Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom

Investigation Nos. 701-TA-545-547 and 731-TA-1291-1297 (Preliminary)

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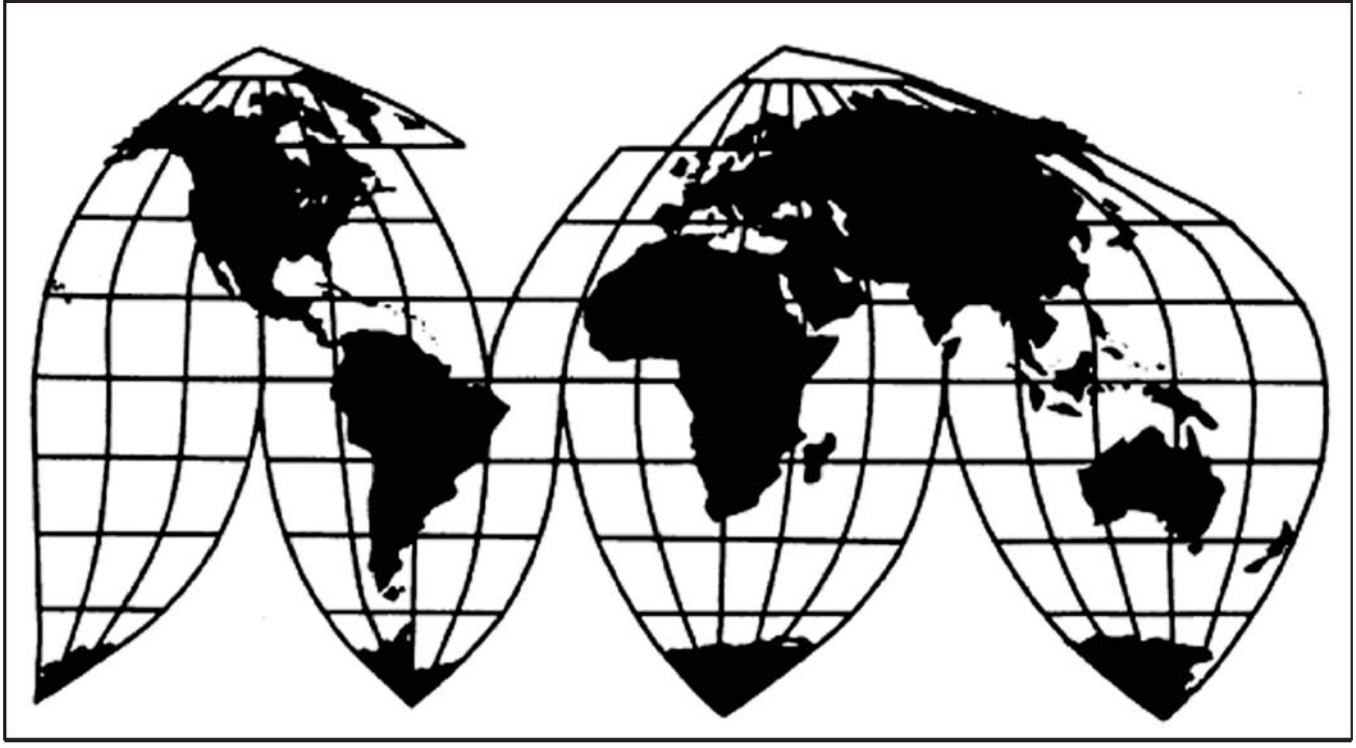
U.S. International Trade Commission



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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-545-547 and 731-TA-1291-1297 (Preliminary)

Certain Hot-Rolled Steel Flat Products from
Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines,[2] pursuant to the Tariff Act of 1930 ("the Act"), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain hot-rolled steel flat products ("hot-rolled steel") from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom, provided for in subheadings 7208.10.15, 7208.10.30, 7208.10.60, 7208.25.30, 7208.25.60, 7208.26.00, 7208.27.00, 7208.36.00, 7208.37.00, 7208.38.00, 7208.39.00, 7208.40.60, 7208.53.00, 7208.54.00, 7208.90.00, 7210.70.30, 7210.90.90, 7211.14.00, 7211.19.15, 7211.19.20, 7211.19.30, 7211.19.45, 7211.19.60, 7211.19.75, 7211.90.00, 7212.40.10, 7212.40.50, 7212.50.00, 7214.91.00, 7214.99.00, 7215.90.50, 7225.11.00, 7225.19.00, 7225.30.30, 7225.30.70, 7225.40.70, 7225.99.00, 7226.11.10, 7226.11.90, 7226.19.10, 7226.19.90, 7226.91.50, 7226.91.70, 7226.91.80, 7226.99.01, and 7228.60.60 of the Harmonized Tariff Schedule of the United States, that are allegedly sold in the United States at less than fair value ("LTFV"), and by imports of hot-rolled steel that are allegedly subsidized by the governments of Brazil, Korea, and Turkey.

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce ("Commerce") of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing

[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

[2] Commissioner F. Scott Kieff not participating.

the names and addresses of all persons, or their representatives, who are parties to the investigations.

BACKGROUND

On August 11, 2015, AK Steel Corporation (West Chester, Ohio), ArcelorMittal USA, LLC (Chicago, Illinois), Nucor Corporation (Charlotte, North Carolina), SSAB Enterprises, LLC (Lisle, Illinois), Steel Dynamics, Inc. (Fort Wayne, Indiana), and United States Steel Corporation (Pittsburgh, Pennsylvania) filed a petition with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized imports of hot-rolled steel from Brazil, Korea, and Turkey and LTFV imports of hot-rolled steel from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom. Accordingly, effective August 11, 2015, the Commission, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)), instituted countervailing duty investigation Nos. 701-TA-545-547 and antidumping duty investigation Nos. 731-TA-1291-1297 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of August 18, 2015 (80 FR 50028). The conference was held in Washington, DC, on September 1, 2015 and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of certain hot-rolled steel flat products ("hot-rolled steel") from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the governments of Brazil, Korea, and Turkey.[1]

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

II. Background

The petitions in these investigations were filed on August 11, 2015 by five domestic hot-rolled steel producers: AK Steel Corporation ("AK Steel"), ArcelorMittal USA, LLC ("ArcelorMittal USA"), Nucor Corporation ("Nucor"), SSAB Enterprises, LLC ("SSAB"), Steel Dynamics, Inc. ("SDI"), and the United States Steel Corporation ("U.S. Steel") (collectively "Petitioners"). Petitioners appeared at the staff conference and submitted postconference briefs.

The following respondents appeared at the staff conference and/or submitted postconference briefs (except as otherwise noted):

Australia. BlueScope Steel Ltd., BlueScope Steel Americas LLC, and Steelscape LLC (collectively "BlueScope"), which are, respectively, the exporter, the U.S. importer, and the principal U.S. purchaser of hot-rolled steel from Australia.

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[1] Commissioner Kieff did not participate in these investigations.

[2] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

[3] *American Lamb Co*., 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

Brazil. Companhia Siderurgica Nacional, a producer and exporter of hot-rolled steel from Brazil, and CSN, LLC, an importer of hot-rolled steel (collectively "CSN"). USINAS SIDERURGICAS DE MINAS GERAIS-USIMINAS S.A. ("Usiminas"), a producer and exporter of hot-rolled steel from Brazil, filed a letter after the conference.

Japan. Nippon Steel & Sumitomo Metal Corporation, JFE Steel Corporation, Kobe Steel, Ltd., and Nisshin Steel Co., Ltd., producers and exporters of hot-rolled steel from Japan (collectively "Japanese Producers"), and Tokyo Steel Manufacturing Co., Ltd., a producer and exporter of hot-rolled steel from Japan ("Tokyo Steel").

Korea. POSCO and Hyundai Steel Co., Ltd., producers and exporters of hot-rolled steel from Korea (collectively "Korean Producers") and Welspun Global Trade, LLC, a U.S. importer of hot-rolled steel from Korea, the Netherlands, and the United Kingdom ("Welspun").

The Netherlands. Tata Steel Ijmuiden BV, a producer and exporter of hot-rolled steel from the Netherlands ("Tata Netherlands").

Turkey. Colakoglu Metalurji A.S., Colakoglu Dis Ticaret A.S., producers and exporters of hot-rolled steel from Turkey, the Istanbul Minerals and Metals Exporters Association and its members, and the Turkish Steel Exporters Association (collectively "Turkish Producers").

The United Kingdom. Tata Steel U.K. Ltd., a producer and exporter of hot-rolled steel from the United Kingdom ("Tata U.K.").

U.S. industry data are based on the questionnaire responses of 10 producers, accounting for all known U.S. production of hot-rolled steel in 2014.[4] U.S. import data are based on official Commerce import statistics. Questionnaire responses were received from 56 importers, representing 110.2 percent of U.S. imports from Australia over the January 1, 2012 to June 30, 2015 period of investigation ("POI"), 100.7 percent of U.S. imports from Brazil, 105.6 percent of U.S. imports from Japan, 95.8 percent of U.S. imports from Korea, 118.8 percent of U.S. imports from the Netherlands, 91.0 percent of U.S. imports from Turkey, 109.6 percent of U.S. imports from the United Kingdom, 68.8 percent of nonsubject imports from Canada, and 64.8 percent of U.S. imports from other nonsubject countries.[5]

The Commission received responses to its questionnaires from one producer of subject merchandise in Australia, accounting for all subject imports from Australia;[6] three producers of subject merchandise in Brazil, accounting for all subject imports from Brazil;[7] five producers of subject merchandise in Japan, accounting for all subject imports from Japan;[8] three subject producers in Korea, accounting for all subject imports from Korea;[9] one subject producer in the Netherlands, accounting for all subject imports from the Netherlands;[10] two subject producers

[4] Confidential Report ("CR") at III-1 and Table III-1, Public Report ("PR") at III-1 and Table III-1.
[5] CR/PR at IV-1. The total import volumes are those reported in official import statistics.
[6] CR/PR at VII-3.
[7] CR at VII-9, PR at VII-6.
[8] CR at VII-15, PR at VII-9.
[9] CR at VII-21, PR at VII-12.
[10] CR at VII-27, PR at VII-15.

in Turkey, accounting for all subject imports from Turkey;[11] and one subject producer in the United Kingdom, accounting for all subject imports from the United Kingdom.[12]

III. Domestic Like Product

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[13] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[14] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[15]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[16] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[17] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[18] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized

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[11] CR at VII-32, PR at VII-18.

[12] CR at VII-38, PR at VII-21.

[13] 19 U.S.C. § 1677(4)(A).

[14] 19 U.S.C. § 1677(4)(A).

[15] 19 U.S.C. § 1677(10).

[16] *See*, *e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. *See Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[17] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[18] *See*, *e.g.*, *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49*; see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

and/or sold at less than fair value,[19] the Commission determines what domestic product is like the imported articles Commerce has identified.[20]

A. Scope Definition

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

> The products covered by these investigations are certain hot-rolled, flat-rolled steel products, with or without patterns in relief, and whether or not annealed, painted, varnished, or coated with plastics or other non-metallic substances. The products covered do not include those that are clad, plated, or coated with metal. The products covered include coils that have a width or other lateral measurement ("width") of 12.7 mm or greater, regardless of thickness, and regardless of form of coil (e.g., in successively superimposed layers, spirally oscillating, etc.). The products covered also include products not in coils (e.g., in straight lengths) of a thickness of less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, i.e., products which have been "worked after rolling" (e.g., products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements referenced above:
>
> where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above unless the resulting measurement makes the product covered by the existing antidumping or countervailing duty orders on Certain Cut-To-Length Carbon-Quality Steel Plate Products From the Republic of Korea (A-580-836; C-580-837), and
>
> where the width and thickness vary for a specific product (e.g., the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, etc.), the measurement at its greatest width or thickness applies.

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[19] *See*, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[20] *Hosiden Corp. v. Advanced Display Mfrs.,* 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

Steel products included in the scope of these investigations are products in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

2.50 percent of manganese, or
3.30 percent of silicon, or
1.50 percent of copper, or
1.50 percent of aluminum, or
1.25 percent of chromium, or
0.30 percent of cobalt, or
0.40 percent of lead, or
2.00 percent of nickel, or
0.30 percent of tungsten, or
0.80 percent of molybdenum, or
0.10 percent of niobium, or
0.30 percent of vanadium, or
0.30 percent of zirconium.

Unless specifically excluded, products are included in this scope regardless of levels of boron and titanium.

For example, specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (IF)) steels, high strength low alloy (HSLA) steels, the substrate for motor lamination steels, Advanced High Strength Steels (AHSS), and Ultra High Strength Steels (UHSS). IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. The substrate for motor lamination steels contains micro-alloying levels of elements such as silicon and aluminum. AHSS and UHSS are considered high tensile strength and high elongation steels, although AHSS and UHSS are covered whether or not they are high tensile strength or high elongation steels.

Subject merchandise includes hot-rolled steel that has been further processed in a third country, including but not limited to pickling, oiling, levelling, annealing, tempering, temper rolling, skin passing, painting, varnishing, trimming, cutting, punching, and/or slitting, or any other processing that would not otherwise remove the merchandise from the scope of the investigations if performed in the country of manufacture of the hot-rolled steel.

All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within

the scope of these investigations unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of these investigations:

Universal mill plates (i.e., hot-rolled, flat-rolled products not in coils that have been rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm, of a thickness not less than 4.0 mm, and without patterns in relief); Products that have been cold-rolled (cold-reduced) after hot-rolling; Ball bearing steels; Tool steels; and Silico-manganese steels.[21]

B. Arguments of the Parties

Petitioners urge the Commission to find a single domestic like product coextensive with the scope of these investigations.[22] Welspun advocates defining a separate like product comprising hot-rolled steel coil that is used to produce line pipe that is American Petroleum Institute ("API") grade X-70 with a thickness of over 0.625 inches ("thick-walled X-70 HRC"). The Japanese Producers and Korean Producers join in this argument.[23] Welspun further contends that there is no domestic industry producing this product, and that the Commission should therefore reach negative determinations for this like product.[24]

C. Analysis

As an initial matter, Welspun's assertion that there is no domestic industry production of thick-walled X-70 HRC is incorrect. Two domestic producers reported making this product during the POI.[25]

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[21] *Certain Hot-Rolled Steel Flat Products from: Australia, Brazil, Japan, the Republic of Korea, the Netherlands, the Republic of Turkey, and the United Kingdom: Initiation of Less-Than-Fair-Value Investigations,* 80 Fed. Reg. 54261 (Sept. 9, 2015) (footnotes omitted). The scope of Commerce's countervailing duty investigations is the same. *Certain Hot-Rolled Steel Flat Products From Brazil, the Republic of Korea, and Turkey: Initiation of Countervailing Duty Investigations,* 80 Fed. Reg. 54267 (Sept. 9, 2015).

[22] SSAB Br. at 1-12.

[23] Japanese Producers Br. at 3, Korean Producers Br. at 2.

[24] Welspun Br. at 2.

[25] CR at III-13, PR at III-9. Welspun's argument overlooks that if there is no domestically produced article corresponding to merchandise described in the scope of an investigation, the Commission must define the domestic like product to be the domestically produced article "most similar in characteristics and uses." 19 U.S.C. § 1677(10). The Commission has repeatedly rejected arguments that it should effectively "exclude" an article from the scope of the investigation because it is not domestically produced, by defining that article to be a separate domestic like product. *See, e.g., Activated Carbon from China*, Inv. No. 731-TA-1103 (Final), USITC Pub. 3913 (April 2007) at 7-8 n.18; *Certain Cold-Rolled Steel Products from Australia, India, Japan, Sweden, and Thailand*, Inv. Nos. 731-TA-965, -971-72, -979, and -981 (Final), USITC Pub. 3536 (Sept. 2002) at 10 n.31, and USITC Pub. 3437 (Nov.

(Continued…)

We find that the record in the preliminary phase of these investigations does not support defining thick-walled X-70 HRC as a separate domestic like product for the reasons stated below. Accordingly, we define a single domestic like product, hot-rolled steel, that is coextensive with the scope of these investigations.

Physical Characteristics and Uses. API grade X-70 is not a grade of hot-rolled steel, instead, it is one of several grades of line pipe covered by API Specification 5L.[26] Consequently, the proposed separate like product, thick-walled X-70 HRC, is hot-rolled steel coil with properties suitable for the production of grade X-70 line pipe with a wall thickness of 0.625 inches or greater.[27]

The physical characteristics that supposedly distinguish thick-walled X-70 HRC from other hot-rolled steel are, in fact, not unique to that product, contrary to Welspun's assertions. There are other domestically produced hot-rolled steel products that are made in thicknesses up to 1 inch.[28] There are also other hot-rolled steel products that share the exceptional yield strength and ductility of thick-walled X-70 HRC. The requirements of API Specification 5L for line pipe with respect to physical properties (yield strength, ductility, and toughness) and chemical composition are the same for all pipe wall thicknesses, whether or not over 0.625 inches.[29] The use for thick-walled X-70 HRC – the manufacture of large-diameter, spiral weld line pipe – is also not unique. Hot-rolled coil with wall thicknesses of less than 0.625 inches also is used to make this kind of pipe.[30]

Manufacturing Facilities, Production Processes and Employees. There are two domestic producers of thick-walled X-70 HRC, ***.[31] They reported that they use the same manufacturing facilities and employees to make that product as they use to make other hot-rolled steel.[32]

Channels of Distribution. Thick-walled X-70 HRC is sold to tubular goods producers, as is a sizable proportion of U.S. producers' commercial shipments.[33] Welspun claims that thick-walled X-70 HRC travels through a unique channel of distribution because it is generally sold for specific pipeline projects. But this is not unique to thick-walled X-70 HRC. There are other

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(…Continued)
2001) (Preliminary) at 5 & n.20 ("...it is the role of Commerce, not the Commission, to determine the scope of the subject merchandise.")

[26] CR at I-29 n.46, PR at I-23 n.46.

[27] CR at I-29 n.46, PR at I-23 n.46.

[28] A number of domestic producers indicate the ability to produce hot-rolled steel in thicknesses up to 1 inch. *E.g.*, http://usa.arcelormittal.com/What-we-do/Steel-products/Hot-rolled/ and http://www.nucortusk.com/products.html.

[29] CR at I-30, PR at I-24.

[30] As Welspun's representative testified at the staff conference, that company makes this product from hot-rolled coils in wall thicknesses ranging from 0.322 to 1 inch. Conf. Tr. at 158 (Fisher/Welspun).

[31] CR at III-13, PR at III-9.

[32] CR at III-13-14, PR at III-9.

[33] In 2014, *** percent of U.S. producers' commercial shipments went to tubular goods producers. CR/PR at Table II-1.

types of hot-rolled steel – for example hot-rolled coils in wall thicknesses less than 0.625 inches – that also are sold for specific projects.[34]

Interchangeability. There is no evidence in the record to contradict Welspun's assertion that there is no interchangeability between thick-walled X-70 HRC and other hot-rolled steel in the production of large diameter oil and gas pipe. Nevertheless, there are numerous different types of hot-rolled steel products that may not be directly interchangeable for particular applications.[35]

Producer and Customer Perceptions. The only information on the record pertaining to producer and customer perceptions is Welspun's position that thick-walled X-70 HRC is a unique product.[36]

Price. The record shows that the average unit value ("AUV") of U.S. shipments of thick-walled X-70 HRC was *** percent higher than the AUV for hot-rolled steel generally in 2014, and *** percent higher in interim 2015.[37] The record shows that there is a substantial range of prices for different types of hot-rolled steel.[38]

Conclusion. In investigations such as these, where domestically manufactured merchandise is made up of a grouping of a large number of similar products or involves niche products, the Commission, absent a "clear dividing line" between particular products in the group, disregards minor variations.[39]

The record does not indicate a clear dividing line between thick-walled X-70 HRC and other hot-rolled steel products. Other hot-rolled steel products share at least some of the physical characteristics and uses of thick-walled X-70 HRC. The same manufacturing facilities and employees used to make thick-walled X-70 HRC are also used to make other hot-rolled steel products. The channel of distribution through which thick-walled X-70 HRC is sold – to end users for specific projects – is shared by certain other hot-rolled steel products. Although the interchangeability between thick-walled X-70 HRC and other hot-rolled steel products may be no more than limited, such limited interchangeability is also true among other types of hot-rolled steel products that serve a range of applications. In our view, the similarities between thick-walled X-70 HRC and other types of hot-rolled steel outweigh any differences in customer and producer perceptions and price. For these reasons, we define a single domestic like product corresponding to the scope of these investigations.

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[34] Conf. Tr. at 98 (Maskaluk/SSAB) (some types of products are bought as a project; this is very typical for something like line pipe or an X-70 type of order); Conf Tr. at 158 (Fisher/Welspun) (Welspun makes large-diameter line pipe for projects using hot-rolled coils in wall thicknesses ranging from 0.322 inches to 1 inch.)

[35] *E.g.*, interstitial free low-carbon steel with unique deep-drawing ability on stamping presses and high-strength low alloy steel used in automobiles to meet Corporate Average Fuel Economy (CAFE) requirements. CR at I-21-22, PR at I-18-19.

[36] Welspun Br. at 8-9.

[37] CR at III-13, PR at III-9. *See also* Conf. Tr. at 202 (Fisher/Welspun) (Welspun pays extra for X-70, and the heavier the wall, the more expensive it gets).

[38] *See* CR/PR at Tables V-4-V-7.

[39] *See* S. Rep. No. 96-249 at 90-91 (1979).

IV. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[40] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market. [41]

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to Section 771(4)(B) of the Tariff Act. This provision allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise or which are themselves importers.[42] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each investigation.[43]

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[40] 19 U.S.C. § 1677(4)(A).

[41] As a threshold matter, we examine whether USS-POSCO Industries ("UPI") engages in sufficient production-related activity to be treated as a domestic producer of hot-rolled steel. UPI filed a U.S. Producer's Questionnaire and entered an appearance as a "domestic producer of hot-rolled steel flat products." Letter from Cory Anderson to the Commission, dated Aug. 28, 2015. UPI does not hot-roll steel. Rather, its activities are limited to pickling and oiling hot-rolled steel that it purchases from other rolling mills. CR at III-2 n.2, CR at III-1 n.2. Pickling and oiling are processes that are performed on hot-rolled steel after the melting, slab casting, and rolling stages of production. CR at I-29 n.45, CR at I-23 n.45.

In deciding whether a firm engages in sufficient production-related activity, the Commission generally considers the following: (i) Source and extent of the firm's capital investment, (ii) technical expertise involved in US production activities, (iii) value added to the product in the United States; (iv) employment levels; (v) quantity and type of parts sourced in the United States; and (vi) any other costs and activities in the United States directly leading to production of the like product. *See, e.g., Drill Pipe and Drill Collars from China*, Inv. Nos. 701-TA-474 and 731-TA-1176 (Preliminary), USITC Pub. 4127 (March 2010) at 13.

The record indicates that UPI does not engage in sufficient production-related activity to be treated as a domestic producer. The capital investment to install a pickling line is not small, but is much lower than that involved in producing hot-rolled steel, whether in integrated mills or minimills. Conf. Tr. at 60 (Blujme/Nucor). The technical expertise involved in pickling and oiling is relatively low. CR at III-2 n.2, PR at III-1 n.2. The value added by pickling and oiling is relatively small. CR/PR at VI-1 n.1. The employment levels at UPI associated with pickling and oiling were ***. CR at III-2 n.2, PR at III-1 n.2. The record indicates that UPI has increasingly been sourcing its hot-rolled coils from overseas sources, (Conf. Tr. at 168 (Cho/POSCO)), thus indicating that the quantity of parts sourced in the United States has been declining. The record does not indicate that there are any other costs and activities in the United States associated with UPI's pickling and oiling. Consequently, we find that UPI is not a domestic producer of hot-rolled steel.

[42] *See Torrington Co. v. United States*, 790 F. Supp. 1161, 1168 (Ct. Int'l Trade 1992), *aff'd without opinion*, 991 F.2d 809 (Fed. Cir. 1993); *Sandvik AB v. United States*, 721 F. Supp. 1322, 1331-32 (Continued…)

SSAB argues that the Commission should not exclude any U.S. rolling mills from the domestic industry under the related parties provision.[44] No respondent addressed the question of how to define the domestic industry in its postconference brief.

Three domestic producers – California Steel Industries ("CSI"), ***, and North Star BlueScope – meet the statutory definitions of a related party.[45] We discuss below whether appropriate circumstances exist to exclude any of these producers from the domestic industry.

CSI. CSI is a related party because one of its parents, JFE Steel Corp., is an exporter of hot-rolled steel from Japan,[46] and also because it ***.[47] It was the *** largest domestic producer in 2014, accounting for *** percent of domestic production.[48] CSI explained that it ***.[49] CSI's operating income was ***.[50] [51] CSI ***.[52]

The ***. There is no indication that its corporate relationship with its Japanese parent *** shielded it from the effects of subject imports to any significant degree. Also, no party has argued that CSI be excluded from the definition of the domestic industry. Accordingly, we find that appropriate circumstances do not exist to exclude CSI from the domestic industry.

(…Continued)
(Ct. Int'l Trade 1989), *aff'd mem.,* 904 F.2d 46 (Fed. Cir. 1990); *Empire Plow Co. v. United States*, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987).

[43] The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude a related party include the following:

(1) the percentage of domestic production attributable to the importing producer;

(2) the reason the U.S. producer has decided to import the product subject to investigation (whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market);

(3) whether inclusion or exclusion of the related party will skew the data for the rest of the industry;

(4) the ratio of import shipments to U.S. production for the imported product; and

(5) whether the primary interest of the importing producer lies in domestic production or importation. *Changzou Trina Solar Energy Co. v. USITC*, Slip. Op. 15-84 at 23 (Ct. Int'l. Trade Aug. 7, 2015); see *also Torrington Co. v. United States*, 790 F. Supp. at 1168.

[44] SSAB Br. at 14-16.

[45] Although ArcelorMittal is related by common ownership to a producer of hot-rolled steel in Brazil, that producer ***. ArcelorMittal Foreign Producer Questionnaire Response at I-5. Therefore ArcelorMittal ***." 19 U.S.C. § 1677(4)(B)(ii) (III) (emphasis added).

[46] CR/PR at Tables III-1 n.2 and VII-15.

[47] CR/PR at Table III-9. CSI *** short tons from *** combined in *** (the equivalent of *** percent of its domestic production in ***), and *** short tons from *** in *** (the equivalent of *** percent of its domestic production in ***).

[48] CR/PR at Table III-1.

[49] CR at III-24, PR at III-12.

[50] *See* CR/PR at Tables E-1 and E-3.

[51] Vice Chairman Pinkert does not rely upon any domestic producer's financial performance in determining whether there are appropriate circumstances to exclude it from the domestic industry.

[52] CR/PR at Table III-1 n.2.

*** is a related party because it ***.[53] It was the *** domestic producer in 2014, accounting for *** percent of domestic production.[54] *** explained that ***."[55] *** operating income ***.[56] ***.[57]

The ***. Also, no party has argued that *** be excluded from the definition of the domestic industry. Accordingly, we find that appropriate circumstances do not exist to exclude *** from the domestic industry.

North Star BlueScope. North Star BlueScope is a related party because one of its parents, BlueScope Steel, is an exporter of hot-rolled steel in Australia.[58] North Star BlueScope is also related to two importers of the subject merchandise, Cargill and Bluescope Steel Americas LLC.[59] The record does not indicate, however, whether either of these importers directly or indirectly controls or is controlled by North Star BlueScope, which under the statute is a prerequisite to finding "related party" status on the basis of such corporate relationships.[60] It was the *** largest domestic producer in 2014, accounting for *** percent of domestic production.[61] North Star BlueScope's U.S. sales volume was much larger than the quantity of subject imports from Australia during the POI.[62] North Star BlueScope's *** during the POI.[63] North Star BlueScope ***.[64]

We find that appropriate circumstances do not exist to exclude North Star BlueScope from the domestic industry. North Star BlueScope's U.S. production is considerably larger than the possibly "related" companies' imports, underscoring that North Star BlueScope's principal interest is in domestic production. North Star BlueScope's domestic production remained relatively steady throughout the POI, even as the level of subject imports by the two affiliated importers increased.[65] Thus, there is no indication that the imports were supplanting its domestic production. Additionally, no party has argued for the exclusion of North Star BlueScope as a related party.

Accordingly, we define the domestic industry to include all U.S. mills that roll hot-rolled steel.

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[53] CR/PR at Table III-9. ***.

[54] CR/PR at Table III-1.

[55] CR at III-25, PR at III-12.

[56] *See* CR/PR at Table E-3.

[57] CR/PR at Table III-1.

[58] CR/PR at Tables III-1 and VII-3.

[59] CR/PR at Table III-1 n.4 and III-25. North Star BlueScope's Australian parent was the only producer of hot-rolled steel in Australia during the POI. CR at VII-3, PR at VII-3.

[60] 19 U.S.C. § 1677(4)(B). The questionnaire responses of North Star BlueScope, Cargill, and Bluescope Steel Americas LLC do not clarify this issue.

[61] CR/PR at Table III-1.

[62] *Compare* CR/PR at Table IV-2 with CR/PR at Table E-1. For example, in 2014, the volume of subject imports from Australia was 270,387 short tons, while North Star BlueScope's U.S. sales volume was *** short tons.

[63] *See* CR/PR at Tables E-1 and E-3.

[64] CR/PR at Table III-1.

[65] *See* CR/PR at Tables E-1 and III-9.

V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall be deemed negligible.[66]

Subject imports from each subject country, as a share of total hot-rolled steel imports, exceeded the applicable 3 percent statutory negligibility threshold. For the 12-month period of August 2014 through July 2015, subject imports from Australia were 5.4 percent, subject imports from Brazil were 6.8 percent, subject imports from Japan were 6.3 percent, subject imports from Korea were 18.5 percent, subject imports from the Netherlands were 6.7 percent, subject imports from Turkey were 7.5 percent, and subject imports from the United Kingdom were 3.5 percent of total imports.[67]

VI. Cumulation

For purposes of evaluating the volume and effects for a determination of reasonable indication of material injury by reason of subject imports, section 771(7)(G)(i) of the Tariff Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with the domestic like product in the U.S. market. In assessing whether subject imports compete with each other and with the domestic like product, the Commission generally has considered four factors:

(1) the degree of fungibility between subject imports from different countries and between subject imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
(2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;
(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
(4) whether the subject imports are simultaneously present in the market.[68]

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for

[66] 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B); *see also* 15 C.F.R. § 2013.1 (developing countries for purposes of 19 U.S.C. § 1677(36)).

[67] CR/PR at Table IV-3.

[68] *See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan*, Inv. Nos. 731-TA-278-80 (Final), USITC Pub. 1845 (May 1986), *aff'*d, *Fundicao Tupy, S.A. v. United States*, 678 F. Supp. 898 (Ct. Int'l Trade), *aff'd*, 859 F.2d 915 (Fed. Cir. 1988).

determining whether the subject imports compete with each other and with the domestic like product.[69] Only a "reasonable overlap" of competition is required.[70]

A. Arguments of the Parties

Petitioners contend that imports from all subject countries should be cumulated, as petitions were filed on the same day and there is a reasonable overlap of competition among subject imports from each country and between imports from each subject country and the domestic like product.[71] Japanese Producers, Tata Netherlands, and Tata U.K. argue that subject imports from Japan, the Netherlands, and the United Kingdom, respectively, should each not be cumulated with those from other subject countries because of a lack of a reasonable overlap of competition between subject imports from each of these countries and the domestic like product and other subject imports.[72]

B. Analysis

Imports from all subject countries are eligible for cumulation, as the petitions concerning imports from all subject countries were filed on the same day, August 11, 2015, and none of the statutory exceptions to cumulation is applicable. Based on the record of the preliminary phase of these investigations, we find a reasonable overlap of competition among subject imports from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom and between subject imports from each source and the domestic like product.[73]

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[69] *See*, *e.g.*, *Wieland Werke, AG v. United States*, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[70] The Statement of Administrative Action (SAA) to the Uruguay Round Agreements Act (URAA), expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." H.R. Rep. No. 103-316, Vol. I at 848 (1994) (*citing Fundicao Tupy*, 678 F. Supp. at 902); *see Goss Graphic Sys., Inc. v. United States*, 33 F. Supp. 2d 1082, 1087 (Ct. Int'l Trade 1998) ("cumulation does not require two products to be highly fungible"); *Wieland Werke, AG*, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[71] U.S. Steel Br. at 8-10; AK Steel Br. at 11-13.

[72] Japanese Producers Br. at 4-14; Tata Netherlands Br. at 30-36; Tata U.K. Br. at 30-36.

[73] We note that in these investigations hot-rolled steel imports from all subject countries, including Australia and Japan, are subject to dumping allegations. Nonetheless, BlueScope and Tokyo Steel argue that the Commission should not cumulate allegedly dumped imports from Australia and Japan with imports that are subject to countervailing duty allegations. BlueScope and Tokyo Steel have argued that the WTO Dispute Settlement Body (DSB) action in *United States – Countervailing Duty Investigation on Hot-Rolled Steel Products from India* precludes such cumulation. BlueScope Br. at 8-21 and Tokyo Steel Br. at 15-16 *citing* Appellate Body Report, *US – Countervailing Measures on Certain Hot-Rolled Carbon Steel Flat Products from India*, WT/DS436/AB/R (Dec. 8, 2014) (adopted Dec. 19, 2014). We observe that, even after adoption, DSB reports only bind Members with respect to particular cases or matters subject to the dispute and Members are provided a reasonable period of time to implement the findings and recommendations of the panel or Appellate Body in that dispute. WTO Agreement on Dispute Settlement Understanding, Articles 3, 17, 19, 21, 22. Given that the United States is currently in (Continued…)

Fungibility. All responding domestic producers reported that subject imports from the subject countries are always used interchangeably with each other and with the domestic like product. Most responding importers reported that subject imports from the subject countries are always or frequently used interchangeably with each other and with the domestic like product. Most of the remaining importers indicated that subject imports from the subject countries are sometimes used interchangeably with each other and with the domestic like product.[74] When asked whether differences other than price are ever significant in their sales in choosing between hot-rolled steel from different sources, most domestic producers responded "never," and most importers responded "sometimes" or "never."[75]

The argument of Japanese Producers that subject imports from Japan are not fungible with the domestic like product rests mainly on the assertion that the majority of Japanese subject imports are supplied to U.S. affiliates of Japanese mills for captive consumption, and, to a lesser degree, on the assertion that most of the rest of Japanese subject imports consist of specialized products that are not "readily available" from U.S. producers. However, the record does not support the contention of Japanese Producers that subject imports from Japan are not fungible with the domestic like product or other subject imports because they include specialty products. First, most subject imports from Japan are not specialty products. To the contrary, Japanese Producers themselves indicate that the majority of subject imports from Japan were products that they do not assert are specialty products, supplied to affiliated U.S. steel mills and a pipe producer, which consumed them to produce downstream products.[76] Moreover, even to

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the process of addressing steps to render that particular *Hot-Rolled Steel* proceeding not inconsistent with the DSB's findings, we do not believe that it is appropriate to take action in these investigations based solely on the Appellate Body report in that dispute. Under the circumstances, we follow our practice of "cross-cumulating" imports subject to the countervailing duty investigations with imports subject to the antidumping duty investigations. *See Bingham & Taylor v. United States*, 815 F.2d 982 (Fed. Cir. 1987); *see also, e.g.*, *Certain Crystalline Silicon Photovoltaic Products from China and Taiwan*, Inv. Nos. 701-TA-511 and 731-TA-1246-1247 (Final), USITC Pub. 4519 at 24 n.124 (Feb. 2015); *Circular Welded Carbon-Quality Steel Pipe from India, Oman, the United Arab Emirates, and Vietnam*, Inv. Nos. 701-TA-482 to 484 (Final), USITC Pub. 4362 at 12 n.59 (Dec. 2012); *Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Final), USITC Pub. 3509 at 29-31 (May 2009).

[74] CR/PR at Table II-9. The very few instances in which importers reported that subject imports are never used interchangeably with each other and with the domestic like product involved comparisons of subject imports from Japan with the domestic like product, with subject imports from Australia and Brazil, and with imports from nonsubject countries. *Id*.

[75] CR/PR at Table II-10.

[76] Japanese Producers explain that (1) Japanese producer NSSMC's shipments to Steelscape (860,999 short tons) accounted for *** percent of aggregated Japanese producers' exports of hot-rolled steel to the United States during the POI; (2) NSSMC supplied an affiliated tube producer with *** short tons during the POI; and (3) Japanese producer Kobe supplied UPI with an unspecified quantity of hot-rolled steel. Japanese Producers' Br. at 5-10. Japanese Producers do not argue that these products are not fungible with the domestic like product or with other subject imports *per se*; rather, they contend that "it is financially impractical and logistically difficult . . . to transport hot-rolled coil from U.S. mills (Continued…)

the extent that Japanese Producers maintain that these imports consist of specialty products, the record does not corroborate their assertions that these products are not available from domestic producers. They rest, for the most part, on the unsupported assertion that these products are not "readily available" from domestic mills,[77] and on the erroneous assertion that no U.S. mills make thick-walled X-70 HRC.[78] Even if Japanese Producers' arguments with respect to these "specialty products" were valid, it is clear that most subject imports from Japan – enough in our view to constitute a reasonable overlap of competition – did not consist of such products.

Similarly lacking in factual support on this record are the arguments of Tata Netherlands and Tata U.K. that subject imports from the Netherlands and the United Kingdom are not fungible with the domestic like product because they consist in part of specialty products. For the most part, these companies are not claiming that they are exporting specialty products that are not available from domestic producers.[79] In any event, these assertions are unsupported by the questionnaire data. When asked to compare hot-rolled steel produced in the United States with subject imports from the Netherlands, all domestic producers reported that products from the two sources were always interchangeable, and most importers reported that they were always or frequently interchangeable.[80] The same is true in comparing the domestic like product with subject imports from the United Kingdom and in comparisons of imports from the Netherlands or the United Kingdom with imports from other subject countries.[81]

On balance, we find that the record indicates a substantial degree of fungibility between and among subject imports from each source and the domestic like product.[82]

Channels of Distribution. U.S. shipments of hot-rolled steel by domestic producers and importers are sold to both distributors and end users. In 2014, about half of U.S. producers' commercial shipments went to service centers/distributors and the other half went to end

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located in the Midwest and Eastern United States" to U.S. affiliates of Japanese mills on the Pacific Coast. *Id.* at 5. This argument goes to geographic overlap, discussed below, not to fungibility.

[77] Japanese Producers Br. at 7. We note that a representative of U.S. Steel testified that it makes every type of hot-rolled steel for which there is any significant demand in the U.S. market. Conf. Tr. at 38 (Kopf, U.S. Steel).

[78] Japanese Producers Br. at 8. As indicated in section III.C. above, there is domestic production of thick-walled X-70 HRC.

[79] Tata Netherlands Br. at 32. For example, Tata Netherlands does not claim that domestic producers cannot roll ultra-high strength steel in wide widths and heavy gauges, but rather that they cannot do so and still "consistently meet customer expectations and demands" – a nebulous assertion that cannot be corroborated on the current record.

[80] CR/PR at Table II-9.

[81] *Id.* Tata Netherlands and Tata U.K. do not provide any specific examples of subject imports from the Netherlands or the United Kingdom that lack fungibility with those of other subject countries.

[82] If parties believe that there are specific types of data other than those typically collected in the questionnaires which would be pertinent to the Commission's analysis of fungibility, they should identify and request collection of such data in their comments on the draft questionnaires in any final phase of these investigations.

users.[83] Subject imports from the following countries that year were predominantly shipped to service centers/distributors: Brazil (***) percent, the Netherlands (***), Turkey (***) percent, and the United Kingdom (*** percent). Subject imports from the following countries were predominantly shipped to end users: Australia (***) percent, Japan (***), and Korea (***) percent.[84]

Geographic Overlap. Domestically produced hot-rolled steel and subject imports from all subject sources are sold in all six regions of the continental United States, except that subject imports from the United Kingdom were not sold in the Mountains and Pacific Coast regions.[85] Thus, although hot-rolled steel from different sources may have different regional concentrations, the record indicates there is some degree of geographic overlap among the subject imports and between imports from each subject source and the domestic like product.

Simultaneous Presence in Market. Imports of hot-rolled steel from Japan, Korea, the Netherlands, and Turkey were present in the U.S. market in every month from January 2012 to June 2015. Imports of hot-rolled steel from Australia, Brazil, and the United Kingdom were present in the U.S. market for a majority of these 42 months as follows: Australia (31 of 42 months); Brazil (33 of 42 months); and the United Kingdom (39 of 42 months).[86]

Conclusion. The information in the record supports a finding that imports from each subject country are fungible with the domestic like product and each other, that imports from each of the subject countries and the domestic like product are sold in similar channels of distribution and similar geographic markets, and that they have been simultaneously present in the U.S. market. In light of the foregoing, we find that there is a reasonable overlap of competition between the domestic like product and imports from each subject country and between imports from each subject country.

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[83] CR/PR at Table II-1.

[84] CR/PR at Table II-1. We are not persuaded by the argument of Japanese Producers that subject imports from Japan flow through distinct channels of distribution because the majority of these imports are shipped to U.S. affiliates of Japanese mills or to long-term customers. Japanese Producers' Br. at 12. We similarly are not persuaded by arguments of Tata Netherlands and Tata U.K. that their imports are sold through distinctive channels of distribution because they are sold to discrete customers on a pre-sold basis. Tata Netherlands Br. at 34, Tata U.K. Br. at 34. These arguments tend to confirm, rather than rebut, the notion that subject imports from Japan, the Netherlands, and the U.K. serve the same *types* of purchasers as the domestic like product and imports from other subject countries. However, parties are invited to present arguments in any final phase of these investigations concerning whether imports shipped to U.S. affiliates of subject producers and exporters constitutes a unique channel of distribution for purposes of our cumulation analysis.

[85] CR/PR at Table II-3. The data on Customs districts of entry show that subject imports from Australia, Japan, and Korea were concentrated in the Pacific Coast region; subject imports from Brazil were concentrated in the Gulf Coast region; and subject imports from the Netherlands and the United Kingdom entered mainly in the Midwest, but also in the Northeast and Gulf Coast regions. Subject imports from Turkey entered mainly in the Central Southwest, but also in the Northeast and Pacific Coast regions. CR at IV-24-IV-28, PR at IV-11-IV-14. However, the questionnaire data compiled in Table II-3 of the staff report show that subject imports serve other regions than where they enter the United States.

[86] CR at IV-22, PR at IV-9 and CR/PR at Table IV-6.

VII. Reasonable Indication of Material Injury by Reason of Subject Imports

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[87] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[88] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[89] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[90] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[91]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[92] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[93] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[94]

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[87] 19 U.S.C. §§ 1671b(a), 1673b(a). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of reasonable indication of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments in these investigations.

[88] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[89] 19 U.S.C. § 1677(7)(A).

[90] 19 U.S.C. § 1677(7)(C)(iii).

[91] 19 U.S.C. § 1677(7)(C)(iii).

[92] 19 U.S.C. §§ 1671b(a), 1673b(a).

[93] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[94] The Federal Circuit, in addressing the causation standard of the statute, has observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Continued…)

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[95] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[96] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such

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(Fed. Cir. 2003). This was re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[95] SAA, H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

[96] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n* , 266 F.3d at 1345. ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e.*, it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

as nonsubject imports, which may be contributing to overall injury to an industry.[97] It is clear that the existence of injury caused by other factors does not compel a negative determination.[98]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[99] [100] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[101]

The Federal Circuit's decisions in *Gerald Metals*, *Bratsk,* and *Mittal Steel* all involved cases in which the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant

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[97] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[98] *See Nippon*, 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[99] *Mittal Steel*, 542 F.3d at 877-78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

[100] Vice Chairman Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission is *required*, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of non-subject imports, albeit without reliance upon presumptions or rigid formulas. *Mittal Steel* explains as follows:

> What *Bratsk* held is that "where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, *Bratsk* requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

[101] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

market presence of price-competitive nonsubject imports.[102] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[103] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[104]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[105] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[106]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

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[102] *Mittal Steel*, 542 F.3d at 875-79.

[103] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

[104] To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

[105] We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[106] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp*., 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

1. Captive Production

The domestic industry captively consumes the majority of its production of the domestic like product in the manufacture of downstream articles. Accordingly, we have considered whether the statutory captive production provision requires us to focus our analysis primarily on the merchant market when assessing market share and the factors affecting the financial performance of the domestic industry.[107]

Petitioners argue that the captive production provision should be applied.[108] None of the respondents directly addressed the applicability of the captive production provision, but the Korean Producers have suggested that it applies.[109]

Threshold Criteria. The captive production provision is to be applied only if, as a threshold matter, significant production of the domestic like product is internally transferred and significant production is sold in the merchant market. In these investigations, internal consumption accounted for between 56.1 percent and 57.5 percent of U.S. producers' U.S. shipments of hot-rolled steel during the POI, and commercial shipments accounted for between 40.6 percent and 42.2 percent of U.S. producers' U.S. shipments.[110] We find that both the domestic industry's internal consumption and commercial shipments are significant.

First Statutory Criterion. The first criterion is whether the domestic like product produced that is internally transferred for processing into downstream articles does not enter the merchant market for the domestic like product.[111] No domestic producers in these

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[107] The captive production provision, 19 U.S.C. § 1677(7)(C)(iv), provides:

> (iv) CAPTIVE PRODUCTION –If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that –
>
> > (I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product, and
> >
> > (II) the domestic like product is the predominant material input in the production of that downstream article;
>
> then the Commission, in determining market share and the factors affecting financial performance set forth in clause (iii), shall focus primarily on the merchant market for the domestic like product.

The Trade Preferences Extension Act of 2015 eliminated what had been the third statutory criterion of the captive production provision. Pub. L. 114-27, § 503(c).

[108] AK Steel Br. at 8-11.

[109] Korean Producers Br. at 4.

[110] CR at III-15-III-15, PR at III-10 and CR/PR at Table III-5. The remainder of U.S. producers' U.S. shipments consisted of transfers to related firms.

[111] *See Raw Flexible Magnets from China and Taiwan*, Inv. Nos. 701-TA-452 and 731-TA-1129-1130 (Preliminary), USITC Pub. 3961 at 13 (Nov. 2007) ("No producer reported diverting raw flexible magnets intended for internal consumption to the merchant market.").

investigations reported diverting hot-rolled steel that was to be internally consumed to the merchant market.[112] This first statutory criterion is therefore satisfied.

Second Statutory Criterion. In applying the second statutory criterion, the Commission generally considers whether the domestic like product is the predominant material input into a downstream product by assessing its share of the raw material cost of the downstream product.[113] In these investigations, although estimates varied, reporting domestic producers indicated that hot-rolled steel accounted for at least 60 percent of the cost of the downstream products produced from hot-rolled steel.[114] Thus, this second statutory criterion is satisfied in these investigations.

Conclusion. We conclude that the criteria for application of the captive production provision are met in these investigations and, accordingly, we focus primarily on the merchant market in analyzing the market share and financial performance of the domestic industry. We also have considered the market as a whole and the captive portion of the market.

2. Demand Conditions

Demand for hot-rolled steel in the United States tends to follow broad demand trends in the U.S. economy.[115] More specifically, demand for hot-rolled steel is mainly driven by demand in the automotive, construction, and energy sectors.[116] The U.S. automotive and construction industries experienced substantial growth since 2012.[117] In the energy sector, a substantial component of demand for hot-rolled steel is production of oil country tubular goods ("OCTG"). U.S. production of OCTG fluctuated during 2012-2014; it reached a peak in December 2014, but then fell sharply in interim 2015.[118]

U.S. demand for hot-rolled steel also is a function of the demand for the downstream products that incorporate hot-rolled steel. Major end uses include automotive applications, pipe and tube, transportation equipment such as rail cars, ships, and barges, nonresidential construction, appliances, heavy machinery, and machine parts.[119] Nearly equal shares of U.S. producers' 2014 commercial shipments of hot-rolled steel were shipped to the pipe and tube sector (26.9 percent) and the automotive sector (25.6 percent), construction accounted for approximately 14.5 percent, and other and unknown end uses accounted for the remaining volume.[120] About half of U.S. producers' commercial shipments went to service centers and about half went to end users.[121]

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[112] CR at III-16, PR at III-10.
[113] *See* 19 U.S.C. § 1677(7)(C)(iv)(II).
[114] CR at III-18, PR at III-11.
[115] CR at II-24 and II-25, PR at II-13.
[116] CR at II-26, PR at II-14.
[117] CR at II-26, PR at II-14, and CR/PR at Figures II-5 and II-6.
[118] CR at II-26, PR at II-14, and CR/PR at Figures II-7.
[119] CR at II-22-II-23, PR at II-12.
[120] CR/PR at Figure II-1.
[121] CR/PR at Table II-1.

The majority of U.S. hot-rolled steel production is internally consumed, with the remaining shipments sold in the merchant market or transferred to related firms. In 2014, approximately 55 percent of total domestic shipments of hot-rolled steel were consumed internally within domestic mills.[122] These intra-company transfers were primarily used to produce cold-rolled sheet and strip, coated steel, other products, and pipe and tubular products.[123] Thus, demand for hot-rolled steel is driven in part by demand in the market sectors for these finished downstream products.

Apparent U.S. consumption of hot-rolled steel overall increased by 5.9 percent from 2012 to 2014, but was 8.6 percent lower in interim 2015 than in interim 2014.[124] Similarly, apparent U.S. consumption of hot-rolled steel in the merchant market increased by 9.6 percent from 2012 to 2014, but was 7.1 percent lower in interim 2015 than in interim 2014.[125] Most U.S. producers and importers reported that demand for hot-rolled steel increased or fluctuated since the beginning of the POI.[126]

The parties disagree over the causes of the decline in apparent U.S. consumption in interim 2015. Petitioners contend that this decline does not accurately reflect actual demand trends because it is largely a result of the surge in subject imports in 2014 which led to a buildup of inventories and a drawdown of these inventories in interim 2015. They contend that the decline in the OCTG market did not have an appreciable effect on overall demand for hot-rolled steel.[127] Respondents attribute the decline in apparent U.S. consumption in interim 2015 to the collapse of the OCTG market at the end of 2014.[128]

3. Supply Conditions

The domestic industry supplied the majority of U.S. demand for hot-rolled steel during the POI. The share of apparent U.S. consumption in the merchant market that the domestic industry supplied increased from 85.5 percent in 2012 to 86.0 percent in 2013 and then declined to 79.5 percent in 2014; the U.S. industry's share of apparent U.S. consumption in the merchant market was 81.7 percent in interim 2014 and 76.9 percent in interim 2015.[129] In 2014, the four largest domestic producers, ***, accounted for over *** of domestic hot-rolled steel production.[130]

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[122] CR/PR at Table III-5.

[123] CR/PR at Table III-7.

[124] CR at IV-28, PR at IV-14 and CR/PR at Table IV-8.

[125] CR at IV-28, PR at IV-14 and CR/PR at Table IV-9.

[126] CR at II-29, PR at II-16, and CR/PR at Table II-7.

[127] Nucor Br. at 18-22.

[128] Korean Producers Br. at 3 and Turkish Producers Br. at 4-6.

[129] CR/PR at Table C-2. The domestic industry supplied 93.3 percent of apparent U.S. consumption in the overall market in 2012, 93.6 percent in 2013, and 90.3 percent in 2014; the U.S. industry's share of apparent U.S. consumption in the overall market was 91.5 percent in interim 2014 and 89.1 percent in interim 2015. CR/PR at Table C-1.

[130] CR/PR at Table III-1.

Domestic producers made several acquisitions during the POI. ***. AK Steel ***. ArcelorMittal USA purchased the Calvert, Alabama, mill from ThyssenKrupp Steel USA in February 2014, and formed a joint venture with Nippon Steel & Sumitomo Metal Corp. to operate the plant. SDI purchased a mill in Columbus, Mississippi, in September 2014 from Severstal for $1.625 billion.[131]

Five domestic producers reported shutdowns or curtailments in their hot-rolled steel production operations, mostly during 2014 and 2015.[132] Production capacity, however, was not significantly affected by the production curtailments, and the domestic industry's capacity remained generally stable over the POI.[133] Notwithstanding respondents' arguments that domestic producers had difficulty meeting demand because of severe winter weather in 2014 and rail car shortages,[134] the domestic industry reported ample unused capacity throughout the POI.[135]

Cumulated subject imports were the third largest source of supply to the U.S. market after the domestic industry and nonsubject imports, except in interim 2015, when they surpassed nonsubject imports and were the second largest source of supply. Cumulated subject imports' share of apparent U.S. consumption in the merchant market increased from 5.9 percent in 2012 to 6.0 percent in 2013 and 9.8 percent in 2014; this share was higher in interim 2015, at 14.2 percent, than in interim 2014, when it was 8.7 percent.[136]

With the exception of interim 2015, nonsubject imports were the next largest source of supply in the U.S. market after the domestic industry. Nonsubject imports declined from 8.6 percent of apparent U.S. consumption in the merchant market in 2012 to 8.0 percent in 2013, and then increased to 10.7 percent in 2014; their share of the merchant market was 9.7 percent in interim 2014 and 8.9 percent in interim 2015.[137] In 2014, the largest source of nonsubject imports was Canada, accounting for approximately 21 percent of total hot-rolled steel imports in that year.[138]

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[131] CR/PR at Table III-2, Conf. Tr. at 47 and 102 (Lauschke/AK Steel).

[132] CR/PR at Table III-2. In August 2015, after the POI, U.S. Steel announced that it had decided to permanently close its blast furnace and associated steelmaking operations at Fairfield, Alabama. *Id.*

[133] *See* CR/PR at Table C-1.

[134] Korean Producers Br. at 11-13.

[135] *See* CR/PR at Table III-5.

[136] CR/PR at Table C-2. I n the total market, cumulated subject imports' share of apparent U.S. consumption was 2.7 percent in both 2012 and 2013 and then increased to 4.6 percent in 2014; this share was higher in interim 2015, at 6.7 percent, than in interim 2014, when it was 4.0 percent. CR/PR at Table C-1.

[137] CR/PR at Table C-2. In the market as a whole, nonsubject imports' share of apparent U.S. consumption was 3.9 percent in 2012, 3.6 percent in 2013, and 5.1 percent in 2014; their share of the market as a whole was 4.5 percent in interim 2014 and 4.2 percent in interim 2015. CR/PR at Table C-1.

[138] *See* CR at IV-4, PR at IV-2.

4. Substitutability and Other Conditions

The record indicates that there is a high degree of substitutability between domestically produced hot-rolled steel and hot-rolled steel imported from the subject sources.[139] As discussed above, all responding U.S. producers reported that hot-rolled steel produced in the United States and imported from each subject source are always used interchangeably, while most responding importers reported that hot-rolled steel from domestic and individual subject sources are always or frequently used interchangeably.[140] We recognize that the Japanese Producers, Tata Netherlands, and Tata U.K. argue that some of their exports of hot-rolled steel are comprised of specialty products that are not substitutable with domestically produced hot-rolled steel or other subject imports.[141]

The record also indicates that price is an important consideration for purchasers of hot-rolled steel. When asked whether differences other than price are ever significant in their sales in choosing between hot-rolled steel from different sources, most domestic producers responded "never," and most importers responded "sometimes" or "never."[142]

U.S. producers reported selling 57.2 percent of their commercial shipments through short-term contracts, annual contracts, and long-term contracts, and the remaining 42.8 percent on the spot market, while importers sold 63.1 percent of the subject merchandise on the spot market.[143] Petitioners indicated that contract pricing is closely tied to spot market prices such as those published by the CRU Group, an industry monitoring service, and that even long-term contracts contain mechanisms by which their pricing is adjusted based upon spot market prices.[144]

Prices for the primary raw materials used to produce hot-rolled steel fluctuated over the POI, but showed an overall decrease. Prices for iron ore, coal, and iron and steel scrap fell over the period by 35.1 percent, 9.4 percent, and 49.6 percent, respectively.[145]

Reported inland freight costs for U.S. shipments ranged between 3 and 10 percent of the total delivered cost of hot-rolled steel.[146] Respondents contend that because of the difference between overland and ocean freight costs and limited railcar availability, hot-rolled steel producers in the Midwest and on the East Coast are not a realistic source of supply for large Pacific Coast purchasers of hot-rolled steel such as UPI and Steelscape.[147] [148]

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[139] CR at II-30, PR at II-17.

[140] CR/PR at Table II-9.

[141] In any final phase of these investigations, respondents should specify, in their comments on the draft questionnaires, any additional information that the Commission should gather to analyze whether subject imports are comprised of specialty products not produced by domestic producers.

[142] CR/PR at Table II-10.

[143] CR/PR at Table V-2.

[144] Nucor Br. at 26-28, Conf. Tr. at 33 (Mull/ArcelorMittal).

[145] CR/PR at V-1 and Figure V-1.

[146] CR at V-4, PR at V-2.

[147] Korean Producers Br. at 10-11.

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[149]

Cumulated subject imports increased from 1.75 million short tons in 2012 to 1.76 million short tons in 2013 and then to 3.16 million short tons in 2014, a level 80.6 percent higher than in 2012. Subject imports were 2.0 million short tons in interim 2015, a level 52.2 percent higher than the 1.34 million short tons in interim 2014.[150]

Cumulated subject imports increased their share of apparent U.S. consumption in the merchant market from 5.9 percent in 2012 to 6.0 percent in 2013 and 9.8 percent in 2014.[151] Subject imports' share of apparent U.S. consumption in the merchant market was also higher in interim 2015, at 14.2 percent, than in interim 2014, at 8.7 percent.[152] Subject imports' gain in merchant market share during the POI came at the expense of the domestic industry, which lost 6 percentage points of market share in the merchant market from 2012 to 2014 and 4.7 percentage points between interim periods.[153]

In light of the foregoing, we find that the volume of subject imports and the increase in the volume of subject imports are significant in both absolute terms and relative to consumption.

(…Continued)

[148] In any final phase of these investigations, we ask that parties provide the Commission with information pertinent to the question of whether overland transportation costs and railcar availability affect the competitiveness of the domestic like product on the Pacific Coast.

[149] 19 U.S.C. § 1677(7)(C)(i).

[150] CR/PR at Table C-1. Respondents argue that subject imports were "falling steadily and steeply" after January 2015. Tata Netherlands Br. at 20-21. Subject imports were, however, substantially higher in interim 2015 than in interim 2014, and, on a monthly basis, they were at elevated levels in each month of 2015 compared with most previous months of the POI and were higher in each month of 2015 compared to the same month of 2014. Staff Worksheet Table IV-6 Revised, EDIS Doc. No. 566041.

[151] CR/PR at Table C-2.

[152] CR/PR at Table C-2. Cumulated subject imports also increased as a share of apparent U.S. consumption in the overall market during the period, increasing from 2.7 percent in 2012 and 2013 to 4.6 percent in 2014. Subject imports' share of apparent U.S. consumption in the overall market was 4.0 percent in interim 2014 and 6.7 percent in interim 2015. CR/PR at Table C-1.

[153] The domestic industry's market share by quantity in the merchant market increased from 85.5 percent in 2012 to 86.0 percent in 2013 and then declined to 79.5 percent in 2014, and its share was lower in interim 2015 (79.6 percent) than in interim 2014 (81.7 percent). CR/PR at Table C-2.

In the overall market, the domestic industry's market share increased from 93.3 percent in 2012 to 93.6 percent in 2013 and then decreased to 90.3 percent in 2014, for an overall decline of 3.1 percentage points, and its share was lower in interim 2015 (89.1 percent) than in interim 2014 (91.5 percent). *See* CR/PR at Table C-1.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[154]

As addressed in section VII.B.4 above, the record indicates that there is a high degree of substitutability between subject imports and the domestic like product and that price is an important consideration in purchasing decisions. All U.S. producers and the majority of importers responding to the Commission's questionnaires reported that domestically produced hot-rolled steel, subject imports, and nonsubject imports are always or frequently interchangeable.[155]

Ten domestic producers and 35 importers of subject merchandise provided usable quarterly f.o.b. price data for four hot-rolled steel products,[156] although not all firms reported pricing for all products for all quarters.[157] Cumulated subject imports undersold the domestic like product in 126 of 210, or 60 percent, of quarterly comparisons, at margins ranging from *** percent to 20.1 percent.[158] There were 1,065,517 short tons of cumulated subject import shipments involved in underselling comparisons and 455,716 short tons of cumulated subject

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[154] 19 U.S.C. § 1677(7)(C)(ii).

[155] CR/PR at Table II-9.

[156] CR at V-9 to V-18, PR at V-7. Product 1 is hot-rolled carbon steel plate in coils, as rolled (unprocessed), not pickled or temper-rolled, not high strength, produced to AISI-1006-1025 grade (including, but not limited to, ASTM A3), 0.187" through 0.625" in nominal or actual thickness, 40" through 72" in width. Products 2 and 3 are hot-rolled carbon steel sheet in coils, commercial quality (SAE 1006-1015 or ASTM A1011 equivalent), not high strength, and 0.090" through 0.171" in nominal or actual thickness, 40" to 72" in width. The two products differ, however, in how they are finished. Product 2 is not pickled and oiled and not temper-rolled; Product 3 is pickled and oiled and temper-rolled. Product 4 is defined as hot-rolled steel plate in coils, high strength low alloy, for conversion to API PSL 2 X70M, 0.250 to 0.750, 50" to 77 inches in width. Pricing data for Product 4 includes hot-rolled steel for conversion to API grade X-70 pipe up to 0.750 inches. CR at V-9, PR at V-7.

[157] Reported pricing data account for approximately 26.3 percent of domestic producers' U.S. commercial shipments during the POI, *** percent of U.S. commercial shipments of subject imports from Australia, *** percent of U.S. commercial shipments of subject imports from Brazil, *** percent of U.S. commercial shipments of subject imports from Japan, *** percent of U.S. commercial shipments of subject imports from Korea, *** percent of U.S. commercial shipments of subject imports from the Netherlands, *** percent of U.S. commercial shipments of subject imports from Turkey, and *** percent of U.S. commercial shipments of subject imports from the United Kingdom. CR/PR at Table V-3.

[158] CR/PR at Table V-9.

import shipments involved in overselling comparisons.[159] Thus, on a volume basis, 70 percent of subject imports undersold the domestic like product. Instances of underselling increased between 2012 and 2014 -- with 15 occurring in 2012, 29 occurring in 2013, and 58 occurring in 2014 -- while cumulated subject imports gained 3.8 percent of U.S. merchant market share.[160] Given the high degree of substitutability between the domestic like product and the subject imports and the importance of price in purchasing decisions, we find this underselling to be significant for the purposes of these preliminary determinations.

We have also considered changes in prices for the domestic like product and cumulated subject imports. Prices for each of the four products from both domestic and subject sources declined irregularly from January 2012 to June 2015.[161] Prices for the four domestically produced pricing products declined between 30.4 percent and 33.7 percent over the POI.[162] Petitioners reported that domestic producers had to reduce prices, particularly after the third quarter of 2014, in an effort to staunch their loss of market share to subject imports.[163]

The record also indicates that prices for the domestic like product and the domestic industry's raw material costs generally followed the same trend during the POI.[164] In any final phase of these investigations, we intend to further explore the role of raw material costs in determining how hot-rolled steel prices are set. Based on the record in these preliminary investigations, however, we cannot conclude that the price declines were solely a function of the declines in raw material costs. First, the domestic producers' weighted-average price reductions from interim 2014 to interim 2015 were more severe than the concurrent reductions in the domestic industry's unit cost of raw materials and unit cost of goods sold ("COGS").[165] The quarterly, weighted-average price of Product 1 fell by 29 percent from the second quarter of 2014 to the second quarter of 2015,[166] for Product 2 the decline was also 29 percent,[167] for Product 3 it was 26 percent,[168] and for Product 4 it was 28 percent.[169] The

[159] CR/PR at Table V-9.

[160] Staff Worksheets X1 to X4 on Instances of Underselling/Overselling by Country, EDIS Doc. No. 566041. Instances of underselling declined in interim 2015. CR/PR at Table IV-11. As explained further below, the domestic industry asserts it reduced prices during interim 2015 to avoid losing further market share.

[161] CR/PR at Tables V-4 to V-7.

[162] CR/PR at Table V-8. CRU data show that the price of hot-rolled steel declined by approximately 36 percent from January 2012 to August 2015. CR at V-7-V-8, PR at V-5-V-6.

[163] ArcelorMittal USA Br. at 6; U.S. Steel Br. at 30-32; AK Steel Br. at 20-22; SSAB Br. at 25; Nucor Br. at 42; Conf. Tr. at 32 (Mull/ArcelorMittal USA) and 35 (Mathews/U.S. Steel).

[164] Raw material costs, which accounted for the largest portion of cost of goods sold, decreased in 2012-13, increased in 2013-14, and were notably lower in interim 2015 compared to interim 2014. CR at VI-15-VI-16, PR at VI-13. Prices for iron and steel scrap, a key raw material input, were much lower in interim 2015 compared to interim 2014. CR/PR at Figure V-1.

[165] CR/PR at Table C-2.

[166] CR/PR at Table V-4.

[167] CR/PR at Table V-5.

[168] CR/PR at Table V-6.

[169] CR/PR at Table V-7.

domestic industry's average unit net sales value in the merchant market in interim 2015 was $124 lower, at $543 per short ton, than in interim 2014, when it was $667 per short ton, a decline of 18.7 percent.[170] In comparison, between the interim periods, the industry's unit raw material cost for merchant market sales fell by $74, from $415 to $341 per short ton, or by 17.8 percent.[171] Between the interim periods, the domestic industry's unit COGS on merchant market sales fell by $70, from $605 to $535 per short ton, or by 11.6 percent.[172] These data provide support for Petitioners' assertions that they cut prices between the interim periods to meet subject import competition and preserve market share.

Moreover, the record in the preliminary phase of these investigations contains information from purchasers indicating that subject imports played a role in the domestic industry's price declines. Of the seven responding purchasers, five reported that they switched from domestically produced hot-rolled steel to subject imports due to the lower price of subject imports, and four reported that domestic producers reduced their prices to compete with subject imports.[173] In light of these considerations, we find for the purposes of these preliminary determinations that subject imports have depressed prices for the domestic like product to a significant degree.

E. Impact of the Subject Imports[174]

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices.

[170] CR/PR at Table C-2. Pricing data reported by U.S. producers accounted for *** percent of U.S. producers' shipments of hot-rolled steel during the POI (CR at V-10, PR at V-7). We have also examined average unit net sales values. We are, however, aware that these average unit values can be affected by changes in product mix over time.

[171] CR/PR at Table VI-3.

[172] CR/PR at Table C-2.

[173] CR at V-26-V-27, PR at V-20. There were also some confirmed lost sales and revenue allegations. CR/PR at Tables V-10-V-11.

[174] Commerce initiated investigations based on estimated dumping margins of 99.20 percent for imports from Australia; 34.28 percent for imports from Brazil; 16.15 to 34.53 percent for imports from Japan; 86.96 to 158.93 percent for imports from Korea; 55.21 to 173.17 percent for imports from the Netherlands; 96.77 to 197.41 percent for imports from Turkey; and 50.63 to 161.75 percent for imports from the United Kingdom. *Certain Hot-rolled Steel Flat Products from: Australia, Brazil, Japan, the Republic of Korea, the Netherlands, the Republic of Turkey, and the United Kingdom: Initiation of Less-Than-Fair-Value Investigations,* 80 FR 54261 (Sept. 9, 2015).

No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[175]

Between 2012 and 2014, most indicators of domestic industry performance improved during a period of rising apparent U.S. consumption. Specifically, while it lost market share between 2012 and 2014,[176] the domestic industry improved its output, employment, and financial performance. The domestic industry's production of hot-rolled steel increased from 60.9 million short tons in 2012 to 61.7 million short tons in 2013 and then to 62.4 million short tons in 2014.[177] The domestic industry's capacity[178] and capacity utilization[179] rose modestly between 2012 and 2014, and inventories were relatively stable.[180] The domestic industry's commercial shipments, by quantity, increased from 25.3 million short tons in 2012 to 25.4 million short tons in 2013 and 25.8 million short tons in 2014.[181] The industry's employment, hours worked, wages paid, and productivity all rose from 2012 to 2014.[182] The domestic industry's sales revenues in the merchant market were $16.7 billion in 2012, $15.7 billion in 2013, and $16.7 billion in 2014.[183] Although unit net sales value decreased,[184] gross profit, net income, and operating income all rose from 2012 to 2014.[185] The industry's operating income

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[175] 19 U.S.C. § 1677(7)(C)(iii). This provision was recently amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

[176] The domestic industry's market share in the merchant market first increased from 85.5 percent in 2012 to 86.0 percent in 2013 and then declined to 79.5 percent in 2014. CR/PR at Table C-2. In the overall market, the domestic industry's share also fell during this period. Its share was 93.3 percent in 2012, 93.6 percent in 2013, and 90.3 percent in 2014. CR/PR at Table C-1.

[177] CR/PR at Table C-1.

[178] The domestic industry's production capacity was 78.9 million short tons in 2012, 79.3 million short tons in 2013, and 79.2 million short tons in 2014. CR/PR at Table C-1.

[179] The domestic industry's capacity utilization rate was 77.2 percent in 2012, 77.8 percent in 2013, and 78.8 percent in 2014. CR/PR at Table C-1.

[180] The domestic industry's end-of-period inventories fluctuated within a narrow range between 2012 and 2014, ranging between 2.7 and 2.9 percent of total shipments. CR/PR at Table C-1.

[181] CR/PR at Table C-2. Total U.S. shipments were 59.9 million short tons in 2012, 60.7 million short tons in 2013, and 61.4 million short tons in 2014. CR/PR at Table C-1.

[182] From 2012 to 2014, employment rose by 60 production related workers or by 0.5 percent, hours worked increased by 1.6 percent, wages paid increased by 5.7 percent, and productivity rose by 0.9 percent. CR/PR at Table C-1.

[183] CR/PR at Table C-2. Total net sales were $38.9 billion in 2012, $37.0 billion in 2013, and $39.3 billion in 2014. CR/PR at Table C-1.

[184] The industry's average unit net sales value in the merchant market declined from $668 per short ton in 2012 to $627 per short ton in 2013, and then increased to $663 per short ton in 2014. CR/PR at Table C-2. In the overall market, the industry's average unit net sales value fell from $661 per short ton in 2012 to $622 per short ton in 2013, and then increased to $655 per short ton in 2014. CR/PR at Table C-1.

[185] Gross profit in the merchant market improved from a $1.4 billion in 2012 to $1.8 billion in 2014. Operating income in the merchant market improved from $835.6 million in 2012 to $1.2 billion in 2014. Net income in the merchant market improved from a loss of $392.1 million in 2012 to a profit of $1 billion in 2014. CR/PR at Table C-2.

(Continued…)

as a share of net sales also increased from 2012 to 2014.[186] The industry's capital expenditures declined during the period, and its research and development ("R&D") expenditures increased.[187]

Between the interim periods, however, the domestic industry's performance deteriorated by nearly all measures, while, as discussed above in section VII.C., subject import volume and market share continued to increase. The domestic industry's share of the merchant market was 4.7 percentage points lower in interim 2015 than in interim 2014.[188] In interim 2015, the domestic industry's U.S. commercial shipments were 12.5 percent lower than in interim 2014, and the value of its commercial sales was 29.1 percent lower.[189] The domestic industry's production was 11.7 percent lower and its rate of capacity utilization was 9.3 percentage points lower.[190] The number of production-related workers increased by 2.9

(…Continued)

In the overall market, gross profit improved from a $2.9 billion in 2012 to $3.9 billion in 2014. Operating income improved from $1.8 billion in 2012 to $2.7 billion in 2014. Net income improved from $306.1 million in 2012 to a profit of $2.1 billion in 2014. CR/PR at Table C-1. We have focused our analysis primarily on the merchant market when assessing market share and the factors affecting the financial performance of the domestic industry, but have also considered financial performance in the overall market based on fair market value. Additionally, we looked at imputed value based on cost plus share of downstream gross profit and found similar trends to the data based on fair market value. *See* CR/PR at Tables VI-1, VI-2, and VI-3.

In the captive market, gross profit improved from $1.5 billion in 2012 to $2.1 billion in 2014. Operating income improved from $922 million in 2012 to $1.4 billion in 2014. Net income improved from $698 million in 2012 to $1.1 billion in 2014. *See* CR/PR at Tables VI-1 and VI-3 (derived from values).

The industry's return on assets, expressed as operating income as a share of total assets, decreased from 7.8 percent in 2012 to 7.7 percent in 2013 before improving to 13.6 percent in 2014. CR/PR at Table VI-8.

[186] The domestic industry's operating income as a share of net sales in the merchant market increased from 5.0 percent in 2012 to 5.2 percent in 2013 and 7.5 percent in 2014. CR/PR at Table C-2. In the overall market, the ratio remained the same at 4.5 percent in 2012 and 2013 and increased to 6.8 percent in 2014. CR/PR at Table C-1.

[187] The domestic industry's capital expenditures decreased from $1.1 billion in 2012 to $726.9 million in 2013 and $650.5 million in 2014. CR/PR at Table VI-7. The industry's R&D expenses increased from $69.7 million in 2012 to $70.5 million in 2013 and $75.1 million in 2014. *Id.*

[188] The domestic industry's share of the merchant market was 81.7 percent in interim 2014 and 76.9 percent in interim 2015. CR/PR at Table C-2. In the overall market, the domestic industry's share was 91.5 percent in interim 2014 and 89.1 percent in interim 2015. CR/PR at Table C-1.

[189] CR/PR at Table C-2. Commercial shipments were 12.7 million short tons in interim 2014 and 11.1 million short tons in interim 2015. Commercial sales were $8.4 billion in interim 2014 and $6.0 billion in interim 2015. *Id.*

[190] CR/PR at Table C-1. The industry's production was 31.1 million short tons in interim 2014 and 27.4 million short tons in interim 2015. The industry's capacity utilization rate was 78.5 percent in interim 2014 and 69.2 percent in interim 2015. By contrast, capacity showed little change; it was 39.6 million short tons in interim 2014 and 39.7 million short tons in interim 2015. End of period inventories were 2.3 percent lower in interim 2015 than in interim 2014. CR/PR at Table C-1.

percent, but most other employment-related indicators (wages, hours, productivity) were lower in interim 2015 than in interim 2014.[191]

In the merchant market, comparing interim 2015 to interim 2014, the domestic industry's sales revenues were 29.2 percent lower,[192] the industry's gross profit was 89.2 percent lower, and the industry's operating income and net income turned into losses.[193] As a share of net sales in the merchant market, the industry reported an operating loss of 2.9 percent in interim 2015 compared to an operating profit of 5.8 percent in interim 2014.[194]

For purposes of the preliminary phase of these investigations, we find that subject imports had a significant impact on the domestic industry by the end of the POI. Subject import volume increased significantly in absolute terms during the POI, and subject import market share also increased as the domestic industry's market share declined in the merchant market and overall market. The volume and market share of subject imports continued to rise in interim 2015, even as apparent U.S. consumption declined. There was significant underselling by subject imports, as well as significant price depression. As a result of both lost market share and declining prices, the domestic industry's revenues were lower than they would have been otherwise. The lower revenues, in turn, resulted in reduced gross, operating, and net profits, as well as a negative operating ratio. Indeed, the data show the domestic industry's performance for virtually all indicators was worse in interim 2015 than in interim 2014. In light of these considerations, we find that subject imports had a significant impact on the domestic industry by the end of the POI.

Respondents claim that there is no causal link between subject imports and negative effects on the domestic industry because industry performance improved in 2014, despite the increase in subject import volume, and because subject import volume decreased during interim 2015 when industry performance deteriorated.[195] As discussed above, however, the domestic industry experienced declines from 2012 in some indicators, particularly market share and unit value, as subject imports gained in volume and market share. Additionally, between interim 2014 and interim 2015 cumulated subject imports were *higher* in both absolute and relative terms and the industry's performance was worse for virtually all indicators.

Respondents argue that lower apparent U.S. consumption in interim 2015 relative to interim 2014 contributed to the domestic industry's weakened performance in interim 2015.[196]

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[191] CR/PR at Table C-1.

[192] CR/PR at Table C-2. Net sales value in the overall market was 27.3 percent lower in interim 2015 than in interim 2014. CR/PR at Table C-1 (constructed fair market value).

[193] CR/PR at Table C-2. In the total market, the industry's gross profit was 97.6 percent lower in interim 2015 compared to interim 2014, and its operating income and net income turned into losses. CR/PR at Table C-1. In the captive market, gross profit, operating income, and net income all turned to losses. *See* CR/PR at Tables VI-1 and VI-3 (derived from values).

[194] CR/PR at Table C-2. The domestic industry's capital expenditures were $247.0 million in interim 2014 and $302.9 million in interim 2015. CR/PR at Table VI-7. The industry's R&D expenses were $30.4 million in interim 2014 and $36.1 million in interim 2015. *Id.*

[195] Korean Producers Br. at 28-29; Turkish Producers Br. at 17-19; Tata U.K. Br. at 21-29; Tata Netherlands Br. at 21-28; Tokyo Steel Br. at 8; CSN Br. at 3-4; BlueScope Br. at 3-4.

[196] Korean Producers Br. at 3; Turkish Producers Br. at 4-6.

The record, however, indicates that during that time period, demand was still strong in several sectors, including automobile sales and U.S. construction activity.[197] Although U.S. production of OCTG decreased, U.S. importers' commercial shipments of subject imports to tubular goods producers increased.[198] Petitioners also argue that the decline in apparent U.S. consumption was due to the surge of subject imports in 2014 and the resulting increase in inventories held by importers, service centers, and end users, which were drawn down during interim 2015.[199] We intend to further investigate inventory data and effects of declines in demand overall and in key sectors in any final phase of the investigations.[200]

Respondents also claim that subject imports into ports located on the Pacific Coast (about half of cumulated subject imports) did not compete with U.S. produced hot-rolled steel and consequently had no impact on the domestic industry for two reasons. First, they argue, the Pacific Coast is home to only two domestic producers of hot-rolled steel, neither of which is capable of providing a long-term, high volume supply of hot-rolled steel, and domestic producers located in other parts of the country are limited in their ability to use overland transportation to ship hot-rolled steel to the Pacific Coast region due to freight costs and rail car availability. Second, they argue that a large portion of subject imports is shipped to Pacific Coast purchasers UPI and Steelscape, which purchase hot-rolled steel from subject producer joint venture owners for captive consumption.[201] Petitioners disagree with respondents' contentions and maintain that U.S. producers regularly supply customers on the Pacific Coast with cost-competitive hot-rolled steel, and that they have supplied UPI and Steelscape with hot-rolled steel.[202] We intend to investigate these issues further in any final phase of the investigations.

We have also examined the role of nonsubject imports. Nonsubject imports as a share of apparent U.S. consumption in the merchant market decreased from 8.6 percent in 2012 to 8.0 percent in 2013, before increasing to 10.7 percent in 2014. Their 8.9 percent share of the merchant market in interim 2015 was less than their 9.7 percent share in interim 2014.[203]

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[197] CR/PR at Figures II-5 and II-6.

[198] CR/PR at Figure II-7 and Table IV-4.

[199] Nucor Br. at 18-20.

[200] In their comments on draft questionnaires in any final phase of these investigations, parties should suggest how the Commission can best gather information regarding service center and end user inventories.

[201] Korean Producers Br. at 20-22; BlueScope Br. at 1, 8-9; Turkish Producers Br. at 12-13; Tata Netherlands Br. at 30-36; Tata U.K. Br. at 30-36. Certain respondents also argue that they produce niche products that are unavailable in the United States. Tata Netherlands Br. at 30-36; Tata U.K. Br. at 30-36; Japanese Producers Br. at 19-20. The suggestion that "niche products" account for a substantial share of subject imports from the Netherlands and the United Kingdom cannot be reconciled with AUVs for those subject imports. CR/PR at Tables III-5 and IV-2.

[202] ArcelorMittal USA Br. at Ex. 1; Nucor Br. at 11-12; U.S. Steel Br. at 10-18.

[203] CR/PR at Table C-2. Nonsubject imports as a share of U.S. consumption in the total market decreased from 3.9 percent in 2012 to 3.6 percent in 2013, before increasing to 5.1 percent in 2014. Their market share was lower in interim 2015 (at 4.2 percent) than in interim 2014 (at 4.5 percent). CR/PR at Table C-1.

Consequently, nonsubject imports cannot explain the magnitude of the domestic industry's loss of market share, particularly during interim 2015, nor can the declines in nonsubject import quantities and market share in interim 2015 explain the domestic industry's reduction in prices during that time.[204] The record therefore does not indicate that nonsubject imports are responsible for the observed declines in the domestic industry's market share, revenues, and financial performance.[205]

For the foregoing reasons, the record of the preliminary phase of these investigations supports a determination that there is a reasonable indication of material injury by reason of subject imports.

VIII. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of hot-rolled steel from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the governments of Brazil, Korea, and Turkey.

[204] Vice Chairman Pinkert finds that hot-rolled steel is a commodity product for purposes of a *Bratsk/Mittal Steel* analysis and that price-competitive nonsubject imports were a significant factor in the U.S. market for hot-rolled steel during the period of investigation. He finds, however, that nonsubject imports would not have replaced the subject imports without benefit to the domestic industry had the subject imports exited the market during the period, as the average unit values of nonsubject imports were generally higher than those of the subject imports over the POI. CR/PR at Table C-1. He relies on AUV data as there are limited pricing data for nonsubject imports. CR/PR at D-3 & n.1.

[205] We will examine further the role of nonsubject imports, including those imported or purchased by U.S. producers, in any final phase of these investigations.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by AK Steel Corporation ("AK Steel"), West Chester, Ohio; ArcelorMittal USA, LLC ("ArcelorMittal USA"), Chicago, Illinois; Nucor Corporation ("Nucor"), Charlotte, North Carolina; SSAB Enterprises, LLC ("SSAB"), Lisle, Illinois; Steel Dynamics, Inc. ("SDI"), Fort Wayne, Indiana; and United States Steel Corporation ("U.S. Steel"), Pittsburgh, Pennsylvania, on August 11, 2015, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized imports from Brazil, Korea, and Turkey and less-than-fair-value ("LTFV") imports from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom of certain hot-rolled steel flat products ("hot-rolled steel.")[1] The following tabulation provides information relating to the background of these investigations.[2] [3]

Effective date	Action
August 11, 2015	Petitions filed with Commerce and the Commission; institution of Commission investigations (80 FR 50028, August 18, 2015)
September 1, 2015	Commission's conference
September 1, 2015	Commerce's notices of initiation (80 FR 54261, September 9, 2015 and 80 FR 54267, September 9, 2015)
September 24, 2015	Commission's vote
September 25, 2015	Commission's determinations
October 2, 2015	Commission's views

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such*

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to these investigations.

[2] Pertinent *Federal Register* notices are referenced in app. A, and may be found at the Commission's website (www.usitc.gov).

[3] A list of witnesses appearing at the conference is presented in app. B of this report.

merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--[4]

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.

. . .

In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.

. . .

In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—[5]

[4] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.
[5] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy/dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

A substantial share of hot-rolled steel is consumed internally or transferred to affiliates for downstream processing and used in a variety of steel products, including cold-rolled, and/or galvanized or plated steel products, cut-to-length plate, or welded pipe. Some of it is sold commercially for production of the same downstream products. Hot-rolled steel itself is used in general structural functional areas where surface finish and weight are not critically important. It is extensively used in automotive body frames and wheels, rail cars, ships, barges, appliances, heavy machinery, and machine parts.[6] The leading U.S. producers of hot-rolled steel are AK Steel, ArcelorMittal USA, Nucor, SDI, and U.S. Steel. Leading producers of hot-rolled steel from the subject countries include Nippon Steel & Sumitomo Metal Corporation ("Nippon") and JFE Steel Corporation ("JFE") of Japan; POSCO and Hyundai Steel Company ("Hyundai") of Korea; Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir") of Turkey; and Tata Steel IJmuiden BV ("Tata Netherlands") of the Netherlands. The leading U.S. importers of hot-rolled steel from subject countries are BlueScope Steel Americas ("BlueScope"), POSCO America, Tata Netherlands, and Cargill Metals Supply Chain ("Cargill"). Leading importers of product from nonsubject countries (primarily Canada and Russia) include ArcelorMittal International, Essar Steel Algoma ("Essar"), and Novex Trading Swiss SA ("Novex").

Apparent U.S. consumption of hot-rolled steel totaled 68.0 million short tons ($44.3 billion) in 2014.[7] Currently, ten firms are known to produce hot-rolled steel in the United States. U.S. producers' U.S. shipments of hot-rolled steel totaled 61.4 million short tons ($40.0 billion)

[6] Petition, p. 13.

[7] Merchant market U.S. consumption totaled 32.4 million short tons ($21.3 billion) in 2014, and accounted for 79.5 percent of merchant market consumption by quantity and 80.0 percent by value.

in 2014, and accounted for 90.3 percent of apparent U.S. consumption by quantity and 90.4 percent by value.[8] U.S. imports from subject sources totaled 3.2 million short tons ($1.9 billion) in 2014 and accounted for 4.6 percent of apparent U.S. consumption by quantity and 4.4 percent by value.[9] U.S. imports from nonsubject sources totaled 3.5 million short tons ($2.3 billion) in 2014 and accounted for 5.1 percent of apparent U.S. consumption by quantity and 5.2 percent by value.[10]

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1 (Total U.S. consumption) and table C-2 (U.S. merchant market consumption). Except as noted, U.S. industry data are based on questionnaire responses of 10 firms that accounted for all known U.S. production of hot-rolled steel during 2014.[11] U.S. imports are based on official U.S. import statistics (HTS statistical reporting numbers 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7226.91.7000, and 7226.91.8000).

Previous and related investigations

The Commission has conducted numerous import injury investigations relating to certain carbon steel products or substantially similar merchandise. Table I-1 presents all previous and related title VII investigations regarding these products.

[8] U.S. producers' commercial U.S. shipments totaled 25.8 million short tons ($17.1 billion) in 2014.

[9] U.S. imports from subject sources accounted for 9.8 percent of merchant market consumption by quantity and 9.1 percent by value in 2014.

[10] U.S. imports from nonsubject sources accounted for 10.7 percent of merchant market consumption by quantity and 10.9 percent by value in 2014.

[11] According to responses to the Commission's questionnaire, the ten U.S. producers' aggregate production of hot-rolled steel in 2014 was 62.4 million short tons. Gross production of hot-rolled sheet and coil plate in 2014 reported by *** in the United States was *** short tons. ***. It appears that the following plants for which capacity data were reported in questionnaire responses are not accounted for in the *** report: NLMK Sharon, AK Steel (Ashland, Butler, and Middletown), ArcelorMittal USA (Burns Harbor, Cleveland, East Chicago, and Riverdale), SSAB (Muscatine and Axis), and Evraz (Portland). ***.

Table I-1
Hot-rolled steel: Previous and related investigations, 1982-2015

Original investigation				First review		Second review		Current status
Date[1]	Number	Country	Outcome	Date[1]	Outcome	Date[1]	Outcome	
1982	701-TA-94	Belgium	Affirmative[2]	-	-	-	-	Petition withdrawn 10/29/82
1982	701-TA-95	Brazil	Negative[2]	-	-	-	-	-
1982	701-TA-96	France	Affirmative[2]	-	-	-	-	Petition withdrawn 10/29/82
1982	701-TA-97	Italy	Affirmative[2]	-	-	-	-	Petition withdrawn 10/29/82
1982	701-TA-98	Luxembourg	Negative[2]	-	-	-	-	-
1982	701-TA-99	Netherlands	Negative	-	-	-	-	-
1982	701-TA-100	United Kingdom	Negative[2]	-	-	-	-	-
1982	701-TA-101	Germany	Affirmative[2]	-	-	-	-	Petition withdrawn 10/29/82
1982	701-TA-156	Spain	Negative[2]	-	-	-	-	-
1982	701-TA-171	Korea	Affirmative	-	-	-	-	ITA revoked 10/10/85
1982	731-TA-61	Belgium	Affirmative[2]	-	-	-	-	Terminated 11/10/82
1982	731-TA-62	France	Affirmative[2]	-	-	-	-	Terminated 11/10/82
1982	731-TA-63	Italy	Affirmative[2]	-	-	-	-	Terminated 11/10/82
1982	731-TA-64	Luxembourg	Negative[2]	-	-	-	-	-
1982	731-TA-65	Netherlands	Negative	-	-	-	-	-
1982	731-TA-66	United Kingdom	-	-	-	-	-	Petition withdrawn 1/30/82
1982	731-TA-67	Germany	Affirmative[2]	-	-	-	-	Terminated 11/10/82
1983	701-TA-206	Brazil	Affirmative	-	-	-	-	ITA revoked 9/5/85
1984	731-TA-153	Brazil	Affirmative	-	-	-	-	ITA revoked 8/21/85
1985	701-TA-227	Austria	Negative	-	-	-	-	-
1985	701-TA-228	Sweden	Negative	-	-	-	-	-
1985	701-TA-229	Venezuela	Affirmative[2]	-	-	-	-	Terminated 7/19/85

Table continued on next page.

Table I-1--*Continued*
Hot-rolled steel: Previous and related investigations, 1982-2015

Original investigation				First review		Second review		Current status
Date[1]	Number	Date[1]	Outcome	Date[1]	Outcome	Date[1]	Outcome	
1985	731-TA-219	Austria	Negative	-	-	-	-	-
1985	731-TA-220	Finland	-	-	-	-	-	Petition withdrawn 1/18/85
1985	731-TA-221	Hungary	Affirmative[2]	-	-	-	-	Petition withdrawn 6/4/85
1985	731-TA-222	Romania	Affirmative[2]	-	-	-	-	Terminated 7/19/85
1985	731-TA-223	Venezuela	Affirmative[2]	-	-	-	-	Terminated 7/19/85
1992	701-TA-329	Belgium	Negative	-	-	-	-	-
1992	701-TA-330	Brazil	Negative	-	-	-	-	-
1992	701-TA-331	France	Negative	-	-	-	-	-
1992	701-TA-332	Germany	Negative	-	-	-	-	-
1992	701-TA-333	Italy	Negative[2]	-	-	-	-	-
1992	701-TA-334	Korea	Negative	-	-	-	-	-
1992	701-TA-335	New Zealand	Negative	-	-	-	-	-
1992	731-TA-588	Belgium	Negative	-	-	-	-	-
1992	731-TA-589	Brazil	Negative	-	-	-	-	-
1992	731-TA-590	Canada	Negative	-	-	-	-	-
1992	731-TA-591	France	Negative	-	-	-	-	-
1992	731-TA-592	Germany	Negative	-	-	-	-	-
1992	731-TA-593	Italy	Negative[2]	-	-	-	-	-
1992	731-TA-594	Japan	Negative	-	-	-	-	-
1992	731-TA-595	Korea	Negative	-	-	-	-	-
1992	731-TA-596	Netherlands	Negative	-	-	-	-	-
1998	701-TA-384	Brazil	Affirmative	2004	Affirmative	2010	Negative	Order not continued[3]
1998	731-TA-806	Brazil	Affirmative	2004	Affirmative	2010	Negative	Order not continued[3]
1998	731-TA-807	Japan	Affirmative	2004	Affirmative	2010	Negative	Order not continued[3]
1998	731-TA-808	Russia	Affirmative	2004	Affirmative	2010	Affirmative	Order in place[4]
2000	701-TA-404	Argentina	Affirmative	2006	Negative	-	-	Order not continued[5]
2000	701-TA-405	India	Affirmative	2006	Affirmative	2012	Affirmative	Order in place[4]
2000	701-TA-406	Indonesia	Affirmative	2006	Affirmative	2012	Affirmative	Order in place[4]

Table continued on next page.

Table I-1--*Continued*
Hot-rolled steel: Previous and related investigations, 1982-2015

Original investigation				First review		Second review		Current status
Date[1]	Number	Country	Outcome	Date[1]	Outcome	Date[1]	Outcome	
2000	701-TA-407	South Africa	Affirmative	2006	Negative	-	-	Order not continued[5]
2000	701-TA-408	Thailand	Affirmative	2006	Affirmative	2012	Affirmative	Order in place[4]
2000	731-TA-898	Argentina	Affirmative	2006	Negative	-	-	Order not continued[5]
2000	731-TA-899	China	Affirmative	2006	Affirmative	2012	Affirmative	Order in place[4]
2000	731-TA-900	India	Affirmative	2006	Affirmative	2012	Affirmative	Order in place[4]
2000	731-TA-901	Indonesia	Affirmative	2006	Affirmative	2012	Affirmative	Order in place[4]
2000	731-TA-902	Kazakhstan	Affirmative	2006	Negative	-	-	Order not continued[5]
2000	731-TA-903	Netherlands	Affirmative	2006	Affirmative	-	-	Terminated 6/27/07[6]
2000	731-TA-904	Romania	Affirmative	2006	Negative	-	-	Order not continued[5]
2000	731-TA-905	South Africa	Affirmative	2006	Negative	-	-	Order not continued[5]
2000	731-TA-906	Taiwan	Affirmative	2006	Affirmative	2012	Affirmative	Order in place[4]
2000	731-TA-907	Thailand	Affirmative	2006	Affirmative	2012	Affirmative	Order in place[4]
2000	731-TA-908	Ukraine	Affirmative	2006	Affirmative	2012	Affirmative	Order in place[4]

[1] "Date" refers to the year in which the investigation or review was instituted by the Commission.
[2] Preliminary determination.
[3] Commerce published the revocation of the subject orders on June 21, 2011 (76 FR 36081).
[4] 79 FR 3622, January 22, 2014.
[5] Commerce published the revocation of the subject order on November 20, 2007 (72 FR 65293).
[6] Commerce published notice of its final results in the five-year review concerning the antidumping duty order on hot-rolled steel from the Netherlands on June 27, 2007 (72 FR 35220). In those final results, Commerce revoked the order effective November 29, 2006. Accordingly, the Commission terminated its five-year review regarding hot-rolled steel from the Netherlands effective June 27, 2007 (72 FR 40322, July 24, 2007).

Source: Compiled from Commission determinations published in the Federal Register.

Previous and related safeguard investigations

Hot-rolled steel products have been the subject of both safeguard investigations and other arrangements to limit the importation of steel products.[12] In 1984, the Commission determined that carbon and alloy steel sheet were being imported into the United States in

[12] A more detailed description of such measures since 1980 appears in the staff report for the first review of the orders on hot-rolled steel from Brazil, Japan, and Russia. *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil, Japan, and Russia: Investigations Nos. 701-TA-384 and 731-TA-806-808 (Review),* USITC Publication 3767, April 2005, pp. I-9-I-10.

such increased quantities as to be a substantial cause of serious injury to the domestic industry producing such articles, and recommended quantitative restrictions of imports for a period of five years. President Reagan determined that import relief under section 201 of the Trade Act of 1974 was not in the national interest. At the President's direction, quantitative limitations under voluntary restraint agreements ("VRAs") for a five-year period ending September 30, 1989, were negotiated. In July 1989, the VRAs were extended for two and one half years until March 31, 1992.

In 2001, the Commission determined that certain carbon and alloy steel, including hot-rolled steel, was being imported into the United States in such increased quantities as to be a substantial cause of serious injury to the domestic industry producing such articles, and recommended additional duties on imports for a period of four years.[13] On March 5, 2002, President George W. Bush announced the implementation of steel safeguard measures. Import relief relating to hot-rolled steel consisted of an additional tariff for a period of three years and one day (30 percent *ad valorem* on imports in the first year, 24 percent in the second year, and 18 percent in the third year).[14] Following receipt of the Commission's mid-term monitoring report in September 2003, and after seeking information from the U.S. Secretary of Commerce and U.S. Secretary of Labor, President Bush determined that the effectiveness of the action taken had been impaired by changed circumstances. Therefore, he terminated the U.S. measure with respect to increased tariffs on December 4, 2003.[15]

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On September 9, 2015, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigations on certain hot-rolled steel flat products from: Brazil, Korea, and Turkey.[16] Commerce identified the following government programs in each subject country.

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[13] *Steel; Import Investigations*, 66 FR 67304, December 28, 2001.

[14] *Presidential Proclamation 7529 of March 5, 2002, To Facilitate Positive Adjustment to Competition From Imports of Certain Steel Products*, 67 FR 10553, March 7, 2002. The President also instructed the Secretaries of Commerce and the Treasury to establish a system of import licensing to facilitate steel import monitoring.

[15] *Presidential Proclamation 7741 of December 4, 2003, To Provide for the Termination of Action Taken With Regard to Imports of Certain Steel Products*, 68 FR 68483, December 8, 2003. Import licensing, however, remained in place through March 21, 2005, and continues in modified form at this time.

[16] *Certain Hot-Rolled Steel Flat Products from Brazil, the Republic of Korea, and Turkey: Initiation of Countervailing Duty Investigations*, 80 FR 54267, September 9, 2015.

Brazil

Commerce initiated a countervailing duty investigation on 33 of the 35 alleged programs.[17] The programs for which Commerce initiated a countervailing duty investigation include the following:

A. Tax Programs
    1. Reduction of Tax on Industrialized Products (IPI) for Machines and Equipment
    2. Ex-Tarifário
    3. Exemption of Payroll Taxes
    4. Regime Tributário para Incentivo á Modernizacáo e á Ampliacáo da Estrutura Portuária (REPORTO)

B. Export Subsidies
    1. Brazil's Export Financing Program (PROEX)Export Factoring
    2. Reintegra
    3. Special Regime for the Acquisition of Capital Goods for Export Companies (RECAP)
    4. Integrated Drawback Scheme
    5. Export Credit Insurance and Guarantees
    6. Export Guarantee
    7. Export Promotion and Marketing Assistance

C. Regional Subsidies
    1. RIOInvest
    2. Pro-Industria
    3. Tax Benefits in the State of Espírito Santo (FUNDAP)
    4. Tax Benefits in the State of Espírito Santo (INVEST-ES)
    5. Development and Participation of Espírito Santo (FUNDEPAR)
    6. Northeast Region Development Authority Incentives
    7. Northeast Investment Fund (FINOR)
    8. Amazon Investment Fund (FINAM)
    9. Federal District Development Program
    10. Ceará Industrial Fund
    11. Bahia State Industrial Development and Economic Integration Program (Desenvolve)
    12. Pernambuco Development Program (PRODEPE)
    13. Program for the Development of Santa Catarina's Business (PRODEC)

[17] *Department of Commerce Enforcement and Compliance Office of AD/CVD Operations, CVD Investigation Initiation Checklist, Certain Hot-Rolled Steel Flat Products from Brazil, Case No. C-351-846*, August 31, 2015, pp. 7-42.

D. Loans: BNDES Financing
    1. BNDES PROGEREN
    2. ExIm Loans
    3. FINAME Loans
    4. BNDESPAR Loans
    5. Investment Maintenance Program
    6. Automatic BNDES
    7. BNDES Funtec
E. Research and Development Incentives
    1. INOVA Brasil Program
    2. Economic Subvention to National Innovation Program

Korea

Commerce initiated a countervailing duty investigation on 39 of the 41 alleged programs.[18] The programs for which Commerce initiated a countervailing duty investigation include the following:

A. Provision of Inputs for Less Than Adequate Remuneration (LTAR)
    1. Provision of Electricity for LTAR
    2. Power Business Law Subsidies
    3. Energy Savings Program Subsidies
    4. Provision of Liquefied Natural Gas for LTAR
B. The Government of Korea Purchases Electricity from Hot-Rolled Steel Producers for More Than Adequate Remuneration
C. Korean Export-Import Bank Countervailable Subsidy Programs
    1. Short-Term Export Credits
    2. Export Factoring
    3. Export Loan Guarantees
    4. Trade Bill Rediscounting Program
    5. Import Financing
    6. Overseas Investment Credit Program
D. Korea Development Bank and Industrial Base Fund (IBF) Loans
    1. Short-Term Discounted Loans for Export Receivables
    2. Loans under the IBF
E. Korea Trade Insurance Corporation (K-SURE)—Export Insurance and Export Credit Guarantees
    1. Short-Term Export Credit Insurance

[18] *Department of Commerce Enforcement and Compliance Office of AD/CVD Operations, CVD Investigation Initiation Checklist, Certain Hot-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-884*, August 31, 2015, pp. 7-32.

2. Export Credit Guarantees

F. Energy and Resource Subsidies
    1. Long-Term Loans from the Korean Resources Corporation and the Korea National Oil Corporation
    2. Special Accounts for Energy and Resources (SAER) Loans
    3. Clean Coal Subsidies
    4. VAT Exemption for Purchases of Anthracite Coal

G. Green Subsidies
    1. Government of Korea ("GOK") Subsidies for "Green Technology R&D" and its Commercialization
    2. Support for SME "Green Partnerships"

H. Daewoo International Corporation Debt Work Out

I. Income Tax Programs
    1. Research, Supply, or Workforce Development Investment Tax Deduction for "New Growth Engines" under RSTA Article 10(1)(1)
    2. Research, Supply, or Workforce Development Expense Tax Deductions for "Core Technologies" under RSTA Article 10(1)(2)
    3. Tax Reductions for Research and Human Resources Development under RSTA Article 10(1)(3)
    4. Tax Credit for Investment Facilities for Research and Manpower under RSTA Article 11
    5. Tax Deductions for Investments in Energy Economizing Facilities under RSTA Article 25(2)
    6. Tax Deduction for Investment in Energy Economizing Facilities under RSTA Article 25(3)
    7. GOK Facilities Investment Support under Article 26 of the RSTA
    8. Tax Program for Third-Party Logistics Operations under RSTA Article 104(14)

J. Subsidies to Companies Located in Certain Economic Zones
    1. Tax Reductions and Exemptions in Free Economic Zones
    2. Exemptions and Reductions of Lease Fees in Free Economic Zones
    3. Grants and Financial Support in Free Economic Zones
    4. Acquisition and Property Tax Benefits to Companies Located in Industrial Complexes

K. Grants
    1. Research and Development Grants under the Industrial Technology Innovation Promotion Act
    2. Modal Shift Program
    3. Sharing of Working Opportunities/Employment Creating Incentives
    4. Various Government Grants Contained in Financial Statements

Commerce partially initiated a countervailing duty investigation on Dongbu's Debt Restructuring.[19]

Turkey

Commerce initiated a countervailing duty investigation on all 18 alleged programs.[20] The programs for which Commerce initiated a countervailing duty investigation include the following:

A. Tax Programs
    1. Deductions from Taxable Income for Export Revenue
    2. Investment Encouragement Program Customs Duty and VAT Exemptions
    3. Social Security Premium Exemptions
    4. Exemption from Property Tax
B. Loan Programs
    1. Rediscount Program (formerly known as "Short-Term Pre-Shipment Rediscount Program")
    2. Pre-Shipment Export Credit Program
C. Provision of Goods and Services for Less Than Adequate Remuneration (LTAR)
    1. Provision of Natural Gas for LTAR
    2. Provision of Lignite for LTAR
    3. Provision of Hard Coal/Coking Coal for LTAR
    4. Provision of Electricity for LTAR/Law 5084 Energy Support
    5. Provision of Land for LTAR
    6. Water Subsidy in the Izmir OIZ
D. Research and Development (R&D) Incentives
    1. Incentives Under the R&D Law
    2. TUBITAK and TTGV Grants and Loans
E. GOT's Equity Infusion in Erdemir's "Privatization"
F. Investment Incentive Scheme Programs
    1. Regional Investment Incentive Scheme
        a. VAT and Customs Duty Exemptions
        b. Tax Reductions
        c. Social Security Premium Support
        d. Income Tax Withholding Support
        e. Interest Rate Support
        f. Land Allocation

[19] Ibid., pp. 32-33.

[20] *Department of Commerce, Enforcement and Compliance Office of AD/CVD Operations, CVD Investigation Initiation Checklist, Certain Hot-Rolled Steel Flat Products from the Republic of Turkey,* Case No. C-489-827, August 31, 2015, pp. 7-25.

2. Large Scale Investment Incentive Scheme
    a. VAT and Customs Duty Exemptions
    b. Tax Reductions
    c. Social Security Premium Support
    d. Income Tax Withholding Support
    e. Land Allocation
3. Strategic Investment Incentive Scheme
    a. VAT Exemptions and Refunds, and Customs Duty Exemptions
    b. Tax Reductions
    c. Social Security Premium Support
    d. Income Tax Withholding Support
    e. Interest Rate Support
    f. Land Allocation

Alleged sales at LTFV

On September 9, 2015, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigations on certain hot-rolled steel flat products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom.[21] Commerce has initiated antidumping duty investigations based on the following estimated dumping margins:

- 99.20 percent for hot-rolled steel from Australia,
- 34.28 percent for Brazil,
- 16.15 to 34.53 percent for Japan,
- 86.96 to 158.93 percent for Korea,
- 55.21 to 173.17 percent for the Netherlands,
- 96.77 to 197.41 percent for Turkey, and
- 50.63 to 161.75 percent for the United Kingdom.

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of these investigations as follows:[22]

[21] *Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, the Republic of Korea, the Netherlands, the Republic of Turkey, and the United Kingdom: Initiation of Less-Than-Fair-Value Investigations,* 80 FR 54261, September 9, 2015.

[22] *Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, the Republic of Korea, the Netherlands, the Republic of Turkey, and the United Kingdom: Initiation of Less-Than-Fair-Value Investigations,* 80 FR 54266, September 9, 2015.

The products covered by these investigations are certain hot-rolled, flat-rolled steel products, with or without patterns in relief, and whether or not annealed, painted, varnished, or coated with plastics or other non-metallic substances. The products covered do not include those that are clad, plated, or coated with metal. The products covered include coils that have a width or other lateral measurement ("width") of 12.7 mm or greater, regardless of thickness, and regardless of form of coil (e.g., in successively superimposed layers, spirally oscillating, etc.). The products covered also include products not in coils (e.g., in straight lengths) of a thickness of less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, i.e., products which have been "worked after rolling" (e.g., products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements referenced above:

where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above unless the resulting measurement makes the product covered by the existing antidumping[23] or countervailing duty[24] orders on Certain Cut-To-Length Carbon-Quality Steel Plate Products From the Republic of Korea (A-580-836; C-580-837), and

where the width and thickness vary for a specific product (e.g., the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, etc.), the measurement at its greatest width or thickness applies.

Steel products included in the scope of these investigations are products in which: (1) iron predominates, by weight, over each of the other

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[23] *Notice of Amendment of Final Determinations of Sales at Less Than Fair Value and Antidumping Duty Orders: Certain Cut-To-Length Carbon-Quality Steel Plate Products From France, India, Indonesia, Italy, Japan and the Republic of Korea*, 65 FR 6585, February 10, 2000.

[24] *Notice of Amended Final Determinations: Certain Cut-to-Length Carbon-Quality Steel Plate From India and the Republic of Korea; and Notice of Countervailing Duty Orders: Certain Cut-To-Length Carbon-Quality Steel Plate From France, India, Indonesia, Italy, and the Republic of Korea,* 65 FR 6587, February 10, 2000.

contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

2.50 percent of manganese, or
3.30 percent of silicon, or
1.50 percent of copper, or
1.50 percent of aluminum, or
1.25 percent of chromium, or
0.30 percent of cobalt, or
0.40 percent of lead, or
2.00 percent of nickel, or
0.30 percent of tungsten, or
0.80 percent of molybdenum, or
0.10 percent of niobium, or
0.30 percent of vanadium, or
0.30 percent of zirconium.

Unless specifically excluded, products are included in this scope regardless of levels of boron and titanium.

For example, specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (IF)) steels, high strength low alloy (HSLA) steels, the substrate for motor lamination steels, Advanced High Strength Steels (AHSS), and Ultra High Strength Steels (UHSS). IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. The substrate for motor lamination steels contains micro-alloying levels of elements such as silicon and aluminum. AHSS and UHSS are considered high tensile strength and high elongation steels, although AHSS and UHSS are covered whether or not they are high tensile strength or high elongation steels.

Subject merchandise includes hot-rolled steel that has been further processed in a third country, including but not limited to pickling, oiling, levelling, annealing, tempering, temper rolling, skin passing, painting, varnishing, trimming, cutting, punching, and/or slitting, or any other processing that would not otherwise remove the merchandise from the scope of the investigations if performed in the country of manufacture of the hot-rolled steel.

All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of these investigations unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of these investigations:

Universal mill plates (i.e., hot-rolled, flat-rolled products not in coils that have been rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm, of a thickness not less than 4.0 mm, and without patterns in relief); Products that have been cold-rolled (cold-reduced) after hot-rolling;[25] Ball bearing steels;[26] Tool steels;[27] and Silico-manganese steels.[28]

Tariff treatment

Based upon the scope set forth by the Department of Commerce, the products subject to these investigations are currently imported into the United States under the following Harmonized Tariff Schedule of the United States (HTS) statistical reporting numbers: 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000,

[25] For purposes of this scope exclusion, rolling operations such as a skin pass, levelling, temper rolling or other minor rolling operations after the hot-rolling process for purposes of surface finish, flatness, shape control, or gauge control do not constitute cold-rolling sufficient to meet this exclusion.

[26] Ball bearing steels are defined as steels which contain, in addition to iron, each of the following elements by weight in the amount specified: (i) not less than 0.95 nor more than 1.13 percent of carbon; (ii) not less than 0.22 nor more than 0.48 percent of manganese; (iii) none, or not more than 0.03 percent of sulfur; (iv) none, or not more than 0.03 percent of phosphorus; (v) not less than 0.18 nor more than 0.37 percent of silicon; (vi) not less than 1.25 nor more than 1.65 percent of chromium; (vii) none, or not more than 0.28 percent of nickel; (viii) none, or not more than 0.38 percent of copper; and (ix) none, or not more than 0.09 percent of molybdenum.

[27] Tool steels are defined as steels which contain the following combinations of elements in the quantity by weight respectively indicated: (i) more than 1.2 percent carbon and more than 10.5 percent chromium; or (ii) not less than 0.3 percent carbon and 1.25 percent or more but less than 10.5 percent chromium; or (iii) not less than 0.85 percent carbon and 1 percent to 1.8 percent, inclusive, manganese; or (iv) 0.9 percent to 1.2 percent, inclusive, chromium and 0.9 percent to 1.4 percent, inclusive, molybdenum; or (v) not less than 0.5 percent carbon and not less than 3.5 percent molybdenum; or (vi) not less than 0.5 percent carbon and not less than 5.5 percent tungsten.

[28] Silico-manganese steel is defined as steels containing by weight: (i) not more than 0.7 percent of carbon; (ii) 0.5 percent or more but not more than 1.9 percent of manganese, and (iii) 0.6 percent or more but not more than 2.3 percent of silicon.

7208.90.0000, 7210.70.3000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.11.0000, 7225.19.0000, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7225.99.0090, 7226.11.1000, 7226.11.9030, 7226.11.9060, 7226.19.1000, 7226.19.9000, 7226.91.5000, 7226.91.7000, and 7226.91.8000. Products subject to the investigations may also be reported under the following HTS provisions: 7210.90.9000, 7211.90.0000, 7212.40.1000, 7212.40.5000, 7212.50.0000, 7214.91.0015, 7214.91.0060, 7214.91.0090, 7214.99.0060, 7214.99.0075, 7214.99.0090, 7215.90.5000, 7226.99.0180, and 7228.60.6000. The general rate of duty for all of the products imported into the U.S. under these HTS provisions is free.

The HTSUS subheadings above are provided for convenience and U.S. Customs purposes only. The written description of the scope of the investigations is dispositive.[29]

THE PRODUCT

Description and applications

Steel is generally defined as a combination of carbon and iron that is usefully malleable as first cast, and in which iron predominates, by weight, over each of the other contained elements and the carbon content is two percent or less, by weight.[30] Carbon steel includes most common grades of steel and generally is less expensive to produce than the various grades of alloy steels, due primarily to the cost of the alloying elements.

The majority of hot-rolled steel production is consumed internally or transferred to affiliates for downstream processing into cold-rolled and/or galvanized or plated products, cut-to-length plate, or welded pipe. The remainder is sold commercially to end users, service centers, and to processors for conversion into steel pipe and tube products and, in some cases, other downstream steel products, including cold-rolled steel and coated steel.

Steel may compete against other materials, such as aluminum, plastics, and advanced composites. Hot-rolled steel is used in general structural functional areas where surface finish and light weight are not crucial. Hot-rolled steel is extensively used in automotive applications such as body frames and wheels, tubing, and floor decks in steel construction. Hot-rolled steel is also used in transportation equipment (such as rail cars, ships, and barges), non-residential construction, appliances, heavy machinery, and machine parts. Interstitial-free ("IF") steel is low-carbon steel having unique deep-drawing ability on stamping presses.[31] High strength-low

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[29] Decisions on the tariff classification and treatment of imported goods are solely within the authority of U.S. Customs and Border Protection.

[30] *Harmonized Tariff Schedule of the United States* (2015), chap. 72, note 1(d), Steel: Ferrous materials other than those of heading 7203 which (with the exception of certain types produced in the form of castings) are usefully malleable and which contain by weight 2 percent or less of carbon. However, chromium steels may contain higher proportions of carbon.

[31] IF steels have very low amounts of interstitial elements (primarily carbon and nitrogen) with small amounts of titanium or niobium added to tie up the remaining interstitial atoms. Without free interstitial elements, these steels are very ductile and soft. American Iron and Steel Institute, "IF

(*continued*...)

alloy ("HSLA") steels are used in structural applications for the construction, automotive, machinery, and equipment industries where strength and other attributes are important.

Although uses of hot-rolled steel include applications where surface finish and light weight have historically not been crucial, "lightweighting" is becoming increasingly important. As a result, producers are striving to produce higher strength steel in thinner gauges to substitute for regular strength hot-rolled or even for cold-rolled steel in thicknesses of 0.079 inches (2 mm) or less.[32] In the automotive sector, lightweighting is important to meet regulatory requirements such as the U.S. Corporate Average Fuel Economy (CAFE) requirements.[33] Lightweighting uses advanced high-strength steels, which can reduce a vehicle's structural weight by as much as 35 percent,[34] and substitutes other materials for steel.

Common material specifications for hot-rolled steel include ASTM A 1011, which applies to products less than 0.230 inches (5.84 mm) in thickness, and ASTM A 1018, which applies to material 0.230 inches or greater in thickness. Both specifications cover hot-rolled carbon steel, including commercial steel, drawing quality steel, high-strength low-alloy steel, and ultra-high-strength steel sheet and strip, in coils and cut lengths (coils only for A1018).

Manufacturing processes[35]

Broadly speaking, a producer of hot-rolled steel may be: (1) an integrated mill, producing steel from iron ore and a limited amount of scrap, and with a thick slab casting and rolling operation;[36] (2) a "mini" or electric furnace mill, producing steel from purchased scrap and supplemented with primary iron products (scrap substitutes, usually with a thin slab casting and rolling operation);[37] or (3) a rolling-only operation, with no on-site steelmaking, using slabs

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(…*continued*)
(Interstitial-Free Steel)," found at http://www.steel.org/sitecore/content/Autosteel_org/Web%20Root/Research/AHSS%20Data%20Utilization/IF/Content.aspx .

[32] 1 millimeter = .03937 inches / 1 inch = 25.4 millimeters. *The National Institute of Standards and Technology,* NIST Handbook 44 (2015), App C-15. Found at http://www.nist.gov/pml/wmd/pubs/hb44.cfm. Accessed September 16, 2015.

[33] "First enacted by Congress in 1975, the purpose of CAFE is to reduce energy consumption by increasing the fuel economy of cars and light trucks." National Highway Traffic Safety Administration, *"CAFÉ – Fuel Economy,"* found at http://www.nhtsa.gov/fuel-economy. Accessed September 3, 2015.

[34] World Steel Association*, "FutureSteelVehicle Provides Lightweight, Low Carbon Footprint Vehicle Options,"* found at http://www.worldautosteel.org/projects/future-steel-vehicle/phase-2-results/ accessed September 4, 2015.

[35] Unless otherwise indicated, the source for the information in this section is found in *Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, Japan, and Russia, Inv. Nos. 701-TA-384 and 731-TA-806-808 (Second Review),* USITC Publication 4237, June 2011, pp. I-26-I-29.

[36] Firms that are exclusively or predominately integrated include AK Steel, ArcelorMittal USA, and U.S. Steel.

[37] Firms that exclusively use EAFs to produce steel include NLMK, North Star, Nucor, SDI, and SSAB.

purchased from other steelmakers (usually imported).[38] Each of these three types of operations has an inherent cost structure that differs from the other two; an integrated producer typically has the highest fixed costs and the highest value added in its cost structure; a mini-mill generally has higher raw material costs but less value added; and a rolling-only operation has the lowest value added but the highest raw material cost.

The manufacturing processes for hot-rolled steel products are summarized below. In general, the production of hot-rolled steel encompasses three distinct stages: (1) melting and refining, (2) casting molten steel into semi-finished forms, and (3) hot-rolling semi-finished forms into flat-rolled carbon steel mill products.

Integrated steel production requires inputs, including coke, iron ore, limestone, and steel scrap. Coke is a refined carbon product produced by heating coal to drive off volatile matter, and is the principal fuel used in blast furnaces where iron ore is smelted to produce molten metal. Limestone is used to purify the molten iron by dissolving nonmetallic impurities from iron ore and coke. Scrap is a portion of the basic oxygen furnace charge; hot metal accounts for the remainder. Scrap is the primary input for electric arc furnace ("EAF") production. Scrap contains non-ferrous tramp elements so production that uses a lower ratio of scrap to hot metal can generate the clean, pure steel often required for certain value-added applications.

Melt stage

Steel for the manufacture of hot-rolled steel products is produced from raw materials by either an "integrated" or "nonintegrated" process. In an integrated process, iron ore, the principal iron-containing raw material, is smelted in a blast furnace using coke, usually supplemented with coal, natural gas, or fuel oil, to produce molten pig iron, which is drained into a large ladle and transported to an oxygen steelmaking furnace. The molten pig iron is poured into a steelmaking furnace, together with a lesser amount of steel scrap and flux materials, such as burnt lime, burnt dolomite, and fluorspar. High-purity oxygen is injected into the furnace and reacts with dissolved carbon and other impurities in the charge materials, raising the temperature to that necessary for further processing. Molten steel is poured or "tapped" from the furnace to a ladle to be transported to a ladle metallurgy station and then to casting.

The nonintegrated, or scrap-based, process produces molten steel by melting scrap or scrap substitutes in an EAF.[39] Primary iron products, including cold pig iron, direct-reduced iron and hot-briquetted iron, also are used as raw materials in electric-arc furnace steelmaking.[40]

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[38] Rolling-only operations include CSI and Evraz. Both of these firms, or their predecessors, once had steelmaking facilities, but those have been abandoned and the firms now rely solely on purchased, primarily imported, semifinished steel.

[39] To control product quality further, newer thin-slab flat-rolled mills are using, to various degrees, scrap substitutes, such as direct-reduced iron, hot-briquetted iron, and iron carbide.

[40] Because scrap is generally considered to be the main raw material for electric-arc steelmaking and these primary iron products reduce the amount of scrap needed, they are often referred to as "scrap

(*continued*...)

The charge materials are melted by electrical current passing through an arc between an electrode and the material in the furnace. Oxygen is used to burn off impurities, but at a fraction of the amounts used in oxygen steelmaking. After melting, the molten steel is tapped into a ladle for further processing.

Whether integrated or nonintegrated, steelmakers typically utilize a secondary steelmaking stage, also called a ladle metallurgy station. Shifting the final refining stages to the ladle metallurgy station allows shorter cycles in the primary steelmaking vessel, effectively raising steelmaking capacity. Special ladle treatments include desulfurization and vacuum degassing, which improve steel cleanliness, formability, surface quality, chemistry, and strength. Steelmakers employ additional techniques to refine the product further into extra-clean or low-carbon steels. These refinements are needed to satisfy stringent surface or internal quality, and mechanical properties.[41] Steelmakers may adjust the chemical content by adding alloying elements or by lowering the carbon content (decarburization), or adjusting the temperature of the steel for optimum casting. While carbon content may be reduced further by subsequent hydrogen annealing of the coiled steel, the steel's essential characteristics are established prior to the casting stage.

Slab casting stage

Following the production of molten steel with the desired properties, it is cast into a form that can enter the rolling process. Continuous casters convert molten steel into slabs for rolling into finished product and the vast majority of carbon sheet steels produced in the United States are continuously cast.[42] There are two broad categories of continuous casting used by most U.S. and foreign producers of hot-rolled steel products: conventional or thick-slab

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(…*continued*)
substitutes." Their use depends upon their prices relative to that of scrap and upon particular end-product-related requirements for material containing smaller amounts of undesirable elements than does scrap.

[41] The goals of secondary steelmaking include controlling gases (e.g., decreasing the concentration of oxygen, hydrogen, and nitrogen, called "degassing"), reducing sulfur, removing undesirable nonmetallic inclusions, such as oxides and sulfides, changing the composition and/or shape of oxides and sulfides that cannot be completely removed, and improving the mechanical properties of the finished steel. American Iron and Steel Institute, "Secondary Refining," found at http://www.steel.org/~/media/Files/AISI/Making%20Steel/Article%20Files/learning_2ndrefining.pdf, retrieved September 3, 2015.

[42] Continuous slab casting bypasses several steps of the conventional ingot casting process by casting steel directly into semifinished shapes, called slabs, in the desired cross-sectional dimensions. The many benefits derived from this quicker casting method include increased yield, improved product quality, and decreased energy consumption. American Iron and Steel Institute, "Continuous Casting of Steel: Basic Principles," found at http://www.steel.org/Making%20Steel/How%20Its%20Made/Processes/Processes%20Info/Continuous%20Casting%20of%20Steel%20-%20Basic%20Principles.aspx, retrieved September 3, 2013. All or virtually all of the crude steel produced in the subject countries is continuously cast. World Steel Association, *Steel Statistical Yearbook 2014*, table 2.

continuous casters and thin-slab casters. Most U.S. integrated producers use the conventional process, whereas most of the nonintegrated facilities use thin or thinner slab casting processes. Thin slab casting eliminates the need for a reheat furnace. Additional differences between thin slab casting and conventional continuous strand slab casting include the shape of the casting mold, the thickness of the slab, and the linkage of steel casting with direct hot rolling.

Rolling stage

Hot-rolled carbon steel is produced on hot-strip mills. Essential components of a hot-strip mill are a rolling mill, a run-out table for cooling the hot-rolled strip after rolling, and equipment to coil the strip. There are many different configurations of hot-strip mills depending upon the capacity of the operation, the thickness of the slabs entering the mill, and properties of the hot-rolled coil to be produced. When rolling from a thick slab, as described above, there is normally a slab heating furnace, a roughing section consisting of several rolling stands (sets of rollers), typically four or five, that reduce the slab, or a single, reversing roughing mill in which the slab is rolled back and forth through the stand, and a finishing train of four to seven stands to further reduce the thickness and impart the desired surface finish to the steel. The steel exits the finishing train onto a runout table where it is cooled by water and/or air. The steel is then coiled. Hot-rolled steel destined for the outside market may either be shipped directly from the hot-rolling operation, or further processed by cleaning in an acid bath and sold as pickled band. These products are used in non-critical surface applications, such as automotive frames and wheels, construction products, pipe, off-highway equipment, and guardrails.

"Thin" slabs are typically 2 to 3 inches in thickness, and are transferred directly from the casting operation to the rolling mill. Because thin slabs require fewer rolling passes than thick slabs, a roughing mill may be not be required and the finishing mill may be a single, reversing mill rather than a series of in-line mills as described above. The reversing mill could be of the "Steckel" type, in which the strip is coiled between passes in special furnaces on each side of the mill, to reduce heat loss.

A more recent technology, pioneered by Nucor, is a twin-roll strip casting process that produces a solid strip approximately 2 mm thick directly from a pool of molten steel established between two counter-rotating rolls. The strip is fed directly into a hot-rolling mill for reduction to final thickness and then along a cooling table to a coiler. The first of these new facilities started up in 2002 and the second, more advanced unit, started up in 2009.[43] Advantages claimed for the twin-roll strip casting process in comparison to conventional thick-slab or thin-slab processing include the capability to economically produce hot-rolled steel 1 to 2 mm in

[43] In 1988, BHP Steel of Australia and Ishikawajima-Harima Heavy Industries ("IHI") of Japan began a collaborative effort to determine the commercial feasibility of twin-roll strip casting of steel. BHP and IHI needed a partner with the ability to commercialize the process (trademarked as "Castrip") and in 2000 Nucor Corp. joined BHP and IHI to form Castrip LLC. Castrip LLC owns the technology and Nucor has the exclusive license to the process in the United States. For more information on the Castrip® process, see Castrip LLC's website, found at www.castrip.com.

thickness, which can be used in some applications as a substitute for more expensive cold-rolled steel. In addition, a steel plant incorporating the twin-roll strip casting practice may be built at a much lower capital cost, with a lower economic capacity, than a conventional hot-rolling plant.[44]

Subsequent operations

Hot-rolled steel may undergo a number of subsequent processes before being used internally by a steel producer or before being sold. Processing subsequent to hot-rolling may include a temper pass to improve surface finish, gauge tolerance, and coil tightness; pickling and light oil coating;[45] and operations that level, slit, or shear hot-strip mill products to width or length. Pickling, oiling, tempering, leveling, slitting, or shearing may take place at the producing mill; alternatively, such operations may be performed by separate firms.

DOMESTIC LIKE PRODUCT ISSUES

Respondent Welspun proposes that the Commission should find two domestic like products in these investigations: the first, hot-rolled steel coil that is American Petroleum Institute ("API") grade X-70 with a thickness of over 0.625 inches ("X-70 over 0.625""");[46] and the second, all other hot-rolled steel.[47] X-70 over 0.625" is used to produce large-diameter, spiral-welded line pipe for oil and natural gas pipelines.[48] Such heavy-walled line pipe is used in certain sections of high-pressure pipelines that otherwise have a wall thickness of 0.625 inches or less in order to reduce operating stress in sections that involve road or river crossings or are near heavily populated areas.[49]

The Commission's decision regarding the appropriate domestic product(s) that are "like" the subject imported product is based on a number of factors including: (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and (6) price. Information regarding these factors with respect to X-70 over 0.625" and all other hot-rolled steel is discussed below.

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[44] Castrip LLC, "The Castrip® Advantage," found at http://www.castrip.com./Advantage/advantage.html. Accessed September 4, 2015

[45] During the hot-rolling process, exposure to water and air results in the formation of oxides on the surface of the steel. Pickling involves passing the hot-rolled product through a series of acid baths to remove the oxides. The material is then dried and oiled to prevent reformation of oxides, and recoiled.

[46] API grade X-70 is one of several grades of line pipe covered by API Specification 5L. The proposed like product is hot-rolled steel coil with properties suitable for the production of grade X-70 line pipe with a wall thickness of 0.625 inches or greater. The suffix "70" designates minimum yield strength of 70,000 pounds per square inch in tests performed on finished line pipe.

[47] Welspun's postconference brief, p. 2.

[48] Ibid.

[49] Ibid., p. 3.

Physical characteristics and uses

The proposed like product, X-70 over 0.625" is used for the production of welded line pipe. Hot-rolled steel of grade X-70 with a thickness of 0.625 inches or less and other grades of hot-rolled steel are also used for the production of welded line pipe. Respondent Welspun argues that X-70 over 0.625" differs from other hot-rolled steel because thicknesses over 0.625" inches are not typical thicknesses for hot-rolled steel and require specialized steel composition and equipment to produce.[50] Welspun argues further that X-70 over 0.625" may require physical test results (yield strength, ductility, and toughness) that exceed those required by the API X-70 specification as well as lower levels of chemical impurities, such as sulfur, phosphorus, and nitrogen than those required by the API X-70 specification.[51] The proposed domestic like product, however, would encompass all X-70 over 0.625 inches in thickness, whether or not subject to the additional physical and chemical requirements mentioned. The requirements of API Specification 5L with respect to physical properties (yield strength, ductility, and toughness) and chemical composition are the same for all pipe wall thicknesses, whether or not over 0.625 inches.[52]

Petitioners SDI and SSAB state that the Commission has previously found that X-70 is used to produce large-diameter welded line pipe conforming to API specifications for use in demanding environments and that products other than X-70 are also used in the production of larger line pipe, and further that other products may be used to meet API or other specifications for line pipe.[53]

Manufacturing facilities and production employees

Respondent Welspun states that the production of X-70 over 0.625" requires special production equipment that is not present in most hot-rolled production facilities and that very few producers, worldwide, have the necessary equipment and extensive know-how based on substantial experience to produce this product.[54] Welspun testified that no U.S. producer can produce X-70 over 0.625".[55] Two U.S. producers, ***, reported production of X-70 over 0.625" during 2012-15.[56]

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[50] Welspun's postconference brief, p. 4.

[51] Ibid., p. 4-5.

[52] American Petroleum Institute, *Specification for Line Pipe ANSI/API Specification 5L*, Tables 5-8.

[53] *Certain Cut-to-Length Steel Plate From France, India, Indonesia, Italy, Japan, and Korea, Inv. Nos. 701-TA-387-391(Final) and 731-TA-816-821 (Final)*, USITC Publication 3273, January 2000, p. 6. SDI and SSAB's postconference brief, p. 11.

[54] Welspun's postconference brief, p. 7.

[55] Conference transcript, pp. 159-160. (Mr. Fisher) and p. 164 (Dr. Gray.)

[56] See page III-13 for details of U.S. production of X-70 over 0.625" during the period of investigation.

Petitioners SDI and SSAB state that U.S. producers of X-70 coil, including SSAB, Nucor, ArcelorMittal, and U.S. Steel produce X-70 using the same processes, equipment, and with the same employees that they produce other hot-rolled steel products.[57]

Interchangeability

Respondent Welspun states that there is no interchangeability between X-70 over 0.625" and other hot-rolled steel and that spiral-weld line pipe producers have no ability to substitute other grades or thicknesses of hot-rolled steel for X-70 over 0.625". Similarly, according to Welspun, X-70 over 0.625" has no applications other than for use in the production of large-diameter, heavy-walled spiral weld line pipe.[58]

Petitioners SDI and SSAB state that the record of these investigations confirms prior findings that, although other products cannot substitute for X-70 where it is specified, X-70 is downgradeable and may be used in other applications.[59]

Customer and producer perceptions

Respondent Welspun states that customers and producers clearly perceive that X-70 over 0.625" is a distinct product from other hot-rolled steel and even from other API grade hot-rolled steel.[60]

Petitioners SDI and SSAB state that the Commission has previously found, in its investigation of cut-to-length plate, that customers perceived X-70 as part of a continuum of products, and that there is nothing on the record of these investigations that should cause the Commission to revisit its findings on this issue.[61]

Channels of distribution

Respondent Welspun states that X-70 over 0.625" is sold through a distinct channel of distribution compared to other hot-rolled steel, that is, only to producers of large-diameter, heavy-walled, spiral weld line pipe.[62]

Petitioners SDI and SSAB note that the Commission has previously found that X-70, like other products intended for large-diameter line pipe, is primarily sold to end users, and nothing on the record of these investigations contradicts that finding.[63]

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[57] SDI and SSAB's postconference brief, p. 11.
[58] Welspun's postconference brief, p. 5.
[59] SDI and SSAB's postconference brief, p. 11.
[60] Welspun's postconference brief, p. 8.
[61] SDI and SSAB's postconference brief, p. 11.
[62] Welspun's postconference brief, p. 5.
[63] SDI and SSAB's postconference brief, p. 11.

Price

Respondent Welspun states that because of the specialized chemistry and production processes involved, X-70 over 0.625" is priced significantly higher than other hot-rolled steel and follows different trends. Welspun claims that it has paid a significant premium for X-70 over 0.625" even compared to other X-70 grade material. With respect to trends, Welspun claims that prices for X-70 over 0.625" are driven by supply and demand in the in the large-diameter, spiral-weld, line pipe market different from the price trends in other segments of the hot-rolled steel market.[64]

Petitioners SDI and SSAB state that the Commission has previously found that although X-70 products may be priced higher than other related products, there are related products that are even more expensive than X-70 grades, and nothing on the record of these investigations contradicts that finding.[65]

[64] Welspun's postconference brief, pp. 9-10.
[65] SDI and SSAB's postconference brief, p. 11.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

Hot-rolled steel is an input used in a variety of applications including downstream steel products (e.g., cold-rolled and corrosion-resistant steel), pipes and tubes, construction materials, automobiles, and appliances. A large portion of hot-rolled steel is consumed internally or sold to related firms to produce downstream products. According to Respondents, a substantial portion of imports went to U.S. affiliates of foreign producers and thus did not compete with U.S. producers in the merchant market. Respondents stated that imports by Steelscape and USS-POSCO, which accounted for *** percent of subject imports in 2014, were not sold into the merchant market.[1]

The majority of sales on the open market are produced-to-order. Since 2012, the hot-rolled steel market has been affected by declines in drilling, stricter requirements for high-strength steels for lightweight automotive, lifting and excavating applications, and expanded product ranges.

Apparent U.S. consumption of hot-rolled steel increased by 5.9 percent during 2012-14, from 64.2 million short tons to 68.0 million short tons. In the first half of 2015, apparent U.S. consumption was 8.6 percent lower than in the first half of 2014. Respondents state that the decline in shipments in 2015 was due to a decline in demand as a result of a sharp decline in demand for OCTG and other tubular products and a destocking of inventories.[2] Petitioners assert that the decline in apparent consumption in interim 2015 from 2014 does not reflect a decline in demand, but rather is the result of increased importer and customer inventories in 2014.[3]

CHANNELS OF DISTRIBUTION

Almost half of U.S. producers' commercial shipments went to service centers/distributors and about half went to end users (table II-1). About a quarter of U.S. producers' commercial shipments were to tubular goods producers. Service centers/distributors accounted for the majority of commercial shipments of subject imports

[1] USS-POSCO is a joint venture with U.S. Steel and POSCO of Korea, and produces pickled and oiled hot-rolled, cold-rolled, galvanized, and tin plate steel. U.S. Steel reportedly chose not to supply its joint venture with adequate hot-rolled steel in 2014 and the first half of 2015, and authorized USS-POSCO to purchase from third parties. Steelscape is a joint venture between BlueScope of Australia and Nippon of Japan and produces cold-rolled and galvanized steel. Respondents report that Steelscape's purchases made up a clear majority (*** percent) of Japanese exports to the United States during the period of investigation. These firms require large amounts of hot-rolled steel supply to maintain their cold-rolled operations, and state that they cannot rely on the merchant market for their supply. Other affiliate relationships are discussed in the Japanese mills' brief. POSCO and Hyundai's postconference brief, pp. 6-7, 14; Conference transcript, p. 14 (Cho); Japanese mills' postconference brief, p. 5.

[2] POSCO and Hyundai's postconference brief, pp. 16-17; Tata UK's postconference brief, p. 23.

[3] Nucor's postconference brief, p. 19; U.S. Steel's postconference brief, p. 42.

from Brazil, the Netherlands, Turkey, and the United Kingdom.[4] End users accounted for the majority of commercial shipments of subject imports from Australia, Japan, and Korea. Most of these end user shipments were to steel mills and tubular goods producers.

Table II-1
Hot-rolled steel: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2012-2014, January to June 2014 and January to June 2015

* * * * * * *

U.S. producer's commercial shipments to four of the seven specified channels increased from 2012-14, but shipments to all but the two smallest volume channels were lower in the first half of 2015 compared to the first half of 2014 (table II-2). Shipments to tubular goods producers showed the largest increase from 2012 to 2014, and the largest decline from interim 2014 to interim 2015. The quantity of U.S. producers' shipments to service centers/distributors was relatively steady from 2012 to 2014, but was *** percent lower in interim 2015 compared to interim 2014. Shipments to tubular goods producers increased by *** percent from 2012 to 2014, but were *** percent lower in interim 2015 compared to interim 2014. Automotive shipments showed a slight decline (*** percent) from 2012 to 2014, and were *** percent lower in interim 2015 compared to interim 2014. Construction shipments were up *** percent from 2012 to 2014, and were *** percent lower in interim 2015 compared to interim 2014.

Subject import commercial shipments showed increases in all channels from 2012 to 2014, except shipments to steel mills. Subject import commercial shipments were higher in interim 2015 compared to interim 2014 in each specified channel except for steel mills (*** percent lower), automotive, and appliances. Commercial shipments of subject imports to tubular goods producers were *** percent higher in interim 2015 compared to interim 2014.

Table II-2
Hot-rolled steel: U.S. producers' and importers' channels of distribution, 2012-2014, January to June 2014 and January to June 2015

* * * * * * *

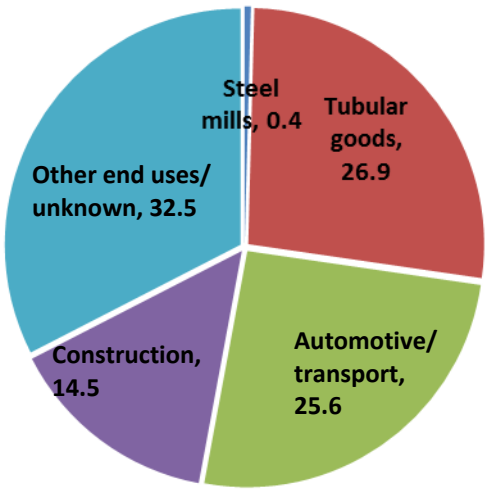
Figures II-1 and II-2 show 2014 commercial shipments for U.S. producers and subject imports by end use, based on shipments reported for each end use as well as firm's estimates of the share of their shipments to distributors/service centers that likely went to three specified categories: automotive/transportation, construction/structural, and other/unknown.[5] The U.S. producers' largest identified end-use markets for their commercial shipments in 2014 were tubular goods and automotive (figure II-1). Subject importers' largest identified end-use markets were automotive and construction.

[4] Service centers/distributors also accounted for the majority of commercial shipments of nonsubject imports from Canada in 2013-14.

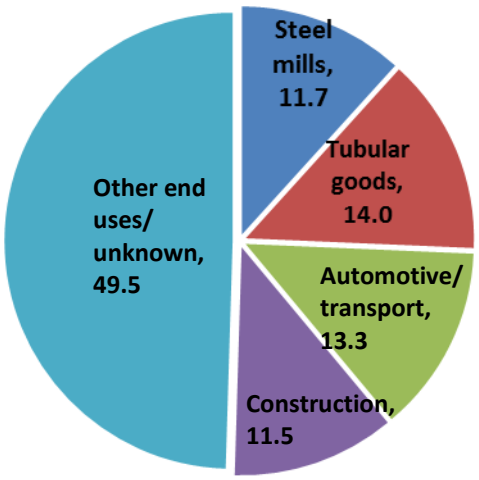
[5] U.S. producer *** was unable to provide an estimate of these shares; therefore, the average reported by the other U.S. producers was applied to its shipments. ***.

Figure II-1
Hot-rolled steel: Share of U.S. producers' and importers' commercial U.S. shipments by end use 2014

U.S. producers' commercial U.S. shipments



U.S. subject imports' commercial shipments



Note: Data are based on firm's reported commercial shipments, with service center/distributor shipments allocated based on U.S. producers' and importers' estimates of likely end use applications (automotive/transportation, construction/structural, or other/unknown).

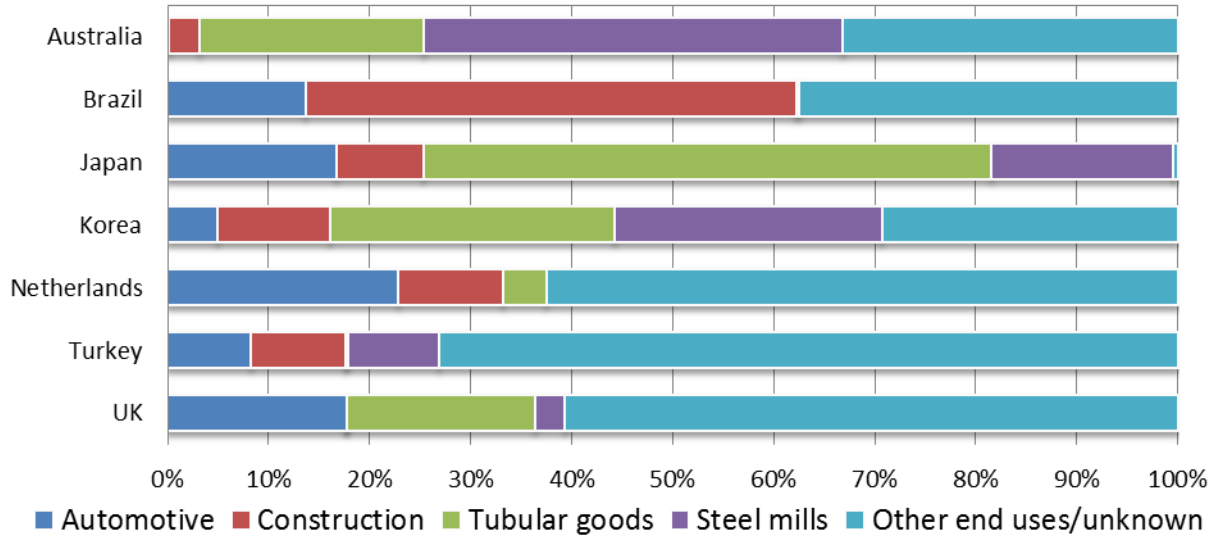
Source: Compiled from data submitted in response to Commission questionnaires.

As shown in figure II-2, the major identified end uses for each subject country in 2014 were as follows:[6]

Australia--tubular goods and steel mills
Brazil--construction
Japan--tubular goods
Korea--tubular goods and steel mills
Netherlands--automotive
Turkey--automotive, construction, and steel mills
United Kingdom--automotive and tubular goods

[6] This list does not include unidentified end uses (i.e., "other end uses/unknown). Many firms indicated that a large share of their shipments to distributors went to "other end uses/unknown."

Figure II-2
Hot-rolled steel: Share of importers' commercial U.S. shipments by subject country and end use, 2014



Note: Data are based on firm's reported commercial shipments, with service center/distributor shipments allocated based on importers' estimates of likely end-use applications (automotive/transportation, construction/structural, or other/unknown).

Source: Compiled from data submitted in response to Commission questionnaires.

GEOGRAPHIC DISTRIBUTION

U.S. producers and importers from all subject countries except the United Kingdom reported selling hot-rolled steel to all regions in the contiguous United States (table II-3).[7]

[7] Importers of hot-rolled steel from the United Kingdom reported selling to all regions except the Mountains and Pacific Coast.

Table II-3
Hot-rolled steel: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	U.S. imports from						
		Australia	Brazil	Japan	Korea	Netherlands	Turkey	United Kingdom
Northeast	9	1	3	2	3	***	3	2
Midwest	10	2	6	4	4	***	7	3
Southeast	9	2	6	4	9	***	6	2
Central Southwest	10	4	13	5	12	***	8	1
Mountains	9	2	3	1	2	***	2	0
Pacific Coast	10	2	2	5	10	***	2	0
Other	1	0	0	0	0	***	2	0
All regions (except Other)[1]	7	0	0	0	0	***	0	0
Reporting firms	10	5	14	10	19	2	14	3

[1] All other U.S. markets, including Alaska, Hawaii, Puerto Rico, and Virgin Islands.

Source: Compiled from data submitted in response to Commission questionnaires.

For U.S. producers, 42.8 percent of sales were within 100 miles of their production facility, 52.3 percent were between 101 and 1,000 miles, and 4.8 percent were over 1,000 miles. Most subject imports (75.6 percent) were shipped within 100 miles of the U.S. point of shipment, 21.9 percent between 101 and 1,000 miles, and 2.5 percent over 1,000 miles.

Respondents assert that about half of total subject imports, and 98 percent of subject imports from Australia, Japan, and Korea, arrived at ports in the Western United States and that purchasers on the West Coast cannot get adequate supply from U.S. producers.[8] According to petitioners, U.S. producers ship hot-rolled steel nationwide, all responding U.S. producers reported sales to the West Coast, and U.S. producers' reported shipments at over 1,000 miles also indicate an ability to supply customers on the West Coast.[9] However, they also stated that freight costs for shipments to the West Coast is a condition of competition that makes it more difficult for U.S. producers to compete with subject imports.[10]

Respondents indicate that subject imports are regionally concentrated, depending on the country source.[11] BlueScope states that 91 percent of hot-rolled steel imports from Australia are destined for the West Coast (and that most of its exports go to BlueScope's

[8] BlueScope's postconference brief, pp. 1, 8-9. Respondents state that freight costs and rail car availability limit Midwest mills' abilities to supply the volumes required by purchasers in the West. Conference transcript, p. 155 (Dougan); POSCO and Hyundai's postconference brief, p. 10. Steelscape's representative stated that the cost of shipping hot-rolled steel from the Great Lakes to the West Coast via rail is $40 to $60 per ton more than the cost of shipping from Australia or other Pacific countries. Conference transcript, p. 176 (J. Cross).

[9] Nucor's postconference brief, p. 10.

[10] AK Steel's postconference brief, p. 20.

[11] BlueScope's postconference brief, p. 16, fig. 1.

affiliate).[12] Tata Netherlands and Tata UK assert that that their sales are concentrated in the Midwest.[13] The Japanese mills state that imports from Japan are limited to the West Coast and Gulf regions.[14] Turkish respondents argue that Turkish hot-rolled steel competes in the Gulf and East Coast regions.[15] However, Petitioners assert that hot-rolled steel from all subject sources serve the same geographic markets.[16]

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production

Based on available information, U.S. producers of hot-rolled steel have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of hot-rolled steel to the U.S. market. The main contributing factor to this degree of responsiveness of supply is the availability of excess capacity.

Industry capacity

Domestic capacity increased from 78.9 million short tons in 2012 to 79.2 million short tons in 2014. Domestic capacity utilization increased from 77.2 percent in 2012 to 78.8 percent in 2014 but was 69.2 percent in interim 2015 compared to 78.5 percent in interim 2014. This moderate level of capacity utilization suggests that U.S. producers may have the ability to increase production of hot-rolled steel in response to an increase in prices.

Alternative markets

U.S. producers' exports, as a share of the quantity of total shipments, decreased slightly from 1.6 percent to 1.5 percent between 2012 and 2014. The small share of exports indicates that U.S. producers may have limited ability to shift shipments between the U.S. market and other markets in response to price changes.

Inventory levels

U.S. producers' inventories, as a share of U.S. shipments, increased slightly from 2.8 percent in 2012 to 2.9 percent in 2014. These inventory levels suggest that U.S. producers may have a limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

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[12] BlueScope's postconference brief, p. 1.
[13] Tata Netherlands' postconference brief, p. 34; Tata UK's postconference brief, p. 33.
[14] Japanese mills' postconference brief, p. 13.
[15] Turkish respondents' postconference brief, p. 26.
[16] AK Steel's postconference brief, p. 12.

Production alternatives

Most U.S. production capacity (93-95 percent) was dedicated to hot-rolled steel production during the period of investigation. Four of 10 responding U.S. producers stated that they could switch production between hot-rolled steel and other products using the same equipment and/or labor. Other products identified by U.S. producers were cut-to-length plate, slab, pipe, and galvanized, cold-rolled, and tin-plated steel. U.S. producers indicated that switching production to other products is relatively low cost, and would largely be determined by capacity and customer orders.

Supply constraints

Only one of 10 U.S. producers reported that it had refused, declined, or been unable to supply hot-rolled steel since January 1, 2012. Most U.S. producers reported having sufficient capacity to fill orders, even if experiencing temporary delays or shortages. *** reported that any constraints were temporary, including shipments delays because of severe weather in the first quarter of 2014.

According to Respondents, weather severely impacted Midwest mills' hot-rolled steel supply in the winters of 2014 and 2015.[17] U.S. importers *** and *** reported that their increased shipments to U.S. customers were largely a result of U.S. producer supply constraints resulting from the severe winter in 2014, specifically, transportation issues due to snow and ice, and equipment issues. *** reported that it faced supply constraints from ***.[18]

Subject imports

This section presents information on the subject foreign industries' abilities to supply the U.S. market. As shown in table II-4, foreign producer questionnaire responses account for a very high share of imports from subject countries.

[17] POSCO and Hyundai's postconference brief, pp. 12, 15-16.
[18] ***. POSCO and Hyundai's postconference brief, p. 16.

Table II-4
Hot-rolled steel: Foreign producer questionnaire responses and coverage

Country	Number of questionnaire responses	Coverage (reported exports to United States as a ratio to imports, 2014)
Australia	1	***
Brazil	3	***
Japan	5	***
Korea	3	***
Netherlands	1	***
Turkey	2	***
United Kingdom	1	***

Source: Compiled from data submitted in response to Commission questionnaires and Commerce official import statistics.

Table II-5 provides a summary of supply-related data for subject countries. Production capacity varies greatly between the subject countries, with Japanese producers reporting capacity of *** short tons in 2014 and the Australian producer reporting *** short tons. Reported capacity utilization rates in 2014 were below 90 percent for four subject countries: ***.

Table II-5
Hot-rolled steel: Foreign industry factors that affect ability to increase shipments to the U.S. market

	Capacity (million short tons)		Capacity utilization (percent)		Inventories (percent of shipments)		Able to shift to alternate products	Hot-rolled steel's share of overall production	Exports to non-U.S. markets (percent of total shipments)
Country	2012	2014	2012	2014	2012	2014	No. of firms reporting "yes"	2014	2014
Australia	***	***	***	***	***	***	***	***	***
Brazil	***	***	***	***	***	***	***	***	6.8
Japan	***	***	***	***	***	***	***	***	24.9
Korea	***	***	***	***	***	***	***	***	14.9
Netherlands	***	***	***	***	***	***	***	***	***
Turkey	***	***	***	***	***	***	***	***	***
United Kingdom	***	***	***	***	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Subject imports from Australia

Based on available information, the Australian producer, BlueScope, has the ability to respond to changes in demand with moderate changes in the quantity of shipments of hot-rolled steel to the U.S. market. The main contributing factor to this moderate degree of responsiveness of supply is some unused capacity but low overall total capacity and a small share of shipments to non-U.S. markets.

BlueScope stated that it is operating at a very high capacity utilization rate, has no imminent capacity additions, and that it produces no other steel products on the same equipment as hot-rolled steel.[19] Petitioners state that BlueScope expanded capacity during the period of investigation, and that industry or publicly available data is the best measure of BlueScope's capacity. They state that ***.[20]

Subject imports from Brazil

Based on available information, Brazilian producers have the ability to respond to changes in demand with moderate changes in the quantity of shipments of hot-rolled steel to the U.S. market. The main contributing factor to this degree of responsiveness of supply is moderate and declining capacity utilization tempered by limited sales to other export markets.

Brazilian respondent CSN argues that Brazilian hot-rolled producers are not export-oriented and have strong non-U.S. export markets that will limit additional volumes from being shipped to the United States.[21] Petitioners report that the Brazilian hot-rolled steel industry had excess production capacity and faced declining steel consumption in Brazil during the period of investigation.[22]

Subject imports from Japan

Based on available information, Japanese producers have the ability to respond to changes in demand with moderate changes in the quantity of shipments of hot-rolled steel to the U.S. market. The main contributing factors to this responsiveness of supply are the high overall capacity and large share of shipments to other export markets. Responsiveness is constrained by high capacity utilization, limited inventories, and an inability to shift production between hot-rolled steel and other products.

Japanese respondents argue that the Japanese industry is operating at a very high capacity utilization rate and that the U.S. market is a very small market for Japanese producers that are focused on the Japanese home market and other Asian markets.[23] Petitioners report that Japanese producers have massive hot-rolled capacity and unused capacity, and that Japanese producers' reported capacity is likely understated.[24]

Subject imports from Korea

Based on available information, Korean producers have the ability to respond to changes in demand with moderate changes in the quantity of shipments of hot-rolled steel to

[19] BlueScope's postconference brief, pp. 24-26.
[20] AMUSA's postconference brief, pp. 18-20.
[21] CSN's postconference brief, pp. 12-14; conference transcript, p. 240 (Lewis).
[22] AMUSA's postconference brief, pp. 21-23.
[23] Japanese mills' postconference brief, pp. 26-27; Tokyo Steel's postconference brief, p. 40.
[24] AMUSA's postconference brief, pp. 20-21.

the U.S. market. The main contributing factors to the moderate degree of responsiveness of supply are the high overall capacity but relatively high capacity utilization, and some shipments to export markets other than the United States. One of the three Korean producers, Dongbu Steel, recently closed its hot-rolled capacity.[25] Nearly all Korean production was dedicated to hot-rolled steel during the period of investigation, although *** of three responding Korean producers reported an ability to shift production between hot-rolled steel and ***.

Korean respondents argue that Korean capacity is stable, that Korean producers are focused on the home and other export markets, and that consolidation in the Korean industry means less competition between the two remaining producers for export sales.[26] Petitioners report that the Korean industry has continued to expand despite slowing demand for hot-rolled steel.[27]

Subject imports from the Netherlands

Based on available information, the producer in the Netherlands has the ability to respond to changes in demand with small-to-moderate changes in the quantity of shipments of hot-rolled steel to the U.S. market. The main contributing factors to this degree of responsiveness of supply are relatively large shipments to other export markets but high capacity utilization and an inability to switch production to other products.

Tata Netherlands reported that it holds no inventories of subject product in the United States, that its inventories in the Netherlands are low, and that its product is produced to order.[28] Petitioners report that Tata Netherlands' *** and that Tata Steel could use excess capacity in either the Netherlands or the United Kingdom to increase shipments to the United States, given the relationship between the two producers.[29]

Subject imports from Turkey

Based on available information, Turkish producers have the ability to respond to changes in demand with moderate changes in the quantity of shipments of hot-rolled steel to the U.S. market. The main contributing factors to this degree of responsiveness of supply are moderate (but rising) capacity utilization rates, some inventories, and some sales to other export markets. *** Turkish producers indicated an ability to shift production between hot-rolled steel and other products, although the firm (***) reported that ***.

Turkish respondents report that there are some major building projects underway in Turkey, and argue that demand in Turkey's domestic market, particularly in infrastructure projects could absorb some of Turkey's hot-rolled steel production.[30] Petitioners report that

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[25] Conference transcript, p. 172 (Cho). ***.
[26] POSCO and Hyundai's postconference brief, pp. 46-47.
[27] AMUSA's postconference brief, pp. 23-25.
[28] Tata Netherlands' postconference brief, pp. 30, 42.
[29] AMUSA's postconference brief, pp. 26-27.
[30] Turkish respondents' postconference brief, p. 28.

Turkish producers had sizeable and increasing production capacity and that *** suggest that questionnaire data in 2014 is understated by *** million tons.[31]

Subject imports from the United Kingdom

Based on available information, the producer in the United Kingdom has the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of hot-rolled steel to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the relatively low (but rising) capacity utilization rate, some inventories and some sales to other markets. Tata UK indicated that ***.

Tata UK reported that its available capacity is lower than it appears in the data because of *** and also reported that it recently announced an idling of a mill that accounts for about *** of total reported capacity.[32]

Petitioners report that Tata UK's *** and as noted earlier, that Tata Steel could use excess capacity in either the Netherlands or the United Kingdom to increase shipments to the United States given the relationship between the two producers.[33]

Nonsubject imports

The largest sources of nonsubject imports during 2012-14 were Canada, Russia, and Mexico. Combined, these countries accounted for 79.5 percent of nonsubject imports in 2014.

Service centers' inventories

According to Petitioners, the decline in U.S. apparent consumption in 2015 was the result of a surge of subject imports in 2014 which entered into importer, service center, and end user inventories.[34] Respondents argue that it is the domestic product in service centers' inventories that were responsible for the inventory overhang in 2014 (that were destocked in 2015), since U.S. producers accounted for the majority of shipments to service centers in 2014.[35] As shown earlier in table II-2, the quantity of U.S. producers' shipments to service centers/distributors on an absolute basis was much higher than subject import shipments to service centers/distributors. However, U.S. producers' shipments to service centers/distributors were relatively stable from 2012-14 and decreased in the first half of 2015, while subject import shipments to service centers/distributors more than doubled from 2013 to 2014, and continued to increase in the first half of 2015.

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[31] AMUSA's postconference brief, pp. 28-29.

[32] Tata UK's postconference brief, p. 38.

[33] AMUSA's postconference brief, pp. 29-31.

[34] Conference transcript, pp. 25-26 (Rosenthal); Nucor's postconference brief, p. 19; AMUSA's postconference brief, p. 44.

[35] Conference transcript, p. 154 (Dougan); POSCO and Hyundai's postconference brief, pp. 18-19.

According to Metals Service Center Institute ("MSCI"), service centers' inventories of carbon flat-rolled products steadily increased during 2014.[36] As shown in figure II-3, service centers' inventory levels of carbon flat-rolled products began to rise in mid-2014 and spiked in December 2014, increasing by *** percent from December 2013. The number of months of inventory on hand also peaked in December 2014 and has decreased throughout 2015 but still remains above 2014 levels.

U.S. demand

Based on available information, the overall demand for hot-rolled steel is likely to experience small changes in response to changes in price. The main contributing factors to the low responsiveness of demand are the moderate cost share in intermediate goods but lower cost share in final goods, and the lack of commercially viable substitutes.

Figure II-3
Carbon flat-rolled products: Service centers' U.S. shipments to end users, end-of-month inventories, and the number of months of inventory on hand, monthly, January 2012-July 2015

* * * * * * *

End uses

U.S. demand for hot-rolled steel depends on the demand for downstream products. A large share of hot-rolled steel production is consumed internally or transferred to related firms for downstream processing into cold-rolled and galvanized steel, cut-to-length plate, and welded pipe.[37] Major end uses include automotive applications (such as body frames and wheels), pipe and tube, other transportation equipment (such as rail cars, ships, and barges), nonresidential construction, appliances, heavy machinery, and machine parts.[38]

About half of U.S. producers' commercial market shipments of hot-rolled steel are shipped directly to end users. According to ***, for U.S. producers' shipments made in 2014 to industries which ***, pipe and tube was the largest market for shipments directly from U.S. producers to end users (table II-6).[39]

Table II-6
Hot-rolled steel: Shipments by U.S. producers of hot-rolled steel by market classification, 2014

* * * * * * *

[36] MSCI collects data on shipments from service centers' owned inventory (stock shipments) to customer end markets and month-end service center inventories. These shipments include cold-rolled, hot-rolled, and coated flat-rolled steel. MSCI does not breakout the data by country of origin.

[37] Petition, p. 13.

[38] Petition, p. 13.

[39] The *** data presented in table II-5 do not include shipments to distributors *** and shipments for which the producer did not classify the end use ***.

Cost share

Hot-rolled steel accounts for a wide range of shares of the cost of the products in which it is used. For automotive applications, reported cost shares ranged from 2 to 85 percent, whereas cost shares of hot-rolled steel for pipe and tube applications ranged from 33 to 90 percent. The higher cost shares reported likely represent the cost share of hot-rolled steel in intermediate goods (for example, auto parts and frames, or pipe), whereas the lower cost shares likely represent the cost shares in final end-use products (for example, a car, or a pipeline project). Firms reported the following ranges for cost shares for various applications:

- Pipe and tube, (33 to 90 percent);
- Construction, (5 to 70 percent);
- Automotive/transportation (1 to 85 percent);
- Tanks/racks/brackets (45 to 80 percent); and
- Machinery/appliances (10 to 60 percent).[40]

Business cycles

The U.S. hot-rolled steel market follows a business cycle tied closely to that of the general economy. Five of nine responding U.S. producers and 11 of 45 responding importers indicated that the market was subject to business cycles. Firms noted that demand is related to the overall GDP and conditions in the construction, energy, automotive, appliances, and industrial machinery markets.[41] Some firms also noted seasonal effects in the automotive, construction, and agricultural markets. Some firms reported lower demand in the winter and noted that the weather and holidays affect demand.

Five of six responding U.S. producers and 13 of 21 responding importers reported changes in business cycles and/or conditions of competition since 2012. Reported changes included declining hot-rolled steel demand in the United States, Europe, and other markets; and lower demand worldwide due to the decline in the value of the Russian currency. Firms also reported changes in demand in certain applications including declining demand in the energy sector and increased demand for capital goods, infrastructure, construction, automobiles, and appliances. Firms also reported increased imports in the United States and in other markets, that the West Coast is dependent on imports because of limited production and high freight costs, and that consolidation of U.S. producers had led purchasers to diversify supply chains to include imports.

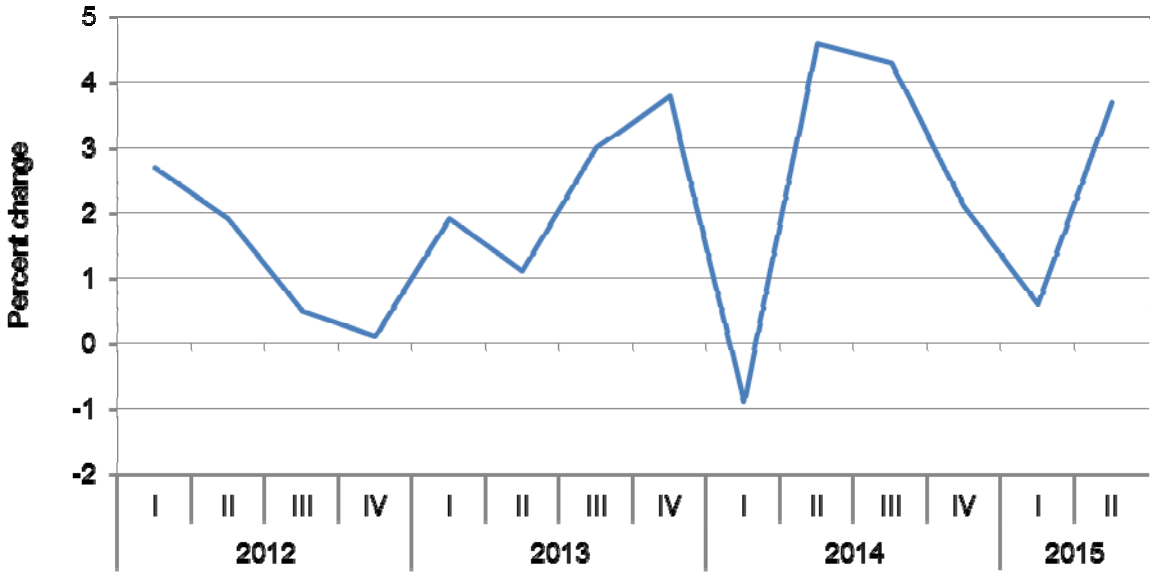
[40] Other responses included expanded grating (40 percent), industrial (85 percent), reinforcements (50 percent), stampings (50 percent), cut-to-length plate (85 percent), and base plates (80 percent).

[41] U.S. importer *** reported that demand for high-strength low-alloy steel is driven by new pipeline construction and repair and replacement, which is in turn related to domestic oil and gas prices, infrastructure development, and shifts in the demand for natural gas and oil.

Demand trends

U.S. demand for hot-rolled steel is affected by changes in overall U.S. economic activity. The aggregate U.S. economy, as measured by percentage changes in the gross domestic product, fluctuated from 2012 to 2013, and then declined steeply during the first quarter of 2014, but has since increased (figure II-4).

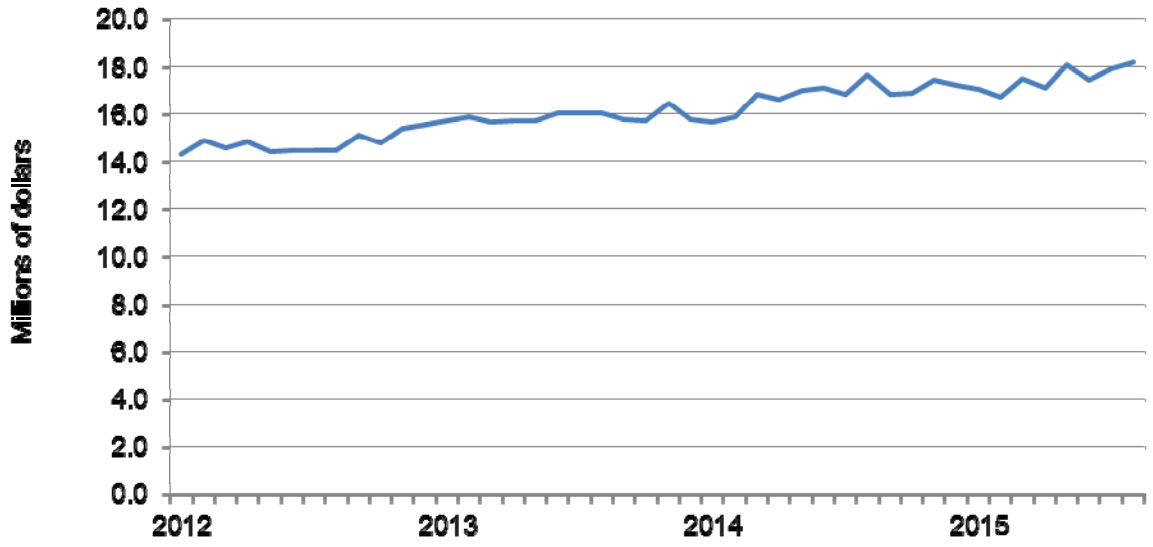
Figure II-4
Real U.S. GDP growth: Percentage change from the previous quarter, quarterly, January 2012-June 2015



Source: National Income and Product Accounts-Table 1.1.1, Percent Change from Preceding Period in Real Gross Domestic Product, Bureau of Economic Analysis, http://www.bea.gov/iTable/index_nipa.cfm, retrieved September 18, 2015.

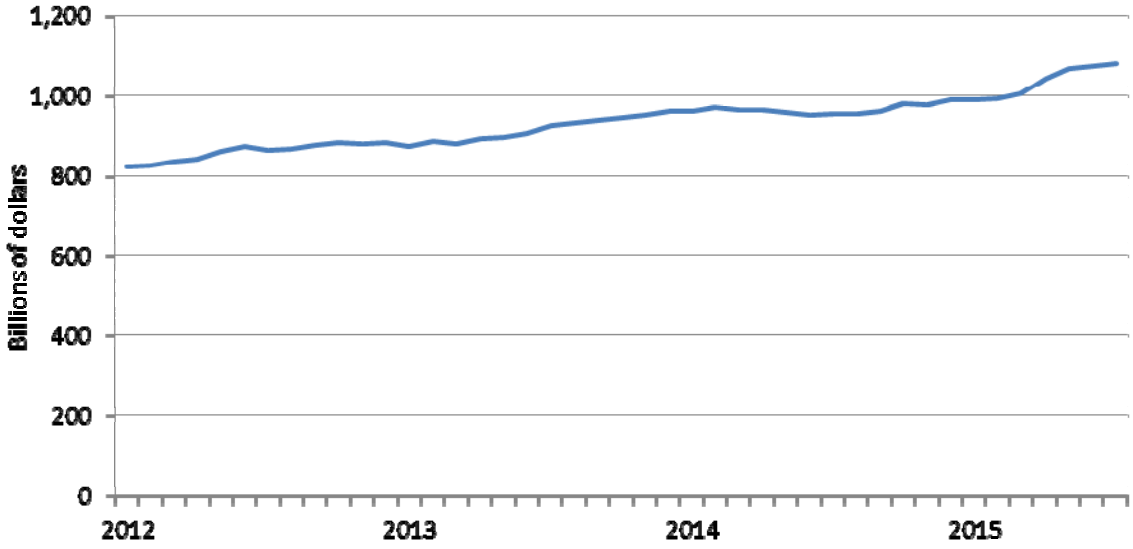
Demand for hot-rolled steel is mainly driven by demand in the automotive, construction, and pipe and tube sectors. Both the U.S. automotive and construction industries have seen substantial growth since 2012. U.S. sales of light trucks and automobiles increased by 21.5 percent during January 2012-August 2015, from 14.3 million units to 18.2 million units (figure II-5). Total U.S. construction increased by 31.5 percent from January 2012 to July 2015 (figure II-6). In the pipe and tube sector, U.S. OCTG production during 2012-14 fluctuated mostly in the range of 150 thousand to 200 thousand short tons. Production reached a peak of 211 thousand short tons in December 2014 and then fell to only 49 thousand short tons in April 2015 and remained near this lower level in May and June of 2015 (figure II-7).

Figure II-5
U.S. automotive sales: Automobile and light truck retail unit sales, monthly, seasonally adjusted at annual rates, January 2012-August 2015



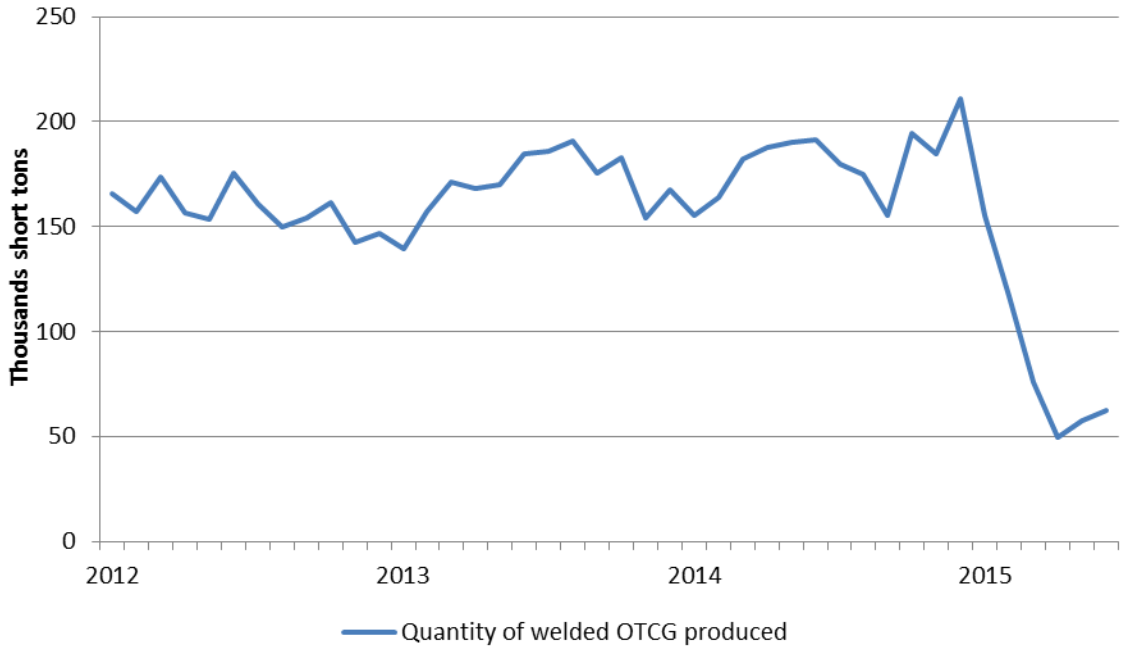
Source: BEA, Motor Vehicle Unit Retail Sales, table 6, Light Vehicle and Total Vehicle Sales, www.bea.gov/national/xls/gap_hist.xls, retrieved September 17, 2015.

Figure II-6
U.S. construction activity: Total value of construction put in place, monthly, seasonally adjusted at annual rates, January 2012-July 2015



Source: U.S. Census Bureau, http://www.census.gov/construction/c30/historical_data.html, retrieved September 17, 2015.

Figure II-7
OCTG: U.S. production of welded OCTG pipe, monthly, January 2012-June 2015



Source: Preston Pipe & Tube Report, various issues.

Petitioners assert that demand in the automotive and construction markets has been strong, although demand for OCTG declined in 2015.[42] Petitioners argue that the decline in the OCTG market did not have a large effect on the demand for hot-rolled steel because it was offset by increased demand in the automotive, construction, and non-energy pipe and tube markets.[43]

According to Respondents, demand for hot-rolled steel declined in the first half of 2015 as there was a sharp decline in demand for tubular products (in particular OCTG), one of the largest end-use segments for U.S. producers.[44] Respondents argue that the decline in demand in the pipe and tube sector has a direct and immediate impact on the demand for hot-rolled steel.[45] Additionally, Respondents state that production cannot be shifted quickly from hot-rolled steel made to pipe and tube specifications to other hot-rolled steel made for other applications because of differences in materials, surface quality, cleanliness, and dimensions.[46]

Most firms reported that U.S. demand for hot-rolled steel has increased or fluctuated since January 1, 2012 (table II-7). Firms reporting increased demand cited increased demand in the auto and construction industries and the overall economic recovery, and growth in the oil

[42] Conference transcript, pp. 40, 129 (Kopf), p. 42 (Blume); Nucor's postconference brief, pp. 4, 19.
[43] Nucor's postconference brief, p. 21; AK Steel's postconference brief, p. 30.
[44] According to Respondents, OCTG consumption declined by 49 percent from November 2014 to July 2015. Conference transcript, pp. 151-152 (Dougan); POSCO and Hyundai's postconference brief, p. 3.
[45] Turkish respondents' postconference brief, pp. 2, 6.
[46] Tata Netherlands' postconference brief, p. 23.

and gas sectors up until 2015. Firms reporting that demand had fluctuated cited increased demand for hot-rolled steel from 2012 to 2014 but reduced demand in 2015 and changes caused by the global economic conditions and market factors, that demand has fallen with oil and raw material costs, and that demand has increased in the automotive and construction sectors but has recently declined in the energy sector.

Table II-7
Hot-rolled steel: Firms' responses regarding U.S. demand and demand outside the United States

Item	Number of firms reporting			
	Increase	No change	Decrease	Fluctuate
Demand inside the United States: U.S. producers	4	0	1	4
Importers	15	4	5	27
Demand outside the United States: U.S. producers	0	0	3	5
Importers	12	3	5	25

Source: Compiled from data submitted in response to Commission questionnaires.

Substitute products

Most U.S. producers (6 of 9) but a minority of importers (10 of 46) reported that there were substitutes for hot-rolled steel. Substitutes reported included: cold-rolled steel for stamping, building components, auto parts, steel racking, surface critical applications, and light gauge tubing applications; aluminum for automotive, wheels, cut-to-length, and tubular applications; alloy steel for pipe and cut-to-length; steel plate (including quenched and tempered plate) for heavy gauge equipment, boom cranes, structural, and some construction applications; plastic/PVC for pipes, tubes, and culverts; forgings for machinery and auto; concrete for spiral weld pipe; and wood in construction.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported hot-rolled steel depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is high degree of substitutability between domestically produced hot-rolled steel and hot-rolled steel imported from subject sources.

Lead times

Hot-rolled steel is primarily produced to order. U.S. producers and importers reported that 99.7 percent and 82.3 percent, respectively, of their commercial shipments were produced to order (table II-8). U.S. producers' reported lead times for produced-to-order product ranging

from 7 to 60 days, with eight U.S. producers reporting lead times averaging 28 days or less.[47] Importers reported lead times for produced-to-order product ranging from 30 to 150 days, with 19 of the 34 responding importers reporting lead times of 90 days or longer.[48] According to Petitioners, shorter lead times are not a significant advantage for U.S. producers since imports are readily available from service centers or warehouse inventory.[49]

Table II-8
Hot-rolled steel: U.S. producers' and importers' share of product sold from inventories and produced to order

Manner order met	U.S. producers	Subject U.S. importers
	Share of commercial shipments (percent)	
Produced to order	99.7	82.3
From U.S. inventories	0.3	16.6
From foreign inventories		1.1

Source: Compiled from data submitted in response to Commission questionnaires.

Comparison of U.S.-produced and imported hot-rolled steel

In order to determine whether U.S.-produced hot-rolled steel can generally be used in the same applications as subject imports, U.S. producers and importers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably. As shown in table II-9, all U.S. producers reported that hot-rolled steel from all country pairs was "always" interchangeable.

[47] U.S. producers' reported lead times from inventories ranged from 1 to 7 days.

[48] Importers reported lead times from inventories in the United States ranging from 1 to 90 days, with 6 of the 11 responding importers reporting lead times of 7 days or less. Importers reported that lead time from inventories outside the United States ranged from 14 to 182 days and averaged 90 days.

[49] Conference transcript, p. 48 (Lauschke).

Table II-9
Hot-rolled steel: Interchangeability between hot-rolled steel produced in the United States and in other countries, by country pairs

Country pair	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. Australia	9	0	0	0	8	7	2	0
United States vs. Brazil	9	0	0	0	10	9	4	0
United States vs. Japan	9	0	0	0	9	12	4	2
United States vs. Korea	9	0	0	0	11	16	9	0
United States vs. Netherlands	9	0	0	0	8	8	2	0
United States vs. Turkey	9	0	0	0	8	14	5	0
United States vs. United Kingdom	9	0	0	0	8	8	4	0
Australia vs. Brazil	9	0	0	0	8	7	1	0
Australia vs. Japan	9	0	0	0	8	6	1	1
Australia vs. Korea	9	0	0	0	8	9	3	0
Australia vs. Netherlands	9	0	0	0	8	7	2	0
Australia vs. Turkey	9	0	0	0	7	8	3	0
Australia vs. United Kingdom	9	0	0	0	8	7	4	0
Brazil vs. Japan	9	0	0	0	9	7	1	1
Brazil vs. Korea	9	0	0	0	9	10	4	0
Brazil vs. Netherlands	9	0	0	0	8	8	2	0
Brazil vs. Turkey	9	0	0	0	8	10	4	0
Brazil vs. United Kingdom	9	0	0	0	8	7	4	0
Japan vs. Korea	9	0	0	0	9	10	5	0
Japan vs. Netherlands	9	0	0	0	8	8	2	0
Japan vs. Turkey	9	0	0	0	7	8	3	0
Japan vs. United Kingdom	9	0	0	0	8	8	4	0
Korea vs. Netherlands	9	0	0	0	8	9	2	0
Korea vs. Turkey	9	0	0	0	7	11	3	0
Korea vs. United Kingdom	9	0	0	0	8	9	4	0
Netherlands vs. Turkey	9	0	0	0	7	8	3	0
Netherlands vs. United Kingdom	9	0	0	0	8	8	3	0
Turkey vs. United Kingdom	9	0	0	0	8	7	4	0
United States vs. Other	9	0	0	0	8	14	4	0
Australia vs. Other	9	0	0	0	7	8	1	0
Brazil vs. Other	9	0	0	0	7	10	2	0
Japan vs. Other	9	0	0	0	7	9	2	1
Korea vs. Other	9	0	0	0	7	12	2	0
Netherlands vs. Other	9	0	0	0	7	9	0	0
Turkey vs. Other	9	0	0	0	7	11	1	0
United Kingdom vs. Other	9	0	0	0	7	8	2	0

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Most importers reported that product from all country pairs were "always" or "frequently" interchangeable. Some factors that importers reported limit interchangeability include differences in quality, availability, and ability to meet specifications (including API standards). Other factors reportedly limiting interchangeability include limitations on heavy walled, coil weight dimensions; and differences in tolerances, cleanness, inclusions, and mechanical properties. One importer reported that it imported grades for which domestic mills were not currently approved. One importer reported that slight differences in mill specifications influence mechanical and chemical characters of the steel making it hard to interchange because many tests and verifications are needed. Other differences noted include: Turkish product has a broader range of sizes and thickness, and better gauge and thickness control, than other mills; some *** are very specialized and not many U.S. producers or importers produce these ***; and *** in very large coils that few foreign or U.S. producers produce.

Petitioners argue that there is a general interchangeability between hot-rolled steel across subject countries, and between product from subject countries and the United States.[50] They state that hot-rolled steel is produced in accordance with ASTM or SAE standards, regardless of country source, and is generally produced using the same processes on similar equipment, and have the same chemical and physical properties.[51]

Several respondent parties argue that hot-rolled steel is not interchangeable across sources. Japanese respondents claim that there is limited fungibility with domestic products because the majority of Japanese exports is supplied to U.S. affiliates of Japanese mills for captive consumption and that most of the remaining imports from Japan are products with unique specifications not readily available from domestic producers.[52] Tata U.K. and Tata Netherlands argue that their products are produced to different specifications than domestic product or product from other subject countries.[53]

Respondents also argue that there is no interchangeability between certain grades of steel, specifically citing API grade X-70 over 0.625 inches, which is used for line pipe.[54] According to petitioners, products identified by respondents, such as API grade X-70, account for a small percentage of the total U.S. market and U.S. producers are capable of supplying these products.[55]

U.S. producers and importers were also asked to assess how often differences other than price were significant in sales of hot-rolled steel from the United States, subject, or

[50] Conference transcript, p. 22 (Rosenthal); AK Steel's postconference brief, p. 12.
[51] Petition, p. 23.
[52] Japanese mills' postconference brief, pp. 4-12; Tokyo Steel's postconference brief, p. 27.
[53] Tata U.K.'s postconference brief, p 32; Tata Netherlands' postconference brief, pp. 31-32.
[54] Welspun's postconference brief, p. 5; Japanese mills' postconference brief, pp. 7-8.
[55] AMUSA's postconference brief, p. 11, and exh. 1, pp. 12-14.

nonsubject countries. Most U.S. producers reported that there were "never" differences other than price between hot-rolled steel from all country pairs (table II-10).[56]

[56] Petitioners argue that because the quality and availability of domestic product and subject imports are highly comparable, price is the critical determining factor. Conference transcript, pp. 32, 48, 93 (Mull, Lauschke, Moskaluk).

Table II-10
Hot-rolled steel: Significance of differences other than price between hot-rolled steel produced in the United States and in other countries, by country pair

Country pair	U.S. producers				U.S. importers			
	A	F	S	N	A	F	S	N
United States vs. Australia	0	0	2	7	1	2	9	5
United States vs. Brazil	0	0	2	7	2	4	13	5
United States vs. Japan	0	0	2	7	4	7	8	6
United States vs. Korea	0	0	2	7	4	12	12	6
United States vs. Netherlands	0	0	2	7	3	3	6	5
United States vs. Turkey	0	0	2	7	3	4	13	6
United States vs. United Kingdom	0	0	2	7	1	4	9	5
Australia vs. Brazil	0	0	2	7	1	2	7	4
Australia vs. Japan	0	0	2	7	2	1	7	4
Australia vs. Korea	0	0	2	7	2	4	8	4
Australia vs. Netherlands	0	0	2	7	1	2	6	4
Australia vs. Turkey	0	0	2	7	1	2	9	4
Australia vs. United Kingdom	0	0	2	7	1	1	7	4
Brazil vs. Japan	0	0	2	7	2	2	7	5
Brazil vs. Korea	0	0	2	7	3	5	8	5
Brazil vs. Netherlands	0	0	2	7	1	2	6	5
Brazil vs. Turkey	0	0	2	7	2	3	10	5
Brazil vs. United Kingdom	0	0	2	7	1	2	6	5
Japan vs. Korea	0	0	2	7	3	3	9	6
Japan vs. Netherlands	0	0	2	7	1	3	5	5
Japan vs. Turkey	0	0	2	7	1	2	9	4
Japan vs. United Kingdom	0	0	2	7	1	3	6	5
Korea vs. Netherlands	0	0	2	7	1	3	6	5
Korea vs. Turkey	0	0	2	7	1	3	11	4
Korea vs. United Kingdom	0	0	2	7	1	3	7	5
Netherlands vs. Turkey	0	0	2	7	1	1	10	4
Netherlands vs. United Kingdom	0	0	2	7	1	3	5	5
Turkey vs. United Kingdom	0	0	2	7	1	1	7	5
United States vs. Other	0	0	2	7	3	5	9	5
Australia vs. Other	0	0	1	7	2	2	6	4
Brazil vs. Other	0	0	1	7	3	2	7	5
Japan vs. Other	0	0	1	7	2	2	7	4
Korea vs. Other	0	0	1	7	2	4	8	4
Netherlands vs. Other	0	0	1	7	2	2	6	4
Turkey vs. Other	0	0	1	7	2	3	7	5
United Kingdom vs. Other	0	0	1	7	2	1	8	4

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

Most responding importers reported that there were either “sometimes” or “never” differences other than price between hot-rolled steel from all country pairs except Korea. In comparing Korea to the United States, a slight majority of importers (18 of 34) indicated that there were “sometimes” or “never” differences other than price, 12 indicated that there were “frequently” differences, and 4 indicated “always.”

Reported differences included: the United States has shorter lead times, better shipment reliability, and technical support; quality differences and special auto and construction grades are not always available; availability can differ by mill production schedules, and freight cost can differ due to seasonality and size of cargo; the United States differed from Brazil, Japan, and Korea on quality, Korea and Japan both provide blast furnace material, and Japan offers a different range of product; the United States and Japan/Korea differ in transportation, customers may either be closer to ports or U.S. mills; Brazil differs from Japan and Korea on quality; Brazil, Korea, Turkey, and Russia qualities preferred over U.S. product; Japanese product is approved for use, while U.S. product is not approved; Japan is at a disadvantage to the United States in lead times, shipment reliability, and technical support; Netherlands’ product is sold to a limited range of customers and is not kept in U.S. inventories; Netherlands’ hot-rolled is up to 81 inches wide and consistent, strong, formable, excellent surface, as well as long-term contracts with ship owners that increase supply security; Turkish mills provide instant technical support and customer service; and some older U.S. mills may not be able to manufacture thicker, wider coils, or have the quality needed by tube manufacturers.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of 10 firms that accounted for all known U.S. production of hot-rolled steel during 2014.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to 10 firms based on information contained in the petitions and to four additional firms identified by other available industry sources as possible producers of hot-rolled steel. All 10 firms named in the petitions provided useable data on their production operations.[1]

Table III-1 lists the 10 U.S. producers of hot-rolled steel that responded to the Commission's questionnaire, their production locations, positions on the petitions, parent company(ies), and shares of total reported production in 2014.[2] Staff believes that these

---

[1] The four firms identified by other sources that did not respond to the Commission's questionnaire include: ***. *** reports that the hot-rolled steel capacity at RG Steel's Sparrows Point facility during 2012 was *** short tons, or *** percent of total U.S. hot-rolling capacity in that year. ***.

[2] A completed U.S. producer questionnaire was submitted by USS-POSCO Industries ("USS-POSCO"), a 50/50 joint venture company owned by Pitcal, Inc. (a direct wholly owned subsidiary of domestic hot-rolled steel producer U.S. Steel) and POSCO-California Corp. (a direct wholly owned subsidiary of Korean hot-rolled steel producer POSCO). USS-POSCO's information is not included in the aggregate data presented throughout this report because (1) it does not maintain domestic hot-rolling facilities (merely surface treatment processes), (2) it is not generally considered a hot-rolled steel producer by industry sources, and (3) to do so would create double-counting issues. USS-POSCO is a steel processing facility located in Pittsburg, California, that purchases hot-rolled steel and performs pickling/oiling operations on the purchased items. USS-POSCO reported processing ***. The amount of hot-rolled steel processed by USS-POSCO during 2014 was approximately *** percent of total U.S. hot-rolled production in 2014. Although USS-POSCO reported that it ***. USS-POSCO reported that it had ***. The level of employment held by USS-POSCO was *** percent of the aggregate level of employment reported by the domestic hot-rolling mills (13,014 employees). Relatively high levels of technical expertise are involved in the U.S. production activities for hot-rolling steel, the steel-making process during which the properties and chemistry of the steel are established and which employ highly skilled metallurgical engineers. On the other hand, relatively low levels of technical expertise are involved in the U.S. production activities for pickling/oiling hot-rolled steel, which is a more basic downstream surface treatment process involving (1) the removal of any scale formation on the hot-rolled steel through an acid bath (pickling) and (2) the application of a rust preventative afterward (oiling). There are believed to

(*continued*...)

responding 10 producers represent all known U.S. production of hot-rolled steel in 2014.[3] *** are the largest domestic producers, together accounting for *** percent of domestic production of hot-rolled steel during 2014.

Table III-1
Hot-rolled steel: U.S. producers, their position on the petitions, location of U.S. production facilities, parent company, and share of reported production, 2014

Firm	Position on petition	Production location(s)	Parent	Share of production (percent)
AK Steel Corp.	Petitioner	Ashland, KY Butler, PA Dearborn, MI Middletown, OH	AK Steel Holding Corp. (U.S.)	***
ArcelorMittal USA LLC[1]	Petitioner	Burns Harbor, IN Cleveland, OH East Chicago, IN Riverdale, IL Calvert, AL	ArcelorMittal S.A. (Luxembourg)	***
California Steel Industries	***[2]	Fontana, CA	Vale (Brazil) (50%) JFE Steel Corp. (Japan) (50%)	***
EVRAZ Inc. NA[3]	***	Portland, OR	EVRAZ PLC (United Kingdom)	***
North Star BlueScope Steel[4]	***	Delta, OH	BlueScope Steel (Australia) (50%) NSS Ventures, Inc. (U.S.) (50%)	***
Nucor Corp.	Petitioner	Ghent, KY Crawfordsville, IN Blytheville, AR Tuscaloosa, AL Trinity, AL Huger, SC	--	***
SSAB Enterprises, LLC[5]	Petitioner	Muscatine, IA Axis, AL	SSAB AB (Sweden)	***
Steel Dynamics, Inc.	Petitioner	Butler, IN Columbus, MS	--	***
Top Gun Investment Corp. II (NLMK USA)	***	Farrell, PA Portage, IN Sharon, PA	NLMK Overseas Holdings LLC (Russia)	***
United States Steel Corp.[6]	Petitioner	Fairfield, AL Gary, IN Granite City, IL Ecorse, MI West Mifflin, PA	--	***
Total reported				100.0

Footnotes continued on following page.

(…*continued*)
be dozens of domestic service centers that pickle and oil product, but do not hot roll steel. Conference transcript, pp. 59-64 (Blume, Matthews, Mull, Price, and Kopf).

[3] The coverage estimate is based on total capacity and production of hot-rolled sheet and coiled plate in the United States as reported by ***. ***.

Table III-1--*Continued*
Hot-rolled steel: U.S. producers, their position on the petitions, location of U.S. production facilities, parent company, and share of reported production, 2014

[1] ***.
[2] ***.
[3] ***.
[4] ***.
[5] ***.
[6] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Related firms

As indicated in table III-1, the following three responding U.S. producers are related to firms in subject countries: ArcelorMittal USA, California Steel Industries ("CSI"), and EVRAZ. ArcelorMittal USA is related to Brazilian hot-rolled steel producer ArcelorMittal Brasil S.A. through a common corporate parent. CSI's corporate parents (Vale (Brazil) and JFE Steel Corp. (Japan)) are located in subject countries, ***. U.S. producer EVRAZ is wholly owned by EVRAZ PLC (United Kingdom), ***.

***.

***.

As discussed in greater detail below, U.S. producer *** reported direct U.S. imports of hot-rolled steel from *** and U.S. producer *** reported direct U.S. imports of hot-rolled steel from ***.

Changes in operations

Seven responding domestic producers reported changes in their operations related to the production of hot-rolled steel since January 1, 2012. Five firms reported plant closings, prolonged shutdowns, and/or curtailments and four firms reported acquisitions. Such changes are presented in table III-2.

Table III-2
Hot-rolled steel: Reported changes in operations by U.S. producers

* * * * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Hot-rolled steel

U.S. producers' capacity, production, and capacity utilization data for hot-rolled steel are presented in table III-3 and figure III-1. Domestic producers' aggregate capacity was relatively stable, increasing by 0.4 percent from 2012 to 2014. Aggregate capacity was 0.1 percent higher in the first half of 2015 than in the comparable period of 2014. Production also increased from 2012 to 2014, rising by 2.5 percent, but was 11.7 percent lower in the first half of 2015 than in the first half of 2014. Capacity utilization followed similar trends as production, increasing from 77.2 percent in 2012 to 78.8 percent in 2014. Capacity utilization during the first half of 2015 was 69.2 percent, compared to 78.5 percent in January-June 2014. Although the reported line shutdowns and production curtailments by one-half of the responding U.S. producers, mostly during 2014 and 2015 (see table III-2), did not result in a downturn in the reported aggregate capacity data or the aggregate production data during 2012-14, it was reflected in the aggregate production data reported during the first half of 2015.

Table III-3
Hot-rolled steel: U.S. producers' capacity, production, and capacity utilization, 2012-14, January to June 2014, and January to June 2015[1]

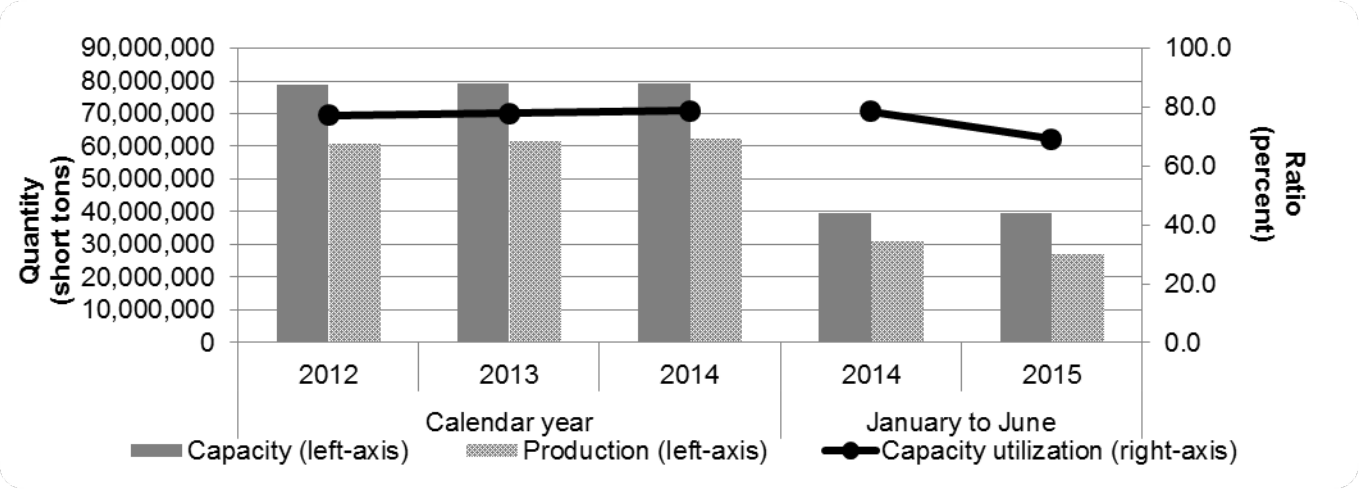
Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Capacity	78,859,290	79,251,676	79,207,987	39,606,486	39,665,065
Production	60,877,335	61,691,116	62,396,073	31,082,343	27,435,748
	Ratio (percent)				
Capacity utilization	77.2	77.8	78.8	78.5	69.2

[1] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure III-1

Hot-rolled steel: U.S. producers' capacity, production, and capacity utilization, 2012-14, January to June 2014, and January to June 2015



Source: Compiled from data submitted in response to Commission questionnaires.

Alternative products

Six of the ten responding U.S. producers of subject hot-rolled steel reported that they do not produce alternative products on the same equipment or using the same employees. Firms that reported that they also produce nonsubject items on the same equipment as subject hot-rolled steel products include ***.

As shown in table III-4, the majority of product produced by U.S. producers is subject hot-rolled steel. Production of subject hot-rolled steel products by the responding U.S. producers accounted for *** percent of overall production during 2012 and *** percent during 2014. Production of other nonsubject products accounted for *** percent of overall production in 2012 and *** percent in 2014. Other products produced by domestic hot-rolled steel producers include nonsubject hot-rolled products and cut-to-length plate.

Table III-4
Hot-rolled steel: U.S. producers' overall plant capacity and production on the same equipment as subject production, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Overall production capacity	83,882,025	84,359,580	84,379,418	42,329,523	42,209,309
Production:					
Hot rolled steel products	60,877,335	61,691,116	62,396,073	31,082,343	27,435,748
Other products[1]	3,259,062	3,691,802	4,269,519	2,158,372	1,965,659
Total overall production	64,136,397	65,382,918	66,665,592	33,240,715	29,401,407
	Ratios and shares (percent)				
Overall capacity utilization	76.5	77.5	79.0	78.5	69.7
Share of production:					
Hot rolled steel products	94.9	94.4	93.6	93.5	93.3
Other products[1]	5.1	5.6	6.4	6.5	6.7
Total overall production	100.0	100.0	100.0	100.0	100.0

[1] Other products include nonsubject hot-rolled steel products and cut-to-length plate.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-5 presents U.S. producers' U.S. shipments, export shipments, and total shipments. These data show that the quantity of U.S. producers' total shipments, both U.S. and export, increased from 2012 to 2014, but were lower in the first half of 2015 than in the first half of 2014. As U.S. producers' shipment quantities increased, however, the average unit values fell overall from 2012 to 2014. Average unit values of U.S. producers' U.S. shipments and exports were lower during the first half of 2015 as compared with the first half of 2014. The value of U.S. producers' total shipments increased less rapidly overall from 2012 to 2014, as average unit values declined in 2013 and did not fully recover in 2014. The combined effect of lower shipment quantities and average unit values in January-June 2015 resulted in lower shipment values relative to January-June 2014.

Approximately 55 percent of domestic producers' total shipments of hot-rolled steel was reported as domestic internal consumption and about 41 percent was reported as domestic commercial shipments. Transfers to related firms and export shipments each accounted for less than two percent of U.S. producers' total hot-rolled steel shipments. All but two domestic producers (***) reported internal consumption of the hot-rolled steel products they produced, whereas all responding domestic producers reported commercial U.S. shipments.

All responding domestic producers except *** reported export shipments of the hot-rolled steel they produced. Principal export markets identified include Canada and Mexico.

Table III-5
Hot-rolled steel: U.S. producers' U.S. shipments, export shipments, and total shipments, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Commercial U.S. shipments	25,273,528	25,410,557	25,771,623	12,653,422	11,071,908
Internal consumption	33,664,460	34,176,958	34,391,018	17,362,459	15,671,511
Transfers to related firms	963,399	1,076,448	1,190,719	593,266	523,921
Subtotal, U.S. shipments	59,901,387	60,663,963	61,353,360	30,609,147	27,267,340
Export shipments[1]	943,761	993,895	909,506	445,109	286,937
Total shipments	60,845,148	61,657,858	62,262,866	31,054,256	27,554,277
	Value (1,000 dollars)				
Commercial U.S. shipments	16,761,882	15,903,370	17,075,788	8,406,873	5,962,017
Internal consumption	21,997,113	21,063,834	22,120,904	11,254,720	8,395,810
Transfers to related firms	668,422	698,757	808,205	400,496	304,627
Subtotal, U.S. shipments	39,427,417	37,665,961	40,004,897	20,062,089	14,662,454
Export shipments[1]	639,208	646,128	639,856	316,245	182,544
Total shipments	40,066,625	38,312,089	40,644,753	20,378,334	14,844,998
	Unit value (dollars per short ton)				
Commercial U.S. shipments	663	626	663	664	538
Internal consumption	653	616	643	648	536
Transfers to related firms	694	649	679	675	581
Subtotal, U.S. shipments	658	621	652	655	538
Export shipments[1]	677	650	704	710	636
Total shipments	659	621	653	656	539
	Share of quantity (percent)				
Commercial U.S. shipments	41.5	41.2	41.4	40.7	40.2
Internal consumption	55.3	55.4	55.2	55.9	56.9
Transfers to related firms	1.6	1.7	1.9	1.9	1.9
Subtotal, U.S. shipments	98.4	98.4	98.5	98.6	99.0
Export shipments[1]	1.6	1.6	1.5	1.4	1.0
Total shipments	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
Commercial U.S. shipments	41.8	41.5	42.0	41.3	40.2
Internal consumption	54.9	55.0	54.4	55.2	56.6
Transfers to related firms	1.7	1.8	2.0	2.0	2.1
Subtotal, U.S. shipments	98.4	98.3	98.4	98.4	98.8
Export shipments[1]	1.6	1.7	1.6	1.6	1.2
Total shipments	100.0	100.0	100.0	100.0	100.0

[1] Export shipment destinations include Canada and Mexico.

Source: Compiled from data submitted in response to Commission questionnaires.

GRADE X-70 HOT-ROLLED COIL IN THICKNESSES OVER 0.625 INCHES

Two U.S. firms reported the production of grade X-70 hot-rolled coil in thicknesses over 0.625 inches ("X-70 over 0.625"") since January 1, 2012. The production and shipment data related to *** domestic production of X-70 over 0.625" combined are presented in table III-6. These data show that *** percent of total U.S. production and U.S. shipments of subject hot-rolled steel is X-70 over 0.625" (compare with tables III-3 and III-5). *** of the domestic production of X-70 over 0.625" was internally consumed in the production of downstream products, with *** shipments being made to the commercial U.S. market. The average unit value of commercial U.S. shipments of X-70 over 0.625" during 2014 was *** percent higher at $*** per short ton than other subject hot-rolled steel at $*** per short ton. During the first half of 2015, the average unit value of commercial U.S. shipments of X-70 over 0.625" was *** percent higher at $*** per short ton than other subject hot-rolled steel at $*** per short ton.

Table III-6
Grade X-70 hot-rolled coil in thicknesses over 0.625 inches: U.S. producers' production and shipments, 2012-14, January to June 2014, and January to June 2015

* * * * * * *

***. Both producers reported that the manufacturing facilities that they utilize for the production of X-70 over 0.625" are the same manufacturing facilities that are used for the production of other subject hot-rolled steel. They also reported that the production and related workers ("PRWs") employed by their firms to produce X-70 over 0.625" are the same PRWs employed to produce other subject hot-rolled steel. ***.

CAPTIVE CONSUMPTION

Section 771(7)(C)(iv) of the Act states that–

> *If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that–*
>
> *(I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product,*
>
> *(II) the domestic like product is the predominant material input in the production of that downstream article, and*

then the Commission, in determining market share and the factors affecting financial performance . . ., shall focus primarily on the merchant market for the domestic like product.

Internal transfers and merchant market sales

As reported in table III-5 above, internal consumption accounted for between 56.1 and 57.5 percent of U.S. producers' U.S. shipments of hot-rolled steel; transfers to related firms accounted for between 1.6 and 1.9 percent. All but two domestic producers (***) reported internal consumption of the hot-rolled steel products they produced and six firms (***) reported transfers of hot-rolled steel to related firms. These firms reported that such internal consumption and transfers were reported at fair market value in their questionnaire responses. Commercial U.S. shipments accounted for between *** and *** percent of U.S. shipments and, similar to internal consumption, increased from 2012 to 2014 but were lower during the first half of 2015 as compared with the first half of 2014.

First statutory criterion in captive consumption

The first requirement for application of the captive consumption provision is that the domestic like product that is internally transferred for processing into that downstream article not enter the merchant market for the domestic like product. U.S. producers reported internal consumption of hot-rolled steel for the production of hot-rolled plate, pipe and tubular products, cold-rolled sheet and strip, coated steel products, tin mill products, laminates, composite blanks, building components, and construction products. No U.S. producer indicated that hot-rolled steel intended for internal consumption was diverted to the merchant market. *** reported sales of hot-rolled steel (***) that were transferred to related firms. *** reported internally consumed hot-rolled steel (***) that were unusable or not further processed.

Table III-7 presents the U.S. producers' share of internal consumption and transfers to related firms by end use in 2014. The vast majority of internal consumption of hot-rolled steel is processed into cold-rolled sheet and strip and coated steel, while the majority of transfers to related firms was processed into pipe and tubular products, cut-to-length plate, and other (largely building and construction-related) products. A smaller share (*** of transfers to related firms was sold as hot-rolled steel.

Table III-7
Hot-rolled steel: U.S. producers' share of internal consumption and transfers to related firms by end use, 2014

* * * * * * *

Second statutory criterion in captive consumption

The second criterion of the captive consumption provision concerns whether the domestic like product is the predominant material input in the production of the downstream article that is captively produced. The Commission's questionnaire asked each U.S. producer to report for the hot-rolled steel that it consumes internally or transfers to related firms, the share of the total cost of the end use products accounted for by hot-rolled steel.[4] The producer questionnaire responses indicate that, in almost every instance, hot-rolled steel is the predominant material input in the production of downstream articles made from hot-rolled steel, accounting for 60 percent or more of the material cost of the downstream product. With respect to hot-rolled plate (cut-to-length plate from coil 4.75 mm and greater in thickness) produced from captive hot-rolled production, hot-rolled steel accounts for 85 percent or more of the total cost of the downstream product. With respect to cold-rolled steel and pipe and tubular products produced from captive hot-rolled production, all but one U.S. producer reported that hot-rolled steel accounted 70 percent or more of the total cost of the downstream product.[5] With respect to coated products produced from captive hot-rolled production, all responding U.S. producers reported that hot-rolled steel accounted for 65 to 74 percent of the total cost of the downstream product. *** reported that captively consumed hot-rolled steel accounted for *** percent of the total cost of tin mill products, whereas *** reported that it accounted for *** percent.

U.S. PRODUCERS' INVENTORIES

Table III-8 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments during 2012-14, January to June 2014, and January to June 2015. These data show that inventories increased during 2012-14, but were lower in the first half of 2015 than in the first half of 2014. U.S. producers' inventories were equivalent to between 2.7 and 2.9 percent of U.S. producers' total shipments during 2012-14 and were 3.0 percent during the first half of 2015. All domestic producers reported holding end-of-period inventories of hot-rolled steel. *** accounted for the largest share of the increase in inventories from 2012 to 2014, holding *** percent of inventories by year-end 2014 and *** percent of inventories in June 2015.

[4] See producer questionnaire responses at IV-11(b).

[5] *** reported that hot-rolled steel accounted for *** percent of the total cost of its downstream *** products.

Table III-8
Hot-rolled steel: U.S. producers' inventories, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
U.S. producers' end-of-period inventories	1,659,514	1,681,889	1,805,521	1,704,786	1,666,418
	Ratio (percent)				
Ratio of inventories to--					
U.S. production	2.7	2.7	2.9	2.7	3.0
U.S. shipments	2.8	2.8	2.9	2.8	3.1
Total shipments	2.7	2.7	2.9	2.7	3.0

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' IMPORTS AND PURCHASES

U.S. producers' imports and purchases of hot-rolled steel are presented in table III-9. Two U.S. producers (***) and affiliated companies of two additional U.S. producers (***) reported direct imports of hot-rolled steel from subject countries. Four U.S. producers (***) and affiliated companies of two additional U.S. producers (***) reported direct imports of hot-rolled steel from nonsubject countries. Four U.S. producers (***) reported domestic purchases of hot-rolled steel, *** of which were identified as hot-rolled steel imported from subject countries.[6]

* * * * * * *

Table III-9
Hot-rolled steel: U.S. producers' U.S. production, imports, and purchases, 2012-14, January to June 2014, and January to June 2015

* * * * * * *

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

A representative of the United Steel Workers Union testified at the Commission's conference that its members have faced lay-offs, reduced work hours, and shrinking paychecks as U.S. producers curtailed production of hot-rolled steel. In particular, the representative noted that the upcoming closure of U.S. Steel's Fairfield Works Mill in Birmingham, Alabama will affect approximately 1,100 workers.[7] Several U.S. producers also testified that they either have "no layoff" or "layoff minimization" policies. They explained that during production

[6] ***.

[7] Conference transcript, p. 55 (Brown).

downturns they typically first take other actions, such as reducing work hours, before layoffs begin. In addition, firms noted that regular employees may also be assigned to maintenance, repair, or general painting/cleaning activities during production downturns, so that the workers are available when the facility returns to normal production levels. Firms also noted that the workers suffer immediately during any downturns in production because not only do their paychecks reflect the decline in output, the profit-sharing aspect of pensions are affected by declines in company contributions. Several firms noted that they employ "pay for performance" policies in which two-thirds of their workers' pay is based on production bonuses and that any downturns in production negatively impacts two-thirds or more of their workers' pay.[8]

U.S. producers' employment-related data as provided in response to Commission questionnaires are shown in table III-10.

Table III-10
Hot-rolled steel: U.S. producers' employment related data, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
Production-related workers (PRWs) (number)	12,954	12,776	13,014	12,914	13,284
Total hours worked (1,000 hours)	29,593	29,611	30,067	15,461	15,199
Hours worked per PRW (hours)	2,284	2,318	2,310	1,197	1,144
Wages paid	1,080,100	1,078,207	1,141,358	564,511	553,784
Hourly wages (dollars per hour)	$36.50	$36.41	$37.96	$36.51	$36.44
Productivity (short tons per hour)	2.1	2.1	2.1	2.0	1.8
Unit labor costs (dollars per short ton)	$17.74	$17.48	$18.29	$18.16	$20.18

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers' employment measured by PRWs increased overall by 0.5 percent from 2012 to 2014, and was 2.9 percent higher during the first half of 2015 as compared with the first half of 2014. *** accounted for the majority of the increase in employment during the first half of 2015. Unit labor costs followed the same general trend as the number of PRWs. Most of the remaining employment indicators (total hours worked, hours worked per PRW, wages paid, and hourly wages) increased overall from 2012 to 2014, but were lower during the first half of 2015 as compared with the first half of 2014. The total hours worked by production employees increased by 1.6 percent during 2012-14, but was 1.7 percent lower during the first half of 2015 as compare with the first half of 2014. Productivity remained constant at 2.1 short tons per hour during 2012-14, but was lower at 1.8 short ton per hour during the first half of 2015.

[8] Conference transcript, pp. 143-149 (Blume, Price, Matthew, Moskaluk, Pushis, Lauschke, and Mull).

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 144 firms identified as possible importers of hot-rolled steel, as well as to all U.S. producers of hot-rolled steel.[1] Usable questionnaire responses were received from 56 companies, representing 110.2 percent of U.S. imports from Australia, 100.7 percent of U.S. imports from Brazil, 105.6 percent of U.S. imports from Japan, 95.8 percent of U.S. imports from Korea, 118.8 percent of U.S. imports from the Netherlands, 91.0 percent of U.S. imports from Turkey, 109.6 percent of U.S. imports from the United Kingdom, 68.8 percent of U.S. imports from Canada, and 64.8 percent of U.S. imports from other nonsubject countries during January 1, 2012 to June 30, 2015.[2] In light of the less-than-complete coverage of data from Canada and other nonsubject countries provided in Commission questionnaires, import data in this report are based on official Commerce statistics for hot-rolled steel. Table IV-1 lists all responding U.S. importers of hot-rolled steel, their locations, and their shares of U.S. imports in 2014.

Table IV-1
Hot-rolled steel: U.S. importers, their headquarters, and share of total imports by source, 2014

* * * * * * *

[1] The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have accounted for more than one percent of total imports under HTS statistical reporting numbers 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7226.91.7000, and 7226.91.8000 during January 1, 2012 to May 31, 2015.

[2] The coverage estimates presented are based on official import statistics. Counsel for the domestic interested parties noted that in several instances imports reported in questionnaire responses ae in excess of the import statistics. However, they were in general agreement that the HTS numbers used in the compilation of import data in this report are appropriate for purposes of the preliminary phase of these investigations. Conference transcript, pp. 64-65 (Rosenthal, Price, and Vaughn).

U.S. IMPORTS

U.S. imports from subject and nonsubject countries

Table IV-2 and figure IV-1 present data for U.S. imports of hot-rolled steel. Imports of hot-rolled steel from the subject countries increased overall by 80.6 percent from 2012 to 2014, and were 52.2 percent higher in the first half of 2015 compared with the first half of 2014. As a share of total imports, subject imports increased from 40.9 percent in 2012 to 47.7 percent in 2014. Subject imports accounted for 47.3 percent of total imports in the first half of 2014 and 61.5 percent of total U.S. imports in the first half of 2015. The average unit values of subject imports, which were lower than those reported for nonsubject imports in most periods, decreased by 11.2 percent from 2012 to 2014, and were 11.7 percent lower in the first half of 2015 compared with the first half of 2014.

Canada was the largest nonsubject source for U.S. imports of hot-rolled steel, accounting for 21.0 percent of the quantity of total U.S. imports of hot-rolled steel in 2014. U.S. imports from all nonsubject countries combined increased by 36.8 percent from 2012 to 2014, but were 14.8 percent lower during the first half of 2015 than in the comparable period of 2014. The average unit values of nonsubject imports decreased by 7.8 percent from 2012 to 2014, and were 8.6 percent lower in the first half of 2015 compared with the first half of 2014.

Ratio of subject imports to U.S. production

The ratio of subject import quantity to U.S. production increased overall from 2.9 percent in 2012 to 5.1 percent in 2014. The ratio was 4.3 percent in the first half of 2014 and 7.4 percent in the first half of 2015.

Table IV-2
Hot-rolled steel: U.S. imports, by source, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
U.S. imports from--					
Australia	194,070	146,360	270,387	106,885	216,317
Brazil	9,738	49,515	262,470	57,414	250,231
Japan	264,122	392,706	484,549	232,254	200,413
Korea	889,377	702,051	1,095,491	496,036	732,788
Netherlands	372,575	389,917	501,307	239,998	203,851
Turkey	15,044	47,807	403,899	170,069	306,414
United Kingdom	5,053	34,766	142,150	39,584	133,219
Subject sources	1,749,979	1,763,120	3,160,252	1,342,240	2,043,234
Canada	1,295,494	1,352,781	1,391,474	637,481	690,279
All other sources	1,238,354	1,007,322	2,075,310	860,414	586,401
Nonsubject sources	2,533,848	2,360,103	3,466,783	1,497,896	1,276,680
Total U.S. imports	4,283,827	4,123,223	6,627,035	2,840,136	3,319,914
	Value (1,000 dollars)				
U.S. imports from--					
Australia	113,367	80,512	156,187	61,954	101,698
Brazil	6,048	27,376	150,089	32,271	126,638
Japan	215,506	268,313	339,136	163,423	131,345
Korea	607,960	537,909	649,720	300,150	403,902
Netherlands	253,745	240,490	324,613	148,987	111,401
Turkey	10,102	27,885	229,891	95,559	161,762
United Kingdom	3,163	20,543	89,513	24,821	75,166
Subject sources	1,209,891	1,203,029	1,939,148	827,164	1,111,911
Canada	929,906	879,155	979,897	451,081	396,282
All other sources	910,234	700,686	1,341,539	550,766	384,182
Nonsubject sources	1,840,140	1,579,841	2,321,436	1,001,847	780,464
Total U.S. imports	3,050,031	2,782,870	4,260,584	1,829,011	1,892,374

Table continued on the following page.

Table IV-2--*Continued*
Hot-rolled steel: U.S. imports, by source, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Unit value (dollars per short ton)				
U.S. imports from--					
Australia	584	550	578	580	470
Brazil	621	553	572	562	506
Japan	816	683	700	704	655
Korea	684	766	593	605	551
Netherlands	681	617	648	621	546
Turkey	671	583	569	562	528
United Kingdom	626	591	630	627	564
Subject sources	691	682	614	616	544
Canada	718	650	704	708	574
All other sources	735	696	646	640	655
Nonsubject sources	726	669	670	669	611
Total U.S. imports	712	675	643	644	570
	Share of quantity (percent)				
U.S. imports from--					
Australia	4.5	3.5	4.1	3.8	6.5
Brazil	0.2	1.2	4.0	2.0	7.5
Japan	6.2	9.5	7.3	8.2	6.0
Korea	20.8	17.0	16.5	17.5	22.1
Netherlands	8.7	9.5	7.6	8.5	6.1
Turkey	0.4	1.2	6.1	6.0	9.2
United Kingdom	0.1	0.8	2.1	1.4	4.0
Subject sources	40.9	42.8	47.7	47.3	61.5
Canada	30.2	32.8	21.0	22.4	20.8
All other sources	28.9	24.4	31.3	30.3	17.7
Nonsubject sources	59.1	57.2	52.3	52.7	38.5
Total U.S. imports	100.0	100.0	100.0	100.0	100.0

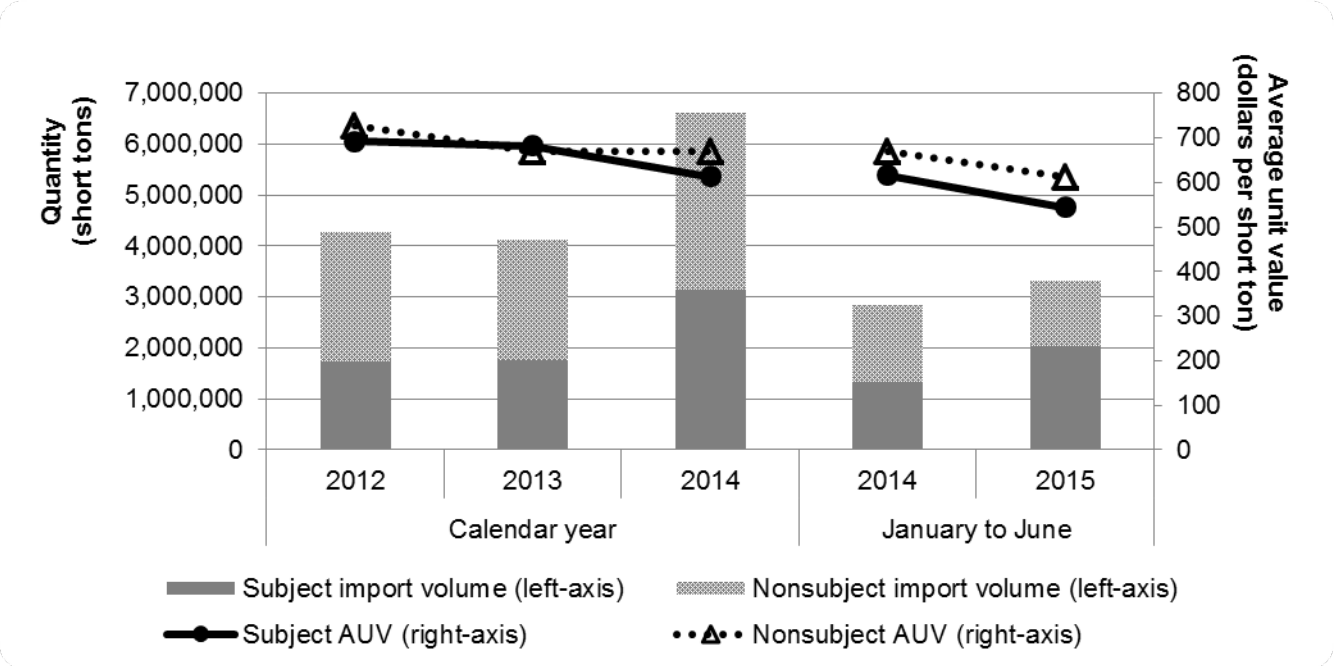
Table continued on the following page.

Table IV-2--*Continued*
Hot-rolled steel: U.S. imports, by source, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Share of value (percent)				
U.S. imports from--					
Australia	3.7	2.9	3.7	3.4	5.4
Brazil	0.2	1.0	3.5	1.8	6.7
Japan	7.1	9.6	8.0	8.9	6.9
Korea	19.9	19.3	15.2	16.4	21.3
Netherlands	8.3	8.6	7.6	8.1	5.9
Turkey	0.3	1.0	5.4	5.2	8.5
United Kingdom	0.1	0.7	2.1	1.4	4.0
Subject sources	39.7	43.2	45.5	45.2	58.8
Canada	30.5	31.6	23.0	24.7	20.9
All other sources	29.8	25.2	31.5	30.1	20.3
Nonsubject sources	60.3	56.8	54.5	54.8	41.2
Total U.S. imports	100.0	100.0	100.0	100.0	100.0
	Ratio to production (percent)				
U.S. imports from--					
Australia	0.3	0.2	0.4	0.3	0.8
Brazil	0.0	0.1	0.4	0.2	0.9
Japan	0.4	0.6	0.8	0.7	0.7
Korea	1.5	1.1	1.8	1.6	2.7
Netherlands	0.6	0.6	0.8	0.8	0.7
Turkey	0.0	0.1	0.6	0.5	1.1
United Kingdom	0.0	0.1	0.2	0.1	0.5
Subject sources	2.9	2.9	5.1	4.3	7.4
Canada	2.1	2.2	2.2	2.1	2.5
All other sources	2.0	1.6	3.3	2.8	2.1
Nonsubject sources	4.2	3.8	5.6	4.8	4.7
Total U.S. imports	7.0	6.7	10.6	9.1	12.1

Source: Official U.S. import statistics using statistical reporting numbers 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7226.91.7000, and 7226.91.8000, accessed August 11, 2015.

Figure IV-1
Hot-rolled steel: U.S. import quantities and average unit values, 2012-14, January to June 2014, and January to June 2015



Source: Official U.S. import statistics using statistical reporting numbers 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7226.91.7000, and 7226.91.8000, accessed August 11, 2015.

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[1] Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all

[1] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[2]

Table IV-3 presents data for U.S. imports of hot-rolled steel during the most recent 12-month period for which data are available that precedes the filing of the petitions (i.e., August 2014 to July 2015). These data show that subject imports from each subject country individually accounted for more than 3 percent of the total volume of the subject merchandise during August 2014 to July 2015. Imports from the United Kingdom, the subject country that accounted for the smallest share of total imports, represented 3.5 percent of total imports of hot-rolled steel by quantity during August 2014-July 2015. The subject imports from all seven subject countries collectively accounted for 54.6 percent of total imports, a level that is well above the 7 percent threshold of the total volume of imports.

Table IV-3
Hot-rolled steel: U.S. import quantity and share of total imports, by source, August 2014 to July 2015

Source	August 2014 to July 2015	
	Quantity (short tons)	Share of quantity (percent)
U.S. imports from--		
Australia	369,960	5.4
Brazil	468,131	6.8
Japan	436,302	6.3
Korea	1,274,377	18.5
Netherlands	462,171	6.7
Turkey	515,966	7.5
United Kingdom	240,703	3.5
Subtotal, subject sources	3,767,610	54.6
Canada	1,469,302	21.3
All other sources	1,657,910	24.0
Subtotal, nonsubject sources	3,127,212	45.4
Total U.S. imports	6,894,822	100.0

Source: Official import statistics using HTS statistical reporting numbers 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7226.91.7000, and 7226.91.8000, accessed August 11, 2015.

[2] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

CUMULATION CONSIDERATIONS

In assessing whether imports should be cumulated, the Commission determines whether U.S. imports from the subject countries compete with each other and with the domestic like product and has generally considered four factors: (1) fungibility, (2) presence of sales or offers to sell in the same geographical markets, (3) common or similar channels of distribution, and (4) simultaneous presence in the market. Certain information concerning these factors is presented in *Part II* of this report. Additional information concerning fungibility, geographical markets, and simultaneous presence in the market is presented below.

Fungibility

Table IV-4 presents data for U.S. producers' and U.S. importers' commercial U.S. shipments of hot-rolled steel, by end use.

Table IV-4
Hot-rolled steel: U.S. commercial shipments, by U.S. producers and importers and by end use, 2012-14, January to June 2014, and January to June 2015

* * * * * * *

U.S. producers reported that hot-rolled steel is sold mainly to service centers and distributors and to tubular goods producers. The data show that during 2014, *** percent of U.S. commercial shipments of U.S.-produced hot-rolled steel was sold to service centers and distributors, *** percent of shipments was sold to tubular goods producers, *** percent was directly sold for automotive/transportation applications, *** percent was directly sold for construction/structural applications, and the remaining product was sold to steel mills, appliance/machinery/parts, and for a wide variety of other end uses.[3]

During 2014, U.S. importers of subject merchandise from Australia reported that hot-rolled steel was directly sold mainly to steel mills (*** percent), service centers and distributors (*** percent), and to tubular goods producers (*** percent). U.S. importers of subject hot-rolled steel from Brazil reported that during 2014 hot-rolled steel was directly sold primarily to service centers and distributors (*** percent) and for construction/structural applications (*** percent). U.S. importers of subject hot-rolled steel from Japan and Korea reported that during 2014 hot-rolled steel was sold primarily to tubular goods producers (*** percent and *** percent, respectively), to steel mills (*** percent and *** percent, respectively), and to service centers and distributors (*** percent and *** percent, respectively). U.S. importers from the Netherlands, Turkey, and the United Kingdom reported that during 2014, hot-rolled steel was sold primarily to service centers and distributors (*** percent, *** percent, and *** percent,

[3] Other end uses listed by U.S. producers include the following: agriculture, containers, industrial equipment/tools, sheet converters, machinery, manufacturing equipment, plumbing, pipe and tube, energy, electrical equipment, fabrications, and racking.

respectively). A smaller portion of U.S. imports of hot-rolled steel from subject countries was sold to automotive/transportation applications, construction/structural applications, appliances/machinery/parts, and for a wide variety of other end uses.[4]

As indicated above, a substantial portion of U.S. producers' and U.S. importers' commercial U.S. shipments were made to service centers and distributors. The likely end uses listed for hot-rolled steel sold to service centers and distributors by U.S. producers and U.S. importers are presented in table IV-5. These data show that a relatively large portion of commercial shipments to U.S. service centers and distributors made by U.S. producers and importers are for unknown or other applications. For the likely end uses that U.S. producers and importers were able to identify, U.S. imports of hot-rolled steel from the Netherlands and the United Kingdom sold to U.S. service centers and distributors were likely primarily for automotive/transportation applications, U.S. imports from Australia, Brazil, and Korea sold to U.S. service centers and distributors were likely primarily for construction/structural applications and U.S.-produced hot-rolled steel and U.S. imports from Japan and Turkey sold to U.S. service centers were likely for both automotive/transportation and construction/structural applications.

Table IV-5
Hot-rolled steel: Distributor/service center likely end use, 2014

* * * * * * *

Presence in the market

Table IV-6 presents information on the monthly presence of U.S. imports in the United States during 2012-14, January-June 2014, and January-June 2015. These data show that imports of hot-rolled steel from Japan, Korea, the Netherlands, Turkey, Canada, and all other nonsubject sources combined were present in the U.S. market in every month from January 2012 to June 2015. Imports of hot-rolled steel from Australia, Brazil, and the United Kingdom were present in the U.S. market for a majority of the 42 months from January 2012 to June 2015, as follows: Australia (31 of 42 months); Brazil (33 of 42 months); and the United Kingdom (39 of 42 months).

[4] Other end uses listed by U.S. importers of hot-rolled steel from subject countries include the following: expanded metal products, grating, HVAC, storage tanks, electrical, general warehouse use, tubing, containers, office furniture, racking, rerollers, and other manufactured goods.

Table IV-6

Hot-rolled steel: U.S. imports, by month and source, January 2012 to June 2015

Period	Australia	Brazil	Japan	Korea	Netherlands	Turkey	United Kingdom	Canada	Other
	Quantity (short tons)								
2012.--									
January	13,248	0	25,160	99,179	36,572	654	89	107,135	57,120
February	12,700	0	28,293	72,857	14,453	392	113	121,112	108,987
March	157	0	28,464	52,454	4,993	2,319	140	122,437	65,999
April	30	0	29,273	77,928	46,860	5,282	141	129,963	227,726
May	26,132	870	30,173	44,365	19,064	4,032	25	113,442	113,372
June	72	0	24,437	89,015	28,092	508	0	101,857	86,814
July	30,163	340	32,821	112,331	24,897	240	81	125,306	95,554
August	24	5	13,466	50,528	55,381	184	21	95,733	55,356
September	0	0	30,888	79,744	15,548	257	29	105,119	108,915
October	30,623	264	9,925	96,929	43,271	385	0	84,122	75,669
November	9,046	465	9,590	61,508	34,031	748	4,415	92,806	121,771
December	71,875	7,795	1,634	52,539	49,414	45	0	96,464	121,067
2013.--									
January	0	4,489	25,678	75,434	32,586	106	4	112,324	56,093
February	26,133	13,976	5,437	59,320	2,152	16,895	6,657	87,998	78,025
March	0	3,683	47,377	45,467	9,210	6,607	2,841	99,396	78,525
April	22,239	2,215	29,223	35,447	35,545	22	7	119,289	102,910
May	0	16,856	27,460	32,083	24,950	11,607	7	106,610	58,577
June	26,815	377	21,167	33,330	32,349	284	12	138,934	69,758
July	55,306	0	32,186	69,753	29,974	5,817	32	127,949	88,204
August	0	4,145	47,373	65,142	50,493	39	160	141,134	79,768
September	0	3,607	62,099	53,793	65,629	2,380	23,528	110,916	122,670
October	0	0	26,382	61,714	50,045	2,222	389	123,976	69,137
November	15,867	166	17,779	48,820	23,267	1,726	566	108,255	102,642
December	0	0	50,545	121,747	33,716	102	562	76,001	101,012
2014.--									
January	0	13,112	44,495	64,297	47,792	38,381	16	126,137	137,413
February	0	512	38,525	103,711	63,344	140	578	94,039	205,596
March	0	15,220	58,596	93,378	32,001	10,959	5,842	93,864	147,802
April	22,282	8,156	42,691	68,155	44,524	26,383	19,364	83,892	125,155
May	50,918	7,071	26,957	86,597	18,805	48,556	13,001	123,269	111,109
June	33,686	13,343	20,991	79,899	33,532	45,650	782	116,281	133,339
July	44,421	35,152	49,408	119,915	48,142	34,818	332	118,303	263,125
August	23,375	16,724	32,633	65,469	20,701	45,776	1,341	133,776	164,925
September	8,596	18,992	43,528	83,515	39,139	28,671	41,220	132,560	207,591
October	29,793	61,055	68,639	101,230	63,083	65,282	27,998	130,067	220,755
November	55,844	43,802	16,437	114,214	58,870	42,366	18,567	124,697	118,953
December	1,472	29,330	41,649	115,112	31,372	16,917	13,108	114,589	239,547
2015.--									
January	53,475	68,693	60,676	180,200	46,020	82,024	42,244	120,179	123,687
February	27,919	40,146	49,665	152,020	44,925	52,099	10,238	94,189	74,311
March	30,328	23,868	6,852	131,502	5,586	88,203	20,615	112,293	133,111
April	32,244	46,212	28,720	76,247	42,598	13,365	35,047	109,152	65,650
May	7,676	50,337	12,409	107,410	41,974	36,144	22,016	118,559	98,066
June	64,676	20,974	42,090	85,410	22,747	34,580	3,059	135,907	91,576

Source: Official U.S. import statistics.

Geographical markets

Hot-rolled steel production occurs throughout the United States and is shipped nationwide. As illustrated in table IV-7, the Customs districts in San Francisco, Houston-Galveston, Columbia-Snake, and New Orleans together accounted for more than two-thirds of the imports of hot-rolled steel from the subject countries during January 2012-June 2015. More than one-half (52.3 percent) of subject imports of hot-rolled steel entered through the Pacific Coast Customs districts of San Francisco (27.6 percent), Columbia-Snake (18.0 percent), and Los Angeles (6.7 percent). A majority of the U.S. imports of hot-rolled steel from Australia, Japan, and Korea entered the United States through Pacific Coast Customs districts, whereas a majority of the imports of hot-rolled steel from Brazil and Turkey entered through Gulf Coast Customs districts and a majority of the imports from the Netherlands and the United Kingdom entered through Midwest Customs districts.

Of the hot-rolled steel imported into the United States from Australia, 91.0 percent entered through the following Pacific Coast Customs districts: Columbia-Snake (67.2 percent), San Francisco (12.7 percent), and Los Angeles (11.1 percent). The remaining hot-rolled steel imported from Australia entered through the Gulf Coast Customs districts of New Orleans and Houston-Galveston.

Most (86.9 percent) of the hot-rolled steel imported into the United States from Brazil entered through the following Gulf Coast Customs districts: New Orleans (57.5 percent) and Houston-Galveston (29.4 percent). The majority of the remaining hot-rolled steel imported from Brazil entered through the Northeast Customs districts of Boston and Philadelphia and the Southeast Customs district of Tampa.

More than two-thirds (68.8 percent) of the hot-rolled steel imported into the United States from Japan during January 2012-June 2015 entered through the following Pacific Coast Customs districts: Columbia-Snake (64.2 percent) and San Francisco (4.6 percent). Most of the remaining hot-rolled steel imported from Japan entered through the Gulf Coast Customs districts of Houston-Galveston (11.9 percent), New Orleans (7.3 percent), and Mobile (4.6 percent).

Of the hot-rolled steel imported into the United States from Korea during January 2012-June 2015, 79.7 percent entered through the following Pacific Coast Customs districts: San Francisco (64.7 percent), Los Angeles (12.6 percent), and Columbia-Snake (2.4 percent). Most of the remaining hot-rolled steel imported from Korea entered through the Gulf Coast Customs districts of Houston-Galveston (7.4 percent) and New Orleans (10.9 percent).

More than one-half (56.4 percent) of the hot-rolled steel imported into the United States from the Netherlands entered through the following Midwest Customs districts: Cleveland (31.1 percent), Chicago (16.9 percent), and Milwaukee (8.4 percent). Most of the remaining hot-rolled steel imported from the Netherlands entered through the Northeast Customs district of Philadelphia (12.3 percent) and the Gulf Coast Customs district of Houston-Galveston (17.3 percent).

Table IV-7
Hot-rolled steel: Major customs districts of entry for U.S. imports, January 2012 to June 2015

Source and district of entry	January 2012 to June 2015	
	Quantity (short tons)	Share of quantity (percent)
U.S. imports from Australia--		
Columbia-Snake, OR	555,923	67.2
San Francisco, CA	105,165	12.7
Los Angeles, CA	91,721	11.1
New Orleans, LA	37,222	4.5
Houston-Galveston, TX	35,058	4.2
All other districts	2,046	0.2
Subtotal, imports from Australia	827,134	100.0
U.S. imports from Brazil--		
New Orleans, LA	329,097	57.5
Houston-Galveston, TX	167,890	29.4
Philadelphia, PA	30,574	5.3
Boston, MA	18,042	3.2
Tampa, FL	13,707	2.4
All other districts	12,643	2.2
Subtotal, imports from Brazil	571,953	100.0
U.S. imports from Japan--		
Columbia-Snake, OR	861,214	64.2
Houston-Galveston, TX	159,139	11.9
New Orleans, LA	97,611	7.3
San Francisco, CA	62,129	4.6
Mobile, AL	61,346	4.6
All other districts	100,351	7.5
Subtotal, Imports from Japan	1,341,790	100.0
U.S. imports from Korea--		
San Francisco, CA	2,211,629	64.7
Los Angeles, CA	429,791	12.6
New Orleans, LA	374,315	10.9
Houston-Galveston, TX	254,203	7.4
Columbia-Snake, OR	83,251	2.4
All other districts	66,518	1.9
Subtotal, imports from Korea	3,419,708	100.0
U.S. imports from the Netherlands--		
Cleveland, OH	456,289	31.1
Houston-Galveston, TX	254,411	17.3
Chicago, IL	247,335	16.9
Philadelphia, PA	181,193	12.3
Milwaukee, WI	123,542	8.4
All other districts	204,879	14.0
Subtotal, imports from the Netherlands	1,467,649	100.0

Table continued on the following page.

Table IV-7--*Continued*
Hot-rolled steel: Major customs districts of entry for U.S. imports, January 2012 to June 2015

Source and district of entry	January 2012 to June 2015	
	Quantity (short tons)	Share of quantity (percent)
U.S. imports from Turkey--		
New Orleans, LA	280,329	36.3
Houston-Galveston, TX	274,038	35.4
New York, NY	65,593	8.5
Philadelphia, PA	36,220	4.7
Laredo, TX	31,082	4.0
All other districts	85,903	11.1
Subtotal, imports from Turkey	773,164	100.0
U.S. imports from the United Kingdom--		
Chicago, IL	89,934	28.5
Philadelphia, PA	72,888	23.1
Houston-Galveston, TX	51,032	16.2
Detroit, MI	38,815	12.3
Cleveland, OH	27,725	8.8
All other districts	34,794	11.0
Subtotal, imports from the United Kingdom	315,187	100.0
U.S. imports from subject sources--		
San Francisco, CA	2,408,725	27.6
Columbia-Snake, OR	1,569,107	18.0
Houston-Galveston, TX	1,195,770	13.7
New Orleans, LA	1,153,691	13.2
Los Angeles, CA	587,931	6.7
All other districts	1,801,360	20.7
Subtotal, imports from subject sources	8,716,584	100.0
U.S. imports from Canada--		
Detroit, MI	3,285,034	69.5
Buffalo, NY	461,459	9.8
Chicago, IL	438,007	9.3
Cleveland, OH	306,342	6.5
Great Falls, MT	117,026	2.5
All other districts	122,160	2.6
Subtotal, imports from Canada	4,730,028	100.0
U.S. imports from all other sources--		
Laredo, TX	1,408,008	28.7
Houston-Galveston, TX	1,247,177	25.4
New Orleans, LA	865,395	17.6
Los Angeles, CA	368,251	7.5
Cleveland, OH	296,783	6.0
All other districts	721,772	14.7
Subtotal, imports from all other sources	4,907,386	100.0

Source: Official import statistics.

Of the hot-rolled steel imported into the United States from Turkey during January 2012-June 2015, about three-fourths (75.7 percent) entered through the following Central Southwest Customs districts: New Orleans (36.3 percent), Houston-Galveston (35.4 percent), and Laredo (4.0 percent). Most of the remaining hot-rolled steel imported from Turkey entered through the Northeast Customs districts of New York (8.5 percent) and Philadelphia (4.7 percent).

Of the hot-rolled steel imported into the United States from the United Kingdom, almost one-half (49.6 percent) entered through the following Midwest Customs districts: Chicago (28.5 percent), Cleveland (8.8 percent), and Detroit (12.3 percent). Most of the remaining hot-rolled steel imported from the United Kingdom entered through the Northeast Customs district of Philadelphia (23.1 percent) and the Gulf Coast Customs district of Houston-Galveston (16.2 percent).

APPARENT U.S. CONSUMPTION

Table IV-8 presents data on apparent U.S. consumption of hot-rolled steel and table IV-9 presents data on the apparent U.S. merchant market consumption. These data for all hot-rolled steel show that apparent consumption increased by 5.9 percent from 2012 to 2014, but was 8.6 percent lower during the first half of 2015 as compared with the first half of 2014. The merchant market consumption data show that apparent U.S. merchant market consumption increased by 9.6 percent from 2012 to 2014, but was 7.1 percent lower during the first half of 2015 as compared with the first half of 2014.

U.S. MARKET SHARES

U.S. market share data for the entire hot-rolled steel market are presented in table IV-10 and U.S. market share data for the hot-rolled merchant market are presented in table IV-11. The data for the hot-rolled steel market show that the U.S. producers' market share declined by 3.0 percentage points (6.0 percentage points for the merchant market) from 2012 to 2014 and that the market share held by the subject sources increased by 1.9 percentage points (3.9 percentage points for the merchant market) during the same period. U.S. producers once again held a smaller share of the market at 89.1 percent (76.9 percent of the merchant market) during the first quarter of 2015 as compared to the first quarter of 2014, while U.S. importers from subject countries held a larger share at 6.7 percent (14.2 percent of the merchant market).

Table IV-8
Hot-rolled steel: U.S. shipments of domestic product, U.S. imports, and apparent U.S. consumption, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
U.S. producers' U.S. shipments	59,901,387	60,663,963	61,353,360	30,609,147	27,267,340
U.S. imports from.--					
Australia	194,070	146,360	270,387	106,885	216,317
Brazil	9,738	49,515	262,470	57,414	250,231
Japan	264,122	392,706	484,549	232,254	200,413
Korea	889,377	702,051	1,095,491	496,036	732,788
Netherlands	372,575	389,917	501,307	239,998	203,851
Turkey	15,044	47,807	403,899	170,069	306,414
United Kingdom	5,053	34,766	142,150	39,584	133,219
Subject sources	1,749,979	1,763,120	3,160,252	1,342,240	2,043,234
Canada	1,295,494	1,352,781	1,391,474	637,481	690,279
All other sources	1,238,354	1,007,322	2,075,310	860,414	586,401
Nonsubject sources	2,533,848	2,360,103	3,466,783	1,497,896	1,276,680
Total U.S. imports	4,283,827	4,123,223	6,627,035	2,840,136	3,319,914
Apparent U.S. consumption	64,185,214	64,787,186	67,980,395	33,449,283	30,587,254
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	39,427,417	37,665,961	40,004,897	20,062,089	14,662,454
U.S. imports from.--					
Australia	113,367	80,512	156,187	61,954	101,698
Brazil	6,048	27,376	150,089	32,271	126,638
Japan	215,506	268,313	339,136	163,423	131,345
Korea	607,960	537,909	649,720	300,150	403,902
Netherlands	253,745	240,490	324,613	148,987	111,401
Turkey	10,102	27,885	229,891	95,559	161,762
United Kingdom	3,163	20,543	89,513	24,821	75,166
Subject sources	1,209,891	1,203,029	1,939,148	827,164	1,111,911
Canada	929,906	879,155	979,897	451,081	396,282
All other sources	910,234	700,686	1,341,539	550,766	384,182
Nonsubject sources	1,840,140	1,579,841	2,321,436	1,001,847	780,464
Total U.S. imports	3,050,031	2,782,870	4,260,584	1,829,011	1,892,374
Apparent U.S. consumption	42,477,448	40,448,831	44,265,481	21,891,100	16,554,828

Source: Official U.S. import statistics using statistical reporting numbers 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7226.91.7000, and 7226.91.8000 accessed August 11, 2015 and data compiled from data submitted in response to Commission questionnaires.

Table IV-9
Hot-rolled steel: Apparent U.S. merchant market consumption, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
U.S. producers' commercial U.S. shipments	25,273,528	25,410,557	25,771,623	12,653,422	11,071,908
U.S. imports from.--					
Australia	194,070	146,360	270,387	106,885	216,317
Brazil	9,738	49,515	262,470	57,414	250,231
Japan	264,122	392,706	484,549	232,254	200,413
Korea	889,377	702,051	1,095,491	496,036	732,788
Netherlands	372,575	389,917	501,307	239,998	203,851
Turkey	15,044	47,807	403,899	170,069	306,414
United Kingdom	5,053	34,766	142,150	39,584	133,219
Subject sources	1,749,979	1,763,120	3,160,252	1,342,240	2,043,234
Canada	1,295,494	1,352,781	1,391,474	637,481	690,279
All other sources	1,238,354	1,007,322	2,075,310	860,414	586,401
Nonsubject sources	2,533,848	2,360,103	3,466,783	1,497,896	1,276,680
Total U.S. imports	4,283,827	4,123,223	6,627,035	2,840,136	3,319,914
Apparent U.S. merchant market Consumption	29,557,355	29,533,780	32,398,658	15,493,558	14,391,822
	Value (1,000 dollars)				
U.S. producers' commercial U.S. shipments	16,761,882	15,903,370	17,075,788	8,406,873	5,962,017
U.S. imports from.--					
Australia	113,367	80,512	156,187	61,954	101,698
Brazil	6,048	27,376	150,089	32,271	126,638
Japan	215,506	268,313	339,136	163,423	131,345
Korea	607,960	537,909	649,720	300,150	403,902
Netherlands	253,745	240,490	324,613	148,987	111,401
Turkey	10,102	27,885	229,891	95,559	161,762
United Kingdom	3,163	20,543	89,513	24,821	75,166
Subject sources	1,209,891	1,203,029	1,939,148	827,164	1,111,911
Canada	929,906	879,155	979,897	451,081	396,282
All other sources	910,234	700,686	1,341,539	550,766	384,182
Nonsubject sources	1,840,140	1,579,841	2,321,436	1,001,847	780,464
Total U.S. imports	3,050,031	2,782,870	4,260,584	1,829,011	1,892,374
Apparent U.S. merchant market Consumption	19,811,913	18,686,240	21,336,372	10,235,884	7,854,391

Source: Official U.S. import statistics using statistical reporting numbers 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7226.91.7000, and 7226.91.8000 accessed August 11, 2015 and data compiled from data submitted in response to Commission questionnaires.

Table IV-10
Hot-rolled steel: Market shares, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Apparent U.S. consumption	64,185,214	64,787,186	67,980,395	33,449,283	30,587,254
	Share of quantity (percent)				
U.S. producers' U.S. shipments	93.3	93.6	90.3	91.5	89.1
U.S. imports from.--					
Australia	0.3	0.2	0.4	0.3	0.7
Brazil	0.0	0.1	0.4	0.2	0.8
Japan	0.4	0.6	0.7	0.7	0.7
Korea	1.4	1.1	1.6	1.5	2.4
Netherlands	0.6	0.6	0.7	0.7	0.7
Turkey	0.0	0.1	0.6	0.5	1.0
United Kingdom	0.0	0.1	0.2	0.1	0.4
Subject sources	2.7	2.7	4.6	4.0	6.7
Canada	2.0	2.1	2.0	1.9	2.3
All other sources	1.9	1.6	3.1	2.6	1.9
Nonsubject sources	3.9	3.6	5.1	4.5	4.2
Total U.S. imports	6.7	6.4	9.7	8.5	10.9
	Value (1,000 dollars)				
Apparent U.S. consumption	42,477,448	40,448,831	44,265,481	21,891,100	16,554,828
	Share of value (percent)				
U.S. producers' U.S. shipments	92.8	93.1	90.4	91.6	88.6
U.S. imports from.--					
Australia	0.3	0.2	0.4	0.3	0.6
Brazil	0.0	0.1	0.3	0.1	0.8
Japan	0.5	0.7	0.8	0.7	0.8
Korea	1.4	1.3	1.5	1.4	2.4
Netherlands	0.6	0.6	0.7	0.7	0.7
Turkey	0.0	0.1	0.5	0.4	1.0
United Kingdom	0.0	0.1	0.2	0.1	0.5
Subject sources	2.8	3.0	4.4	3.8	6.7
Canada	2.2	2.2	2.2	2.1	2.4
All other sources	2.1	1.7	3.0	2.5	2.3
Nonsubject sources	4.3	3.9	5.2	4.6	4.7
Total U.S. imports	7.2	6.9	9.6	8.4	11.4

Source: Official U.S. import statistics using statistical reporting numbers 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7226.91.7000, and 7226.91.8000 accessed August 11, 2015 and data compiled from data submitted in response to Commission questionnaires.

Table IV-11
Hot-rolled steel: Merchant market shares, 2012-14, January to June 2014, and January to June 2015

Item	Calendar year			January to June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Apparent U.S. merchant market consumption	29,557,355	29,533,780	32,398,658	15,493,558	14,391,822
	Share of quantity (percent)				
U.S. producers' U.S. shipments	85.5	86.0	79.5	81.7	76.9
U.S. imports from.--					
Australia	0.7	0.5	0.8	0.7	1.5
Brazil	0.0	0.2	0.8	0.4	1.7
Japan	0.9	1.3	1.5	1.5	1.4
Korea	3.0	2.4	3.4	3.2	5.1
Netherlands	1.3	1.3	1.5	1.5	1.4
Turkey	0.1	0.2	1.2	1.1	2.1
United Kingdom	0.0	0.1	0.4	0.3	0.9
Subject sources	5.9	6.0	9.8	8.7	14.2
Canada	4.4	4.6	4.3	4.1	4.8
All other sources	4.2	3.4	6.4	5.6	4.1
Nonsubject sources	8.6	8.0	10.7	9.7	8.9
Total U.S. imports	14.5	14.0	20.5	18.3	23.1
	Value (1,000 dollars)				
Apparent U.S. merchant market consumption	19,811,913	18,686,240	21,336,372	10,235,884	7,854,391
	Share of value (percent)				
U.S. producers' U.S. shipments	84.6	85.1	80.0	82.1	75.9
U.S. imports from.--					
Australia	0.6	0.4	0.7	0.6	1.3
Brazil	0.0	0.1	0.7	0.3	1.6
Japan	1.1	1.4	1.6	1.6	1.7
Korea	3.1	2.9	3.0	2.9	5.1
Netherlands	1.3	1.3	1.5	1.5	1.4
Turkey	0.1	0.1	1.1	0.9	2.1
United Kingdom	0.0	0.1	0.4	0.2	1.0
Subject sources	6.1	6.4	9.1	8.1	14.2
Canada	4.7	4.7	4.6	4.4	5.0
All other sources	4.6	3.7	6.3	5.4	4.9
Nonsubject sources	9.3	8.5	10.9	9.8	9.9
Total U.S. imports	15.4	14.9	20.0	17.9	24.1

Source: Official U.S. import statistics using statistical reporting numbers 7208.10.1500, 7208.10.3000, 7208.10.6000, 7208.25.3000, 7208.25.6000, 7208.26.0030, 7208.26.0060, 7208.27.0030, 7208.27.0060, 7208.36.0030, 7208.36.0060, 7208.37.0030, 7208.37.0060, 7208.38.0015, 7208.38.0030, 7208.38.0090, 7208.39.0015, 7208.39.0030, 7208.39.0090, 7208.40.6030, 7208.40.6060, 7208.53.0000, 7208.54.0000, 7208.90.0000, 7211.14.0030, 7211.14.0090, 7211.19.1500, 7211.19.2000, 7211.19.3000, 7211.19.4500, 7211.19.6000, 7211.19.7530, 7211.19.7560, 7211.19.7590, 7225.30.3050, 7225.30.7000, 7225.40.7000, 7226.91.7000, and 7226.91.8000 accessed August 11, 2015 and data compiled from data submitted in response to Commission questionnaires.

PART V: PRICING DATA

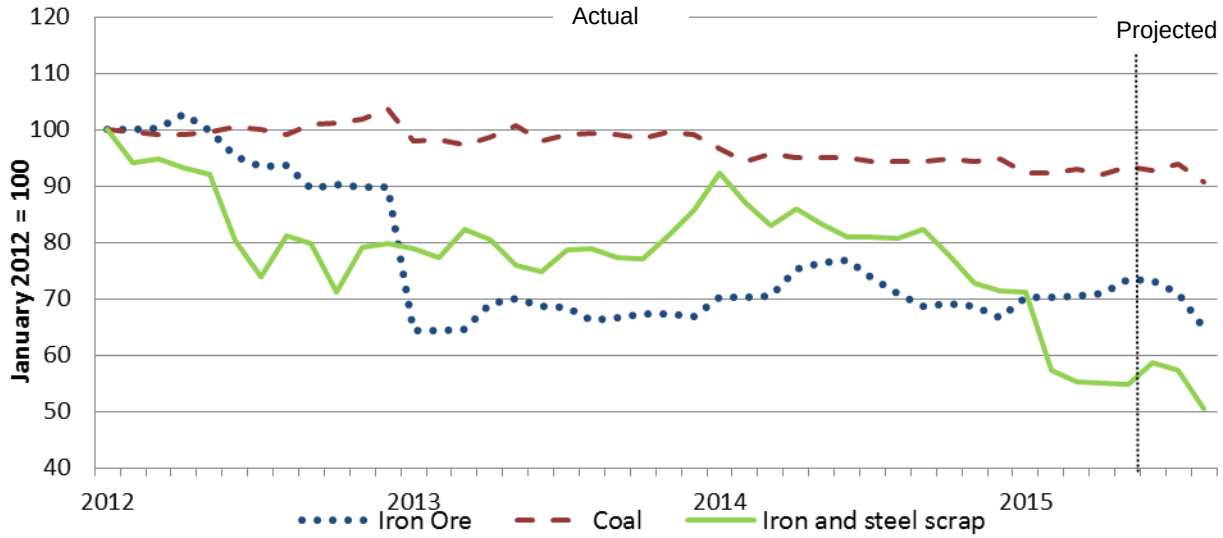
FACTORS AFFECTING PRICES

Raw material costs

The primary raw material inputs to hot-rolled steel include iron ore, coal, iron, and steel scrap. Prices for these raw materials fluctuated since January 2012, with iron ore, coal, iron and steel scrap showing an overall decrease. U.S. producers' raw materials costs as a share of the cost of goods sold (COGS) decreased from 71.3 percent in 2012 to 66.7 percent in 2014, and was 62.2 percent in January-June 2015.

As shown in figure V-1, costs for iron ore, coal, and iron and steel scrap decreased by 35.1 percent, 9.4 percent, and 49.6 percent, respectively, between January 2012 and August 2015. During the second quarter of 2015, prices for each of these raw materials increased, but in July 2015, prices continued to follow the overall downward trend.

Figure V-1
Raw material costs: Producer price indexes of iron ore, coal, and iron and steel scrap in the United States, monthly, January 2012 - August 2015[1]



[1] Data for May-August 2015 are projected, as final Bureau of Labor Statistics data are not yet available.

Source: U.S. Bureau of Labor Statistics, September 11, 2015.

Most firms reported that raw material prices had fluctuated or decreased since January 2012. Six of 9 responding U.S. producers reported that raw material prices had fluctuated, while three reported that they had decreased. The U.S. producers that had reported a decrease in

raw material costs cited lower commodity steel prices and lower scrap prices.[1] Several responding U.S. producers indicated that the decrease in hot-rolled steel prices outpaced the decline in raw material costs. Twenty-five of 50 responding importers reported that raw material prices had decreased, and twenty-four importers reported that raw material prices had fluctuated. Many U.S. importers indicated that prices of hot-rolled steel are affected by raw material costs, and customers' expectations that the lower raw material costs be reflected in pricing.

Petitioners argue that while raw material prices have fallen, prices for hot-rolled steel have fallen to a greater extent and at a quicker pace.[2] They further state that while customers are aware of raw materials costs, these costs are not the primary driver in pricing conversations.[3] Respondents argue that raw material price declines were partially responsible for the decline in U.S. prices of hot-rolled steel.[4]

Energy Costs

Energy costs account for between *** percent of the cost of goods sold.[5] Petitioners state that raw material cost changes have a greater impact on hot-rolled steel costs than do changes in oil or natural gas prices, and that energy costs have not played a significant role in the decrease in prices of hot-rolled steel.[6]

U.S. inland transportation costs

Most responding U.S. producers (9 of 10) reported that they typically arrange for transportation to their customers, while most importers (28 of 44) reported that their customers typically arrange for transportation. Most U.S. producers and importers reported

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[1] In April 2015, during U.S. producer Nucor Corporation's quarterly earnings conference call, Nucor president and chief executive officer John J. Ferriola noted that the firm's St. James Parish facility – which produces DRI (direct-reduced iron), and according to Nucor Vice President and General Manager Rick Blume is the largest scrap producer in America – produced 1.3 million tons of scrap during the previous year, and that this was a "meaningful factor supporting February {2015}'s dramatic downward adjustment of more than $100 per ton in scrap pricing." Nucor Corporation's Q1 2015 Earnings conference call transcript, available at http://s.t.st/media/xtranscript/2015/Q2/13125011.pdf.

[2] Conference transcript, pp. 32-33 (Mull); AK Steel's postconference brief, p. 3; Nucor's postconference brief, p. 28.

[3] Conference transcript, p. 132 (Moskaluk); AMUSA's postconference brief, Exhibit 1, p. 6.

[4] Conference transcript, pp. 154, 182, 200 (Dougan, Hori, Dougan), Tata U.K. postconference brief, p. 27; Turkish respondents' postconference brief, p. 2; CSN's postconference brief, p. 3; POSCO and Hyundai Steel's postconference brief, pp. 13, 25, 36; Japanese Mills' postconference brief, p. 22.

[5] AK Steel's postconference brief, Answers to Questions, p. 1; SSAB and Steel Dynamic's postconference brief, Exhibit 6; AMUSA's postconference brief, pp. 3, 7.

[6] Conference transcript, p. 69 (Kopf).

that their U.S. inland transportation costs ranged from 3 to 10 percent of the total delivered cots of hot-rolled steel.

Respondents argue that freight costs for hot-rolled steel to the West Coast are cost prohibitive for the volume of hot-rolled steel required by purchasers.[7] The rail costs of shipping from mills in the Great Lakes or the Gulf regions are between $40 and $60 more per ton than the freight costs for hot-rolled steel from the Pacific, and respondents reported that shipborne traffic is the least expensive way to transport steel.[8] Respondents also cite recent capacity constraints of truck and rail shipping.[9] However, Petitioners argue that U.S. producers regularly supply customers in the West, and are cost competitive.[10]

Exchange Rates

Respondents identify the appreciation of the U.S. dollar as another factor that has caused price declines for domestically produced hot-rolled steel.[11] Since July 2014, the value of the U.S. dollar has increased significantly, reaching a peak in March 2015 (figure V-2).

[7] Turkish respondents' postconference brief, pp. 7, 26; POSCO and Hyundai Steel's postconference brief, p. 11, and Responses to Staff Questions, pp. 8-9; Japanese Mills' postconference brief, p. 9. Respondents reported that companies in the West will occasionally purchase steel from U.S. producers, but relatively high costs of shipping steel across the Rockies are such that domestic mills have not been willing or able to provide UPI with hot-rolled steel on an ongoing basis to meet its needs of over 30,000 tons per month. Conference transcript, pp. 170, 177 (Cho).

[8] Conference transcript, pp. 176, 222-223 (Cross, Nolan).

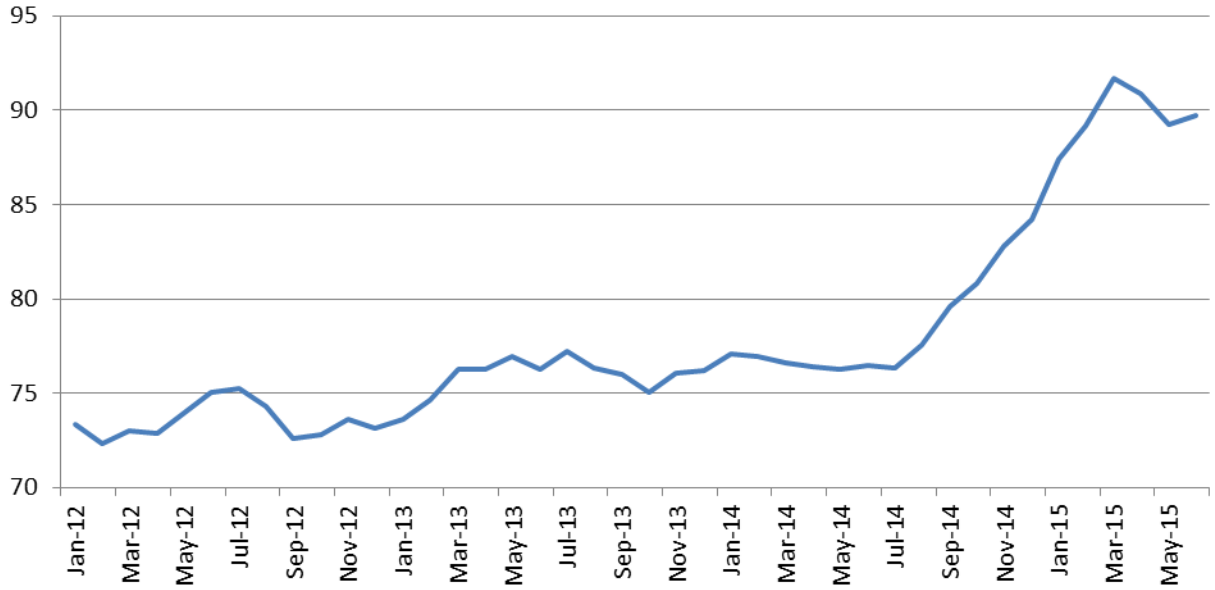
[9] Conference transcript, pp. 176, 224 (Cross, Cameron); BlueScope's postconference brief, exh. 2.

[10] Conference transcript, pp. 45, 90 (Blume, Price); AMUSA's postconference brief, exh. 1; Nucor's postconference brief, pp. 11-12.

[11] Conference transcript, pp. 180, 182 (Weiner, Hori); POSCO and Hyundai Steel's postconference brief, p. 13; Japanese Mills' postconference brief, p. 22.

Figure V-2

Trade weighted U.S. dollar index: Major currencies, Index Mar 1973=100, monthly, not seasonally adjusted



Source: Federal Reserve Bank of St. Louis, FRED Economic Data, G.5 Foreign Exchange Rates. https://research.stlouisfed.org/fred2/series/, accessed September 8, 2015.

PRICING PRACTICES

Pricing methods

U.S. producers and importers sell hot-rolled steel both on a transaction-by-transaction and a contract basis (table V-1). In addition to transaction-by-transaction and contract pricing, two U.S. producers reported using price lists, and *** reported referencing the prices of imports. A large majority of importers use transaction-by-transaction pricing, and 17 importers reported also using contracts, and 4 importers indicated that they also use set price lists. Other importers reported pricing from public quarterly price indices, such as CRU.

Table V-1

Hot-rolled steel: U.S. producers and importers reported price setting methods, by number of responding firms[1]

Method	U.S. producers	Subject U.S. importers
Transaction-by-transaction	10	40
Contract	9	17
Set price list	2	4
Other	2	3

[1] The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers and importers reported selling large shares of their product in the spot market and through annual contracts (table V-2). Large shares of U.S. commercial shipments of domestic hot-rolled steel were sold via annual contracts (*** percent) and on the spot market (*** percent). Nearly two-thirds of U.S. commercial shipments of subject hot-rolled steel were spot sales. The duration of short-term contracts for both U.S. producers and importers range from 30 to 180 days, and long-term contracts generally last for two years. AK Steel stated that the price terms in many of its contracts change on either a monthly or quarterly basis in relation to published market price indices.[12]

Petitioners state that they have sophisticated customers that will request a variety of pricing scenarios, based which pricing scenario is most advantageous given the market conditions at the time.[13] Aside from contracts or spot sales, some customers buy hot-rolled steel on a project basis, so that the purchase is defined by volume and by a specific time period. This type of pricing is typical in a line pipe or tubular order.[14]

Table V-2

Hot-rolled steel: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2014

Type of sale	Share of commercial U.S. shipments (percent)	
	U.S. producers	Subject U.S. importers
Long-term contracts	6.1	0.6
Annual contract	40.3	19.1
Short-term contracts	10.8	17.2
Spot sales	42.8	63.1

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Contract prices are often based on a discount from published price indices, such as CRU or Platts ("CRU minus pricing").[15] Petitioners reported that sales under contract (regardless of contract lengths or provisions) are impacted by low prices on the spot market, and cited instances of customers using low spot market prices as leverage during contract negotiations.[16] The effect of low spot market prices may be delayed to varying degrees. Some customers will wait until a contract comes up for renewal, and others will attempt to renegotiate mid-contract.[17] As reported in CRU Steel Monitor, the price of hot-rolled steel declined by about 36

[12] Conference transcript, p. 48 (Lauschke).

[13] Conference transcript, p. 97 (Blume).

[14] Conference transcript, p. 98 (Maskaluk).

[15] Conference transcript, p. 48, 95, 121 (Lauschke, Blume, Blume).

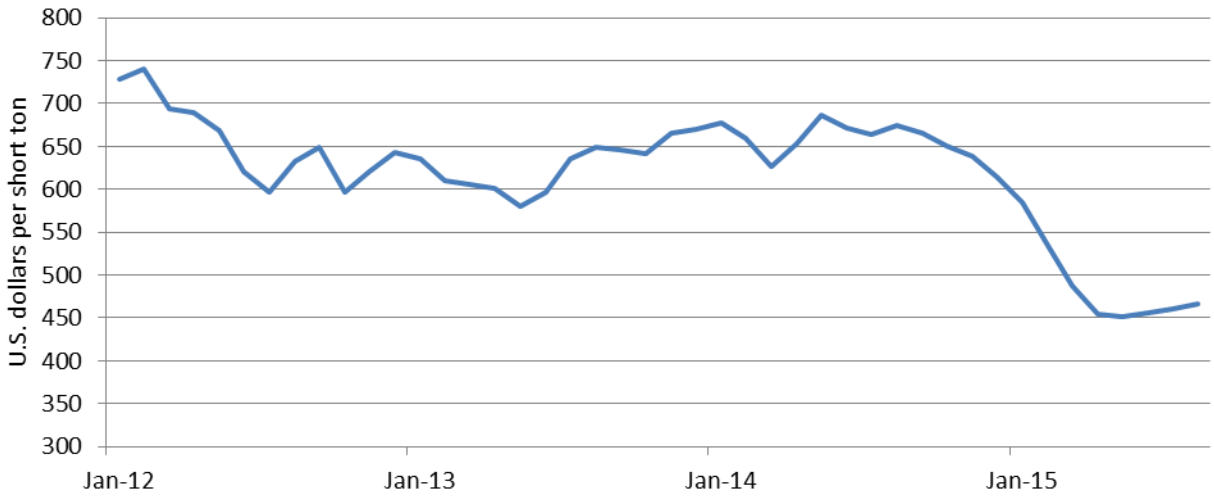
[16] Conference transcript, p. 33, 94, 118 (Mull, Matthews, Lauschke); AK Steel's postconference brief, p. 23.

[17] Conference transcript, pp. 39, 44 (Kopf, Blume); AK Steel's post-conference brief, p. 23; AMUSA's post-conference brief, p. 7; Nucor's postconference brief, p. 27.

percent from January 2012 to August 2015. CRU prices of hot-rolled coil experienced a large downturn from late 2014 to early 2015, after which they leveled out (figure V-3).

Figure V-3

Hot-rolled steel: CRU monthly spot prices for U.S. hot-rolled coil, f.o.b. Midwest, January 2012-August 2015



Source: CRU Steel Monitor.

Sales terms and discounts

All responding U.S. producers typically quote prices on an f.o.b. basis. Half of responding U.S. importers reported typically quoting prices on an f.o.b. basis, and the other half reported quoting on a delivered basis.

Four U.S. producers reported no discount policy, four U.S. producers reported offering quantity, and five producers reported total volume discounts. *** reported that rebates are negotiated on a case-by-case basis, and could take into account volume and service expectations. Most importers (42 of 47) reported no discount policies. Three importers indicated quantity discounts, and *** importer indicated a ***.

Most U.S. producers and importers indicated that their sales terms were net 30 days. *** U.S. producers reported sales terms of ½ percent 10, net 30 days. *** importers reported cash against documents, and *** reported that the balance is due upon receipt of shipment.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following hot-rolled steel products shipped to unrelated U.S. customers during January 2012-June 2015.

***Product 1*.--** Hot-rolled carbon steel plate in coils, as-rolled (unprocessed), not pickled or temper-rolled, not high strength, produced to AISI-1006-1025 grade (including, but not limited to, ASTM A36), 0.187" through 0.625" in nominal or actual thickness, 40" through 72" in width.

***Product 2*.**--Hot-rolled carbon steel sheet in coils, commercial quality, SAE 1006-1015 or ASTM A1011 equivalent, not high-strength, not pickled and oiled, not temper-rolled, 0.090" through 0.171" in nominal or actual thickness, 40" to 72" in width.

***Product 3*.**--Hot-rolled carbon steel sheet in coils, commercial quality SAE 1006-1015 or ASTM A1011 equivalent, pickled and oiled, temper-rolled, not high strength, 0.090" through 0.171" in nominal or actual thickness, 40" to 72" in width.

***Product 4*.**--Hot-rolled steel plate in coils, high strength low alloy, for conversion to API PSL 2 X70M, 0.250 to 0.750, 50” to 77” in width.

Ten U.S. producers and 35 importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.[18] Pricing data reported by these firms accounted for approximately 26.3 percent of U.S. producers’ shipments of hot-rolled steel during January 2012-June 2015. Pricing coverage for subject countries ranged from *** percent of U.S. commercial shipments from the Netherlands to *** percent of U.S. commercial shipments from Turkey (table V-3).

[18] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates. Some anomalous data reported by *** and *** were excluded: U.S. importer ***. U.S. importer ***. See staff email with ***, August 28, 2015.

In addition, Nucor alleged that ***. Nucor’s postconference brief, fn. 221. However, *** confirmed its reported pricing data is correct (email from ***, September 11, 2015) and the data are included in the following analysis.

Table V-3

Hot-rolled steel: Pricing product coverage, as share of U.S. commercial shipments, by subject country, January 2012-June 2015

Source	Pricing product quantity (short tons)	U.S. commercial shipments (short tons)	Coverage
United States	23,055,416	87,527,616	26.3
Australia	***	***	***
Brazil	***	***	***
Japan	***	***	***
Korea	***	***	***
Netherlands	***	***	***
Turkey	***	***	***
United Kingdom	***	***	***
Subject sources	***	***	***
Canada	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Price data for products 1-4 are presented in tables V-4 to V-7 and figures V-4 to V-7. Nonsubject country prices are presented in Appendix D.

Table V-4

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2012-June 2015

Period	United States		Australia			Brazil		
	Price (dollars per short ton)	Quantity (short tons)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:								
Jan.-Mar.	672.70	1,141,624	***	***	***	--	0	--
Apr.-Jun.	662.44	1,046,971	***	***	***	***	***	***
Jul.-Sep.	611.11	1,006,420	***	***	***	--	0	--
Oct.-Dec.	585.38	854,370	***	***	***	***	***	***
2013:								
Jan.-Mar.	599.28	1,047,962	***	***	***	***	***	***
Apr.-Jun.	573.98	1,060,138	--	0	--	***	***	***
Jul.-Sep.	595.97	1,123,012	***	***	***	***	***	***
Oct.-Dec.	626.60	889,371	--	0	--	***	***	***
2014:								
Jan.-Mar.	645.36	975,270	--	0	--	***	***	***
Apr.-Jun.	637.10	1,005,879	590.53	11,968	7.3	***	***	***
Jul.-Sep.	652.08	1,110,292	***	***	***	***	***	***
Oct.-Dec.	635.32	911,099	586.34	16,947	7.7	***	***	***
2015:								
Jan.-Mar.	564.45	766,603	***	***	***	***	***	***
Apr.-Jun.	452.41	875,385	***	***	***	***	***	***

Period	Japan			Korea			Netherlands		
	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:									
Jan.-Mar.	---	***	---	***	***	***	***	***	***
Apr.-Jun.	---	***	---	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***	***
2013:									
Jan.-Mar.	---	***	---	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***	***
Jul.-Sep.	---	***	---	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***	***
2014:									
Jan.-Mar.	***	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***	***
2015:									
Jan.-Mar.	***	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***	***

Table continued.

Table V-4--*Continued*

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2012-June 2015

Period	Turkey			United Kingdom		
	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:						
Jan.-Mar.	---	***	---	---	***	---
Apr.-Jun.	---	***	---	---	***	---
Jul.-Sep.	---	***	---	---	***	---
Oct.-Dec.	---	***	---	---	***	---
2013:						
Jan.-Mar.	***	***	***	---	***	---
Apr.-Jun.	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	---	***	---
2014:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
2015:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***

[1] Product 1: Hot-rolled carbon steel plate in coils, as-rolled (unprocessed), not pickled or temper-rolled, not high strength, produced to AISI-1006-1025 grade (including, but not limited to, ASTM A36), 0.187" through 0.625" in nominal or actual thickness, 40" through 72" in width.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-5

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2012-June 2015

Period	United States		Australia			Brazil		
	Price (dollars per short ton)	Quantity (short tons)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:								
Jan.-Mar.	672.22	397,001	***	***	***	--	0	--
Apr.-Jun.	650.89	389,256	683.03	201	(4.9)	--	0	--
Jul.-Sep.	602.57	422,507	--	0	--	--	0	--
Oct.-Dec.	578.90	429,508	***	***	***	***	***	***
2013:								
Jan.-Mar.	589.66	431,158	611.81	158	(3.8)	***	***	***
Apr.-Jun.	562.73	426,007	--	0	--	***	***	***
Jul.-Sep.	592.42	426,187	***	***	***	***	***	***
Oct.-Dec.	618.84	442,675	--	0	--	***	***	***
2014:								
Jan.-Mar.	634.49	416,780	--	0	--	***	***	***
Apr.-Jun.	629.87	430,605	***	***	***	***	***	***
Jul.-Sep.	643.02	444,801	***	***	***	***	***	***
Oct.-Dec.	623.56	388,541	***	***	***	***	***	***
2015:								
Jan.-Mar.	542.79	379,387	***	***	***	***	***	***
Apr.-Jun.	445.37	436,974	***	***	***	***	***	***

Period	Japan			Korea			Netherlands		
	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:									
Jan.-Mar.	***	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***	***
2013:									
Jan.-Mar.	***	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***	***
2014:									
Jan.-Mar.	***	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***	***	***	***
2015:									
Jan.-Mar.	***	***	***	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***	***	***	***

Table continued.

Table V-5--*Continued*

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2012-June 2015

Period	Turkey			United Kingdom		
	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:						
Jan.-Mar.	---	***	---	---	***	---
Apr.-Jun.	***	***	***	---	***	---
Jul.-Sep.	---	***	---	---	***	---
Oct.-Dec.	---	***	---	---	***	---
2013:						
Jan.-Mar.	***	***	***	---	***	---
Apr.-Jun.	---	***	---	---	***	---
Jul.-Sep.	---	***	---	---	***	---
Oct.-Dec.	---	***	---	---	***	---
2014:						
Jan.-Mar.	---	***	---	---	***	---
Apr.-Jun.	---	***	---	---	***	---
Jul.-Sep.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***	***
2015:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***

[1] Product 2: Hot-rolled carbon steel sheet in coils, commercial quality, SAE 1006-1015 or ASTM A1011 equivalent, not high-strength, not pickled and oiled, not temper-rolled, 0.090" through 0.171" in nominal or actual thickness, 40" to 72" in width.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-6

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2012-June 2015

Period	United States		Australia			Brazil		
	Price (dollars per short ton)	Quantity (short tons)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:								
Jan.-Mar.	724.20	130,871	--	0	--	--	0	--
Apr.-Jun.	712.28	143,653	--	0	--	***	***	***
Jul.-Sep.	656.28	131,798	--	0	--	***	***	***
Oct.-Dec.	637.20	106,768	--	0	--	***	***	***
2013:								
Jan.-Mar.	644.99	126,527	--	0	--	***	***	***
Apr.-Jun.	620.56	129,981	--	0	--	***	***	***
Jul.-Sep.	636.40	116,419	--	0	--	***	***	***
Oct.-Dec.	665.32	110,739	--	0	--	--	0	--
2014:								
Jan.-Mar.	682.07	132,262	--	0	--	***	***	***
Apr.-Jun.	678.56	148,116	--	0	--	***	***	***
Jul.-Sep.	692.55	147,029	--	0	--	***	***	***
Oct.-Dec.	673.96	130,296	--	0	--	***	***	***
2015:								
Jan.-Mar.	613.50	117,755	--	0	--	***	***	***
Apr.-Jun.	504.20	131,029	467.21	2,772	7.3	***	***	***

Period	Japan			Korea			Netherlands		
	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:									
Jan.-Mar.	---	***	---	***	***	***	***	***	***
Apr.-Jun.	---	***	---	***	***	***	---	***	---
Jul.-Sep.	---	***	---	***	***	***	***	***	***
Oct.-Dec.	---	***	---	***	***	***	---	***	---
2013:									
Jan.-Mar.	---	***	---	***	***	***	***	***	***
Apr.-Jun.	---	***	---	***	***	***	---	***	---
Jul.-Sep.	---	***	---	---	***	---	***	***	***
Oct.-Dec.	---	***	---	***	***	***	***	***	***
2014:									
Jan.-Mar.	---	***	---	***	***	***	***	***	***
Apr.-Jun.	---	***	---	***	***	***	***	***	***
Jul.-Sep.	---	***	---	***	***	***	***	***	***
Oct.-Dec.	---	***	---	***	***	***	***	***	***
2015:									
Jan.-Mar.	---	***	---	***	***	***	***	***	***
Apr.-Jun.	---	***	---	***	***	***	***	***	***

Table continued.

Table V-6--*Continued*

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2012-June 2015

Period	Turkey			United Kingdom		
	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:						
Jan.-Mar.	---	***	---	---	***	---
Apr.-Jun.	---	***	---	---	***	---
Jul.-Sep.	---	***	---	---	***	---
Oct.-Dec.	---	***	---	---	***	---
2013:						
Jan.-Mar.	---	***	---	---	***	---
Apr.-Jun.	---	***	---	---	***	---
Jul.-Sep.	---	***	---	---	***	---
Oct.-Dec.	---	***	---	---	***	---
2014:						
Jan.-Mar.	---	***	---	---	***	---
Apr.-Jun.	---	***	---	---	***	---
Jul.-Sep.	---	***	---	***	***	***
Oct.-Dec.	---	***	---	***	***	***
2015:						
Jan.-Mar.	***	***	***	***	***	***
Apr.-Jun.	***	***	***	***	***	***

[1] Product 3: Hot-rolled carbon steel sheet in coils, commercial quality SAE 1006-1015 or ASTM A1011 equivalent, pickled and oiled, temper-rolled, not high strength, 0.090" through 0.171" in nominal or actual thickness, 40" to 72" in width.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-7

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2012-June 2015

Period	United States		Australia			Brazil		
	Price (dollars per short ton)	Quantity (short tons)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:								
Jan.-Mar.	804.79	59,298	--	0	--	--	0	--
Apr.-Jun.	812.06	103,055	--	0	--	--	0	--
Jul.-Sep.	772.52	164,443	--	0	--	--	0	--
Oct.-Dec.	774.79	99,722	--	0	--	--	0	--
2013:								
Jan.-Mar.	***	***	--	0	--	--	0	--
Apr.-Jun.	697.81	130,275	--	0	--	--	0	--
Jul.-Sep.	763.29	83,333	--	0	--	--	0	--
Oct.-Dec.	***	***	--	0	--	--	0	--
2014:								
Jan.-Mar.	***	***	--	0	--	--	0	--
Apr.-Jun.	756.08	64,895	--	0	--	--	0	--
Jul.-Sep.	736.87	67,302	--	0	--	--	0	--
Oct.-Dec.	***	***	--	0	--	--	0	--
2015:								
Jan.-Mar.	***	***	--	0	--	***	***	***
Apr.-Jun.	547.06	111,939	--	0	--	***	***	***

Period	Japan			Korea			Netherlands		
	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:									
Jan.-Mar.	---	0	---	***	***	***	---	0	---
Apr.-Jun.	---	0	---	---	0	---	---	0	---
Jul.-Sep.	---	0	---	---	0	---	---	0	---
Oct.-Dec.	---	0	---	***	***	***	---	0	---
2013:									
Jan.-Mar.	---	0	---	---	0	---	---	0	---
Apr.-Jun.	---	0	---	***	0	***	---	0	---
Jul.-Sep.	---	0	---	---	0	---	---	0	---
Oct.-Dec.	---	0	---	---	0	---	---	0	---
2014:									
Jan.-Mar.	---	0	---	***	***	***	---	0	---
Apr.-Jun.	***	***	***	***	***	***	---	0	---
Jul.-Sep.	---	0	---	---	0	---	---	0	---
Oct.-Dec.	***	***	***	---	0	---	---	0	---
2015:									
Jan.-Mar.	***	***	***	***	***	***	---	0	---
Apr.-Jun.	***	***	***	***	***	***	***	***	***

Table continued.

Table V-7--*Continued.*

Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2012-June 2015

Period	Turkey			United Kingdom		
	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)	Price (dollars per short ton)	Quantity (short tons)	Margin (percent)
2012:						
Jan.-Mar.	---	0	---	---	0	---
Apr.-Jun.	---	0	---	---	0	---
Jul.-Sep.	---	0	---	---	0	---
Oct.-Dec.	---	0	---	---	0	---
2013:						
Jan.-Mar.	---	0	---	---	0	---
Apr.-Jun.	---	0	---	---	0	---
Jul.-Sep.	---	0	---	---	0	---
Oct.-Dec.	---	0	---	---	0	---
2014:						
Jan.-Mar.	---	0	---	---	0	---
Apr.-Jun.	---	0	---	---	0	---
Jul.-Sep.	---	0	---	---	0	---
Oct.-Dec.	---	0	---	---	0	---
2015:						
Jan.-Mar.	---	0	---	---	0	---
Apr.-Jun.	***	***	***	---	0	---

[1] Product 4: Hot rolled steel plate in coils, high strength low alloy, for conversion to API PSL 2 X70M, 0.250 to 0.750, 50” to 77” in width.

Note.-- This pricing product includes API grade X-70 pipe up to 0.750 inches, but Welspun alleges that U.S. prices will not include this product because it is not domestically produced. Welspun argues that X-70 pipe is price significantly higher than other products included in Product 4, and that prices for this product follow different trends. Welspun’s postconference brief, pp. 9-10.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-4

Hot-rolled steel: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2012-June 2015

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Figure V-5

Hot-rolled steel: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2012-June 2015

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Figure V-6

Hot-rolled steel: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2012-June 2015

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Figure V-7

Hot-rolled steel: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2012-June 2015

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Price trends

Prices decreased during January 2012 to June 2015. Table V-8 summarizes the price trends, by country and by product. As shown in the table, domestic price decreases ranged from 30.4 percent to 33.7 percent during 2012-2015. Import price decreases ranged from 10.5 percent to 38.3 percent, with prices of Korean products generally experiencing smaller decreases over the period, and product from the Netherlands generally experiencing the greatest decreases. Respondents argue that the decline in prices is partially due to the drop in raw material costs, and partially due to the decline in demand for hot-rolled steel.[19]

Due to limited data points and coverage, price trend data were unavailable for Brazil, Turkey, and the United Kingdom for all pricing products. Price trend data were also limited by pricing coverage for Australia, Japan, and the Netherlands.

[19] Conference transcript, pp. 153, 200 (Dougan).

Table V-8

Hot-rolled steel: Summary of weighted-average f.o.b. prices for products 1-4 from the United States and subject countries

Item	Number of quarters	Low price (per short ton)	High price (per short ton)	Change in price (percent)
Product 1:				
United States	14	452.41	672.70	(32.7)
Australia	***	***	***	***
Brazil	***	***	***	---
Japan	***	***	***	---
Korea	***	***	***	***
Netherlands	***	***	***	***
Turkey	***	***	***	---
United Kingdom	***	***	***	---
Product 2:				
United States	14	445.37	672.22	(33.7)
Australia	***	***	***	***
Brazil	***	***	***	---
Japan	***	***	***	***
Korea	***	***	***	***
Netherlands	***	***	***	***
Turkey	***	***	***	---
United Kingdom	***	***	***	---
Product 3:				
United States	14	504.20	724.20	(30.4)
Australia	***	***	***	---
Brazil	***	***	***	---
Japan	0	---	---	---
Korea	***	***	***	***
Netherlands	***	***	***	***
Turkey	***	***	***	---
United Kingdom	***	***	***	---
Product 4:				
United States	14	547.06	812.06	***
Australia	0	---	---	---
Brazil	***	***	***	---
Japan	***	***	***	---
Korea	***	***	***	***
Netherlands	***	***	***	---
Turkey	***	***	***	---
United Kingdom	0	0.00	0.00	---

[1] Percentage change from the first quarter in which data were available to the last quarter in which price data were available.

Source: Compiled from data submitted in response to Commission questionnaires.

Price comparisons

As shown in table V-9, prices for hot-rolled steel imported from subject countries were below those for U.S.-produced product in 126 of 210 instances (about 1 million short tons). Margins of underselling ranged from 0.0 to 20.1 percent. In the remaining 84 instances (about one-half million short tons), prices for hot-rolled steel from subject countries were between 0.1 and 40.9 percent above prices for the domestic product.

Table V-9

Hot-rolled steel: Instances of underselling/overselling and the range and average of margins, by country, January 2012-June 2015[1]

Source	Underselling				
	Number of quarters	Quantity (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
Australia	***	***	***	***	***
Brazil	19	97,270	5.4	0.6	20.1
Japan	19	207,535	8.9	0.7	17.5
Korea	21	82,802	4.5	0.0	11.9
Netherlands	***	***	***	***	***
Turkey	13	271,481	6.8	0.5	10.8
United Kingdom	***	***	***	***	***
Total	126	1,065,517	6.9	0.0	20.1
Source	**(Overselling)**				
	Number of quarters	Quantity (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
Australia	***	***	***	***	***
Brazil	18	123,636	(6.5)	(1.0)	(18.5)
Japan	9	148,577	(13.4)	(1.0)	(40.9)
Korea	27	80,117	(10.5)	(0.6)	(35.7)
Netherlands	***	***	***	***	***
Turkey	6	37,651	(5.7)	(0.3)	(20.7)
United Kingdom	***	***	***	***	***
Total	84	455,716	(7.8)	(0.1)	(40.9)

[1] These data include only quarters in which there is a comparison between the U.S. and subject product.

Source: Compiled from data submitted in response to Commission questionnaires.

Pricing data for Brazil and Korea show mixed price comparisons. Brazilian product undersold U.S.-produced product in 19 of 37 instances, and showed large quantities of products 2 and 3 that oversold U.S.-produced product (81.2 percent and 86.4 percent of total quantity was oversold, respectively). Korean product oversold U.S.-produced product in 27 of 48 instances, and 65 percent of total quantity of product 1 was oversold. Imports from Australia,

Japan, the Netherlands, Turkey, and the United Kingdom show more consistent patterns of underselling, both by the number of quarters, and by quantity.

LOST SALES AND LOST REVENUE

The Commission requested U.S. producers of hot-rolled steel to report any instances of lost sales or revenue they experienced due to competition from imports of hot-rolled from subject countries since January 1, 2012. Of the 9 responding U.S. producers, 8 reported that they had to either reduce prices or roll back announced price increases, and 8 firms reported that they had lost sales. Five producers submitted 12 lost sale allegations totaling $26,062,100 and involving 51,920 short tons of hot-rolled steel, and 6 lost revenue allegations totaling $1,469,996 and involving 20,147 short tons of hot-rolled steel. Staff contacted 14 purchasers and a summary of the information obtained follows (tables V-10 and V-11).

Purchasers responding to the lost sales allegations also were asked whether they shifted their purchases of hot-rolled steel from U.S. producers to suppliers of hot-rolled steel from subject countries since 2012. In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of hot-rolled steel from subject countries (table V-12). Five of the seven responding purchasers reported that they had shifted purchases of hot-rolled steel from U.S. producers to subject imports since 2012, and four of these purchasers reported that price was the reason for the shift. Four purchasers reported that U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2012. Additional comments, if provided, follow table V-12.

Table V-10
Hot-rolled steel: U.S. producers' lost sales allegations

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Table V-11
Hot-rolled steel: U.S. producers' lost revenue allegations

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Table V-12
Hot-rolled steel: Purchasers' responses regarding shifting supply and price reductions

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PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Nine U.S. producers reported usable financial results on their hot-rolled steel operations: AK Steel, ArcelorMittal USA, BlueScope, CSI, Evraz, Nucor, SDI, SSAB, and U.S. Steel.[1] [2] Based on this information, overall sales volume (including transfers and internal consumption) is relatively concentrated with the four largest producers accounting for *** percent of the total: ***. The remaining U.S. producers ranged from ***. Internal consumption reflects 56.0 percent of total volume followed by 42.0 percent commercial sales. A relatively small share (2.0 percent) was classified as transfers.

As noted in Part III of this report, there were a number of large-scale acquisitions during the period: AK Steel's purchase of Severstal's Dearborn, Michigan plant;[3] the purchase of ThyssenKrupp's Calvert, Alabama's carbon-steel related operations by ArcelorMittal USA and Nippon Steel & Sumitomo Metal Corporation (forming a 50-50 joint venture);[4] SDI's purchase of Severstal's Columbus, Mississippi plant;[5] and Nucor's acquisition of Gallatin Steel Company

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[1] ***. August 25, 2015 e-mail with attachment from *** to USITC auditor. USITC auditor notes (preliminary phase). While USS-POSCO submitted a U.S. producer questionnaire, the company is also not included in the financial results of the U.S. industry (see Part III of this report). Based on the information submitted by USS-POSCO, its value added (conversion costs divided by total COGS) related to its hot-rolled steel activity was *** percent. Ibid.

[2] Financial results were reported on the basis of generally accepted accounting principles (GAAP). With the exception of ***, U.S. producers reported their financial results for calendar-year periods.

[3] With regard to the purchase of Severstal Dearborn, a company official stated that ". . . AK Steel saw an outstanding opportunity to acquire what we felt were some excellent assets at a very fair price . . . {w}e looked at it as, this is not adding capacity to a market that's already saturated with global overcapacity, but rather an opportunity to really improve and gain efficiencies and do things better. AK Steel is known for outstanding operating rigor, and we felt that we could do a better job." Conference transcript (Lauschke), pp. 102-103. A public article regarding the acquisition indicated that it ". . . will be beneficial to AK Steel in a number of ways. The Dearborn plant is located nearby many of AK Steel's customers and the plant's assets as well as other facilities complement its existing carbon steel operations. The company will get access to highly modernized steelmaking equipment and facilities." *AK Steel (AKS) Wraps Up Severstal Dearborn Acquisition*, http://www.zacks.com/stock/news/147613/ak-steel-aks-wraps-up-severstal-dearborn-acquisition, retrieved on August 18, 2015.

[4] ArcelorMittal's chairman and CEO stated that "{t}his is an important strategic acquisition for ArcelorMittal. The Calvert plant is the most modern finishing facility in the world. It ideally complements our existing operations in the United States and the Americas, and will improve our ability to supply customers in the automotive and other markets in the Southern United States where we do not have comparable facilities today." ArcelorMittal postconference brief, public article included in exh. 24.

[5] An SDI press release stated that the acquisition of Severstal Columbus ". . . expands Steel Dynamics' operating base with 3.4 million tons of hot roll steel production capacity through acquisition of one of the most modern mini-mills in North America – {b}roadens Steel Dynamics' product portfolio by adding capabilities serving high margin customers in the OCTG and automotive sectors – {a}llows Steel

(*continued*...)

(formerly owned by ArcelorMittal USA and Gerdau).[6] U.S. producers confirmed that all relevant activity of the acquired operations was included in the financial results reported to the Commission. While there were short-falls in projected sales volume and investment return targets have not been achieved, U.S. producers indicated that the above-referenced acquisitions are fully operational.[7]

As also described in Part III, the U.S. industry experienced production disruptions during the period, as well as the idling and closure of several facilities. The extent to which these items impacted the U.S. industry's hot-rolled steel financial results is described below.

OPERATIONS ON HOT-ROLLED STEEL FLAT PRODUCTS

Tables VI-1, VI-2, and VI-3 present aggregated financial results on the U.S. producers' hot-rolled steel operations. Table VI-1 presents overall hot-rolled steel financial results with the value of internal consumption and transfers to related parties based on constructed fair market value.[8] Table VI-2 presents overall hot-rolled steel financial results with the value of internal consumption and transfers to related parties based on relevant cost of goods sold (COGS) plus a share of gross profit or loss on downstream products.[9] Table VI-3 presents hot-rolled steel financial results specific to commercial sales (including exports). Corresponding

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(…*continued*)
Dynamics to build a geographic market position in the Southern U.S. with exposure to growing southern and Mexican industrial manufacturing hubs – {s}trong fit with an impressive safety-oriented, non-union operating culture." *Steel Dynamics to Acquire Severstal Columbus-Acquisition to Accelerate Future Growth*, http://www.marketwatch.com/story/steel-dynamics-to-acquire-severstal-columbus-acquisition-to-accelerate-future-growth-2014-07-21, retrieved on September 11, 2015.

[6] With regard to its acquisition of Gallatin, Nucor stated that the objective was to increase ". . . overall production capacity and to expand Nucor's presence in the Midwest." Nucor postconference brief, exh. 1, p. 13.

[7] Conference transcript (Lauschke), pp. 102-104; *** Postconference brief, exh. 1, pp. 4-5; *** postconference brief, exh. 1, p. 1; *** postconference brief, exh. 6 (*** Response to Questions at Staff Conference), p. 1. Conference testimony and follow-up information generally also indicated that the above-referenced acquisitions did not disrupt or negatively impact other aspects/parts of company-specific hot-rolled steel operations.

[8] With regard to this methodology, the Commission's questionnaire requested that U.S. producers value internal consumption and transfer revenue at the same per-unit values as commercial sales. Firms were instructed to adjust internal consumption and transfer revenue if internal consumption and transfers differed from commercial sales due to factors such as product mix, physical, and/or quality differences. Financial results based on this methodology were labeled "operations on hot-rolled steel with internal consumption and transfers to related parties valued based upon differences in cost (constructed fair market value)." See section III-9a of U.S. producer questionnaire.

[9] The Commission's questionnaire asked U.S. producers to value internal consumption and transfer revenue using cost plus an allocation of gross profit of the downstream product (e.g., coated steel) based on the relative cost of hot-rolled steel and the cost of the downstream product. Financial results based on this methodology were labeled "operations on hot-rolled steel with internal consumption and transfers to related parties based upon the gross profit of the downstream product (cost plus share of downstream profit)." See section III-9b of the U.S. producer questionnaire.

company-specific financial results information for each of the above-referenced tables is presented in Appendix E. Tables VI-4, VI-5, and VI-6 present a corresponding variance analysis for the operations of U.S. producers of hot-rolled steel based on the financial results reported in tables VI-1, VI-2, and VI-3.[10]

Sales volume and value

Overall sales volume increased marginally in 2012-13 and 2013-14 and then was 11.3 percent lower in interim 2015 compared to interim 2014. The pattern of lower sales volume at the end of the period was almost uniform on a company-specific basis with *** U.S. producer reporting higher sales volume in interim 2015 compared to interim 2014 (see Appendix E). Among the large-volume producers, *** interim 2015 sales volume was lower compared to interim 2014 by the most substantial amount (*** percent), followed by *** (*** percent), *** (*** percent), and *** (*** percent).[11]

Unlike the pattern of sales volume, which was somewhat mixed during 2012-14, company-specific changes in average sales value (based on both overall and stand-alone commercial activity) were directionally uniform throughout the period (declining in 2012-13, increasing in 2013-14, and then lower in interim 2015 compared to interim 2014). During 2012-14, *** consistently reported the highest average commercial sales value, while *** reported the lowest. In interim 2015 *** reported the highest average commercial sales value and *** reported the lowest (see table E-3).

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[10] The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. As summarized at the bottom of the table, the price variance is from sales, the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances.

In general, the utility of the Commission's variance analysis is enhanced when product mix remains the same throughout the period. Several U.S. producer witnesses at the Commission's staff conference generally indicated that product mix did not change substantially during the period examined. Conference transcript (Lauschke), p. 105; (Mull), p. 106. This characterization is general consistent with U.S. producer pricing information (as a proxy for changes in overall product mix) which indicated that relative shares did not change substantially during the period examined. See USITC auditor notes (preliminary phase). Regarding changes in product mix, Nucor noted that it ***. Nucor postconference brief, exh. 1, p. 3.

[11] When considering commercial sales volume only, the same directional pattern of decline at the end of the period is present but the magnitude of decline and sequence with respect to the four largest producers is different: *** sales volume was lower by the most substantial amount (*** percent) in interim 2015 compared to interim 2014, followed by *** (*** percent), *** (*** percent), and *** (*** percent).

Table VI-1
Hot-rolled steel: Results of operations of U.S. producers with internal consumption and transfers valued at constructed fair market value, 2012-14, January-June 2014, and January-June 2015

Item	Calendar year			January-June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Commercial sales	24,950,600	25,073,194	25,207,379	12,382,201	10,778,281
Internal consumption	32,878,279	33,341,063	33,423,239	16,879,393	15,233,971
Transfers	1,100,415	1,161,363	1,310,882	658,466	532,704
Total net sales quantity	58,929,294	59,575,620	59,941,500	29,920,060	26,544,956
	Value ($1,000)				
Commercial sales	16,660,876	15,722,525	16,704,857	8,262,333	5,848,992
Internal consumption	21,494,292	20,561,018	21,665,335	10,988,484	8,150,501
Transfers	773,172	758,574	891,359	445,239	310,117
Total net sales value	38,928,340	37,042,117	39,261,551	19,696,056	14,309,610
Cost of goods sold:					
Raw materials	25,662,379	23,419,387	23,563,765	12,012,914	8,877,380
Direct labor	2,516,666	2,593,854	2,661,894	1,332,222	1,300,351
Other factory costs	7,841,969	8,290,972	9,121,792	4,763,432	4,094,521
Total cost of goods sold	36,021,014	34,304,213	35,347,451	18,108,568	14,272,252
Gross profit	2,907,326	2,737,904	3,914,100	1,587,488	37,358
SG&A expenses	1,150,062	1,081,711	1,252,843	653,943	594,908
Operating income or (loss)	1,757,264	1,656,193	2,661,257	933,545	(557,550)
Interest expense	535,028	567,836	450,418	296,192	223,035
Other expenses	987,276	23,951	116,763	35,112	146,631
Other income items	71,164	3,318	23,027	21,303	(711)
Net income or (loss)	306,124	1,067,724	2,117,103	623,544	(927,927)
Depreciation/amortization	764,466	721,627	661,017	349,488	331,120
Estimated cash flow	1,070,590	1,789,351	2,778,120	973,032	(596,807)
	Ratio to net sales (percent)				
Raw materials	65.9	63.2	60.0	61.0	62.0
Direct labor	6.5	7.0	6.8	6.8	9.1
Other factory costs	20.1	22.4	23.2	24.2	28.6
Cost of goods sold	92.5	92.6	90.0	91.9	99.7
Gross profit	7.5	7.4	10.0	8.1	0.3
SG&A expenses	3.0	2.9	3.2	3.3	4.2
Operating income or (loss)	4.5	4.5	6.8	4.7	(3.9)
Net income or (loss)	0.8	2.9	5.4	3.2	(6.5)

Table continued on next page.

Table VI-1—*Continued*
Hot-rolled steel: Results of operations of U.S. producers with internal consumption and transfers valued at constructed fair market value, 2012-14, January-June 2014, and January-June 2015

Item	Calendar year			January-June	
	2012	2013	2014	2014	2015
	Ratio to cost of goods sold (percent)				
Raw materials	71.2	68.3	66.7	66.3	62.2
Direct labor	7.0	7.6	7.5	7.4	9.1
Other factory costs	21.8	24.2	25.8	26.3	28.7
	Unit values (dollars per short ton)				
Commercial sales	668	627	663	667	543
Internal consumption	654	617	648	651	535
Transfers	703	653	680	676	582
Total net sales	661	622	655	658	539
Cost of goods sold:					
Raw materials	435	393	393	402	334
Direct labor	43	44	44	45	49
Other factory costs	133	139	152	159	154
Total cost of goods sold	611	576	590	605	538
Gross profit	49	46	65	53	1
SG&A expenses	20	18	21	22	22
Operating income or (loss)	30	28	44	31	(21)
Net income or (loss)	5	18	35	21	(35)
	Number of firms reporting				
Operating losses	1	1	0	2	6
Net losses	4	2	1	3	7
Data	9	9	9	9	9

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
Hot-rolled steel: Results of operations of U.S. producers with internal consumption and transfers valued at cost plus share of downstream gross profit, 2012-14, January-June 2014, and January-June 2015

Item	Calendar year			January-June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Commercial sales	24,950,600	25,073,194	25,207,379	12,382,201	10,778,281
Internal consumption	32,878,279	33,341,063	33,423,239	16,879,393	15,233,971
Transfers	1,100,415	1,161,363	1,310,882	658,466	532,704
Total net sales quantity	58,929,294	59,575,620	59,941,500	29,920,060	26,544,956
	Value ($1,000)				
Commercial sales	16,660,876	15,722,525	16,704,857	8,262,333	5,848,992
Internal consumption	20,948,769	20,518,368	21,344,232	10,958,556	8,731,252
Transfers	766,358	752,896	886,391	496,934	365,452
Total net sales value	38,376,003	36,993,789	38,935,480	19,717,823	14,945,696
Cost of goods sold:					
Raw materials	25,662,379	23,419,387	23,563,765	12,012,914	8,877,380
Direct labor	2,516,666	2,593,854	2,661,894	1,332,222	1,300,351
Other factory costs	7,841,969	8,290,972	9,121,792	4,763,432	4,094,521
Total cost of goods sold	36,021,014	34,304,213	35,347,451	18,108,568	14,272,252
Gross profit	2,354,989	2,689,576	3,588,029	1,609,255	673,444
SG&A expenses	1,151,362	1,083,746	1,254,407	655,480	595,689
Operating income	1,203,627	1,605,830	2,333,622	953,775	77,755
Interest expense	535,028	567,836	450,418	296,192	223,035
Other expenses	987,276	23,951	116,763	35,112	146,631
Other income items	71,164	3,318	23,027	21,303	(711)
Net income or (loss)	(247,513)	1,017,361	1,789,468	643,774	(292,622)
Depreciation/amortization	764,465	721,626	661,017	349,488	331,120
Estimated cash flow	516,952	1,738,987	2,450,485	993,262	38,498
	Ratio to net sales (percent)				
Raw materials	66.9	63.3	60.5	60.9	59.4
Direct labor	6.6	7.0	6.8	6.8	8.7
Other factory costs	20.4	22.4	23.4	24.2	27.4
Cost of goods sold	93.9	92.7	90.8	91.8	95.5
Gross profit	6.1	7.3	9.2	8.2	4.5
SG&A expenses	3.0	2.9	3.2	3.3	4.0
Operating income	3.1	4.3	6.0	4.8	0.5
Net income or (loss)	(0.6)	2.8	4.6	3.3	(2.0)

Table continued on next page.

Table VI-2—*Continued*
Hot-rolled steel: Results of operations of U.S. producers with internal consumption and transfers valued at cost plus share of downstream gross profit, 2012-14, January-June 2014, and January-June 2015

Item	Calendar year			January-June	
	2012	2013	2014	2014	2015
	Ratio to cost of goods sold (percent)				
Raw materials	71.2	68.3	66.7	66.3	62.2
Direct labor	7.0	7.6	7.5	7.4	9.1
Other factory costs	21.8	24.2	25.8	26.3	28.7
	Unit values (dollars per short ton)				
Commercial sales	668	627	663	667	543
Internal consumption	637	615	639	649	573
Transfers	696	648	676	755	686
Total net sales	651	621	650	659	563
Cost of goods sold:					
Raw materials	435	393	393	402	334
Direct labor	43	44	44	45	49
Other factory costs	133	139	152	159	154
Total cost of goods sold	611	576	590	605	538
Gross profit	40	45	60	54	25
SG&A expenses	20	18	21	22	22
Operating income or (loss)	20	27	39	32	3
Net income or (loss)	(4)	17	30	22	(11)
	Number of firms reporting				
Operating losses	1	0	0	1	4
Net losses	2	2	1	2	6
Data	9	9	9	9	9

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-3
Hot-rolled steel: Results of commercial operations of U.S. producers, 2012-14, January-June 2014, and January-June 2015

Item	Calendar year			January-June	
	2012	2013	2014	2014	2015
	Quantity (short tons)				
Total commercial sales	24,950,600	25,073,194	25,207,379	12,382,201	10,778,281
	Value ($1,000)				
Total commercial sales	16,660,876	15,722,525	16,704,857	8,262,333	5,848,992
Cost of goods sold:					
Raw materials	11,174,245	10,075,397	10,232,253	5,133,053	3,676,153
Direct labor	945,119	969,055	1,020,969	498,751	518,572
Other factory costs	3,150,984	3,361,460	3,656,586	1,863,867	1,571,365
Total cost of goods sold	15,270,348	14,405,912	14,909,808	7,495,671	5,766,090
Gross profit	1,390,528	1,316,613	1,795,049	766,662	82,902
SG&A expenses	554,936	495,203	547,934	286,272	251,320
Operating income or (loss)	835,592	821,410	1,247,115	480,390	(168,418)
Interest expense	317,003	323,344	222,904	144,974	100,763
Other expenses	978,598	13,996	50,025	16,690	44,876
Other income items	67,929	1,161	29,367	21,515	7,809
Net income or (loss)	(392,080)	485,231	1,003,553	340,241	(306,248)
Depreciation/amortization	357,186	326,014	287,266	149,171	133,420
Estimated cash flow	(34,894)	811,245	1,290,819	489,412	(172,828)
	Ratio to net sales (percent)				
Raw materials	67.1	64.1	61.3	62.1	62.9
Direct labor	5.7	6.2	6.1	6.0	8.9
Other factory costs	18.9	21.4	21.9	22.6	26.9
Cost of goods sold	91.7	91.6	89.3	90.7	98.6
Gross profit	8.3	8.4	10.7	9.3	1.4
SG&A expenses	3.3	3.1	3.3	3.5	4.3
Operating income or (loss)	5.0	5.2	7.5	5.8	(2.9)
Net income or (loss)	(2.4)	3.1	6.0	4.1	(5.2)

Table continued on next page.

Table VI-3—Continued
Hot-rolled steel: Results of commercial operations of U.S. producers, 2012-14, January-June 2014, and January-June 2015

Item	Calendar year			January-June	
	2012	2013	2014	2014	2015
	Ratio to cost of goods sold (percent)				
Raw materials	73.2	69.9	68.6	68.5	63.8
Direct labor	6.2	6.7	6.8	6.7	9.0
Other factory costs	20.6	23.3	24.5	24.9	27.3
	Unit values (dollars per short ton)				
Commercial sales	668	627	663	667	543
Cost of goods sold:					
Raw materials	448	402	406	415	341
Direct labor	38	39	41	40	48
Other factory costs	126	134	145	151	146
Total cost of goods sold	612	575	591	605	535
Gross profit	56	53	71	62	8
SG&A expenses	22	20	22	23	23
Operating income or (loss)	33	33	49	39	(16)
Net income or (loss)	(16)	19	40	27	(28)
	Number of firms reporting				
Operating losses	1	2	1	2	5
Net losses	3	3	2	3	7
Data	9	9	9	9	9

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-4
Hot-rolled steel: Variance analysis on the operations of U.S. producers, with internal consumption and transfers valued at constructed fair market value, 2012-14, January-June 2014, and January-June 2015

Item	Calendar year		January-June
	2012-13	2013-14	2014-15
	Value ($1,000)		
Total net sales:			
Price variance	(2,313,182)	1,991,942	(3,164,651)
Volume variance	426,959	227,492	(2,221,795)
Total net sales variance	(1,886,223)	2,219,434	(5,386,446)
Net cost of sales:			
Cost variance	2,111,873	(832,561)	1,793,596
Volume variance	(395,072)	(210,677)	2,042,720
Total net cost of sales variance	1,716,801	(1,043,238)	3,836,316
Gross profit variance	(169,422)	1,176,196	(1,550,130)
SG&A expenses:			
Expense variance	80,965	(164,489)	(14,732)
Volume variance	(12,614)	(6,643)	73,767
Total SG&A variance	68,351	(171,132)	59,035
Operating income variance	(101,071)	1,005,064	(1,491,095)
Summarized as:			
Price variance	(2,313,182)	1,991,942	(3,164,651)
Net cost/expense variance	2,192,838	(997,050)	1,778,864
Net volume variance	19,273	10,171	(105,308)

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-5
Hot-rolled steel: Variance analysis on the operations of U.S. producers with internal consumption and transfers to related firms valued at cost plus share of downstream gross profit, 2012-14, January-June 2014, and January-June 2015

Item	Calendar year		January-June
	2012-13	2013-14	2014-15
	Value ($1,000)		
Total net sales:			
Price variance	(1,803,115)	1,714,496	(2,547,877)
Volume variance	420,901	227,195	(2,224,250)
Total net sales variance	(1,382,214)	1,941,691	(4,772,127)
Net cost of sales:			
Cost variance	2,111,873	(832,561)	1,793,596
Volume variance	(395,072)	(210,677)	2,042,720
Total net cost of sales variance	1,716,801	(1,043,238)	3,836,316
Gross profit variance	334,587	898,453	(935,811)
SG&A expenses:			
Expense variance	80,244	(164,005)	(14,150)
Volume variance	(12,628)	(6,656)	73,941
Total SG&A variance	67,616	(170,661)	59,791
Operating income variance	402,203	727,792	(876,020)
Summarized as:			
Price variance	(1,803,115)	1,714,496	(2,547,877)
Net cost/expense variance	2,192,117	(996,566)	1,779,446
Net volume variance	13,201	9,862	(107,590)

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-6
Hot-rolled steel: Variance analysis on the commercial operations of U.S. producers, 2012-14, January-June 2014, and January-June 2015

Item	Calendar year		January-June
	2012-13	2013-14	2014-15
	Value ($1,000)		
Total net sales:			
Price variance	(1,020,214)	898,189	(1,343,085)
Volume variance	81,863	84,143	(1,070,256)
Total net sales variance	(938,351)	982,332	(2,413,341)
Net cost of sales:			
Cost variance	939,466	(426,799)	758,634
Volume variance	(75,030)	(77,097)	970,947
Total net cost of sales variance	864,436	(503,896)	1,729,581
Gross profit variance	(73,915)	478,436	(683,760)
SG&A expenses:			
Expense variance	62,460	(50,081)	(2,130)
Volume variance	(2,727)	(2,650)	37,082
Total SG&A variance	59,733	(52,731)	34,952
Operating income variance	(14,182)	425,705	(648,808)
Summarized as:			
Price variance	(1,020,214)	898,189	(1,343,085)
Net cost/expense variance	1,001,926	(476,880)	756,504
Net volume variance	4,106	4,396	(62,227)

Source: Compiled from data submitted in response to Commission questionnaires.

Cost of goods sold

As described in Part I, the operations of U.S. producers reflect different primary methods of steel production; e.g., using blast furnace or mini-mill EAF. In conjunction with varying degrees of integration with respect to primary inputs, most U.S. producers reported that they purchase at least some inputs from related suppliers.[12] [13] Several U.S. producers

[12] The Commission's current practice requires that relevant cost information associated with inputs purchased from related suppliers correspond to the manner in which this information is reported in the U.S. producer's own accounting books and records. See *1,1,1,2-Tetrafluoroethane from China, Inv. Nos. 701-TA-509 and 731-TA-1244 (Final)*, USITC Publication 4503, December 2014, pp. 23 and 37.

[13] ***. *** U.S. producer questionnaire, response to III-7. ***. September 4, 2015 e-mail with attachments from *** to USITC auditor.

***. *** U.S. producer questionnaire, response to III-7.

***. *** U.S. producer questionnaire, response to III-7. ***. September 8 2015 e-mail with attachment from *** to USITC auditor.

(*continued*...)

reported that all or the majority of raw material input purchased from related suppliers represented steel slab.[14]

Raw material represented the largest share of COGS throughout the period: ranging from 62.2 percent in interim 2015 to 71.2 percent in 2012 (see tables VI-1 and VI-2).[15] As shown in Appendix E, the wide range of company-specific average raw material costs appears to be consistent with the different methods of primary steel production (see footnote 13). While magnitudes varied, company-specific average raw material cost followed an almost uniform pattern of decrease in 2012-13, increase in 2013-14, and then was notably lower in interim 2015 compared to interim 2014.[16]

Other factory costs, the second largest share of COGS (ranging from 21.8 percent in 2012 to 28.7 percent in interim 2015), increased on an average per ton basis during 2012-14 and was marginally lower in interim 2015 compared to interim 2014 (see tables VI-1 and VI-2).[17] While the composition of other factory costs varies by company depending on factors such as how underlying steel is produced, as well as company-specific choices regarding cost classification, a number of the elements are common. Direct energy costs, which most U.S. producers classify as part of other factory costs, varied but generally ranged from *** percent of total COGS.[18]

U.S. producers generally noted the high fixed cost nature of steel production and that costs are negatively impacted when sales/production volume declines.[19] With regard to this pattern, ***.[20] ***.[21]

(…*continued*)

The larger mini-mill producers purchase scrap and other primary raw materials from related suppliers. ***. *** U.S. producer questionnaire, response to III-7. ***. *** postconference brief, exh. 1, p. 1.

***. *** U.S. producer questionnaire, response to III-7.

***. *** U.S. producer questionnaire, response to III-7.

[14] ***. *** U.S. producer questionnaire, response to III-7. ***. August 28, 2015 e-mail from *** to USITC auditor.

***. *** U.S. producer questionnaire, response to III-7. ***. August 29, 2015 e-mail from *** to USITC auditor.

[15] The share of COGS accounted for by raw material is marginally higher when considering stand-alone commercial activity: ranging from 63.8 percent in interim 2015 to 73.2 percent in 2012 (see table VI-3).

[16] ***.

[17] The share of COGS accounted for by other factory costs is marginally lower when considering stand-alone commercial activity: ranging from 20.6 percent in 2012 to 27.3 percent in interim 2015 (see table VI-3).

[18] ***. *** postconference brief, exh. 1, p 3. ***. *** postconference brief, Answers to Questions, p. 1. ***. *** Postconference brief, exh. 6 (*** Response to Questions at Staff Conference), p. 1. ***. *** postconference brief, exh. 1, p. 1. ***. *** Postconference brief, exh. 6 (*** Response to Questions at Staff Conference), p. 1. ***. *** Postconference brief, exh. 6 (*** Response to Questions at Staff Conference), p. 1. ***. *** Steel Postconference brief, exh. 1, p. 12.

[19] With regard to integrated producers and as an example of the importance of fixed costs, an industry witness at the Commission's staff conference noted that "{o}nce you start a blast furnace up, that blast furnace is going to run 24-7, 365 for years at a time, and if you take a blast furnace down, you're talking tens of millions, it could be hundreds of millions to bring it back up. So when you have an

(*continued*...)

Direct labor accounts for the smallest share of COGS (ranging from 7.0 percent in 2012 to 9.1 percent in interim 2015) (see tables VI-1 and VI-2).[22] Similar to other factory costs, whose share was also higher in interim 2015 compared to interim 2014, the higher share of direct labor cost at the end of the period appears to be largely due to lower raw material costs. When considered together (i.e., as total conversion cost) average other factory costs and average direct labor increased throughout the full-year period and was marginally lower in interim 2015 compared to interim 2014.

While U.S. producers reported production disruptions and closures during the period (see Part III of this report), direct costs recognized for these items were classified primarily as either SG&A expenses or "other expenses."[23] ***.[24] As noted in footnote 20 and while ***

(…*continued*)
operation like that, that is not running at full capacity, you can scale it back a little bit. But you'd need crews. You need the full complement of people to operate that equipment, to operate it safely. So you couldn't lay off, even if you wanted to, and that's why our costs skyrocket. That's why our fixed cost becomes such a very high percentage in this kind of environment . . ." Conference transcript (Lauschke), pp. 147-148.

The degree to which mini-mill steel producers are directly impacted by reduced fixed cost absorption varies. As described by Nucor in its 2014 10-K, "{o}ur highly variable low-cost structure, combined with our financial strength and liquidity, has allowed us to successfully navigate cyclical severely depressed steel industry market conditions in the past. In such times, our incentive-based pay system reduces our payroll costs, both hourly and salary, which helps to offset lower selling prices. Our pay-for-performance system that is closely tied to our levels of production also allows us to keep our work force intact and to continue operating our facilities when some of our competitors with greater fixed costs are forced to shut down some of their facilities. Because we use electric arc furnaces to produce our steel, we can easily vary our production levels to match short-term changes in demand, unlike our integrated competitors." Nucor 2014 10-K, exh. 13, p. 24.

[20] U.S. Steel stated that its ***. U.S. Steel postconference brief, exh. 1, p. 11. ***. As noted in a public article, U.S. Steel's ". . . Gary Works was forced to curtail operations {during part of the first half of 2014} because thick ice cover on the Great Lakes prevented ships from hauling in needed iron ore." *Blast furnace idled at local steel mills*, http://www.nwitimes.com/business/local/blast-furnaces-idled-at-local-steel-mills/article_883da270-97cf-57f1-9587-f05f996768c2.html, retrieved on September 16, 2015.

***. *** postconference brief, exh. 1, p. 1.

[21] ***. *AK Steel Slips, Q3 Outlook Falls Short on Furnace Outage*, http://www.zacks.com/stock/news/146172/ak-steel-slips-q3-outlook-falls-short-on-furnace-outage, retrieved on September 14, 2015. ***. *** postconference brief, Answers to Questions, p. 1.

***. *** postconference brief, exh. 1, p 3. As noted below, ***.

[22] The share of COGS accounted for by direct labor is marginally lower when considering stand-alone commercial activity: ranging from 6.2 percent in 2012 to 9.0 percent in interim 2015 (see table VI-3).

[23] AK Steel reported blast furnace disruptions at its Middletown Works in 2013 and at its Ashland Works facility in 2014. ***. With regard to 2014 specifically, AK Steel noted that "{i}t purchased approximately 460,000 tons of carbon steel slabs . . . primarily as the result of the operational issues the Company experienced at its Ashland blast furnace in 2014." AK Steel 2014 10-K, p. 2. ***. September 4, 2015 e-mail with attachments from *** to USITC auditor.

[24] The no. 7 blast furnace at ArcelorMittal USA's Indiana Harbor East facility was offline for extensive maintenance during part of 2014. *ArcelorMittal completes $70 million project on nation's largest blast*
(*continued*...)

higher average other factory costs in interim 2015 was attributed, in large part, to reduced fixed cost absorption caused by lower production volumes.

Gross profit or loss

Absolute gross profit reached its highest level in 2014 and then was substantially lower in interim 2015 compared to interim 2014 (see tables VI-1, VI-2, and VI-3). Gross profit ratio (the ratio of gross profit to revenue) moved higher during the full-year period, reaching its highest level in 2014, and then was notably lower in interim 2015 compared to interim 2014.

The pattern of gross profit (improvement and then deterioration) in large part reflects changes in average sales value and corresponding raw material costs. The spread between average sales value and average raw material cost (metal margin) generally increased on a per ton basis during the full-year period and then was notably lower in interim 2015 compared to interim 2014. On a company-specific basis, Appendix E shows that the pattern of average metal margin was somewhat mixed between 2012-13 and 2013-14. In contrast, all U.S. producers reported lower average metal margins in interim 2015 compared to interim 2014. While the impact of changes in effective metal margin on the U.S. producers' financial results may be a useful indicator, it should be noted that a number of U.S. producers do not consider the concept of metal margin to be relevant (in terms of establishing prices and/or evaluating financial results).[25]

In terms of the lower level of overall profitability in interim 2015, the large-volume U.S. producers, when discussing relevant segment financial results, generally emphasized the negative impact of lower sales value.[26] As noted above, average per ton conversion cost (other

(…*continued*)
furnace, http://www.nwitimes.com/business/local/arcelormittal-completes-million-project-on-nation-s-largest-blast-furnace/article_b487d004-10a4-5fda-a96b-1135a9e2ba60.html, retrieved on September 16, 2015. ***.

[25] ***. *** postconference brief, Answers to Questions, p. 1. ***. *** postconference brief, exh. 1, p 7. ***. *** postconference brief, exh. 6 (*** Response to Questions at Staff Conference), p. 1. ***. *** postconference brief, exh. 1, p. 9. ***. *** postconference brief, exh. 6 (*** Response to Questions at Staff Conference), p. 2. ***. *** postconference brief, exh. 6 (*** Response to Questions at Staff Conference), p. 1.

[26] With regard to first half 2015 and its consolidated operations, AK Steel stated that "{o}verall, lower costs for key inputs and continued strong carbon and stainless shipments to the automotive markets were only able to partially offset the effect of lower selling prices in the carbon spot market." AK Steel 2015 10-Q (Q2), p. 36. ArcelorMittal's NAFTA segment first half 2015 sales were reportedly 10 percent lower compared to first half 2014 due to a 10 percent decline in average steel selling price and a 3 percent decline in steel shipments. The NAFTA segment also reported an operating loss in first half 2015 compared to operating profit in first half 2014. ArcelorMittal stated that the NAFTA segment's interim 2015 financial results were ". . . negatively affected by a $69 million provision primarily related to onerous hot rolled and cold rolled contracts in the US . . . as well as lower volumes and lower average selling prices as compared to the six months ended June 30, 2014." ArcelorMittal Interim Financial Report (Half Year Ended June 30, 2015), p. 13. Nucor noted that during interim 2015 "{p}ricing has begun to stabilize, but we experienced some margin erosion as the steel mills worked through higher cost scrap, work-in-process and finished goods inventories." *Nucor Reports Results for Second Quarter*
(*continued*...)

factory costs plus direct labor) increased during 2012-14 and then was somewhat lower in interim 2015 compared to interim 2014. During the full-year period specifically, this pattern had the effect of reducing gross profit by partially offsetting the corresponding increase in metal margin.

SG&A expenses and operating income or loss

Appendix E shows that company-specific SG&A ratios (the ratio of SG&A expenses to revenue) were at somewhat different levels but generally remained within a similar range. As noted previously, SG&A expenses included some non-recurring items related to production disruptions and closures.[27]

Most U.S. producers reported lower SG&A expenses in interim 2015 compared to interim 2014 or SG&A expenses that were only somewhat higher (see Appendix E). *** higher level of SG&A expenses in interim 2015 compared to interim 2014.[28]

Given the relative stability of overall SG&A expense ratios during 2012-14, the general pattern of the industry's profitability was determined at the gross level. While this observation is generally applicable to the interim period as well, the somewhat higher SG&A expense ratio in interim 2015 amplified the negative effect of reduced gross profit margin.

Interest expense, other expenses, and net income or loss

All U.S producers reported interest expense with *** accounting for the *** share (*** percent), followed by *** (*** percent), *** (*** percent), *** (*** percent), and *** (*** percent).[29] *** share of total interest expense was notable for a large-volume producer in that it was *** percent of the total.

With regard to large non-recurring items included in "other expenses," *** reported a facility impairment charge of *** in 2012 and an *** in 2014. As noted previously, *** also included LCM inventory charges in other expenses (***).

(…*continued*)
and First Half of 2015, http://www.Nucor.com/investor/news/releases/print/?rid=2070490, retrieved on August 7, 2015. U.S. Steel's flat-rolled segment financial results declined in first half 2015 compared to first half 2014 which the company attributed to ". . . lower average realized prices . . . as a result of high import activity which has served to drastically depress both spot and contract prices, lower shipment volumes . . . lower steel substrate sales to our Tubular segment . . . and lower income from our joint ventures . . . {t}hese changes were partially offset by lower raw materials costs . . . lower energy costs . . . lower costs for profit-based payments . . . and lower repairs and maintenance and other operating costs . . ." U.S. Steel 2015 10-Q (Q2), p. 34.

[27] ***. September 4, 2015 e-mail with attachments from *** to USITC auditor.

[28] ***. USITC auditor notes (preliminary phase).

[29] As described by ArcelorMittal, since September 2011 it ". . . has been undergoing a deleveraging process to reduce its indebtedness including numerous divestments of non-core assets . . ." ArcelorMittal 2014 20-F, p. 33. The company's medium term targeted debt level is reportedly $15 billion. ArcelorMittal 2014 20-F, p. 54.

While the number of companies reporting net losses reached its highest level in interim 2015, ***, reported net losses throughout all or most of the period. In general, the net losses of *** can be attributed to profit margins that were relatively low at the operating level. In contrast, *** reported higher positive operating profit margins throughout the period. As described by ***.[30]

While the U.S. industry's pattern of net income largely tracked the pattern of operating income throughout the period, the relatively higher net loss margin in interim 2015 is primarily due to the ***.[31]

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-7 presents firm-specific capital expenditures and research and development ("R&D") expenses related to operations on hot-rolled steel.[32]

Table VI-7
Hot-rolled steel: Capital expenditures and research and development (R&D) expenses U.S. producers, 2012-14, January-June 2014, January-June 2015

Item	Calendar year			January-June	
	2012	2013	2014	2014	2015
Capital expenditures	**Value ($1,000)**				
* * * * * * *					
Total capital expenditures	1,093,870	726,936	650,531	247,002	302,874
R&D expenses	**Value ($1,000)**				
* * * * * * *					
Total R&D expenses	69,735	70,506	75,107	30,384	36,061

Source: Compiled from data submitted in response to Commission questionnaires.

While all U.S. producers reported capital expenditures, *** accounted for a substantial share of the total: *** percent and *** percent, respectively. Both companies also reported their largest level of capital expenditures in 2012.[33]

R&D expenses were reported by ***. As described by U.S. producers, R&D reflects a range of activity.[34]

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[30] September 3, 2015 e-mail with attachment from *** to USITC auditor.
[31] As noted in Part III of this report, ***.
[32] ***.
[33] ***. September 8, 2015 e-mail with attachment from *** to USITC auditor.
***. *** postconference brief, exh. 1, p. 14.

ASSETS AND RETURN ON INVESTMENT

Table VI-8 presents data on the U.S. producers total assets, asset turnover (sales divided by total assets), and return on assets.[35]

Table VI-8
Hot-rolled steel: U.S. producers' total assets, asset turnover, and return on assets, 2012-14

Item	Calendar year		
	2012	2013	2014
Total assets	**Value ($1,000)**		
* * * * * * *			
Total assets	22,512,374	21,482,153	19,567,710
Asset turnover	**Net sales to assets (expressed as multiple)[1]**		
* * * * * * *			
Average asset turnover	1.7	1.7	2.0
Return on assets	**Operating income (loss) to assets (*percent*)**		
* * * * * * *			
Average return on assets	7.8	7.7	13.6

[1] Company-specific sales used to calculate asset turnover ratio are based on table E-1. As noted previously, table E-1 corresponds to the overall financial results reported in table VI-1.

Source: Compiled from data submitted in response to Commission questionnaires.

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of hot-rolled steel to describe any actual or potential negative effects on their return on investment or their growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of imports of hot-rolled steel from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom. Table VI-9 tabulates the responses on actual negative effects

(…*continued*)

[34] ***. September 4, 2015 e-mail with attachments from *** to USITC auditor. ***. September 8 2015 e-mail with attachment from *** to USITC auditor. ***. *** postconference brief, exh. 1, p. 1. ***. *** postconference brief, exh. 1, p. 14.

[35] With respect to a company's overall operations, staff notes that a total asset value (i.e., the bottom line number on the asset side of a company's balance sheet) reflects an aggregation of a number of assets which in many instances are not product specific. Accordingly, high-level allocation factors presumably were required in order to report a total asset value specific to hot-rolled steel operations. As such, it should be noted that the pattern of asset values reported can reflect changes in underlying asset account balances, as well as period-to-period variations in relevant allocation factors.

on investment, growth and development while table VI-10 presents responses on actual and anticipated negative effects on investment, growth and development of U.S. producers.

Table VI-9
Hot-rolled steel: Negative effects of imports from subject sources on investment, growth, and development since January 1, 2012

* * * * * * *

Table VI-10
Hot-rolled steel: Narrative responses by U.S. producers regarding actual and anticipated negative effects of imports from subject sources on investment, growth, and development since January 1, 2012

* * * * * * *

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting subject countries indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

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[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign subject countries, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented in *Part I* of this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-subject countries markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN AUSTRALIA

Overview

The Commission issued foreign producers' or exporters' questionnaires to one firm believed to produce and/or export hot-rolled steel from Australia.[3] A useable response to the Commission's questionnaire was received from one firm: BlueScope Steel Limited ("BlueScope"). BlueScope's exports to the United States accounted for *** percent of U.S. imports of hot-rolled steel from Australia during 2014.[4] According to estimates requested of BlueScope, its production accounts for *** percent of overall production of hot-rolled steel in Australia. *** data indicate that BlueScope's two facilities at Port Kembia and Western Port account for *** production and capacity of hot-rolled steel in Australia.[5] [6] Table VII-1 presents information on the hot-rolled steel operations of BlueScope.

Table VII-1
Hot-rolled steel: Summary data on the firm in Australia, 2014

* * * * * * *

Changes in operations

As presented in table VII-2, BlueScope reported ***.

Table VII-2
Hot-rolled steel: Reported changes in operations by the firm in Australia

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[3] This firm was identified through a review of information submitted in the petition and contained in proprietary Customs records.

[4] The coverage estimates presented for each country in this part of the staff report are based on reported exports divided by official import statistics. For most countries, reported exports exceed the quantities indicated in the official import statistics in 2014. However, counsel for the domestic interested parties indicated they were in general agreement that the HTS numbers used in the compilation of import data in this report are appropriate for purposes of the preliminary phase of these investigations. Conference transcript, pp. 64-65 (Rosenthal, Price, and Vaughn). The import data presented in Part IV exclude certain hot-rolled products including certain cut-to-length plate, high-nickel alloy plate, and certain tool grades of steel.

[5] *** reports that BlueScope had capacity of *** million short tons of hot-rolled steel and produced *** million short tons of hot-rolled sheet and coil in Australia during 2014. BlueScope, however, reported *** percent of the capacity and *** percent of production reported in ***. The discrepancy appears to be due to the fact that the Western Port facility, which has been "mothballed" according to BlueScope's questionnaire response, was included in *** capacity and production estimates. ***.

[6] The Petitioners used *** for production estimates in the petition. It appears however, that *** is the appropriate source for production estimates.

Operations of the hot-rolled steel producer in Australia

Table VII-3 presents information on the hot-rolled steel operations of BlueScope in Australia for 2012-14, January-June 2014, and January-June 2015, as well as projections for 2015-16.

Australian production, capacity utilization, inventories, and shipments, increased from 2012 to 2014. Production, capacity utilization, inventories, and shipments were also higher during the first half of 2015 than in the comparable period of 2014. Capacity remained the same from 2012 to 2014 and is projected to remain at the same level in 2015 and 2016.

The home market accounted for the majority of total shipments by BlueScope, declining from *** percent of total shipments in 2012 to *** percent of total shipments in 2014. Home market shipments by BlueScope accounted for *** percent of total shipments during the first half of 2015. BlueScope's exports to the United States increased from 2012 to 2014 and were higher in the first half of 2015 as compared to the first half of 2014. Exports to the United States accounted for *** percent of total shipments in 2012 and *** percent in the first half of 2015.[7] [8] Export markets other than the United States ranged between *** percent of total shipments in the first half of 2014 and *** percent in the first half of 2015. Other export markets identified include ***.

Table VII-3
Hot-rolled steel: Data on the industry in Australia, 2012-14, January to June 2014, January to June 2015, and calendar year projections for 2015 and 2016

* * * * * * *

Alternative products

As shown in table VII-4, *** production reported by Australia's producer was subject merchandise.

Table VII-4
Hot-rolled steel: Australian producer's overall capacity and production on the same equipment as subject production, 2012-14, January to June 2014, January to June 2015

* * * * * * *

[7] *** percent of BlueScope's 2014 exports to the United States were sold to Steelscape a California-based corrosion-resistant steel producer owned in part by BlueScope. BlueScope's postconference brief, pp. 22-23.

[8] BlueScope indicated in its foreign producer questionnaire response ***.

Exports

According to Global Trade Atlas ("GTA"), the top export markets for hot-rolled steel produced in Australia during 2014 were the United States and Thailand (table VII-5). The United States was the largest export market. During 2014, the United States and Thailand accounted for 73.8 and 15.1 percent of total exports from Australia, respectively.

Table VII-5
Hot-rolled steel: Exports from Australia to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Australia's exports to the United States	179,564	146,360	334,821
Australia's exports to other top destination markets.--			
Thailand	106,004	147,733	68,723
Vietnam	29,409	16,847	30,965
Brazil	54,843	52,096	11,103
New Zealand	4,035	4,727	2,448
Canada	20	0	1,869
Malaysia	24,507	11,171	849
India	1	0	832
Indonesia	1,749	10	788
China	4,166	16,247	588
All other destination markets	64,614	62,397	749
Total Australia exports	468,910	457,587	453,734
	Share of quantity (percent)		
Australia's exports to the United States	38.3	32.0	73.8
Australia's exports to other top destination markets.--			
Thailand	22.6	32.3	15.1
Vietnam	6.3	3.7	6.8
Brazil	11.7	11.4	2.4
New Zealand	0.9	1.0	0.5
Canada	0.0	0.0	0.4
Malaysia	5.2	2.4	0.2
India	0.0	0.0	0.2
Indonesia	0.4	0.0	0.2
China	0.9	3.6	0.1
All other destination markets	13.8	13.6	0.2
Total Australia exports	100.0	100.0	100.0

Source: Australian Bureau of Statistics exports as reported in the GTIS/GTA database using HTS subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, and 7225.30, accessed 08/20/15.

THE INDUSTRY IN BRAZIL

Overview

The Commission issued foreign producers' or exporters' questionnaires to six firms believed to produce and/or export hot-rolled steel from Brazil.[9] Useable responses to the Commission's questionnaire were received from three firms: Usinas Siderúrgicas De Minas Gerais ("Usiminas"), ArcelorMittal Brasil, and Companhia Siderúrgica Nacional ("CSN").[10] These firms' reported exports to the United States accounted for *** percent of U.S. imports of hot-rolled steel from Brazil during 2014. According to estimates requested of the responding Brazilian producers, the production of hot-rolled steel in Brazil reported in this part of the report accounts for approximately *** percent of overall production of hot-rolled steel in Brazil. *** data indicate that they accounted for *** percent of production and *** percent of capacity in Brazil during 2014.[11] Table VII-6 presents information on the hot-rolled steel operations of the responding producers and exporters in Brazil.

Table VII-6
Hot-rolled steel: Summary data on firms in Brazil, 2014

* * * * * * *

Changes in operations

As presented in table VII-7, producers in Brazil reported ***.

Table VII-7
Hot-rolled steel: Reported changes in operations by firms in Brazil

* * * * * * *

Operations of hot-rolled steel producers in Brazil

Table VII-8 presents information on the hot-rolled steel operations of the responding producers and exporters in Brazil for 2012-14, January-June 2014, and January- June 2015, as well as projections for 2015-16.

Brazilian capacity and inventories increased from 2012 to 2014; whereas, capacity utilization, production, and shipments decreased. Inventories were higher in the first half of

[9] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

[10] ***. This company's data was excluded from this report.

[11] The coverage estimates are based on total production of hot-rolled sheet and coil plate in Brazil of *** short tons and total capacity of *** short tons in 2014 as reported by ***. ***.

2015 than in the comparable period of 2014; whereas, capacity, production, capacity utilization, and shipments were lower. Capacity increased slightly from 2012 to 2014 due to the ***.

The home market accounted for the majority of total shipments by the Brazilian producers, declining from *** percent of total shipments in 2012 to *** percent of total shipments in 2014. The home market accounted for *** percent of total shipments during the first half of 2015. Exports to the United States accounted for between *** percent of total shipments in 2012 to *** percent during the first half of 2015. Export markets other than the United States accounted for between *** percent in 2013 and *** percent of the responding Brazilian producers' total shipments in the first half of 2015.[12] Other export markets identified include ***.

Table VII-8
Hot-rolled steel: Data on the industry in Brazil, 2012-14, January to June 2014, January to June 2015, and calendar year projections for 2015 and 2016

* * * * * * *

Alternative products

As shown in table VII-9, at least *** percent of Brazilian production on the same equipment in each period was subject merchandise. The other products produced on the same machinery as subject merchandise consist of hot-rolled steel with alloy elements that exceed the proportions outlined in the scope.

Table VII-9
Hot-rolled steel: Brazilian producers' overall capacity and production on the same equipment as subject production, 2012-14, January to June 2014, January to June 2015

* * * * * * *

Exports

According to GTA, the top export markets for hot-rolled steel produced in Brazil during 2014 were the United States and Colombia (table VII-10). The United States was the largest destination for Brazilian exports. During 2014, the United States and Colombia accounted for 23.6 and 11.4 percent of total exports from Brazil, respectively.

[12] ArcelorMittal Brazil has not exported hot-rolled steel to the United States since at least 2012 and does not project that it will export hot-rolled steel to the United States through 2016. Brazilian respondents noted that ArcelorMittal enforces a corporate policy that constrains exports to the United States from its Brazilian facility. ArcelorMittal USA's representative stated that as a commercial policy, the chief commercial officer in a region (such as the United States) has the control over product entering its home market from any of its affiliates, from a pricing and availability standpoint. Conference transcript, pp. 116-117 (Mull) and CSN postconference brief, pp. 8-9.

Table VII-10
Hot-rolled steel: Exports from Brazil to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Brazil's exports to the United States	10,976	52,338	330,623
Brazil's exports to other top destination markets.--			
Colombia	220,628	151,037	160,020
Portugal	0	2,003	140,465
India	113,922	0	127,180
Thailand	0	0	119,993
Venezuela	109,747	119,634	75,201
Turkey	0	0	69,755
Chile	100,799	71,253	67,367
Ecuador	76,496	86,328	56,573
Vietnam	7,469	146,532	42,716
All other destination markets	334,011	215,152	213,213
Total Brazil exports	974,046	844,277	1,403,106
	Share of quantity (percent)		
Brazil's exports to the United States	1.1	6.2	23.6
Brazil's exports to other top destination markets.--			
Columbia	22.7	17.9	11.4
Portugal	0.0	0.2	10.0
India	11.7	0.0	9.1
Thailand	0.0	0.0	8.6
Venezuela	11.3	14.2	5.4
Turkey	0.0	0.0	5.0
Chile	10.3	8.4	4.8
Ecuador	7.9	10.2	4.0
Vietnam	0.8	17.4	3.0
All other destination markets	34.3	25.5	15.2
Total Brazil exports	100.0	100.0	100.0

Source: SECEX – Foreign Trade Secretariat exports as reported in the GTIS/GTA database using HTS subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, and 7225.30, accessed 08/20/15.

THE INDUSTRY IN JAPAN

Overview

The Commission issued foreign producers' or exporters' questionnaires to six firms believed to produce and/or export hot-rolled steel from Japan.[13] Useable responses to the Commission's questionnaire were received from five firms: JFE Steel, Kobe Steel, Nisshin Steel, Nippon Steel & Sumitomo Metal, and Tokyo Steel Manufacturing. These firms' exports to the United States accounted for *** percent of U.S. imports of hot-rolled steel from Japan during 2014. According to estimates requested of the responding Japanese producers, the production of hot-rolled steel in Japan reported in this part of the report accounts for nearly all of overall production of hot-rolled steel in Japan. *** data indicate that Japanese producers account for *** percent of production and *** percent of capacity in 2014.[14] Table VII-11 presents information on the hot-rolled steel operations of the responding producers and exporters in Japan.

Table VII-11
Hot-rolled steel: Summary data on firms in Japan, 2014

* * * * * * *

Changes in operations

As presented in table VII-12, the Japanese producers ***.

Table VII-12
Hot-rolled steel: Reported changes in operations by firms in Japan

* * * * * * *

Operations of hot-rolled steel producers in Japan

Table VII-13 presents information on the hot-rolled steel operations of the responding producers and exporters in Japan for 2012-14, January-June 2014, and January- June 2015, as well as projections for 2015-16.

Japanese capacity utilization, production and shipments increased from 2012 to 2014; whereas inventories and capacity decreased. Capacity, production, and shipments were lower during the first half of 2015 than in the comparable period of 2014; whereas, inventories and capacity utilization were higher. Capacity decreased in the first half of 2015 due to the ***.

---

[13] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

[14] The coverage estimates are based on total production of hot-rolled sheet and coil plate in Japan of *** million short tons and total capacity of *** million short tons in 2014 as reported by ***.

The home market accounted for the majority of total shipments by the Japanese producers, declining from *** percent of total shipments in 2012 to *** percent of total shipments in 2014. The home market accounted for *** percent of total sales during the first half of 2015. Export markets other than the United States accounted for more than *** percent of the responding Japanese producers' total shipments since 2012, while exports to the United States did not reach *** percent in any period. Other export markets identified include ***.

Table VII-13
Hot-rolled steel: Data on the industry in Japan, 2012-14, January to June 2014, January to June 2015, and calendar year projections for 2015 and 2016

* * * * * * *

Alternative products

As shown in table VII-14, *** production reported by Japanese producers is subject merchandise.

Table VII-14
Hot-rolled steel: Japanese producers' overall capacity and production on the same equipment as subject production, 2012-14, January to June 2014, January to June 2015

* * * * * * *

Exports

According to GTA, the top export markets for hot-rolled steel produced in Japan during 2014 were Thailand and South Korea (table VII-15). The United States was the ninth largest destination for Japanese exports during 2014. During 2014, Thailand, South Korea, and the United States accounted for 17.8, 17.3, and 3.5 percent of total exports from Japan, respectively.

Table VII-15
Hot-rolled steel: Exports from Japan to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Japan's exports to the United States	257,599	375,383	537,903
Japan's exports to other top destination markets.--			
Thailand	2,597,569	2,441,629	2,699,856
Korea South	2,620,670	2,846,302	2,635,121
China	1,210,238	1,520,636	1,503,704
Vietnam	1,147,893	1,352,570	1,203,630
India	597,347	583,662	803,395
Bangladesh	413,243	497,004	667,299
Indonesia	613,656	692,516	619,235
Saudi Arabia	812,716	636,853	585,138
Taiwan	423,657	492,421	499,238
All other destination markets	2,942,520	3,269,662	3,445,576
Total Japan exports	13,637,108	14,708,637	15,200,097
	Share of quantity (percent)		
Japan's exports to the United States	1.9	2.6	3.5
Japan's exports to other top destination markets.--			
Thailand	19.0	16.6	17.8
Korea South	19.2	19.4	17.3
China	8.9	10.3	9.9
Vietnam	8.4	9.2	7.9
India	4.4	4.0	5.3
Bangladesh	3.0	3.4	4.4
Indonesia	4.5	4.7	4.1
Saudi Arabia	6.0	4.3	3.8
Taiwan	3.1	3.3	3.3
All other destination markets	21.6	22.2	22.7
Total Japan exports	100.0	100.0	100.0

Source: Japan Ministry of Finance exports as reported in the GTIS/GTA database using HTS subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, and 7225.30, accessed 08/20/15.

THE INDUSTRY IN KOREA

Overview

The Commission issued foreign producers' or exporters' questionnaires to twelve firms believed to produce and/or export hot-rolled steel from Korea.[15] Useable responses to the Commission's questionnaire were received from three firms: Hyundai Steel Company, Dongbu Steel, and POSCO. These firms' exports to the United States accounted for *** percent of U.S. imports of hot-rolled steel from Korea during 2014. According to estimates requested of the responding Korea producers, the production of hot-rolled steel in Korea reported in this part of the report accounts for approximately *** percent of overall production of hot-rolled steel in Korea. *** data indicate that these producers accounted for *** percent of production and *** percent of capacity in Korea in 2014.[16] Table VII-16 presents information on the hot-rolled steel operations of the responding Korean producers and exporters.

Table VII-16
Hot-rolled steel: Summary data on firms in Korea, 2014

* * * * * * *

Changes in operations

As presented in table VII-17, producers in Korea reported ***.

Table VII-17
Hot-rolled steel: Reported changes in operations by firms in Korea

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Operations of hot-rolled steel producers in Korea

Table VII-18 presents information on the hot-rolled steel operations of the responding producers and exporters in Korea for 2012-14, January-June 2014, and January- June 2015, as well as projections for 2015-16.

Korean capacity, production, inventories, and shipments increased from 2012 to 2014; whereas capacity utilization decreased. Capacity, capacity utilization, production, inventories, and shipments were higher during the first half of 2015 than in the comparable period of 2014. Capacity increased from 2012 to 2014 due to an *** and ***.

[15] These firms were identified through a review of information submitted in the petition, contained in proprietary Customs records, and other public sources.

[16] The coverage estimates are based on total production of hot-rolled sheet and coil plate in Korea of *** million short tons and total capacity of *** million short tons in 2014 as reported by ***.

The home market accounted for the majority of total shipments by the Korean producers, increasing from *** percent of total shipments in 2012 to *** percent of total shipments in 2014. Home market sales by responding Korean producers accounted for *** percent of total sales during the first half of 2015. Export markets other than the United States accounted for no less than *** percent of the responding Korean producers' total shipments in each reported period while exports to the United States accounted for no more than *** percent. Other export markets identified include ***.

Table VII-18
Hot-rolled steel: Data on the industry in Korea, 2012-14, January to June 2014, January to June 2015, and calendar year projections for 2015 and 2016

* * * * * * *

Alternative products

As shown in table VII-19, no less than *** percent of production on the same equipment in each period reported by Korean producers is subject merchandise.

Table VII-19
Hot-rolled steel: Korean producers' overall capacity and production on the same equipment as subject production, 2012-14, January to June 2014, January to June 2015

* * * * * * *

Exports

According to GTA, the top export markets for hot-rolled steel produced in Korea during 2014 were the United States and Japan (table VII-20). The United States was the largest destination for Korean exports in 2014. During 2014, the United States and Japan accounted for 18.6 and 15.4 percent of total exports from Korea, respectively.

Table VII-20
Hot-rolled steel: Exports from Korea to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Korea's exports to the United States	957,788	777,112	1,329,053
Korea's exports to other top destination markets.--			
Japan	1,205,673	1,075,324	1,096,415
Vietnam	965,983	886,466	823,815
India	514,119	319,517	804,764
Indonesia	877,721	744,646	725,123
Thailand	712,547	520,648	487,931
China	365,443	319,504	346,871
Mexico	186,200	160,093	263,522
Iran	242,778	184,340	233,622
Bangladesh	169,300	137,855	152,306
All other destination markets	879,264	766,306	862,986
Total Korea exports	7,076,816	5,891,813	7,126,409
	Share of quantity (percent)		
Korea's exports to the United States	13.5	13.2	18.6
Korea's exports to other top destination markets.--			
Japan	17.0	18.3	15.4
Vietnam	13.6	15.0	11.6
India	7.3	5.4	11.3
Indonesia	12.4	12.6	10.2
Thailand	10.1	8.8	6.8
China	5.2	5.4	4.9
Mexico	2.6	2.7	3.7
Iran	3.4	3.1	3.3
Bangladesh	2.4	2.3	2.1
All other destination markets	12.4	13.0	12.1
Total Korea exports	100.0	100.0	100.0

Source: Korea Customs and Trade Development Institution exports as reported in the GTIS/GTA database using HTS subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, and 7225.30, accessed 08/20/15.

THE INDUSTRY IN THE NETHERLANDS

Overview

The Commission issued foreign producers' or exporters' questionnaires to three firms believed to produce and/or export hot-rolled steel from Netherlands.[17] Useable responses to the Commission's questionnaire were received from one firm: Tata Steel IJmuiden BV ("Tata Netherlands"). This firm's exports to the United States accounted for *** percent of U.S. imports of hot-rolled steel from the Netherlands during 2014. According to estimates requested of Tata Netherlands, the production of hot-rolled steel in the Netherlands reported in this Part of the report accounts for *** percent of overall Dutch production of hot-rolled steel. Staff believes that they account for *** Dutch production and capacity.[18] Table VII-21 presents information on the hot-rolled steel operations of Tata Netherlands.

Table VII-21
Hot-rolled steel: Summary data on the firm in the Netherlands, 2014

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Changes in operations

As presented in table VII-22, Tata Netherlands reported ***.

Table VII-22
Hot-rolled steel: Reported changes in operations by the firm in the Netherlands

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Operations of the hot-rolled steel producer in the Netherlands

Table VII-23 presents information on the hot-rolled steel operations of Tata Netherlands for 2012-14, January-June 2014, and January- June 2015, as well as projections for 2015-16. Tata Netherlands' capacity utilization, production, inventories, and shipments increased from 2012 to 2014; whereas, only capacity decreased. Capacity, production, inventories, and shipments were higher during the first half of 2015 than in the comparable period of 2014; whereas, capacity utilization was lower.

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[17] These firms were identified through a review of information submitted in the petition, contained in proprietary Customs records, and other public sources.

[18] *** lists no other Dutch producers and estimates total capacity of *** million short tons in 2014 which means the capacity reported by Tata Netherlands in its questionnaire response accounts for *** percent of that estimate. ***. Because hot-rolled steel production estimates are not available in *** for the Netherlands, staff relied on 2013 data from the *2014 Steel Statistical Yearbook*. Estimated Dutch production in 2013 was 7.0 million short tons, which means Tata Netherlands accounted for *** percent of that figure. Petition, Vol. 1 at p. 41 and exh. I-17.

The home market accounted for the majority of Tata Netherlands' total shipments, increasing from *** percent of total shipments in 2012 to *** percent of total shipments in 2014. Home market shipments by Tata Netherlands accounted for *** percent of total shipments during the first half of 2015. Exports to the United States increased from *** percent in 2012 to *** percent in 2014 of Tata Netherlands' total shipments. Export markets other than the United States accounted for no less than *** percent of Tata Netherlands' total shipments from 2012 through the first half of 2015. Other export markets identified include ***.

Table VII-23
Hot-rolled steel: Data on the industry in the Netherlands, 2012-14, January to June 2014, January to June 2015, and calendar year projections for 2015 and 2016

* * * * * * *

Alternative products

As shown in table VII-24, no other products were produced on the same equipment as the subject merchandise.

Table VII-24
Hot-rolled steel: The Netherlands producer's overall capacity and production on the same equipment as subject production, 2012-14, January to June 2014, January to June 2015

* * * * * * *

Exports

According to GTA, the top export markets for hot-rolled steel produced in the Netherlands during 2014 were Germany and the United States (table VII-25). The United States was the second largest destination for Dutch exports. During 2014, Germany and the United States accounted for 32.9 and 18.0 percent of total Dutch exports, respectively.

Table VII-25
Hot-rolled steel: Exports from the Netherlands to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Netherlands' exports to the United States	359,526	372,036	468,331
Netherlands' exports to other top destination markets.--			
Germany	921,348	867,844	857,253
France	236,378	191,632	332,718
United Kingdom	218,050	177,875	229,717
Spain	132,347	123,023	129,894
Belgium	118,543	124,869	116,839
Mexico	82,207	33,194	98,138
Italy	58,030	97,385	83,445
Turkey	183,231	54,721	43,821
Denmark	52,522	67,726	43,819
All other destination markets	357,141	292,581	202,375
Total Netherlands exports	2,719,324	2,402,888	2,606,351
	Share of quantity (percent)		
Netherlands' exports to the United States	13.2	15.5	18.0
Netherlands' exports to other top destination markets.--			
Germany	33.9	36.1	32.9
France	8.7	8.0	12.8
United Kingdom	8.0	7.4	8.8
Spain	4.9	5.1	5.0
Belgium	4.4	5.2	4.5
Mexico	3.0	1.4	3.8
Italy	2.1	4.1	3.2
Turkey	6.7	2.3	1.7
Denmark	1.9	2.8	1.7
All other destination markets	13.1	12.2	7.8
Total Netherlands exports	100.0	100.0	100.0

Source: Exports reported by various countries' statistical authorities as reported in the GTIS/GTA database using HTS subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, and 7225.30, accessed 08/20/15.

THE INDUSTRY IN TURKEY

Overview

The Commission issued foreign producers' or exporters' questionnaires to six firms believed to produce and/or export hot-rolled steel from Turkey.[19] Useable responses to the Commission's questionnaire were received from two firms: Ereğli Demir ve Çelik Fabrikaları T.A.Ş. ("Erdemir") and Çolakoğlu Metalurji Anonim Şirketi ("Colakoglu"). These firms' exports to the United States accounted for *** percent of U.S. imports of hot-rolled steel from Turkey during 2014. According to estimates requested of the responding Turkish producers, the production of hot-rolled steel in Turkey reported in this part of the report accounts for approximately *** percent of overall production of hot-rolled steel in Turkey. *** data indicate that these firms account for essentially all production but only *** percent of capacity in Turkey.[20] Table VII-26 presents information on the hot-rolled steel operations of the responding producers and exporters in Turkey.

Table VII-26
Hot-rolled steel: Summary data on firms in Turkey, 2014

* * * * * * *

Changes in operations

Producers in Turkey reported in their questionnaire responses no operational or organizational changes since January 1, 2012.

Operations of hot-rolled steel producers in Turkey

Table VII-27 presents information on the hot-rolled steel operations of the responding producers and exporters in Turkey for 2012-14, January-June 2014, and January- June 2015, as well as projections for 2015-16.

Turkish capacity utilization, production, and shipments increased from 2012 to 2014; whereas, capacity and inventories decreased. Capacity utilization, production, inventories, and shipments were higher during the first half of 2015 than in the comparable period of 2014, while capacity was relatively constant.

The home market accounted for the majority of total shipments by the Turkish producers, declining from *** percent of total shipments in 2012 to *** percent of total

[19] These firms were identified through a review of information submitted in the petition, contained in proprietary Customs records, and other public sources.

[20] The coverage estimates are based on total production of hot-rolled sheet and coil plate in Turkey of *** million short tons and total capacity of *** million short tons in 2014 as reported by ***. ***. ***.

shipments in 2014.[21] The home market accounted for *** percent of total shipments during the first half of 2015. Exports to the United States increased from *** percent in 2012 to *** percent in 2014 of the responding Turkish producers' total shipments. Export markets other than the United States accounted for between *** and *** percent of the total shipments in each period. Other export markets identified include ***.

Table VII-27
Hot-rolled steel: Data on the industry in Turkey, 2012-14, January to June 2014, January to June 2015, and calendar year projections for 2015 and 2016

* * * * * * *

Alternative products

As shown in table VII-28, no less than *** percent of production in each period reported by Turkish producers is subject merchandise. The other product was described as *** questionnaire response.

Table VII-28
Hot-rolled steel: Turkish producers' overall capacity and production on the same equipment as subject production, 2012-14, January to June 2014, January to June 2015

* * * * * * *

Exports

According to GTA, the top export markets for hot-rolled steel produced in Turkey during 2014 were the United States and Canada (table VII-29). The United States was the largest destination for Turkish exports. During 2014, the United States and Canada accounted for 30.7 and 9.8 percent of total exports from Turkey, respectively.

[21] Turkish producers allege that home market demand will be strong in the near term, citing planned construction of the Trans Anatolian Natural Gas Pipeline estimated to require 1 million tons of hot-rolled steel capacity from March 2015 to completion in 2019. Turkish Exporters and Producers' postconference brief, pp. 27-28.

Table VII-29
Hot-rolled steel: Exports from Turkey to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Turkey's exports to the United States	18,936	72,746	480,414
Turkey's exports to other top destination markets.--			
Canada	5,876	71	154,004
Italy	228,314	528,745	133,717
Thailand	1,069	72,880	117,036
Romania	91,084	69,796	82,177
FTZ-Mersin	48,665	51,744	73,198
Greece	53,095	41,281	60,798
Portugal	36,067	272,321	58,945
Spain	58,878	110,804	50,488
Morocco	18,437	12,296	42,603
All other destination markets	307,236	306,717	311,595
Total Turkish exports	867,658	1,539,401	1,564,973
	Share of quantity (percent)		
Turkey's exports to the United States	2.2	4.7	30.7
Turkey's exports to other top destination markets.--			
Canada	0.7	0.0	9.8
Italy	26.3	34.3	8.5
Thailand	0.1	4.7	7.5
Romania	10.5	4.5	5.3
FTZ-Mersin	5.6	3.4	4.7
Greece	6.1	2.7	3.9
Portugal	4.2	17.7	3.8
Spain	6.8	7.2	3.2
Morocco	2.1	0.8	2.7
All other destination markets	35.4	19.9	19.9
Total Turkish exports	100.0	100.0	100.0

Source: Turkey's State Institute of Statistics exports as reported in the GTIS/GTA database using HTS subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, and 7225.30, accessed 08/20/15.

THE INDUSTRY IN THE UNITED KINGDOM

Overview

The Commission issued foreign producers' or exporters' questionnaires to four firms believed to produce and/or export hot-rolled steel from the United Kingdom.[22] Useable responses to the Commission's questionnaire were received from one firm: Tata Steel U.K. ("Tata U.K.") This firm's exports to the United States accounted for *** percent of U.S. imports of hot-rolled steel from the United Kingdom during 2014. According to estimates requested of Tata U.K., its production of hot-rolled steel in the United Kingdom reported in this part of the report accounts for approximately *** percent of overall production of hot-rolled steel in the United Kingdom. *** data indicate that they account for *** percent of production and *** percent of capacity in the United Kingdom.[23] Table VII-30 presents information on the hot-rolled steel operations of Tata U.K.

Table VII-30
Hot-rolled steel: Summary data on the firm in the United Kingdom, 2014

* * * * * * *

Changes in operations

As presented in table VII-31, Tata U.K. reported ***.

Table VII-31
Hot-rolled steel: Reported changes in operations by the firm in the United Kingdom

* * * * * * *

Operations of the hot-rolled steel producer in the United Kingdom

Table VII-32 presents information on the hot-rolled steel operations of Tata U.K. for 2012-14, January-June 2014, and January-June 2015, as well as projections for 2015-16. Tata U.K.'s capacity utilization, capacity, production, and shipments increased from 2012 to 2014. Capacity and inventories were higher during the first half of 2015 than in the comparable period of 2014; whereas, capacity utilization, production and shipments were lower. Capacity increased from 2012 to 2014 due to ***.

The home market accounted for the majority of total shipments by Tata U.K., declining from *** percent of total shipments in 2012 to *** percent of total shipments in 2014. Home market sales by Tata U.K. accounted for *** percent of total sales during the first half of 2015.

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[22] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

[23] The coverage estimates are based on total production of hot-rolled sheet and coil plate in 2014 of *** million short tons and total capacity of *** million short tons in 2014 as reported by ***. ***.

Exports to the United States increased from *** percent of shipments in 2012 to *** percent in 2014 and *** percent in the first half of 2015. Export markets other than the United States accounted for no less than *** percent of Tata U.K.'s total shipments since 2012. Other export markets identified include ***.

Table VII-32
Hot-rolled steel: Data on the industry in the United Kingdom, 2012-14, January to June 2014, January to June 2015, and calendar year projections for 2015 and 2016

* * * * * * *

Alternative products

As shown in table VII-33, *** production reported by Tata U.K. is subject merchandise.

Table VII-33
Hot-rolled steel: The United Kingdom producer's overall capacity and production on the same equipment as subject production, 2012-14, January to June 2014, January to June 2015

* * * * * * *

Exports

According to GTA, the top export markets for hot-rolled steel produced in the United Kingdom during 2014 were Spain and the United States (table VII-34). The United States was the second largest destination for the United Kingdom exports. During 2014, Spain and the United States accounted for 23.1 and 21.5 percent of total exports from the United Kingdom, respectively.

Table VII-34
Hot-rolled steel: Exports from the United Kingdom to top destination markets and the United States, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
The United Kingdom's exports to the United States	5,214	38,985	151,044
The United Kingdom's exports to other top destination markets.--			
Spain	43,742	115,526	162,715
France	79,657	222,463	122,184
Ireland	51,575	49,331	46,667
Portugal	6,464	39,007	40,566
Sweden	1,350	30,073	33,034
Germany	15,770	40,431	30,022
Poland	16,099	20,180	28,694
Canada	22	9,186	20,222
Netherlands	31,069	75,617	19,516
All other destination markets	121,864	63,198	48,457
Total United Kingdom exports	372,825	703,997	703,120
	Share of quantity (percent)		
The United Kingdom's exports to the United States	1.4	5.5	21.5
The United Kingdom's exports to other top destination markets.--			
Spain	11.7	16.4	23.1
France	21.4	31.6	17.4
Ireland	13.8	7.0	6.6
Portugal	1.7	5.5	5.8
Sweden	0.4	4.3	4.7
Germany	4.2	5.7	4.3
Poland	4.3	2.9	4.1
Canada	0.0	1.3	2.9
Netherlands	8.3	10.7	2.8
All other destination markets	32.7	9.0	6.9
Total United Kingdom exports	100.0	100.0	100.0

Source: Exports reported by various countries' statistical authorities as reported in the GTIS/GTA database using HTS subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, and 7225.30, accessed 08/20/15.

THE INDUSTRY IN THE SUBJECT COUNTRIES

Overview

The Commission issued foreign producers' or exporters' questionnaires to 38 firms believed to produce and/or export hot-rolled steel from the subject countries.[24] Useable responses to the Commission's questionnaire were received from the 16 firms listed previously in this part of the report. These firms' exports to the United States accounted for *** percent of U.S. imports of hot-rolled steel from the subject countries during 2014. Table VII-35 presents information on the hot-rolled steel operations of the responding producers and exporters in subject countries.

Table VII-35
Hot-rolled steel: Summary data on firms from the subject countries, 2012-14, January to June 2014, January to June 2015, and calendar year projections for 2015 and 2016

* * * * * * *

Alternative products

Table VII-36 presents data on the subject countries' overall capacity and production on the same equipment as subject production.

Table VII-36
Hot-rolled steel: The subject countries' overall capacity and production on the same equipment as subject production, 2012-14, January to June 2014, January to June 2015

* * * * * * *

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-37 presents data on U.S. importers' reported inventories of hot-rolled steel. Overall subject inventories increased *** percent from 2012 to 2014 and were *** percent higher in January-June 2015 compared to January-June 2014.[25] Inventories from Canada and other non-subject countries declined modestly from 2012 to 2014 and from January-June 2014 to January-June 2015.

[24] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

[25] ***.

Table VII-37
Hot-rolled steel: U.S. importers' end-of-period inventories of imports by source, 2012-14, January to June 2014, and January to June 2015

* * * * * * *

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of hot-rolled steel from July 2015 to June 2016. These data are presented in table VII-38.

Table VII-38
Hot-rolled steel: U.S. importers' arranged imports, July 2015 through June 2016

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

The Commission asked questionnaire recipients to identify whether the products subject to this proceeding have been the subject of any other import relief proceedings in the United States or in any other countries. Staff also requested parties to identify any such proceedings in their postconference briefs. Information obtained from such requests is presented in table VII-39.

Table VII-39

Hot-rolled steel: Import relief proceedings in third-countries

Subject Country	Source	Measures
Brazil	***	The HRC (7208.xx) exported by Brazilian companies to Canada has a general AD duty of 65.2 percent, since Jan 2014 (but we do not export HRC to Canada).
	***	Hot Rolled - Canada Initiation of Investigation - January 19, 2001 Final Determination -July 18, 2001 Canadian International Trade Tribunal's Finding -August 17, 2001 Re-Investigation -June 29, 2005 Expiry Review - March 30, 2006 Canadian International Trade Tribunal's Order - August 16, 2006 Re-Investigation -June 27, 2007 Re-Investigation -November 16, 2010 Expiry Review - March 31, 2011 Canadian International Trade Tribunal's Order - August 15, 2011.
	***	Third Country: Canada Product: Certain hot-rolled steel sheet Countries affected: Brazil, China, India, Chinese Taipei and Ukraine Date of original imposition: August 17th, 2001 Extensions: August 16th, 2006 and August 15th, 2011.
	***	Canada imposed AD order on “Certain Hot-Rolled Steel Sheet” from Brazil (77%).
Japan	***	Thailand has been an antidumping order on Flat Hot-Rolled Steel in Coil and not in Coils from Japan. This order has been in force since May 2003 through the second sunset review. Australia has an antidumping order on Hot-rolled Steel Sheet Coil/Sheet from Japan. This order has been in force since Dec. 2012. Turkey initiated an antidumping investigation on Hot- Rolled Steel Coil from Japan in January 2015.
	***	Thailand has imposed a safeguard duty on alloy/non-alloy hot-rolled steel exported from Japan since 2013/2014. However, the impact on our business is quite small due to exclusion of several items. Also Turkey has an antidumping investigation on hot-rolled steel exported from Japan.
	***	Thailand non-alloy HR AD May2003 AD margin 36.25 percent (no sales) Australia non-alloy HR AD Dec2012 AD margin 7.5 percent (no sales) Thailand alloy HR SG Sep2013 SG margin 42.95 percent (mostly exempted).
	***	Antidumping duty imposed by Thailand on flat hot-rolled steel in coils and not in coils from Japan, Korea, Taiwan, Indonesia, India, Russia, Kazakhstan, Ukraine, Slovakia, Romania, Algeria, South Africa, Argentina and Venezuela, May 27, 2003. Safeguard duty imposed by Thailand on hot rolled steel flat products with certain amounts of alloying elements in coils and not in coils, September 15, 2013. Safeguard duty imposed by Thailand on non-alloy hot rolled steel flat products in coils and not in coils, December 24, 2014. Antidumping duty imposed by Australia on hot rolled coil (including in sheet form), a flat rolled product of iron or non-alloy steel, not clad, plated or coated (other than oil coated) from Japan, Korea, Taiwan and Malaysia, December 20, 2012. Antidumping investigation filed by Turkey on hot rolled coil steel from China, France, Japan, Romania, Russia, Slovakia and Ukraine, January 28, 2015.

Table continued on next page.

Table VII-39 - continued

Hot-rolled steel: Import relief proceedings in third-countries

Subject Country	Source	Measures
Japan	***	Australian imposed AD duty on hot-rolled coil steel since 2012 (7.5%)
	***	Turkey commenced AD investigation on hot-rolled steel in January of 2015
Korea	***	hot-rolled steel / Australia / August, 2013 hot-rolled steel / Thailand / August, 2013
	***	Expiry Review on an Anti-dumping Measures on Flat Hot-rolled Steel in Coils Originating in Japan, South Africa, the Russian Federation, Kazakhstan, India, Korea, Chinese Taipei, the Bolivarian Republic of Venezuela, the Argentina Republic, Ukraine, the People's Democratic Republic of Algeria, Indonesia, the Slavak Republic, and Romania (by Thailand), Jul. 1, 2015 Safeguard Measures on the Increased Imports of Hot-Rolled Non-Alloy Steel in Coils (by Thailand), Dec. 22, 2014 Antidumping Measures on Hot Rolled Coils Steel Exported From Japan, Korea, Malaysia and Taiwan (by Australia), Nov. 19, 2012
	***	Australian AD duty on hot-rolled coil steel since 2012 (2.6-11.8%)
	***	Indonesian AD duty on HR coil sin 2011 (3.8%)
Netherlands	***	Morocco: antidumping order vs. imports of HR coil from EU (and Turkey).) Thailand: safeguard action vs. Alloy HR coil (all sources) Thailand: safeguard action vs. Non-alloy HR Coil (all sources)
Turkey	***	Morocco, anti-dumping, non-alloyed hot rolled flat steel, since 2014, against European Union Countries and Turkey Thailand, safeguard, non-alloyed hot rolled flat steel, since 2014 Thailand, safeguard, alloyed hot rolled flat steel, since 2015
	***	Morocco applied an antidumping duty since February 2014 against Turkey and EU.
United Kingdom	***	Morocco: antidumping order vs. imports of HR coil from EU(22.11%-29.12%) and Turkey (11%). Thailand: safeguard action vs. Alloy HR Coil (all sources) Thailand: safeguard action vs. Non-alloy HR Coil (all sources)
All countries	***	India increased import duty to 15% in March 2015; Proposal to increase import duty to 40%
	***	Iran increased tariffs on all alloy steel flat products from 7.5% to 10% and 12.5% on non-alloy flat products in August 2015.
	***	Thailand imposed safeguard measures (42.95-44.20%) against hot-rolled steel flat products from September ’13 - February ’16. In 2015, Thailand imposed safeguard duties against non-alloy hot-rolled steel flat products in coils and not in coils.
All MFN countries	***	Indonesia increased tariffs on all flat-rolled steel from 5% to 15%

Source: Compiled from data submitted in response to Commission questionnaires and ArcelorMittal’s postconference brief, exh. 22.

INFORMATION ON NONSUBJECT COUNTRIES

In assessing whether the domestic industry is materially injured or threatened with material injury "by reason of subject imports," the legislative history states "that the Commission must examine all relevant evidence, including any known factors, other than the dumped or subsidized imports, that may be injuring the domestic industry, and that the Commission must examine those other factors (including nonsubject imports) 'to ensure that it is not attributing injury from other sources to the subject imports.'"[26]

Table VII-40 presents the leading global sources of hot-rolled steel exports. Nonsubject sources increased their share of global hot-rolled steel exports from 58.9 percent in 2012 to 60.6 percent in 2014. China nearly doubled its share of global exports over the same period, increasing from 8.3 percent in 2012 to 15.4 percent in 2014.

[26] *Mittal Steel Point Lisas Ltd. v. United States*, Slip Op. 2007-1552 at 17 (Fed. Cir. Sept. 18, 2008), quoting from Statement of Administrative Action on Uruguay Round Agreements Act, H.R. Rep. 103-316, Vol. I at 851-52; *see also Bratsk Aluminum Smelter v. United States*, 444 F.3d 1369 (Fed. Cir. 2006).

Table VII-40
Hot-rolled steel: Global exports by exporting country, 2012-14

Reporting Country	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
United States	1,920,075	2,088,840	1,778,853
Subject countries.--			
Australia	468,910	457,587	453,734
Brazil	974,046	844,277	1,403,106
Japan	13,637,108	14,708,637	15,200,097
South Korea	7,076,816	5,891,813	7,126,409
Netherlands	2,719,324	2,402,888	2,606,351
Turkey	867,658	1,539,401	1,564,973
United Kingdom	372,825	703,997	703,120
Exports by subject countries	28,036,761	28,637,439	30,836,643
Other top exporting countries.--			
China	6,091,113	6,233,417	12,764,712
France	4,707,011	5,368,270	5,608,925
Russia	5,368,923	4,981,270	5,172,154
Taiwan	3,393,022	4,069,628	4,255,123
Germany	4,465,197	4,080,285	3,955,353
Ukraine	3,008,710	2,881,907	2,838,256
Belgium	3,003,525	2,675,333	2,819,647
India	1,894,626	3,145,902	2,136,545
Slovakia	1,589,084	1,868,450	1,764,505
Canada	1,509,817	1,546,692	1,598,328
All others	7,986,917	8,442,148	7,300,512
Exports by nonsubject contries	43,017,945	45,293,302	50,214,062
Total global exports	72,974,781	76,019,581	82,829,558

Table continued on next page.

Table VII-40-*Continued*
Hot-rolled steel: Global exports by exporting country, 2012-14

Reporting Country	Calendar year		
	2012	2013	2014
	Share of quantity (percent)		
United States	2.6	2.7	2.1
Subject countries.--			
Australia	0.6	0.6	0.5
Brazil	1.3	1.1	1.7
Japan	18.7	19.3	18.4
South Korea	9.7	7.8	8.6
Netherlands	3.7	3.2	3.1
Turkey	1.2	2.0	1.9
United Kingdom	0.5	0.9	0.8
Exports by subject countries	38.4	37.7	37.2
Other top exporting countries.--			
China	8.3	8.2	15.4
France	6.5	7.1	6.8
Russia	7.4	6.6	6.2
Taiwan	4.6	5.4	5.1
Germany	6.1	5.4	4.8
Ukraine	4.1	3.8	3.4
Belgium	4.1	3.5	3.4
India	2.6	4.1	2.6
Slovakia	2.2	2.5	2.1
Canada	2.1	2.0	1.9
All others	10.9	11.1	8.8
Exporting by nonsubject contries	58.9	59.6	60.6
Total global exports	100.0	100.0	100.0

Source: Exports reported by various countries' statistical authorities as reported in the GTIS/GTA database using HTS subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, and 7225.30, accessed 08/20/15.

The industry in Canada

Canada was the largest nonsubject importer of hot-rolled steel to the United States during 2014. The industry that produces hot-rolled steel in Canada includes four firms, of which three are related to U.S. producers: U.S. Steel Canada,[27] ArcelorMittal Dofasco, and Evraz Saskatchewan. The fourth firm, Essar Steel Algoma is owned by an Indian firm, Essar Steel. The

[27] U.S. Steel Canada, in September 2014, filed for relief from creditors under the country's Companies' Creditors Arrangement Act—reportedly roughly the equivalent of Chapter 11 bankruptcy protection in the United States. "USS Canada files for relief from creditors," American Metal Market, September 16, 2014. The company is seeking a buyer for its assets, which may result in a change in ownership. "*USS Canada seeks another extension*," American Metal Market, September 08, 2015.

capacity for production of hot-rolled steel in Canada is estimated at 12 million short tons in 2014.[28] Gross production of hot-rolled sheet and coiled plate, including that consumed internally for the production of downstream products, in 2014 was *** million short tons, about *** percent of capacity.[29]

Canada's exports of hot-rolled steel in 2014 were 1.6 million short tons, while its imports were 1.4 million short tons.[30] Both its exports (88 percent) and its imports (71 percent) were primarily through trade with the United States.[31] Comparing 2014 to 2013, Canada's imports from the United States fell by 186,000 short tons while its imports from Turkey and Korea increased by 220,000 short tons.[32] Table VII-41 presents Canadian exports by destination market.

[28] ***. Capacity for U.S. Steel, ArcelorMittal and Essar is given as *** million short tons. Capacity for Evraz estimated from *Iron & Steel Technology,* November 2014, p. 158.

[29] ***.

[30] GTIS, Global Trade Atlas, accessed September 4, 2015.

[31] GTIS, Global Trade Atlas, accessed September 4, 2015.

[32] GTIS, Global Trade Atlas, accessed September 4, 2015.

Table VII-41
Hot-rolled steel: Canadian exports by destination market, 2012-14

Destination	Calendar year		
	2012	2013	2014
	Quantity (short tons)		
Canadian exports to the United States	1,300,777	1,359,780	1,414,307
Canadian exports to other top destination markets.--			
Mexico	190,598	154,769	167,504
Bangladesh	6,558	6,439	14,101
United Kingdom	0	574	884
Cuba	390	305	246
Malaysia	0	0	238
Germany	34	238	215
China	185	68	204
United Arab Emirates	0	0	142
India	1,668	134	103
All other destination markets	9,606	24,387	385
Total Canadian exports	1,509,817	1,546,692	1,598,328
	Share of quantity (percent)		
Canadian exports to the United States	86.2	87.9	88.5
Canadian exports to other top destination markets.--			
Mexico	12.6	10.0	10.5
Bangladesh	0.4	0.4	0.9
United Kingdom	0.0	0.0	0.1
Cuba	0.0	0.0	0.0
Malaysia	0.0	0.0	0.0
Germany	0.0	0.0	0.0
China	0.0	0.0	0.0
United Arab Emirates	0.0	0.0	0.0
India	0.1	0.0	0.0
All other destination markets	0.6	1.6	0.0
Total Canadian exports	100.0	100.0	100.0

Source: Statistics Canada exports as reported in the GTIS/GTA database using HTS subheadings 7208.10, 7208.25, 7208.26, 7208.27, 7208.36, 7208.37, 7208.38, 7208.39, 7208.53, 7208.54, 7208.90, 7211.14, 7211.19, and 7225.30, accessed 9/3/15.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
80 FR 50028 August 18, 2015	*Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	http://www.gpo.gov/fdsys/pkg/FR-2015-08-18/pdf/2015-20266.pdf
80 FR 54267 September 9, 2015	*Certain Hot-Rolled Steel Flat Products from Brazil, the Republic of Korea, and Turkey; Initiation of Countervailing Duty Investigations*	http://www.gpo.gov/fdsys/pkg/FR-2015-09-09/pdf/2015-22556.pdf
80 FR 54261 September 9, 2015	*Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, the Republic of Korea, the Netherlands, the Republic of Turkey, and the United Kingdom: Initiation of Less-Than-Fair-Value Investigations*	http://www.gpo.gov/fdsys/pkg/FR-2015-09-09/pdf/2015-22557.pdf

APPENDIX B

CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

Subject: Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom

Inv. Nos.: 701-TA-545-547 and 731-TA-1291-1297 (Preliminary)

Date and Time: September 1, 2015 - 9:30 am

Sessions will be held in connection with these preliminary phase investigations in the Main hearing Room (Room 101), 500 E Street, S.W., Washington, DC.

OPENING REMARKS:	**TIME ALLOCATION:**
Petitioners (**Stephen P. Vaughn**, Skadden, Arps, Slate, Meagher & Flom LLP)	5 minutes
Respondents (**Donald B. Cameron**, Morris Manning & Martin LLP)	5 minutes

In Support of the Imposition of Antidumping and Countervailing Duty Orders:	**TIME ALLOCATION:**
	60 minutes total

Kelley, Drye & Warren LLC
Washington, DC
on behalf of

ArcelorMittal USA

Daniel Mull, Executive Vice President, Sales & Marketing, ArcelorMittal USA

Buster Yonych, General Manager, Product Control for Hot-Rolled Steel Products, ArcelorMittal USA

Roxanne Brown, Assistant Legislative Director, United Steelworkers of America

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Michael Kerwin, Director, Georgetown Economic Services

Paul Rosenthal)
Kathleen Cannon) – OF COUNSEL
Alan Luberda)

Schagrin Associates
Washington, DC
on behalf of

SSAB Enterprises, LLC
Steel Dynamics, Inc. ("SDI")

Jeff Moskaluk, Vice President & Chief Commercial Officer, SSAB Enterprises, LLC

Glenn Pushis, Vice President, Flat Rolled Group, SDI

Tommy Scruggs, General Manager of Sales, Flat Rolled Group, SDI

Roger B. Schagrin)
) – OF COUNSEL
Christopher T. Cloutier)

King & Spalding LLP
Washington, DC
on behalf of

AK Steel Corporation

Scott M. Lauschke, Vice President, Sales and Customer Service, AK Steel Corporation

Richard A. Pinson, General Manager, Carbon Sales, Manufacturing and Distribution, AK Steel Corporation

Joseph W. Dorn)
) – OF COUNSEL
Stephen A. Jones)

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Wiley Rein LLP
Washington, DC
on behalf of

Nucor Corporation

Rick Blume, Vice President and General Manager, Commercial, Nucor Corporation

Scott Meredith, Director of Sale and Marketing, Flat Products, Nucor Corporation

Alan H. Price)
Christopher B. Weld) – OF COUNSEL
Usha Neelakantan)

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

United States Steel Corporation

Douglas R. Matthews, Senior Vice President, North American Flat-Rolled Operations, United States Steel Corporation

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

Stephen P. Vaughn) – OF COUNSEL

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

TIME ALLOCATION:

60 minutes total

Sidley Austin LLP
Washington, DC
on behalf of

Nippon Steel & Sumitomo Metal Corporation
JFE Steel Corporation
Kobe Steel Ltd.
Nisshin Steel Co., Ltd.

Yoshiro Hori, Executive Vice President & General Manager, Nippon Steel & Sumitomo Metal U.S.A., Inc.

Tadaaki Yamaguchi, President, JFE Steel Americas, Inc.

Richard Weiner)
Neil R. Ellis)
Brenda A. Jacobs)
) – OF COUNSEL
Rajib Pal)
Shawn Higgins)
Justin Baker)

Steptoe & Johnson LLP
Washington, DC
on behalf of

Tata Steel UK Ltd.
Tata Steel Ijmuiden BV

Bruce Malashevich, President, Economic Consulting Services, LLC

Richard O. Cunningham)
) – OF COUNSEL
Joel D. Kaufman)

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

Arent Fox LLP
Washington, DC

and

Mowry & Grimson, PPLC
Bethesda, MD
on behalf of

Turkish Respondents

Jose F. Gasca, Chief Commercial Officer, Medtrade, Inc.

Oya Şehirlioğlu, Chief Legal Officer, Erdemir Group

Hakan Bozoğlu, International Sales Representative, Erdemir Group

Ayla Simon, Consultant to Erdemir, Mowry & Grimson, PLLC

Matthew Nolan)
) – OF COUNSEL
David Simon)

Curtis, Mallet-Prevost, Colt & Mosle LLP
Washington, DC
on behalf of

Tokyo Steel Manufacturing Co., Ltd. ("Tokyo Steel")

William H. Barringer)
Daniel L. Porter) – OF COUNSEL
James P. Durling)

USS-POSCO Industries ("UPI")
Pittsburg, CA

Cory S. Anderson, General Counsel *and* Secretary

Lynnette Giacobazzi, Vice President of Supply Chain, UPI

Michael Obermire, Director of Sales and Marketing, UPI

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

Morris Manning & Martin LLP
Washington, DC
on behalf of

Welspun Global Trade LLC ("Welspun")
POSCO
Hyundai Steel Co., Ltd.

Rusty Fisher, Senior Vice President & Marketing of the Americas, Welspun

Davie Delie, President, Welspun Tubular LLC Operations, Welspun

Skip Herald, Chief Executive Officer of the Americas, Welspun

Dr. J. Malcolm Gray, President, Microalloyed Steel Institute, Inc.

Jim Dougan, Vice President, Economic Consulting Services

Hyun Mi Cho, Manager, International Trade Affairs Group, Steel Business Strategy Department, POSCO

Donald B. Cameron)
Julie C. Mendoza)
) – OF COUNSEL
R. Will Planert)
Sarah S. Sprinkle)

Curtis, Mallet-Prevost, Colt & Mosle LLP
Washington, DC
on behalf of

Blue Scope Steel Ltd.
Blue Scope Steel Americas LLC

John Cross, President, Steelscape LLC

Christopher Dunn)
) – OF COUNSEL
Matthew P. McCullough)

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

Hogan Lovells US LLP
Washington, DC
on behalf of

Companhia Siderurgica Nacional
CSN LLP

Craig Lewis)
) – OF COUNSEL
Wesley Carrington)

INTERESTED PARTY:

The Law Office of Lawrence W. Hanson, P.C. 5 minutes
Houston, TX
on behalf of

American Institute for International Steel ("AIIS")

Lawrence W. Hanson) – OF COUNSEL

REBUTTAL/CLOSING REMARKS:

Petitioners (**Alan H. Price**, Wiley Rein LLP; *and* **Stephen A. Jones**, 10 minutes
King & Spalding LLP)
Respondents (**Richard O. Cunningham**, Steptoe & Johnson LLP) 10 minutes

-END

APPENDIX C

SUMMARY DATA

Table C-1

Hot-rolled steel: Summary data concerning the U.S. market, 2012-14, January to June 2014, and January to June 2015

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted

	Report data					Period changes			
	Calendar year			January to June		Calendar year			Jan-Jun
	2012	2013	2014	2014	2015	2012-14	2012-13	2013-14	2014-15
U.S. consumption quantity:									
Amount	64,185,214	64,787,186	67,980,395	33,449,283	30,587,254	5.9	0.9	4.9	(8.6)
Producers' share (fn1)	93.3	93.6	90.3	91.5	89.1	(3.1)	0.3	(3.4)	(2.4)
Importers' share (fn1):									
Australia	0.3	0.2	0.4	0.3	0.7	0.1	(0.1)	0.2	0.4
Brazil	0.0	0.1	0.4	0.2	0.8	0.4	0.1	0.3	0.6
Japan	0.4	0.6	0.7	0.7	0.7	0.3	0.2	0.1	(0.0)
Korea	1.4	1.1	1.6	1.5	2.4	0.2	(0.3)	0.5	0.9
Netherlands	0.6	0.6	0.7	0.7	0.7	0.2	0.0	0.1	(0.1)
Turkey	0.0	0.1	0.6	0.5	1.0	0.6	0.1	0.5	0.5
United Kingdom	0.0	0.1	0.2	0.1	0.4	0.2	0.0	0.2	0.3
Subtotal, all subject sources	2.7	2.7	4.6	4.0	6.7	1.9	(0.0)	1.9	2.7
Canada	2.0	2.1	2.0	1.9	2.3	0.0	0.1	(0.0)	0.4
All other sources	1.9	1.6	3.1	2.6	1.9	1.1	(0.4)	1.5	(0.7)
Subtotal, nonsubject sources	3.9	3.6	5.1	4.5	4.2	1.2	(0.3)	1.5	(0.3)
Total U.S. imports	6.7	6.4	9.7	8.5	10.9	3.1	(0.3)	3.4	2.4
U.S. consumption value:									
Amount	42,477,448	40,448,831	44,265,481	21,891,100	16,554,828	4.2	(4.8)	9.4	(24.4)
Producers' share (fn1)	92.8	93.1	90.4	91.6	88.6	(2.4)	0.3	(2.7)	(3.1)
Importers' share (fn1):									
Australia	0.3	0.2	0.4	0.3	0.6	0.1	(0.1)	0.2	0.3
Brazil	0.0	0.1	0.3	0.1	0.8	0.3	0.1	0.3	0.6
Japan	0.5	0.7	0.8	0.7	0.8	0.3	0.2	0.1	0.0
Korea	1.4	1.3	1.5	1.4	2.4	0.0	(0.1)	0.1	1.1
Netherlands	0.6	0.6	0.7	0.7	0.7	0.1	(0.0)	0.1	(0.0)
Turkey	0.0	0.1	0.5	0.4	1.0	0.5	0.0	0.5	0.5
United Kingdom	0.0	0.1	0.2	0.1	0.5	0.2	0.0	0.2	0.3
Subtotal, all subject sources	2.8	3.0	4.4	3.8	6.7	1.5	0.1	1.4	2.9
Canada	2.2	2.2	2.2	2.1	2.4	0.0	(0.0)	0.0	0.3
All other sources	2.1	1.7	3.0	2.5	2.3	0.9	(0.4)	1.3	(0.2)
Subtotal, nonsubject sources	4.3	3.9	5.2	4.6	4.7	0.9	(0.4)	1.3	0.1
Total U.S. imports	7.2	6.9	9.6	8.4	11.4	2.4	(0.3)	2.7	3.1
U.S. imports from:									
Australia:									
Quantity	194,070	146,360	270,387	106,885	216,317	39.3	(24.6)	84.7	102.4
Value	113,367	80,512	156,187	61,954	101,698	37.8	(29.0)	94.0	64.2
Unit value	$584	$550	$578	$580	$470	(1.1)	(5.8)	5.0	(18.9)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Brazil:									
Quantity	9,738	49,515	262,470	57,414	250,231	2,595.3	408.5	430.1	335.8
Value	6,048	27,376	150,089	32,271	126,638	2,381.5	352.6	448.3	292.4
Unit value	$621	$553	$572	$562	$506	(7.9)	(11.0)	3.4	(10.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Japan:									
Quantity	264,122	392,706	484,549	232,254	200,413	83.5	48.7	23.4	(13.7)
Value	215,506	268,313	339,136	163,423	131,345	57.4	24.5	26.4	(19.6)
Unit value	$816	$683	$700	$704	$655	(14.2)	(16.3)	2.4	(6.9)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	889,377	702,051	1,095,491	496,036	732,788	23.2	(21.1)	56.0	47.7
Value	607,960	537,909	649,720	300,150	403,902	6.9	(11.5)	20.8	34.6
Unit value	$684	$766	$593	$605	$551	(13.2)	12.1	(22.6)	(8.9)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Netherlands:									
Quantity	372,575	389,917	501,307	239,998	203,851	34.6	4.7	28.6	(15.1)
Value	253,745	240,490	324,613	148,987	111,401	27.9	(5.2)	35.0	(25.2)
Unit value	$681	$617	$648	$621	$546	(4.9)	(9.4)	5.0	(12.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Turkey:									
Quantity	15,044	47,807	403,899	170,069	306,414	2,584.8	217.8	744.8	80.2
Value	10,102	27,885	229,891	95,559	161,762	2,175.7	176.0	724.4	69.3
Unit value	$671	$583	$569	$562	$528	(15.2)	(13.1)	(2.4)	(6.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
United Kingdom:									
Quantity	5,053	34,766	142,150	39,584	133,219	2,713.4	588.1	308.9	236.6
Value	3,163	20,543	89,513	24,821	75,166	2,730.1	549.5	335.7	202.8
Unit value	$626	$591	$630	$627	$564	0.6	(5.6)	6.6	(10.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal, all subject sources:									
Quantity	1,749,979	1,763,120	3,160,252	1,342,240	2,043,234	80.6	0.8	79.2	52.2
Value	1,209,891	1,203,029	1,939,148	827,164	1,111,911	60.3	(0.6)	61.2	34.4
Unit value	$691	$682	$614	$616	$544	(11.2)	(1.3)	(10.1)	(11.7)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Canada:									
Quantity	1,295,494	1,352,781	1,391,474	637,481	690,279	7.4	4.4	2.9	8.3
Value	929,906	879,155	979,897	451,081	396,282	5.4	(5.5)	11.5	(12.1)
Unit value	$718	$650	$704	$708	$574	(1.9)	(9.5)	8.4	(18.9)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	1,238,354	1,007,322	2,075,310	860,414	586,401	67.6	(18.7)	106.0	(31.8)
Value	910,234	700,686	1,341,539	550,766	384,182	47.4	(23.0)	91.5	(30.2)
Unit value	$735	$696	$646	$640	$655	(12.1)	(5.4)	(7.1)	2.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal, nonsubject sources:									
Quantity	2,533,848	2,360,103	3,466,783	1,497,896	1,276,680	36.8	(6.9)	46.9	(14.8)
Value	1,840,140	1,579,841	2,321,436	1,001,847	780,464	26.2	(14.1)	46.9	(22.1)
Unit value	$726	$669	$670	$669	$611	(7.8)	(7.8)	0.0	(8.6)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Total U.S. imports:									
Quantity	4,283,827	4,123,223	6,627,035	2,840,136	3,319,914	54.7	(3.7)	60.7	16.9
Value	3,050,031	2,782,870	4,260,584	1,829,011	1,892,374	39.7	(8.8)	53.1	3.5
Unit value	$712	$675	$643	$644	$570	(9.7)	(5.2)	(4.7)	(11.5)
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page

Table C-1--Continued
Hot-rolled steel: Summary data concerning the U.S. market, 2012-14, January to June 2014, and January to June 2015
)uantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions note

	Report data					Period changes			
	Calendar year			January to June		Calendar year			Jan-Jun
	2012	2013	2014	2014	2015	2012-14	2012-13	2013-14	2014-15
U.S. producers':									
Average capacity quantity	78,859,290	79,251,676	79,207,987	39,606,486	39,665,065	0.4	0.5	(0.1)	0.1
Production quantity	60,877,335	61,691,116	62,396,073	31,082,343	27,435,748	2.5	1.3	1.1	(11.7)
Capacity utilization (fn1)	77.2	77.8	78.8	78.5	69.2	1.6	0.6	0.9	(9.3)
U.S. shipments:									
Quantity	59,901,387	60,663,963	61,353,360	30,609,147	27,267,340	2.4	1.3	1.1	(10.9)
Value	39,427,417	37,665,961	40,004,897	20,062,089	14,662,454	1.5	(4.5)	6.2	(26.9)
Unit value	$658	$621	$652	$655	$538	(0.9)	(5.7)	5.0	(18.0)
Export shipments:									
Quantity	943,761	993,895	909,506	445,109	286,937	(3.6)	5.3	(8.5)	(35.5)
Value	639,208	646,128	639,856	316,245	182,544	0.1	1.1	(1.0)	(42.3)
Unit value	$677	$650	$704	$710	$636	3.9	(4.0)	8.2	(10.5)
Ending inventory quantity	1,659,514	1,681,889	1,805,521	1,704,786	1,666,418	8.8	1.3	7.4	(2.3)
Inventories/total shipments (fn1)	2.7	2.7	2.9	2.7	3.0	0.2	0.0	0.2	0.3
Production workers	12,954	12,776	13,014	12,914	13,284	0.5	(1.4)	1.9	2.9
Hours worked (1,000s)	29,593	29,611	30,067	15,461	15,199	1.6	0.1	1.5	(1.7)
Wages paid (1,000 dollars)	1,080,100	1,078,207	1,141,358	564,511	553,784	5.7	(0.2)	5.9	(1.9)
Hourly wages (dollars)	$36.50	$36.41	$37.96	$36.51	$36.44	4.0	(0.2)	4.3	(0.2)
Productivity (short tons per hour)	2.1	2.1	2.1	2.0	1.8	0.9	1.3	(0.4)	(10.2)
Unit labor costs	$17.74	$17.48	$18.29	$18.16	$20.18	3.1	(1.5)	4.7	11.1
Financial experience: constructed fair market value (fn3):									
Net Sales:									
Quantity	58,929,294	59,575,620	59,941,500	29,920,060	26,544,956	1.7	1.1	0.6	(11.3)
Value	38,928,340	37,042,117	39,261,551	19,696,056	14,309,610	0.9	(4.8)	6.0	(27.3)
Unit value	$661	$622	$655	$658	$539	(0.8)	(5.9)	5.3	(18.1)
Cost of goods sold (COGS)	36,021,014	34,304,213	35,347,451	18,108,568	14,272,252	(1.9)	(4.8)	3.0	(21.2)
Gross profit of (loss)	2,907,326	2,737,904	3,914,100	1,587,488	37,358	34.6	(5.8)	43.0	(97.6)
SG&A expenses	1,150,062	1,081,711	1,252,843	653,943	594,908	8.9	(5.9)	15.8	(9.0)
Operating income or (loss)	1,757,264	1,656,193	2,661,257	933,545	(557,550)	51.4	(5.8)	60.7	fn2
Net income or (loss)	306,124	1,067,724	2,117,103	623,544	(927,927)	591.6	248.8	98.3	fn2
Capital expenditures	1,093,870	726,936	650,531	247,002	302,874	(40.5)	(33.5)	(10.5)	22.6
Unit COGS	$611	$576	$590	$605	$538	(3.5)	(5.8)	2.4	(11.2)
Unit SG&A expenses	$20	$18	$21	$22	$22	7.1	(7.0)	15.1	2.5
Unit operating income or (loss)	$30	$28	$44	$31	$(21)	48.9	(6.8)	59.7	fn2
Unit net income or (loss)	$5	$18	$35	$21	$(35)	579.9	245.0	97.1	fn2
COGS/sales (fn1)	92.5	92.6	90.0	91.9	99.7	(2.5)	0.1	(2.6)	7.8
Operating income or (loss)/sales (fn1)	4.5	4.5	6.8	4.7	(3.9)	2.3	(0.0)	2.3	(8.6)
Net income or (loss)/sales (fn1)	0.8	2.9	5.4	3.2	(6.5)	4.6	2.1	2.5	(9.7)
Financial experience: cost plus share of downstream profit (fn4):									
Net Sales:									
Quantity	58,929,294	59,575,620	59,941,500	29,920,060	26,544,956	1.7	1.1	0.6	(11.3)
Value	38,376,003	36,993,789	38,935,480	19,717,823	14,945,696	1.5	(3.6)	5.2	(24.2)
Unit value	$651	$621	$650	$659	$563	(0.3)	(4.6)	4.6	(14.6)
Cost of goods sold (COGS)	36,021,014	34,304,213	35,347,451	18,108,568	14,272,252	(1.9)	(4.8)	3.0	(21.2)
Gross profit of (loss)	2,354,989	2,689,576	3,588,029	1,609,255	673,444	52.4	14.2	33.4	(58.2)
SG&A expenses	1,151,362	1,083,746	1,254,407	655,480	595,689	8.9	(5.9)	15.7	(9.1)
Operating income or (loss)	1,203,627	1,605,830	2,333,622	953,775	77,755	93.9	33.4	45.3	(91.8)
Net income or (loss)	(247,513)	1,017,361	1,789,468	643,774	(292,623)	fn2	fn2	75.9	fn2
Capital expenditures	1,093,870	726,936	650,531	247,002	302,874	(40.5)	(33.5)	(10.5)	22.6
Unit COGS	$611	$576	$590	$605	$538	(3.5)	(5.8)	2.4	(11.2)
Unit SG&A expenses	$20	$18	$21	$22	$22	7.1	(6.9)	15.0	2.4
Unit operating income or (loss)	$20	$27	$39	$32	$3	90.6	32.0	44.4	fn2
Unit net income or (loss)	$(4)	$17	$30	$22	$(11)	fn2	fn2	74.8	fn2
COGS/sales (fn1)	93.9	92.7	90.8	91.8	95.5	(3.1)	(1.1)	(1.9)	3.7
Operating income or (loss)/sales (fn1)	3.1	4.3	6.0	4.8	0.5	2.9	1.2	1.7	(4.3)
Net income or (loss)/sales (fn1)	(0.6)	2.8	4.6	3.3	(2.0)	5.2	3.4	1.8	(5.2)

Notes:

fn1.--Report data are in percent and period changes are in percentage points.
fn2.--Undefined.
fn3.--U.S. producers' financial experience valuing internal consumption and transfers to related firms at constructed fair market value.
fn4.--U.S. producers' financial experience valuing internal consumption and transfers at cost plus a portion of the share of the downstream profit.

Source: Compiled from data submitted in response to Commission questionnaire and official U.S. import statistics (see Part IV for details).

Table C-2

Hot-rolled steel: Summary data concerning the U.S. merchant market, 2012-14, January to June 2014, and January to June 2015

(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted

	Report data					Period changes			
	Calendar year			January to June		Calendar year			Jan-Jun
	2012	2013	2014	2014	2015	2012-14	2012-13	2013-14	2014-15
U.S. consumption quantity:									
Amount	29,557,355	29,533,780	32,398,658	15,493,558	14,391,822	9.6	(0.1)	9.7	(7.1)
Producers' share (fn1)	85.5	86.0	79.5	81.7	76.9	(6.0)	0.5	(6.5)	(4.7)
Importers' share (fn1):									
Australia	0.7	0.5	0.8	0.7	1.5	0.2	(0.2)	0.3	0.8
Brazil	0.0	0.2	0.8	0.4	1.7	0.8	0.1	0.6	1.4
Japan	0.9	1.3	1.5	1.5	1.4	0.6	0.4	0.2	(0.1)
Korea	3.0	2.4	3.4	3.2	5.1	0.4	(0.6)	1.0	1.9
Netherlands	1.3	1.3	1.5	1.5	1.4	0.3	0.1	0.2	(0.1)
Turkey	0.1	0.2	1.2	1.1	2.1	1.2	0.1	1.1	1.0
United Kingdom	0.0	0.1	0.4	0.3	0.9	0.4	0.1	0.3	0.7
Subtotal, all subject sources	5.9	6.0	9.8	8.7	14.2	3.8	0.0	3.8	5.5
Canada	4.4	4.6	4.3	4.1	4.8	(0.1)	0.2	(0.3)	0.7
All other sources	4.2	3.4	6.4	5.6	4.1	2.2	(0.8)	3.0	(1.5)
Subtotal, nonsubject sources	8.6	8.0	10.7	9.7	8.9	2.1	(0.6)	2.7	(0.8)
Total U.S. imports	14.5	14.0	20.5	18.3	23.1	6.0	(0.5)	6.5	4.7
U.S. consumption value:									
Amount	19,811,913	18,686,240	21,336,372	10,235,884	7,854,391	7.7	(5.7)	14.2	(23.3)
Producers' share (fn1)	84.6	85.1	80.0	82.1	75.9	(4.6)	0.5	(5.1)	(6.2)
Importers' share (fn1):									
Australia	0.6	0.4	0.7	0.6	1.3	0.2	(0.1)	0.3	0.7
Brazil	0.0	0.1	0.7	0.3	1.6	0.7	0.1	0.6	1.3
Japan	1.1	1.4	1.6	1.6	1.7	0.5	0.3	0.2	0.1
Korea	3.1	2.9	3.0	2.9	5.1	(0.0)	(0.2)	0.2	2.2
Netherlands	1.3	1.3	1.5	1.5	1.4	0.2	0.0	0.2	(0.0)
Turkey	0.1	0.1	1.1	0.9	2.1	1.0	0.1	0.9	1.1
United Kingdom	0.0	0.1	0.4	0.2	1.0	0.4	0.1	0.3	0.7
Subtotal, all subject sources	6.1	6.4	9.1	8.1	14.2	3.0	0.3	2.7	6.1
Canada	4.7	4.7	4.6	4.4	5.0	(0.1)	0.0	(0.1)	0.6
All other sources	4.6	3.7	6.3	5.4	4.9	1.7	(0.8)	2.5	(0.5)
Subtotal, nonsubject sources	9.3	8.5	10.9	9.8	9.9	1.6	(0.8)	2.4	0.1
Total U.S. imports	15.4	14.9	20.0	17.9	24.1	4.6	(0.5)	5.1	6.2
U.S. imports from:									
Australia:									
Quantity	194,070	146,360	270,387	106,885	216,317	39.3	(24.6)	84.7	102.4
Value	113,367	80,512	156,187	61,954	101,698	37.8	(29.0)	94.0	64.2
Unit value	$584	$550	$578	$580	$470	(1.1)	(5.8)	5.0	(18.9)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Brazil:									
Quantity	9,738	49,515	262,470	57,414	250,231	2,595.3	408.5	430.1	335.8
Value	6,048	27,376	150,089	32,271	126,638	2,381.5	352.6	448.3	292.4
Unit value	$621	$553	$572	$562	$506	(7.9)	(11.0)	3.4	(10.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Japan:									
Quantity	264,122	392,706	484,549	232,254	200,413	83.5	48.7	23.4	(13.7)
Value	215,506	268,313	339,136	163,423	131,345	57.4	24.5	26.4	(19.6)
Unit value	$816	$683	$700	$704	$655	(14.2)	(16.3)	2.4	(6.9)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Korea:									
Quantity	889,377	702,051	1,095,491	496,036	732,788	23.2	(21.1)	56.0	47.7
Value	607,960	537,909	649,720	300,150	403,902	6.9	(11.5)	20.8	34.6
Unit value	$684	$766	$593	$605	$551	(13.2)	12.1	(22.6)	(8.9)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Netherlands:									
Quantity	372,575	389,917	501,307	239,998	203,851	34.6	4.7	28.6	(15.1)
Value	253,745	240,490	324,613	148,987	111,401	27.9	(5.2)	35.0	(25.2)
Unit value	$681	$617	$648	$621	$546	(4.9)	(9.4)	5.0	(12.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Turkey:									
Quantity	15,044	47,807	403,899	170,069	306,414	2,584.8	217.8	744.8	80.2
Value	10,102	27,885	229,891	95,559	161,762	2,175.7	176.0	724.4	69.3
Unit value	$671	$583	$569	$562	$528	(15.2)	(13.1)	(2.4)	(6.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
United Kingdom:									
Quantity	5,053	34,766	142,150	39,584	133,219	2,713.4	588.1	308.9	236.6
Value	3,163	20,543	89,513	24,821	75,166	2,730.1	549.5	335.7	202.8
Unit value	$626	$591	$630	$627	$564	0.6	(5.6)	6.6	(10.0)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal, all subject sources:									
Quantity	1,749,979	1,763,120	3,160,252	1,342,240	2,043,234	80.6	0.8	79.2	52.2
Value	1,209,891	1,203,029	1,939,148	827,164	1,111,911	60.3	(0.6)	61.2	34.4
Unit value	$691	$682	$614	$616	$544	(11.2)	(1.3)	(10.1)	(11.7)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Canada:									
Quantity	1,295,494	1,352,781	1,391,474	637,481	690,279	7.4	4.4	2.9	8.3
Value	929,906	879,155	979,897	451,081	396,282	5.4	(5.5)	11.5	(12.1)
Unit value	$718	$650	$704	$708	$574	(1.9)	(9.5)	8.4	(18.9)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All other sources:									
Quantity	1,238,354	1,007,322	2,075,310	860,414	586,401	67.6	(18.7)	106.0	(31.8)
Value	910,234	700,686	1,341,539	550,766	384,182	47.4	(23.0)	91.5	(30.2)
Unit value	$735	$696	$646	$640	$655	(12.1)	(5.4)	(7.1)	2.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal, nonsubject sources:									
Quantity	2,533,848	2,360,103	3,466,783	1,497,896	1,276,680	36.8	(6.9)	46.9	(14.8)
Value	1,840,140	1,579,841	2,321,436	1,001,847	780,464	26.2	(14.1)	46.9	(22.1)
Unit value	$726	$669	$670	$669	$611	(7.8)	(7.8)	0.0	(8.6)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Total U.S. imports:									
Quantity	4,283,827	4,123,223	6,627,035	2,840,136	3,319,914	54.7	(3.7)	60.7	16.9
Value	3,050,031	2,782,870	4,260,584	1,829,011	1,892,374	39.7	(8.8)	53.1	3.5
Unit value	$712	$675	$643	$644	$570	(9.7)	(5.2)	(4.7)	(11.5)
Ending inventory quantity	***	***	***	***	***	***	***	***	***

Table continued on next page

Table C-2--Continued
Hot-rolled steel: Summary data concerning the U.S. merchant market, 2012-14, January to June 2014, and January to June 2015
(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Report data					Period changes			
	Calendar year			January to June		Calendar year			Jan-Jun
	2012	2013	2014	2014	2015	2012-14	2012-13	2013-14	2014-15
U.S. producers' commercial U.S. shipments:									
Quantity	25,273,528	25,410,557	25,771,623	12,653,422	11,071,908	2.0	0.5	1.4	(12.5)
Value	16,761,882	15,903,370	17,075,788	8,406,873	5,962,017	1.9	(5.1)	7.4	(29.1)
Unit value	$663	$626	$663	$664	$538	(0.1)	(5.6)	5.9	(19.0)
Financial experience: merchant market									
Commercial sales:									
Quantity	24,950,600	25,073,194	25,207,379	12,382,201	10,778,281	1.0	0.5	0.5	(13.0)
Value	16,660,876	15,722,525	16,704,857	8,262,333	5,848,992	0.3	(5.6)	6.2	(29.2)
Unit value	$668	$627	$663	$667	$543	(0.8)	(6.1)	5.7	(18.7)
Cost of goods sold (COGS)	15,270,348	14,405,912	14,909,808	7,495,671	5,766,090	(2.4)	(5.7)	3.5	(23.1)
Gross profit of (loss)	1,390,528	1,316,613	1,795,049	766,662	82,902	29.1	(5.3)	36.3	(89.2)
SG&A expenses	554,936	495,203	547,934	286,272	251,320	(1.3)	(10.8)	10.6	(12.2)
Operating income or (loss)	835,592	821,410	1,247,115	480,390	(168,418)	49.2	(1.7)	51.8	fn2
Net income or (loss)	(392,080)	485,231	1,003,553	340,241	(306,248)	fn2	fn2	106.8	fn2
Unit COGS	$612	$575	$591	$605	$535	(3.4)	(6.1)	2.9	(11.6)
Unit SG&A expenses	$22	$20	$22	$23	$23	(2.3)	(11.2)	10.1	0.9
Unit operating income or (loss)	$33	$33	$49	$39	$(16)	47.7	(2.2)	51.0	fn2
Unit net income or (loss)	$(16)	$19	$40	$27	$(28)	fn2	fn2	105.7	fn2
COGS/sales (fn1)	91.7	91.6	89.3	90.7	98.6	(2.4)	(0.0)	(2.4)	7.9
Operating income or (loss)/sales (fn1)	5.0	5.2	7.5	5.8	(2.9)	2.5	0.2	2.2	(8.7)
Net income or (loss)/sales (fn1)	(2.4)	3.1	6.0	4.1	(5.2)	8.4	5.4	2.9	(9.4)

Notes:

fn1.--Report data are in percent and period changes are in percentage points.
fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaire and official U.S. import statistics (see Part IV for details).

APPENDIX D

NONSUBJECT COUNTRY PRICE DATA

*** importers reported price data for nonsubject country Canada for hot-rolled steel.[1] Price data reported by these firms accounted for *** percent of U.S. imports from Canada. Price data were not available for pricing product 4. These price items and accompanying data are comparable to those presented in tables V-4 to V-7. Price and quantity data for Canada are shown in tables D-1 to D-3 and in figures D-1 to D-3 (with domestic and subject sources).

In comparing nonsubject country pricing data with U.S. producer pricing data, prices for product imported from Canada were lower than prices for U.S.-produced product in *** instances and higher in *** instances. In comparing nonsubject country pricing data with subject country pricing data, prices for product imported from Canada were lower than prices for product imported from Australia in *** instances and higher in *** instances; from Brazil, lower in *** instances and higher in *** instances; from Japan, lower in *** instances and higher in *** instances; from Korea, lower in *** instances and higher in *** instances; from the Netherlands, lower in *** instances and higher in *** instances; from Turkey, lower in *** instances and higher in *** instances; and from the United Kingdom, lower in *** instances and higher in *** instances. A summary of price differentials is presented in table D-4.

[1] *** staff has followed up (see staff email, 9/4 and 9/10).

Table D-1
Hot-rolled steel: Weighted-average f.o.b. prices and quantities of imported product 1[1], by quarters, January 2012-June 2015

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Table D-2
Hot-rolled steel: Weighted-average f.o.b. prices and quantities of imported product 2[1], by quarters, January 2012-June 2015

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Table D-3
Hot-rolled steel: Weighted-average f.o.b. prices and quantities of imported product 3[1], by quarters, January 2012-June 2015

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Figure D-1
Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 1, by quarters, January 2012-June 2015

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Figure D-2
Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 2, by quarters, January 2012-June 2015

* * * * * * *

Figure D-3
Hot-rolled steel: Weighted-average f.o.b. prices and quantities of domestic and imported product 3, by quarters, January 2012-June 2015

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Table D-4
Hot-rolled steel: Summary of underselling/(overselling), by country, January 2012-June 2015

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APPENDIX E

FINANCIAL DATA OF U.S. PRODUCERS BY FIRM

Table E-1
Hot-rolled steel: Results of operations of U.S. producers with internal consumption and transfers valued at constructed fair market value, by firm, 2012-14, January-June 2014, and January-June 2015

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Table E-2
Hot-rolled steel: Results of operations of U.S. producers with internal consumption and transfers valued at cost plus share of downstream gross profit, by firm, 2012-14, January-June 2014, and January-June 2015

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Table E-3
Hot-rolled steel: Results of commercial operations of U.S. producers, by firm, 2012-14, January-June 2014, and January-June 2015

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