

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
 )  
LIGHT-WALLED RECTANGULAR ) Investigation Nos.:  
PIPE AND TUBE FROM MEXICO ) 731-TA-1054-1055  
AND TURKEY ) (Preliminary)  
 )

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 LIGHT-WALLED RECTANGULAR ) 731-TA-1054-1055  
 PIPE AND TUBE FROM MEXICO ) (Preliminary)  
 AND TURKEY )

Tuesday,  
 September 30, 2003

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

The preliminary conference commenced, pursuant to notice, at 9:32 a.m., at the United States International Trade Commission, ROBERT CARPENTER, Director of Investigations, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Staff:

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 DIANE MAZUR, ACTING SUPERVISORY INVESTIGATOR  
 OLYMPIA HAND, INVESTIGATOR  
 KAREN DRISCOLL, ATTORNEY/ADVISOR  
 CLARK WORKMAN, ECONOMIST  
 CHARLES YOST, ACCOUNTANT  
 NORMAN VAN TOAI, COMMODITY-INDUSTRY ANALYST

APPEARANCES: (cont'd.)

In Support of the Imposition of Antidumping Duties:

On behalf of California Steel and Tube; Hannibal Industries, Inc.; Leavitt Tube Co., LLC; Maruichi American Corp.; Northwest Pipe Co.; Searing Industries, Inc.; Vest, Inc.; and Western Tube and Conduit Corp.:

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GLENN BAKER, Vice President-Marketing and Sales,  
Searing Industries, Inc.

TERRY MITCHELL, Senior Vice President and General  
Manager-Tubular Products Group, Northwest Pipe  
Co.

ROGER B. SCHAGRIN, Esquire  
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Washington, D.C.

In Opposition to the Imposition of Antidumping Duties:

On behalf of the Respondents from Mexico:

MOISES WOLDENBERG, President, Intersteel Corp.  
PETER BREBACH, President, Iron Angels of Colorado,  
Inc.

DAVID DIAZ, Technical Director, IMSA, Inc.

GENERO GONZALEZ, President, TNT Carports

JAIME TREVINO, Export Sales Manager, Hylsa,  
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RENE ARCE-LOZANO, Foreign Law Consultant, White &  
Case

DAVID E. BOND, Esquire  
FRANK H. MORGAN, Esquire  
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Miami, Florida

Also on behalf of the Respondents from Mexico:

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Trade, Embassy of Mexico

APPEARANCES: (cont'd.)

On behalf of the Respondents from Turkey:

VALERI VALTCHEV, Economic Consultant, European  
Trade Services

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P R O C E E D I N G S

(9:32 a.m.)

1  
2  
3 MR. CARPENTER: Good morning, and welcome to  
4 the United States International Trade Commission's  
5 conference in connection with the preliminary phase of  
6 antidumping investigation Nos. 731-TA-1054-1055  
7 concerning imports of Light-Walled Rectangular Pipe  
8 and Tube From Mexico and Turkey.

9 My name is Robert Carpenter. I'm the  
10 Commission's Director of Investigations, and I will  
11 preside at this conference. Among those present from  
12 the Commission staff are, from my far right, Diane  
13 Mazur, the supervisory investigator; Olympia Hand, the  
14 investigator; on my left, Karen Driscoll, the  
15 attorney/advisor; Clark Workman, the economist;  
16 Charles Yost, the accountant; and I believe we'll be  
17 joined by Norman VanToai, the industry analyst.

18 The purpose of this conference is to allow  
19 you to present your views with respect to the subject  
20 matter of the investigations in order to assist the  
21 Commission in determining whether there is a  
22 reasonable indication that a U.S. industry is  
23 materially injured or threatened with material injury  
24 by reason of imports of the merchandise.

25 We will start the conference with a five

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1 minute opening statement from each side beginning with  
2 the Petitioners. Following the opening statements,  
3 each side will be given one hour for their direct  
4 testimony. The staff will ask questions of each panel  
5 after their presentation, but no questions from  
6 opposing parties will be permitted.

7 At the conclusion of the statements from  
8 both sides, each side will be given 10 minutes to  
9 rebut opposing statements and make concluding remarks.  
10 Speakers will not be sworn in. However, you are  
11 reminded of the applicability of 18 USC 1001 to false  
12 or misleading statements and to the fact that the  
13 record of this proceeding may be subject to court  
14 review if there is an appeal.

15 Additionally, speakers are reminded not to  
16 refer in their remarks to business proprietary  
17 information and to speak directly into the  
18 microphones. Finally, we ask that you state your name  
19 and affiliation for the record before beginning your  
20 presentation.

21 Are there any questions?

22 (No response.)

23 MR. CARPENTER: If not, welcome, Mr.  
24 Schagrin. Please proceed with your opening statement.

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

1 members of the Commission staff. For the record, my  
2 name is Roger Schagrín of the law firm of Schagrín  
3 Associates, and we represent Petitioners in these  
4 investigations.

5 As we've already heard in the press from the  
6 Mexicans and the Turks and as I'm sure you will hear  
7 at the conference today, they are all telling the  
8 press we don't understand why these cases were filed.  
9 You know, this is a product that's covered by 201  
10 relief, and why is the industry filing antidumping  
11 petitions while it's supposed to be enjoying 201  
12 relief?

13 I think the answer is just very clear from  
14 the numbers. In the past few years, particularly in  
15 2002 and 2003, we have had just an incredible surge in  
16 imports of light-walled rectangular tubing from Mexico  
17 and Turkey. This import surge from Mexico was from  
18 102,000 to 145,000 tons in one year, a 42 percent  
19 increase. Imports from Turkey more than tripled, from  
20 8,500 to 31,000 tons.

21 On a cumulated basis, and we believe  
22 cumulation is absolutely required in this  
23 investigation, there was a 58 percent increase just  
24 between 2001 and 2002 for imports of this product from  
25 these countries.

1           In comparison, this Commission had a case  
2           against Mexico, which was terminated at the  
3           preliminary stage, in 1995. Imports from Mexico  
4           between 1992 and 1994 went from 8,000 to 19,000 tons.  
5           That was annual imports. We've had some months in the  
6           past year or so in which the monthly imports from  
7           Mexico have been more than their annual imports were  
8           during that time period.

9           Now, the Commission made a negative  
10          determination in that last case against Mexico. It  
11          wasn't appealed. The Commission's determination was  
12          appropriate. Once it was determined that a regional  
13          industry analysis could not be done, the industry was  
14          doing very well during that time period.

15          Now as we all know, at the Commission you're  
16          instructed to look at injury to the domestic industry  
17          in the context of the business cycle. What's amazing  
18          about this case, and you'll hear us refer to this a  
19          lot today, is that this case in 2003 looks at a  
20          business cycle that is almost identical to the  
21          business cycle the Commission looked at in the 1995  
22          prelim.

23          The last time we had a recession in this  
24          country before the 2001 recession was 1992, so the  
25          Commission got to look at the light-walled rectangular

1 industry coming out of the 1992 recession right  
2 through to full year 1994. Now you're looking at this  
3 industry in 2000 before going into the recession,  
4 2001, 2002, the first half of 2003.

5           During the last business cycle, what  
6 happened to this industry, an industry that focused on  
7 really uses in residential construction and consumer  
8 goods? What happened to this industry the last time?  
9 Coming out of the recession production, shipments,  
10 profitability all increased. In fact, profitability  
11 doubled for the industry between 1992 and 1994.

12           What's happening in this case as the U.S.  
13 industry came out of a recession in 2001? Production/  
14 shipments are actually declining slightly or staying  
15 even. Is profitability doubling like it did coming  
16 out of the last recession? No. Profitability has  
17 been cut in half.

18           Why would there be such a difference in the  
19 condition of this industry coming out of this  
20 recession and coming out of the last recession?  
21 There's one reason. Cumulated imports from these  
22 countries are 180,000 tons annually. In the last  
23 investigation, total imports from all countries were  
24 only 90,000 tons.

25           The gigantic level of imports from these

1 countries which are underselling the U.S. industry are  
2 taking pricing power away from the domestic industry,  
3 and it's having a horrible impact on the pricing of  
4 the industry. If they can't do well coming out of a  
5 recession, they're never going to be able to do well  
6 again in the future.

7 We will present the facts to the Commission  
8 staff today that's going to demonstrate that the  
9 industry is suffering injury, that imports are  
10 significant, that imports are underselling the  
11 domestic industry and that imports are a cause of that  
12 injury.

13 We will also discuss the threat issues,  
14 although I think it's doubtful the Commission is going  
15 to get to threat. We will go through all of the  
16 threat factors as well.

17 We'll look forward to presenting that case  
18 to you today. We think it's a compelling case and  
19 that it merits an affirmative preliminary injury  
20 determination.

21 Thank you.

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

23 Mr. Bond, would you like to come forward?

24 MR. BOND: Good morning. My name is David  
25 Bond. I'm an attorney with the law firm of White &

1 Case. My colleagues, Frank Morgan and Rene Arce-  
2 Lozano, and I appear this morning on behalf of the  
3 Mexican light-walled rectangular pipe and tube  
4 industry.

5 Principal producers within the Mexican  
6 industry are Arco Metal, Galvak, Hylsa, IMSA-MEX,  
7 Maquilacero, Perfiles y Herrerajes, and Productos  
8 Laminados de Monterrey, which is also known as  
9 Prolamsa. Representatives of several of those  
10 producers and their clients are here this morning to  
11 speak with you and to respond to your questions.

12 By way of introduction, I wanted to mention  
13 three quick points that we believe are fundamental to  
14 your analysis and that Petitioners have ignored. We  
15 believe that a proper accounting of these points will  
16 lead the Commission to conclude that there is no  
17 reasonable indication that imports from Mexico,  
18 whether taken separately or cumulated with imports  
19 from Turkey, cause or threaten to cause material  
20 injury to the U.S. light-walled tube industry.

21 Number one, the natural markets of the  
22 Petitioners and the Mexican mills are quite different.  
23 Most of the Petitioners operate in a discrete market  
24 on the west coast. The separation of this market by  
25 the Rocky Mountains severely limits the Petitioners'

1 ability to compete in our natural markets,  
2 particularly Texas, Oklahoma and parts of the  
3 southeast United States. This is true even with  
4 respect to those Petitioners located in the midwest.

5 The isolation of the Petitioners on the west  
6 coast, coupled with the effects of the safeguard  
7 measures, also explains why these mills are at an  
8 enormous cost disadvantage with respect to raw  
9 materials.

10 Number two, the economic slowdown, including  
11 a brief recession, has had a major impact on demand.  
12 This effect is far more pronounced on the west coast  
13 and in the midwest than it is in our natural markets  
14 of Texas and Oklahoma. The impact of these demand  
15 side issues is an overwhelming cause of any injury or  
16 price suppression suffered by the Petitioners.

17 Number three, in order for imports from  
18 Mexico or cumulated imports to be the cause of  
19 Petitioners' alleged injury, they would need to be the  
20 market leader. However, public data demonstrate that  
21 Mexico was almost uniformly the import source with the  
22 highest AUVs during the period under consideration,  
23 and this was similarly true with respect to cumulated  
24 imports.

25 In light of this and the very limited

1 participation of imports from Mexico in the  
2 Petitioners' natural markets and vice versa, it is  
3 impossible that the subject imports are the cause of  
4 suppressed prices or any injury or threat thereof to  
5 the Petitioners.

6 Thank you.

7 MR. CARPENTER: Thank you, Mr. Bond.

8 Mr. Schagrin, feel free to bring up your  
9 panel at this point.

10 MR. SCHAGRIN: Again, good morning, Mr.  
11 Carpenter. For the record, Roger Schagrin, counsel to  
12 Petitioners.

13 Just a few of the housekeeping matters that  
14 I think we always need to go through in preliminary  
15 conferences here. I don't think it will take a  
16 tremendous amount of time.

17 I'll mention like product. I don't think  
18 we'll have to have a lot of discussion about like  
19 product today. Although not in Respondents' opening  
20 statement, they did make a lot of filings in a very  
21 short time with both the Commission and the Commerce  
22 Department referring to like product and standing  
23 issues. I think the standing issues are already over  
24 now that Commerce has initiated.

25 This Commission has looked at light-walled

1 rectangular tubing on about six occasions in the past  
2 -- 1983, 1984, again in 1987 and 1989 and 1995. I  
3 believe that Ms. Hand worked on one of those cases as  
4 the investigator. Many of you may have worked on  
5 various light-walled rectangular tubing cases over the  
6 years. I'm pretty sure I've worked on all of them  
7 myself.

8           Of course, the Commission looked at this in  
9 2001 in the context of sunset reviews of Argentina and  
10 Singapore. The various cases involved Korea, Taiwan,  
11 Spain, Singapore, Argentina and Mexico in 1995, which  
12 I referred to earlier. The Commission has always  
13 found one like product, which has been identical to  
14 the scope.

15           I would also point out that in the mid 1980s  
16 the Commission looked at a case against Canada on  
17 hollow structural sections and found that to be a  
18 separate like product. That's also rectangular  
19 product, but one with heavier walls used for  
20 structural purposes mostly in major construction.

21           We believe it's appropriate for the  
22 Commission to again find that light-walled rectangular  
23 tubing is a separate like product and that that like  
24 product is contiguous with the scope as determined by  
25 the Department of Commerce.

1           Second, just let me talk about cumulation  
2 for a while. We've laid this out in the petition. We  
3 think here that all the criteria for cumulation are  
4 met. The product from Mexico and Turkey have  
5 tremendous overlap. These are basically products made  
6 to set specifications, generally ASTM A513, sometimes  
7 ASTM A500, usually Grade A, occasionally Grade B.

8           While the Mexican producers probably make a  
9 wider range of products than the Turks, there are  
10 products from Mexico that I'm sure that you will hear  
11 that are coated with zinc or that are prepainted. We  
12 don't think the Turks are into those products.

13           The fact is that the vast majority of  
14 products from Mexico are regular, uncoated, black --  
15 they're referred to as black because they don't have a  
16 coating -- made from hot-rolled or hot-rolled pickled  
17 and oiled product, a small minority made from cold-  
18 rolled product, and so there's a very significant  
19 overlap between the majority of the products from  
20 Mexico and all the products from Turkey and the  
21 products produced by the domestic industry.

22           They enter into the same geographic areas.  
23 I guess we'll have some discussion today of geographic  
24 areas. The Mexicans are saying this is not a regional  
25 industry case, that we, the imports from Mexico, stay

1       only in Texas and Oklahoma and possibly into other  
2       parts of the southwest or southeast. We would differ  
3       with that.

4               I'll stick with cumulation for now, but then  
5       I'll get into the fact that if the market for these  
6       products in Texas and Oklahoma was 150,000 tons then  
7       much more of the economy has shifted to the southwest  
8       than anybody on this panel would possibly believe.

9               The fact is when the Mexicans were shipping  
10       10,000 or 20,000 tons they could make that argument.  
11       One hundred and fifty thousand tons? Their products  
12       are literally going all over the United States.  
13       That's clear. In fact, their national market share is  
14       just huge.

15               Anyway, the products from Turkey and Mexico  
16       are coming in the same geographic areas. Most of the  
17       products from Turkey arrive either in Houston or New  
18       Orleans, so they are coming into the same general  
19       geographic areas. Then they're dispersed throughout  
20       the country. We have the same overlaps in terms of  
21       time over the last year and a half. There's been  
22       imports from Turkey in virtually every month, and  
23       there are imports from Mexico virtually every day so  
24       that we do have overlap in time.

25               Obviously the products are competing with

1 each other notwithstanding, and I'm going to talk  
2 about this further when we talk about underselling.  
3 The Commission has to be careful here. Don't let the  
4 Mexicans get you to focus too much on AUVs in this  
5 case.

6           You know, there's no question that a certain  
7 percentage of the Mexican products are prepainted  
8 products by Prolamsa or galvanized products from  
9 Galvak. The Mexicans may be selling more 16 gauge  
10 product. As you're going to hear from the domestic  
11 panel today, as you get into lighter walls you have a  
12 higher per ton charge.

13           Yes, the Mexicans are up towards what has  
14 traditionally been the higher value added part of the  
15 market that the U.S. industry had enjoyed to  
16 themselves, and now the Mexicans have not only gotten  
17 into all of the lower end commodity product, but the  
18 small, higher end of the market the Mexicans have also  
19 gotten into, and they may be unique among imports in  
20 terms of approaching those higher value added  
21 products.

22           This is not a case in which AUVs are good.  
23 Even within the domestic industry if one producer  
24 happens to be selling one product with lighter walls  
25 utilizing cold-rolled material, their average unit

1 values are going to be higher than somebody else who's  
2 using mostly hot-rolled pickled and oiled. A producer  
3 who sells more hot-rolled pickled and oiled will have  
4 higher average prices than a producer who is using  
5 hot-rolled.

6 We do have a general category of commodities  
7 here, but within those there are differences in values  
8 in the product range, and these three witnesses we  
9 have here all have 20 years or more of experience in  
10 this product area, so I encourage you in your  
11 questions to find out from them on these differences.

12 I think it should be very clear to the  
13 Commission that this is not a case in which AUVs are  
14 the most useful criteria for making comparisons.  
15 We've got pricing products that enable you to compare  
16 apples and apples, whether it be between Mexico and  
17 Turkey or Mexico and Turkey and the U.S. They are  
18 good pricing products. They're pricing products the  
19 Commission has used many times in the past, and  
20 they're representative.

21 I'm sure when we get to a final  
22 investigation you'll look at more pricing products and  
23 will cover even more, but it's really critical in a  
24 case like this where you've got differences based upon  
25 gauges or based upon coatings or based upon whether or

1 not the material is made from hot-rolled sheet, hot-  
2 rolled pickled and oiled or cold-rolled sheet. There  
3 are substantial cost differences for the raw material,  
4 and those have to be reflected in the prices of the  
5 finished product.

6 Now, I began in the opening statement to  
7 talk about the massive import surge. Let me just try  
8 to compare points in my opening statement to points in  
9 Mr. Bond's opening statement. Mr. Bond would have  
10 this Commission believe that somehow while the entire  
11 U.S. economy experienced a recession in 2001 and then  
12 we came out of that recession that somehow we didn't  
13 have a national economic recession, and we haven't had  
14 a national recovery.

15 To a certain extent we know the west coast  
16 is in trouble. That may be why they're having a  
17 recall election in California. Even though we think  
18 of everybody from California -- no offense to Mr.  
19 Baker, who is originally from Kentucky, but he's been  
20 in California for 25 years so he's gotten a little  
21 strange like people get out there. You know, it's not  
22 that different from the economy in the rest of the  
23 country.

24 My main point here is are we going to  
25 believe that a 60 percent increase in imports from

1 these countries between 2001 and 2002, the 15 percent  
2 increase in just the interim period, is because  
3 somehow demand in Texas has been increasing by 30 or  
4 40 or 50 percent a year?

5           You know, what he's really saying is well,  
6 you know, California is different. The midwest is  
7 different. Has he explained to us that there's been  
8 some super boom in Texas and Oklahoma? I haven't seen  
9 it. We have lots of clients in Texas and Oklahoma.  
10 Texas and Oklahoma are doing as well or as poorly as  
11 most of the rest of the country.

12           I think the reality here is that the imports  
13 from Mexico and Turkey are so absolutely massive,  
14 their pricing is so significantly under the pricing of  
15 the U.S. industry, that these products are being  
16 distributed on pretty much a nationwide basis.  
17 They're moving out from their entry point and going  
18 everywhere, even though they would suffer some  
19 significant freight disadvantages coming up over the  
20 Mexican border and then making it out to the west  
21 coast, making it up into the midwest, making it over  
22 into the southeast.

23           They've got freight disadvantages, and yet  
24 they're overcoming these freight disadvantages with  
25 prices on a per product comparison basis that are

1 significantly lower than U.S. prices, and they're  
2 forcing producers throughout the United States to  
3 compete with them on the basis of price. That's what  
4 is really hurting the domestic industry's  
5 profitability.

6 Now, coming out of this session and maybe  
7 for a variety of reasons the Commission just finished  
8 a 204 report, a lot of which was on flat-rolled steel.  
9 You had sections on pipe and tube. You've got  
10 different economic analysis there about what caused  
11 flat-rolled prices to increase, and I think you came  
12 to the conclusion it was a variety of factors.

13 I think that's the reality; that it was  
14 partially the 201, it was partially the closure of LTV  
15 Steel's mills, it was partially the recovery of demand  
16 after the recession, but there were substantial  
17 increases in the cost of raw materials for this  
18 industry.

19 Now, I'm sure Respondents are going to say  
20 well, that's what injured the domestic industry, not  
21 us, but this Commission has recognized that domestic  
22 industries can experience cost/price squeezes, and you  
23 need look no further than the Commission's preliminary  
24 determination in the 1995 case against Mexico which  
25 centered in 1992 to 1994.

1           There's some very interesting information in  
2 here. Not surprisingly, after the last recession in  
3 the United States flat-rolled steel pricing increased  
4 significantly. In fact, this report shows that  
5 between 1992 and 1994 there was a \$50 a ton increase  
6 in cost of goods sold.

7           Believe it or not, based on our preliminary  
8 data analysis here, and we think we have information  
9 on about 75 or 80 percent of the industry so far -- as  
10 an aside, we will work with the investigation staff to  
11 help you get coverage of 100 percent of the industry  
12 for your preliminary determination -- it looks that  
13 there's about a \$50 increase in cost of goods sold  
14 over the POI.

15           Now, what happened in 1992 through 1994 when  
16 imports were so low? The domestic industry was able  
17 to increase their average prices by \$70 a ton, so  
18 average profits per ton over the POI from 1992 through  
19 1994 increased by \$20 a ton. The Commission looked at  
20 that, said this is a healthy industry. They're  
21 experiencing cost increases, but they're able to pass  
22 along those cost increases and in fact increase their  
23 profitability.

24           What has been happening as we've come out of  
25 this recession and as average costs have gone up by

1 approximately \$50 a ton? The domestic industry has  
2 been unable to pass along those cost increases.  
3 You're going to hear that from all of these witnesses  
4 today.

5           During this period of investigation, as cost  
6 to the domestic industry began to increase, as  
7 domestic producers tried to pass along those cost  
8 increases to their customers, they found they were  
9 unsuccessful.

10           Were they unsuccessful because there are  
11 problems in the California market? No. Were they  
12 unsuccessful because there are problems in the midwest  
13 market? No. They were unsuccessful because their  
14 customers, whether distributors or end users, had  
15 lower cost alternatives which were dumped imports from  
16 Mexico and Turkey. That is the single most  
17 significant cause of the failure of the domestic  
18 industry to be able to pass along cost increases.

19           The result of that has been, and you're  
20 going to see this in your data. The data itself will  
21 change. I'm very doubtful that the trends will  
22 change. It's interesting.

23           It's unfortunate that some of the producers  
24 in the areas in which the Mexicans say they are  
25 focused, having responded to the Commission, those are

1 probably the producers based upon the Mexicans' own  
2 analysis that will show the worst injury, but I don't  
3 think it's going to change the trends in the data.  
4 It's just going to change the absolute level.

5           What are the trends? The trends are  
6 declining profits and profit margins between 2000 and  
7 2002, but then between the interim period we're seeing  
8 profit margins fall by half. Now, already two years  
9 out of the recession no matter what part of the  
10 country you're manufacturing in we shouldn't be seeing  
11 profit margins being halved. The reason for this is  
12 the massive import surges from Mexico and Turkey and  
13 the fact that they are underselling the industry by  
14 such significant amounts.

15           When you get to causation, what are the main  
16 focuses of causation? You're going to see the huge  
17 increase in market share by the subject imports.  
18 You're going to see the big loss of market share by  
19 the domestic industry.

20           Of course, you can keep it in mind as a  
21 condition of competition. The U.S. industry is  
22 actually massively losing market share during a time  
23 period in which this product is covered by Section 201  
24 relief. That is pretty amazing. It's not what we  
25 expect to see.

1           You'll also see the imports from these two  
2 countries. They account for 60 percent of total  
3 imports, just these two countries. This is a  
4 commodity product. I mean, this is a product that can  
5 be made by just mechanical tubing mills all over the  
6 world.

7           This was traditionally a product in which  
8 imports were shared by dozens of countries. Now we're  
9 seeing just imports from these two countries, Mexico  
10 and Turkey, account for 60 percent of imports, and  
11 that's why the surge from these two countries has had  
12 such a damaging effect on the domestic industry.

13           When you look at causation factors, you're  
14 going to look at has there been underselling of the  
15 domestic industry and has there been price suppression  
16 or depression. The data we have thus far makes it  
17 clear that for the two pricing products we have  
18 consistent and strong underselling by the imports.  
19 Those are apples to apples comparisons, the same  
20 product produced and sold by the domestic industry,  
21 the same product produced and sold by importers of the  
22 products from Mexico and Turkey, consistent  
23 underselling.

24           The record on price suppression is clear.  
25 You're going to hear it in the testimony today. You

1 would get it out of every single domestic producers'  
2 response. You will get it throughout this  
3 investigation, and that is prices are being suppressed  
4 by import prices. If the domestic industry is all  
5 facing cost increases, why would some members of the  
6 domestic industry decide that they shouldn't pass  
7 along those cost increases? There's no economic  
8 rationale.

9 I don't think you're going to hear anything  
10 from Respondents that says look at these members of  
11 the domestic industry. They're really all different.  
12 They are independent actors out there. They're  
13 creating the injury to this industry. I guess they're  
14 going to argue that west coast producers are at some  
15 type of product cost disadvantage for steel from  
16 producers in the rest of the country.

17 We think once again the trends are the same  
18 for everybody in the U.S. market. It's a pretty  
19 national market for steel. We think the trends of  
20 increasing cost are the same regardless of where you  
21 make your product in the U.S. market.

22 Because the trends are the same, we think  
23 that all members of the domestic industry would have  
24 attempted to pass along those cost increases in the  
25 form of higher prices. They have been unsuccessful

1 because of the import competition, imports that we  
2 will probably find are now taking about a quarter of  
3 the U.S. market, just the imports from these two  
4 countries.

5 Let me just finish by addressing threat. I  
6 think the Commission, if it gets to threat, need look  
7 at nothing more than probably two factors in this  
8 case. One is recent import surges -- we've had  
9 massive import surges -- and the underselling by the  
10 imports which would enable these surges to continue in  
11 the absence of relief. That threat is very clear,  
12 very real. It's very imminent.

13 The Commission can also look at the  
14 significant capacity expansion by the Mexican and  
15 Turkish industries. I think you'll see that as you  
16 begin to cumulate their responses.

17 While the U.S. industry has not been adding  
18 any capacity and continues to operate at some fairly  
19 low capacity utilization rates, not that unusual in  
20 this industry because I think you ought to focus on  
21 the increases in the capacity of the Mexican and  
22 Turkish industries and the high percentage of their  
23 sales and increasing percentage of their sales going  
24 to the U.S. market, but I think if you were to compare  
25 the way the Mexican and Turkish industries look at

1 capacity and the U.S. industry looks at capacity you  
2 would find there's a big difference.

3 If a U.S. mill has a tubing mill and they're  
4 capable of operating that mill let's say 16 or 18 or  
5 20 turns a week, those would be eight hour time  
6 periods. Let's say they would like to run two eight  
7 hour shifts, five days a week, but they can't.  
8 There's not enough demand for their product, and  
9 they're only running one eight hour shift five days a  
10 week.

11 They would tell you that they're operating  
12 at 50 percent of capacity, and that's true. I mean, a  
13 tubing mill that if you just had to bring in more  
14 people, if the mill was capable of running two shifts  
15 a day and you're only running it one shift a day,  
16 you're operating at 50 percent of capacity.

17 We don't think that's the way foreign pipe  
18 and tube producers give you their capacity data. We  
19 think they say well, you know, we've run five shifts  
20 for the last five years and so we're going to say  
21 we've been running at 95 percent capacity utilization  
22 because that's what we've been running, you know, for  
23 many years.

24 Because we don't traditionally run two  
25 shifts a day and run one shift, yes, maybe the mill if

1 we get the workers, and workers are not I think in any  
2 kind of short supply in Mexico or Turkey, just as  
3 they're not in the United States. We could run the  
4 mill more times, but we haven't traditionally, so  
5 we're going to give you our capacity just based on our  
6 normal schedule of running the mill.

7 That is just a difference between the way  
8 the U.S. industry looks at capacity and foreign  
9 industry. We don't counsel our members to say, you  
10 know, if you've been running one shift for three years  
11 cut your capacity in half. We just say you look at it  
12 the way you look at your capacity.

13 Somehow we think maybe when it gets to  
14 Respondent mills looking at capacity, because  
15 everybody wants to show if you're running at 95  
16 percent capacity utilization maybe they think the  
17 Commission can't possibly make an affirmative threat  
18 determination.

19 I think you have to be cautious when you  
20 look at foreign pipe and tube mills' claims on  
21 capacity and capacity utilization. You ought to focus  
22 on the import surges, the increases in absolute  
23 capacity that they're reporting and the hypersensitive  
24 sales to the U.S. market.

25 One last item on Turkey, and that is, as we

1 point out in the petition, they have just recently  
2 become subject on these products and other rectangular  
3 products to dumping findings in both the EU and  
4 Canada. Obviously the Turks like to dump rectangular  
5 tubing, and that's why the European Union and Canada  
6 had to take action against them.

7 I apologize for talking so long today. I  
8 don't think it's good. Hopefully it's been at least  
9 modestly entertaining. I haven't seen anybody nodding  
10 off yet.

11 We do just have three witnesses. We did  
12 have 60 minutes, and the clients were saying if we're  
13 going to take up 15 minutes, Roger, you're not going  
14 to talk for 45, are you? I said no, I won't, but I  
15 think if we used less than a third of our time today I  
16 think the Commission staff might feel they were  
17 shortchanged.

18 Let me turn things over to Parry Katsafanas,  
19 the president of Leavitt Tube Corporation.

20 MR. KATSAFANAS: Good morning, Mr.  
21 Carpenter, and members of the Commission staff. For  
22 the record, my name is Parry Katsafanas, and I'm  
23 president of Leavitt Tube Company.

24 I've been president of the company since  
25 1997. Leavitt Tube Company was founded in 1957, and

1 I've been with the company for my entire career, which  
2 has spanned close to 30 years. Leavitt Tube has  
3 always produced and sold light-walled rectangular  
4 tubing, and, therefore, I'm intimately familiar with  
5 this business throughout my career.

6 Leavitt Tube has two facilities. The  
7 original facility is in Chicago, Illinois, and in 1985  
8 we built a new plant in Jackson, Mississippi. That  
9 plant has four electric resistance weld mills with a  
10 product range from half-inch square to two and a half  
11 square, and we produce in gauges from 20 gauge to 10  
12 gauge.

13 Products produced there are both square,  
14 rectangular and circular tubing utilizing hot-rolled,  
15 hot-rolled pickled and oiled and cold-rolled sheet.  
16 We do not produce any non-subject rectangular tubing  
17 in our Jackson, Mississippi, plant.

18 At our Chicago facility we have nine  
19 electric resistance weld mills. Six of these mills  
20 have a capability of producing the subject product.  
21 However, in our Chicago facility by tonnage most of  
22 our production is in larger structural tubing sizes.

23 The vast majority of our sales of light-  
24 walled rectangular tubing are to service centers and  
25 distributors. These products are commodity products

1       which are produced to ASTM specifications, normally  
2       A513 and ASTM A500.

3                 For service centers and distributors, as  
4       this Commission well knows from all the steel cases  
5       that you've heard, when a product is produced to a  
6       specification the only thing that matters is having  
7       the lowest price. Service centers must in turn  
8       compete with each other for business to customers who  
9       also want the lowest prices.

10                If one service center wants to buy only  
11       domestic product then they cannot stay in business for  
12       a long time if domestic producer prices are 15 to 20  
13       percent higher than the prices of imports being bought  
14       by other service centers and distributors. For that  
15       reason, even the few service centers that don't buy  
16       both imported and domestic product, they ask their  
17       domestic suppliers to keep them competitive with  
18       import pricing.

19                Our prices go down in the marketplace, and  
20       it is a much slower process to get those prices to go  
21       back up. During 2001 and 2002, our cost of steel was  
22       going up significantly, and we were unable to pass  
23       along these cost increases in the marketplace. The  
24       result was a drastic reduction in our profitability.

25                Given the fact that all of our domestic

1 competitors were also facing higher steel costs,  
2 there's no question that they were also trying to pass  
3 along these higher costs.

4 The reason that Leavitt and the rest of the  
5 industry were unable to pass along these cost  
6 increases was clearly the presence of large volumes of  
7 dumped light-walled rectangular tubing from Mexico and  
8 Turkey at prices significantly less than domestic  
9 pricing.

10 In addition to the price and profitability  
11 pressure caused by the Mexican and Turkish tubing,  
12 there were other ways in which our business was  
13 injured as well. First, at our Jackson, Mississippi,  
14 plant which produces only the subject rectangular  
15 tubing and round tubing, we cut back our production  
16 operations from seven shifts a week to four shifts a  
17 week in 2002. The huge influx of imports into the  
18 southwest and southeastern markets led to these volume  
19 losses and production cutbacks in our Jackson  
20 facility.

21 The additional negative effect on our  
22 operations of these imports is the effect of reduced  
23 cash flow on capital investment. Our company has  
24 always prided itself on making capital investments to  
25 stay competitive, but these capital investments come

1 first and foremost from cash flow. As cash flow  
2 declines, our investments decline as well. Not only  
3 does that injure us in the present time, but it  
4 creates a lingering effect because we are less  
5 competitive in the future.

6 On behalf of all our employees at Leavitt  
7 Tube Company, we ask that this Commission make an  
8 affirmative preliminary injury determination.

9 Thank you.

10 MR. MITCHELL: Good morning. For the  
11 record, my name is Terry Mitchell. I am senior vice  
12 president and general manager of the Tubular Products  
13 Group of Northwest Pipe Company. I've been with  
14 Northwest Pipe for 18 years.

15 We are based in Portland, Oregon. The  
16 largest part of our company is our Water Transmission  
17 Group, which I am not connected. This is a business  
18 of five spiral weld pipe mills throughout the United  
19 States which supply municipal water systems with pipe.  
20 This is a very good business because we have little  
21 import competition.

22 In the Tubular Products Group, we have  
23 welded pipe and tube mills in Oregon, Kansas, Texas  
24 and Louisiana. However, we only produce the subject  
25 product at one plant, our mill in Houston, Texas.

1           The Commission should understand that in  
2           order to make rectangular tubing you must first  
3           produce round pipe and then continue to transform it  
4           into rectangular cross-sections with additional sizing  
5           rolls at the end of the mill.

6           We acquired this mill in 1998 when we  
7           purchased the assets of Southwestern Pipe. The only  
8           products we produce in Houston are the subject light-  
9           walled rectangular tubing products and round  
10          mechanical tubing.

11          The surge in light-walled rectangular tubing  
12          imports from Mexico and Turkey has occurred over the  
13          past three years and has prevented us from achieving a  
14          return on our investment of the purchase of  
15          Southwestern Pipe. Total imports, and certainly the  
16          market share taken by imports, have more than doubled  
17          since 1998.

18          As a consequence, after a modest year in  
19          2000, financial results fell precipitously in 2001,  
20          and we have suffered serious losses in both 2002 and  
21          year-to-date 2003. It is clear that these poor  
22          results were caused by imports as we believe the  
23          recession of 2001 has ended. Demand in Texas and the  
24          southwest has rebounded somewhat.

25          Our poor financial results cannot be blamed

1 on the steel 201 program. While our steel costs did  
2 increase like everyone elses, our plant in Houston  
3 does not purchase only domestically produced steel.  
4 In fact, a portion of our steel purchases are from  
5 Mexican steel mills.

6 Moreover, we should not be at a cost  
7 disadvantage as compared to Mexican tubing mills  
8 because Mexico undertook safeguard measures on steel  
9 at about the same time the President provided relief  
10 to the U.S. steel industry. Our problem is that the  
11 Mexican tubing producers are willing to dump their  
12 tubing into our markets and sell at prices below our  
13 prices.

14 The imports from Turkey at dumped prices  
15 have just compounded this problem. When shipments of  
16 dumped imports from Turkey arrive at the Port of  
17 Houston then to be disseminated throughout the  
18 southwestern market, they not only put pressure on us  
19 by undercutting our prices, but they keep the pressure  
20 on the Mexican producers to continue dumping and  
21 selling at low prices in order to retain their volume  
22 and market share that they have grabbed from both the  
23 United States market instead of giving it up to  
24 Turkey.

25 The loser in this has been Northwest Pipe

1 Company and the other U.S. producers as we have seen  
2 our volume suffer and the market share decrease.  
3 Without antidumping relief, there is no doubt in my  
4 mind that our company will not only continue to fail  
5 to receive an adequate return on our purchase of  
6 Southwestern Pipe, but that we will be unable to  
7 invest in the Houston facility.

8 For these reasons, we ask that the  
9 Commission make an affirmative preliminary injury  
10 determination.

11 Thank you.

12 MR. BAKER: Good morning, Mr. Carpenter and  
13 members of the Commission staff. For the record, my  
14 name is Glenn Baker, vice president of marketing for  
15 Searing Industries of Rancho Cucamonga, California,  
16 and the Los Angeles area.

17 Searing is a family owned company that  
18 started in 1985, and I've been with the company for 17  
19 years. We have five mechanical tube mills which can  
20 produce either round or rectangular tubing. We have  
21 one structural mill that can produce structural  
22 tubing. It is obviously a much larger piece of  
23 equipment.

24 Light-walled rectangular tubing is normally  
25 made to the A513 specification. We do not supply any

1 mill certificates with this product. It just meets  
2 the general mechanical properties of ASTM A513.

3           On the other hand, our structural tubing is  
4 made to the A500 Grade B specification. Our customers  
5 require that we provide certifications with every  
6 shipment of structural tubing. The reason for this is  
7 because structural tubing needs significantly greater  
8 tensile strengths than light-walled rectangular  
9 tubing, and the building codes require that  
10 contractors know that the structural tubing used in  
11 construction meets these tensile strength  
12 requirements.

13           Our light-walled rectangular tubing is used  
14 in a variety of applications. We sell the majority of  
15 the product to distributors who sell it to literally  
16 hundreds of different end users. We also sell  
17 directly to larger end users.

18           The end uses for light-walled rectangular  
19 tubing range from ornamental fencing, which is  
20 extremely popular in southern California and Arizona,  
21 to window sashes, frames, metal furniture, store  
22 shelves, display racks, exercise equipment and on and  
23 on.

24           Other than the ornamental fencing and some  
25 construction applications, this is a basic product

1 used in consumer goods. For that reason, the demand  
2 for light-walled rectangular tubing generally tracks  
3 the economy with demand falling during recessions and  
4 demand rebounding after recessions.

5           However, the presence of these large volumes  
6 of imports from Mexico and Turkey are having a very  
7 negative impact on our profits and profit margins. As  
8 vice president of sales, I have a sales force of six  
9 people. Our distributors that handle light-walled  
10 rectangular tubing are stocking distributors whose  
11 stock an inventory of different sizes of products.  
12 When they run low on these sizes, our salesmen are  
13 supposed to make sure that we get the orders to  
14 restock these sizes.

15           These distributors get prices on a quarterly  
16 basis from us, as that is the norm in the industry.  
17 If one of our distributors gets prices from a Mexican  
18 importer they will either buy the cheaper product or  
19 try to lower the average cost of their inventory, or  
20 they will come back to us when we are setting prices  
21 for the next quarter and ask us to lower our prices on  
22 everything so that they can stay competitive.

23           There is no question that a number of  
24 distributors in the western United States, including  
25 distributors that we sell in southern California,

1 Arizona, Colorado and Utah, have been regularly  
2 receiving offers from trading companies handling  
3 Mexican imports. They may also be hearing directly  
4 from Mexican producers.

5 Recently as in the past six months to a  
6 year, distributors have also been receiving offers of  
7 product from Turkey.

8 In conclusion, I can tell this commission  
9 that we have been under significant price pressures  
10 from these imports from Mexico and Turkey and it is  
11 making my job and that of our sales staff to try to  
12 sell white walled rectangular tubing at profitable  
13 prices virtually impossible.

14 For these reasons, we request on behalf of  
15 Searing Industries and the other West Coast and U.S.  
16 producers of white walled rectangular tubing that the  
17 commission make an affirmative injury determination.

18 Thank you.

19 MR. SCHAGRIN: Thank you.

20 Mr, Carpenter, members of the commission  
21 staff, that completes or testimony this morning. We'd  
22 be happy to answer the staff's questions.

23 MR. CARPENTER: Thank you, gentlemen, for  
24 your testimony. It was very helpful.

25 We'll begin the questions with Ms. Hand.

1                   MS. HAND: Mr. Schagrin, I have a few  
2                   questions for you. Can you please describe in detail  
3                   the findings of the E.U. and the Canadians with  
4                   respect to the antidumping cases on the Turkish light  
5                   walled rectangular pipe and tube?

6                   MR. SCHAGRIN: Yes. In the status that they  
7                   are presently at and as I understand it, and we can  
8                   follow up in our post-hearing brief, in the E.U. case,  
9                   they are covering all rectangular product, regardless  
10                  of size, and it is just against Turkey, just one  
11                  country, and I believe that they have about a month  
12                  ago issued their final dumping determinations against  
13                  a number of Turkish producers. All Turkish producers  
14                  were found to have dumped. The margins range -- it's  
15                  about seven Turkish producers, as I remember it, the  
16                  margins were in the range of about 4 to 20 percent and  
17                  I believe under the E.U. system they're now awaiting  
18                  approval from the E.U. countries as to whether to put  
19                  in place the dumping order. They have a fairly  
20                  complicated political process in which they need  
21                  agreement amongst the E.U. members before an order  
22                  goes into effect. We'll try to do research and update  
23                  the commission as to whatever the latest is as to  
24                  where that stands.

25                  My understanding of the Canadian case, which

1 was against three countries, Turkey, Korea and South  
2 Africa, is that that case covered both rectangular  
3 products and circular products, circular structural  
4 products. Both cases include the light walled  
5 rectangular because they cover all rectangular from  
6 half inch up to 16 or 20 inches.

7           They have just issued preliminary dumping  
8 determinations in that case. There were preliminary  
9 margins against all of the Turkish producers with  
10 ranges from the single digits up until, I think, some  
11 facts available was applied to some and it's in the 30  
12 to 40 percent range, but we'll give the commission all  
13 of that data. So they're between their preliminary  
14 dumping determination and a final dumping  
15 determination and then they would have to go before  
16 the CITT in Canada for an injury determination.

17           One last item I would point out, my  
18 understanding of both cases, and I've had a chance to  
19 review the Canadian petition, I've not had a chance to  
20 review the E.U. petition, is that the like products as  
21 determined thus far in the E.U. case, and I guess only  
22 preliminarily in the Canadian case, is contiguous with  
23 their scope, so the industries in the E.U. and Canada  
24 brought the scope of the investigations on a much  
25 larger basis than has the U.S. industry. And then the

1       respective bodies in those countries have found like  
2       product essentially contagious with the scope as  
3       brought by the industries in the E.U. and in Canada.

4               MS. HAND: Thank you.

5               Can you or your panel describe how much of  
6       the domestic industry sales are directed towards the  
7       states of Texas, Oklahoma and the southeastern United  
8       States in general?

9               MR. SCHAGRIN: I think the members of the  
10       panel can certainly give you some estimates.

11              I'll start with Mr. Mitchell.

12              MR. MITCHELL: Well, specifically, our sales  
13       are predominantly in the Gulf states, so we're mostly  
14       going to be Texas, Louisiana, Arkansas, Oklahoma, but,  
15       again, based out of Houston, that's not surprising.  
16       I would tell you 80 percent of our business is in the  
17       state of Texas.

18              And the others, we have a representation  
19       here of, if you will, Chicago, Los Angeles, Houston,  
20       which are significant markets in the country, so I  
21       think they will cover a good piece of that.

22              MR. KATSAFANAS: I would say -- I could get  
23       you the exact data of what we shipped to those areas.  
24       I don't have that off the top of my head. I know it's  
25       declining. It was enough that we would put a plant in

1 Jackson, Mississippi because we looked to locate it  
2 someplace in the southeast or southwest to service  
3 that market because it was enough, but right now,  
4 I would say overall as a country, the state of Texas  
5 and Oklahoma and that area, I can't imagine it being  
6 more than to 12 percent of the entire consumption  
7 coming in. It might be slightly higher, but I don't  
8 have the exact figure in front of me now.

9 For our specific plant out of Jackson,  
10 probably 90 percent of it is in the lower tiered  
11 states, the southeast and the southwest. We probably  
12 don't ship anything north of Chattanooga, St. Louis  
13 for sure. We're south of there with out shipments out  
14 of our Mississippi plant.

15 MS. HAND: What about your other plants?

16 MR. BAKER: The plant in Chicago? We  
17 service the rest of the country, we try to, out of  
18 Chicago. But one of the things that is curious to  
19 this process is that that's part of it, is how much is  
20 consumed in that state, but it's also in a declining  
21 market, especially during recessionary times. The  
22 more that imports surge, they cause producers that  
23 have plants in the southern tier states and maybe  
24 don't have any in the north to look elsewhere for  
25 their business. So it has a debilitating effect on

1 our Chicago facility as well.

2 MR. BAKER: Our sales are primarily in  
3 southern California, Utah and Arizona, a little bit  
4 into Colorado. We have a couple of customers in  
5 Texas, but because of freight factors that's tough for  
6 us. We ship to a couple of distributors in West Texas  
7 on a regular basis, but it's not a good portion of our  
8 business by any stretch.

9 MS. HAND: Can you describe what kind of  
10 factor freight plays in your business?

11 MR. BAKER: Well, when you start getting  
12 into Texas, I mean, it's huge. The West Coast, the  
13 coast states is not a factor. I think when you get up  
14 to Washington it's about 1200 a load, something like  
15 that. So I would think Texas is a little more than  
16 that. It's a factor for those people. There's  
17 obviously plenty of domestic competition that can  
18 handle Texas.

19 MS. HAND: All right.

20 So as a follow-up question, I think I heard  
21 earlier in your testimony, Mr. Schagrín, that you  
22 believe that much of the imports are coming in to  
23 Houston and New Orleans. Is that correct?

24 MR. SCHAGRIN: From Turkey and, of course,  
25 all the Mexican imports just come across the Mexican

1 border crossings.

2 MS. HAND: Right.

3 MR. SCHAGRIN: The Texas bordering  
4 crossings.

5 MS. HAND: Right. Okay. So now I'm  
6 wondering how are the imports getting into your market  
7 and competing with the freight problem and all that?

8 MR. BAKER: These customers that they say  
9 they have in Oklahoma and Texas are really just master  
10 distributors for them and they just offer the product  
11 throughout the southwest, into our market. So they  
12 say they're a distributor, but they are strictly of  
13 that product, so they're going after the same  
14 distributors we sell.

15 MS. HAND: So how would they be getting up  
16 to the midwest, for instance? What's the freight  
17 charges.

18 MR. KATSAFANAS: A couple of things.  
19 Customers are only concerned with one thing: what's  
20 their delivered cost. And if the price that they're  
21 importing the product in -- and that's the issue we're  
22 having, they're able to overcome the freight factors.  
23 That's the point. Because they're willing to sell at  
24 such a low price in order for them to be less than the  
25 domestic price that's delivered and that's what's

1 causing us a problem.

2 And just a point of clarification, freight  
3 on this product can average anywhere from 10 to 15  
4 percent, depending on what the equalization points are  
5 or the point where local producers are, but the fact  
6 is that they're able or willing to meet and cut the  
7 domestic pricing on delivered basis.

8 MS. HAND: So you're seeing it in Chicago,  
9 too?

10 MR. KATSAFANAS: Well, no, we haven't said  
11 that we see it in Chicago, but it affects where we  
12 ship. We just don't ship in Chicago, we ship  
13 nationally out of the Chicago facility, but one of the  
14 reasons that we decided to relocate some of our assets  
15 in 1985 to Mississippi so that we could more  
16 competitively compete with the threat of imported  
17 product from any country. And what's happened is that  
18 they're still beating us, even though their freight  
19 factors and our freight factors now should be equal,  
20 they're still cutting the price on a delivered basis.

21 MS. HAND: So what I'm wondering is how far  
22 is their freight reaching and where are you seeing  
23 them in your markets and where are you not seeing them  
24 in your markets?

25 MR. KATSAFANAS: I can say that we don't see

1       them in Minneapolis, we don't see them in Montana  
2       really, we don't see them in Denver -- well, Denver we  
3       do see them a little bit. We don't see them in  
4       Detroit. We don't see them in Pittsburgh. I'm  
5       thinking about Mexican. We do see some Turkish in  
6       those areas. The preponderance of the problem is  
7       really in the southern tier states, but, again, it  
8       also causes the current domestic producers to attack  
9       markets that they were not traditional suppliers of  
10      because they've been preempted from servicing their  
11      traditional markets on a regional basis.

12                 MR. SCHAGRIN: And, Ms. Hand, let me just  
13      reiterate that the Mexicans seem to be claiming that,  
14      oh, they're staying just in the southwest, in Texas  
15      and Oklahoma and that those are quote-unquote areas  
16      not normally served by the domestic industry. Of  
17      course, we do have producers right in that area and  
18      they're getting clobbered, as you heard, and that's  
19      not a surprise. It's funny if demand is expanding so  
20      much in Texas, why isn't a producer in Houston doing  
21      well? Why are only Mexican producers enjoying this  
22      increase in shipments?

23                 U.S. producers are obviously concerned about  
24      profitability. If producers in California don't want  
25      to go to Texas because of the large freight expenses,

1 you have to ask yourself, well, why are there imports  
2 coming up from across the Texas border from Mexico  
3 that are going into California, that are going into  
4 Arizona, that are going into Colorado? They have  
5 significant U.S. freight expenses to get to those  
6 markets, but they're getting to those markets and  
7 beating on price, U.S. producers who are much closer  
8 to those markets from a freight perspective.

9 With 180,000 tons, I think as the commission  
10 analyzes this market, there just isn't going to be  
11 180,000 tons of consumption in the Gulf Coast area, in  
12 Texas and Oklahoma. That's not a U.S. center for  
13 constructing consumer goods out of ornamental tubing  
14 or light walled rectangular tubing. Those markets  
15 have been saturated and they are just moving behind  
16 and they're just absorbing the freight to get further  
17 and further from their point of entry.

18 And U.S. producers are not willing to do  
19 that. They're careful about not losing money. Pipe  
20 and tube producers don't like to lose money, U.S. pipe  
21 and tube producers. They don't like expensive counsel  
22 and they don't like to lose money. That's the nature  
23 of the industry and it's been that way for the 20  
24 years I've been associated with them.

25 MS. HAND: Thank you.

1 I don't have any further questions.

2 MR. CARPENTER: Ms. Driscoll?

3 MS. DRISCOLL: Good morning, Mr. Schagrin,  
4 and panel, thank you for coming here today.

5 Can you hear me okay? Okay.

6 I wanted to start off my questions with  
7 probably some issues that aren't in contention but  
8 that way I know that they aren't in contention.

9 So, first of all, on domestic like product,  
10 Mr. Schagrin, I fully recognize and I have looked at  
11 the '95 case and earlier cases and I do see that, yes,  
12 there has been a lot of consistency on light walled  
13 rectangular being a separate domestic like product,  
14 but I will ask that you go through the six like  
15 product factors. It's been eight years since the '95  
16 case and we need record evidence on it.

17 I have worked somewhat on this product, but  
18 differences between it and round pipe and tub and  
19 heavy walled.

20 Mr. Baker, I take it those are different  
21 users and different customers? Would that be correct?

22 MR. BAKER: Most of the distributors carry  
23 both, but they're definitely different customers,  
24 different end uses.

25 MS. DRISCOLL: Okay.

1 Well, Mr. Schagrin, if you would --

2 MR. SCHAGRIN: Ms. Driscoll, we'll go  
3 through it in our post-hearing brief. I would just  
4 remind the commission, as we will in the post-hearing  
5 brief, that it's not just the '95 case, but also in  
6 the sunset reviews that the commission has revisited  
7 this as recently as 2001, but we understand this,  
8 obviously changes among the commissioners and like  
9 product can often be an issue and we still don't know  
10 yet, I guess you'll find out soon whether any of the  
11 Respondents are going to offer any alternative like  
12 product arguments, but we will go through the  
13 traditional five factors as to both round products and  
14 as to heavier walled rectangular.

15 MS. DRISCOLL: Thank you.

16 And, again, to sort of put it on the record,  
17 what countries do import this product that are subject  
18 to the 201? Can you tell me that?

19 MR. SCHAGRIN: A lot of countries are  
20 subject to it because Canada, Mexico and developed  
21 countries were excluded. Among the countries that  
22 would produce and have traditionally sold the product  
23 here that were included would be countries as Korea,  
24 Taiwan, China would be covered. The European Union  
25 would be covered. I mentioned earlier we had had a

1 case and an order against imports from Spain which was  
2 lifted because of the VRA program back in the mid  
3 1908s, but they've traditionally been a supplier to  
4 the U.S. market and they would be a supplier that  
5 would be covered by the 201, as would all European  
6 Union producers would be covered by the 201.

7           So we have significant coverage in terms of  
8 countries. Obviously now we don't have significant  
9 coverage in terms of the volume of imports and I would  
10 point, and we can do the analysis a little bit more  
11 broken out between 201 and non-201 countries, but if  
12 you look at the other imports other than Turkey and  
13 Mexico, you would see that between 2001 and 2002 there  
14 was no measurable decline in imports from those other  
15 countries and in the interim periods, there's about a  
16 10 percent decline in those countries and in the  
17 interim periods, there's about a 10 percent decline in  
18 other imports, so the 201 has not had a big impact on  
19 non-subject imports levels in this case.

20           To state it in a different way, I can say  
21 categorically that it would be impossible for the  
22 Respondents to argue that the surge in imports in  
23 these countries have merely replaced import declines  
24 from countries covered by the 201 because the data  
25 just does not support that. The huge surge imports

1 has overwhelmingly come at the expense of the U.S.  
2 industry and U.S. market share.

3 MS. DRISCOLL: You mentioned the E.U. case  
4 and the Canadian case. If you have any written  
5 documentation -- and I thank you for the document  
6 you've already provided the commission in your  
7 petition, but if you have anything more current,  
8 I would appreciate that.

9 MR. SCHAGRIN: I can't remember whether the  
10 petition included the Canadian preliminary because as  
11 I remembered it, it was published right around the  
12 time we filed the petition, either the same day, a  
13 couple of days before, a couple of days after, so I'll  
14 go back and review what was in the petition and we'll  
15 make sure we get you all the E.U. or Canadian  
16 published notices on those cases that we have not  
17 already included with the petition.

18 MS. DRISCOLL: I appreciate that. And, as  
19 I understand it, obviously you're not going for  
20 regional case -- were you the counsel in the '95 case?

21 MR. SCHAGRIN: I was.

22 MS. DRISCOLL: You were. Okay.

23 MR. SCHAGRIN: And obviously we are not  
24 going to repeat the same mistake twice.

25 MS. DRISCOLL: All right. I didn't want to

1 say you without assuming --

2 MR. SCHAGRIN: Unfortunately, as your  
3 colleagues will tell you it, it's a reasonably decent  
4 assumption if it's a pipe and tube case I might be  
5 involved with it.

6 MS. DRISCOLL: There's not a captive  
7 consumption issue in this case? The light walled  
8 rectangular pipe and tubes do not use it to make  
9 further products? Is that correct?

10 MR. SCHAGRIN: It is used to make a lot of  
11 further products, but not by members of the domestic  
12 industry. They do not own downstream fabrication  
13 facilities or consumer goods producing facilities.

14 MS. DRISCOLL: Are you planning to make any  
15 related party arguments that you know of at this  
16 point?

17 MR. SCHAGRIN: No, I do not believe so.

18 MS. DRISCOLL: Okay. I had one question.  
19 You talked about a domestic producer, Excaliber.  
20 Would you like to mention that?

21 MR. SCHAGRIN: Yes. I would invite  
22 Mr. Katsafanas, who I think is very familiar with  
23 their operations to add.

24 It's an interesting situation with a company  
25 that came into existence since your last case, since

1 the '95 case. I think they came into being around  
2 1996 or 1997. It was a company that was formed by a  
3 group of ex-Bull Moose Tube employees, including the  
4 former president of Bull Moose Tube and I think, as  
5 the commission will recognize, as does everyone in  
6 this industry know that Bull Moose Tube has  
7 traditionally been the largest U.S. producer of light  
8 walled rectangular tubing, as an aside, Mr. Katsafanas  
9 just told me yesterday that another company called XL  
10 Tube, which is in this industry, is called XL because  
11 it was founded by a group of ex-Leavitt Tube personnel  
12 and that's why they took on the name XL.

13 But Excaliber Tube was a number of ex-Bull  
14 Moose Tube executives who formed a company and  
15 acquired a number of tubing mills and maybe as does  
16 happen in industries with some not warmest feelings  
17 for their previous employer, they wanted do compete  
18 with Bull Moose Tube and produce light wall  
19 rectangular, as well as other mostly mechanical tubing  
20 products.

21 They filed for bankruptcy and almost  
22 immediately went into a Chapter 7 liquidation around  
23 the end of 2001 or early 2002. So here was a fairly  
24 significant member of the U.S. industry who just  
25 ceased to exist during this POI. You'll never be able

1 to get any data on them because they really completely  
2 ceased.

3 Normally, you would think in an industry if  
4 a major player, and they became a major player in a  
5 short amount of time, and then to copy a line from  
6 Chicago, like a moth attracted to the flame, they just  
7 burned right out in no time. I guess they were  
8 heavily leveraged and they hit the downturn, they hit  
9 import competition, and they quickly went out of  
10 business.

11 The domestic industry doesn't seem to have  
12 benefitted from that. I mean, here they went out of  
13 business at the end of 2001, early 2002, some of their  
14 assets were acquired by a company called Leggitt &  
15 Platt, but most of their mills were not acquired and  
16 are not believed to be producing and yet the domestic  
17 industry didn't seem to have gotten any benefit from  
18 the demise of one of the producers in this industry.

19 Mr. Katsafanas? The other thing that I  
20 would add is there have been other closures of  
21 mechanical subject product in this timeframe. One of  
22 the LTV Capwell facilities located in Pikwa, Ohio,  
23 which was formerly known as Miami Tube, they closed  
24 and relocated some of their production to their other  
25 existing plants in the U.S., Chicago particularly and

1 Canada.

2 XL Tube in Kansas City has been in a state  
3 of decline for probably the past two years and they  
4 finally ceased operations 45 days ago. They were  
5 actually purchased by one of their customers who they  
6 had been supplying a significant amount of product to,  
7 and so now we'll have some vertical integration  
8 between a distributor and tubing producer based out of  
9 Kansas City.

10 We also know that another significant  
11 producer located in Birmingham, Alabama had a tube  
12 corporation, has been struggling, as we all have in  
13 this issue, recently, and they've had a significant  
14 change in personnel, senior personnel, and have had  
15 difficulties just like the rest of us.

16 As far as the Excaliber situation, the only  
17 thing that I would add to Roger's comments is that  
18 they went so far as to try to do some first stage  
19 fabrication and bending and supplying parts to the  
20 industry and they were even unable to do that in this  
21 environment.

22 MS. DRISCOLL: So as a follow-up question,  
23 Mr. Katsafanas, in your opinion was closing by  
24 Excaliber related to imports?

25 MR. KATSAFANAS: It certainly was a

1 contributing factor in my view.

2 MS. DRISCOLL: I have one final question.  
3 The Petitioners stated that low capacity utilization  
4 rates aren't economic in the industry. Would one of  
5 you --

6 Mr. Mitchell?

7 In other words, you have to go at high  
8 capacity utilization? Is that correct?

9 MR. MITCHELL: I think the industry over my  
10 timeframe has typically operated at around a 50  
11 percent capacity utilization. It's much less than  
12 what the basic steel industry, I think, will tend to  
13 operate, you know, three shifts a day, seven days a  
14 week. The tubing industry, you know, we tend to  
15 measure on five days a week, two shifts. That's been  
16 a standard. And, you know, typically there's a  
17 significant number of producers and we've never  
18 operated at the 75, 80 percent capacity but the steel  
19 mills attempt to. I've never seen it higher, it tends  
20 to be in a very tight band.

21 MS. DRISCOLL: Okay.

22 Mr. Katsafanas?

23 MR. KATSAFANAS: I have a slightly different  
24 point of view. When I started in this industry in  
25 1974, our company was operating three shifts a day,

1 six days a week, and we did that on a regular basis,  
2 probably through the '70s and in through 1981. And  
3 I look at capacity utilization, I'm not satisfied with  
4 two shifts a day, five days a week and the reason I'm  
5 not is that equipment -- in contrast to a steel mill  
6 or even a mini mill, most of our costs are variable.  
7 We don't have as high a fixed cost because we don't  
8 have the furnace issues that the integrated have. But  
9 our taxes stay in place. Our insurance stays in place  
10 and our scrap stays in place and the broader tonnage  
11 that we can spread that over and use that equipment  
12 more, it is to our advantage. So my goal is not to  
13 run two shifts a day, five days a week, I want to run  
14 three shifts a day minimum five days a week, which  
15 would be 15 turns and the industry is nowhere near  
16 that at this point in time.

17 MS. DRISCOLL: That's all my questions,  
18 Mr. Carpenter.

19 MR. CARPENTER: Mr. Workman?

20 MR. WORKMAN: I had a question for you,  
21 Mr. Schagrin. In the course of collecting  
22 questionnaire data from importers, we wound up with  
23 several, I'm guessing about seven or eight out of 20  
24 some, where the importers actually showed themselves  
25 as being consignees rather than importers of record

1 and what we're trying to determine here is how we  
2 should use this data.

3 Now, I think the price data probably should  
4 not be used because it would result in double counting  
5 because we'd have the actual importers' prices as  
6 well, that actually sold to some of these companies.

7 Like in Part 3, Section 3(b), and so in,  
8 should we be using responses -- should we treat these  
9 companies as importers or not? We're just trying to  
10 decide what to do with them. I don't know. I've  
11 rarely seen a situation like this.

12 MR. SCHAGRIN: I understand the question,  
13 Mr. Workman, and it doesn't surprise me that much,  
14 given what has happened over maybe the last eight or  
15 ten years with foreign pipe and tube producers and  
16 U.S. customers.

17 I think that the key for the commission is  
18 to determine, which you ought to be able to do from  
19 importers who report being consignees, if that same  
20 data is in fact being reported by the importer of  
21 record, because it may or may not be. If it is, you  
22 want to avoid double counting, but we've found in  
23 this related trade litigation, it's certainly probably  
24 been exacerbated during the 201 program, a preventive  
25 move for what we would normally think of as the true

1 U.S. importers, a lot of these consignees probably 10  
2 or 15 years ago always acted as importers, now they  
3 are quote-unquote consignees. That is they want to  
4 avoid potential liabilities.

5 So we see a lot of foreign tubing producers  
6 setting up arrangements where they, the foreign tubing  
7 producer, not necessarily like the old days, where  
8 you'd have a real U.S. subsidiary with a real office  
9 in the U.S. acting as the importer for the foreign  
10 producer, now it seems as if a lot of foreign tubing  
11 producers just say to their U.S. importers who are  
12 concerned about these liabilities we'll just give a  
13 retention letter or power of attorney to a customs  
14 broker and say, okay, we, the foreign tubing producer,  
15 through a U.S. Customs broker with a power of  
16 attorney, we'll be the importer of record, and then  
17 you turn it over to the person that used to be the  
18 importer who now says I'm just the consignee.

19 If that foreign producer that is doing that  
20 and is acting as the importer of record gives you a  
21 full response, then I guess it's okay. What troubles  
22 me is those foreign producers aren't always making  
23 kind of the first sales of all the products in the  
24 product pricing. It's usually the consignee who is  
25 acting like the real importer and has been selling to

1 distributors or end users.

2           So I understand your predicament, I hope  
3 that my answer has been helpful and we'll give it some  
4 more thought and look at the particular circumstances  
5 here and maybe also address that in our post-hearing  
6 brief.

7           MR. WORKMAN: That would be good. Maybe we  
8 could also perhaps in writing the report up discuss  
9 separate responses between the two categories.

10           MR. SCHAGRIN: That would be a possibility  
11 as well. But I would hope, Mr. Workman -- it would  
12 seem to me that in talking to the consignees and/or an  
13 importer of record that you ought to be able to  
14 determine from them whether in fact there is double  
15 counting or not.

16           MR. WORKMAN: Oh, I think we can. I think  
17 we can probably get that. We've got some large  
18 Mexican suppliers or importing arms of companies where  
19 we have questionnaire data from them and I think there  
20 is some double counting and what we may do is perhaps  
21 separate out these consignees and maybe discuss their  
22 prices and just see whether they actually differ very  
23 much from the other. That's a possibility, too,  
24 I guess. And maybe in the essay questions we could  
25 discuss their responses separately. I don't know.

1 Do you think that might be all right?

2 MR. SCHAGRIN: As I say, unfortunately, it's  
3 something that we may face more and more of. We  
4 really didn't face this issue in our cases back in the  
5 '80s and the '90s, but now we're just seeing it as a  
6 regular situation and, of course, I can't disclose  
7 anything but we really think this has happened because  
8 of the desire of U.S. importers of pipe and tube  
9 products who have found they could often be on the  
10 hook for dumping duties or for 201 duties saying, hey,  
11 we don't want to be in that position any more, we'll  
12 buy from you, but you make sure that you, the foreign  
13 supplier to us, that you find a way to be the importer  
14 of record, not us.

15 MR. WORKMAN: Okay. I had one other  
16 question that any of the companies I think might  
17 answer.

18 Are there any substitute products for light  
19 walled rectangular pipe and tube? Meaningful  
20 substitutes. I know there are things that could  
21 theoretically be used, but do you find there are any  
22 other products that actually do compete?

23 MR. MITCHELL: You know, I have not. It  
24 tends to be pretty straightforward. This product of  
25 review is very light wall and generally people are

1 doing that for weight considerations. The next size  
2 up becomes the structural tubing and those are heavier  
3 walls and generally get into different applications,  
4 so I think my answer would just be no.

5 MR. WORKMAN: Okay.

6 MR. KATSAFANAS: The only one that would  
7 come to mind in some cases might be aluminum, but  
8 that's much higher cost, so it's not like -- somebody  
9 might do it for aesthetic reasons or something else,  
10 but I don't know of any. I don't know of any either.

11 MR. WORKMAN: Okay. Thank you.

12 I have no other questions.

13 MR. CARPENTER: Mr. Yost?

14 MR. YOST: I have no questions, but I did  
15 want to thank you for your appearance and the very  
16 responsive way in which the companies have dealt with  
17 questions from staff.

18 MR. SCHAGRIN: Thank you.

19 MR. CARPENTER: Mr. Van Toai?

20 MR. VAN TOAI: Good morning.

21 Thank you, Mr. Schagrin and gentlemen, for  
22 coming over here.

23 I would like to ask some questions. For  
24 example, from the literature that you provided,  
25 I understand that LWR can be made from ASTM 500 and

1       ASTM 513. Basically, they are mechanical piping and  
2       structural piping.

3                 Now, I just wonder because the LWR is a very  
4       standard process and the tube making process is rather  
5       universal or rather standard. I wonder whether a  
6       standard pipe making company can also make LWR?  
7       Do you know of any mechanical tubing company that also  
8       makes LWR?

9                 MR. SCHAGRIN: Mr. Van Toai, I'll try to  
10       answer on behalf of the panel and I'll let others add  
11       in if that's appropriate. Really, to produce light  
12       wall rectangular product, there's two things that are  
13       required. First, an ERW mill. We're not aware of any  
14       of this product being made on, say, continuous weld  
15       mills in the U.S. But an ERW mill fits producing a  
16       lighter wall product. I think as you've heard from  
17       the earlier testimony, that several of these companies  
18       have mills that focus on the structural tubing  
19       products, the difference is the mill is focused on  
20       what wall to run or what sizes to run.

21                 Secondly, you have to have the equipment to  
22       turn the round product, the extra rollers and the  
23       space in your facility to turn the round product into  
24       a rectangular product. But those are the only  
25       requirements. I mean, any mill that can make light

1 walled product and has the additional rollers to turn  
2 around into a rectangle can produce the product.

3 MR. KATSAFANAS: Everything that we weld,  
4 that goes under the welder, is round and then we shape  
5 it in the sizing stages, the sizing rolls after it's  
6 welded in line to either a rectangle or a square. Or  
7 any shape, actually, that we have tooling for.

8 MR. VAN TOAI: So you think a mechanical  
9 tubing company can still convert or add on to their  
10 facility to make LWR tubing?

11 MR. KATSAFANAS: I'm not clear. What's the  
12 tubing?

13 (Pause.)

14 MR. KATSAFANAS: It just depends on if you  
15 have the tooling. It depends on if you have the  
16 tooling. Because we can make A513 and A500 on our  
17 current mills, it's just depending on which is the  
18 most optimum and obviously a 500 has a little bit of  
19 strength tolerance or difference and a little looser  
20 corner radius and surface condition tolerances than  
21 A513.

22 MR. VAN TOAI: So it implies two things.  
23 Number one is that you have quite a few potential  
24 competitors on the area of mechanical tubing in that  
25 area and also the second implication is you have

1 flexibility in terms of capacity if you can produce a  
2 variety of product and you can be flexible in your  
3 response to the market conditions. Is that right?

4 MR. KATSAFANAS: Yes, that's true.

5 MR. SCHAGRIN: Let me just add, Mr. Van  
6 Toai, we believe the fact that there are a significant  
7 number of U.S. producers light walled rectangular  
8 tubing makes the industry that much more vulnerable to  
9 a big increase in import supply. This is not like an  
10 industry with just three or four players, it's not  
11 like a large diameter line pipe product where there's  
12 only three or four mills in the U.S. The fact that  
13 there are 15 or 20 mills in the United States who have  
14 already had competition in this product may be in  
15 different parts of the country geographically but  
16 there are plenty of mills, makes the industry more  
17 susceptible to a sudden import surge and can cause, as  
18 we have seen here, the rapid deterioration of profit  
19 margins as has been experienced in this industry.

20 MR. VAN TOAI: Also as you understand during  
21 the last few years there have been some restructuring  
22 activities in the steel industries. For example,  
23 companies have evolved into mergers, acquisitions,  
24 bankruptcies, so and so forth. And with Mr.  
25 Katsafanas has mentioned something about certain

1 plants being closed down. Apart from that, do you  
2 know of any LWR company that has gone bankrupt or  
3 facility closing down further during the last three  
4 years?

5 I understand you mentioned Pikwah and the  
6 facility in Birmingham. Do they belong -- I see.  
7 And do they make LWR?

8 MR. BAKER: Yes, they do.

9 MR. VAN TOAI: I see.

10 MR. BAKER: And specifically, they made it  
11 in the Pikwah, Ohio plant and they also produced the  
12 product in Chicago. But in addition to that, there's  
13 been, like I mentioned, the XL Tube facility in Kansas  
14 City, the Excaliber facility, Van Huffel closed a  
15 plant in Belle Fontaine a while ago. But our own  
16 company, even though we didn't go through a technical  
17 Chapter 11, we were a publicly traded company from  
18 1996 through 2001 and we were owned by Chase Brass &  
19 Copper who their parent was CitiCorp Venture Capital  
20 and they bought us 1996 for \$92 million and sold us in  
21 2001 for \$29 million because we did not return the  
22 rate that they wanted. We never lost money, but we  
23 did not return their profitability. So they exited  
24 this business.

25 MR. VAN TOAI: Any other companies that you

1 think might get involved into this LWR that have been  
2 undergoing some change during the last few years? For  
3 example, you mentioned Excaliber. I understand that  
4 Excaliber is a mechanical tubing company. There are  
5 other mechanical -- there must be hundreds of  
6 companies that involve into mechanical tubing  
7 production, LTV, for example, and Maverick, maybe Line  
8 Pipe, they also produce some mechanical tubing. Is  
9 that correct?

10 MR. KATSAFANAS: LTV sold their facility,  
11 their tubular product facility that was owned by the  
12 LTV Corporation and Integrated Steel Mill, they sold  
13 that to Maverick Corporation and Maverick Tube  
14 subsequently closed that facility down. The old LTV  
15 tubular products facility. And your point of there  
16 being so many producers of this product, it is a very  
17 fragmented industry, there's no question of that, and  
18 it's hard to really determine how many companies have  
19 either substantially ceased operations. The main ones  
20 have all been affected and the main ones are  
21 ourselves, the California petitioners that are with  
22 us, Mr. Mitchell's company, Bull Moose Company, who is  
23 not represented here, Hannah Tube, Southland Tube,  
24 they've all been affected by this situation. If you  
25 talk to any of them individually, they'll probably

1 tell you the same things that we've tried to testify  
2 here to today.

3 MR. VAN TOAI: Is Leavitt still the largest  
4 domestically owned LWR producer in the U.S. right now?

5 MR. KATSAFANAS: I believe so.

6 MR. VAN TOAI: And Northwest is the only  
7 public owned company that produces LWR? Is that  
8 right? No?

9 MR. MITCHELL: This is not a big portion of  
10 our business. I am unaware of anyone that is public  
11 that produces this product. I'm just not sure.

12 MR. VAN TOAI: I come back to the idea of  
13 when you make LWR tubing, I believe that the price,  
14 the cost of steel takes the biggest share in the  
15 production process, but give the cyclical nature of  
16 the steel industry, I believe that there are other  
17 factors that may come into play, for example, general  
18 economic conditions, exchange rate. Are there any  
19 other factors that you think that may affect the price  
20 or the cost of production? Apart from those I have  
21 just mentioned.

22 MR. SCHAGRIN: Mr. Van Toai, I just believe  
23 it would be the same for all the manufacturers. These  
24 companies all say healthcare benefit costs for their  
25 employees, generally higher labor rates for the

1 employees, they generally have staged increases in  
2 labor rates under contracts, whether they're union  
3 contracts or not union contracts. The cost of  
4 insurance, of course, has increased for everyone.  
5 Energy is another major cost factor here. You're  
6 taking steel and transforming it into a pipe using  
7 energy and welding it and so energy costs are  
8 significant costs, nowhere near like steel, you're  
9 right, steel is far and away the largest cost, but  
10 there are a number of other significant cost factors  
11 and any one is hard pressed to remember any of those  
12 costs declining in recent years. It seems that all  
13 those costs have increased in recent years, as your  
14 question on other factors affecting demand, it  
15 really -- this is a product that really is affected by  
16 general economic conditions. This is not a product  
17 that is tied to just a specific segment of the  
18 economy, it is mostly used and distributed to  
19 thousands of users who use it producing a variety of  
20 consumer type goods, you heard examples of those  
21 before in Mr. Baker's testimony, and then a fair  
22 amount which is used mostly in residential  
23 construction more than non-residential construction.

24 MR. VAN TOAI: My last question is how do  
25 you go about buying steel? Do you normally buy coil

1 and then make it into tube and then make it into LWR?  
2 Is there any company that is strictly a processor in  
3 the sense that they buy the round tube and then just  
4 turn that into LWR?

5 MR. SCHAGRIN: No, that's not feasible. You  
6 have to form the rectangle immediately from the round  
7 before putting the weld in, so it's got to be a  
8 continuous process.

9 I'm not aware of anyone, I would invite the  
10 panel, that purchases round tubing as an input to make  
11 rectangular tubing. The input is steel, it happens to  
12 be formed into a round shape before it's formed into a  
13 rectangle, but it has to be a continuous process.

14 MR. VAN TOAI: And how do you buy those  
15 coils? Do you buy them on the spot market mainly,  
16 given the condition of the market right now? Or do  
17 you buy them through a bidding process or through  
18 negotiations, special negotiations, with different  
19 sellers? Do you buy them from the domestic or  
20 imported sources?

21 MR. KATSAFANAS: We at Leavitt buy on the  
22 spot market, the world spot market, and we have bought  
23 both foreign and domestic and we try to keep a  
24 balance. You hit the nail on the head when you said  
25 the steel content is such a high percentage of our

1 selling cost and total cost. It's very difficult to  
2 buy on contract because of the volatility of the cycle  
3 and the flat rolled market itself. So most tubing  
4 companies that I know of are traditionally spot  
5 buyers.

6 MR. VAN TOAI: Spot buyers?

7 MR. KATSAFANAS: Yes.

8 MR. VAN TOAI: Thank you very much,  
9 gentlemen.

10 MR. CARPENTER: Ms. Mason?

11 MS. MASON: Good morning, gentlemen. Thank  
12 you very much for your presentations. A couple of  
13 follow-up questions to the series that have been  
14 already put before you.

15 With respect to the 201 and non-subject  
16 countries in terms of these investigations, are those  
17 non-subject countries, are there exclusions for light  
18 wall rectangular pipe and tube in the 201 for the  
19 non-subject countries?

20 MR. SCHAGRIN: Or for the countries subject  
21 to the 210.

22 MS. MAZUR: Right.

23 MR. SCHAGRIN: I do not believe so,  
24 Ms. Mazur. We will check our exclusion lists, but I  
25 do not remember any 201 exclusions for carbon quality

1 rectangular tubing, light wall rectangular tubing.  
2 I remember one for structural tubing made to metric  
3 sizes that had a pretty small quota cap of 20, 30 tons  
4 annually. I don't remember at present any for light  
5 wall rectangular, but we will double check that and if  
6 we find any we'll put that in the post-conference  
7 brief.

8 MS. MAZUR: Could you address it nonetheless  
9 in the post-conference brief as to what your knowledge  
10 is of the current status?

11 MR. SCHAGRIN: Yes. We'll do so.

12 MS. MAZUR: Thank you.

13 Also, as a follow-up to your testimony  
14 regarding the various mergers, acquisitions, closures,  
15 et cetera, in the light walled industry, can you  
16 document that for us in your post-conference brief in  
17 terms of identifying the firms? Can you be specific  
18 as to dates, disposition of assets, estimated  
19 production at the time these firms ceased operations  
20 or changed the operation?

21 MR. SCHAGRIN: Yes. We'll give you  
22 everything we can in the post-conference brief on that  
23 issue.

24 MS. MAZUR: Wonderful. Thank you.

25 As a follow-up to Mr. Workman's question

1 regarding the difficulty in the data responses for  
2 both importers and consignees and what the commission  
3 should do and how the commission should treat these  
4 responses, the way you've described it, Mr. Schagrín,  
5 it would appear that our information from the  
6 importers really is information from the foreign  
7 producer and it is really not the first level of trade  
8 in the U.S., is it? The responses on the importers'  
9 questions on the part of flag poles.

10 MR. SCHAGRIN: It depends on the  
11 organization and the business structure of the  
12 particular company. I think for some Mexican  
13 companies, they do have U.S. subsidiaries and they do  
14 sell as an importer to a number of domestic customers  
15 and so their importers' response would be the  
16 equivalent of a domestic producer or a normal  
17 importer's response as to their sales to U.S.  
18 customers. I think there are others in which they may  
19 be an importer of record only and these consignees  
20 that Mr. Workman was referring to are really  
21 undertaking the traditional role of the importer and  
22 then selling to distributors and end users.

23 So I think it depends on the business  
24 organization of the various Mexican companies.  
25 I think it's less of an issue -- well, it may or may

1 not be less of an issue with the Turkish operating  
2 specifications.

3 MS. MAZUR: Could you in your post  
4 conference brief take a look at the confidential  
5 record in terms of the importer questionnaire  
6 responses and company by company please give us your  
7 best recommendation as to how we should be treating  
8 the information in that questionnaire?

9 MR. SCHAGRIN: We will do that in our  
10 post-conference brief. Certainly for everything we  
11 received as of yesterday, depending on when the next  
12 release is, if we get things on, say, Thursday, it  
13 might be a little difficult to turn around that  
14 analysis of any responses we haven't already received.  
15 But certainly as to all the responses we've received  
16 thus far, and we thank you for giving us extensive  
17 distribution yesterday, I think as to everything we  
18 have received to date we will do that confidentially  
19 in our post-conference brief.

20 MS. MAZUR: Excellent. Thank you.

21 And then just one last item. Should there be  
22 like product issues raised by the respondent panel  
23 later on today, please be in position to address those  
24 in the post-conference brief as well.

25 MR. SCHAGRIN: I can assure you, Ms. Mazur,

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1 that not only will we address it in the  
2 post-conference brief but I'll probably address it in  
3 rebuttal as well.

4 MS. MAZUR: Very good. Thank you.

5 Those are all the questions I have.

6 MR. CARPENTER: I had a couple of follow-ups  
7 as well.

8 First, in response to Mr. Workman's question  
9 about substitute products, no one mentioned round  
10 mechanical tubing and I've always been curious as to  
11 why round mechanical tubing would not be a substitute  
12 for square and rectangular? Is there something  
13 different besides the shape that makes it not a  
14 competitive or substitute product?

15 MR. KATSAFANAS: Not to my knowledge. I  
16 mean, it's the shape. It depends on what the product  
17 is someone is making. If you're going to make a  
18 lawnmower handle, you're probably going to use a round  
19 but for displays or other issues, people could use  
20 either one. The specification of A513 is the same on  
21 wall thicknesses, minimums, strength requirements.  
22 You could use round.

23 MR. CARPENTER: So hypothetically --

24 MR. KATSAFANAS: Because a one and a quarter  
25 round 16 gauge is the same strip width as a one square

1 16 gauge.

2 MR. CARPENTER: Right.

3 MR. KATSAFANAS: So it's just what someone  
4 wants to use.

5 MR. CARPENTER: So if there were an increase  
6 in price of light wall rectangular, customs could  
7 switch to the round mechanical tubing as a substitute?

8 MR. SCHAGRIN: I don't think so,  
9 Mr. Carpenter. I mean, while hypothetically people  
10 could maybe make choices, I would think in most  
11 products, most consumer products that have been made  
12 over time, the choices have already been made and  
13 established and so I don't think that the consumer  
14 goods manufacture has any real choice in deciding  
15 between a square or rectangular product and a round  
16 product. They probably made the choice for either  
17 usage reasons, you could either -- depending on the  
18 product -- only use round or only use rectangular.  
19 And then once they made that choice for usage reasons,  
20 my guess is the way their tooling has been set up to  
21 make the finished product that they couldn't then  
22 change their tooling between a round product and a  
23 rectangular or vice versa.

24 So I think our experience in the industry  
25 and we actually do have a number of members who

1 produce a lot of round mechanical and don't make any  
2 rectangular at all, has been that there really isn't  
3 any competition ever between rectangular and round  
4 products. I mean, the products do not compete with  
5 each other at all and obviously we'll go through that  
6 when we go through the five factor analysis that  
7 Ms. Driscoll requested earlier. So it's like a lot of  
8 other things. As Mr. Katsafanas has said, it's the  
9 same steel, it's a round product that's made before  
10 rectangular anyway, but in fact the products don't  
11 compete with each other and they wind up just being  
12 used for different uses as consumer goods  
13 manufacturers have organized their activities.

14 The only other area, and Mr. Baker might  
15 comment on this, is when I think of ornamental  
16 fencing, which I used to have at a townhouse here, all  
17 of a 12-foot ornamental fence in front of the yard,  
18 that just seems to me that it's always 100 percent  
19 rectangular. I don't remember seeing in California or  
20 Arizona or anywhere ornamental fencing made out of  
21 round mechanical versus quote-unquote ornamental  
22 rectangular products.

23 I don't know, Mr. Baker, am I correct on  
24 that?

25 MR. BAKER: He's correct. Occasionally, you

1 might see someone make a fence panel out of some round  
2 tubing, but it's very rare. Square tube is the  
3 standard for the ornamental fencing industry.

4 MR. KATSAFANAS: I might add just as  
5 clarification, in structural tubing, we see people  
6 making decisions whether to use structural tubing  
7 versus beams. I don't have anybody present me with,  
8 well, should I use a round mechanical or a square  
9 rectangle. That doesn't happen.

10 MR. CARPENTER: It sounds like to a great  
11 extent that there are long standing preferences among  
12 the downstream users for one or the other and it's not  
13 that they cannot be substituted, it's just they  
14 traditionally have not done so. Is that more or less  
15 what's happening?

16 MR. SCHAGRIN: I think that's correct. To a  
17 certain extent, it may also be they cannot, but  
18 certainly your first statement, Mr. Carpenter, that  
19 there's longstanding preferences, there's no question  
20 that amongst a whole host of downstream users, and  
21 that's mostly where this product goes, there's very  
22 much long standing preferences for either round  
23 mechanical or for rectangular.

24 MR. CARPENTER: All right. Thank you.  
25 I wanted to get a little bit into raw

1 material costs again.

2 I think, Mr. Schagrín, it was you who said  
3 raw material costs have increased during the period of  
4 investigation and that the U.S. producers have been  
5 unable to pass those increases along to their  
6 customers.

7 I assume the principal raw material product  
8 is flat rolled carbon steel sheet. Is that correct?

9 MR. SCHAGRIN: That's correct. And  
10 generally in one of three forms in descending probably  
11 by usage is hot rolled, hot rolled pickled and oiled,  
12 and cold rolled. But it's one of those three types of  
13 flat rolled steel is the principal input and the  
14 principal costs of goods sold for the subject product.

15 MR. CARPENTER: To what degree have the  
16 increases in raw material costs been driven by the  
17 president's relief under Section 201? As those duties  
18 have declined, have you seen any change in raw  
19 material costs?

20 MR. KATSAFANAS: I think going back to just  
21 prior to the 201 being enacted we saw the raw material  
22 costs start to dramatically increase and that was  
23 primarily due to LTV's closure. It's been perceived  
24 in the marketplace that it was a result of the 201.  
25 That's not my belief. My belief is it was because of

1 the reduction in domestic production capacity.

2 When that LTV facility was restarted by ISG,  
3 we saw a decline in flat rolled pricing for a period  
4 of time in the fourth quarter of last year, but  
5 subsequent to that time, there has been an increase in  
6 flat rolled pricing since the beginning of this year  
7 until now that we really have not been able to pass  
8 along on this product, the subject product, to the  
9 marketplace.

10 And what's interesting is on our other  
11 product lines that we produce even though we have not  
12 been able to collect all of our announced increases,  
13 we have been much more successful getting the price  
14 increases on the structural tubing than we have been  
15 able to not really generate any price increases on  
16 this product line, even though the steel has gone up  
17 for both products.

18 MR. CARPENTER: Can you explain why that  
19 would be?

20 MR. KATSAFANAS: It's because we've been  
21 unable to -- in our belief, its because of the  
22 tremendous surge of underselling of imports  
23 particularly from Turkey and Mexico.

24 MR. CARPENTER: So your increases in raw  
25 material costs have been in the same magnitude for

1 these different products.

2 MR. KATSAFANAS: Correct.

3 MR. CARPENTER: You just haven't been able  
4 to pass them on in this case.

5 MR. KATSAFANAS: Absolutely. Yes.

6 MR. CARPENTER: Okay. There's been some  
7 discussion about capacity, reporting of capacity, and  
8 this is an issue that often comes up in these cases.

9 Mr. Mitchell, I believe you said that you  
10 consider the standard industry measure to be five days  
11 a week, two shifts a day and I got the impression  
12 that's what you would be basing your capacity data on.  
13 I don't want to get into confidential data here, so if  
14 I do, you can stop me.

15 Mr. Katsafanas, I believe you said something  
16 along the lines of you'd like to see three shifts a  
17 day. I wasn't sure whether you were saying five or  
18 seven days a week.

19 MR. KATSAFANAS: Five.

20 MR. CARPENTER: Okay. I guess my main  
21 question here is have you attained those levels during  
22 the period of investigation or do you have to go back  
23 prior to the period of investigation to find a period  
24 of time when you were actually producing at those  
25 levels?

1                   You could each respond to that question.

2                   MR. MITCHELL: You know, when we talked  
3                   about -- Nationwide pipe tends to think in terms of  
4                   five days, two shifts. Interestingly, I started in  
5                   the industry in 1981, which is just about the time  
6                   that Leavitt apparently started going from three  
7                   shifts to two shifts, so my experience in the last 20  
8                   plus years or so has basically been on a two-shift  
9                   basis. And fundamentally, we tend -- our Houston  
10                  facility has three mills and we have had a tendency to  
11                  run four or five mill crews, so one crew per mill, one  
12                  of our mills typically will run a second shift.  
13                  Currently, we're bouncing a shift between our second  
14                  and third mills. And that tends to be seasonal, there  
15                  will be points in the year when we simply will operate  
16                  with four mill crews.

17                  So each year, we look at it a little bit  
18                  differently. We definitely have seasonality. We tend  
19                  to be stronger in the second and third quarter and  
20                  that's tended to be where we have more of our  
21                  staffing. We tend to really hit a November through  
22                  January downturn and then we probably will be  
23                  operating again with six possible mill crews, we tend  
24                  to operate with four, and that's basically been since  
25                  we've owned that operation, since the beginning of

1 '98.

2 MR. CARPENTER: When you say six mill crews,  
3 could you explain what you mean by that? How many  
4 hours a week would that be?

5 MR. MITCHELL: That would be three mills  
6 times two, running each mill a day shift and an  
7 evening shift, so it would be two shifts and it would  
8 take a crew to operate each mill. So I guess I use  
9 the term crew and shift interchangeably.

10 MR. CARPENTER: Okay.

11 MR. KATSAFANAS: During this time period, we  
12 have not run three shifts a day. We have run two very  
13 sporadically, but basically it's been one shift a day,  
14 particularly in our Mississippi facility, where we  
15 have four mills and we're running four turns a day,  
16 each mill one eight-hour shift.

17 MR. CARPENTER: Okay.

18 MR. BAKER: We typically try to run two  
19 shifts six days a week. In the recent past, we've been  
20 running five days a week and just the two shifts.

21 MR. CARPENTER: Two shifts, five days a week  
22 in recent periods?

23 MR. BAKER: Six days a week has been the  
24 norm at our place, primarily because we sell probably  
25 more end users than a lot of my competitors and, of

1 course, a lot of cut to length. It's a little more  
2 time involved in packaging and doing things like that.

3 MR. CARPENTER: If I could make a request,  
4 in your post-hearing briefs, if you haven't already  
5 provided this, for those plant that manufacture the  
6 light walled rectangular product if you could indicate  
7 how many days per week and weeks per year your  
8 capacity figures were based on and what your  
9 experience was during each of the periods of  
10 investigation as far as did you ever attain those  
11 levels during the period of investigation and, if so,  
12 when and for how long.

13 MR. SCHAGRIN: We'll do it in the  
14 post-conference. I believe, Mr. Carpenter, that the  
15 questionnaires asked producers to fill in underneath  
16 their capacity data what it's based upon, but we'll go  
17 back and double check that and also double check with  
18 Petitioners about what their experiences have been.

19 MR. CARPENTER: I appreciate that. Thank  
20 you.

21 Just one last question.

22 Mr. Schagrin, I think you said early on  
23 that -- you were talking about averaging the values of  
24 imports and the fact that the Mexican product often is  
25 more likely to come in a coated form and lighter

1 gauges than other higher valued products,

2 I was wondering, and I know you're comparing  
3 that to imports in general, but as far as the U.S.  
4 producers go, do they also manufacture those higher  
5 value products?

6 MR. SCHAGRIN: Yes, they do. There are U.S.  
7 producers of, I think, all the products that would  
8 come from Mexico. I'm not aware of any product made  
9 in Mexico that's not also made in the United States.  
10 I know there was a quote in the paper recently from an  
11 executive for Pro Lamsa that said, everything we ship,  
12 I can't believe they filed a case, everything we ship  
13 to the United States isn't made there. But the fact  
14 is -- they were referring to a prepainted material  
15 that's made in the United States and, in fact, I think  
16 the company that invented that was an Australian  
17 Company called Palmer Tube, that kind of invented in  
18 line painting of product and they had bought a company  
19 in the United States called Welded Tube maybe 15 years  
20 or so ago and then that became part of Copper Weld  
21 about three or four years ago. They keep changing the  
22 names, it's tough to keep a score card in the pipe and  
23 tube industry.

24 And, of course, some of the Mexican  
25 producers like Galvac make galvanized product in line

1 and so do companies like Western Tube make in line,  
2 galvanized. I think all the companies represented  
3 here would make the home variety of different gauges  
4 of product, would make material from hot rolled pickle  
5 and oil and cold rolled as well as hot rolled. Some  
6 of the companies can put some coatings that help their  
7 customers paint and they can do that in line, Searing  
8 can do that.

9 For some end users, end users ask for  
10 material to be sent in cut lengths, not standard  
11 lengths that go to distributors. Virtually all the  
12 U.S. producers or at least a large majority of them  
13 can provide customers with their specially cut length  
14 that they desire.

15 So we think all of the products important  
16 from Mexico are made in the United States, but,  
17 secondly, just depending for any U.S. producer or any  
18 Mexico producer or in general, the variety of products  
19 shipped will affect that average unit value.

20 So when the Mexicans say, oh, you shouldn't  
21 cumulate us because their average unit values are \$100  
22 a ton more than Turkey, we don't think the Turks are  
23 sending galvanized material, pre-painted material,  
24 specific cut length materials here. So when you get  
25 to apples to apples, you have similarity and the vast

1 majority of the Mexican product is just vanilla  
2 commodity, but when you start adding in specialized  
3 products, even if it's only 10, 15, 20 percent of the  
4 imports from Mexico, that's going to give you a really  
5 different AUV because those products that may sell for  
6 \$200 or \$300 or \$400 a ton more than pricing products  
7 would, the run of the mill commodity product.

8 I hope I answered your question.

9 MR. CARPENTER: Yes. That was very helpful.  
10 Thank you.

11 I guess just a request, in your  
12 post-conference brief, if you could for some of these  
13 more significant higher value added products that are  
14 coming in from Mexico, if you could just identify  
15 which U.S. producers also make those particular  
16 products in significant quantities, we would  
17 appreciate that.

18 MR. SCHAGRIN: We will do so.

19 MR. CARPENTER: Ms. Driscoll?

20 MS. DRISCOLL: Thank you, Mr. Carpenter.

21 I had one request and one question. The  
22 request was would you provide in your post-comments  
23 brief an explanation of the difference, to the extent  
24 there is a difference, between ASTM A513 mechanical  
25 and A500 ornamental? You've provided them, but

1 I though if you could just sort of help us understand  
2 the differences.

3 MR. SCHAGRIN: We can or if you're  
4 interested, I'm sure all these people are experts,  
5 they could explain it to you now.

6 MS. DRISCOLL: Okay. Go ahead. That would  
7 be great. Go ahead.

8 MR. KATSAFANAS: Could you repeat the  
9 question?

10 MS. DRISCOLL: Well, there's a difference.  
11 There's ASTM A 500 is the ornamental white walled  
12 rectangular and the A513 mechanical. I think people  
13 use those terms mechanical white walled or ornamental  
14 white wall. And I know ornamental is used in fence  
15 posts and that type of thing, but I was wondering if  
16 you could just explain to me the difference between  
17 the two.

18 MR. KATSAFANAS: Well, I think the  
19 difference -- if I understand the question right, is  
20 between A500 and A513.

21 MS. DRISCOLL: Right.

22 MR. KATSAFANAS: A500 is structural tubing,  
23 what's commonly referred to as structural tubing.  
24 A513 is for mechanical/ornamental both. They're  
25 interchangeable, mechanical tubing and ornamental

1 tubing are a category in A513. And if we led you to  
2 believe otherwise, we were in error.

3 Now, the difference between A500 and A513 is  
4 the yield and tensile strengths are different between  
5 both and also the A500 is a little broader spec as it  
6 pertains primarily to corner radius, to straightness  
7 tolerances, convexity and concavity, life tolerances,  
8 and the requirements for the surface conditions on  
9 A500 versus A513 are much broader on the A500 grade  
10 because it's predominantly hot rolled product and not  
11 pickled and oiled and not cold rolled on the A500  
12 product specification.

13 MS. DRISCOLL: You're saying that most white  
14 walled or all of white walled is really A500?

15 MR. KATSAFANAS: No, no. The opposite.

16 MS. DRISCOLL: Yes. A513.

17 MR. KATSAFANAS: A513.

18 MR. SCHAGRIN: And just to clarify. Most.  
19 I mean, you do have some small A500. The only other  
20 difference I would point out is within A500 because of  
21 the focuses on tensile strength, i.e., it's ability to  
22 bear weight, you have grades A, B and C and so there's  
23 this ladder in terms of the strength of the product,  
24 with C being the highest strength and A being the  
25 lowest strength.

1                   In A513 there are no grades, there's no A,  
2                   B, and C, A513, it's all just one set of mechanical  
3                   properties within the specification, whereas A500  
4                   because of its structural uses and weight bearing  
5                   being the most important part of the specification,  
6                   there you have these gradations so that customers can  
7                   choose how much strength they want the product to have  
8                   because the focus is on strength and it's structural  
9                   application.

10                   MS. DRISCOLL: Okay. That's very helpful.

11                   And, Mr. Mitchell, I had a question for you.  
12                   You mentioned seasonality of the product. Why is the  
13                   product seasonal? You said that between -- I've  
14                   forgotten the months exactly, but it's at the end of  
15                   the year.

16                   MR. MITCHELL: Just as a rule, we tend to  
17                   be -- many times, some of our products tend to go  
18                   outdoors and I'm probably speaking a little more  
19                   universally than specifically to Houston. Our Houston  
20                   facility sells to distributors, we sell to end users  
21                   that make school furniture, as an example, so that  
22                   tends to be very intense during the summer and then  
23                   slacks off. We sell to other manufacturers, furniture  
24                   we sell to a company that makes products that go into  
25                   dormitories and prison type bedding. It just tends to

1 be more of a peak workload in the summer and we've  
2 looked for many ways to try to even that out.

3 MS. DRISCOLL: Okay. Thank you very much.  
4 That's all, Mr. Carpenter, for me.

5 MR. CARPENTER: Thank you again, gentlemen,  
6 for your testimony, and for your responses to our  
7 questions. We appreciate your appearing here today.

8 We'll take brief recess until about 11:45  
9 and then I'll ask the Respondents to come up to the  
10 table at that point.

11 Thank you.

12 (Whereupon, a recess was taken.)

13 MR. CARPENTER: Please proceed whenever  
14 you're ready, Mr. Behar.

15 MR. BEHAR: Thank you, sir.

16 Good morning. I am Salvador Behar from the  
17 Embassy of Mexico and the Legal Counsel for  
18 International Trade on behalf of the government of  
19 Mexico.

20 I would like to appreciate, thank the  
21 Commission and staff for providing the government of  
22 Mexico with the opportunity to express comments on the  
23 petition to impose antidumping duties on imports of  
24 light-walled rectangular pipe and tube from Mexico.

25 The government of Mexico would like to point

1 out that the number of trade disputes between the  
2 United States and Mexico in the steel sector has  
3 declined dramatically since the North American Free  
4 Trade Agreement, the NAFTA, entered into effect in  
5 1994.

6 This clearly demonstrates that our trade  
7 agreement has been successful in promoting free and  
8 open trade while minimizing the need to raise trade  
9 disputes.

10 The spirit of cooperation I mention has  
11 grown dramatically since the time the governments of  
12 the United States, Mexico and Canada have worked in  
13 conjunction with the OECD talks with regard to the  
14 steel industry. We have collectively urged  
15 governments to end subsidies that encourage over-  
16 production and create disincentives for inefficient  
17 steel capacity to be closed. We also initiated a  
18 NAFTA Steel Committee which enhanced these coordinated  
19 efforts.

20 Today the government of Mexico is highly  
21 concerned about this antidumping petition against  
22 light-walled rectangular pipe and tube from Mexico.  
23 This is so particularly because from our perspective  
24 imports from Mexico are not the source of alleged  
25 injury or threat thereof to the United States

1 industry. In light of the cooperative effort I have  
2 just mentioned we do not believe such a baseless case  
3 should be permitted to interfere with fair trade.

4 The Commission must now determine whether  
5 there is sufficient evidence of injury or threat  
6 thereof to justify the continuation of this case in  
7 accordance with the commitments undertaken by the U.S.  
8 under the World Trade Organization (WTO) Agreement.

9 The government of Mexico wishes to emphasize  
10 the following.

11 First, according to Article 5.4 of the  
12 Agreement of Implementation of Article VI of the  
13 General Agreement on Tariffs and Trade, the  
14 "Antidumping Agreement", I quote:

15 "No investigation shall be initiated when  
16 domestic producers expressly supporting the  
17 application account for less than 25 percent of total  
18 production of the like product produced by the  
19 domestic industry."

20 We note that the petition was allegedly  
21 filed with the support of the U.S. industry. However,  
22 to this point Petitioners have not provided evidence  
23 in this regard. We encourage the U.S. government to  
24 give proper consideration to this important matter.

25 Second, there is no material injury or

1 threat thereof to the U.S. industry. There has not  
2 been a significant decrease in employment, production  
3 and profit margins.

4 Mexican imports are highly valued. Mexican  
5 imports are not affecting the U.S. pricing tendencies  
6 and are certainly not preventing the U.S. producers  
7 from increasing prices. The average light-walled  
8 rectangular pipe and tube import price from Mexico  
9 into the U.S. is higher than the total average of the  
10 same product, import price, from all other countries  
11 since 2001.

12 As established in Article 3.4 of the  
13 Antidumping Agreement, and I quote, "The examination  
14 of the impact of the dumped imports on the domestic  
15 industry concerned shall include an evaluation of all  
16 relevant economic factors and indices having a bearing  
17 on the state of the industry, including actual and  
18 potential decline in sales, profits, output, market  
19 share, productivity, return on investments, or  
20 utilization of capacity;" and so on.

21 However, the petition is not clear in  
22 explaining important related factors established in  
23 Article 3.4 of the Antidumping Agreement. The  
24 Commission should take notice of unavailability of  
25 information regarding some economic and financial

1 indicators for the period starting July 2002 to June  
2 2003 and during the two previous periods.

3 In order to demonstrate the causal  
4 relationship between the dumped product and the  
5 alleged injury as established in Article 3.5 of the  
6 Antidumping Agreement, and I quote, "...the injuries  
7 caused by these other factors must not be attributed  
8 to the dumped" product.

9 For these reasons the Commission should bear  
10 in mind and carefully evaluate the effect of the  
11 increase in hot-rolled band, scrap and energy  
12 resources in light-walled rectangular pipe and tube  
13 industries as well as depressed conditions in specific  
14 products consuming the industries such as  
15 construction, furniture, automobiles, light vehicles  
16 and home appliances in the U.S..

17 Finally, the government of Mexico also  
18 considers that Mexican light-walled rectangular pipe  
19 and tube producers do not find themselves i the need  
20 to increase exports to the U.S. considering the  
21 strength and recent dynamics of the Mexican economy  
22 and effective free trade and investment policies.

23 It is also important to underline that there  
24 is no likelihood that Mexican light-walled rectangular  
25 pipe and tube producers would redirect exports to the

1 U.S. given the fact that there are no other trade  
2 investigations against Mexican producers on this  
3 product in other countries.

4 For the aforementioned reasons the  
5 government of Mexico respectfully believes that after  
6 a careful evaluation of the facts the Commission will  
7 find that this antidumping investigation should be  
8 dismissed. There is no reason to believe that Mexican  
9 imports have caused or threaten to cause injury to the  
10 U.S. industry.

11 This concludes my remarks. I thank the  
12 Commission for considering my testimony in relation to  
13 this very important case. If you have any questions I  
14 will be glad to try to answer them.

15 Thank you.

16 MR. CARPENTER: Thank you very much for  
17 appearing, Mr. Behar. Will you be staying for the  
18 entire panel's presentation?

19 MR. BEHAR: Yeah, I will be switching with  
20 Mr. Bond, but I will be back, sir.

21 MR. CARPENTER: If we have any questions  
22 we'll hold them until the end. Thank you again.

23 MR. BEHAR: Thank you.

24 MR. CARPENTER: Welcome again, Mr. Bond.  
25 Please proceed.

1                   MR. BOND: Before our witnesses speak I'd  
2 like to make several remarks that hopefully will put  
3 their comments into some context for you and give you  
4 a sense of how we view this case. These points will  
5 be developed more expansively in our brief with the  
6 benefit of the confidential information received in  
7 the questionnaire responses and information developed  
8 through our own investigation.

9                   First I'd like to talk a little bit about  
10 the domestic like product and the definition of the  
11 U.S. industry.

12                   Petitioners have defined the subject  
13 merchandise as covering tubes meeting five physical  
14 criteria. One is they have a square rectangular  
15 cross-section; two, they have a welded seam; three,  
16 they're produced from carbon quality steel; four, they  
17 have a wall thickness of less than four millimeters;  
18 and five, that they have a particular cross-sectional  
19 dimension.

20                   The specification and the end use of the  
21 tube apparently are not relevant to the proposed  
22 scope. Any tube that meets these physical  
23 characteristics would be covered. Also whether a tube  
24 meeting these characteristics is considered to be  
25 mechanical, ornamental or structural would be

1 irrelevant.

2           Petitioners propose that the Commission  
3 define the domestic like product in accordance with  
4 past determinations in which you have defined the  
5 industry as all producers of rectangular and square  
6 tubes with a wall thickness of less than four  
7 millimeters. You included all products meeting these  
8 two characteristics, regardless of the cross-sectional  
9 dimension.

10           For purposes of the preliminary  
11 determination in this case we are not questioning that  
12 definition. However if this investigation proceeds we  
13 believe it would be appropriate to revisit this issue.  
14 In particular we believe the Commission should  
15 consider treating galvanized products as a separate  
16 like product.

17           Products produced with galvanized coating  
18 and other corrosion-resistant coatings are sold to  
19 very different end users who use them to make very  
20 different products from light-walled tube that is  
21 blackened or oiled. Moreover, galvanized products are  
22 not widely available from U.S. producers. Indeed, you  
23 will hear later this morning from Mr. Gonzalez of TNT  
24 Carports, and I'm sure he'd be happy to discuss this  
25 with you in some more detail.

1           Accepting the Petitioner's definition of the  
2 industry for current purposes I want to emphasize that  
3 Petitioners have not properly identified all of the  
4 U.S. producers that fall within the industry that they  
5 themselves have proposed. In our submission to you of  
6 September 24th we identified more than 20 producers  
7 that clearly are part of the industry defined by the  
8 Petitioners and ask you to request information from  
9 them. Without that information you will not have the  
10 data needed to understand the "collective status" of  
11 the industry. We believe that the admitted producers  
12 of so-called structural tubing are doing quite well,  
13 so excluding them from your analysis would bias your  
14 data in favor of an affirmative injury finding.

15           Second point on conditions of the  
16 competition within the industry, particularly the  
17 isolation of the West Coast market, both with respect  
18 to raw material purchases and their sales  
19 opportunities.

20           The central factor in our view to  
21 understanding this case is that freight costs and  
22 other factors create geographic market segments within  
23 the country. While these factors may not in the  
24 Commission's view be sufficient to warrant a regional  
25 industry analysis they do define competition.

1           The West Coast market is normally not an  
2           option for Mexican steel mills and this obviously is  
3           the central market of most of the Petitioners.  
4           Likewise Texas and Oklahoma are not natural markets  
5           for the Petitioners, even those located in the  
6           Midwest.

7           This geographic market segmentation is  
8           important to understanding demand and consumption  
9           trends as well. As you will see in the map on the  
10          first page of our handout materials demand in the  
11          natural markets of Mexican tube producers -- namely  
12          Texas and Oklahoma -- is the highest quintile for the  
13          United States. Demand on the West Coast in contrast,  
14          which is the natural market for most of the  
15          Petitioners, is much softer, ranking in the third  
16          quintile. And demand in the Midwest generally falls  
17          into the fifth quintile.

18          We believe these demand differences explain  
19          why Mexico's imports appear to have grown somewhat in  
20          relation to consumption. Incidentally, Mr. Schagrin  
21          has mentioned to you the 1995 decision on the same  
22          product with respect to several different issues.  
23          What he apparently has not mentioned, however, or what  
24          struck me that he failed to mention, was at a point in  
25          time he himself was making any argument as to the

1 insularity of the Texas market.

2           The third point we'd like to mention is  
3 related to the coil costs and in particular the  
4 squeeze on the Petitioners' profit margins due to 201  
5 measures.

6           The safeguard measures imposed by President  
7 Bush by their very nature place pressure on the  
8 operating margins of downstream users of flat  
9 products, particularly welded pipe and tube producers  
10 because of the differential and the duty rate applied.  
11 Indeed, counsel to the U.S. welded pipe and tube  
12 industry warned of this effect during his testimony  
13 during the remedy phase of the Commission's 201  
14 investigation and urged the Commission to impose equal  
15 duties or direct demand that equal duties be imposed  
16 on both flat and tubular products.

17           Mr. Schagrín stated, "Common sense dictates  
18 that the only effective remedy for welded pipe and  
19 tube producers that will benefit both them and their  
20 flat-rolled suppliers is the same tariff as that which  
21 would be imposed on flat-rolled products."

22           Having recognized the economic consequences  
23 of bifurcated duties in the context of the 201 remedy  
24 investigation, it is ludicrous for the U.S. industry  
25 to ignore the impact of that duty structure now and to

1 suggest that imports from Mexico or cumulated imports  
2 are the cause of their problems. The impact of the  
3 tool end duties on flat-rolled products has been  
4 particularly acute on the West Coast of the United  
5 States and we expected downstream users of the flat  
6 products there such as most of the Petitioners have  
7 been affected more severely than downstream users  
8 elsewhere.

9           The Commission recently published very  
10 useful information on this point and I would refer you  
11 to Figures 2-14 through 2-16 of the report for the 332  
12 investigation. I provided that diagram for you on  
13 page two of the handout materials.

14           That information shows that within six  
15 months of the imposition of the safeguard measures in  
16 October of 2002 hot-rolled prices on the West Coast  
17 were about \$400 a ton which was higher than any other  
18 region in the United States and for the world, for  
19 that matter. Although hot-rolled costs on the West  
20 Coast have fallen since the Commission data from May  
21 of 2003 show that hot-rolled cost on the West Coast  
22 continue to be significantly higher than any other  
23 region in the United States.

24           Likewise the Commission determined that  
25 prices for cold-rolled and galvanized sheet which are

1 also used to produce light-walled tubes were higher  
2 than any other region of the United States.

3 In May 2003 prices on the West Coast market  
4 for cold-rolled and galvanized sheet were higher than  
5 in any other market of the world.

6 Aside from rising prices, U.S. producers of  
7 light-walled tube face a shortage of input materials.  
8 Indeed during the Section 332 investigation the  
9 Commission found the inability to multiple-source coil  
10 was heavily felt in the welded pipe and tube industry  
11 with many producers reporting that they only had  
12 access to a single source of coil following imposition  
13 of the duties.

14 The U.S. pipe and tube producers that  
15 provided data to the Commission specifically  
16 attributed lower profits, reduced and lost sales to  
17 the lack of supply of coil.

18 We believe the supply problem has been more  
19 acute among the Petitioners on the West Coast. We  
20 understand that only one mill on the West Coast,  
21 California Steel, produces the light-gauged coil  
22 needed to produce the subject merchandise. Therefore  
23 these Petitioners likely are left to purchase coil  
24 from outside the region to the extent that is possible  
25 and incur significant freight costs to get it across

1 the Rocky Mountains.

2 I'd like to talk a little bit about demand  
3 and the ability of the Petitioners to pass these costs  
4 through to their consumers.

5 Petitioners claim that imports of light-  
6 walled tube from Mexico and Turkey have prevented them  
7 from passing on their increased raw material costs  
8 from the 201 measures. Petitioners' expectation that  
9 they should be able to pass 100 percent of their  
10 increased costs on in today's economy is a big  
11 difficult to swallow.

12 As anyone can tell you, a recession of many  
13 quarters has shaken the U.S. economy. As a result,  
14 purchasers of light-walled tubing are not in a  
15 position to pass major price increases on to their  
16 customers and therefore are not willing to accept  
17 price hikes from their suppliers.

18 Tom Sedanza of Purchasing Magazine recently  
19 made this point well in a speech to Metal Services  
20 Center Institute when he stated, quote, "Manufacturing  
21 has been the weakest link in the national economy's  
22 ability to fully recover from slow growth. Federal  
23 Reserve reports for U.S. industrial production, the  
24 output at the nation's factories, mines and utilities  
25 continue to disappoint. Total industrial output

1       contracted .7 percent in 2002 on the heels of a more  
2       substantial drop in 2001 of 3.5 percent. This marks  
3       the first time since the 1974-1975 recession that  
4       output has had two consecutive years of decline. It  
5       is the length, not the depth, of the current downturn  
6       that causes so much pain.

7                 "Industrial output peaked during June 2000  
8       and has not yet retested those levels. In fact the  
9       latest December 2002 data shows that output of  
10      manufactured goods and materials was down six percent  
11      from two and a half years ago. U.S. factor activity  
12      has remained weak in early 2003.

13                "The steel economy therefore has slowed to a  
14      crawl. So far this year the troubles plaguing the  
15      nation's manufacturers haven't ended. Trying to cope  
16      with lackluster demand from consumers and businesses,  
17      the manufacturing sector has slashed thousands of jobs  
18      and is operating well below capacity."

19                Against this background of sluggish or  
20      falling demand for the products made with light-walled  
21      tubes there simply is no way that Petitioners can  
22      expect to pass through 100 percent of their increased  
23      costs to their consumers. This is particularly true  
24      of Petitioners located on the West Coast and the  
25      Midwest because of the relatively poor performance of

1 their natural markets.

2           Aside from general demand trends it's  
3 important to emphasize that manufacturers of products  
4 incorporating light-walled tube have the ability,  
5 which they are increasingly using, to import  
6 components and assemblies.

7           During the Section 332 investigation the  
8 Commission found that the welded pipe and tube  
9 industry was particularly heavily affected by imports  
10 of downstream products which obviously has a major  
11 impact on demand for tubes.

12           In Table 2-15 of its report the Commission  
13 concluded that 43 percent of the welded pipe and tube  
14 industry's customers had begun sourcing finished parts  
15 and components overseas to avoid the 201 measures.  
16 This ratio is higher than that for virtually any of  
17 the other industries considered by the Commission and  
18 is a major impediment to passing through coil costs.

19           With respect to the profitability and  
20 performance of the domestic industry, based on the  
21 information presented in the petition we see two dips  
22 in Petitioners' operating profits. The first occurred  
23 in 2001 when operating profits dipped from 5.4 percent  
24 of net sales to 3.5 percent of net sales in 2001.

25           Operating profits then remained at virtually

1 identical levels in 2002 of 3.4 percent but dipped in  
2 the first half of this year to negative .8 percent.

3 A careful review of the public data, and we  
4 believe the confidential data in our brief,  
5 demonstrates the absence of a causal link between the  
6 dips in Petitioners' performance and imports.

7 I'd like to focus on each dip separately.

8 In 2001 a decrease in Petitioners' profits  
9 from 5.5 percent to 3.5 percent coincided precisely  
10 with the general economic recession. Based on our  
11 calculation which is based on adjusted Petitioner  
12 information, apparent consumption for light-walled  
13 tube fell 12.4 percent in 2001 compared with the  
14 previous year.

15 Because the natural markets of the  
16 Petitioners have suffered more than other markets, it  
17 is likely that consumption in those areas fell more  
18 than the average, while consumption fell less or  
19 remained stable in healthier regions such as Texas.

20 Imports from Mexico likewise fell 3.5  
21 percent and cumulated imports fell even further, by  
22 five percent in 2001.

23 During 2001 the monthly AUVs from Mexico on  
24 a landed, duty-paid basis were stable for most of the  
25 year, generally staying within a range of \$530 to \$540

1 a ton. The AUVs for Mexico are graphed in the chart  
2 provided on page three of your handout materials.

3 It is important to emphasize that except for  
4 the first three months of 2001 as well as throughout  
5 virtually the entire period under investigation, the  
6 AUVs from Mexico were the highest for any imports.  
7 Furthermore as you can see on page four of the handout  
8 materials, the monthly cumulated AUVs from Mexico and  
9 Turkey exceed the AUVs for other sources of imports by  
10 significant margins in the second, third and fourth  
11 quarters of 2001 which is precisely when Petitioners  
12 claim they were injured.

13 Moreover, imports from other sources were  
14 far more prevalent in volume in the West Coast market  
15 where Petitioners are primarily located in selling  
16 their products. For example, BOC data show that  
17 almost 19,000 tons of light-walled tube from Korea was  
18 imported through West Coast ports in 2001. As you can  
19 see on page five of the handout materials, the AUVs  
20 for these imports again, landed, duty paid, including  
21 the 201 measure duty, was generally in the range of  
22 \$400 a ton. That is the Korean imports undersold  
23 Mexican imports by approximately \$130 to \$140 a ton or  
24 by 33 percent.

25 Likewise the AUV of the Korean imports was

1 well below that of the cumulated imports for Mexico  
2 and Turkey.

3 Thus to the extent that imports inhibited  
4 the Petitioners from raising their prices,  
5 particularly those on the West Coast, it would seem  
6 that low priced imports from Korea directly into the  
7 West Coast are to blame, particularly given the  
8 commodity nature of most light-walled tube products.

9 With respect to interim 2003, in the first  
10 half of this year Petitioners' operating profit fell  
11 to slightly below break-even. This coincided with a  
12 sharp increase of 24 percent in their raw material  
13 costs from \$325 to \$402 a ton. As I mentioned  
14 earlier, flat-rolled costs on the West Coast at this  
15 time were the highest of any region in the United  
16 States and cold-rolled and galvanized prices were  
17 higher than in any other part of the world.

18 During this period Petitioners were able to  
19 increase their AUV to \$577 a ton which was \$39 a ton  
20 higher than the average for 2002 so we can see that a  
21 large portion of their costs are being passed through.

22 We expected a comparison of Petitioners' AUV  
23 for the interim in 2003 with the same period in 2002  
24 would show a much larger increase in prices, but the  
25 petition does not contain that information.

1           During this information we see nothing in  
2           the public data supporting Petitioners' claim that  
3           imports from Mexico or cumulated imports prevented  
4           them from raising prices further. Imports from Mexico  
5           increased slightly, by only 2,700 tons. Furthermore  
6           imports from Mexico continued to enter the United  
7           States almost exclusively through Laredo, Texas and as  
8           our witnesses will tell you remained heavily focused  
9           in their natural markets of Texas, Oklahoma and to a  
10          lesser degree the Southeast United States.

11           Public import data suggests that cumulated  
12          imports also entered predominantly through the ports  
13          in Texas. Furthermore the AUVs for imports from  
14          Mexico continued during this period to be well above  
15          the AUVs for other imports. I note that the Mexican  
16          AUV fell below that for other countries in two months,  
17          but this appeared to have been caused by aberrations  
18          in the data for other import sources.

19           Likewise the cumulated AUVs remained at or  
20          above the AUVs for other imports. It is therefore  
21          difficult to understand why Petitioners believe that  
22          their inability to raise prices was caused by imports  
23          from Mexico or by cumulated imports.

24           Finally I note the Petitioners have fared  
25          far better than many others in the U.S. steel industry

1 which reinforces that they were not subject to  
2 injurious competition from the subject imports.

3 For example, data gathered by the Commission  
4 during the section 332 investigation indicates that  
5 operating profits for U.S. welded producers as a whole  
6 fell from 5.6 percent in 2000 which was in line with  
7 the Petitioners' margins at that time, to .8 percent  
8 in 2001 which is 2.7 percentage points below  
9 Petitioners' margins.

10 During the period 2001 and 2002 when the  
11 Petitioners' operating margins remained stable at  
12 about 3.5 percent of net sales, welded producers as a  
13 whole earned operating margins of only .8 percent in  
14 2001 and 1.3 percent in 2002.

15 That concludes my remarks. I would like to  
16 now introduce you to our first witness, Mr. Peter  
17 Brebach.

18 MR. BREBACH: Good morning. My name is  
19 Peter Brebach. I'm the President of Iron Angels of  
20 Colorado, located in Manatu Springs, Colorado. It's a  
21 pleasure to speak with you today regarding your  
22 investigation of light-walled rectangular pipe and  
23 tube from Mexico.

24 I would like to begin by describing my  
25 experience in the steel industry and the nature of my

1 current business. I started work as a very young man  
2 as an apprentice in a factory in Germany that produced  
3 steel wire. I later worked in the steel import and  
4 export business in Germany for over 10 years. For the  
5 past 30 years I have been involved in trading and  
6 distributing steel products in the U.S.. For 20 of  
7 those years I was located in Houston, Texas, and  
8 during part of that time was involved in the purchase  
9 and sale of light-walled tubing for Leavitz two  
10 companies of Southwest Pipe which is Northwest Pipe.  
11 So I know a bit about how the U.S. steel industry  
12 sells its product.

13 I am currently an agent for producters, La  
14 Menardos de Monterey or Prolomsa, a Mexican producer  
15 of square, rectangular and round pipe and tubing as  
16 well as pearllance and cold-formed channels and angles.

17 I also represent other mills for other  
18 products not involved in this case.

19 With respect to Prolomsa I am responsible  
20 for the 11 Western states, north and west of New  
21 Mexico as well as some accounts in Texas. This  
22 territory includes California where six of the eight  
23 Petitioners are located.

24 I sell light-walled tube primarily to  
25 service centers and OEMs. I sell both so-called

1 mechanical tubing to ASDM A513, and structural tubing  
2 to ASDM A500.

3           The market for light-walled rectangular tube  
4 in the Western United States is insular because the  
5 Rocky Mountains form a barrier between it and the rest  
6 of the U.S. market including suppliers of materials,  
7 potential customers and potential competitors. Within  
8 this market approximately half of all the steel is  
9 used in Southern California. Therefore the distance  
10 between producer and customer is very short.  
11 Furthermore, U.S. mills tend to carry large  
12 inventories which means that deliveries can be made  
13 with very short lead times.

14           In contrast, the freight costs for Mexican  
15 exports to reach the West Coast, for example  
16 California, are huge. Freight costs average \$120 a  
17 ton from Mexico to California; whereas freight costs  
18 from Mexico into Texas average around \$40 a ton. The  
19 clear disadvantage in freight costs and delivery time  
20 explains why light-walled tube from Mexico does not  
21 represent a substantial factor in the Western United  
22 States.

23           In fact Prolomsa sales on the West Coast  
24 represent less than one percent of all U.S. sales.

25           By the same token the Petitioners sell very

1 little merchandise east of the Rocky Mountains. It is  
2 this lack of overlap and competition between Mexican  
3 imports and Petitioners' sales on the West Coast that  
4 leads me to conclude that imports are not the cause of  
5 the problems experienced by the Petitioners. There  
6 are other factors at work.

7 First, the Petitioners are facing reduced  
8 demand. It is well known that economic activity in  
9 this country has been depressed over the past two or  
10 three years and we are just now trying to come out of  
11 this recession. The decline in demand across the  
12 board in the steel industry during this period has  
13 created the most difficult market environment that I  
14 have witnessed in 30 years.

15 A customer that for instance in the past  
16 made one purchase per month would now make one  
17 purchase per quarter, and in my judgment conditions in  
18 California are much worse than in other parts of the  
19 country, particularly Texas which I visit regularly.

20 Moreover, the economic slowdown coupled with  
21 the safeguard duties has caused manufacturers to move  
22 their operations overseas, thus reducing consumption  
23 even more. This has been true, for example, for  
24 producers of furniture, exercise equipment, and  
25 bicycles that have relocated their operations to

1 China.

2           Second, the Petitioners are confronted with  
3 severe over capacity. The pipe and tube industry in  
4 the United States has operated at or below 50 percent  
5 of capacity for some time and with a large  
6 concentration of producers in Southern California,  
7 this area has been especially hard hit. Slow demand  
8 and over capacity make for a very tough business  
9 environment, the effect of which is that Petitioners  
10 are competing among themselves. It is this  
11 competition between Petitioners that is driving prices  
12 down, not price competition from the few tons of  
13 Mexican material sold on the West Coast and domestic  
14 producers.

15           Third, at the same time that prices are  
16 being squeezed due to falling demand and excess  
17 capacity, the Petitioners' raw material costs have  
18 increased as a consequence of the effect of the 201  
19 remedy imposed by the Bush Administration in March of  
20 2002 and by increased steel demand in China. Imports  
21 of hot-rolled steel from countries that historically  
22 served the West Coast market such as China, Taiwan and  
23 Malaysia were subject to tariffs at a rate of 30  
24 percent. In addition, the China boom has lifted the  
25 international price for hot-rolled coil above its U.S.

1 equivalent during most of this time. The result has  
2 been a substantial drop in the importation of hot-  
3 rolled coil which has stopped Petitioners from finding  
4 an alternative to rising domestic prices.

5 In my judgment these factors constitute the  
6 real reasons why the Petitioners on the West Coast are  
7 being squeezed. Their problems are not related  
8 directly or indirectly to imports from Mexico. There  
9 simply are too few tons of Mexican material being sold  
10 on the West Coast and Petitioners are unable to  
11 compete in Texas because of their disadvantage.

12 Thank you very much.

13 MR. WOLDENBERG: Good morning, my name is  
14 Moises Woldenberg. I am the President of Intersteel  
15 Corporate located in San Antonio, Texas.

16 I would like to begin by providing you with  
17 a brief description of my background and my business.  
18 In 1994 I started Intersteel to import and distribute  
19 steel products to medium and small-sized businesses  
20 which at the time were a neglected segment of the  
21 market. We sell tubular steel products as well as  
22 some other shapes and products in the steel industry.  
23 With a couple of exceptions all of our clients are  
24 either steel fabricators or original equipment  
25 manufacturers.

1                   Intersteel ships a fairly large amount of  
2                   the merchandise that is the subject of this  
3                   investigation and I estimate that these products  
4                   account for about a third of the business of  
5                   Intersteel.

6                   Based on my experience at Intersteel I hope  
7                   to provide you with some idea of the market for light-  
8                   walled rectangular tube in the Gulf region and  
9                   particularly in Texas and Oklahoma where we do all of  
10                  our business.

11                  Mexican producers of light-walled  
12                  rectangular tube have much lower freight costs for  
13                  sales into this region and typically are able to  
14                  deliver merchandise very quickly to the area in which  
15                  we operate which is Texas and Oklahoma.

16                  Freight costs on mills in Monterey, Mexico  
17                  to Houston average \$40 per ton. Freight costs for the  
18                  nearest domestic mills in Chicago average  
19                  approximately \$85 per ton. This is \$45 differential  
20                  in the cost of buying domestic tube is significant and  
21                  will increase the cost of buying from domestic mills  
22                  in the Chicago area about up to 10 percent of the cost  
23                  of the tube.

24                  Buying from mills on the West Coast would be  
25                  an even more expensive proposition. The freight costs

1 from Los Angeles, for example, to the Houston area  
2 would at least be \$100 per ton. So even if the mills  
3 in Chicago or on the West Coast make sales calls to us  
4 or sales to us, the freight allowance they would have  
5 to give us to get the orders would probably eliminate  
6 their entire profit on the tubes.

7 We tried selling on the West Coast, and we  
8 cannot compete. We don't sell on the West Coast.

9 We don't buy from Mexican mills just because  
10 they are closer. The service that they offer is a  
11 major factor as well because Mexican mills such as  
12 Hylsa are integrated. They're able to provide us with  
13 a reliable and constant supply of tubes.

14 When non-integrated mills are having  
15 difficulty obtaining coil or obtaining it at a  
16 reasonable cost, integrated mills such as Hylsa are  
17 not affected. This means that we're not affected  
18 either and customers can look to us as a reliable  
19 supplier.

20 The importance of reliability is often a  
21 major factor in our customers' purchasing decisions  
22 because they cannot afford to have their production  
23 stopped or slowed down because they don't have tubes  
24 which are the raw materials.

25 Also the Mexican mills are, in my

1 experience, far more focused on customer service and  
2 helping me to support my clients than the domestic  
3 mills. For example recently a manufacturer of health  
4 equipment began producing a new product without much  
5 notice. To make the product they needed tube with  
6 special requirements. Hylsa was able and willing to  
7 rapidly provide steel with the right properties to  
8 perform this job.

9 I might add to that that we as a company  
10 would never have been able to get that from a U.S.  
11 manufacturer.

12 Despite the superior service we receive from  
13 the Mexican mills, domestic producers frequently  
14 undersell the Mexican product.

15 There is another important issue that I  
16 would like to mention. Imports from Mexico feel an  
17 important need in the Gulf region that domestic mills  
18 do not.

19 I have been told by my customers that  
20 domestic mills have simply stopped selling to them.  
21 Apparently because their orders were too small or  
22 infrequent. This is a complaint I have heard on more  
23 than one occasion.

24 Unless small companies like these, my  
25 customers, have access to imports to Mexico through

1 Intersteel, they might likely be out of business or  
2 wouldn't be able to compete with the finished product  
3 that they manufacture.

4 Finally, I believe you should consider what  
5 may occur if Mexican tubes are price out of the market  
6 in the U.S. as a result of this investigation.  
7 Customers, in my opinion, will be forced to pay higher  
8 prices for the tube utilized in the manufacture of  
9 their products. Just covering the freight  
10 differential alone would cost the clients' cost of  
11 light-walled tube to increase by more than \$40 a ton.  
12 In the current economic environment it would be very  
13 difficult to pass these costs on to the end user and  
14 price pressure may force some companies out of  
15 business. These would be my customers, of course.

16 Others may move their operations overseas or  
17 purchase the finished product, fabricated product, in  
18 Asia or elsewhere as many other purchasers of light-  
19 walled tube have already done so.

20 Obviously none of these outcomes is  
21 beneficial to the U.S. economy or to small and medium  
22 sized businesses that we serve.

23 Thank you, and I welcome you for any  
24 questions that you might have.

25 MR. GONZALEZ: Good afternoon. My name is

Heritage Reporting Corporation  
(202) 628-4888

1 Genero Gonzalez. I'm Purchasing Manager for TNT  
2 Carports ink Monterey, Mexico. TNT Carports has been  
3 in operation since 1995. Our headquarters are located  
4 in Mount Airie, North Carolina. Since August 2002 I  
5 have been the head of the Purchasing and Logistics  
6 Office in Monterey, Mexico. I'm responsible for 14  
7 and 12 gauge galvanized square tubing and 29 gauge  
8 pre-painted steel from new vendors and assistant  
9 suppliers in Mexico, the U.S. and overseas.

10 The production and sales of installed  
11 carports represents approximately 90 percent of TNT's  
12 overall business. Our company manufacturers carports  
13 in a range of sizes with both 12 gauge and 14 gauge  
14 galvanized frames. TNT also produces metal storage  
15 buildings and custom made light frame steel  
16 structures. The company has ten strategically located  
17 manufacturing facilities which are located in Iowa,  
18 Texas, Ohio, Illinois, Florida, Georgia, North  
19 Carolina, and Arkansas.

20 We have a strong network of dealerships  
21 which have presence in 39 states east of the Rocky  
22 Mountains.

23 Carports are primarily used as shelter for  
24 cars, trucks, RVs and boats to protect them from rain,  
25 snow, wind and sun. To ensure that our product stands

1 up to these elements we only use prime quality  
2 galvanized steel tubing for frame structures. Based  
3 on my knowledge, those products are not available from  
4 the companies that have requested this investigation.  
5 In fact since I have been with TNT none of those  
6 companies have made a sales call on us.

7 We do buy cold-rolled products from domestic  
8 suppliers where they are offering good value. For  
9 example we purchase certain cold-rolled tubes from  
10 Allied Tube and Conduit.

11 TNT Carports currently purchases galvanized  
12 square tubing from the U.S. and Mexico. Virtually all  
13 of our purchases from Mexico come from IMSA. In our  
14 view, they are the only reliable quality supplier  
15 within the NAFTA region that provides both galvanized  
16 and square tubes and pre-paint coils. This  
17 competitive advantage offers TNT Carports the  
18 opportunity to acquire its main raw materials from one  
19 source. This, in addition to an efficient credit line  
20 and a reliable stocking inventory program at the  
21 Laredo, Texas border makes IMSA an integrated solution  
22 to TNT Carports' purchasing needs.

23 When the steel remedy 201 was implemented in  
24 March 2002, efficient steel sourcing in the U.S. has  
25 become an interesting challenge for many U.S.

1 companies including TNT Carports. Domestic mills in  
2 their everlasting effort to continue to consolidate  
3 and threaten reduced capacity. We believe that like  
4 TNT companies that rely heavily on steel must also  
5 consolidate their supplier relationships in order to  
6 survive.

7 If Mexican galvanized square tube were to be  
8 priced out of the U.S. market TNT Carports does not  
9 foresee finding another option on the horizon that  
10 would substitute IMSA's value-added offer.

11 I thank you for the opportunity to address  
12 these remarks to you this afternoon. I'm available  
13 for any questions you may have.

14 MR. DIAZ: Good morning, my name is David  
15 Diaz. I am the Technical Manager of IMSA, Inc. IMSA,  
16 Inc. is a U.S. importer of light-walled galvanized  
17 rectangular tube and galvanized and painted sheets. I  
18 have worked in the steel industry for ten years,  
19 primarily in the area of technical support and quality  
20 control both in the United States and Mexico. IMSA  
21 Inc. is part of IMSA Salem which is large Mexican  
22 group of companies involving the production and  
23 distribution of steel products. Other members of the  
24 group include APM Division which produce hot-rolled  
25 from slab and cold-rolled steel.

1                   In IMSA division we produce galvanized and  
2 painted sheet from pipes and light-walled rectangular  
3 tubes among other products. Both APM and IMSA  
4 Division are located in Monterey, Mexico. IMSA Salem  
5 also has major investment in U.S. steel production  
6 including investment of \$180 million in SteelScape  
7 which is a producer in Washington and California of  
8 coated and galvanized sheets that employ more than 560  
9 people.

10                   As you can see, IMSA integrated producer  
11 from the slab it purchases forward. Our strategy is  
12 to sell value-added product as far downstream in the  
13 production chain as possible. Although we make hot-  
14 rolled and cold-rolled sheets we consume these  
15 products internally to produce galvanized and painted  
16 products. Because the downstream products we make  
17 like tubing are made with galvanized products by IMSA.

18                   Our tube costs are insulated from many of  
19 the fluctuations in the sheet costs than not  
20 integrated mill states. This means we have a more  
21 stable and consistent cost structure than tube mills  
22 that must buy the coil.

23                   I believe this point is particularly  
24 important in relation to the Petitioners' claims in  
25 this case. My understanding is that none of the

1       Petitioners produces its own coil. Thus the  
2       Petitioners must purchase coils in the open market  
3       which have been difficult to produce. Hot-rolled and  
4       cold-rolled costs have been particularly hard hit on  
5       the West Coast due to the combination efforts of the  
6       price increase caused by the 201 measure, the high  
7       cost of the scrap and because of huge increase in the  
8       demand of China, and the fact that the U.S. mills in  
9       the Middle West prefer not to run light gauge sheets.

10               Getting back to our corporate strategy, IMSA  
11       offers to our customers one-stop shopping for all of  
12       the galvanized corrosion resistant steel needed. We  
13       supply galvanized tube and corrugated sheets. We are  
14       able to ship the product at once. This benefits the  
15       customers by allowing it to simplify the supply chains  
16       and receive all necessary product to complete  
17       construction on one just in time base.

18               Our participation in the light-walled  
19       rectangular tube market is a perfect example of our  
20       strategy as described to you. We are totaling all of  
21       U.S. sales of light-walled rectangular tubes are made  
22       to companies in the East Coast that produce carports  
23       such as TNT which you just hear from. We focus on  
24       those customers because we are able to leverage our  
25       product mix and our freight advantage.

1           IMSA Inc. only sells carport producers. All  
2           our tubes sold to such a specific market are square  
3           and galvanized on the ACM A6, et cetera. The quality  
4           and the requirements for the carports, IMSA does not  
5           sell commodity black tube or pico-alloy tube that  
6           those Petitioners have identified as representative to  
7           products.

8           In general we sell the carport producer 12  
9           and 14 gauge galvanized steel with a cross-section of  
10          two, two and a quarter, and two and a half inch. The  
11          light gauge are produced using cold-rolled sheets and  
12          the heavy gauge are produced using hot-rolled.

13          In addition to the tubes which the carport  
14          producers use to fabricate support members, we sell  
15          galvanized and painted sheets which they use to  
16          fabricate the roof of the carport. When the carport  
17          manufacturer receives the shipment from us he receives  
18          all of the steel materials needed to build his  
19          product. This is how we distinguish ourselves and  
20          compete in the U.S. market.

21          Let me add that we believe this type of  
22          service warrants a premium, not discount price. Why  
23          all the U.S. steel producers face pricing pressure,  
24          reducing price is not a way that we win orders. We  
25          are confused by the Petitioners's claims that we are

1       undermining their bids.

2               Aside from the fact that we don't sell the  
3 product that the Petitioners are concerned about, we  
4 don't ever sell light-walled tube in the same part of  
5 the country. Our mill is in Monterey, Mexico. That  
6 is about one and a half hours from the south of  
7 Laredo, Texas. We take advantage of being close to  
8 the U.S. border and focus selling efforts on the part  
9 of the United States where we can ship to without  
10 major freight costs. The freight costs for us to  
11 reach the East Coast is about \$70 short ton. In  
12 contrast, the freight cost from the Petitioners on the  
13 West Coast to reach our customers will be around \$130  
14 per short ton which explains why we don't compete with  
15 them, not an inferred pricing on our part.

16               I hope this gives you some sense of IMSA's  
17 business in the United States market. If you have any  
18 question, I would be happy to answer it.

19               MR. BOND: That concludes our presentation.

20               I'd just like for the record to introduce  
21 Mr. Jaime Trevino to my right who is the export  
22 manager with Hylsa and can speak with us on behalf of  
23 Hylsa and Galvac to the extent you have questions  
24 relating to those companies' operations and sells.

25               Thank you.

1 MR. CARPENTER: You're welcome.

2 Mr. Valtchev, do you want to go ahead now?

3 MR. VALTCHEV: My name is Valeri Valtchev  
4 and I'm Director of European Trade Services. I'm here  
5 today to talk to you on behalf of eight Turkish  
6 companies which produce the merchandise which is  
7 subject to this investigation.

8 I'd like to present now the Turkish  
9 industry's views with regard to this investigation and  
10 highlight several issues which might be important for  
11 your analysis.

12 The Turkish light-walled rectangular pipe  
13 and tube industry is not injuring the U.S. industry.  
14 As a demonstration of that the Turkish industry made  
15 its best effort to fully cooperate with the ITC  
16 investigation. Out of the 17 Turkish companies  
17 mentioned in that petition, a maximum of 13 produced  
18 and exported subject merchandise to the U.S. since the  
19 end of 2001.

20 Several of them sold to the United States in  
21 significantly small quantities. The companies that we  
22 represent, for more than 80 percent of the total  
23 Turkish exports to the United States.

24 Turkey has multiple markets for its  
25 production. It's biggest market was, is and always

1 will be the home market. It is far bigger than the  
2 Turkish industry's U.S. and other export markets. The  
3 U.S. market is not very important for the Turkish  
4 industry because it's small.

5 Turkish producers are active in over 25  
6 markets apart from the United States and mostly those  
7 markets are in countries which are much closer to  
8 Turkey than the United States.

9 Also very strong information which we  
10 received from Turkish producers, they enjoy high  
11 capacity utilization and they don't have plans to  
12 increase capacity.

13 They sell based on market conditions.  
14 Turkish companies are small and it doesn't make any  
15 sense for them to sell at dumping prices or to injure  
16 foreign markets, especially if they have other  
17 options.

18 Therefore the Turkish producers urge you to  
19 terminate the investigation at this stage. If you  
20 have any questions, I'll be happy to try to respond to  
21 them.

22 MR. CARPENTER: Thank you very much,  
23 gentlemen. We appreciate your testimony and coming  
24 here today.

25 We'll begin the staff questions with Ms.

1 Hand.

2 MS. HAND: Thank you for your testimony and  
3 coming such a long way.

4 Mr. Bond, I'd like to ask you, can you  
5 estimate what percentage of the Mexican producers of  
6 the light-walled rectangular pipe and tube we have  
7 questionnaire responses from? Like the percentage of  
8 production.

9 MR. BOND: Our best guess based on Mr.  
10 Trevino's knowledge of the industry is that the  
11 responses represent 75 to 80 percent of production in  
12 Mexico. We can check that for you though and provide  
13 a harder number in our brief if you'd like.

14 MS. HAND: Yes, that would be very helpful,  
15 thank you.

16 Earlier in your testimony you alleged that  
17 the petition left out 20 producers of structural  
18 tubing and that's confusing to me. Did you mean that  
19 the Petitioners in their petition left out 20  
20 producers of light-walled rectangular pipe and tube  
21 which is mechanical tubing?

22 MR. BOND: What I meant to say is that as  
23 they've defined "light-walled rectangular tubing" that  
24 definition is not the same thing as saying mechanical  
25 tubing.

1           The physical characteristics that they've  
2           used to define the scope of this case also capture a  
3           number of what you would call "structural products".  
4           None of the producers of those products have been  
5           included in the petition and we've submitted to the  
6           Commission as well as to the Commerce Department the  
7           names of at least 20 U.S. producers of those products  
8           that we were able to identify based on information on  
9           the internet which establishes that their "structural  
10          products" fall within these five physical  
11          characteristics that the Petitioners have used to  
12          define the scope of the case.

13                 Really what's going on here I think is  
14                 there's, I suppose, confusion about this concept of  
15                 structural versus mechanical. It is not correct that  
16                 the concept of mechanical tubing and the subject  
17                 merchandise are the same. The subject merchandise  
18                 also includes many so-called structural products.

19                         Have I helped you?

20                         MS. HAND: Can you give me examples of what  
21                         you mean by structural products that are light-walled  
22                         rectangular pipe and tube?

23                         MR. BOND: If I could refer you to the  
24                         annexes to the submission that I mentioned, in looking  
25                         at the product descriptions submitted by the

1 structural producers their so-called structural  
2 products which likely meet ASDM A500 standards, have  
3 precisely the physical characteristics that Mr.  
4 Schagrin has told us are relevant for defining the  
5 scope.

6 They have a rectangular or a square cross-  
7 section. The wall thickness is under four  
8 millimeters. The cross-sectional requirements, based  
9 on whether it's a square, rectangle or met. It's a  
10 welded product and it's produced using carbon quality  
11 steel.

12 So in looking at those documents, if you  
13 review them you'll see that these people who are  
14 called structural producers quite clearly produce what  
15 Mr. Schagrin is calling light-walled rectangular  
16 tubing.

17 MS. HAND: And have you made an effort to  
18 estimate what the magnitude of the production is for  
19 those producers?

20 MR. BOND: The information that we have  
21 based on public data doesn't give us a very good sense  
22 of the entire magnitude. There are some sources,  
23 particularly Preston Pipe that we could look to for  
24 some of them. If you're interested, to the extent  
25 that we can we'll provide the best calculation we can

1 provide based on that.

2           It would strike us, though, that this really  
3 is the responsibility of the Petitioner, not of the  
4 Respondents in this case and it's something that they  
5 should have looked into and disclosed at the beginning  
6 of the case, at the time the petition was presented.  
7 It's not something we should be trying to clarify for  
8 you at this point. We're happy to try to, but we  
9 obviously lack the resources that they do to get this  
10 job done.

11           MS. HAND: Mr. Gonzalez, you mentioned that  
12 TNT Carports buys from IMSA.

13           MR. GONZALEZ: Yes.

14           MS. HAND: Does that mean that your company  
15 is an importer or a purchaser?

16           MR. GONZALEZ: We buy the product FOB  
17 Laredo.

18           MR. DIAZ: We import the material from  
19 Mexico. So he is our customer. He produces carports.

20           MS. HAND: That was my question.

21           MR. BOND: Was that clear, Ms. Hand?

22           MS. HAND: Yes.

23           Mr. Gonzalez's firm is the purchaser of  
24 product.

25           I understand then you are a purchaser of

1 both the domestically produced and the imported  
2 product.

3 MR. GONZALEZ: This is U.S. company. In  
4 Mexico we only have an office that takes care of all  
5 purchasing and logistics. We buy --

6 MS. HAND: I thought I heard you say that  
7 you also purchased from a U.S. producer as well. No?

8 MR. GONZALEZ: Yes. Once again, just to  
9 explain, let me clear.

10 TNT Carport is a U.S. company. In Mexico we  
11 only have a small office that purchases steel all over  
12 the world, and we also have the logistics office with  
13 the logistics task to move the steel to our  
14 facilities. We're buying, TNT buys steel from  
15 domestic sources. We buy some pre-paint from East  
16 Coast mills. We have a painting program with PreCoat  
17 Metals in the East Coast, in McKeesport, Pennsylvania.  
18 And with that steel, because of logistics reasons, we  
19 cover our northeastern requirements.

20 But to our Texas market, our Arkansas  
21 market, our Gulf market, it makes sense importing from  
22 Mexico so we have with them a special package where we  
23 buy in one stop the square tubing and the pre-paint  
24 coils for that market.

25 So depending on the logistics, or depending

1 on the area where we're going to consume the material  
2 we buy either domestic or we import from Mexico.

3 MS. HAND: Do you see any quality  
4 differences between the domestic or the Mexican  
5 product?

6 MR. GONZALEZ: Probably in the past I did  
7 see some difference but the Mexican standards have  
8 been improving constantly to meet market conditions.  
9 IMSA recently moved their U.S. exports office to  
10 Dallas to give better service, and not only service  
11 product wise, they've also been improving as time has  
12 progressed.

13 We also buy, as I mentioned some square tube  
14 from Allied. They make an excellent product. I think  
15 that's the standard of the industry or a benchmark to  
16 call it for some way, but I don't perceive any  
17 drastical difference between the Mexican galvanized  
18 and the U.S. galvanized. They both serve our  
19 requirements perfectly.

20 MS. HAND: What about the Turkish product?  
21 Have you looked into purchasing the Turkish product?

22 MR. GONZALEZ: Yes, we bought some small  
23 trials just to test the material, see how it works.  
24 What I can tell you is that the product would serve  
25 for our carport usage but price wise it hasn't made

1 sense to buy from Turkey.

2 MS. HAND: Why is that? Is it more  
3 expensive or is it the freight --

4 MR. GONZALEZ: In our case we got an offer  
5 from -- the price didn't make sense. We have better  
6 prices from domestic U.S. market and from Mexican  
7 mills. I think that's the Chinese effect of steel  
8 consuming, made the European prices hike up a little  
9 bit and affected the Turkish mills to some extent.  
10 That's within my knowledge. So the last offer to us  
11 from the Turkish mills just didn't make sense.

12 MS. HAND: That's very helpful.

13 Thank you.

14 Mr. Valtchev, I think you answered this  
15 question but I just wanted to make sure. All the  
16 responses that we have for the Turkish foreign  
17 producer questionnaires, does that represent about 80  
18 percent of the Turkish industry producing light-walled  
19 rectangular pipe and tube or simply the industry  
20 exporting it to the United States? Or is that the  
21 same industry?

22 MR. VALTCHEV: It is one and the same  
23 industry. Basically the companies are the same.  
24 Eighty percent is data that we calculated on the basis  
25 of exports, but I can definitely look into it on the

1 basis of production as well. I'm pretty sure it would  
2 be very similar.

3 MS. HAND: Okay. So you'll verify that in  
4 the post-conference brief?

5 MR. VALTCHEV: Absolutely. Yeah. I'll do  
6 that.

7 MS. HAND: Thank you.

8 That's all my questions for right now.

9 MR. CARPENTER: Ms. Driscoll?

10 MS. DRISCOLL: Mr. Bond, first of all it's  
11 nice to put a face to your name.

12 MR. BOND: Thank you.

13 MS. DRISCOLL: To begin with, though you  
14 have two domestic like product concerns or issues.  
15 One is you believe that the domestic producers are  
16 broader than Petitioners have to date given them to  
17 us. And you also, it seems to me, you made a point in  
18 your earlier testimony that at the moment you don't  
19 have a problem with the domestic like product as they  
20 want it defined, but if it goes forward you want  
21 galvanized to be a separate domestic like product? Do  
22 I have that correct?

23 MR. BOND: Yes, and I have two concerns.

24 Number one is, the first really isn't a like  
25 product concern in the sense that I'm urging you to do

1 something different with respect to the like product.  
2 What I'm saying is for purposes of this decision let's  
3 accept the domestic industry's definition. We don't  
4 really have time to investigate, frankly speaking, or  
5 to gather a lot of information on whether it makes  
6 sense or not so let's take it on its face.

7           Accepting that definition and accepting the  
8 scope of the petition as the Petitioners have given it  
9 to us, there are a large number of producers of those  
10 products within that industry that haven't received  
11 questionnaires from the Commission. Why? Because  
12 they weren't properly identified by the Petitioners in  
13 the petition.

14           Without that information from our  
15 perspective you can't possibly have the data that you  
16 need to get the proper representativity, the proper  
17 sample of what's going on within the industry as  
18 they've defined it. So that's the first point.

19           The second point, and you said this  
20 correctly, if we proceed to a final investigation we  
21 think based on what we've seen so far that there are  
22 some very strong arguments for treating galvanized and  
23 other corrosion-resistant products as a separate like  
24 product group. The truth is from what we've seen in  
25 these products, particularly the specification that

1 David Diaz mentioned, are not used interchangeably. A  
2 carport producer such as TNT that needs to build a  
3 carport that's going to stand up to the elements for  
4 20 years is not going to consider a black product to  
5 be interchangeable. They need something that will  
6 resist rust and only galvanized and other coated  
7 products do that.

8 So we think that's an issue that makes a lot  
9 of sense but it needs to be investigated further.

10 MS. DRISCOLL: If you wouldn't mind giving  
11 more information on this separate domestic like  
12 product in your post-conference brief so that --

13 MR. BOND: We'd be happy to.

14 MS. DRISCOLL: -- it's not a surprise if it  
15 is continued.

16 I've been looking at the graph that you  
17 provided to us. The question is, if I understand your  
18 argument, you've made an argument about Korea having a  
19 lower AUV than Mexico, but in my opinion that by  
20 itself would not mean that Mexico or Mexico and Turkey  
21 could not injure the domestic industry. For example  
22 if the Commission desegregated Mexico and Turkey they  
23 could still go affirmative on both of them. Do you  
24 see what I'm saying?

25 So how does that fit into your argument?

1           MR. BOND: I'm not sure that I understand  
2 the question, but let me explain my argument quickly.  
3 Maybe that would help.

4           MS. DRISCOLL: Okay.

5           MR. BOND: I think our first point is that  
6 with the exception of some of these galvanized  
7 products that we've mentioned everyone seems to agree  
8 that this product is a commodity product.

9           In addition to that we're arguing that there  
10 are sort of natural markets within the United States  
11 for various people, various of the Petitioners and  
12 ourselves.

13           Our first argument is just looking at the  
14 United States as a whole, accepting that this is a  
15 commodity product to a large extent, it doesn't make  
16 sense to us the Petitioners' argument that we're  
17 responsible for price suppression when what we see in  
18 general with respect to the entire United States is  
19 that we're at the top of the pile. If someone's  
20 looking to buy the cheapest commodity product they  
21 can, there's ample import supply, as Mr. Schagrin has  
22 told us, from a variety of people that were excluded  
23 from the 201 remedy. Why would they be buying from us  
24 if they were looking for the cheapest price? They  
25 could go to various other people. There's a list of

1 suppliers that are out there.

2           The aspect of the argument that involves the  
3 Korea information is that most of the information we  
4 have at this point that's public at least is based on  
5 the experience of six companies, I believe, in  
6 California. So it seems to us that given the freight  
7 situation, the fact that our natural market is Texas,  
8 Oklahoma, et cetera, not California, if we're looking  
9 for who among the potential import suppliers is the  
10 cause of any price suppression in that California  
11 market, it makes the most sense to look at the people  
12 that are shipping directly into that market which are  
13 the Koreans.

14           What we see is that the Koreans, even after  
15 paying the duty, paying the freight, paying the  
16 safeguard measures, are selling much much cheaper than  
17 we are.

18           So again, if this is a commodity product and  
19 prices are made primarily based on price how could it  
20 be Mexico or Mexico and Turkey that are the cause of  
21 the problem? We have such a concentration or  
22 availability of Korean material in the market at \$150  
23 less a ton.

24           MR. MORGAN: And Ms. Driscoll, I'll give you  
25 two cites on that in the past where the Commission has

1 looked at the presence of non-subject imports which  
2 had AUVs below the AUVs of the subject imports and  
3 found that that was a factor that warranted a negative  
4 determination because the domestic producers would not  
5 have been able to increase prices even if the subject  
6 imports had not been present.

7 The first one is D-RMS from Taiwan, the  
8 investigation number is 731-TA-811, Pub. No. 3256.

9 The second is SilicoManganese from Brazil,  
10 China, Ukraine and Venezuela. That's 731-TA-671-674.  
11 The Pub. No. on that's 2386.

12 MS. DRISCOLL: Okay.

13 Are you saying that there's more domestic  
14 producers in California? Is that part of your  
15 argument, or did I miss that? There's a concentration  
16 of domestic producers in California as well?

17 MR. BOND: There very well may be, but among  
18 the petitioning companies, I think it's eight of them,  
19 my understanding is that six of them at least are  
20 primarily focused in the California markets. That's  
21 where their production facilities are, that's where  
22 they are, that's where they sell, that's where they  
23 buy their coil, et cetera. So to us it makes a lot of  
24 sense.

25 Trying to understand the data that's in the

1 petition which is primarily their data because they're  
2 six out of the eight companies, to say what's going on  
3 in this market, it doesn't make sense to try and  
4 understand their data by looking on the East Coast of  
5 the United States. That's the principal idea.

6 MS. DRISCOLL: I did have a question as to  
7 whether the markets or the primary markets for Mexico  
8 and Turkey outside the United States. Mr. Valtchev  
9 testified about Turkey's markets. What about  
10 Mexico's?

11 MR. BOND: I'd ask Mr. Trevino to address  
12 that if you don't mind.

13 MS. DRISCOLL: Sure. Mr. Trevino?

14 MR. TREVINO: Our main export markets in  
15 addition to the U.S. market is Canada, Central  
16 America, and South America. Those are all the main  
17 export markets in addition to the U.S. market.

18 MS. DRISCOLL: Okay.

19 MR. TREVINO: I'm talking about the  
20 particular case of our company.

21 MS. DRISCOLL: How does your home market fit  
22 into that?

23 MR. TREVINO: Our home market is our main  
24 market. Then after that would be the U.S. market.  
25 After that the other export markets that I was talking

1 to you about.

2 MR. BOND: Ms. Driscoll, if I could just add  
3 quickly, without giving away anything I think that  
4 would be considered confidential, as you look at the  
5 responses for the Mexican industry the producers,  
6 you'll see that a very very large portion and a very  
7 consistent portion of there capacity that's used, as  
8 well as their shipments and sales, are in the Mexican  
9 market. It's a very solid market and it's a growing  
10 market.

11 MS. DRISCOLL: Mr. Valtchev, could you  
12 comment on the duties that Mr. Schagrín discussed, the  
13 EU duties and the Canadian duties? Is that affecting  
14 the markets that you're exporting to?

15 MR. VALTCHEV: Currently I can discuss only  
16 the EU duties but in the post-conference brief of  
17 course I can make sure we include information about  
18 the Canadian duties as well.

19 First of all a quick look at the markets,  
20 the EU market is one of the markets where Turkey sells  
21 actively. However, it's not the only one. The  
22 countries, there are many countries in the proximity  
23 of Turkey where Turkey sells sometimes even more than  
24 in the EU, a lot to the Middle East and North Africa.  
25 Bordering countries, Romania, Bulgaria. It sells to

1 Azerbaijan, Turkmenistan as well.

2 With regard to the EU duties, the old case  
3 that where there was a final determination, six  
4 companies were mandatory respondents. Out of those  
5 six companies, three of them got zero. Two companies  
6 had five percent. One had six percent. The duty rate  
7 for the non-sampled companies is 5.2 percent. So  
8 that's really very low.

9 With regard to the ongoing investigation,  
10 for the mandatory respondents, four of the companies  
11 had between 4.2 and 6.4 percent. And there were two  
12 companies that got 14.4 and 14.7. The not-sampled  
13 companies are 6.4. So again, very low duties.

14 But in this case, in the second case, the  
15 duties are not confirmed yet. It's just the  
16 preliminary determination.

17 MS. DRISCOLL: I suppose what I'm really  
18 saying is do you think that, I know at this point you  
19 don't know -- Well, aren't there duties already on it?

20 MR. VALTCHEV: The duties in effect are from  
21 the old case so five percent, between five and six  
22 percent for all companies in Turkey.

23 MS. DRISCOLL: Okay.

24 MR. VALTCHEV: I would say zero percent for  
25 three companies and between five and six percent for

1 all the other countries.

2 MS. DRISCOLL: I thought for some reason  
3 that there were duties currently, from the new case,  
4 had been put on provisionally. Is that not the case?

5 MR. VALTCHEV: There was a preliminary  
6 determination --

7 MS. DRISCOLL: But it's not on yet. Okay.

8 MR. VALTCHEV: There is no final  
9 determination yet.

10 MS. DRISCOLL: So at least at this point  
11 you're saying it's unknown as to how that's going to  
12 affect your export markets --

13 MR. VALTCHEV: Absolutely.

14 MS. DRISCOLL: I don't have any further  
15 questions, Mr. Carpenter.

16 MR. CARPENTER: Mr. Workman?

17 MR. WORKMAN: Mr. Bond, I have a question.  
18 It's essentially the same question I asked Mr.  
19 Schagrin earlier about how to deal with this issue of  
20 the consignees as importers, whether they should be  
21 treated as regular importers or not.

22 MR. BOND: I have three comments on that  
23 point.

24 Number one, probably not surprisingly, the  
25 possibility that you're getting data that looks like

1 that to me is not as sinister of an indication as Mr.  
2 Schagrín suggests about the Mexican tube industry or  
3 any other foreign steel industry.

4 The truth is in my experience on customs  
5 matters on behalf of a lot of large U.S. corporations,  
6 it has frequently been the case, and I would say it's  
7 a trend, that large customs brokers act as the  
8 importer of record on their behalf simply for  
9 administrative ease and efficiency reasons.

10 The U.S. customer, the U.S. consumer  
11 typically would be the consignee in that situation.

12 What does that mean in terms of your data?  
13 Two things.

14 Number one, I think you need to be careful  
15 that you're not double counting values and volumes.

16 MR. WORKMAN: Right.

17 MR. BOND: But more interestingly, which of  
18 the two is the correct one from an average unit value  
19 perspective? I would say it's the consignee's price  
20 to whomever they're selling to.

21 The price that you're going to see on the  
22 importer of record is the entered value.

23 MR. WORKMAN: Right.

24 MR. BOND: It doesn't reflect any duties.  
25 It doesn't reflect any markup before it's resold, et

1 cetera. So really the consignee's price I would say  
2 is the more correct price to give you a sense of  
3 what's going on when it's sold into the marketplace.

4 MR. WORKMAN: I was wondering, we have a  
5 number of Mexican companies or their importing arms  
6 that actually filled out importer questionnaires,  
7 they're based in Mexico in some cases and they  
8 actually report price data. Quantities and values.  
9 They say their price is FOB Texas or Laredo. Can I  
10 use that data or not? That should be correctly used,  
11 shouldn't it? Or should it not?

12 MR. BOND: In this specific case I really  
13 would like to look at the questionnaires and see where  
14 that happened. My guess, based on what I can tell you  
15 generally, is that for example IMSA, Inc. is an  
16 importer. IMSA, Inc. is reselling what it imports  
17 from Mexico. Mr. Diaz is IMSA, Inc.

18 MR. WORKMAN: Right.

19 MR. BOND: To others in this country. So if  
20 you're looking at IMSA Inc.'s importer questionnaire  
21 information with respect to product one and two, et  
22 cetera, you're getting a fair price of what's going on  
23 when that's sold into the U.S. market.

24 MR. WORKMAN: So that should be included.  
25 And you think also the consignees that offer a price.

1 They report prices and quantities sold.

2 MR. BOND: I really need to look at it. I  
3 wasn't aware of this issue until you just raised it.

4 MR. WORKMAN: It's not all firms, but it's  
5 something like seven or eight I would guess. I would  
6 appreciate it if you would maybe look at these things  
7 and like Mr. Schagrin, if you would comment on them  
8 because we're trying to resolve this thing.

9 MR. BOND: We'll be happy to try and help  
10 you out.

11 MR. WORKMAN: It's a little bit unusual.

12 MR. BOND: Very well.

13 MR. WORKMAN: Okay, thank you.

14 I have no other questions.

15 MR. CARPENTER: Mr. Yost?

16 MR. YOST: I have no questions, but thank  
17 you very much for traveling all the way to this place.  
18 Thank you.

19 MR. BOND: You're very welcome.

20 MR. CARPENTER: Mr. Van Toai?

21 MR. VAN TOAI: Thank you for coming but I  
22 don't have any questions. Thank you.

23 MR. CARPENTER: Ms. Mazur?

24 MS. MAZUR: Thank you as well for coming,  
25 especially those who had to travel great distances.

1 We appreciate your testimony. It's always helpful to  
2 get the public record established and you're certainly  
3 helping to do that.

4 There was a lot of testimony and discussion  
5 this afternoon regarding Petitioners and the impact on  
6 Petitioners of Mexican imports, of imports from  
7 Turkey. There are other producers, U.S. producers out  
8 there. Can we get a sense from you as to what the  
9 impact on the U.S. industry is? That would include  
10 both Petitioners and non-Petitioners. As Mr. Schagrin  
11 has already indicated, apparently Commerce has  
12 initiated on the investigations so that his  
13 Petitioners at least meet the threshold level of  
14 standing.

15 So what's happening with the rest of the  
16 U.S. industry? Can we talk about the industry as a  
17 whole a bit?

18 MR. BOND: We can talk about it but I don't  
19 think I can give you an answer at this point for two  
20 reasons.

21 Number one, because of the issue I raised  
22 with respect to the failure of the domestic mills to  
23 identify who is part of their industry, you all  
24 haven't had a chance to go out and ask them to give us  
25 information. There really isn't publicly available

1 information related to financial information for the  
2 industry as we've defined it. The closest thing we  
3 get to is welded pipe and tube which obviously is a  
4 much broader group of companies.

5 MS. MAZUR: No, I'm talking about your  
6 ability to -- Maybe not necessarily here in a public  
7 forum. Can you in your post-conference brief --

8 MR. BOND: Absolutely. To the extent that  
9 we have questionnaire responses. We haven't had the  
10 APO release yet, so.

11 MS. MAZUR: You didn't get yesterday's APO  
12 release?

13 MR. BOND: No. Well we can get that today.  
14 And in the brief we can certainly incorporate what we  
15 find into our discussion.

16 MS. MAZUR: If you would please. Again,  
17 it's not just Petitioners, it's non-Petitioners.

18 MR. BOND: We understand that. We're trying  
19 to work with the public data today because that was  
20 what we had.

21 MS. MAZUR: Okay.

22 I think that was the only question I had.  
23 Thank you very much.

24 MR. CARPENTER: Just a couple of follow-up  
25 questions.

1           Mr. Schagrín this morning indicated that  
2 average unit values from Mexico are higher than for  
3 other imports because their product mix includes a  
4 higher percentage of coated products, lighter gauges  
5 and other high value products. Do you agree with  
6 that?

7           MR. BOND: I guess I was happy to hear that  
8 because it suggested to me that it would be improper  
9 for you to cumulate us with Turkey, but I really would  
10 prefer to defer probably to Jaime in terms of the  
11 product mix of what's coming in from Mexico.

12           MR. TREVINO: Yes. The majority of  
13 products, of light-walled rectangular tubing that  
14 Mexico is exporting to the U.S. is actually black and  
15 pico-alloy. We also export galvanized tubing. It is  
16 not the majority of the volume that Mexico is  
17 exporting to the U.S..

18           I don't know if that answers your question  
19 or if you need some more specific information.

20           MR. CARPENTER: That's helpful.

21           MR. BOND: We can touch on that in the brief  
22 if you'd like as well. We can gather information from  
23 the companies and give you some better idea of the mix  
24 of black versus galvanized.

25           MR. CARPENTER: That would be great.

1           MR. BOND: We do think that the AUVs do give  
2 you some sense of what's going on. Obviously they're  
3 not the most precise instrument for your analysis but  
4 they are relevant and we don't believe that the  
5 product mix is so drastically different that you  
6 should just simply disregard them as Mr. Schagrin has  
7 suggested.

8           MR. CARPENTER: Mr. Diaz, I thought I  
9 remembered from your testimony, it sounded like most  
10 of the product that you were dealing with from Mexico  
11 -- Are you an exporter --

12           MR. DIAZ: Yes, we are an importer because  
13 we are situated right now in that --

14           MR. CARPENTER: Do you deal mainly with  
15 galvanized product, coated product?

16           MR. DIAZ: Yeah. Our main product is  
17 galvanized coil, galvalum coil, this is another  
18 product that isn't here. The square tubing is a small  
19 part of our business and as I mentioned to you,  
20 carports in this market. Carports. We don't sell to  
21 anywhere. We only sell square galvanized pipe to this  
22 application.

23           Our close competition, we are not making  
24 petition. They make another different type of product  
25 like Allied. They produce acrylic coated pipe that we

1 don't produce. So we are totally separate in the  
2 market.

3 MR. CARPENTER: I see. Thank you.

4 Also related to this question of galvanized  
5 product, Mr. Bond, as I understand it you're not  
6 making a like product argument now, per se, but you're  
7 holding open that possibility for the future.

8 In your post-conference brief if you feel  
9 this is the appropriate time to address it, if you're  
10 aware of any other cases in the past where the  
11 Commission has found black and galvanized products to  
12 be separate like products, we'd be interested in  
13 knowing that.

14 MR. BOND: Just off the top of my head, the  
15 flat-rolled cases for years and years were cut up in  
16 that sense between hot-rolled, cold-rolled, galvanized  
17 and plate, were the four sort of classical like  
18 product categories that were always examined. You  
19 don't have a big jump here from a hot-rolled coil to a  
20 hot-rolled pipe or a cold-rolled coil to a cold-rolled  
21 pipe, a galvanized coil, which is a huge leap in terms  
22 of the value-added and the difference in the end uses,  
23 et cetera. From that coil to a pipe again. So I  
24 think those cases are relevant.

25 We can look and see in a specific pipe and

1 tube application whether there's been any precedent as  
2 well for you.

3 MR. CARPENTER: I'd appreciate that.

4 MR. BOND: Okay.

5 MR. CARPENTER: I'd also like to ask you,  
6 and I'll also ask Mr. Schagrín to answer this question  
7 in his brief, and you can answer this in the brief too  
8 if you want after you've had a chance to look into it  
9 a little bit better.

10 I'm trying to understand your argument about  
11 the structural applications and basically what I'd  
12 like to know is what percentage of U.S. consumption, I  
13 realize this would be an estimate, what percentage of  
14 U.S. consumption of light-walled rectangular pipe and  
15 tube as defined in the scope of the investigation is  
16 used for structural as opposed to mechanical or  
17 ornamental purposes.

18 As I understand your argument, it sounds  
19 like because of the definition of the product in terms  
20 of the wall thickness and the size constraints that  
21 there may be some structural pipe included in there,  
22 but in past cases my understanding was the vast  
23 majority of structural pipe would be outside the scope  
24 of this investigation in terms of the size categories.  
25 Am I wrong about that?

1 MR. BOND: Two comments.

2 Number one, we'll be happy to try and dig  
3 this information up. I'm not sure that it exists but  
4 we'll certainly do our best to try and find it for  
5 you.

6 What's going on here really, Mr. Schagrin in  
7 my view has defined the product in a very broad way  
8 and he's seeking to keep his options completely open.  
9 By excluding any mention of product specification and  
10 various things like this Mr. Schagrin can be assured  
11 that virtually no pipe made in the entire world, well  
12 made in Mexico at least, that falls within these  
13 physical characteristics could potentially be  
14 substituted for what he's considering to be a  
15 mechanical application.

16 He's concerned that if duties go into place  
17 on just mechanical tube, quote/unquote, A513, that  
18 tomorrow someone is going to begin using A500 in that  
19 application which is why he's left his options open.  
20 We have a scope that's been defined very very very  
21 broadly without respect to use or without respect to  
22 particular specifications.

23 The end result of that is the situation that  
24 I'm describing where he's also bringing structural  
25 tube into this case. By keeping his options open and

1 keeping things defined very broadly he's included  
2 structural pipe producers, and we're going to try and  
3 find what portion of the total LWR is structural so  
4 you'll have that information.

5 MR. CARPENTER: I appreciate that.

6 Ms. Mazur?

7 MS. MAZUR: I'm sorry. As a follow-up to  
8 Mr. Carpenter's question, the scope definition of this  
9 investigation is no different than previous  
10 investigations. Why is it that this structural issue,  
11 it was the same scope, there was discussion of  
12 ornamental versus mechanical, and no issue of  
13 structural was ever raised. This has been not just in  
14 the '95 case, this was also true going back to the  
15 late '80s as well.

16 Again, this is a consistent definition of  
17 scope. We've not had this kind of an issue raised in  
18 previous investigations.

19 MR. BOND: I don't know the answer to that  
20 question. We were not representing those parties. I  
21 think frankly that there's some confusion about what  
22 these terms mean. You start talking about mechanical  
23 tube, mechanical tube, and they assume that it's some  
24 really known universe of what we're talking about, but  
25 the truth is that with the scope defined in the way

1 that it is only relating to particular physical  
2 characteristics it's not so clear. So perhaps people  
3 didn't realize, I don't know.

4 MS. MAZUR: But again, this is the same  
5 definition that's been applied in the past.

6 MR. BOND: It appears to be, yes. Of the  
7 like product.

8 MS. MAZUR: And also scope. As defined by  
9 Department of Commerce.

10 MR. BOND: I think in some of the earlier  
11 cases there were some slight differences in terms of  
12 the cross-sectional sizes that were included.

13 MS. MAZUR: Could you take a look at, we  
14 don't have it yet, but obviously please take a look at  
15 Commerce's Notice of Initiation on this and give us  
16 any additional information that you might have in  
17 terms of your discussion with what Commerce, what  
18 arguments you have made to Commerce regarding this  
19 issue as well.

20 MR. BOND: Okay.

21 MS. MAZUR: You have indicated you've made  
22 the argument both here and at Commerce.

23 MR. BOND: Very well.

24 MS. MAZUR: Thank you. That's all I have.

25 MR. CARPENTER: I think what we're really

1       trying to get a handle on, what I was getting at  
2       before, is just how important structural applications  
3       are within the parameters of the product definition in  
4       this case. If you could try to shed some light on  
5       that in your brief we'd appreciate it.

6               MR. BOND: As a ball park figure, and from  
7       the Hylsa/Galvac perspective, of the light-walled  
8       product that they export to the United States, Mr.  
9       Trevino is estimating that 30 to 35 percent of those  
10      products would be "structural" products meeting the  
11      A500 standard. They're not mechanical in the sense  
12      that they're A513 products.

13              Roughly 30 percent, he's saying, of his  
14      exports would fit into this so-called structural  
15      category.

16              Does that help you?

17              MR. CARPENTER: I was looking for a figure  
18      but what might also be helpful in your brief is if you  
19      can give us some examples of products or specific  
20      applications where you're saying this falls into a  
21      structural category.

22              Again, thank you very much for your  
23      testimony and for your responses to our questions.  
24      We'll take a recess until 1:30 and we'll conclude with  
25      the rebuttals and closing statements.

1 Thank you.

2 (Whereupon, a brief recess was taken)

3 MR. CARPENTER: Mr. Schagrín, you can begin  
4 whenever you're ready.

5 MR. SCHAGRIN: Thank you very much, and Mr.  
6 Carpenter on behalf of Petitioners I'm happy to offer  
7 these closing rebuttal comments.

8 First let me just start with Respondents'  
9 red herring which is that somehow the domestic  
10 industry now 20 years after the first light-walled  
11 rectangular tubing case is trying to pull the wool  
12 over the Commission's eyes as if you didn't know this  
13 product already for the past 20 years, because  
14 probably some junior associate at this mega law firm,  
15 White & Case, came up with a list of structural tubing  
16 producers.

17 And they are right on one thing, our scope  
18 is not dependent on application or use or  
19 specification, it is size. It has always been size.  
20 We have not changed the scope. We added carbon  
21 quality because we didn't want people playing boron  
22 games.

23 But the beauty of the light-walled  
24 rectangular scope is it's the same as the HTS, it's  
25 based on size. A vast majority, probably 95 percent

1 of the products are mechanical or ornamental, but it  
2 doesn't matter. That prevents someone like myself  
3 from spending seven years before a NAFTA panel which  
4 I've done with Mr. Winton who I think may still be in  
5 the audience for fun, in a standard pipe case from  
6 Mexico where the Mexicans claim we ought to be able to  
7 import this because using standard pipe in greenhouse  
8 framing is mechanical not structural and therefore  
9 it's outside the scope. We don't have to deal with it  
10 in this product.

11 But the fact is you can look at the STI,  
12 Steel Tube Institute, web site and they'll say here's  
13 all these structural tubing producers and a lot of  
14 them can make some lighter walls, but the question is  
15 do they? Because as you heard members of the domestic  
16 industry explain today, Mr. Katsafanas' company can  
17 make heavier walls and lighter walls, they have  
18 different mills. The same with Searing. It's the  
19 same for most people in the industry.

20 The people who make structural tubing and  
21 don't make light-walled rectangular tubing have  
22 structural tubing mills. Just because the structural  
23 tubing mill might be able to make a lighter wall, the  
24 fact is it's not efficient so they don't.

25 You asked the question earlier, we got an

1 estimate from the gentleman from Hylsa of 30 to 35  
2 percent. Mr. Katsafanas has been in the light-walled  
3 rectangular tubing and structural tubing mill his  
4 entire career of almost 30 years. He told me it is  
5 five percent at an absolute top maximum of light-  
6 walled products that would be made to structural  
7 specifications and it's most likely between one and  
8 two percent.

9 Now my knowledge only comes from my clients.  
10 I really don't have a tremendous amount of independent  
11 knowledge about these businesses and that's what  
12 formed the basis of my belief is that really the  
13 Commission's covered this in the past, we know who  
14 these producers are of light-walled rectangular,  
15 structural tubing producers make little if any of this  
16 and it's a tiny portion of the market.

17 Galvanized we'll address in the post-  
18 hearing. I guess we'll address it in the final  
19 investigation.

20 As you pointed out, in terms of pipe and  
21 tube products, none of you had all of these light-  
22 walled rectangular in which you've never distinguished  
23 between galvanized and non-galvanized in the like  
24 product, but we've probably had 30 different cases on  
25 standard pipe and the Commission has never

1 differentiated like product on standard pipe between  
2 black and galvanized.

3 The reason for that is galvanized is just  
4 the application of a zinc coating. You can make it  
5 from galvanized sheet, you can add the zinc in-line,  
6 you can hot dip add the zinc. You can't make it into  
7 a separate like product.

8 Now I must admit I was a little surprised by  
9 the argument by the Mexican industry about looking at  
10 the United States in regions. This is the same  
11 industry that just in 1995 said you can't look at the  
12 U.S. industry on a regional basis. They come back  
13 here in this case and say look at the industry on a  
14 regional basis. Well obviously you won't because we  
15 don't meet the regional criteria.

16 But I think it's just ludicrous to look at a  
17 GDP map of the United States for 2000-2001. For all I  
18 know if they looked at it 2001 to 2002 the colors of  
19 those different states would change. But was growth  
20 in the economies in Texas and Oklahoma so wildly  
21 rampant that I didn't catch it in the news, that it  
22 would account for 60 percent increase in their  
23 imports? No, of course not.

24 In fact did they give you any documentation  
25 during their presentation that their imports are

1 staying in Texas and Oklahoma? No, they didn't.

2 We know they enter through Texas because  
3 that's where the border with Mexico is. But the fact  
4 is they have brokers who may be based in Texas and  
5 Oklahoma who are selling in 30 or 40 states. IMSA  
6 even said they sold in 39 states. That doesn't sound  
7 like Texas and Oklahoma. You had a broker who's  
8 covering the 11 western states. They're offering  
9 their product everywhere.

10 We know, they spent a lot of time focusing  
11 on the Petitioners on the West Coast. We know the  
12 Commission's going to focus on the industry as a whole  
13 so I'm not going to spend time on the West Coast  
14 Petitioners.

15 They also argued in general the reason the  
16 industry can't pass along its cost increases is  
17 because everybody knows demand is lousy. They kind of  
18 wanted you to assume that demand is lousy in the  
19 United States but it's great in Mexico. Well if you  
20 read all the papers you know actually Mexico and their  
21 maquiladoras are having horrible problems with  
22 imports from China just like a lot of folks in the  
23 U.S..

24 But if demand isn't so good in the United  
25 States why are the imports increasing by 60 percent?

1           The bottom line is, it's not about state GDP  
2 growth. It's not about a customer in San Antonio who  
3 says I don't buy from the Mexicans because their  
4 prices are cheap. They're closer freight-wise than  
5 Chicago.

6           What about the producer in Houston? What  
7 about the producer in Dallas? The one in Oklahoma?  
8 The one in Mississippi? The one in Alabama? There  
9 are a lot of places that are a lot closer to San  
10 Antonio than Chicago. Why isn't he buying from them?

11           It's okay if he buys from the Mexicans  
12 because their prices are low. That's perfectly fine.  
13 But don't try to give the Commission an impression  
14 that everybody who buys Mexican product buys it  
15 because it's a good freight deal and that you can't  
16 buy it from U.S. producers because there aren't any  
17 U.S. producers close to you.

18           There are producers of this product  
19 throughout the United States. In the Southeast, in  
20 the Southwest, in the West Coast, in the Midwest, on  
21 the East Coast. All over the place. They're making a  
22 full range of products.

23           One gentleman from the carport said I buy  
24 from Allied when it's a good deal. What does that  
25 mean? That he buys from Allied when their price is

1 lower than the price from IMSA and he buys from IMSA  
2 when their price is lower than Allied? That's probably  
3 what it amounts to.

4 Even if there's not a lot of producers of  
5 that product, he probably buys on the basis of price.

6 The fundamentals of this case are that we  
7 have had a massive increase of imports of this  
8 product. Massive. This is still a fairly static  
9 market. It goes up and down with the cycles, but a 60  
10 percent increase in a two year period is unbelievable  
11 in this product.

12 As I started out with, you've got to  
13 remember the last times you've looked at this total  
14 imports were 90,000 tons. No wonder the U.S.  
15 producers were fairly healthy.

16 Now 180,000 tons from just these two  
17 countries. These imports are gobbling up the U.S.  
18 market. What does it mean in terms of the injury  
19 case? As long as you confirm the underselling that  
20 I'm convinced you're going to find, then you can also  
21 conclude that they are contributing to price  
22 suppression.

23 There's no reason, no matter how you cut the  
24 steel arguments, they argue to you, oh, we're not  
25 subject to increased steel costs because we're

1 vertically integrated. Well, one company is buying  
2 slabs. Slab prices went up also. The other company  
3 says they do make their own steel, Hylsa.

4 For the U.S. independent pipe and tube  
5 industry they've done pretty well over the last 30 or  
6 40 years not being vertically integrated. And it's  
7 worked out okay, and I'm always worried about people  
8 who tell you oh, these people have a business model  
9 problem.

10 We don't have a business model problem in  
11 the U.S. LWR industry. We have a price suppression  
12 problem. We have too many imports being offered at  
13 prices below the prices of U.S. products which is  
14 preventing the domestic industry from passing along  
15 cost increases.

16 When you look at this industry on a  
17 nationwide basis you'll see the injury, you'll see the  
18 causation is the unfairly traded imports from Mexico  
19 and Turkey which ought to be cumulated because of  
20 their overlap.

21 That's really going to be the end of the  
22 story and then we'll talk about like product and other  
23 issues during the final investigation.

24 Thank you.

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

1                   Mr. Bond, will you be doing the closing  
2 statement?

3                   MR. BOND: A quick one so we can all get to  
4 lunch.

5                   Just three basic topics. Getting back again  
6 but very briefly to this question of domestic industry  
7 and do we know who's producing these products.

8                   I would ask you, we've provided you with a  
9 list of more than 20 companies which based on public  
10 information quite clearly appear to produce the  
11 subject merchandise. Let's ask Mr. Schagrin what's  
12 going on with those companies? Do they or do they not  
13 produce the product that he's told us is the subject  
14 merchandise and that he's told us is the domestic like  
15 product?

16                   If the answer is yes, and I think it has to  
17 be yes, and you'll see that when you review this  
18 information, why didn't he tell us about these  
19 companies and how can we possibly proceed to a  
20 preliminary determination unless we have information  
21 from them?

22                   Enough said on that point.

23                   With respect to your injury analysis, we're  
24 not saying that it's a perfectly regional market.  
25 What we're saying is that there is a very very high

1 level of attenuation in the competition because of two  
2 simple points. Number one, in large part we're  
3 talking about a commodity product. Everyone agrees on  
4 that point.

5 Number two, there's a lot of freight cost  
6 involved in moving it around the country. When you're  
7 moving a piece of tubing you're essentially  
8 transporting air. It's not a very efficient process.

9 If you agree that these are relevant points  
10 to understanding the case, it seems to us that there's  
11 really no way around our point that you have sort of  
12 natural markets for producers in various areas. It's  
13 not perfect, it's not impossible that you might ship  
14 out of it or it's not impossible that others might  
15 ship into it. But in order to understand what's going  
16 into the marketplace we think you definitely need to  
17 take this into account. It's an important factor.

18 The other point with respect to injury that  
19 we would again encourage you to take a look at is this  
20 question of price competition. Mr. Schagrin would  
21 have you believe that we're the problem.

22 Again, if we have a commodity product, which  
23 we clearly do, it makes no sense to me how Mexico  
24 could be the price leader when we have ample supply of  
25 imports at much lower prices. It simply makes no

1 sense.

2           Number three, we have to pay close attention  
3 I think to the fundamental impact of the 201 duties on  
4 this industry Mr. Schagrín told us more than a year  
5 and a half ago, as did several of his clients, that  
6 this precise situation would arise if the 201 measures  
7 were imposed in a way that it put a higher tariff on  
8 flat-rolled products than was put onto the pipe and  
9 tube products.

10           We're at the exact point that Mr. Schagrín  
11 predicted we would be in. It's not our fault. We  
12 didn't impose the safeguard measures. We didn't  
13 propose the structure of the safeguard measures. It  
14 makes no sense to me that we can conduct this analysis  
15 and talk about how they're suffering from price  
16 suppression without recognizing that a large, large,  
17 large portion of that is something following directly  
18 from the 201 structure.

19           The fourth thing again is the economy.  
20 Again, we didn't do this. The economy is miserable.  
21 You cannot ignore the enormous, enormous effect of  
22 decreased demand in certain parts of this country on  
23 price structures. It's not fair, it makes absolutely  
24 no economic sense, for anyone to sit at these tables  
25 and tell you that they're entitled to have 100 percent

1 of their cost increases pass through to their  
2 customers. It just does not work that way in the real  
3 world.

4 There's a very good discussion of that point  
5 in your 332 report and I think the principles and the  
6 concepts that you discuss there should be applied in  
7 this case.

8 Mr. Schagrín's clients have succeeded in  
9 passing through a large portion of their increased  
10 cost of materials, not 100 percent but a large  
11 portion.

12 With respect to threat, I haven't touched on  
13 this but let me mention a few points quickly.

14 We think it would be appropriate to  
15 decumulate Mexico and Turkey in this case for a  
16 variety of reasons and we'll discuss them in our  
17 brief. You obviously have the discretion, the  
18 Commission has the discretion to do so.

19 Some of the factors that we think warrant  
20 that type of treatment include the different trends  
21 that we see in the price and the volume data, the fact  
22 that the Turkish imports are predominantly of  
23 different products than ours as Mr. Schagrín has told  
24 us. And thirdly, the fact that the dumping duties  
25 that may be imposed on Turkish exports to Canada and

1 the European Union place those imports into the U.S.  
2 in a very different position than exports from Mexico  
3 to the United States.

4 We'll develop other factors in our brief.

5 Assuming you agree with us and you look at  
6 Mexico by itself for purposes of threat, what do you  
7 see? You see that our imports to the U.S. increased  
8 by a very small amount in the last six months, by less  
9 than 3,000 tons. A very very high level of capacity  
10 utilization among the Mexican mills, well over 90  
11 percent. And despite Mr. Schagrin's suggestions I can  
12 assure you that there's nothing strange going on with  
13 our capacity calculations. We'd be happy to provide  
14 the same information that you requested about how does  
15 the calculation work, if you like, and you'll see that  
16 there's nothing odd going on.

17 The reason that our capacity is being used  
18 so fully is in large part due to the strength of the  
19 Mexican economy. Again you'll see from our  
20 information that we consistently have very very strong  
21 sales in the Mexican market and that those sales  
22 account for a very large portion of our production and  
23 of our shipments.

24 Because that market continues to be healthy  
25 there's really no reason to expect that we're going to

1 divert sales to the United States.

2 The fact that that market is so strong also  
3 suggests that argument that we're underselling makes  
4 no sense. To the extent that we have a very positive  
5 market in Mexico which we do, we're not going to be  
6 shipping to the United States at low prices just to  
7 sell steel. We have a better alternative in our home  
8 market.

9 Those really are my points. I'd like to  
10 thank you very much.

11 MR. CARPENTER: Thank you, Mr. Bond.

12 Just a few concluding remarks.

13 The deadline for both the submission of  
14 corrections to the transcript and for briefs in the  
15 investigations is Friday, October 3rd.

16 If briefs contain business proprietary  
17 information, a non-proprietary version is due on  
18 October 6th.

19 The Commission has tentatively scheduled its  
20 vote on the investigations for Friday, October 24th at  
21 11:00 a.m. It will report its determinations to the  
22 Secretary of Commerce on October 24th.

23 Commissioners opinions will be transmitted  
24 to Commerce a week later, on October 31st.

25 Thank you for coming. This conference is

1 adjourned.

2 (Whereupon, the hearing was adjourned at

3 1:47 p.m.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Light-Walled Rectangular Pipe and  
Tube from Mexico and Turkey

**INVESTIGATION NO.:** 731-TA-1054-1055 (Preliminary)

**HEARING DATE:** September 30, 2003

**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:** 9/30/03

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

**SIGNED:** Carlos Gamez  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

**SIGNED:** Mason Edwards  
Signature of Court Reporter