that must be
4 maintained in order for the United States industry to
5 maintain these orders then they can kiss it goodbye.

6 It's useful to read case law on this
7 subject. This issue is not material change. The
8 issue is whether or not the revocation is likely to
9 lead to a continuation or recurrence of material
10 injury. That is the question.

11 So it's not a matter of saying that if they
12 are extraordinarily profitable that somehow we are
13 denying them access to the trade laws. Nobody said
14 anything like that.

15 What we are saying is that there's no
16 guaranteed entitlement to the trade laws, number one.

17 Number two, you don't necessarily qualify if
18 you're making a billion dollars and you might lose
19 five cents next year. Exactly what are we talking
20 about?

21 The question is if you revoke the orders is
22 it the position of this Commission that the industry
23 will be in a condition of material injury in the
24 foreseeable future. That's really what you're looking
25 at.

1 The indicators, not the statutory criteria,
2 the indicators are shipments, capacity, prices, et
3 cetera, et cetera. Those are what you look at. Why?
4 Because you're looking at the past in order to try to
5 see over a reasonably foreseeable time, well, what do
6 we think is likely? And that's why it is relevant.
7 The level of imports the domestic industry has been
8 bringing in, and the performance of imports over the
9 POI combined with the performance of the domestic
10 industry over the POI.

11 That's my short answer. Mr. Greenwald
12 really needs to talk so I'd like to turn it over to
13 him.

14 MR. GREENWALD: I hope Mr. Lighthizer is
15 still in the room because in order to set the record
16 straight, I believe he was minority counsel on
17 finance. Mr. Cassidy was the majority counsel during
18 that same period. I was the draftsman at the time for
19 USTR when this wonderful definition of the term
20 "material" came to be.

21 It was selected, the short of it is, it was
22 selected precisely because nobody knew exactly what it
23 meant and it would be left for you good people to
24 implement it wisely.

25 There was no material injury standard prior

1 to '79. The word "material" was introduced into the
2 statute. Senator Hines said I can't accept this. The
3 administration, who had been talking to the Commission
4 of European Communities said if you don't accept this
5 there is going to be no Tokyo Round, so you've got to
6 accept it.

7 Then the question became, how do you bridge
8 this gap?

9 The answer was to come up with this
10 wonderful formulation, a harm that is not
11 inconsequential, immaterial, or unimportant, that was
12 selected in I think maybe a meeting between Cassidy
13 and myself, precisely because it was meaningless.

14 What then happened was Bob Strauss, who was
15 the USTR, walked into the finance committee and says I
16 have the solution. It's right here. Senator Hines
17 said what is it? Strauss read it off. Hines said I
18 can't agree to that. Strauss said why can't you?
19 Senator Hines said because you're for it. If you're
20 for it I've got to be against it.

21 At that point the session was adjourned and
22 there was a flurry of activity. We assured I think
23 both the draftsmen on the Senate majority side, I want
24 to emphasize the word majority there, and the
25 draftsman for the administration assured all parties

1 that as far as we could tell it was absolutely
2 meaningless and it would be left to the good offices
3 of the Commission to determine what it means.

4 Now that is in fact what happened. Over
5 time you all have correctly interpreted that standard
6 not as being a high barrier to import relief, but
7 meaning something that has to rise to the level of
8 material.

9 The proposition that Mr. Lighthizer advanced
10 today I think seriously, although there's still a
11 question in the back of my mind as to whether he was
12 serious when he said it, is that any adverse change
13 from the status quo qualifies as material injury.
14 That is absolute nonsense. If that is the legal
15 proposition on which Petitioners' case rests then I
16 think you have no opportunity to do anything but throw
17 it out.

18 MR. CAMERON: It does get down to the
19 assessment of whether or not you are saying what is
20 going to be the condition of the industry in two
21 years? What happens if these orders are taken off?
22 What is the level of imports now? What is it that
23 would make you believe that if we lifted the orders
24 today, instead of making a 27 percent profit, that
25 somehow the industry fortunes would change materially.

1 If you're saying that instead of making \$1.1
2 billion which is what they made in 2006, that they
3 only made \$1 billion which is what they made in 2005,
4 is that a condition of material injury?

5 Now what we heard this morning was not one
6 discussion of profitability as if profitability is not
7 relevant to your inquiry.

8 Let me ask you a question. When was the
9 last sunset case or steel case that you all have
10 participated in in which the U.S. industry did not
11 spend at least 50 percent of their time talking about
12 the industry profitability?

13 Well, it's quite remarkable that in this
14 case you would think that it's really not a relevant
15 criteria. Why is that? It's because this industry is
16 not vulnerable. The fact that they even let that out
17 of their mouths is extraordinarily. And secondly,
18 they're highly profitable, highly competitive, and
19 actually this relief is a nice bauble for them. Okay,
20 it's nice. I want to keep it. Why do you want to
21 keep it? It might keep people out of the market.

22 It's not keeping the Koreans out of the
23 market, but maybe it's keeping some people out of the
24 market. Let me ask you a question. What's the public
25 interest in that?

1 That really is why there is a material
2 injury standard, because it is not simply about
3 increased imports. It is about the impact of those
4 imports on the domestic industry.

5 I submit to you that given the performance
6 of this industry -- this isn't a criticism of the
7 industry. This industry is terrific. I think it's to
8 be admired.

9 There's nobody at this panel who is
10 criticizing this industry in any way. What we're
11 saying is yeah, it's great. It's great for this
12 country. There's no problem with that. But it also
13 means they are not materially injured now and they're
14 not going to be in the foreseeable future if you lift
15 these orders because frankly we know what happened
16 when imports came in over the last five years, and the
17 answer was this industry became more profitable.

18 That really is the theory that we have and
19 we believe that it's substantiated by the record
20 evidence.

21 COMMISSIONER PINKERT: Let me see If I
22 understand your answer there.

23 (Laughter.)

24 COMMISSIONER PINKERT: Are you saying that
25 the current level of profitable is dispositive of the

1 issue of likely material injury?

2 MR. CAMERON: Thank you for your question,
3 and I apologize if that was the implication. No. We
4 are not saying that current profitability means ipso
5 facto that we win and they lose.

6 What it means is number one, why did they
7 have this level of profitability? They have this
8 level of profitability in part because of the
9 structural changes that occurred in this industry
10 which was recognized by none other than the chairman
11 of US Steel.

12 We have at the same time the investments
13 going forward, not static, not looking just at today.
14 We're talking about \$9 billion of investments going
15 forward which means that this industry has already
16 made the analysis that you are making. When they made
17 that analysis they voted with their wallet and they
18 said yeah, pretty good.

19 So no, it's not the mere fact that they're
20 making these profitability levels. But yes, these
21 profitability levels are useful indicators as to the
22 health of this industry and the ability of this
23 industry to weather the great storm that will come
24 when the orders are lifted so there is more
25 competition in the market. That's why the level of

1 profitability and performance is, that is something
2 you have to analyze.

3 But no, it is not ipso facto determinative
4 and we didn't mean to suggest otherwise.

5 COMMISSIONER PINKERT: Thank you.

6 MR. CAMERON: But it's highly relevant.

7 COMMISSIONER PINKERT: I'm sorry?

8 MR. CAMERON: I said those levels of
9 profitability are highly relevant.

10 COMMISSIONER PINKERT: Thank you.

11 CHAIRMAN PEARSON: Madame Secretary, I'm
12 aware that Commissioner Okun has a deep and abiding
13 interest in understanding everything she can about
14 oil country tubular goods. I also am aware that of
15 necessity she soon must leave, so I yield my time to
16 Commissioner Okun.

17 COMMISSIONER OKUN: Thank you very much, Mr.
18 Chairman, and really for only one brief question
19 although I was thinking and listening to the
20 responses, that it's always nice when we have new
21 Commissioners up here because I get to hear learned
22 counsel from both sides talk about the law, and I
23 always find something interesting in there as I just
24 did in that exchange.

25 Going from the sublime to one post-hearing

1 request I think for you, Mr. Cameron, which is there
2 have been comments on the record with regard to
3 NexSteel in Korea. If there's any information you can
4 provide on the post-hearing.

5 MR. CAMERON: We're trying to find it now.
6 We will give everything that we can find and give it
7 to you.

8 COMMISSIONER OKUN: With that, Mr. Chairman,
9 that was my final question.

10 I regret that I won't be here for your
11 closing, but I will read the transcript.

12 MR. CAMERON: It's not the same.

13 (Laughter.)

14 COMMISSIONER OKUN: I know, in person. But
15 I'm sure I'll hear you on many others. Thank all of
16 you for your answers.

17 CHAIRMAN PEARSON: I will reclaim the
18 balance of my time.

19 Mr. Altschuler, you've sat there very
20 patiently without having an opportunity to say much.
21 I'm really quite curious. You are a distributor, yes?

22 MR. ALTSCHULER: Yes, sir.

23 CHAIRMAN PEARSON: With the domestic
24 industry panel we had a discussion about inventories
25 held by distributors. It would be my understanding

1 from that discussion that they currently are somewhat
2 large and burdensome. Could you address that issue
3 please?

4 MR. ALTSCHULER: I can't speak for anybody
5 but ourselves, but in our particular market we try to
6 balance the amount of inventory with the demand. I
7 think we do a pretty good job of that.

8 I struggle with answering for other people.
9 We're busy. We're turning our inventory. And that's
10 about all I can add to that.

11 CHAIRMAN PEARSON: Are there any industry
12 publications that would give us relatively current
13 data regarding inventory sold by distributors?

14 MR. ALTSCHULER: I think so, but I'm going
15 to defer that to Roland here because I'm in a very
16 select market in the Rocky Mountains, and I've been
17 there a long time. We try our best to just keep those
18 inventories in check. Anybody that's been in this
19 industry for a long time, you're going to have these
20 cycles. To date, and I can only speak of right now,
21 we're busy and we continue to be busy. So I really
22 can't speak for what's happening in Houston. I could
23 defer this to Roland because I just can't answer that.

24 MR. BALKENENDE: There are some industry
25 publications that do present some information. We can

1 share that with you.

2 CHAIRMAN PEARSON: Mr. Altschuler, have you
3 had in the past some experience with having built an
4 excessive inventory --

5 MR. ALTSCHULER: Anybody that's been in this
6 business has had that. Believe me. I've sat on
7 inventory for a couple of years to wait for things to
8 come back and so has anybody else that's been around
9 for a long time.

10 That's really precisely what I'm trying not
11 to do as we get, and maybe getting older's helping me,
12 I don't know. We're doing a little better job of
13 that.

14 CHAIRMAN PEARSON: Am I correct to infer
15 from what you're saying that your understanding of the
16 market that you serve, your regional market, is such
17 that you are not now uncomfortable with the level of
18 inventories that you are carrying?

19 MR. ALTSCHULER: A lot of it is the kind of
20 customer base that we have. We're doing things that
21 are very much get value added to it so it's not just a
22 matter of inventory, it's the other things that have
23 to go along with it. We are pretty precise with our
24 customers in terms of forecast which in turn turns
25 back to our main suppliers.

1 I don't know if that answers the question
2 exactly, but that's how I would answer it.

3 CHAIRMAN PEARSON: It doesn't answer it
4 exactly, but you might not want to say this here in
5 public, I'd be curious to know whether your
6 inventories currently are higher or lower than one
7 year ago, two years ago, because I don't have any
8 perspective on this in terms of how inventories might
9 be adjusting among the distributors in general, or you
10 in specific.

11 MR. ALTSCHULER: Well, we recently as a
12 company, and we have been in the last two or three
13 months had to make some inventory adjustments. It had
14 more to do with just changes in the drilling activity.
15 But we're actually busier today than we were a year
16 ago. So if I'm doing a good job my inventory is less
17 and I'm busier turning inventory, if that makes sense.

18 CHAIRMAN PEARSON: That indeed does make
19 sense because I have some knowledge of inventory
20 myself and having the right amount is wonderful. Too
21 little or too much causes problems either direction.

22 Let me shift to Mr. Brannan.

23 Do you have any thoughts on whether the
24 pricing power of oil country tubular goods producers
25 has changed over the past decade? You're a buyer. I

1 would be interested in your perspective on whether the
2 marketplace has changed such that life is harder now
3 for buyers because it's easier for sellers.

4 MR. BRANNAN: I think that domestic
5 suppliers have more pricing power than they have had
6 in the past as evidenced by some of the testimony that
7 there are fewer suppliers. Particularly for Shell, we
8 use seamless product and there are very few seamless
9 mills in the country.

10 CHAIRMAN PEARSON: When you make those
11 comments I just should clarify, you're talking mostly
12 about the API grades that would be made by many
13 producers and generally available in the marketplace.
14 You're not talking now about the specialty grades that
15 would be proprietary.

16 MR. BRANNAN: I'm talking in a very general
17 sense, yes. API grade.

18 CHAIRMAN PEARSON: Do you do some purchasing
19 of oil country tubular goods from markets outside the
20 United States or is your focus specifically on the
21 U.S. market?

22 MR. BRANNAN: I'm specifically responsible
23 for the U.S.. I also have some involvement with South
24 America. But I'm primarily and directly responsible
25 for the U.S. and I have, again, some involvement with

1 activities in South America and I guess also Canada.

2 CHAIRMAN PEARSON: Do you have a sense of
3 whether in markets outside the United States there
4 also has been some shift in the balance of influence
5 between sellers and buyers?

6 MR. BRANNAN: I think that would be an
7 accurate statement as you see in the number of
8 acquisitions particularly in the last few years. I
9 think suppliers have more priding power than they
10 perhaps have had in the past.

11 CHAIRMAN PEARSON: Based on the testimony
12 that we've had here I can envision at least a couple
13 of reasons why we might be seeing that shift. One is
14 consolidation among the sellers, which you've
15 mentioned. The other would just be strength in demand
16 that always tends to give a little more leverage to
17 whoever has got supply.

18 Can you differentiate between those two
19 factors in terms of which one might be having the most
20 influence on the market currently?

21 MR. BRANNAN: Clarify for me the two factors
22 again.

23 CHAIRMAN PEARSON: One factor would be
24 industry consolidation, such as there are fewer
25 sellers of OCTG. And the other being just a very

1 robust demand situation in which lots of people would
2 like to buy OCTG.

3 MR. BRANNAN: In the last few years it was
4 certainly a combination of the two. Particularly in
5 2004-2005. Growing demand and limited availability,
6 supply constraints especially around some of the heat
7 treat capacity and threading capacity that's been
8 mentioned previously. I think both are factors.
9 Demand continues to be high and suppliers continue to
10 consolidate so I think both are certainly factors. I
11 don't know that I would weigh one over the other
12 without doing a robust analysis of that.

13 CHAIRMAN PEARSON: If you want to do any
14 type of analysis for the post-hearing brief, that
15 would be fine.

16 (Laughter.)

17 MR. BRANNAN: I appreciate the opportunity.

18 CHAIRMAN PEARSON: I frankly don't know how
19 to break this down either. But just in terms of
20 trying to understand what's happening in the market I
21 find it interesting to try to weigh those.

22 Do any other members of this panel have
23 comments they'd care to offer regarding shift in
24 pricing influence over the period of review?

25 MR. GREENWALD: The only comment I would

1 make is I was looking through some analyses about the
2 current inventory correction. You heard this
3 morning's testimony about an inventory correction
4 about volumes going down. The analyst that I read
5 suggested that price has not fallen. That would
6 suggest that in fact what we have been saying about
7 pricing power or certainly the influence of this
8 consolidation and pricing can be traced through the
9 stability prices, notwithstanding this inventory
10 correction.

11 I think it was a Preston Report, but it may
12 not be, that I read that expressed some surprise that
13 the pricing was as firm as it was despite the
14 inventory correction.

15 CHAIRMAN PEARSON: Okay. If for purposes of
16 the post-hearing anyone would care to put more on the
17 record about this issue, by all means feel free to do
18 that.

19 Madame Vice Chairman?

20 VICE CHAIRMAN ARANOFF: Thank you, Mr.
21 Chairman. Hopefully only a few more questions, but
22 the evening is young. And as you all know, our record
23 for adjournment is 10:58 p.m.

24 (Laughter.)

25 I need to address this question to counsel

1 since nobody else has access to the confidential
2 record. But if you look at Appendix D to the staff
3 report, the comments from importers and purchasers
4 about the likely effects of revocation of these
5 orders, I don't want to get into confidential
6 information but there's a substantial number that do
7 seem to think that adverse price effects are likely.
8 If there's anything you can say today, but
9 particularly in your post-hearing, if you'd like to
10 respond to those comments and tell us how we should
11 weigh them, I want to give you that opportunity.

12 MR. GREENWALD: I was sort of interested in
13 the same questionnaire response data that you are
14 looking at. Two points come to mind.

15 First is they are overwhelmingly
16 distributors. You have very very few end users and
17 there is a difference in tone and a difference,
18 frankly, in substance between the questionnaire
19 responses by end users, that is those that see where
20 demand is going, and the distributors.

21 You have to bear in mind that in a case in
22 which you're asking distributors, do you want more
23 imports when distributors are the ones that hold,
24 what's going to happen when you get more imports.
25 Where distributors are the ones that hold inventory,

1 they have a very vested interest to protect. So in
2 that sense it's a different class of purchasers that
3 you have in this case and all others.

4 So again, I think the first point is there
5 is a difference between the distributor responses and
6 the non-distributor responses.

7 Second, one of the more interesting things
8 which we will address more in the post-conference
9 brief is during the hearing you heard that Sumitomo
10 has an interest in or controls, I forget the exact
11 language, three or four distributors. That is true.

12 Their responses are not unusual, and you
13 might expect them to think well gee, aren't they
14 related to Japanese companies? What's going on here?

15 Again, I think what you see there is a
16 distributor network that is very concerned about
17 protecting the value of its inventory.

18 VICE CHAIRMAN ARANOFF: If there's anything
19 anyone wants to add in the post-hearing, that would be
20 helpful.

21 I want to follow up on the question that
22 Commissioner Lane was asking to Tenaris regarding
23 cumulation. She had asked whether you were arguing
24 both ways and you said you were.

25 I just wanted to point out that in the first

1 review of these orders the Commission found that
2 Tenaris operates as a single entity, that it quotes
3 sales to customers globally without regard to the
4 specific country of origin of the product that's going
5 to be supplied, and it made a few other comments along
6 those lines.

7 As a factual matter was the Commission right
8 then, or more importantly, would it be right to draw
9 those conclusions now?

10 MR. SPAK: Greg Spak.

11 It's certainly correct that Tenaris operates
12 as a single entity so we're not going to sit here and
13 tell you that's not true. That's the business model
14 that you know, that you've heard before from Tenaris,
15 and that's true.

16 There is one very big difference. That very
17 big difference is now they are a U.S. producer and
18 they have a stake in the market, so we would submit
19 that's a very big difference in the condition of
20 competition.

21 MR. CAMERON: Commissioner, one other thing
22 I think is at least useful with respect to the
23 questions that you're raising with respect to
24 cumulation, I think all of, each of the parties here
25 has argued for non-cumulation, to de-cumulate.

1 But at the same time, as you can see from
2 the joint Respondents' brief, we are very clear on the
3 position with respect to what happens if the
4 Commission says we're going to cumulate? We actually
5 don't believe that the analysis should be any
6 different, whether you cumulate or whether you don't
7 cumulate. The answer should be the same. The
8 revocation of these orders is not going to create a
9 condition of material injury for this industry in the
10 foreseeable future.

11 So I just wanted to get that on the table.
12 Our case here before you today does not hinge on the
13 issue of cumulation. We address it because, of
14 course, everybody has their own circumstances, but I
15 think it's important to at least clarify.

16 VICE CHAIRMAN ARANOFF: I appreciate that
17 response.

18 One last question and I raised this a little
19 bit with the panel this morning.

20 In a number of the Respondents' briefs and
21 in the joint Respondents' brief, you make various
22 arguments regarding the relative price of OCTG in the
23 U.S. market and in other markets and you are generally
24 comparing average unit values for exports from the
25 various subject countries compared to the AUV for

1 domestic producer shipments.

2 Aside from the problems that we usually have
3 with UAVs being iffy where there's product mix issues,
4 the additional issue here that I see is that you're
5 comparing, with the exception of the Koreans, product
6 that is mostly or entirely seamless with a U.S. market
7 which is much more balanced.

8 What do we do with that information? Is
9 there a way you can get us something that at least
10 compares seamless to seamless?

11 MR. GREENWALD: I think the answer to that
12 is yes.

13 MR. CAMERON: We would also agree with the
14 tenor of your observation, that the AUV data is of
15 questionable validity or at least is weaker and I
16 think that that is what the Commission has found in
17 the past sunset review of these orders and in previous
18 investigations. Frankly, we think that that's a valid
19 observation.

20 Just take the Korean example. If you're
21 talking about an AUV of imported, plain end welded
22 pipe, that has no relationship to what the end product
23 price is going to be for that product, so comparing
24 AUVs, even domestic welded to that is not correct
25 because it's not a finished product. The same thing

1 in the case of other products.

2 AUVs is something, but I think it is of
3 limited relevance.

4 VICE CHAIRMAN ARANOFF: I appreciate those
5 answers.

6 Mr. Spak, did you want to comment?

7 MR. SPAK: Yes, Vice Chairman.

8 We would agree with that. We've recognized
9 that in Footnote 36 of our brief also. We think it's
10 a measure. You can decide how much weight to give to
11 it. If you're selling the same product mix you can
12 then to a certain extent look at, it does have some
13 weight, some indicative value as you compare price
14 levels across markets. But we would agree with the
15 comment.

16 We will also be providing, we're trying to
17 gather some more specific data for you for the post-
18 hearing brief. I'm going to hopefully preempt your
19 question on drill pipe to say the one that you asked
20 this morning, we will take a look at that. If we did
21 something wrong with that comparison we'll look and
22 see if we can find a better comparison in the staff
23 report. But frankly, when we looked at the drill
24 price numbers, it's hard to find a bad comparison in
25 there. Everything looks so good. But if we've done

1 something wrong we'll take a look at that in the post-
2 hearing brief and try to find a more accurate
3 comparison.

4 VICE CHAIRMAN ARANOFF: You're ahead of the
5 curve, obviously, because you don't have a welded
6 issue when you're doing drill pipe, but there are
7 still grades and sizes and what have you that can
8 affect --

9 MR. SPAK: We agree with that so we'll do
10 what we can in post-hearing on that.

11 MR. GREENWALD: Commissioner Aranoff, in the
12 interim, while you're looking for something that at
13 least gives you seamless to seamless, welded to
14 welded, if you look at Table 3-23, I think, in the
15 staff report what you see is company specific unit
16 values. You can correlate those with the type of
17 goods that the company produced.

18 I think what you will find generally is what
19 we said in our confidential brief holds true. It's
20 not by any means a perfect correlation, but when you
21 begin to look at some of the company specific data
22 that have been placed on the record, again knowing who
23 produces seamless and who doesn't, I would stand by
24 what we said more generally in our brief about the
25 direction of relative prices.

1 VICE CHAIRMAN ARANOFF: I want to thank all
2 of this panel for traveling to be with us, and for all
3 of your answers this evening.

4 Mr. Chairman, I have no further questions.

5 CHAIRMAN PEARSON: Commissioner Lane?

6 COMMISSIONER LANE: I have no questions
7 because I figured out that if I didn't have any
8 questions maybe we would get out sooner. Thank you.

9 (Laughter.)

10 CHAIRMAN PEARSON: Impeccable reasoning,
11 Commissioner.

12 Commissioner Williamson?

13 COMMISSIONER WILLIAMSON: With that last
14 statement I have just a very brief question.

15 (Laughter.)

16 I did ask Tenaris earlier about what they
17 can say about the intention to do about their
18 acquisition of Hydril. I was wondering if there's
19 anything you can say now about that.

20 MR. VOGEL: Hydril fits pretty much within
21 our strategy to continue to develop the high value
22 added market globally. Hydril has premium thread
23 which is patented and which we believe that has a lot
24 of use in many of the applications worldwide, and that
25 it will give us a jump in the technology of what we

1 consider to be the premium thread.

2 It's an operation that today is serving
3 different mills in the United States. We would hope
4 those mills are going to continue to benefit us with
5 their use and with their orders. And we plan to use
6 it to continue our strategy to move more and more into
7 those products that are high value added.

8 We believe that it brings into us very good
9 technology, very deep technology, very well known
10 technology, a very strong image into the market, and
11 that it strengthens very much our image worldwide as a
12 full range producer and high value added producer.

13 COMMISSIONER WILLIAMSON: Does that mean
14 that basically you would only be doing seamless
15 products? The Hydril would only be finishing seamless
16 products or --

17 MR. VOGEL: No, no, no, no. But the major
18 application of the Hydril is on seamless in terms of
19 the technical requirements, but there is some
20 application also in the welded and we plan to use it
21 also to support the welded side of the market. Not
22 only ours but generally all of the market.

23 COMMISSIONER WILLIAMSON: Thank you.

24 No further questions.

25 CHAIRMAN PEARSON: Commissioner Pinkert?

1 COMMISSIONER PINKERT: I'd like to thank the
2 panel, and I have no further questions.

3 CHAIRMAN PEARSON: It's going to be a while
4 before you get such a knowledgeable panel together
5 again. Don't rush. You're done?

6 COMMISSIONER PINKERT: I'm finished, thank
7 you.

8 (Laughter.)

9 CHAIRMAN PEARSON: Are there any further
10 questions from the dais?

11 (No audible response.)

12 CHAIRMAN PEARSON: Do members of the staff
13 have any questions for the Respondents' panel?

14 MR. CORCORAN: Douglas Corcoran, Office of
15 Investigations.

16 Thank you, Chairman Pearson. Staff has no
17 questions.

18 CHAIRMAN PEARSON: Just to let you know that
19 I'm not forgetting it like I did this morning, the
20 secretary advises me that those in support of
21 continuation have no time left for questions, so I
22 didn't miss you.

23 MR. SCHAGRIN: That reason among others we
24 have no questions.

25 (Laughter.)

1 CHAIRMAN PEARSON: Let me review the time
2 remaining.

3 Those in support of continuation have five
4 minutes for closing, and in opposition to continuation
5 three minutes left from the direct presentation, plus
6 five minutes for closing.

7 Mr. Cameron, is it your preference to
8 combine your time and to use it all in closing or do
9 you have some other plan for the three minutes?

10 MR. CAMERON: You mean I could get eight
11 minutes for the closing? Yeah, sure. That would be
12 great.

13 (Laughter.)

14 MR. CAMERON: I think I'll only be taking
15 five.

16 MR. SCHAGRIN: Extra time here?

17 MR. CAMERON: Roger, you know how I go on.

18 MR. SCHAGRIN: To make up for the
19 Respondents being the domestic panel I think we should
20 get some rebuttal time. We had a lot of arguments
21 against the order here this --

22 MR. CAMERON: You've got five minutes.

23 CHAIRMAN PEARSON: Let me express my sincere
24 appreciation to members of this panel. It has been a
25 very interesting and oftentimes enjoyable day. I

1 really appreciate your efforts.

2 With that, this panel is dismissed and we
3 will go to closing.

4 (Pause.)

5 Yes, Madam Secretary.

6 Will the room please come to order.

7 CHAIRMAN PEARSON: Welcome back, Mr. Vaughn.
8 Please proceed.

9 MR. VAUGHN: Mr. Chairman and members of the
10 commission. First, I want to assure the commission
11 that Mr. Lighthizer is very serious about the legal
12 argument that we made this morning. The legislative
13 history of the trade agreement of 1979 is very clear
14 that the material injury standard, the language posed
15 in that statute was not intended to change the
16 Commission's practice prior to 1979. The record is
17 also clear that that standard, definition of injury,
18 used prior to 1979, is a very low standard. Indeed,
19 the statute plainly states that material injury is
20 harm which is not inconsequential, immaterial or
21 unimportant. For the other side to prevail you would
22 have to conclude that revocation of these orders would
23 have no consequences to the domestic producers. This
24 is clear both from the plain language of the statute
25 and from the legislative history.

1 The argument has been made today that the
2 language is in fact meaningless. If the Commission
3 believes that Congress approved this language that has
4 no meaning, we would urge you to write that clearly in
5 your determination in order to give us a fair
6 opportunity to challenge such a ruling in the courts.

7 Similarly, if you believe that a material
8 adverse change is not sufficient to justify
9 maintaining the orders in place, then once again we
10 would ask that the Commission clearly state that in
11 its determination so that again that issue can be
12 resolved. But we believe the legislative language and
13 the legislative history on those points are very
14 clear.

15 Second of all, I want to address a few
16 issues relating to credibility. One of your most
17 important jobs is to determine witness credibility.

18 Going back to the discussion of what
19 happened with Canada, the ITC's publication makes very
20 clear that the witnesses testifying with respect to
21 the Algoma plan in 2000 represented Siderca. Indeed
22 the ITC publication specifically notes, "Siderca's
23 sworn testimony that exports to the United States are
24 not part of its business plan for the Algoma
25 facility." That is clear from the ITC's publication.

1 Today, of course, the same company stated
2 that it would supply almost all of its seamless
3 customers in the United States from Algoma.

4 In weighing Tenaris' credibility we urge you
5 to remember this history.

6 Second of all, the Commission has had two
7 recent cases of seamless pipe, both in 2005, and a
8 case that is pending right now with respect to small
9 diameter seamless pipe. In each of those cases
10 Tenaris has argued that it was significant that
11 Tenaris was not shipping small diameter seamless pipe
12 from its mill in Mexico.

13 Today, Tenaris' witness testified that in
14 fact it is not practical to make small diameter pipe
15 at its mill in Mexico. Directly contradicting things
16 they have said to this Commission over the last year.

17 Once again, we urge you to take that into
18 account in weighing their testimony.

19 Further, on this issue of credibility. You
20 have an extraordinary opportunity in this case that
21 Tenaris executives, several of whom testified before
22 you today, gave extensive statements about the U.S.
23 market and their plans for the U.S. market in this
24 March 8th presentation to the investors to which we
25 have referred. They discussed many of the issues that

1 you have talked about today. They talked about how
2 the orders have been effective. They talked about how
3 large and attractive the U.S. market is. They said
4 that Tenaris has capacity now to increase sales. They
5 said that Tenaris would cover the full range of this
6 market.

7 I urge you to look at this presentation very
8 carefully, as well as what Tenaris/Maverick said in
9 its brief. Similarly they made extensive concessions
10 on the key issues before you.

11 In conclusion, they are arguing against a
12 straw man. We are not saying that they are just going
13 to come in here willy nilly and flood this market.
14 That's never been our argument. Our argument is
15 totally consistent with what they are telling their
16 investors which is that if these orders are revoked
17 Tenaris and the other subject producers can target key
18 high end customers in the U.S. market, and if that
19 happens the domestic industry will lose sales. If
20 those lost sales and the lost revenue accompanied with
21 those sales will constitute a material, adverse change
22 that requires keeping these orders in place.

23 They are free to compete aggressively in
24 this market but they are not free to take advantage of
25 unfair trade to do so.

1 Thank you very much.

2 CHAIRMAN PEARSON: Thank you, Mr. Vaughn.

3 MR. CAMERON: Mr. Spak is going to take one
4 minute before we start the closing.

5 MR. SPAK: Thank you.

6 I'd just like to respond on the Tenaris
7 credibility issue again.

8 We were here two months ago, we had to do
9 the same thing, and we will definitely address it
10 again in the post-hearing brief because the claims
11 keep coming along the same lines.

12 We believe. I went back and read those
13 statements that everybody keeps talking about, Mr.
14 Vaughn keeps talking about, about how Tenaris said
15 that it would never export to the U.S. from Algoma.
16 That is simply not true. It's simply not true. I
17 invite the Commission to please go back and look at
18 the statements. We even said at the time that
19 businessmen would never say such a thing.

20 We also talked about the reasonable period
21 of time that we have to look at in these commissions.
22 Everything that we have said not only in this
23 proceeding, in past proceedings, and in proceedings
24 for the last 25 years, we stand behind as Tenaris.
25 We'll go through that exercise and put the issue to

1 rest. But we think it's something that needs to be
2 said and the Commission has to have in mind before we
3 go forward.

4 Thank you, Don.

5 MR. CAMERON: Don Cameron, Troutman Sanders.

6 These orders have been in place for 12 years
7 and this industry that has averaged over a billion
8 dollars in profits over the last two years is
9 demanding that the orders be extended for an
10 additional five years.

11 According to them, removal of these orders
12 would likely lead to a recommencement of material
13 injury to this industry. Even by U.S. industry
14 standards this proposition is nothing short of
15 outrageous.

16 Now we will respond in writing in the post-
17 hearing brief to the legal analysis that's been
18 presented today by the domestic industry.

19 I would suggest to you that there are no
20 adverse consequences standard, which is what they're
21 suggesting. Any adverse consequences by definition
22 material is really the no discernable impact standard,
23 and no discernable impact is not the material injury
24 standard. That is the standard for decumulation. But
25 we will answer their analysis.

1 In the first sunset review in 2001 this
2 industry claimed dire consequences if the dumping
3 orders on subject imports did not remain in place.
4 The orders indeed remained in place but there's no
5 indication whatsoever that the condition of this
6 industry since that time has had any relationship to
7 the continuation of the orders. In fact two attempts
8 to restrict imports of OCTG, the 2001 safeguard action
9 and the 2002 antidumping action against China and
10 other countries, were properly rejected by this
11 Commission. The record is clear that the condition of
12 this industry has no relationship to any imports.
13 This is something that I don't believe that the
14 domestic industry adequately responded to this
15 morning, but we will address that again in our post-
16 hearing briefs as well.

17 How do we know this? Well, because between
18 2001 and 2006 total imports increased substantially.
19 This isn't controversial. In fact imports from China
20 and Canada appear to be all the United States industry
21 can really talk about. But neither China nor Canada
22 are subject imports covered by this investigation.
23 And while imports have increased, the U.S. industry
24 has grown stronger and not weaker. That's important
25 because that gets directly to the issue of causation.

1 That is exactly the point when you're looking forward.

2 You know, it would be one thing if there had
3 been no imports in the market; or if imports had
4 declined and then we had this spectacular performance
5 by the industry. Then they could say, as is often
6 said in these cases, that import protection is
7 critical to the continued health of the industry.

8 But how can that credibly be maintained in
9 this environment with these conditions of competition
10 given the growth of imports combined with the sharp
11 rise in profitability of the U.S. industry?

12 Okay, so what's the proof of that?

13 I would suggest to you that the proof of
14 that proposition is the roughly \$9 billion that
15 Tenaris, US Steel and IPSCO have committed to this
16 industry in this market in the last year alone.

17 Does anybody seriously believe that these
18 producers would invest in excess of \$9 billion if they
19 believed that the likely impact of lifting these
20 dumping orders would endanger those investments? Come
21 on, get serious. Are you suggesting that they
22 actually said well, if we get three votes at the ITC
23 everything will be rosy, but if not, you better watch
24 out. I'd like to see that in their SEC statements
25 because I don't think so. I don't think they hinged

1 it on that.

2 You want to talk about credibility as we've
3 heard from the domestic industry? We've heard a lot
4 about it. In a certain way credibility and China are
5 the two keys to their case, because they don't really
6 have much else. But you need to ask yourself exactly
7 who has the credibility problem here.

8 Several days after US Steel tells the
9 investment community that it made the deal of the
10 century based upon the "robust market" and that's a
11 quote from the chairman, and I believe he stated
12 something similar to that this morning, their lawyers
13 tell the Commission that the sky is falling. They
14 don't even mention the deal of the century in a three
15 volume set that was presented to you as a post-hearing
16 brief. I don't think the exporters are the one with
17 the credibility problem.

18 In conducting its counter-factual analysis
19 of what would happen if the orders were revoked the
20 Commission must examine any fundamental changes since
21 the orders were imposed including structural changes
22 in the U.S. and foreign markets as well as the health
23 and profitability of the U.S. industry. After all the
24 objective of a sunset review is to determine whether
25 there is any basis to continue the orders.

1 Here the Commission is faced with a U.S.
2 industry that has consolidated and that is enjoying
3 unprecedented health and profitability. The U.S.
4 industry's operating profits exceeded \$1.1 billion in
5 2006 and with the continued strength in the oil and
6 gas industry there is no reasonable basis to conclude
7 that demand in pricing for OCTG will not continue
8 strong in the future.

9 The U.S. industry will continue to profit
10 from the booming oil and gas industry and I believe
11 that that was the statement both of US Steel and
12 Maverick to you this morning.

13 Although not mentioned in its pre-hearing
14 brief, US Steel obviously believes that the future of
15 U.S. OCTG is bright. Its recently announced purchase
16 of Lone Star for a significant premium over the
17 current share price speaks volumes as to its belief in
18 the OCTG market here.

19 What's even more remarkable about this
20 market is that the U.S. industry's record profits have
21 been achieved during a time when the volume of non-
22 subject imports has significantly increased to levels
23 that greatly exceeded all subject imports combined.

24 Imports from non-subject countries during
25 the period of 2003 to 2006 range from 20 percent of

1 apparent consumption to 36 percent. Lone Star alone
2 has announced that it would import 200,000 tons of
3 OCTG from China in 2007. Again, this dwarfs subject
4 imports.

5 So this industry has actually already
6 conducted this investigation. They voted on the
7 relevance of these orders when they committed the
8 dollars to this industry. They voted \$9 billion that
9 these orders and subject imports are not relevant to
10 the condition of this industry and we urge the
11 Commission to revoke these orders.

12 We would also like to thank you very much
13 for your patience. We understand Commissioner
14 Aranoff, that we are not even close to the record that
15 has been achieved by this Commission in the past, but
16 we do appreciate your time and your patience.

17 Thank you very much.

18 CHAIRMAN PEARSON: Thank you, Mr. Cameron.

19 The closing statement. Post-hearing briefs,
20 statements responsive to questions and requests of the
21 Commission and corrections to the transcript must be
22 filed by April 23, 2007.

23 Closing of the record and final release of
24 data to the parties, May 22nd.

25 Final comments on May 24th.

1 Thank you very much. This hearing is
2 adjourned.

3 (Whereupon, at 6:55 p.m. the hearing in the
4 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Oil Country Tubular Goods
INVESTIGATION NOS.: 731-TA-711-713-719
HEARING DATE: April 12, 2007
LOCATION: Washington, D.C.
NATURE OF HEARING: Hearing

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

DATE: April 12, 2007

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

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

SIGNED: Carlos Gamez
Signature of Proofreader

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

SIGNED: Mona McClellan
Signature of Court Reporter