

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
WELDED STAINLESS STEEL PRESSURE ) Investigation Nos.:  
PIPE FROM CHINA ) 701-TA-454 and  
 ) 731-TA-1144  
 ) (Preliminary)

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Thursday  
 February 21, 2008

Room 101  
 U. S. International  
 Trade Commission  
 500 E Street, SW  
 Washington, D.C.

The preliminary conference commenced pursuant to Notice, at 9:30 a.m., before the Commissioners of the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

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Antidumping Duties:

On behalf of Bristol Metals, LLC; Felker Brothers  
Corp.; Marcegaglia USA, Inc.; Outokumpu Stainless Pipe,  
Inc.; and the United Steelworkers of America:

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JOHN TIDLOW, Vice President of Purchasing and  
Planning, Bristol Metals, LLC  
THOMAS HENKE, President, Felker Brothers Corp.  
DAVID CORNELIUS, President, Marcegaglia USA, Inc.  
ROB YEPSEN, Sales Manager,  
Marcegaglia USA, Inc.  
JOE AVENTO, Senior Consultant, Outokumpu  
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Antidumping Duties:

On behalf of Silbo Industries, Inc.:

HOWARD JAKOB, Executive Vice President,  
Silbo Industries, Inc.

Of Counsel:

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P R O C E E D I N G S

(9:30 a.m.)

1  
2  
3 MR. CARPENTER: Good morning and welcome to the  
4 United States International Trade Commission's conference  
5 in connection with the preliminary phase of  
6 Countervailing Duty and Antidumping Investigation Nos.  
7 701-TA-454 and 731-TA-1144 concerning imports of welded  
8 stainless steel pressure pipe from China.

9 My name is Robert Carpenter. I am the  
10 Commission's director of investigations, and I will  
11 preside at this conference. Among those present from the  
12 Commission staff are, on my right: Douglas Corkran, the  
13 supervisory investigator; Betsy Haines, the investigator;  
14 on my left, Mary Jane Alves, the attorney/advisor; Bill  
15 Greene, the economist; John Ascienzo, the auditor; and  
16 Norman Van Toai, the industry analyst.

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

23 Are there any questions? If not, Mr. Schagrín,  
24 please come forward for your opening statement.

25 MR. SCHAGRIN: Good morning, Mr. Carpenter, and

1 good morning to Members of the Commission staff. For the  
2 record, my name is Roger Schagrín of Schagrín Associates,  
3 and we are counsel to Petitioners.

4 When the Commission strips away the impact of wild  
5 changes in the cost of nickel and molybdenum and the  
6 resulting changes in surcharges put in by the stainless  
7 mills and the stainless pipe industry, this will turn out  
8 to be a very straightforward injury case.

9 Over the period of investigation, imports of  
10 subject welded austenitic pressure pipes from China more  
11 than doubled, from 14,000 tons in 2005 to over 30,000  
12 tons in 2007. Why did these imports surge so  
13 tremendously during the POI? Because these imports  
14 consistently, in every quarter, undersold the U.S.  
15 industry by wide margins.

16 A few years ago, there were only a few Chinese  
17 producers exporting to the United States, a few U.S.  
18 importers, and only a few U.S. distributors selling  
19 Chinese stainless pressure pipe, but, year by year, month  
20 by month, week by week, there were more Chinese producers  
21 with new mills, new capacity, more U.S. importers, and  
22 now virtually every single U.S. distributor of stainless  
23 pressure pipe is stocking more and more Chinese stainless  
24 pipe and less and less U.S.-produced stainless pipe.

25 The results have been material injury to the U.S.

1 industry. I know you will keep in mind that the statute  
2 instructs the Commission to analyze the injury to the  
3 producers of the domestic like product in the context of  
4 the business cycle for the industry. This industry has  
5 experienced a peak in the business cycle over this POI.  
6 As the chemical, refinery, petrochemical, energy, and  
7 ethanol industries have been either retrofitting or  
8 expanding in the midst of a strong U.S. economy, stronger  
9 exports due to the weak U.S. dollar, and an incredibly  
10 strong energy market, and a boom in the expansion of  
11 ethanol plants.

12 The U.S. industry has actually suffered a decline  
13 in its condition during the peak of the demand cycle.  
14 Production, shipments, capacity utilization, and  
15 employment have all fallen during the POI, in spite of a  
16 demand increase in the range of 20 to 25 percent.

17 Before the POI began, one of the sixth-largest  
18 U.S. producers disappeared from this industry through  
19 bankruptcy. During the POI, another U.S. producer, Trent  
20 Tube, began shuttering certain plants and was then  
21 acquired.

22 Now, the remaining four U.S. producers, all of  
23 whom are Petitioners, have been idling many of their  
24 welding mills for weeks at a time because of the surging  
25 imports from China.

1           Finally, as I alluded to at the outset, the one  
2           condition of competition unique to this industry is the  
3           incredible change in nickel and molybdenum costs. Nickel  
4           surged from \$7 a pound in early 2004 to a peak of \$24 a  
5           pound in mid-2007 before falling and rising again while  
6           molybdenum ranged from \$12 a pound in 2004, nearly  
7           quadrupled to \$47 a pound -- almost \$100,000 a ton --  
8           before settling down in the range of \$35 a pound.

9           Keep in mind that in a ton of 304, you have to  
10          have a minimum of 160 pounds of nickel, and in a ton of  
11          316, a minimum of 200 pounds of nickel. So the costs  
12          here are just huge for the minerals in the steel and then  
13          in the pipe.

14          Now, these changes had a big impact on the  
15          profitability of the industry because of inventory gains,  
16          but they had no impact on the ability of these producers  
17          to turn stainless flat-rolled steel into stainless  
18          pressure pipe on their welding mills using the workers in  
19          their factories. Their ability to actually operate these  
20          businesses was severely injured by the Chinese import  
21          surge.

22          If there was ever a case before this Commission in  
23          which more emphasis should be put on all of the statutory  
24          production factors and less emphasis on pricing and  
25          profit trends, this would be the case. These witnesses



1 will tell you, during today's hearing, they are in the  
2 stainless pipe business. They are not in the commodities  
3 trading business.

4 Based on the massive import surge, significant  
5 price underselling, huge loss in market share, declining  
6 production, declining shipments, declining capacity  
7 utilization, declining employment over a POI in which  
8 demand was surging, in addition to mediocre profits and  
9 profit margins during a period of booming consumption,  
10 this Commission should make an affirmative preliminary  
11 determination that there is a reasonable indication of  
12 injury or threat of material injury to the U.S. industry  
13 producing welded stainless pressure pipe. Thank you very  
14 much.

15 MR. CARPENTER: Thank you, Mr. Schagrin.

16 Mr. Schutzman, if you will please come forward  
17 now.

18 MR. SCHUTZMAN: Mr. Carpenter, Members of the  
19 Commission staff, good morning. My name is Max F.  
20 Schutzman. I'm with Grunfeld, Desiderio, Lebowitz,  
21 Silverman & Klestadt. We're here representing Silbo  
22 Industries in this preliminary proceeding. I'm  
23 accompanied by Mr. Howard Jakob, who will provide  
24 testimony in opposition to the petition.

25 We feel vastly outnumbered. I would ask the staff

1 to not draw any adverse inferences by the fact that we  
2 are so outnumbered.

3 The portrait of this industry that has been  
4 painted by Mr. Schagrin and the domestic producers and  
5 the issues that are relevant to the ITC's preliminary  
6 inquiry are very different from those presented by the  
7 Petitioners. I would urge the staff to be especially  
8 attentive to Mr. Jakob's remarks, as they relate to the  
9 state of the industry, the issue of like product, and the  
10 way business is conducted in this industry. I think you  
11 will find those remarks particularly illuminating and  
12 worthy of further study. Thank you.

13 MR. CARPENTER: Thank you, Mr. Schutzman.

14 Mr. Schagrin, please bring your panel forward at  
15 this time.

16 (Pause.)

17 MR. CARPENTER: Please begin.

18 MR. SCHAGRIN: Thank you again, Mr. Carpenter and  
19 Members of the Commission staff. Not that we want Silbo  
20 or their counsel to feel outnumbered, but we do take  
21 pleasure and pride in being able to bring before the  
22 Commission this morning for this staff conference  
23 industry executives from each of the major U.S. producers  
24 of the subject product, and it's also a testament to the  
25 interest in the case and the extreme situation they are

1 facing with imports from China that all of these  
2 executives from each of the petitioning companies were  
3 able to be here, and, collectively, the six of them, not  
4 to make us seem like we're all long in the tooth here,  
5 have over 150 years of experience in this industry. So  
6 we're quite confident that they will be able to answer  
7 all of the Commission's questions and give you a sense of  
8 the true state of this industry.

9 We're also very pleased to be joined by Holly  
10 Hart, the legislative director of the USW, which, as you  
11 will hear, represents the workers at three of the four  
12 petitioning companies.

13 Without further ado or need for additional  
14 introduction, I would like Mike Boling, the president of  
15 Bristol Metals, to present his testimony.

16 MR. BOLING: Good morning, Mr. Carpenter and  
17 Members of the Commission staff. For the record, my name  
18 is Mike Boling, and I am president of Bristol Metals,  
19 LLC. I'm here with John Tidlow, our vice president of  
20 purchasing and planning.

21 We are a division of a public company, Synalloy  
22 Corporation. Our division has only one location, and  
23 that is in Bristol, Tennessee. I have been with the  
24 company for 32 years.

25 We have eight continuous-welding mills at Bristol

1 on which we produce welded ASTM A-312 and other welded  
2 stainless pipe and a small amount of tube. In general,  
3 each mill covers a range of ODs based on the  
4 configuration of the mill and the rolls. Therefore, we  
5 dedicate mills to specific sizes, with most mills making  
6 only two or three OD sizes. Unfortunately, in the last  
7 several months, we have often not utilized our four  
8 smaller welding mills that would produce products smaller  
9 than six inches.

10 As a result, our workforce has worked dramatically  
11 fewer hours. I can say with certainty that this  
12 reduction in mill utilization and employee work time, as  
13 well as the related financial repercussions, have been  
14 caused solely by low-priced and unfairly traded imports  
15 of welded A-312 and A-778 products from China.

16 When John testified on behalf of our company  
17 before the Commission in June of '06, in the sunset  
18 review of the orders on ASTM A-312 pipe from Korea and  
19 Taiwan, he pointed out that the Commission's sunset staff  
20 report showed that the U.S. industry lost 15 percent of  
21 the U.S. market during its five-year, sunset-review  
22 period to imports from China. During the past two years,  
23 we have, unfortunately, lost another 10 to 15 percent of  
24 the market to Chinese imports.

25 We now believe that the U.S. industry has a

1 minority position in the U.S. market. From a volume  
2 standpoint, we have barely survived during a period in  
3 which demand has been expanding rapidly. As demand  
4 flattens or declines in '08 because of the recession, we  
5 could be forced to permanently shut these mills that we  
6 have been operating infrequently if unfairly traded  
7 Chinese imports are not stopped.

8 Products covered by this petition are basically  
9 sold through the distributors' spot market, and U.S.  
10 product and Chinese product are quoted to stocking  
11 distributors in the entire size range of standard OD and  
12 wall-thickness combinations. These stocking  
13 distributors, in turn, quote end users in competition  
14 with each other based upon having the available sizes of  
15 the requisite specification in stock, and the end users  
16 purchase from the distributor who quotes the lowest  
17 prices.

18 In the United States, there are only about a dozen  
19 major stocking distributors. Unfortunately, I believe,  
20 at the present time, that all of them are stocking welded  
21 stainless pressure pipe from China. These distributors  
22 have to buy Chinese pipe because if they do not, they  
23 won't be competitive when quoting end users against other  
24 distributors who are quoting Chinese pipe. After all,  
25 the end users have an engineered use that requires A-312

1       or  
2       A-778 specification product. They do not care whose  
3       product meets that specification; they only want the  
4       lowest-priced product.

5               In 2006, I visited China. It was clear to me then  
6       that the Chinese pipe producers had enough capacity to  
7       take over the entire U.S. market. They have been doing  
8       so at a pretty rapid pace, having doubled their exports  
9       since my visit.

10              There is no question that our company faces a dire  
11       situation, and we are counting on the International Trade  
12       Commission to remedy that problem. Therefore, on behalf  
13       of our company and our 325 employees, we respectfully  
14       request that this Commission make affirmative injury  
15       determinations against welded stainless pressure pipe  
16       from China. Thank you.

17              MR. SCHAGRIN: Thank you, Mike. Dave Cornelius.

18              MR. CORNELIUS: Good morning, Mr. Carpenter and  
19       Members of the Commission staff. For the record, my name  
20       is David Cornelius, and I am president of Marcegaglia  
21       USA, Incorporated. I am accompanied today by our sales  
22       manager, Rob Yepsen, who has nearly 30 years' experience  
23       in the stainless pipe industry. I have been with the  
24       company for 13 years. I was the chief financial officer  
25       of the company for 11 years, and I assumed my current

1 position as president in early 2007.

2 Our company has reduced its workforce by one-half  
3 over the last 10 years, and if Chinese imports continue  
4 to increase, I'm afraid that the trend of U.S. workforce  
5 reduction will continue.

6 As a union company, I believe that our  
7 steelworkers recognize that management has shared the  
8 pain caused by this unfair trade, along with our  
9 workforce. We have laid off a number of salaried workers  
10 to reduce SG&A expenses, while we have reduced our  
11 production workforce through attrition and reduced  
12 working hours.

13 Our parent company is headquartered in Italy, and  
14 we are one of the largest producers of welded pipe and  
15 tube in the world, with numerous plants in western  
16 Europe, eastern Europe, South America, and the United  
17 States. We produce welded stainless pressure pipe and  
18 tube in both Italy and in the United States.

19 In 1992, Marcegaglia purchased some of the assets  
20 of Bishop Tube, a stainless tube producer located in  
21 Frazer, Pennsylvania.

22 In 1993, Marcegaglia purchased Damascus Tube out  
23 of the bankruptcy proceedings of Sharon Steel  
24 Corporation. Damascus was located in Greenville,  
25 Pennsylvania, and was primarily a producer of ASTM A-312

1 pressure pipe.

2 In 1999, we moved the Bishop welding mills from  
3 Frazer, Pennsylvania, to Munhall, Pennsylvania, after  
4 purchasing buildings in what had been the U.S. Steel  
5 Homestead Works. We plan to operate facilities in both  
6 Munhall and Greenville. However, in part, because of  
7 higher import levels and, in part, because of weaker  
8 demand during the 2001 recession, we closed the Damascus  
9 facility in Greenville in 2002 and moved some of the  
10 Damascus mills to Munhall.

11 While a few workers from Greenville took positions  
12 in Homestead, overall, the company suffered a net loss of  
13 110 jobs with the closure of the Greenville plant. As an  
14 international company, we are very aware of stainless  
15 flat-rolled prices on an international basis. Virtually  
16 all international stainless companies utilize a surcharge  
17 process to reflect the changes in prices of their key raw  
18 materials, such as chromium, nickel, and molybdenum. For  
19 this reason, outside of China, these prices are fairly  
20 uniform throughout the world.

21 These stainless alloying agents may represent as  
22 much as 70 to 80 percent of the stainless steel maker's  
23 cost of producing stainless ASTM A-304 or A-316 steel,  
24 and they are worldwide commodities traded daily on the  
25 London Metal Exchange.



1           We believe that, in Marcegaglia, we purchased  
2 stainless flat rolled on a very competitive basis. Since  
3 labor is only a small portion of our total production  
4 costs, we should be competitive with Chinese producers if  
5 they do not sell their products at dumped or subsidized  
6 prices in the U.S. market.

7           I've told you how our company downsized as a  
8 result of higher imports and lower demand earlier in this  
9 decade. As a worldwide, family-owned business,  
10 Marcegaglia understands that our business will ebb and  
11 flow with the business cycles. However, while we reacted  
12 to a downturn in demand during the recession with  
13 rationalization of capacity and reduction of employment,  
14 we would expect to see significant benefits in terms of  
15 production, employment, and profitability during a period  
16 of significantly increasing demand.

17           Our market has rebounded in the past several  
18 years, but we have seen no benefits because of the  
19 massive surge of imports from China. That is why, on  
20 behalf of the 135 employees of Marcegaglia USA, we ask  
21 this Commission to make an affirmative, material injury  
22 finding and to give us relief from unfairly traded  
23 imports from China. Thank you very much.

24           MR. SCHAGRIN: Thank you, Dave. I would now like  
25 to introduce Tom Henke, president of Felker Brothers.

1           MR. HENKE: Good morning, Mr. Carpenter and  
2 Members of the Commission staff. For the record, my name  
3 is Tom Henke. I am the president of Felker Brothers  
4 Corporation. We are a welded stainless pipe producer  
5 located in Marshville, Wisconsin, and also in Glasgow,  
6 Kentucky.

7           I've been the president of the company for 10  
8 years and have been with the company, total, for 23  
9 years. The company was founded in 1903, and, as the name  
10 implies, is a family-owned business.

11           Since 2004, in what could be aptly described as a  
12 "China phenomenon," the prices of all raw materials and  
13 energy sources began skyrocketing. As I know this  
14 Commission is aware, because of its work in carbon steel,  
15 carbon steel producers began adding scrap surcharges and,  
16 I believe, other surcharges as well.

17           I don't know how much the Commission is familiar  
18 with what has occurred in the stainless steel industry.  
19 In 2003, stainless raw materials -- chromium, nickel,  
20 molybdenum -- as well as energy prices, began escalating  
21 rapidly. The U.S. flat-rolled producers reinstated  
22 surcharges. These monthly surcharge amounts have been  
23 substantially increasing since mid-2003. For example,  
24 304 surcharges have increased 223 percent from 2004 to  
25 2007.

1           As a welded, stainless steel pipe producer, we  
2           then pass these surcharges on to our customers. I  
3           believe that every U.S. stainless pipe producer does the  
4           exact same thing.

5           In 2007, prices for nickel, chrome, and molybdenum  
6           absolutely skyrocketed before falling back and then  
7           increasing again. Just for example, if we purchased  
8           stainless 304 sheet to make either ASDM A-312 or ASDM A-  
9           778 grade 304 pipe in July 2007, we would have paid a  
10          total amount of per-pound surcharges to a U.S. stainless  
11          steel producer of \$2.28 a pound, or \$4,560 per ton. This  
12          is on top of whatever we might negotiate as a per-ton  
13          base price of the stainless steel we are purchasing.

14          I can tell you that these surcharges are  
15          absolutely nonnegotiable. That is because the steel  
16          producers don't get a chance to negotiate with their raw  
17          material suppliers. These minerals are traded on world  
18          metal exchanges and, to my knowledge, except for the  
19          differences in freight costs from a given shipping point  
20          where the metal is located to a given destination point,  
21          everyone in the world, with the possible exception of  
22          China, pays these prices.

23          Because of the importance of these surcharges to  
24          the dumping calculations done at Commerce, the publicly  
25          available information on the domestic surcharges was

1 included in Exhibit 25 of the petition.

2 Just to further the example, if we had to purchase  
3 a 316-grade stainless sheet to produce A-312 or A-778 316  
4 alloy-grade pipe, which contains more nickel and also  
5 contains molybdenum, we would have paid a per-pound  
6 surcharge in July of \$3.47, or \$6,940 per short ton, in  
7 July of 2007.

8 Just a few other related comments to make about  
9 this issue.

10 First, looking just at import data, because we  
11 rarely see price quotes on Chinese product, the Chinese  
12 have been selling stainless welded pressure pipe in the  
13 United States not just below our costs of production but,  
14 at times, for less than the surcharge amount.

15 Second, I know that the Commission questionnaire  
16 asked us for information on lost sales and lost revenues  
17 by specific identified customer accounts. Unfortunately,  
18 with Chinese prices for stainless pressure pipe as much  
19 as 25 to 40 percent below our prices, stocking  
20 distributors are not going to come to us and ask, "Can  
21 you be competitive with the Chinese?" We are only going  
22 to get calls when a shipment of imported pipe arrives  
23 late or there is a sudden project that has more than a  
24 distributor has in inventory and our shorter lead times  
25 give us an advantage.

1           However, I can assure you that, because of our  
2 very low capacity utilization, every ton of Chinese  
3 product was a lost sale by the domestic industry because  
4 we had the capacity available and can always acquire the  
5 flat-rolled steel, as long as we are willing to pay the  
6 surcharges.

7           Third, and most importantly, because Felker cannot  
8 compete against other U.S. competitors on the surcharge  
9 amount, when we do have an opportunity to make sales, we  
10 have to lower our base prices by increasing our discounts  
11 off our base prices as a means of competing against other  
12 U.S. producers.

13           Thus, something you won't see when you look at  
14 product-pricing data is that, while it appears that the  
15 prices have been increasing because of increasing  
16 surcharges over the POI, in fact, our real prices have  
17 been declining during a period of increased demand, and  
18 this is because of the imports from China.

19           Felker Brothers is a proud and highly efficient,  
20 family-run company. We believe we can compete with  
21 anyone on a level playing field. However, our core  
22 business of buying stainless flat-rolled raw material and  
23 producing stainless pressure pipe for our customer base  
24 is being eroded. Instead, our threads of survival have  
25 been based upon being relegated to a secondary, last-

1 choice sourcing option by domestic distribution.

2 This is not our business model, and it is not a  
3 sustainable business model. On behalf of our 260  
4 employees, we ask you to level the playing field so that  
5 the appropriate countervailing and antidumping duties can  
6 be applied to welded stainless pressure pipe from China.  
7 Thank you.

8 MR. SCHAGRIN: Thank you, Tom. Now, I would like  
9 to ask Joe Avento to present his testimony.

10 MR. AVENTO: Good morning, Mr. Carpenter and  
11 Members of the Commission staff. For the record, my name  
12 is Joe Avento of Outokumpu Stainless Pipe.

13 I was the executive vice president of the company  
14 from 2002 until December 31st of last year, when I  
15 retired from that position. I agreed to stay on as a  
16 marketing consultant for a period of two to four years.

17 I have over 30 years of experience in the  
18 stainless pipe industry and served for about 10 years as  
19 president of Bristol Metals.

20 The Outokumpu stainless pipe facility in Wildwood,  
21 Florida, was originally part of an integrated stainless  
22 steel company, Armco. Then it was sold to Obusta  
23 Sheffield, and became part of Outokumpu when Outokumpu  
24 purchased Obusta Sheffield in 2005.

25 Having worked in a number of different companies,

1 I can assure the Commission that we have fine equipment  
2 and an excellent workforce.

3 I've seen a lot of changes in the industry over  
4 the years, and, unfortunately, they have mostly been  
5 watching competitors go out of business. In just recent  
6 times, encompassed by your last sunset review, Davis Pipe  
7 and Acme/Romac disappeared through Chapter 7 liquidation  
8 in 2003. These companies had plants around the country,  
9 including New Jersey and Tennessee.

10 Over the decades, Trent Tube was one of three or  
11 four of the largest members of this industry. In 200, a  
12 time period encompassed by your present period of  
13 investigation, Trent Tube closed a plant in Carrollton,  
14 Georgia, not that far from us, and they sold off much of  
15 their equipment. We bought some of the production mills  
16 and equipment from the Carrollton plant. Where the Trent  
17 Tube equipment was better than our equipment, we've  
18 utilized it to improve our plant to increase efficiency,  
19 improve quality, and reduce our costs.

20 Of course, we also prevented this capacity from  
21 going to Chinese producers and allowing them to increase  
22 capacity and output even faster than they have.

23 In 2007, Plymouth Tube bought what was left of  
24 Trent Tube from Crucible Materials. The new, larger  
25 Plymouth Tube is not a major producer or seller of the

1 products subject to this investigation. They are  
2 focusing their efforts on more specialized, nonsubject  
3 tubing products. Essentially, the U.S. industry is  
4 getting chased out of the commodity products by the  
5 Chinese.

6 As I understand it, the Commission has now seen  
7 this phenomenon in a lot of cases. Simple economic  
8 analysis tells you that when the U.S. industry reduces  
9 capacity by some producers leaving the industry and  
10 others consolidating, you see a U.S. industry in which  
11 the remaining players do extremely well, with higher  
12 production and shipments and increasing profits.

13 Right? Well, that's wrong. Not in the welded  
14 stainless pressure tube industry. In spite of fewer  
15 players and reduced capacity, even in a period of rising  
16 demand, the survivors are suffering, and that's all  
17 because of imports from China. In fact, though you're  
18 not able to factor out the surcharge inventory gains that  
19 this industry experienced during certain periods of wild  
20 gyrations in the prices of nickel and molybdenum, I can  
21 assure you, based on my experience in this industry, that  
22 if you take away those temporary, but significant,  
23 surcharge gains, this is an industry that is just  
24 performing horribly.

25 What troubles me, as someone who is retiring from



1 this industry, is that, without relief against imports  
2 from China, there is simply no future for our company and  
3 its employees in this product. Thank you.

4 MR. SCHAGRIN: Thank you, Joe. Now, it's always a  
5 pleasure to introduce Holly Hart. I've had the pleasure  
6 of working with her for many years, and she has  
7 represented so ably the United Steelworkers in this town,  
8 and we're glad she could join us this morning to give the  
9 views of the vast majority of the workers in this  
10 industry. Thank you, Holly.

11 MS. HART: Thank you, Roger. Good morning, Mr.  
12 Carpenter and Members of the Commission staff. My name  
13 is Holly Hart, and, for the record, I'm the legislative  
14 director of the United Steel, Paper, and Forestry, Rubber  
15 Manufacturing, Energy Allied Industrial and Service  
16 Workers International Union, otherwise known as the  
17 Steelworkers, or, thankfully, I guess I should say.

18 The Steelworkers Union is the largest industrial  
19 union in North America, and we represent about 850,000  
20 active members. Throughout our history, the steelworkers  
21 have fought on the front lines against foreign  
22 governments and companies seeking to gain an unfair  
23 competitive advantage by violating the rules of trade.  
24 These anticompetitive actions have had a devastating  
25 effect on the nation's manufacturing base and its

1 workers.

2 Without a doubt, these practices have contributed  
3 disproportionately to the unprecedented trade deficits we  
4 now face and, in particular, our massive imbalance with  
5 China.

6 With respect to the product under investigation in  
7 this case, the Steelworkers is the labor union recognized  
8 as representing the workers for three of the four  
9 petitioning companies, those at Bristol Metals,  
10 Marcegaglia, and Outokumpu. Previously, the Steelworkers  
11 also represented workers at Davis Pipe and Acme/Romac  
12 plants, as referenced in Mr. Avento's testimony.

13 However, because of the unfair trade practices  
14 under investigation in this case, these facilities were  
15 forced to shut down entirely, with no prospect of  
16 reopening, and, as a consequence, these good-paying jobs  
17 of our highly skilled members have vanished.

18 This tragic result is unacceptable to our union  
19 and has been devastating to the local communities in the  
20 states which depend on these manufacturing jobs and, most  
21 certainly, should be unacceptable to our national  
22 government.

23 I would also like to note that, in addition, Trent  
24 Tube was forced to shut down its facility in Georgia, I  
25 believe, throwing about 200 workers out of work while it

1 scaled back many of its other operations due to unfairly  
2 traded, welded stainless pressure pipe from China before  
3 its sale last year to Plymouth Tube.

4           Unfortunately, the welded stainless pipe industry  
5 is a truly frightening example of the tremendously  
6 negative impact unfair trading practices are having on  
7 our high-end, specialty steel industry and the highly  
8 skilled workforce. It clearly shows that our best and  
9 most advanced technologies aren't immune from the  
10 onslaught of unfairly traded goods from China.

11           Imports of this product from China increased  
12 almost 14,000 tons, to over 30,000 tons between 2005 and  
13 2007. That figure equals over \$150 million worth of  
14 product, which is the equivalent of two or three U.S.  
15 plants and hundreds of jobs.

16           It hasn't seemed to help or matter that this  
17 specialty steel industry and our workers have done all  
18 the right things. The industry's production facilities  
19 are run at a high level of efficiency, its management is  
20 superior, and our members are extremely productive, yet  
21 all of these market-based efficiencies have not, and  
22 cannot, save this high-tech industry from a tidal wave of  
23 unfairly traded Chinese product. Instead, the result our  
24 members see is numerous and continuous plant closings,  
25 the loss of good-paying jobs providing middle-class

1 wages, and the loss of a tremendous amount of market  
2 share for our domestic producers.

3 Instead, the unfortunate reality of the current  
4 system seems to be that we have to be hemorrhaging  
5 thousands of jobs, with an industry on its death bed, or  
6 driven into near bankruptcy to have a fighting chance to  
7 prevail in a trade case.

8 The Commission is familiar with this domestic  
9 industry. In 2006, you conducted a sunset review of  
10 orders from Korea and Taiwan, which involved the same  
11 industry and the same producers. At that time, the  
12 former legislative director of the Steelworkers, my  
13 predecessor, Bill Kleinfelter, testified before you. He  
14 indicated in that testimony to you that, in the five  
15 years, from 2000 through 2005, this industry lost over  
16 200 jobs, which is actually a stunning 38 percent of its  
17 workforce, from 535 workers to 328.

18 Now, this industry may have as few as 250 workers.  
19 This is despite the fact that the demand for the products  
20 under investigation is much greater now than it was in  
21 2000, yet we've lost more than half of the workforce  
22 during that same time period.

23 While we are all familiar with free trade ideology  
24 about the supposed inevitability of the loss of  
25 manufacturing jobs in the United States because of the

1 growth in worker productivity, the data in this industry  
2 show something far different.

3 The Commission's sunset report revealed a decline  
4 in worker productivity, but that decline was not because  
5 our members were not productive workers; rather, that  
6 same report disclosed a steep decline in capacity-  
7 utilization rates, and, clearly, if capacity utilization  
8 declines, in particular, when demand is increasing, then  
9 it's quite likely that worker productivity will fall, and  
10 eventually capacity utilization will also fall to such a  
11 low level that plants will be forced to close down, and  
12 even more of our members will lose their jobs.

13 Moreover, the employers in this high-tech,  
14 specialty industry are good employers. They are  
15 precisely the kinds of employers we want to retain in the  
16 United States. As you've heard from their testimony, and  
17 as you'll hear in additional testimony, instead of  
18 closing their plants and laying off employees and our  
19 members, these employers have been trying mightily to  
20 save our jobs while capacity-utilization rates fall by  
21 reducing the number of hours that workers get paid.

22 As the aggregated employment data in the petition  
23 demonstrate, the loss of the number of employee hours and  
24 the loss in wages have been very substantial and  
25 industry-wide, even though job losses temporarily have

1        leveled off at the petitioning firms due to the closure  
2        of plants at Trent Tube, Acme/Romac, and Davis.

3                But just imagine what it must be like to be a  
4        steelworker in Munhall, Pennsylvania, or Bristol,  
5        Tennessee, or Wildwood, Florida. Those are places where  
6        there aren't good lot of good manufacturing jobs to be  
7        had, and, in 2007, you brought home about 10 percent less  
8        in your take-home pay because your employer was trying to  
9        desperately to save your job and counter the negative  
10       impact of the serious loss in market share due to  
11       unfairly traded imports from China.

12               Throughout that time, these workers were paying  
13       more for gas, they were paying more for their adjustable-  
14       rate mortgages, they paid more to heat their homes, more  
15       for electricity, more for food. I would just ask you to  
16       consider the kind of pressure that that puts on working  
17       families and try to imagine their pain and frustration as  
18       they try to hang onto their jobs and their livelihoods in  
19       the face of a tidal wave of unfairly traded Chinese  
20       imports.

21               As stated, the record is clearly overwhelming.  
22       Imports from China more than doubled, from about 14,000  
23       tons to over 30,000 tons during the period of  
24       investigation. These imports actually are now more than  
25       the U.S. industry is producing.

1           While the Steelworkers firmly believes that there  
2           is an utter lack of a sensible trade policy for China, a  
3           country that manipulates its currency to maintain an  
4           export advantage, we simply ask that our workers not be  
5           sacrificed on the altar of free trade. We ask today that  
6           the Commission preliminarily find that the imports at  
7           issue are a cause of injury to the hundreds of workers  
8           that remain in a domestic industry that appears headed  
9           for oblivion if the relief to which we are entitled is  
10          not afforded, and I thank you for your consideration.

11           MR. SCHAGRIN: Thank you, Holly.

12           At this point, Mr. Carpenter, I would just like to  
13          address one housekeeping issue, like product, briefly,  
14          and then I would like to talk about some of the threat  
15          factors in this case. While I believe it is an  
16          overwhelming injury case, it does always make sense to  
17          address the threat factors at a preliminary conference.

18           As the like product, we are essentially asking the  
19          Commission to make a finding on like product similar to  
20          the like product determination of the Commission in the  
21          2006 sunset review, with the significant change of a  
22          limitation on the size to no more than 14 inches. The  
23          reason for that, the scope of the orders against A-312  
24          pipe from Korea and Taiwan had no size limitation. So,  
25          given that the scope had no size limitation, the

1 Commission would put not size limitation on the domestic  
2 like product.

3           However, in this industry, sizes above 14 inches  
4 are normally made with completely different production  
5 machinery and a completely different process called the  
6 "break-bench process," and, under that process, the pipes  
7 are made individually, pipe by pipe, whether it's 16 inch  
8 or 144 inches in outside diameter, whereas all of the  
9 products, 14 inches and below, are made through a  
10 continuous-welding methodology, which I know the  
11 Commission is very familiar with from all of the carbon  
12 pipe cases, where steel coil is unrolled, slit, and then  
13 is fed into a welding machine. Of course, here, the  
14 stainless pipe gets welded at a rate of inches per minute  
15 versus thousands of feet per minute, as can be the case  
16 with carbon pipe.

17           So that's the only difference as to like product.  
18 So, essentially, we're asking the Commission to find a  
19 U.S. industry producing a domestic like product that is  
20 coextensive with the scope as published by the Department  
21 of Commerce in their initiation notice.

22           Now, as to threat, there's a number of threat  
23 factors that we ask the Commission to consider, and while  
24 Mr. Schutzman said, appropriately, in his opening  
25 statement, that the Commission shouldn't draw adverse



1 inferences against the Chinese by their failure to appear  
2 at the hearing today, which I agree with, we all know  
3 that the Commission may need to draw adverse inferences  
4 against the Chinese industry if they fail to participate  
5 in this preliminary injury investigation by failing to  
6 provide the Commission with foreign producer  
7 questionnaire responses.

8 As to threat factors, first, there has been a very  
9 large, recent import surge. Imports increased rapidly  
10 from 2005 to 2006 and increased rapidly again in 2007,  
11 with a particularly strong surge at the end of 2007, and  
12 preliminary licensing information for the month of  
13 January 2008 shows that that surge and increase in  
14 imports from China is continuing into 2008.

15 Secondly, we believe, and provided information in  
16 the petition, and we'll have further information, based  
17 on additional research, to provide in our post-conference  
18 brief, that the Chinese industry producing the subject  
19 product has massive capacity and massive excess capacity,  
20 that the excess capacity of just two of the dozen Chinese  
21 producers is more than enough to supply the entire U.S.  
22 market.

23 So, in this particular case, we have an industry  
24 that has just expanded capacity very rapidly in China,  
25 far in excess of their own domestic needs, and that

1 excess capacity is targeted towards the U.S. market  
2 through companies that you will hear from today, major  
3 importer brokers, such as Silbo.

4 Third, the Commission considers underselling in  
5 its threat analysis. We believe that when all of the  
6 data is tabulated, that the Commission will find that the  
7 data are supportive of the evidence given by the domestic  
8 industry this morning that, on average, the imports from  
9 China are underselling the U.S. industry in the range of  
10 20 to 40 percent.

11 With those kinds of rates of underselling on  
12 products that may sell for seven, eight, \$10,000 a ton,  
13 you're talking about differences of a thousand, 2,000,  
14 3,000, 4,000 dollars a ton between Chinese prices and  
15 U.S. prices. I personally have never been involved in a  
16 case in which the price differentials were so great.

17 Fourth, the Chinese government provides fewer  
18 subsidies to the Chinese industry, and the Commission can  
19 take the subsidy programs that the Department of Commerce  
20 has initiated in their countervailing duty investigation  
21 into account in its threat determination.

22 Fifth, I would expect you'll hear later this  
23 morning from the representative of Silbo about the newly  
24 installed 15 percent export tax by the Chinese Government  
25 on these products which were supposed to have gone into

1 effect as of January 1, 2008. And I presume that they  
2 would argue that that would eliminate the threat.

3 In fact, that will not be the case. First, the  
4 government of China has instituted the same export tax on  
5 stainless flat rolled. They are currently subject to a  
6 major EU dumping investigation on stainless flat rolled  
7 exports, the EU.

8 So the combined result of the export tax on  
9 stainless flat rolled in China and the EU investigation  
10 and the exports from China to the EU stainless flat  
11 rolled were just tremendous is going to be to further  
12 create an over-supply situation of stainless flat rolled  
13 in China; further increasing the delta, the differential  
14 between the price of stainless flat rolled in China and  
15 the world market price, and that's going to allow the  
16 Chinese pipe producers to absorb whatever part of the 15  
17 percent export tax they so choose.

18 In addition, they may not raise their prices to  
19 their U.S. importers by the full 15 percent. There has  
20 been some press that Chinese producers are "splitting"  
21 the export tax and saying they'll pay half of it, and  
22 they'll just increase their prices to their export  
23 customers by seven and-a-half percent. Seven and-a-half  
24 percent, when you have margins of under-selling of 20 to  
25 40 percent, is not going to eliminate any exports from

1 China to the United States.

2 Finally, we'll put on the record -- or not quite  
3 finally -- we'll put on the record in the post-conference  
4 brief and article from the China business news at the end  
5 of December, which supports this. It talks about the  
6 fact that the price of stainless flat rolled in China was  
7 going to fall by over \$400 a ton in January of 2008.

8 In contrast to that, U.S. prices went up by  
9 several hundred dollars a ton. So once again, the  
10 differences between the prices in China and the rest of  
11 the world are increasing.

12 In addition, what's amazing about this article is  
13 that the real focus is that the Chinese mills, because of  
14 the tremendous overshooting of demand in China, as the  
15 Government subsidized the massive expansion of stainless  
16 flat rolled capacity, producers in China were going to  
17 cut their production by 40 percent in January. There's a  
18 reference in the article that says, major domestic  
19 stainless steel mills convene a sales meeting towards the  
20 end of each month to discuss market supply and demand,  
21 and decide unified sales prices for the coming month.

22 I hate to come before the Commission just too much  
23 like an American. But I really believe our Government  
24 must be shocked at the extent to which in a foreign  
25 country, China, a country to which we have given

1 unlimited access to the U.S. market, that we countenance  
2 major companies just blatantly violating all sense of any  
3 trust laws. If any of these folks at this table did  
4 anything like what happens in China, they would be  
5 wearing pinstripes pretty quickly. That doesn't mean  
6 they'd be playing for the New York Yankees.

7 So it's just another outrage, and reinforces the  
8 fact that under the Chinese system, they certainly do not  
9 do business in the way that business is done in the  
10 United States.

11 Finally, in addition to all of these threat  
12 factors, there is an additional vulnerability for this  
13 U.S. industry. Because we've just completed three years  
14 of tremendous growth and demand. A good portion of that  
15 increase in demand was a real tremendous expansion of  
16 ethanol facility production in the United States.

17 Now, unfortunately, we're going into recession in  
18 2008, and the ethanol boom is over. As you're probably  
19 getting answers to questions, there's just a tremendous  
20 decline now. There's virtually no more building of new  
21 ethanol plants.

22 So demand is going to probably decline  
23 significantly in 2008. That's going to decline  
24 significantly in 2008, and that's going to make this  
25 industry even more vulnerable to increased exports from

1 China.

2 With that, Mr. Carpenter, that completes our  
3 presentation. We'd be happy to answer your and the  
4 staff's questions, thank you.

5 MR. CARPENTER: Thank you, Mr. Schagrin, and thank  
6 you very much, panel for your testimony. We certainly  
7 appreciate having such an experienced and distinguished  
8 group of industry representatives here to educate us on  
9 the market and the industry in this case.

10 I just have a couple of initial questions. One  
11 has to do with raw material costs. You've certainly  
12 documented how raw material costs have increased over the  
13 period. I thought from your testimony that I heard that  
14 the Chinese producers may not be faced with the same  
15 increases in raw material costs.

16 I wonder if you could shed some more light on  
17 that. Are these internally traded commodities, that all  
18 countries would be faced with similar raw material cost  
19 measures; or what are the differences here?

20 MR. SCHAGRIN: I'll let others in the industry  
21 answer, because they know what's going on worldwide. But  
22 once again, on the trend about what makes China different  
23 from the United States, first of all, the Chinese mills  
24 don't use a surcharge policy, unlike virtually everyone  
25 else in the world. So they seem, unlike all the other

1 producers in the world, to be saying, oh, if our raw  
2 material costs increase, we're not going to have a  
3 surcharge and pass on the changes in nickel, molybdenum,  
4 and chromium to others.

5 Virtually all the producers in China owned by the  
6 Government of China, they seem to be more interested in  
7 production and employment than they are in profitability.  
8 Third, as to at least molybdenum, China possesses about  
9 70 to 80 percent of the world's molybdenum. With  
10 molybdenum as well as about a dozen other ferroalloys as  
11 well as coking coal, coke, iron ore, et cetera, et  
12 cetera, the Chinese Government is now imposing not only  
13 export taxes but sometimes quotas in licensing.

14 So what they're essentially doing in a country  
15 famous for mercantilism, but this is almost beyond the  
16 pale, is they're essentially saying to the rest of the  
17 world where we possess a raw material that everybody in  
18 the world needs, we're going to do everything possible to  
19 make sure that our industry gets first access to that at  
20 way below world market prices; and the rest of you in the  
21 world may or may not even get the raw materials that you  
22 need.

23 This is a major issue which hopefully the United  
24 States and European Union Governments will address at the  
25 WTO. Because China is literally trying to gain a

1 competitive advantage by putting a strangle hold on world  
2 competition by controlling access to raw materials that  
3 it has been blessed with having; unlike the United State.  
4 Whatever we mine here, such as coke and coal, or all the  
5 scrap we produce, we sell it to the highest bidder on a  
6 worldwide basis. That's our system, but that's not what  
7 the Chinese do.

8 Now I'd invite anyone else to talk about what you  
9 know about why Chinese mills don't have surcharge  
10 policies, and may have different raw material costs than  
11 other mills in the world.

12 MR. CORNELIUS: I think in answer to the question,  
13 typically it is a world price of stainless steel flat  
14 rolled. There's not a lot of differentiation between  
15 countries that produce stainless flat rolled with the  
16 exception of China. That is inexplicable to us, because  
17 the major input costs on the stainless 300 series and  
18 chrome and nickel, and those costs are traded on world  
19 public markets.

20 So that is what we can't understand. We can  
21 understand maybe the cost of labor is somewhat different  
22 between China and the rest of the world. But it's such a  
23 small percentage of the total cost of the product, it's  
24 insignificant.

25 MR. AVENTO: I just want to make a comment that



1 I'm not completely sure that the Chinese selling prices  
2 in this commodity are every truly reflective of costs.  
3 I've seen, and I think we've all seen, their selling  
4 prices paid to the U.S. market were just going to be  
5 significantly below the U.S. market prices. I'm sure at  
6 the end of the year, they have a tally-up figure to see  
7 how they did. But on a quarterly basis or a monthly  
8 basis, I don't think that they really, truly consider  
9 their overall costs. It's just whatever it takes to get  
10 the business.

11 MR. CARPENTER: Thank you; next question, well,  
12 let's go on from that point. You had indicated in your  
13 testimony that you're seeing under-selling margins of 20  
14 to 40 percent in the industry. If that turns out to be  
15 confirmed by the pricing data that we've collected, the  
16 question I have is, why would the Chinese feel the need  
17 to undersell by such a significant margin in order to  
18 gain the business of the small group of distributors that  
19 you've spoken about.

20 Are there any differences in quality here; are  
21 there differences in service; or do they feel they need  
22 to under-price by that amount to offset the advantage  
23 that you might have in terms of delivery times? Can  
24 anyone shed any light on that?

25 MR. BOLING: Well, I think, in our opinion, the

1 name of the game is market share. So when it gets to the  
2 point that you want to try to capture some market share,  
3 obviously, the first thing is price. Quality is no  
4 problem. The quality is about the same. We don't see  
5 any significant problems with the quality. Deliveries  
6 are a little longer. So we end up selling more of what  
7 we do sell, based on shorter lead times, if somebody  
8 needs something that distributors don't have.

9 When we say a small distributor market, and I  
10 referenced about 12 major distributors, these guys are  
11 big. They are huge distributors. So there's a lot of  
12 pipe that we're talking about.

13 Their need to sell lower, in our opinion, is they  
14 want the market share. They want the business. We've  
15 seen cases many times, as Mr. Henke said, where they're  
16 selling below our raw material costs. We look at it and  
17 think, how in the world can they do that?

18 So I don't have an answer for why they would go 20  
19 to 40 percent. That's quite significant; other than  
20 market share.

21 MR. SCHAGRIN: There's only one thing that we saw,  
22 Mr. Carpenter, as we were doing the research on the case.  
23 It was that there have been a number of new Chinese  
24 mills, one like this industry. We hear about companies  
25 founded in 1903, and we have other companies founded in

1 the 1940s and 1950s here. Some of these Chinese  
2 producers were founded in 2006.

3 So you have this rush in China in every single  
4 project. They just add capacity no matter what they get;  
5 low interest or no interest loans from local provincial  
6 banks. The next thing you know, they're in stainless  
7 pipe industry.

8 I would suspect that they are probably fighting  
9 with each other for access to the U.S. market, so that  
10 they are competing. There's a competition between  
11 Chinese mills and, I guess, the representative, Silbo,  
12 you know, might get the same question from you later this  
13 morning.

14 Why, if you're a trader would you leave money on  
15 the table and sell at 20 percent less than the market, if  
16 you can sell at 10 percent less than the market? But I  
17 suspect, once again, we see new importers, as well, that  
18 they have to compete against other importers.

19 The other thing, in addition to the extremely low  
20 pricing, and given that this is a product which is, as I  
21 say, 5,000 to 10,000 a ton, and distributors have to hold  
22 onto inventory, what exacerbates the differential, but is  
23 a great incentive for a distributor is, U.S. mills, like  
24 we see in almost all products, generally have 30 day  
25 payment terms.

1           Because of the, I guess, lack of need to get paid  
2           on the part of the Chinese, since they're supported by  
3           Government-owned banks, we understand that some importers  
4           actually provide distributors with 180 payment terms.  
5           That's unbelievable that the distributor then doesn't  
6           have to shoulder the cost of carrying the inventory, when  
7           they're buying Chinese.

8           Whereas, when they're buying domestic, they have  
9           to pay these domestic producers within 30 days. These  
10          domestic producers, in turn, their baring. There's no  
11          Government-owned bank of America that is saying to them,  
12          oh, we'll finance your purchases of stainless flat  
13          rolled. They're paying higher interest expenses for  
14          their flat rolled and pipe arraying costs while their  
15          customers are now getting essentially interest-free  
16          financing of purchases of Chinese pipe.

17          MR. CARPENTER: Thank you, and that leads also to  
18          just the last question I have, which relates to foreign  
19          capacity. You've indicated that capacity in China  
20          appears to be increasing rapidly, and that possibly even  
21          two firms have sufficient capacity to supply the entire  
22          U.S. market; and certainly have, according to your  
23          testimony, greater capacity than what they need to supply  
24          the home market. That could be increasing pressure and,  
25          as you were just mentioning, too, creating competition

1 among Chinese suppliers to sell to the U.S. market.

2 My question really goes to, we've had competition  
3 from Chinese suppliers in pipe, of a number of other  
4 types of pipe products, over a period of quite a few  
5 years, as you all know. But I get the impression here  
6 that they've entered this market, at least in terms of  
7 significant increases in exports to this market, just in  
8 recent years.

9 I wonder if anyone has any ideas or theories as to  
10 why the Chinese are getting in this market in a big way  
11 just recently, as opposed to in the past? Has there been  
12 a shift from other products to the product under  
13 investigation here; or does anyone have any information  
14 on that?

15 MR. AVENTO: Well, I'd just like to comment that  
16 Chinese fittings and flanges, pieces and parts, started  
17 to come in about, I guess, five or seven years ago, and  
18 there was just a little bit of trickle of pipe coming in.

19 The Chinese pieces and parts had some quality  
20 problems, and got a bad name, and it took the Chinese a  
21 little bit of time to recover. But over the past three  
22 years, where we've seen this tremendous surge come in,  
23 the capacity and some of my colleagues at the end of the  
24 table, I believe, who were at a conference last year or  
25 the year before, where these capacity increases were

1 announced publicly.

2           It's just a high dollar item. It's a commodity;  
3 fairly easy to make, if you meet the specifications. The  
4 Chinese have spotted this as a market that they can  
5 successfully gain market share quickly. This is exactly  
6 what's happened.

7           But we've seen the capacity. Some of these  
8 capacities are advertised to be, we're going to make  
9 10,000 tons a month. Well, 10,000 tons a month, just in  
10 one manufacturer, chews up the entire U.S. market.

11           So it's easily achievable for these people.  
12 They've priced their way into the market, and gotten into  
13 the hearts and inventories of these 12 major distributors  
14 in the country very easily, and they're going to get more  
15 if we don't stop them.

16           MR. TIDLOW: Hello, my name is John Tidlow. I'm  
17 the Vice President of Planning and Purchasing for Bristol  
18 Metals. One of the reasons that it hasn't happened  
19 before is that most of this investment has been made  
20 since the turn of the century. Most of these facilities  
21 have been built in the last five to seven years, and they  
22 continually expand, year on year.

23           We will make available some of the documents that  
24 we received during these conferences, as our post-  
25 conference testimony.

1 MR. CARPENTER: Thank you, gentleman; that's very  
2 helpful. Let's turn next to questions from Betsy Haines,  
3 the investigator.

4 MS. HAINES: Thank you; I just wanted to make sure  
5 I have a handle on the players in the U.S. market. Are  
6 you saying that aside from Plymouth, the Petitioners are  
7 the remaining producers of the subject product?

8 MR. SCHAGRIN: We also believe we went over this  
9 yesterday; that Webso produces small amounts. There's a  
10 company called Alaska Copper, which makes small amounts;  
11 and finally, Swetco has mills which are capable of  
12 producing these sizes. As a company, they focus on the  
13 brake bench. They have some continuous Welby mills.

14 We don't believe they've been utilizing those  
15 mills and participating in the market, but they certainly  
16 have mills that have the capability of producing A-312  
17 and A-778, in these size ranges. Does anyone have  
18 anything else to add?

19 MS. HAINES: What about, like Dafasco, or rather  
20 Gibson?

21 MR. SCHAGRIN: It would only be in the tubing  
22 markets. They wouldn't product subject products;  
23 possibly that, John?

24 MR. TIDLOW: Rath does offer some of the 8(3)(12)  
25 products in the orange and down sizes.

1 MR. SCHAGRIN: But not Defasco tubular.

2 MS. HAINES: Okay, and then you talked about some  
3 of the consolidation. Is there anything else about Trent  
4 Tub -- oh, know, I was thinking of Dafasco, so that's not  
5 an issue.

6 I want to ask a scope question. The scope says  
7 that it includes the 358, when it's produced to meet the  
8 specifications of the A(3)(12) and 778. Is that done  
9 very often?

10 MR. BOLING: I'm sorry, I didn't understand the  
11 question.

12 MS. HAINES: Congress' scope says that the ASTM  
13 A35 is included, only when it's produced to meet the  
14 specifications of ASTM A312 or ASTM A778. Is that done  
15 very often, that the 358 is --

16 MR. BOLING: Domestically, no.

17 MS. HAINES: Okay.

18 MR. BOLING: Not from us, anyway -- I don't know  
19 about anybody else.

20 MR. CORNELIUS: We don't make any A358 product.

21 MS. HAINES: Okay.

22 MR. AVENTO: I'd like to add that that's usually  
23 for large size, very thick wall pipe, which is on the  
24 edge of the product line in this investigation.

25 MS. HAINES: Okay.



1           MR. BOLING:  However, if you said okay, we're only  
2 going to apply it to A312 or A358 or A778, you could  
3 start producing A358 as a valid substitute for those  
4 products.

5           MR. SCHAGRIN:  And Ms. Haines, I'll just add that  
6 unfortunately, as I get older and participate in more and  
7 more China cases, the thought processes that have to go  
8 into defining the scope become more and more complicated,  
9 because you have to think that the first thing that the  
10 Silbos of the world will apply to whatever to product  
11 we're filing on, whichever, you know, substitute 50  
12 different names of trading companies and brokers and then  
13 all the Chinese mills.

14           It seems the first thing that happens after a case  
15 is filed is, everybody starts thinking, well, I don't  
16 want to pay anti-dumping and countervailing duties.  But  
17 I've established this market supply relationship with  
18 these customers.  How do I get around this?

19           So now we're thinking, it's not that anyone in the  
20 domestic industry does this, but it is possible.  Because  
21 it's possible, we have to put in the scope, one step  
22 ahead.  Because if we wait until after it happens and we  
23 go back to Commerce, they say, hey, sorry, we've been  
24 done with scope.  Then you get into circumvention, and  
25 that can be a one or two year fight, and maybe five or

1 six years, once you go to the courts.

2 So we're just trying to think, and that's what I  
3 asked these executives in the industry, before filing a  
4 case. Okay, this is the scope. This is how people do  
5 business. But, you know, please when you're doing a  
6 contract, think of all the exigencies that might happen  
7 and let's cover them, except for an act of God. Well,  
8 what could happen? What's possible? That's why we have  
9 the language on, if A358 was made to A312 or A778.

10 MS. HAINES: Thank you; you mentioned that you're  
11 going to be supplying us, very thankfully, with  
12 information about the Chinese industry in your post-  
13 conference brief. Anything you can give us would be  
14 greatly appreciated.

15 MR. SCHAGRIN: We'll give you as much as we can.

16 MS. HAINES: Okay, actually, I think that's it for  
17 me; thank you.

18 MR. CARPENTER: Mary Jane Alves?

19 MR. SCHAGRIN: Excuse me, Mr. Carpenter and Ms.  
20 Alves, not to interrupt. But I just want to let Mr.  
21 Carpenter and the staff know that because of commitments  
22 on Capitol Hill that, that Holly Hart has to leave for  
23 meetings on the Hill in about 20 minutes at 11:00 a.m.  
24 So if you could ask maybe the staff, out of turn, if any  
25 if they had any specific questions for Ms. Hart.

1 Obviously, if you had any more, you know, we can get  
2 answers in our post-conference brief. But I did want to  
3 let the Commission know if her appointments; thank you.

4 MR. CARPENTER: Sure, we'll be happy to do that.  
5 Does anyone have any specific questions for Ms. Hart; Mr.  
6 Corcoran?

7 MR. CORCORAN: Douglas Corcoran, Office of  
8 Investigations -- thank you all very much. Ms. Hart,  
9 specifically for you, I did have a question, in some of  
10 the other industries producing steel, we've seen  
11 substantial changes in the labor contracts covering the  
12 unionized workers at certain facilities, usually having  
13 to do with, among other things, sometimes profit sharing,  
14 sometimes having to do with retirement considerations;  
15 importantly, having to do with numbers of job  
16 classification, issues like that.

17 I wonder if there have been any large scale  
18 changes in the contracts covering the unionized workers  
19 in this particular industry; thank you.

20 MS. HART: I would have to speak with the folks  
21 that do our collective bargaining and get back to you.  
22 But I mean, I think the fact that the workers have agreed  
23 to take pay cuts in order to retain their jobs is  
24 evidence of some concerted effort with the union and the  
25 companies to work through the issues. But I will have to

1 get back to you to flush out my answer in the post-  
2 conference brief; thank you.

3 MR. CARPENTER: Okay, again thank you; and thank  
4 you, Ms. Hart. We're glad you were able to come this  
5 morning.

6 MS. HART: Again, my apologies. I appreciate it.

7 MR. CARPENTER: No problem -- Ms. Alves?

8 MS. ALVES: Good morning, Mary Jane Alves of the  
9 General Counsel's Office -- I have a few product-related  
10 questions that I'd like to start off with, mostly just to  
11 familiarize myself with the differences between this case  
12 and the previous case, as well as some other cases that  
13 have been out there.

14 A few years ago, as I understand it, there was an  
15 investigation of stainless steel hollow products from  
16 Japan. The products in that investigation were seamless  
17 products; whereas, the products here are welded. I  
18 understand that seamless products are made from billets;  
19 whereas, the welded products are made from sheet stripper  
20 plate products. What are the other differences in terms  
21 of uses of the seamless versus welded hollow products?

22 MR. HENKE: We strictly manufacture welded  
23 products. But I have some experience with the seamless  
24 from days past. Typically, it's in a very critical type  
25 application regarding either pressure or temperature,

1 pending the media that's going through the product  
2 itself. We see a seamless type product specified; or  
3 some type of a post-bending type application, where the  
4 weld seam is typically of concern to the engineer.

5 MS. ALVES: I don't want to over-characterize it.  
6 But is it generally the case that there are separate  
7 producers who are producing the seamless, as opposed to  
8 the welded products?

9 MR. SCHAGRIN: Yes, none of these producers in the  
10 industry produce seamless products. So they are totally  
11 separate producers.

12 MS. ALVES: Okay.

13 MR. SCHAGRIN: And as Mr. Henke alluded to, by  
14 engineering requirements, the uses are different.

15 MS. ALVES: Okay, that was my preliminary  
16 understanding. But I don't want to ever make assumptions  
17 in any of these.

18 MR. SCHAGRIN: You're correct.

19 MS. ALVES: Okay, then in terms of trying to  
20 understand how the scope in this investigation differs  
21 from the scope in the 2006 five year reviews from Taiwan  
22 and from Korea.

23 You mentioned this morning that the scope in the  
24 previous reviews did not have a limitation in terms of  
25 the length; whereas, here there is a size limitation. As

1 I understand it, the scope of the 2006 reviews did not  
2 include ASTM A778, whereas the scope here does. Is that  
3 correct?

4 MR. SCHAGRIN: Both of those statements are  
5 correct.

6 MS. ALVES: Okay.

7 MR. SCHAGRIN: There's a difference on the size  
8 limitation and the difference in the inclusion of A778.

9 MS. ALVES: Okay, and the current scope  
10 specifically excludes certain tubing products. Were all  
11 of these tubing products also excluded from the previous  
12 scope?

13 MR. SCHAGRIN: They were excluded from the  
14 previous scope, and then they were also excluded by the  
15 Commission in the second sunset review from the like  
16 product, as well.

17 MS. ALVES: You're anticipating my next question.

18 MR. SCHAGRIN: I've done this too long.

19 (Laughter.)

20 MS. ALVES: We all have. Okay, so in the original  
21 investigations for the Korea and Taiwan cases, the  
22 Commission did define a domestic like product that was  
23 broader than the scope to include the tubing products.  
24 But in the second reviews, the Commission did not define  
25 a like product more broadly to include the tubing

1 products, although it did define the like product more  
2 broadly to the extent that it did include the A778  
3 products.

4 MR. SCHAGRIN: That is entirely correct.

5 MS. ALVES: Okay, on the other hand, in the case  
6 that followed about a year later, there was a carbon  
7 quality pipe and tube case that was approximately a year  
8 later. In that case, the scope included both pipe  
9 products and tubing products. I realize it was a carbon  
10 product.

11 The Commission defined a single domestic like  
12 product in that case that included both the pipe and  
13 tubing products. Is the difference, in terms of your  
14 request to have the domestic like product limited to the  
15 piping and not the piping and tubing products here,  
16 simply a function of the differences in the scope; or are  
17 there also differences between the carbon products and  
18 the stainless steel products that would warrant  
19 differences, as well?

20 MR. SCHAGRIN: It's actually more based on the  
21 latter than the former. It's the differences between the  
22 industry.

23 So, for example, in the circular welded carbon  
24 quality pipe case from China that you're referring to,  
25 where in both the scope and the domestic like product,

1 one has A53 pipe, but A500 round tubing and fence tubing.  
2 There, it's the overlap of production facilities, overlap  
3 in products, sometimes overlap in uses.

4           Whereas, here, the distinction is that the  
5 stainless tubing is generally made on different mills;  
6 and most importantly, goes for entirely different uses.  
7 There's no overlap in uses between the A312 and A77A and  
8 the excluded products, such as the A249, A269, and the  
9 mechanical tubing grades. So there are substantial  
10 differences between the stainless and the carbon.

11           MS. ALVES: Okay, so some of the factual  
12 discussion and the factual findings that were advocated  
13 by the Petitioners in the 2006 reviews continue to be the  
14 same today, in terms of the distinctions between the  
15 stainless steel pipe and the stainless steel tubing.

16           MR. SCHAGRIN: That is all correct; and the only  
17 real difference is, we didn't talk about size in 2006 --  
18 and Mr. Tidlow was our great industry expert at that time  
19 in the sunset review -- only because we couldn't talk  
20 about size because of the way the scope had been in the  
21 A312.

22           But all the discussion -- and I re-read the  
23 transcript of that hearing, and Mr. Tidlow answered a lot  
24 of questions at that hearing for the Commissioners who,  
25 thankfully, put a lot of effort, as did the staff, into



1 re-considering the like product from the determinations,  
2 made both in the original investigation and the first  
3 sunset review.

4 But in reviewing his testimony, all the testimony  
5 from the hearing on the differences between the pressure  
6 pipe and the tubing apply equally at the present time.

7 MS. ALVES: Okay, thank you; this may be a  
8 question that you may not be able to respond to right  
9 now. But if you can respond, I'd appreciate it if you  
10 can, if you could respond in your post-conference briefs.

11 Have any of the domestic producers, petitioners or  
12 otherwise, imported or purchased subject imports from  
13 China; and if so, is there a basis for excluding any of  
14 these producers as related parties?

15 MR. SCHAGRIN: I think they can reply at this  
16 point.

17 MR. CORNELIUS: We have not imported any.

18 MR. AVENTO: We also have not.

19 MR. HENKE: We have not.

20 MR. BOLING: Neither have we.

21 MR. SCHAGRIN: That makes it clean, and it's the  
22 first China case I've had in a long time where folks in  
23 the domestic industry -- and I think that's why Ms. Hart  
24 left -- referred to these folks as being such good  
25 employers today. Most people who are trying to produce

1 some to United States don't seem to be able to say know  
2 to also becoming importers of products, given how  
3 substantial the price differentials are. But these  
4 companies in this industry have not done that.

5 MS. ALVES: Okay, that makes it clean for the  
6 lawyers, too. Okay, on pages 14 to 15 of the petition,  
7 you assert that welded stainless steel pressure pipe from  
8 China is interchangeable with domestically produced  
9 products, and is completely substitutable for the U.S.  
10 market; that both are sold in the same channels of  
11 distribution and serve the same end uses. Both are  
12 produced to identical ASTM specifications, and both are  
13 purchased on the basis of specification and price. There  
14 was also some testimony this morning referring to these  
15 products as commodity products.

16 As a legal matter, in terms of the Federal  
17 Circuit's decision in Bratsk, would you agree that these  
18 are, in fact, commodity products?

19 MR. SCHAGRIN: Yes, we would. These are  
20 definitely commodity products that are sold according to  
21 specification.

22 MS. ALVES: In the petition on page 15, you  
23 indicate that while there are non-subject imports, many  
24 of these imports are from Korea and Taiwan, and are  
25 subject to anti-dumping duty orders, and thus have

1 limited ability to replace unfairly traded imports if  
2 relief is granted. What are the other non-subject  
3 imports, and how would you characterize the size of these  
4 non-subject imports compared to subject imports from  
5 China and non-subject imports from Korea and Taiwan?

6 MR. SCHAGRIN: I guess I'll address that as a  
7 legal matter, and then we'll provide the actual data in a  
8 post-conference brief.

9 China alone is now accounting for something in the  
10 range of 40 percent of all imports. So clearly, China is  
11 the most significant single source of imports, and they  
12 account for probably 80 to 90 percent of the import surge  
13 during the POI.

14 As to countries other than Korea and Taiwan,  
15 there's no other single country that is more than about  
16 one tenth the level of imports from China. One of the  
17 things about the tremendous growth in capacity in China  
18 is that we don't believe, at the present time, that  
19 producers in other countries are eager to expand their  
20 capacity, because they see that they can't compete with  
21 the Chinese.

22 So we don't think that any non-subject countries  
23 have even the possibility of having excess capacity that  
24 could replace the unfairly traded imports from China. We  
25 will further expound on that in our post-conference

1       brief.

2               MS. ALVES: That would be helpful if you could  
3       expand upon that in your post-conference brief. Also, if  
4       you could talk about whether or not there are Chinese  
5       exports being directed to other markets that might  
6       otherwise free up capacity in those countries.

7               I understand that there are dumping orders in  
8       place against imports from China in two countries. But  
9       if there are Chinese imports that are going into other  
10      countries that would otherwise free up capacity to export  
11      to the United States, if an order were placed on the  
12      Chinese imports, that would be helpful, as well.

13              MR. SCHAGRIN: We will do that, and actually I  
14      misspoke. I may have said over 40 percent. In fact, in  
15      2007, the imports from China are nearly half of the  
16      imports in the United States. So they are just the  
17      overwhelming dominant force among imports in the U.S.  
18      market.

19              MS. ALVES: Okay, thank you; my next questions  
20      have to do with production here in the United States  
21      first, and then production in China. First, if you could  
22      explain to me the number of U.S. producers who are  
23      integrated producers.

24              Mr. Henke suggested this morning that his company  
25      was not an integrated producer. He needed to purchase

1 stainless steel sheet and strip from other U.S.  
2 producers. Is that the case with all of you?

3 MR. CORNELIUS: Yes, that's the case.

4 MR. BOLING: That's the case with us, too. We're  
5 not integrated.

6 MR. AVENTO: That is not the case with Outokumpu.  
7 We're a division of a stainless steel producing company  
8 in Finland.

9 MS. ALVES: Okay, but you have no U.S. stainless  
10 sheet and strip production here.

11 MS. ALVES: MR. AVENTO: That is correct.

12 MS. ALVES: Is that also the case with the Chinese  
13 producers, to the extent that you're familiar with them?

14 MR. SCHAGRIN: Yes, that is the case that the  
15 Chinese stainless welded pressure pipe producers are not  
16 integrated producers, but are separate from some  
17 extremely large Government-owned stainless flat rolled  
18 producers.

19 The only overlap would be what you get in almost  
20 every situation with China, which is they have common  
21 ownership of the Chinese government. But they're not  
22 part of the same companies as the stainless flat rolled  
23 producers.

24 MS. ALVES: What about captive consumption here in  
25 the United States? Is any of the product that you

1 produced consumed internally by your own company, for  
2 example, to produce pipe fittings?

3 MR. BOLING: We internally consume some of our own  
4 product to make either pipe fittings or custom bins. We  
5 bend it, sell it as a pipe spool to a contractor. So,  
6 yes, we do consume internally.

7 MR. HENKE: As we do -- we do have a fittings  
8 division, so we do utilize some of the continuous pipe to  
9 bend and press elbow reducers, et cetera. We also have a  
10 fabrication division that, like Mike's company, produces  
11 pipe spools.

12 MR. CORNELIUS: We do not use any pipe for  
13 internal consumption.

14 MR. AVENTO: Nor do we -- Outokumpu does not.

15 MR. SCHAGRIN: Just to give you an idea of size,  
16 Ms. Alves, since we aggregated the Petitioners' data, it  
17 appears that internally consumed product is less than  
18 five percent of U.S. production. So it's a relatively  
19 small share of the U.S. production.

20 MS. ALVES: Okay, thank you. That was going to be  
21 my next question also, just to get a sense of what the  
22 other producers who aren't here today might have in terms  
23 of that. But your impression is that it's a very small  
24 portion that is.

25 MR. SCHAGRIN: It's very, very small in this

1 industry.

2 MS. ALVES: My next question goes towards the  
3 business cycle. There was some testimony this morning  
4 that you were at the peak of your business cycle and yet  
5 having a number of, for example, low levels of capacity  
6 utilization.

7 Just to make sure that I understand your testimony  
8 correctly, your position is not that there is a business  
9 cycle that is specific to this industry; but rather, the  
10 business cycle is a derived business cycle, based on the  
11 various end uses, all of which happen to be at their peak  
12 at this period. Is that correct?

13 MR. SCHAGRIN: That's basically correct, and I'll  
14 ask others to join in. Traditionally, now we have data  
15 through two sunset reviews, as well as an investigation  
16 in the early 1990s, and now we'll have data for these  
17 three years.

18 This product follows a business cycle of derived  
19 demand. There's a large number of end user industries,  
20 pharmaceutical food, petrochemical, refinery, energy; and  
21 they tend to follow the entire U.S. GDP business cycle.  
22 So we've had, since exiting 2001 to recession, growth in  
23 demand, right through 2007. Now as we, as an economy,  
24 are ending that business cycle, it appears that demand  
25 will decline.

1           The only exception to that, which came about a  
2 little bit because of energy, a little bit because of  
3 maybe Congressional subsidies for ethanol production, is  
4 that over this three year period, we had a mini-boom in  
5 the installation of new ethanol plants. Part of the  
6 piping in those ethanol plants is this subject product.  
7 Much of it is tubing, which is non-subject product for  
8 the actual distillation of the product.

9           Now that cycle, which was unique to ethanol and  
10 separate from the overall economic business cycle, also  
11 has peaked. Now they're not putting in new ethanol  
12 plants. Even though you might read that there are plans  
13 to install, you know, dozens more, the fact is that  
14 they're not doing well. They're squeezed between their  
15 raw material costs, corn, and their finished product  
16 prices; and they also have difficulty with  
17 transportation.

18           So I think the industry has agreed that there's  
19 going to be a sudden and swift downturn, much more so  
20 than the overall decline in demand throughout the end  
21 user markets here. There's going to be a sudden and  
22 swift decline in demand from the ethanol industry for  
23 these products in 2008.

24           MS. ALVES: I think I just have two final  
25 questions at this point. Mr. Boling, this morning when



1       you testified you, as I understood it, indicated that in  
2       recent months, some of your facilities that were  
3       producing some of the smaller ODs needed either to be  
4       temporarily shuttered or weren't being used at their full  
5       capacities.

6                But there was also some testimony this morning  
7       that the distributors had Chinese products available in  
8       the full wide range of dimensions. Can you explain the  
9       apparent disconnect between those two? Was it just a  
10      decision that you were going to shut down the smaller OD  
11      sizes?

12              MR. BOLING: Well, the mills that we've cut back  
13      on production, we may run them one or two shifts a month  
14      or four shifts a month, instead of 21 shifts a month or  
15      30 shifts a month, following the size range.

16              What we do run is generally for special orders.  
17      If the customer wants special winks or he needs it  
18      quicker, and distributors don't have the exact product on  
19      the ground, would be why we run the mills. Other than  
20      that, there's no reason, I guess, other than we don't  
21      have orders for them.

22              MS. ALVES: But you're seeing fewer orders in  
23      those dimensions; or you are seeing fewer orders across  
24      the board?

25              MR. BOLING: Fewer orders in those dimension --

1 and when I say the four or five mills, that would cover  
2 for us half through 10 inch in that range. The big hit  
3 for us, really, it comes in six inch and small or eight  
4 inch and smaller, in that size range.

5 I understand why we're doing 14 inch and smaller.  
6 But we could probably do away with our six inch and  
7 smaller mills completely, because of the Chinese imports,  
8 unless we're making a special product run for somebody.  
9 But just on standard commodity in these size ranges,  
10 there's just no orders out there.

11 MS. ALVES: Could some of the other producers  
12 comment on the spectrum of products that you're seeing,  
13 or any decisions that you may have made to slow down  
14 production at particular mills that only produce certain  
15 dimensions? Is there more of a tendency to shut down one  
16 type or another?

17 MR. AVENTO: We break our operation into two  
18 plants, a north plant and a south plant. The south plant  
19 makes primarily six inch and smaller pipe, and the north  
20 plant makes the larger sizes, where we're fairly busy in.

21 That south plant, with six inch and down, is  
22 almost dark. We run it just sporadically; again, for the  
23 same reason. There are no orders out there because the  
24 distributors have simply given all of that business for  
25 the smaller pipe sizes, almost all of it, to the Chinese.

1           So we run it sporadically. We maintain a small  
2 inventory. But there's just no business out there for  
3 the smaller sizes. Which again, that's the sizes that  
4 either are targeted by Chinese producers, or that seems  
5 to be where their interest is.

6           MR. CORNELIUS: We produce half inch to twelve  
7 inch. So we don't do the 14 inch. But we've seen it  
8 across the board at our plant. We've taken the approach,  
9 like our domestic competitors here, of slowing the mills,  
10 reducing number of shifts; and we've seen a vast  
11 reduction in the production throughout the last 24  
12 months. So for us, it's been widespread through all the  
13 sizes.

14          MR. HENKE: We manufacture two inch through  
15 fourteen inch. I don't go quite down as far on some of  
16 the sizes as these other gentlemen.

17           But we've had to do a lot of cross training and  
18 get people up to speed on running other equipment, based  
19 on the slow down in primarily the twelve inch through the  
20 two inch for us, personally.

21           So there's been a big effort on revamping our  
22 procedures and a lot of time on cross training, to get  
23 these operators who we want to maintain. We've put a lot  
24 of time into training, and we want to keep these  
25 employees, if at all possible, into other pieces of

1 equipment. So we've seen a substantial slow-down there.

2 MS. ALVES: Okay, thank you; Mr. Cornelius and any  
3 of the others, as well, you indicated this morning that  
4 you are part of an international company, and you're  
5 familiar with some of the other markets. If you could  
6 just generally characterize for me the U.S. market, as  
7 compared to some of the other markets, for example, in  
8 terms of size, in terms of the prices here, as compared  
9 to some of the other markets.

10 MR. CORNELIUS: In terms of size, I think the U.S.  
11 is approximately a 100,000 ton per year market for these  
12 products. I think the per capita consumption is much  
13 greater in Europe, and I think the emerging markets of  
14 Asia and India, the per capita person consumption of  
15 stainless steel is rapidly out-pacing the growth in the  
16 United States.

17 But with that said, I think the price in Europe  
18 and North America is fairly consistent for these types of  
19 products, for stainless products.

20 MS. ALVES: And I take it to mean the pricing in  
21 Asia, for example, is not consistent?

22 MR. CORNELIUS: I'm not aware of the pipe pricing  
23 in the domestic markets of Asian countries.

24 MS. ALVES: You mention in terms of per capita.  
25 But in terms of the overall market size now, as opposed

1 to where they may be growing, where would the largest  
2 market be at this point?

3 MR. CORNELIUS: In the world for pipe -- no, I  
4 couldn't tell you. I don't know what country that would  
5 be.

6 MS. ALVES: Sometimes we'll get arguments that the  
7 U.S. market is the most attractive market, or the highest  
8 priced market, or the largest market. I'm just trying to  
9 get a feel if you can characterize one market, as opposed  
10 to another market.

11 MR. CORNELIUS: No, I cannot.

12 MR. AVENTO: I can add just a little bit. My  
13 company does have pipe operations in Europe, as well. I  
14 think the European market is a bit larger than the  
15 American market. The pricing is about constant.

16 We don't have any operations in Asia, and I really  
17 have no comment on that. But as far as Europe is  
18 concerned, the pricing, I agree with Dave, seems to be  
19 about the same. But the overall European market,  
20 including Eastern Europe, seems to be larger than the  
21 U.S. market, and I guess would be about 50 percent.

22 MS. ALVES: Okay, thank you; those are all the  
23 questions I had at this point.

24 MR. CARPENTER: Bill Greene, Economist.

25 MR. GREENE: Good morning, Bill Greene, Office of

1 Economics -- I have a few questions and a request.

2 Mr. Schagrin, in your brief, you had included a  
3 graph of nickel prices in your exhibits. I was wondering  
4 if you could give us the numbers behind that graph from  
5 2004 through 2007.

6 MR. SCHAGRIN: Yes, we're going to try to do that.  
7 Believe it or not, the LME doesn't make it easy on their  
8 website to get pricing, daily or monthly. You have to  
9 kind of piece it together in a few months.

10 But we have been trying to do that, and I hope,  
11 Mr. Greene, that we can provide a chart with more data  
12 points over the POI on the nickel and molybdenum pricing.

13 MR. GREENE: Thank you; in the questionnaire, part  
14 2, question 5, I think that there was a misunderstanding  
15 of what the question was asking. It asked if other  
16 products were produced on the same equipment, using the  
17 same production employees. All of the Respondents  
18 answered, yes.

19 But what we were looking for, are there other  
20 products, other than stainless steel pipe and tube, made  
21 on your production equipment?

22 MR. CORNELIUS: No.

23 MR. GREENE: Great; that's it for me.

24 MR. HENKE: No, also, Mr. Greene.

25 MR. BOLING: We do make some other alloys, other

1 than 300 series stainless, from time to time on that  
2 equipment.

3 MR. CARPENTER: John Ascienzo, Auditor?

4 MR. ASCIENZO: Good morning, John Ascienzo, Office  
5 of Investigations -- thank you very much for your  
6 testimony today.

7 Let's start off with overhead costs. More  
8 specifically, natural gas or electricity, are they large  
9 cost components of your operations?

10 MR. AVENTO: It's a significant cost. In terms of  
11 actual percentage of the cost, it's probably pretty  
12 small. It's probably two or three percent. But every  
13 month, we get astounding bills from the power company.  
14 So it's a lot of money. But as a percentage of actual  
15 costs, it's only a couple of percent.

16 MR. ASCIENZO: So I guess it's approximately the  
17 same for everybody else. Based on the data we gathered,  
18 it looks as if sales quantities have gone down, yet  
19 overhead costs have gone up, both on an absolute level,  
20 and therefore are going to be on an average unit value  
21 level.

22 Can you discuss publicly here, and if not publicly  
23 here, in your post-conference brief, what are the driving  
24 forces there? What's going on, if it's not energy costs?

25 MR. AVENTO: Certainly, it's health care and

1 insurance. Health care costs have gone up tremendously,  
2 as far as we're concerned. That's a significant  
3 increase.

4 As far as the number of people, we certainly  
5 haven't increased our body count in overhead. But health  
6 care was the most significant increase on our behalf, in  
7 our situation.

8 MR. CORNELIUS: For us, as well, but it's largely  
9 volume dependent -- so the less tons of pipe that we are  
10 producing, obviously, the higher unitary costs we have;  
11 and that's what has been the effect for us. We could  
12 produce a lot cheaper when we were having higher volumes  
13 of production.

14 MR. HENKE: There's obviously a tremendous amount  
15 of fixed overhead associated with this product. Combine  
16 that with just general large increases of cost of doing  
17 business, especially in the health care, and I would echo  
18 Joe's comments on the health care, has been a big effect.

19 MR. BOLING: Obviously, health care is a big  
20 consideration. We've also seen some major increases in  
21 welding supplies, inert gases. We use stainless weld  
22 wire to wire to weld some of this pipe. It goes up just  
23 the same as stainless does, so our consumables have risen  
24 dramatically.

25 We have had some electrical increases, not major,



1 and some natural gas increases. But again, although it's  
2 a small percentage, if it goes from three percent to four  
3 percent, then that's significant for us in the scheme of  
4 things, where our goals are to cut costs, not increase  
5 costs.

6 MR. ASCIENZO: Thank you for those responses. If  
7 you could either hopefully by the post-conference brief;  
8 but if not, in a separate email shortly thereafter or  
9 submission -- it would be really helpful if you could  
10 quantify some of your big specific costs in overhead in,  
11 let's say, contrast 2005 to 2007. Say, you could say  
12 something like health care was \$220 a ton in 2005, and  
13 now it's \$450 or whatever the numbers are; a few of your  
14 big cost components. That would be great; thank you.

15 Now let's turn to the issue of the inventory gains  
16 and raw material surcharges. Can someone explain this to  
17 me in more detail, and maybe give me some miracle  
18 examples on the fact that if profitability has gone up,  
19 it's because of inventory gains?

20 MR. HENKE: When we supply the more detail in the  
21 post-brief regarding the specific elements of nickel,  
22 chrome, and molybdenum, and what they've done in that  
23 time period, it will be very apparent on the volatility  
24 associated with those elements.

25 Again, just to review, we purchase raw material on

1 a monthly basis, and each month, that price is different  
2 based on the raw material surcharge associated with that  
3 month.

4 We have seen some tremendous swings in those  
5 prices. It really comes down to a timing issue. You may  
6 come out looking very smart at times. If you bought a  
7 couple hundred tons in January, by the time you do  
8 receive the material converted to pipe and actually make  
9 a sale on that, if that raw material surcharge has gone  
10 up 20 percent, we build the surcharge at time of  
11 shipment. On the other hand, we may look very  
12 unintelligent at times, with the example being the  
13 opposite story.

14 So it's just a timing issue, from the standpoint  
15 of these wild swings that have been happening in the POI  
16 on the raw material surcharges. Actually, the base  
17 pricing has remained in that time period fairly  
18 consistent. It has gone up. But it has remained fairly  
19 consistent.

20 So that's what we're referencing when we're  
21 talking about the inventory gains; is the volatility of  
22 the raw material surcharges, which nobody has seen  
23 anything like this ever before in the past with the  
24 volatility and the degree of the spikes.

25 MR. CORNELIUS: I agree with everything Mr. Henke

1 said. Just to add to that, for example, in the year  
2 2007, nickel reached all time highs of up \$25 per pound.  
3 Earlier in the year, it started around \$10 to \$12 a  
4 pound.

5 So we saw these huge escalations, and that's great  
6 as long as there is an ascension going on. But when that  
7 nickel level deteriorates, you see the reverse happening.  
8 Then everything is sold at a loss, because you've paid  
9 for the raw material at a higher price per pound, and  
10 then you have to sell it at a lower price per pound when  
11 it's shipped.

12 MR. SCHAGRIN: Just to follow-up, John, and I know  
13 trying to tackle these issues, from an accounting  
14 perspective, is virtually impossible. But these  
15 gentlemen have been in this industry for 150 years. I  
16 know that they have told me, and I can relate to you,  
17 that more than their entire profits in 2007 were based on  
18 inventory gains.

19 Actually, if it weren't for selling pipe months  
20 after purchasing the steel, because their orders have  
21 gone down so much that actually their inventory holding  
22 time on their stainless flat rolled is much longer, and  
23 on their finished pipe is much longer than normal cycle,  
24 you know, before the Chinese started destroying the  
25 marketplace.

1           They would have never survived in this industry in  
2           2007, where their production shipments fell so  
3           significantly and are primed to worsen significantly in  
4           2008; but for the fact that fortuitously, they made  
5           significant inventory profits, because nickel spiked so  
6           quickly.

7           You're really talking about between \$12 and \$25 a  
8           pound. You're talking about a \$2,500 a ton difference  
9           potentially over just a three month period, so that these  
10          folks could have a \$2,500 per ton operating profit, just  
11          because of the change in nickel price.

12          But they'll never stay in business over the long  
13          run. Because eventually, three years from now if they  
14          don't get relief, instead of going from 30,000 tons to  
15          25,000 tons, but fortuitously making some inventory  
16          gains, they might go down to 1,000 or 2,000 tons of  
17          sales.

18          Yet, it could be on a 1,000 tons of sales, if  
19          nickel has doubled in a quarter, that they could make \$5  
20          million in profits. But that's not a sustainable  
21          business model. So as I say, we know and we've seen this  
22          to a much lesser extent in some carbon cases, when that  
23          surge in pricing hit in 2004. But I don't think anybody  
24          in the world has ever seen what has happened to some of  
25          these mineral prices over this particular POI.

1           As I can say, they have told me, and we had to  
2 look at when this case, you know, should be brought. You  
3 can't bring it during the one quarter where you have  
4 massive inventory gains.

5           But their business has been going down the tubes,  
6 so to speak, consistently for the past several quarters.  
7 However, that's been masked only on a profitability  
8 perspective just by these inventory gains.

9           MR. ASCIENZO: So the way I understand it, and  
10 tell me if I'm wrong, it sounds as if your suppliers  
11 announced today that there's a \$500 a ton raw material  
12 surcharge. So you immediately, even though you haven't  
13 bought any yet, you're going to buy some -- excuse me,  
14 let's start all over.

15           Tell me if I'm wrong. Your suppliers announced  
16 today there's going to be a \$500 a ton surcharge. So it  
17 sounds as if you turn around and immediately charge your  
18 customers a \$500 a ton surcharge. Then it takes a month,  
19 two months, three months, for the material that you're  
20 buying today to actually work its way into the system.

21           Is that what you're saying, or am I wrong?

22           MR. SCHAGRIN: I think you're wrong to the extent  
23 that, and I'll let, Dave is both CFO and President, that  
24 if their suppliers announce a \$500 a ton surcharge today,  
25 they increase their surcharge on anything they are

1 shipping today. However, what they're buying, when  
2 they're ordering from their supplier and paying the  
3 additional \$500 a ton surcharge, they are unlikely to  
4 sell that material until three months later and then  
5 they're not three months later saying we're charging you  
6 the \$500 a ton surcharge we paid our supplier at the time  
7 we ordered the material. Their surcharge, like their  
8 suppliers' surcharge, is at time of shipment.

9 So if their supplier is charging a \$1500 a ton  
10 surcharge three months later and that's when they ship  
11 the material that they purchased three months earlier,  
12 they will in fact at the time of the shipment of the  
13 material they purchased be charging a \$1500 a ton  
14 surcharge.

15 MR. CORNELIUS: That's exactly right. Contrarily  
16 you could also, three months later, have a \$200  
17 surcharge, so that \$300 per ton loss would be incurred at  
18 the time of shipment.

19 MR. SCHAGRIN: We're going to give you in the  
20 post-conference brief, I know it's tough to see, but this  
21 gives you an idea, Mr. Henke put these together, of what  
22 happens. This is 2007 where you see the dramatic spikes  
23 versus the longer term, until about 2004 you see how even  
24 and stable the pricing was. So this spiking in  
25 surcharges occurred in 2007 in an extreme way. It had

1 already begun in '04 and '05, but it was really extreme  
2 in '07, and we'll provide these in our post-conference  
3 brief along with the information that Mr. Greene  
4 requested.

5 MR. ASCIENZO: Thank you very much. At this point  
6 I'll admit that I'm not quite confident I understand this  
7 issue but I don't want to spend too much more time on it  
8 in public. I think I'll be talking to a few of you by  
9 phone or e-mail afterwards. The big issue here is what I  
10 think you're saying, yes, costs have gone up \$2,000-  
11 \$3,000 a ton, but your revenues have gone up \$3,000-  
12 \$4,000 a ton. That's what we're trying to square.

13 MR. SCHAGRIN: And it's only because of timing.

14 Let me just finish, because i know, and by the  
15 way, I would add that we'll have plenty of time to go  
16 through this during the final investigation because we  
17 have much more time during a final. But as to profits,  
18 and we'll argue this further in our brief. At the peak  
19 of the business cycle making four percent operating  
20 profits and roughly two percent net profits, I can tell  
21 you with assurances, I know in particular Chairman  
22 Pearson is always interested in returns on investment.  
23 There is no one in the United States and industry proves  
24 this, who would invest in the U.S. welded stainless  
25 pressure pipe industry in order to obtain a 4.5 percent

1 operating profit margin at the absolute peak of the  
2 cycle. The highest demand in the past 15 years, and  
3 their operating profit at the absolute peak of the cycle  
4 have gone up to four percent.

5 So even though the trends show increasing prices  
6 and profitability, this industry is performing miserably  
7 at the peak of the cycle and that's why none of these  
8 four companies are at the present time reinvesting, their  
9 corporate boards will not allow them to make new  
10 investments in this industry.

11 You know some of these companies are older  
12 companies -- 1903, the '40s, the '50s. Yes, they have  
13 good equipment. Yes, they have good workers. Is  
14 technology improving? Could they spend money to put in  
15 newer mills? Yes, they could. Can they? No. Because  
16 the Chinese, if they reduce their production costs they  
17 can't change their cost of raw materials. So if they  
18 improve the cost between buying the flat-rolled and  
19 producing the pipe they get no reward for that because  
20 the Chinese are going to be thousands of dollars a ton  
21 below them so it makes no sense to invest. That's the  
22 fundamental problem of this industry. This is a  
23 dwindling, disappearing industry, yet they are still  
24 making profits and only because of inventory gains, which  
25 is tough to comprehend, but it is the fact.



1 MR. ASCIENZO: I have no further questions, thank  
2 you.

3 MR. CARPENTER: Norman Van Toai, industry analyst.

4 MR. VAN TOAI: Gentlemen, thank you for coming.

5 I have no questions at this time, thank you.

6 MR. CARPENTER: Douglas Corkran, supervisor  
7 investigator.

8 MR. CORKRAN: Douglas Corkran, Office of  
9 Investigations.

10 Thanks for your very helpful testimony here today.  
11 I'm just going to try to wrap up with a few questions in  
12 no set order.

13 What I'd like to do in some ways is to  
14 respectfully challenge perhaps some of the statements  
15 just to get some further analysis, some further feedback  
16 on that.

17 I believe we had at least two witnesses who  
18 attributed all of the ills that either the domestic  
19 industry as a whole, or at least their respective  
20 companies were experiencing to imports from China, using  
21 terms like it was solely due to China.

22 Looking back at the history of this particular  
23 product and the industry producing this particular  
24 product, we've had a cycle, there was plenty of testimony  
25 this morning of companies leaving the U.S. industry prior

1 to the Chinese even becoming a major player in this  
2 market. We have a substantial alternative source of  
3 import supply, namely imports from Taiwan, that while not  
4 as large in the most recent calendar year as those from  
5 China are nonetheless of a substantial size and have  
6 shown substantial growth just like the Chinese.

7 So I just want to try to push back a little bit on  
8 that assertion, that what the domestic industry is  
9 experiencing is solely attributable to the imports from  
10 China. I'd open that for anybody to address.

11 MR. CORNELIUS: I think the reason that we're  
12 naming China is because that's where our customers are  
13 now telling us they're buying from. They're not naming  
14 other countries.

15 I think that's the predominant name that comes up.  
16 Either one of the traders that are buying from China or  
17 the mills. But decades-long customer relationships that  
18 we've had are now looking first to Chinese pipe and us as  
19 a last resort.

20 MR. SCHAGRIN: I'd just add as a legal matter of  
21 course, Mr. Corkran, that the Commission doesn't have to  
22 find that the injury to the domestic industry is solely  
23 by reason of imports from China, notwithstanding what we  
24 all know is an extremely flawed Bratsk decision. The law  
25 as passed by the Congress of the United States is still

1 that this Commission must determine whether the unfairly  
2 traded subject imports are a cause of material injury to  
3 this industry, not the only cause. And Bratsk is all  
4 about attributions, but even with some attributions of  
5 injury from other sources if the imports from China are a  
6 cause of that injury, that's sufficient for the  
7 Commission.

8 MR. CORKRAN: I certainly appreciate that point.  
9 Obviously the role of non-subject imports in the U.S.  
10 market is one that we need to explore carefully and it  
11 has to be done in conjunction with some of the testimony  
12 today as well. But in terms of being the way the market  
13 operates, certain difficulties in being able to provide  
14 exact lost sales or lost revenue allegations that would  
15 specifically identify imports from China, that also  
16 complicates things a little bit. So I did want to try to  
17 tease out that line of argument a little bit.

18 The next question really falls into the same  
19 category, and it's probably going to be aimed squarely at  
20 you, Mr. Schagrín, in going over the threat elements.  
21 You laid out a whole series of elements, at least six,  
22 the final one of which was vulnerability. I'd just like  
23 to get your views on the fact that in the IVEA review  
24 that was conducted in 2006, the commission did indeed  
25 find the industry to be vulnerable, but in doing so it

1 highlighted the weak performance of the industry at that  
2 time and that came in the context of summarizing the  
3 financial performance of the industry and led the  
4 Commission to conclude that they were currently  
5 vulnerable.

6           Given the trend in the data that's laid out in the  
7 public portion of the petition, would there not be a  
8 reasonable argument that says that the domestic industry  
9 has improved over the past several years to such a point  
10 that they may not be considered vulnerable at this point?

11           MR. SCHAGRIN: Actually not, Mr. Corkran, and the  
12 difference between the sunset review record and what will  
13 be the record in this POI is that while the financial  
14 condition limited to trends and profitability has  
15 improved since the sunset review, what's amazing is that  
16 consumption since the end of the sunset review and the  
17 present time has increased by about a quarter, and yet  
18 for all the production factors, and those would be  
19 production, shipments, capacity utilization, employment,  
20 they have all declined.

21           So I think faced with the same facts, had those  
22 been the facts in the sunset review, the Commission would  
23 have said, and don't forget, even during the sunset  
24 review consumption was increasing. In fact it was  
25 increasing pretty steadily from 2001 through 2005. And

1 during that time period the indicators for the domestic  
2 industry were more level during that period of increasing  
3 demand in terms of the production factors but were  
4 declining in terms of profitability.

5 Here with a much more accelerated growth in demand  
6 I think the Commission will find that the decline in  
7 production factors in the context of this business cycle  
8 is so significant that that demonstrates the  
9 vulnerability of the industry.

10 A lot of these mills, companies, are at the  
11 present time, obviously we're at a conference in  
12 February, but really this would probably apply for the  
13 last six months or so, are barely utilizing their  
14 production equipment. That's a real strong sign. And  
15 yet when they utilize it if the surcharge is up, they can  
16 make an enormous amount of money on a ton of pipe, if the  
17 surcharge is changed. But they are sometimes utilizing  
18 specific mills one or two eight hour shifts in a month,  
19 whereas during the period of the sunset review they were  
20 more apt to be utilizing those same mills one eight hour  
21 shift every day. I would relate most, not solely, but  
22 most of the reason for that to this tremendous surge of  
23 imports from China where their customers are simply  
24 buying Chinese product and aren't even calling them up to  
25 inquire about ordering these same products for them to

1 produce on their welding mills.

2 MR. CORKRAN: Thank you. I appreciate that  
3 analysis.

4 Now I'd like to open up a question for the whole  
5 panel. From some of our discussion when we talk about  
6 non-subject imports, we have imports from Taiwan as being  
7 one particular source. I would like to get your  
8 impressions on where you meet import competition in the  
9 marketplace and who you meet. I'm particularly  
10 interested in imports coming from countries such as  
11 Korea, of course, but perhaps Malaysia which appears to  
12 be a growing source of imports. Canada, which according  
13 to the official import statistics is a not insubstantial  
14 supplier. And perhaps Thailand, which I believe has  
15 begun to make something of an appearance in the market.

16 If you could discuss how and in what context you  
17 meet competition from those sources I'd appreciate it.

18 MR. AVENTO: We have been unable to meet that  
19 competition from China. It's simply too cheap.

20 The other countries that you mentioned, the  
21 pricing was a lot higher than the Chinese and we either  
22 choose to meet that or get close, but generally speaking  
23 in a commodity product you have to be competitive and we  
24 have to be really close in order to get an order.

25 But the pricing that we've seen from Korea and

1 Taiwan are still significantly higher than the prices  
2 that we saw from China.

3 MR. TIDLOW: To clear up one of the comments about  
4 the Canadian market, many of the products that are coming  
5 in from Canada are not like products with this case.  
6 They would be different alloys, Alloy-409, they would  
7 just fall into the HTS categories. We have two small  
8 producers that do ship a little bit into the United  
9 States, but the like product would exclude most of the  
10 imports from Canada.

11 I'm not familiar enough with the pricing that  
12 we're seeing outside of Korea and Malaysia and Thailand  
13 at this point.

14 MR. BOLING: I agree with Mr. Avento. If you're  
15 competing with the Koreans or the Taiwanese, the place  
16 you start is a lot higher than if you're competing with  
17 the Chinese. That's the big disparity there.

18 We're all subject to competition both from our  
19 domestic producers and imports from other countries, and  
20 we strive to get orders based on those levels. But the  
21 Chinese prices have been so cheap in the market that  
22 there's no way to get there.

23 MR. CORKRAN: Could I just follow up on that  
24 penultimate point on the imports from Canada?

25 I think you described them largely as by virtue of

1 being an alloy product that they were excluded. But --

2 MR. TIDLOW: I believe that the categories of the  
3 HTS code include ostenitic and ferritics, and much of the  
4 material coming in from Canada are the A409 ferritics.

5 MR. CORKRAN: You're correct. Actually I took  
6 alloy in a slightly different meaning and I was looking  
7 to see if the HTS was specific to stainless. It is but  
8 it does not distinguish between ostenitic and other forms  
9 of stainless.

10 MR. TIDLOW: Those are automotive applications  
11 being made by several very large producers of automotive  
12 tubing in Canada.

13 MR. CORKRAN: Did I understand your testimony  
14 correctly to be that in large part, I don't mean to  
15 paraphrase, but I got the impression it was in large part  
16 or in very large part imports that we see entering from  
17 Canada in the five HTS statistical reporting numbers  
18 we're looking at, would not be the welded stainless steel  
19 pressure pipes that are the subject of this  
20 investigation.

21 MR. TIDLOW: That is exactly correct.

22 MR. CORKRAN: Obviously in the auto industry  
23 Canada has a special relationship with the United States.  
24 Are there other countries that would have a similar  
25 profile for their imports under these particular



1 statistical reporting numbers?

2 MR. TIDLOW: I'm not aware of any with the  
3 significance of the Canadian situation. I can do a  
4 little research and maybe in the post-brief we could do  
5 something about that. I don't know.

6 MR. CORKRAN: Thank you. That's very helpful.

7 I'd like to follow up on a line of questioning  
8 that Ms. Haines introduced which is simply obviously we  
9 have our own means for going about collecting this  
10 information, but any information that you have with  
11 respect to some of the companies that you named in the  
12 United States earlier, Rath Gibson, Swetco, Webco,  
13 Plymouth. Any information that you have that gives at  
14 least an estimate of their volume would be helpful,  
15 although I think in a way I can probably use the petition  
16 for purposes of its coverage, probably provided a useful  
17 starting point for those companies collectively. But if  
18 you could give us a sense maybe individually where they  
19 stand that would be very helpful.

20 MR. SCHAGRIN: We'll be happy to do that. Of  
21 course even better, as I say, something somewhat unique  
22 about this panel is that these are executives of great  
23 stature in this industry. I think they know every other  
24 producer and executive in this industry after all these  
25 many years. so if the Commission would like any of the

1 executives on this panel to make any requests to any of  
2 the executives at other companies that may not have filed  
3 questionnaires and encourage them to, I think that the  
4 panelists would be happy to do that. As I say, they go  
5 back a long way in this industry, and even for producers  
6 of small quantities in this industry but maybe larger  
7 quantities in non-subject products, it's still a  
8 relatively small industry, the whole stainless pipe and  
9 tube industry in the U.S., so I think probably better  
10 than estimates would be if you obtained questionnaire  
11 responses. And we'd probably be happy to assist the  
12 Commission with urging every single U.S. producer,  
13 whether they make trivial amounts or even no amounts of  
14 subject product, but to at least inform the Commission  
15 and file an appropriate questionnaire response.

16 MR. CORKRAN: Well, you certainly will get no  
17 argument from me over the preferability of questionnaire  
18 responses. Let me leave it at this, though, because we  
19 don't generally discuss in great detail who does and who  
20 does not file, who we have sent a questionnaire to or who  
21 has or has not responded. At least not on an individual  
22 basis.

23 Let me leave it at this. There appear to be a  
24 very small number of companies in the universe of  
25 stainless welded producers that actually produce the

1 product at issue. It would be beneficial if you were to  
2 check with them to see if they had filled a questionnaire  
3 out for us and returned it to us.

4 Moving on, I had a question on ASTM A358 pipe  
5 which can be covered under very specific circumstances.

6 My question is, is this a product that would be  
7 typically be dual-stenciled as we might see in other  
8 tubular industries where a particular product might be  
9 stenciled to A358 and A312 or A778? Or would it simply  
10 be coincidence perhaps that the specifications overlap?

11 MR. BOLING: They would never be dual-marked.  
12 A312 and A358 are two distinctly different manufacturing  
13 processes, so they would not be dual-marked.

14 MR. CORKRAN: But if a, drawing by analogy on  
15 other tubular products, if you manufactured an A358  
16 product, would that automatically and without any  
17 necessary adjustment meet the requirements for say an  
18 A312 product? Or would you have to make adjustments?

19 MR. BOLING: It does not meet the requirements of  
20 A312, however, it's deemed as a better product than A312  
21 because of additional testing that is required and  
22 different tolerances on the pipe itself. So it's not  
23 interchangeable, but most people would deem A358 as an  
24 acceptable substitute for A312 I think. But it's more  
25 expensive to make, too.

1           MR. CORKRAN: Thank you. That's very consistent  
2 with the information on the record from the five year  
3 review which basically indicated that while there was a  
4 potential for substitution, price differences would  
5 generally preclude that.

6           MR. TIDLOW: Excuse me, sir. One of the issues of  
7 A358 versus A312 is the gauge differentials. If we were  
8 to offer the same pipe, and we do produce A358 in the  
9 like product category. If we were to offer an eight inch  
10 Schedule 10 product in A312 versus A358, the gauge that  
11 would be offered in A358 would be approximately 10 to 12  
12 percent higher and would therefore yield a higher cost  
13 because it would have higher raw materials.

14           However, it's possible to offer a gauge wall at a  
15 lower gauge and call it A358 and actually produce the  
16 product to exactly the same gauge that we're offering our  
17 eight inch Schedule 10 A312. That's where there's very  
18 great overlap. The costs would be very similar and it  
19 would be a very like product.

20           MR. CORKRAN: Would that be by using, in your  
21 example, using pipe produced to the very thinnest  
22 tolerances permissible under A358? Is that how you would  
23 get it into a range with A312?

24           MR. BOLING: You can specify a wall thickness when  
25 you order pipe. Most pipe, all this commodity pipe is

1 ordered in schedules. Schedule 5 or Schedule 10 or  
2 Schedule 40. However, you can order .109 wall pipe or  
3 you can order .148 wall pipe in both specs. A358, if you  
4 order .148, you're going to get .138 minimum wall. In  
5 A312 you'd get .120 wall minimum. But you can order .130  
6 wall, A358, and get .120 wall minimum, A358. So it's a  
7 matter of the wall thickness that you order.

8 You can go off the schedule chart and just say I  
9 need .130 wall, eight inch .130 wall and get a .120 wall  
10 min which would be comparable to A312. But there is a  
11 difference in the manufacturing process and the testing  
12 process and it does incur some additional cost because of  
13 that.

14 MR. CORKRAN: One question I will throw out, but  
15 depending on how heavily concentrated you are in the  
16 A312, A778 versus some of the tubing products, I'm not  
17 sure that you'll be best able to answer this.

18 In 2006 one of the things that the record  
19 indicated was that while the products that we're  
20 discussing today were sold almost exclusively to  
21 distributors, the tubing products were generally sold at  
22 the very least equally divided between end users and  
23 distributors, and actually I believe it was somewhat more  
24 weighted to end users rather than distributors. Is that  
25 still a fair characterization today, to the extent that

1 you're involved in the tubing sector?

2 MR. CORNELIUS: Yes, that's accurate.

3 MR. CORKRAN: My last question goes to the  
4 production process.

5 To the extent that you sell product or produce  
6 product that is cold-rolled or cold-drawn, what are the  
7 additional steps that are involved in finishing that  
8 product and what are the applications that make it  
9 worthwhile to cold-roll or cold-draw that product?

10 MR. CORNELIUS: We don't do any cold-drawing.

11 MR. BOLING: We don't do any cold-drawing either.

12 MR. HENKE: We don't either.

13 MR. SCHAGRIN: I think, Mr. Corkran, that's more a  
14 mechanical tubing product, even on the stainless side as  
15 well as on the carbon side, that it's the stainless  
16 mechanical tubing grades that would tend to also have a  
17 cold drawing process so they could get really tight  
18 internal dimensions.

19 I don't believe that any of the A312 or A778  
20 products are normally cold-drawn or are cold-drawn by  
21 anybody in the domestic industry.

22 MR. CORKRAN: One of the reasons why I ask is  
23 because HTS actually breaks out cold-drawing or cold-  
24 rolling, and in fact if you look at the imports from  
25 China that would seem to be where most of the largest

1 growth is occurring is in the HTS number for cold-drawn  
2 or cold-rolled product.

3 MR. SCHAGRIN: I think there that the cold-rolling  
4 refers to really just the fact that you're not heating,  
5 unlike the seamless product, you're not in the welding  
6 process heating the entirety of the product. So that you  
7 could say just on a continuous welding mill that the  
8 product is being cold-rolled and formed. It's formed in  
9 a cold manner. Versus hot-formed. But it's still, even  
10 though the HTS allows you to put in cold-rolled or cold-  
11 drawn, we don't think the products entering from China in  
12 these categories are cold-drawn.

13 MR. CORKRAN: Okay. That concludes my questions.  
14 Thank you all very much for your time.

15 MR. CARPENTER: Thank you very much, panel, for  
16 your responses to our questions. We really appreciate  
17 it.

18 At this point we'll take about a ten minute break  
19 and then we'll resume the conference with the  
20 Respondents' testimony.

21 (Whereupon, a short recess was taken.)

22 MR. CARPENTER: Welcome back. Mr. Schutzman and  
23 Mr. Jakob, please proceed whenever you're ready.

24 MR. SCHUTZMAN: Thank you, Mr. Carpenter.

25 I would just like to preface the remarks by Mr.

1 Jakob to state what is probably rather obvious,  
2 nevertheless, we are not here representing the Chinese  
3 stainless steel welded pressure pipe industry. We are  
4 here on behalf of an American company that purchases  
5 Chinese product and sells it in the United States, a  
6 company that we think has a unique perspective because it  
7 does function on a day to day basis and has for many  
8 years in this industry.

9 So again, we are not representing the Chinese  
10 industry. Mr. Jakob does have information about this  
11 industry. We'll be happy to answer whatever questions  
12 you have to the extent he's able to do so, but with that  
13 caveat I'd like to turn it over to Mr. Jakob. Thank you.

14 MR. JAKOB: Good morning. My name is Howard Jakob  
15 and I am the Executive Vice President of Silbo Industries  
16 based on Montvale, New Jersey.

17 Silbo is one of the largest traders worldwide of  
18 stainless steel pipe, pipe fittings, and flanges. In  
19 business for over 40 years, Silbo sources its products  
20 from suppliers worldwide for resale principally to U.S.  
21 distributors.

22 Because of our long history in this business  
23 relationships with foreign producers and U.S. customers  
24 and U.S. presence, we feel uniquely qualified to provide  
25 the Commission and its staff with what we expect will be



1 valuable information to assist the ITC's preliminary  
2 inquiry.

3 We intend to spend the next few minutes explaining  
4 why this case does not approach the standards established  
5 for injury.

6 We will focus our comments on several areas:  
7 inappropriate like product, 14 inches and below; the  
8 economics of the stainless steel pipe business; the  
9 inherent difference in the way Chinese mills quote as  
10 compared with domestic mills; the condition of the  
11 domestic industry and foreign parents; an examination of  
12 import levels from China; and we will conclude.

13 Initially, inappropriate like product.

14 The Petitioners have suggested a product scope and  
15 like product definition of circular welded stainless  
16 steel pipe not greater than 14 inches in outside diameter  
17 including ASTM A312 and A778 pipe. There is no basis for  
18 excluding pipe greater than 14 inches in outside diameter  
19 from the Commission's analysis.

20 Any investigation or assessment to be meaningful  
21 must include all A312 and all A77 pipe irrespective of  
22 size. Sixteen inches and larger OD pipe is not similar  
23 to below 16 inch pipe, it is identical to the smaller OD  
24 pipe.

25 The ASTM specifications are identical. The

1 applications are identical. The manufacturing process is  
2 nearly the same. The underlying raw material is the  
3 same. The customers and suppliers of the included and  
4 excluded pipe are identical. There is no prior trade  
5 case in stainless pipe that distinguished between small  
6 and large size stainless welded pipe.

7 The only self-serving rationale for the artificial  
8 and inappropriately limited scope and like product  
9 suggested by Petitioners is that the inclusion of 16 inch  
10 and above pipe weakens a case that is also weak on many  
11 other levels.

12 It is common knowledge that the most profitable  
13 area of the domestic pipe business is large OD pipe. In  
14 conversations with some of the largest distributors in  
15 the United States, none could understand the distinction  
16 between pipe 14 inch below and pipe greater than 14  
17 inches. Every statistic provided by the domestic  
18 industry will change markedly if all sizes of pipe are  
19 included in the analysis.

20 We're told the domestic industry is a significant  
21 exporter of large OD pipe. The Commission should require  
22 a resubmission of data including all sizes.

23 The absurdity of the self-serving nature of  
24 Petitioners' suggested scope is that they probably would  
25 have preferred to limit it to below six inch OD pipe

1 simply because eight inch, ten inch and twelve inch OD  
2 pipe are more profitable for them than smaller sized  
3 pipe. The only reason they didn't is because of the  
4 incomparability of small OD domestic pipe statistics to  
5 import statistics that include all A312, A77 pipe  
6 irrespective of size, as well as other pipe not part of  
7 Petitioners' scope and like product definition.

8 Economics of the stainless pipe business.

9 There are two factors that drove domestic  
10 performance during the period of investigation. The  
11 price of nickel and the demand for this product. By all  
12 accounts demand for stainless steel products in general  
13 and pipe in particular was strong throughout the period  
14 of investigation and continues to be strong in the U.S.  
15 and worldwide.

16 The prices of stainless products including coil,  
17 strip and pipe is directly correlated with the price of  
18 nickel. During the period of investigation the price of  
19 nickel fluctuated wildly between \$6 a pound and \$23 a  
20 pound. The performance of all companies in the stainless  
21 business was primarily determined by their position in  
22 stock and orders and how these positions were hedged in  
23 the context of nickel prices.

24 Reading performance assessments by Synalloy,  
25 Marcegaglia, Outokumpu, give a clear indication that

1 performance was affected very heavily by the fluctuations  
2 in the price of nickel.

3 As an example, we call your attention to an  
4 October 24th piece in the Steel Business Briefing, a  
5 daily steel business newsletter where Outokumpu reports  
6 substantial nickel-related losses that played havoc with  
7 its 3rd Quarter 2007 operating results. Reference is  
8 also made to the Synalloy press release of February 7th  
9 where the company clearly places the emphasis for weak  
10 market conditions in the 4th Quarter of 2007 on, and I  
11 quote, "this uncertainty of nickel pricing along with the  
12 distributors' desire to reduce inventories at year end,  
13 caused distributors to limit purchases throughout the 4th  
14 Quarter."

15 Reference to an Outokumpu January 31, 2008 press  
16 release is illuminating. Speaking about stainless steel  
17 products worldwide under 4th Quarter highlights,  
18 Outokumpu states, and I quote, "Operating profits of 15  
19 million euro included nickel-related inventory losses of  
20 some 100 million euro."

21 Inherent differences in the way Chinese mills  
22 quote as compared with domestic mills.

23 When we quote inquiries and obtain orders from  
24 suppliers and for customers, it is in terms that are  
25 fixed and non-cancelable. Shipments arrive in the U.S.

1 on average five months after an order is taken.  
2 Economically and substantively this should be viewed as  
3 futures contracts.

4 Our customers and suppliers are assuming a set of  
5 risks inherent in any futures contract. Those risks are  
6 most pronounced in a period of price volatility.

7 Due to swings in the price of nickel in 2006 and  
8 2007, these risks were dramatic. Our prices are never  
9 subject to surcharges and contracts are fixed and non-  
10 cancelable.

11 In comparison, domestic mills do not act in the  
12 same manner. Orders are placed and fulfilled in  
13 different ways. A customer can buy for immediate  
14 delivery at a fixed spot price. Customers can buy off of  
15 future production runs for delivery three to six weeks  
16 out. Or on rarer occasions a customer can buy for  
17 delivery eight to twelve weeks out. Sometimes these  
18 arrangements are at fixed prices but most often they are  
19 subject to a surcharge which makes the price variable.

20 During significant segments of 2007 to our  
21 knowledge domestic mills were not selling pipe for long  
22 term delivery at fixed prices as were the sellers and  
23 buyers of Chinese-made pipe. Deals were made on a price  
24 and effect basis. This was due to the nickel market.

25 The point is that by and large the foreign product

1 deals were economically and substantively different from  
2 the domestic arrangements. Therefore, any attempt to  
3 compare prices in the U.S. for foreign made pipe with  
4 prices for domestically manufactured pipe on a  
5 contemporaneous basis can be illusory since the foreign-  
6 made pipe delivered on June 1st, as an example, was  
7 fixed. The price for it was fixed the previous December  
8 or January. These differences must therefore be  
9 considered in any legitimate pricing and lost sales  
10 analysis.

11 Condition of the domestic industry and foreign  
12 parents. For the POI and based on all expectations, the  
13 domestic industry is in excellent condition. In fact,  
14 the domestic industry probably had the best three-year  
15 period in its history.

16 There is a serious disconnect between the  
17 characterization of this industry and the petition and  
18 the industry's performance described by the companies in  
19 other context. We direct the Commission staff's  
20 attention again to the February 7<sup>th</sup> press release from  
21 Synalloy, rather dramatic increases in the metal segment  
22 in sales, 23 percent, operating income, 41 percent are  
23 discussed. The release goes on to provide a fairly in-  
24 depth analysis of the company's performance, in part  
25 differentiating what is commodity and non-commodity

1 products. We do not understand this distinction, as it  
2 is one not generally referred to in the stainless steel  
3 pipe business.

4 Also, very noteworthy is a press release on  
5 February 8<sup>th</sup>, where Synalloy discusses planned increases  
6 in capacity of large diameter pipe. Exhibit 1-37,  
7 financial information to the petition, shows an increase  
8 for Petitioners in sales for pipe not greater than 14  
9 inch, from 130 million in 2005, to 191 million in 2007,  
10 an increase of 47 percent. In the same period, operating  
11 income went from a loss of 6.9 million, to a profit of  
12 8.9 million. If these results are properly adjusted to  
13 include all stainless welded pipe, the improvement would  
14 be even more dramatic and far short of any injury  
15 threshold.

16 It would be very useful for the Commission to  
17 request the Petitioners to reconcile Exhibit I-37,  
18 covering pipe not greater than 14 inches in outside  
19 diameter, with financial information showing their entire  
20 8312 and 8778 pipe business, larger OD pipe, smaller OD  
21 pipe, including pipe used in piping systems. This  
22 comparison will be particularly informative.

23 Both Outokumpu and Marcegaglia are far in based  
24 multifaceted steel operations. Out of Outokumpu  
25 principally in the stainless steel business had nearly

1 seven billion euro in sales for 2007 and nearly 600  
2 million euro in operating profit. Marcegaglia is in both  
3 the carbon and stainless businesses, with 2006 revenues  
4 of 3.5 billion euro and operating profits of 300 million  
5 euro. In the short term, Outokumpu describes the  
6 underlying demand for stainless steel as healthy.  
7 Outokumpu also states that operating profit for the first  
8 quarter of 2008 is estimated to be better than in the  
9 previous quarter.

10 Also, by far, the primary component in the cost of  
11 stainless steel welded pipe is stainless strip and sheet.  
12 It is informative to review the performance and outlook  
13 of two very significant U.S. suppliers to the domestic  
14 pipe industry. By all measures, Allegheny Technologies  
15 and AK Steel had terrific years in 2007. Their outlook  
16 for stainless steel demand in 2008 is labeled as upbeat  
17 in a January 31, 2008 American Metal Market article. The  
18 performance of these two coil producers mirrors the  
19 performance of stainless welded pipe producers in the  
20 United States.

21 Examination of importer levels from China. Using  
22 Petitioners' numbers, 38,100 net tons of welded stainless  
23 pipe were imported from China from December 2006 from  
24 November 2007, averaging 3,175 tons per month. A closer  
25 examination of these statistics will show a dramatic



1 decrease in the latter part of 2007. Imports in December  
2 were 1,487 tons. This is the same month where level is  
3 the average -- the monthly average for all of 2005. The  
4 average monthly tonnage from China in the period  
5 September 2007 through December 2007 was 2,200 tons, down  
6 40 percent from the average tonnage for the first six  
7 months. It is anticipated, based on market activity that  
8 we see, that January will augment this trend. This  
9 decrease in imports over the last half of 2007 is related  
10 principally to inventory corrections made by overstocked  
11 U.S. distributors, necessitated by a rather severe  
12 downturn in projects, in which pipe of all types,  
13 including stainless steel pipe, is used. Based on an  
14 article in the Steel Business Briefing, dated January 30  
15 of this year, imports of all stainless steel pipe and  
16 tubing from all countries, all stainless pipe and tubing  
17 from all countries were down 47 percent in December of  
18 2007 compared to December 2006 and were down 14 percent  
19 from November 2007. After November, imports decreased 11  
20 percent from October. October decreased 11 percent from  
21 September and September decreased 24 percent from August.

22 It is also noteworthy that a significant amount of  
23 stainless steel pipe is being exported to this country  
24 from Taiwan. Most of this material is coming from a  
25 company no longer covered by the Taiwanese dumping order

1 on stainless steel welded pipe. The average tonnage from  
2 Taiwan during 2007 was 1,800 net tons per month, very  
3 close to the current level of imports from China.

4 We, also, direct you to a December 27<sup>th</sup> article in  
5 the Steel Business Briefing. The article refers to  
6 China's imposition of a 15 percent tax on welded pipe  
7 exports effective January 1, 2008. The effect of this  
8 new regulation will be to depress export levels of the  
9 product substantially and to actually remove and has  
10 actually removed a number of Chinese manufacturers from  
11 the export market.

12 The contentions of the domestic industry are  
13 without basis and should be discarded. There is no  
14 injury; there is no threat of injury. The domestic  
15 industry is thriving. The like kind product definition  
16 suggested by Petitioners is simply without justification.  
17 An appropriately expanded like product assessment would  
18 even more clearly demonstrate a very healthy industry.

19 The clear purpose of this contrived petition is to  
20 eliminate vibrant competition. The only result will be  
21 the curtailing of competition, market dislocation, and  
22 pain, to be experienced by all the downstream businesses  
23 that rely on this product. To us, this is a transparent  
24 attempt to inappropriately use dumping and countervailing  
25 duty statutes as a cost-free insurance policy or a cost-

1 free option to cover uncovered, unhedged positions in  
2 nickel. Thank you for your consideration. I will be  
3 happy to address any of the staff's questions.

4 MR. CARPENTER: Thank you, Mr. Jakob, Mr.  
5 Schutzman, for your testimony. We appreciate it. Let me  
6 just start with one question and I appreciate your  
7 providing the refinement of the statistics in the last  
8 few months of 2007 compared to other periods. Looking at  
9 the broader period of investigation that we're looking at  
10 of 2005 to 2007, the numbers that I've seen show that  
11 imports from China have more than doubled during that  
12 period. I was wondering if you could comment on what you  
13 believe is driving that increase or has driven that  
14 increase over the period?

15 MR. JAKOB: I think it has to do with a general  
16 increase in the demand for stainless product worldwide.  
17 I think it has something to do with my friends -- what my  
18 friends, the Petitioners, said and that was an  
19 extraordinary boost in business from alternative fuel  
20 sources, including ethanol. That contributed a good deal  
21 to the increase, but that part of the business has  
22 experienced precipitous decreases in the last few months.  
23 My feeling is that in general, the increase from China  
24 was a function of improved general economic conditions  
25 worldwide, all products, stainless.

1           MR. CARPENTER: I appreciate what you said about  
2 some of the factors that we should take into account in  
3 making price comparisons between a domestic product and  
4 the imported product, but you've heard the Petitioners'  
5 testimony this morning that they believe that the Chinese  
6 imports are underselling the domestic product by 20  
7 percent and sometimes up to 40 percent. Is that  
8 consistent with your experience in the industry over the  
9 last few years?

10           MR. JAKOB: I can't speak directly to specifics,  
11 as to whether the Chinese are underselling the American  
12 product, because, as I tried to explain, what my company  
13 sells is uniquely different from what the domestic  
14 industry is selling. Comparing prices at two points in  
15 time, my prices that I quote today won't be shipped for  
16 five months and it's that price generally that's going to  
17 be compared by the Petitioners, in determining which  
18 price is greater. It's just, in my mind, a very  
19 different product.

20           MR. CARPENTER: The Petitioners indicated this  
21 morning that there are approximately 12 major  
22 distributors and all those companies stock the Chinese  
23 product. Is that your understanding, as well?

24           MR. JAKOB: I don't know if they all do. I think  
25 many, if not most, do. Yeah.

1 MR. CARPENTER: I believe that's all the questions  
2 I have right now. Let me turn to Ms. Haines.

3 MS. HAINES: Thanks. Betsy Haines, Office of  
4 Investigations. Just as I had asked the Petitioners  
5 earlier, any information that you can provide on the  
6 Chinese industry in your post-conference brief would be  
7 greatly appreciated and helpful.

8 Another question, any information that you have or  
9 could provide on the Chinese VAT rebate and the Chinese  
10 excised tax during the period of investigation, because I  
11 know they've made quite a it of changes to both of those  
12 over the past couple of years, would be helpful.

13 Also, who do you consider some of your major --  
14 what other importers do you consider some of your major  
15 competitors, other importers of the product?

16 MR. JAKOB: Well, there are a number of companies,  
17 who are -- you want me to name the companies --

18 MS. HAINES: Yeah.

19 MR. JAKOB: -- who are importing?

20 MS. HAINES: Or you could --

21 MR. JAKOB: I mean, changes from time to time.  
22 One example would be a company called Norca, N-O-R-C-A.  
23 There are a host of different trading companies.

24 MS. HAINES: Okay. If you could maybe list those  
25 in your post-conference brief, that would be helpful.

1 That's all I have. Thank you.

2 MR. CARPENTER: Ms. Alves?

3 MS. ALVES: Good morning. Mary Jane Alves from  
4 the General Counsel's Office. If I could just add to Ms.  
5 Haines's request, when you identify who some of the other  
6 importers are that you're aware of in the market, if you  
7 could also specify which sources you believe that they're  
8 importing from, perhaps give us a sense of who else is  
9 importing heavily from China? Is Norca among those you  
10 believe to be importing heavily from China?

11 MR. SCHUTZMAN: We will endeavor to do so, Ms.  
12 Alves, but I'm not sure that's information that the  
13 company will have.

14 MS. ALVES: I understand. Sometimes, through your  
15 conversations with your distributor customers, you may be  
16 have more a sense of who you're bidding against and you  
17 may have a sense of what products they're offering.

18 MR. SCHUTZMAN: Sure.

19 MS. ALVES: Let me start with some domestic like  
20 product questions. First, just starting off, as I  
21 understand it, your domestic like product argument would  
22 be limited to a request that the domestic like product be  
23 defined to include all pipe products regardless of their  
24 dimensions, so you would not have the 14-inch cutoff.

25 MR. JAKOB: Or A312 and A778.

1 MS. ALVES: Correct.

2 MR. JAKOB: Yeah.

3 MS. ALVES: Okay. So, you're not making any  
4 request that the Commission expand it to include tubing  
5 products, as had been done --

6 MR. JAKOB: No, ma'am.

7 MS. ALVES: -- in the previous -- okay. So, you  
8 do understand that there are distinctions there and you  
9 recognize the validity of those distinctions from the  
10 last case?

11 MR. JAKOB: Yes.

12 MS. ALVES: Okay. In terms of the larger diameter  
13 product -- or the greater than 14-inch OD products, there  
14 was testimony this morning, there was also information in  
15 the petition, to indicate that a different production  
16 process is needed, in order to make the larger products.  
17 Would you agree that this is a difference?

18 MR. JAKOB: I really don't have any knowledge. I  
19 can't answer that from an engineering perspective.  
20 Through all the years that we've been in the business,  
21 there's never been a distinction, a significant  
22 distinction between any aspect of small OD, large OD. In  
23 fact, this petition is the first time I've ever seen a  
24 distinction of pipe put into two categories, below -- 14-  
25 inch below and above 14 inch. If you look at a 14-inch

1 piece of pipe and a 16-inch piece of pipe, they're going  
2 to look identical, other than two inches in OD.

3 MS. ALVES: Okay. Are you aware of different  
4 producers that may be supplying the larger products or do  
5 you think that the larger products are the same  
6 producers, who are here today?

7 MR. JAKOB: Overseas, they're the same.

8 MS. ALVES: Overseas. But what about in the U.S.  
9 market?

10 MR. JAKOB: I couldn't answer that.

11 MS. ALVES: Our focus in defining the domestic  
12 like product is what happens here in the United States.  
13 So, to the extent that it's the same producers, who are  
14 producing both --

15 MR. JAKOB: To our knowledge, there are U.S.  
16 producers, some of the U.S. producers produce large OD  
17 pipe.

18 MS. ALVES: Okay. And are you aware whether or  
19 not there are other U.S. producers, who produce only the  
20 larger diameter?

21 MR. JAKOB: I'm not aware.

22 MS. ALVES: Okay. You mentioned this morning your  
23 understanding that it's the same customers. By  
24 customers, you mean the same distributors are purchasing  
25 the four-inch?



1 MR. JAKOB: Yes.

2 MS. ALVES: Okay. What about the end users, are  
3 the end users the same?

4 MR. JAKOB: I would suggest that the end user for  
5 a 14-inch pipe is the same end user for a 16-inch pipe,  
6 an 18-inch pipe, a 12-inch pipe, a 20-inch pipe. There  
7 may be some applications in pipe where a larger OD is  
8 significantly more prevalent. But, these cutoff points  
9 are arbitrary, no basis to them.

10 MS. ALVES: Okay. And in terms of differences in  
11 applications, what might some of the differences be in  
12 terms of applications?

13 MR. JAKOB: Well, there may be specific systems  
14 that require or spec'd because of whatever gases or  
15 liquids are captured in the pipe and whatever functions  
16 they're performing, they simply may require a larger OD  
17 pipe.

18 MS. ALVES: Can you generalize the specific end  
19 users that are going to use those, as opposed to -- or  
20 just that it's the same end user, but they may use the  
21 smaller dimensions for --

22 MR. JAKOB: There may be some end users that, by  
23 virtue of what they do, are more prone to use larger-  
24 sized pipe than smaller-sized pipe.

25 MS. ALVES: Okay. And in your own purchasing, are

1       you purchasing the full --

2               MR. JAKOB:   Yes.

3               MS. ALVES:   -- gamut?

4               MR. JAKOB:   Yes.

5               MS. ALVES:   And are you selling the full gamut to  
6       the same --

7               MR. JAKOB:   Yes.

8               MS. ALVES:   -- end users?

9               MR. JAKOB:   Yes.

10              MS. ALVES:   Okay.  Is there anything that you  
11       could provide in the post-conference brief of examples of  
12       the fact that you're selling to the same groups of end  
13       users for the same applications?

14              MR. JAKOB:   I suppose there is.  I mean, when we  
15       get an inquiry from a customer, generally it will --  
16       often it will include larger OD and smaller OD pipe; same  
17       customers, same inquiries.  Sometimes, we'll get  
18       inquiries of smaller OD.  Sometimes, we'll get inquiries  
19       that are broken down in different categories.  There may  
20       be an inquiry that's four inch and below from a  
21       distributor.  And then a distributor is purchasing -- is  
22       replenishing his inventory needs and he's asking us to  
23       quote six- to 12-inch pipe and two weeks later the same  
24       distributor will ask us to quote larger OD pipe.

25              MS. ALVES:   Are these distributors -- can you

1 characterize what these distributors are purchasing? For  
2 example, is there a great portion of the market that is,  
3 let's say, 14 inches and below, as opposed to 14 inches  
4 and above? Can you give me a sense of what --

5 MR. JAKOB: There's a good portion of the market -  
6 - I can't -- I'm not in possession of the statistics to  
7 estimate that.

8 MS. ALVES: A good portion of the market that is  
9 greater than 14 inches?

10 MR. JAKOB: Yes, yes.

11 MS. ALVES: Do you have a general sense?

12 MR. JAKOB: No. You want me to guess at a  
13 percentage? I can't do that.

14 MR. SCHUTZMAN: Ms. Alves, we will endeavor in a  
15 post-conference submission to provide you with as much  
16 specificity as we can concerning the sales by Silbo of  
17 pipe in excess of and below 14 inch OD.

18 MS. ALVES: Okay. Are these distributors  
19 purchasing products other than these welded stainless  
20 steel pipes? Are they also inventoring a number of other  
21 products, as well?

22 MR. JAKOB: Yes.

23 MS. ALVES: Other stainless products? Other  
24 carbon products?

25 MR. JAKOB: Yes, fittings, flanges.

1 MS. ALVES: Just so that I can understand some of  
2 your testimony this morning about the differences in  
3 terms of how the Chinese producers are quoting in the  
4 U.S. market, as compared to the domestic industry.  
5 You've indicated that you will receive quotes from your  
6 Chinese suppliers today for products that they won't ship  
7 here until five or six months from now.

8 MR. JAKOB: We receive those quotes and, in turn,  
9 quote our customers simultaneously.

10 MS. ALVES: That was my question.

11 MR. JAKOB: Simultaneously, right.

12 MS. ALVES: So, you're making your quotes --

13 MR. JAKOB: Back-to-back --

14 MS. ALVES: -- to your customers --

15 MR. JAKOB: What we call back-to-back  
16 arrangements. They're locked in on both sides.

17 MS. ALVES: So, your purchasers -- your  
18 distributor purchasers are locking in today for  
19 deliveries --

20 MR. JAKOB: That's exactly correct.

21 MS. ALVES: -- that they will not receive for  
22 another five or six months?

23 MR. JAKOB: That's exactly correct.

24 MS. ALVES: And the same -- so, you're just --

25 MR. JAKOB: Right.

1 MS. ALVES: -- quoting today. And so, they're  
2 assuming the same -- similar risks on the other end.  
3 Everybody is making a gamble on either end, then, is your  
4 --

5 MR. JAKOB: That's correct.

6 MS. ALVES: -- is your argument. Okay. Those  
7 were all the questions that I had at this point. Thank  
8 you.

9 MR. CARPENTER: Mr. Greene?

10 MR. GREENE: No questions at this time.

11 MR. CARPENTER: Mr. Ascienzo?

12 MR. ASCIENZO: I have no questions. Thank you,  
13 very much, though.

14 MR. CARPENTER: Mr. Van Toai?

15 MR. VAN TOAI: Thank you for coming. I have no  
16 questions at this time.

17 MR. CARPENTER: Mr. Corkran, to you?

18 MR. CORKRAN: Thank you. I very much appreciate  
19 your testimony. It's been helpful. I want to follow-up  
20 on a question that I believe Ms. Haines began with, which  
21 was the type of product that you make and compete with in  
22 the marketplace. What would be the primary import  
23 sources that you find yourself competing with when you're  
24 quoting for business?

25 MR. JAKOB: Generally, I'll compete with other

1 importers, who are quoting the same product from  
2 different sources worldwide.

3 MR. CORKRAN: Do you find yourself quoting against  
4 other suppliers of Chinese product or -- for example,  
5 just to introduce names that have already been mentioned  
6 in public session today, for example, a Norca or Atachan,  
7 I believe that's the two names that have been publicly  
8 mentioned, do you find yourself quoting against product  
9 originating in countries other than China?

10 MR. JAKOB: Yes.

11 MR. CORKRAN: What would be the primary countries  
12 that you see?

13 MR. JAKOB: Well, they've been mentioned. You  
14 mentioned all of them: Taiwan, Malaysia, to a lesser  
15 extent Thailand, you said. There are many other, you  
16 know, smaller producers of stainless welded pipe  
17 worldwide.

18 MR. CORKRAN: One of the things from looking at  
19 the official import statistics, it does look like  
20 Malaysia -- the volume of imports from Malaysia may be  
21 increasing in recent times. Is that a -- do you have any  
22 insight into the competition from product coming from  
23 Malaysia, in particular, just because of the more recent  
24 growth patterns?

25 MR. JAKOB: None that I could comment on.

1 Specifically, Malaysia, no.

2 MR. CORKRAN: Thank you. No, it's just from  
3 looking at the import trends, that was one of the  
4 comments. Another question, the 14-inch product, is that  
5 a product, which you believe likely to have much of an  
6 import presence? I know that you said that you couldn't  
7 get into exact numbers and what I'm more curious about  
8 is, is that a product range that typically tends to be  
9 most prevalently represented by domestic producers or  
10 whether there's an import presence in those larger  
11 diameters?

12 MR. JAKOB: There's definitely an import presence.  
13 It's much more than a presence in the larger diameter  
14 pipe. I'm just reluctant in hazarding or speculating any  
15 kind of -- putting in a numerical number.

16 MR. CORKRAN: When you mentioned that a prevalent  
17 form of transaction for you is back-to-back, is it fair  
18 to take from that then that you typically don't hold  
19 inventories or substantial volumes of inventories?

20 MR. JAKOB: That's correct.

21 MR. CORKRAN: Without getting into too much  
22 speculation, to your knowledge is that -- would you  
23 believe that to be typical of other importers or do you  
24 believe that there are importers, whose practice would  
25 include holding substantial inventories?

1           MR. JAKOB: I think they may fall into both  
2 categories. There may be importers that -- there are  
3 distributors that import for their own account.

4           MR. CORKRAN: Okay. I believe that takes care of  
5 all of my questions, but I'd like to echo the thanks of  
6 the other panel for your testimony here today. It's been  
7 very helpful and I certainly understand the fact that you  
8 don't directly represent the industry in China, but I  
9 certainly appreciate your being here to discuss the role  
10 of an importer and the perspective of an importer in this  
11 process.

12           MR. CARPENTER: Ms. Alves?

13           MS. ALVES: Just one quick follow-up statement and  
14 related question and this goes to both the Petitioners'  
15 panel and the Respondent's panel. To the extent that I  
16 was asking questions earlier today or this afternoon to  
17 either panel, feel free to respond to either set of  
18 questions in your post-conference briefs. And, in  
19 particular, Mr. Schutzman, if you could respond to some  
20 of the questions this morning about whether or not you  
21 would agree that this is a commodity product and if you  
22 could also discuss the applicability of the Federal  
23 Circuit's decision in Bratsk to this case, especially  
24 given your assertions today about the Taiwan producer,  
25 who is no longer subject to the dumping order.



1 MR. SCHUTZMAN: We will do so.

2 MS. ALVES: And Mr. Schagrín, that also goes to  
3 you, as well, in terms of obviously the domestic like  
4 product, if you could flush as much of my questions this  
5 afternoon about the prevalence of the domestic industry  
6 in the larger sizes and whether or not there's any  
7 overlap, in terms of that production. Also, if there are  
8 any other domestic producers that may be supplying that  
9 segment, but not supplying the smaller dimensions, that  
10 would be helpful, as well.

11 MR. CARPENTER: Mr. Jakob, I just wanted to  
12 follow-up on one part of your testimony. I'm not sure if  
13 I heard it correctly or not. I believe you had some  
14 mention of commodity products or commodity grades. I'm  
15 talking about right now just within the 14-inch and  
16 under. Are there some either sizes or types of products  
17 within the scope of the investigation that you feel there  
18 is greater competition between the Chinese suppliers and  
19 the U.S. producers and then other sizes or products, in  
20 which there is less competition?

21 MR. JAKOB: I don't think that I've been able to  
22 discern any greater or less competition in certain sizes.

23 MR. CARPENTER: Okay. To put it another way,  
24 maybe to be a little more specific with regard to your  
25 particular business, do you feel that you compete to a

1 fairly significant degree with the U.S. producers in this  
2 room across the range of products that are within the  
3 scope of the investigation?

4 MR. JAKOB: Within the scope and outside the  
5 scope, below 14-inch and above 14-inch.

6 MR. CARPENTER: I understand, okay. Thank you. I  
7 just wanted to clarify that. Again, thank you, very  
8 much, for coming here today. We appreciate your presence  
9 on behalf of the Respondents, sir, on behalf of yourself.  
10 Thank you, very much. And at this point, we'll take  
11 another brief recess of about 10 minutes to allow each  
12 side to prepare their closing statements, beginning with  
13 the Petitioners.

14 (Whereupon, a short recess was taken.)

15 MR. CARPENTER: Welcome back, Mr. Schagrín.  
16 Please proceed.

17 MR. SCHAGRIN: Thank you, Mr. Carpenter. Once  
18 again, I'd like to express my appreciation for Silbo  
19 appearing. Mr. Jakob and Mr. Schutzman, it's, I think,  
20 as you all know, I would love to have all the importers  
21 be here and I would like to see representatives of 10 or  
22 12 Chinese mills be here to further flush out the record  
23 for the Commission's preliminary determination.

24 However, I don't believe Mr. Jakob's like product  
25 analysis fits very well within the Commission's six-part

1 like product criteria. And I understand he's not an  
2 attorney, so I say this with due deference. But, there  
3 are -- looking at the like product criteria, there are  
4 major differences between the products greater than 14  
5 inches and those 14 and below. First is that they're  
6 produced on entirely different equipment. We'll try to  
7 get you some drawings, but the press brake equipment and  
8 the continuous welding mills are night and day different,  
9 in terms of the equipment, itself.

10 Secondly, the method of production then is  
11 entirely different. Under a press brake, you literally  
12 make one piece of pipe at a time. That's it. Continuous  
13 weld mills, you're making lines of pipe and then you're  
14 cutting them. So, completely different. Because of  
15 those differences, there's different workers on these  
16 plants. And Mr. Henke even referred earlier, as their  
17 smaller-sized OD products on their continuous welding  
18 mills have gone down, they have had to retrain -- you  
19 just can't move a worker from one process to another.  
20 You have to spend the money to retrain them, because the  
21 production processes are so completely different. There  
22 are some differences among producers. Swetco makes large  
23 diameter, doesn't make small. Marcegaglia makes small,  
24 doesn't make large.

25 Now, there's also differences in terms of the way

1 the products are distributed and used. All of the 14-  
2 inch and under product go through distribution. Probably  
3 the majority of the larger than 14-inch -- when we say  
4 larger than 14 inch, we're going up as big as 144 inches  
5 made by one of these producers. It's made for projects  
6 for specific users. A lot of the uses of the large  
7 diameter product are in the gas business, LNG terminals,  
8 other types of major gas distribution. Those are not the  
9 uses of the smaller diameter products, where we discussed  
10 all the uses of the small diameter.

11 So, we have differences in distribution. One  
12 product goes often for project business, so it goes to  
13 end users, as well as distributors. The other is 100  
14 percent distributors, almost entirely distributors. We  
15 have differences in end uses. We have differences of  
16 production products. We have differences in workers.  
17 Market perceptions are largely different, because of the  
18 specific uses of the large-sized product. So, just  
19 because you have the same ASTM spec applies to 24 or 30  
20 inch, as it applies to two inch, doesn't make these the  
21 same like product. And I think as the Commission  
22 explores this throughout the investigation, I know now  
23 that it's brought up, but will explore it and that's  
24 perfectly fine, you will see that these are different  
25 like products.

1           The second major point is that Mr. Jakob spent a  
2 lot of time talking about the health of industries other  
3 than the producers of the domestic like product. It  
4 doesn't really matter to the Commission, doesn't matter  
5 to these gentlemen and the workers in their plants, if  
6 Outokumpu, a seven-billion dollar company, is doing very  
7 well and Outokumpu's stainless pipe in Wildwood, Florida  
8 is even one percent of Outokumpu, you are focused, I am  
9 focused on what is happening to the producers of the  
10 domestic like product. It, also, doesn't matter how well  
11 their suppliers are doing. The question is how well are  
12 they doing and we know from the record, that they are, in  
13 fact, never doing well or not doing well at the present  
14 time.

15           Interesting argument, it almost was an argument  
16 that because the Chinese don't use, and Silbo is in a  
17 good position as an importer to talk about the way the  
18 Chinese price, and I thought I understood Mr. Jakob to  
19 say that most of the Chinese importers, if not all, are  
20 using the same pricing mechanisms and that is they don't  
21 use surcharges and the domestic industry does. Okay.  
22 So, you do have different pricing mechanisms. The  
23 argument was then, well, the Commission can't do  
24 underselling analysis in this case. Well, we all know  
25 that's not the case. You can do underselling analysis in

1 this case, because what the customer cares about, who is  
2 a distributor, is, is my price of Chinese producer lower  
3 or higher than domestic product. He says, gee, when I'm  
4 selling, these guys are taking the risk. No, when  
5 everybody is selling, the customer is taking a risk. I  
6 mean, distributors, regardless of the markets, are always  
7 taking inventory risks. But what's amazing is that the  
8 distributors that Silbo is selling to aren't really  
9 taking a risk, because they're being sold at prices on  
10 average 40 percent less than domestic prices. If the big  
11 risk was there with all these wild swings, wouldn't we  
12 see sometimes with this longer lead time from China and  
13 if nickel was going down, wouldn't we see Chinese prices  
14 sometimes dramatically higher than domestic prices? I  
15 don't think we're going to see that and that's because  
16 the importers of Chinese product and their Chinese  
17 suppliers, who are not market oriented, who are largely  
18 government-owned producers, who care about employment and  
19 quantities and are able to buy heavily subsidized  
20 stainless sheet from Chinese government-owned mills, they  
21 will make sure that their prices are lower than domestic  
22 prices. And that is really what explains, it's not the  
23 increase in demand that explains the 120 percent increase  
24 in imports over this time period, it is the margins of  
25 underselling, which explains the increase in imports from

1 China. And that's the only explanation, not to mention  
2 addition to much cheaper prices, which are virtually  
3 never higher than domestic, these importers are giving  
4 customers 180 days to pay for their product versus 30  
5 days from domestic. That's a huge advantage that they  
6 have, a major non-price factor.

7 Now, Silbo states that on the one hand, the reason  
8 that imports from China went up is because demand was  
9 going up and he said, but it's been going down at the end  
10 of 2007, because, you know, demand is going down. Well,  
11 we don't disagree that demand is going down. That's one  
12 point we agree on. And, yet, I look at licensing data.  
13 After he talked about what was happening in the last  
14 several months of 2007, I see licensing data that shows  
15 me a sharp upturn of more than 50 percent between  
16 December 2007 and January 2008 licenses from China. So,  
17 obviously, imports are going back up again. And as, you  
18 know, in terms of his comparison between imports from  
19 China, imports from Taiwan, I see imports from China  
20 almost two-and-a-half to three times as high, in terms of  
21 licensing in January 2008 from China than for imports  
22 from Taiwan.

23 Now, obviously, the Commission is going to focus  
24 on the domestic producers. Silbo has a right under the  
25 law to import as much as they can, but if it's dumped or

1       subsidized, the government can impose antidumping and  
2       countervailing duties. He doesn't have to be concerned  
3       about whether his imports force U.S. plants to shut down.  
4       While demand was going up, Trent Tube shuts down a plant  
5       in Georgia, while demand is going up. Why did they do  
6       that? They did it because they couldn't make money  
7       there. They couldn't operate a high enough capacity  
8       utilization rate, so it shuts down. If Silbo and the  
9       other importers are allowed to keep importing dumped and  
10      subsidized imports from China, then one of these other  
11      four companies' plants will shut down. And every time a  
12      U.S. plant shuts down, I'm sure that makes business for  
13      the importers better. But, the job of the Commission is  
14      to prevent that from happening where importers are buying  
15      unfairly traded products, selling them in larger  
16      quantities and prices, which cause injury to the U.S.  
17      industry.

18               And let me just conclude with a review of the  
19      injury. The other area, in which Silbo and we agree upon  
20      is that during 2005 and 2007, there was a big increase in  
21      demand in the U.S. market. Imports from China went from  
22      13,000 to over 30,000 tons. What was the benefit to the  
23      domestic industry of this huge increase in demand? Their  
24      production declined over the POI. Their shipments  
25      declined over the POI. By the way, in the Sinalloy



1 release that was referred to was a little bit, you know,  
2 pick and nit. One of the things I read in the Synalloy  
3 release, they said, in 2007, I know it wasn't just  
4 subject product. Their volume of sales declined by 24  
5 percent. Their sales revenues increased by 63 percent.  
6 That was because of nickel and molybdenum. But, they're  
7 not in the commodity trading business. They did benefit.  
8 Everybody knows all the price of these things went up.  
9 But, your company is not doing well when your volumes go  
10 down by 24 percent. The industry's capacity utilization  
11 fell. Their employment declined. They are very much  
12 under utilizing their mills and this is not a period of  
13 great bounty. The Commission can certainly compare the  
14 results of this industry to the other segments of the  
15 steel industry and conclude that four percent profit  
16 margins at the peak of the cycle is a dismal result. It  
17 may be an improvement from their operating margins in  
18 2005, but it is not the expected improvement that you  
19 would see, given the increase in demand. And I think I  
20 already summarized all of the threat factors and we'll  
21 fill in more information.

22 In conclusion, we believe the Commission has a  
23 very strong record here to find that the domestic  
24 industry has suffered injury over this period of  
25 investigation or that increased import from China present

1 a real and imminent threat of injury to this industry.

2 Thank you.

3 MR. CARPENTER: Thank you, Mr. Schagrin. Mr.  
4 Schutzman?

5 MR. SCHUTZMAN: Mr. Carpenter, I will forgo making  
6 any concluding remarks. We will rely on the testimony of  
7 Mr. Jakob and whatever we have to say in our post-hearing  
8 -- post-conference submission. Thank you.

9 MR. CARPENTER: That's very good. We'll look  
10 forward to seeing your brief. On behalf of the  
11 Commission and the staff, I want to thank all the  
12 witnesses, who came here today, as well as counsel, for  
13 sharing your insights with us and helping us develop the  
14 record in these investigations. Before concluding, let  
15 me mention a few dates to keep in mind. The deadline for  
16 the submission of corrections to the transcript and for  
17 briefs in the investigations is Tuesday, February 26<sup>th</sup>.  
18 If briefs contains business proprietary information, a  
19 public version is due on February 27<sup>th</sup>. The Commission  
20 has not yet scheduled its vote on the investigations. It  
21 will report its determination to the Secretary of  
22 Commerce on March 17<sup>th</sup> and Commissioners' opinions will be  
23 transmitted to Commerce one week later on March 24<sup>th</sup>.

24 Thank you for coming. This conference is  
25 adjourned.

1                   (Whereupon, at 1:06 p.m., the preliminary  
2 conference in the above-entitled matter was concluded.)  
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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** welded Stainless Steel Pressure  
**INVESTIGATION NOS:** Nos 337-TA-1144 & 337-TA-454  
(Preliminary)  
**HEARING DATE:** February 21, 2008  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Preliminary Conference

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

**DATE:** February 21, 2008

**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 E. 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:** Christina Chesley  
Signature of Court Reporter