

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
CERTAIN CARBON STEEL PRODUCTS) Investigation Nos.:
FROM AUSTRALIA, BELGIUM,) AA1921-197; 701-TA-319,
BRAZIL, CANADA, FINLAND,) 320, 325-327, 348, and 350;
FRANCE, GERMANY, JAPAN,) and 731-TA-573, 574, 576,
KOREA, MEXICO, POLAND,) 578, 582-587, 612, and
ROMANIA, SPAIN, SWEDEN,) 614-618 (Second Review)
TAIWAN, AND THE UNITED)
KINGDOM (CUT-TO-LENGTH PLATE))

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 SWEDEN, TAIWAN, AND THE)
 UNITED KINGDOM)
 (CUT-TO-LENGTH PLATE))

Thursday,
 October 19, 2006

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

The hearing commenced, pursuant to notice, at
 9:32 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable DANIEL R.
 PEARSON, Chairman, presiding.

APPEARANCES:

On behalf of the International Trade Commission:Commissioners:

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 SHARA L. ARANOFF, VICE CHAIRMAN
 JENNIFER A. HILLMAN, COMMISSIONER
 STEPHEN KOPLAN, COMMISSIONER
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THE HONORABLE JO BONNER, U.S. Congressman, 1st
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Honorable Theodore Kulongoski, Governor of Oregon

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In Support of the Continuation of Countervailing Duty
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I N D E X

	PAGE
TESTIMONY OF THE HONORABLE PETER J. VISCLOSKY, U.S. CONGRESSMAN, 1 ST DISTRICT, STATE OF INDIANA	13
TESTIMONY OF THE HONORABLE JO BONNER, U.S. CONGRESSMAN, 1 ST DISTRICT, STATE OF ALABAMA	15
TESTIMONY OF SARAH BITTLEMAN, DIRECTOR, WASHINGTON, D.C. OFFICE OF THE GOVERNOR OF OREGON, ON BEHALF OF THE HONORABLE THEODORE KULONGOSKI, GOVERNOR OF OREGON	21
TESTIMONY OF KENNETH SMITH RAMOS, DIRECTOR GENERAL FOR INTERNATIONAL TRADE NEGOTIATIONS, UNDERSECRETARY FOR INTERNATIONAL TRADE NEGOTIATIONS, SECRETARY OF THE ECONOMY, EMBASSY OF MEXICO	24
TESTIMONY OF ADRIANA DIAZ ORTIZ, DIRECTOR OF INTERNATIONAL ASSISTANCE FOR MEXICAN EXPORTERS, UNIT FOR INTERNATIONAL COMMERCIAL PRACTICES, SECRETARY OF THE ECONOMY, EMBASSY OF MEXICO	30
OPENING STATEMENT OF ROGER B. SCHAGRIN, ESQUIRE, SCHAGRIN ASSOCIATES	35
OPENING STATEMENT OF KENNETH J. PIERCE, ESQUIRE, WILLKIE FARR & GALLAGHER LLP	39
TESTIMONY OF ROGER B. SCHAGRIN, ESQUIRE, SCHAGRIN ASSOCIATES	44
TESTIMONY OF JOHN TULLOCH, SENIOR VICE PRESIDENT AND CHIEF COMMERCIAL OFFICER, IPSCO STEEL INC.	44
TESTIMONY OF PATRICK J. MCFADDEN, NATIONAL SALES AND MARKETING MANAGER, PLATE PRODUCTS, NUCOR	50
TESTIMONY OF ROBERT W. INSETTA, DIRECTOR, PLATE PRODUCTS, SALES AND MARKETS, MITTAL STEEL USA	54
TESTIMONY OF LAWRENCE F. FABINA, MANAGER, CONTINUOUS IMPROVEMENT, BURNS HARBOR PLANT, MITTAL STEEL USA	60
TESTIMONY OF SCOTT MONTROSS, VICE PRESIDENT, SALES AND MARKETING, OREGON STEEL MILLS	64

I N D E X

	PAGE
TESTIMONY OF THOMAS CONWAY, INTERNATIONAL VICE PRESIDENT (ADMINISTRATION), USW	68
TESTIMONY OF TOM BALLOU, DIRECTOR, PLATE AND FLAT-ROLLED PRODUCTS, O'NEAL STEEL	71
TESTIMONY OF ROBERT HELTZEL, JR., PRESIDENT, KENILWORTH STEEL	74
TESTIMONY OF FRANK RUANE, DIRECTOR, CORPORATE PURCHASING, OLYMPIC STEEL	76
TESTIMONY OF ROBERT SCOTT, ECONOMIST, SCHAGRIN ASSOCIATES AND THE ECONOMIC POLICY INSTITUTE	79
TESTIMONY OF DAVID A. RIKER, PRINCIPAL, CRA INTERNATIONAL, INC.	89
TESTIMONY OF GLENN GILMORE, TRADE SUPERVISOR, IPSCO STEEL INC.	102
TESTIMONY OF TIMOTHY C. BRIGHTBILL, ESQUIRE, WILEY REIN & FIELDING LLP	108
TESTIMONY OF ALAN H. PRICE, ESQUIRE, WILEY REIN & FIELDING LLP	124
TESTIMONY OF TERENCE P. STEWART, ESQUIRE, STEWART & STEWART	169
TESTIMONY OF KENNETH J. PIERCE, ESQUIRE, WILLKIE FARR & GALLAGHER LLP	227
TESTIMONY OF RICHARD O. CUNNINGHAM, ESQUIRE, STEPTOE & JOHNSON LLP	229
TESTIMONY OF DENNIS KUNKA, STEEL PLATE COMMODITY MANAGER, GLOBAL PURCHASING, CATERPILLAR	231
TESTIMONY OF JIM DOUGAN, ECONOMIST, ECONOMIC CONSULTING SERVICES, LLC	235
TESTIMONY OF THOMAS J. PRUSA, PROFESSOR OF ECONOMICS, RUTGERS UNIVERSITY	246

I N D E X

	PAGE
TESTIMONY OF RICHARD WHITE, GENERAL MANAGER, SALES AND MARKETING, SECTIONS & PLATES, CORUS U.K. LTD.	257
TESTIMONY OF PAUL PARKINS, SALES MANAGER, ENERGY INTERNATIONAL, CORUS U.K. LTD.	259
TESTIMONY OF PETER J. JOYCE, SALES MANAGER, AMERICAS, CORUS AMERICA INC.	261
TESTIMONY OF PATRICK J. BOYLE, XX, MURRAY INTERNATIONAL METALS, A DIVISION OF EDGEN CARBON PRODUCTS GROUP LLC	262
TESTIMONY OF BRUCE MALASHEVICH, ECONOMIST, ECONOMIC CONSULTING SERVICES, LLC	264
TESTIMONY OF CHRISTOPHER DUNN, ESQUIRE, WILLKIE FARR & GALLAGHER LLP	273
TESTIMONY OF MARC E. MONTALBINE, ESQUIRE, DEKIEFFER & HORGAN	275
TESTIMONY OF MATTHEW P. MCCULLOUGH, ESQUIRE, WILLKIE FARR & GALLAGHER LLP	278

I N D E X

	PAGE
TESTIMONY OF FEDERICO J. REYES VILLARREAL, MANAGER, CORPORATE FINANCE, AHMSA	310
TESTIMONY OF JAY C. CAMPBELL, ESQUIRE, WHITE & CASE LLP	328
TESTIMONY OF LUIS A. LANDOIS GARZA, DIRECTOR, SALES, AHMSA	345
CLOSING STATEMENT OF RICHARD O. CUNNINGHAM, ESQUIRE, STEPTOE & JOHNSON LLP	390

P R O C E E D I N G S

(9:32 a.m.)

1
2
3 CHAIRMAN PEARSON: Good morning. On behalf
4 of the U.S. International Trade Commission I welcome
5 you to day two of the hearings on Investigation Nos.
6 AA1921-197; 701-TA-319, 320, 325-327, 348, and 350;
7 and Investigation Nos. 731-TA-573, 574, 576, 578,
8 582-587, 612, and 614-618 (Second Review) involving
9 Certain Carbon Steel Products from Australia, Belgium,
10 Brazil, Canada, Finland, France, Germany, Japan,
11 Korea, Mexico, Poland, Romania, Spain, Sweden, Taiwan,
12 and the United Kingdom.

13 The purpose of these second five-year review
14 investigations is to determine whether revocation of
15 the countervailing duty and antidumping orders on
16 certain carbon steel products from those countries
17 would be likely to lead to continuation or recurrence
18 of material injury to an industry in the United States
19 within a reasonably foreseeable time. Today's hearing
20 will focus on cut-to-length plate.

21 Notices of investigation, lists of witnesses
22 and transcript order forms are available at the
23 Secretary's desk. I understand that parties are aware
24 of the time allocations. Any questions regarding the
25 time allocations should be directed to the Secretary.

1 As all written material will be entered in
2 full into the record, it need not be read to us at
3 this time. Parties are reminded to give prepared
4 testimony to the Secretary. Please do not place
5 testimony directly on the public distribution table.
6 All witnesses must be sworn in by the Secretary before
7 presenting testimony.

8 Finally, if you will be submitting documents
9 that contain information you wish classified as
10 business confidential your requests should comply with
11 Commission Rule 201.6.

12 Madam Secretary, are there any preliminary
13 matters?

14 MS. ABBOTT: Yes, Mr. Chairman. With your
15 permission we will add Cheryl Ivy, Senior Legal
16 Assistant, and Johnna Purcell, Corporate Attorney, for
17 Caterpillar to page 7 of the calendar.

18 CHAIRMAN PEARSON: Seeing no objection, we
19 agree.

20 MS. ABBOTT: Our first congressional
21 appearance will be by the Honorable Peter J.
22 Visclosky, United States Representative, 1st District,
23 State of Indiana.

24 CHAIRMAN PEARSON: Welcome back, Congressman
25 Visclosky.

1 MR. VISCLOSKY: Mr. Chairman, thank you and
2 all the members of the Commission. I understand you
3 had a very late evening Tuesday, so I will try to be
4 as succinct as possible.

5 I do again appreciate the opportunity of
6 being able to give testimony. I am here in this
7 sunset review to ask that the orders in place on cut-
8 to-length steel plate be maintained. I believe the
9 issues before you are very important for our national
10 security.

11 As a member of the Defense Appropriations
12 Subcommittee in the House of Representatives, I
13 believe that the health of the plate industry has
14 profound implications for our national security. The
15 plants that make cut-to-length plate make a variety of
16 plate products that are essential to aircraft
17 carriers, armor combat vehicles, Coast Guard cutters
18 and destroyers.

19 In fact, all of the steel plate used to
20 construct U.S. Navy destroyers since 1998 has come
21 from the plate plant in Burns Harbor, Indiana, and
22 one-third of aircraft carrier products use plate from
23 this facility. The Defense Department counts on a
24 limited number of domestic suppliers to meet this
25 critical need, and we should not allow dumped and

1 subsidized imports to injure these suppliers.

2 I do believe there is adequate supply in the
3 United States. This product is made by producers in
4 the states of Indiana, Pennsylvania, Iowa, Alabama,
5 North Carolina and Oregon.

6 On March 8 of this year, the Commerce
7 Department, as they did on the CORE issue two days
8 ago, indicated that, "We determine that revocation of
9 the antidumping duty orders on plate would likely lead
10 to continuation or recurrence of dumping at the
11 following percentages," which range from six to 109
12 percent.

13 We have also seen, as with the CORE
14 products, imports from nonsubject countries
15 significantly increase by a factor of 50 percent from
16 July of 2005 to July of 2006 and imports in August of
17 2006 increasing by an additional 18 percent over the
18 month of July.

19 I do believe if the orders were lifted that
20 injury would occur. The plate industry is on more
21 solid footing today, but I would point out that it has
22 lost money in four of the last six and a half years
23 under review. While the industry has returned to
24 profitability after 2004 and 2005, we did see a
25 quadrupling of their capital investment, so they are

1 doing their very best.

2 I would conclude by pointing out that we
3 have also seen 1,300 American citizens lose their jobs
4 in the cut-to-length plate industry since the year
5 2000, and I am convinced again that injury would
6 reoccur.

7 I do appreciate again the opportunity to
8 testify, your attentiveness and again the serious
9 nature in which you address all of these issues.

10 CHAIRMAN PEARSON: Thank you, Congressman.

11 Are there any questions for Representative
12 Visclosky?

13 (No response.)

14 MR. VISCLOSKY: Mr. Chairman, thank you very
15 much.

16 CHAIRMAN PEARSON: It's very good having you
17 here again. Thank you.

18 MS. ABBOTT: The Honorable Jo Bonner, United
19 States Representative, 1st District, State of Alabama.

20 CHAIRMAN PEARSON: Welcome to the
21 International Trade Commission, Representative.

22 MR. BONNER: Thank you.

23 CHAIRMAN PEARSON: Please proceed.

24 MR. BONNER: Thank you, Mr. Chairman. It's
25 good to be back with you and your colleagues, other

1 members of the Commission. Thank you for giving me
2 this opportunity to speak today regarding the
3 manufacture of cut-to-length plate in the United
4 States and the impact of imports on our domestic
5 manufacturers.

6 As my colleague, Pete Visclosky, just
7 mentioned to you with concerns that he raised, in the
8 overall part of the domestic steel market CTL plate is
9 relatively small, yet it is essential to the
10 infrastructure of the United States.

11 CTL plate is the building block for highway
12 bridges, offshore drilling rigs and large diameter
13 pipe distribution centers. Plate is also used for
14 rail cars, water towers, wind towers, utility poles
15 and transmission towers. It is also a key component
16 for many defense applications that supply the U.S.
17 military, which Congressman Visclosky just mentioned
18 in his testimony.

19 To be sure, plate is essential for
20 infrastructure, and it is essential to rebuild
21 infrastructure after natural and manmade disasters.
22 Some, hopefully none in this room, might conclude that
23 it does not matter where that plate comes from,
24 domestic or foreign, but in fact it does matter very
25 much.

1 The commodity grades of plate and the sale
2 of those grades underpin the ability of domestic
3 manufacturers to make more specialized plate that goes
4 into energy infrastructure. Moreover, the steady
5 stream of commodity plate sales provides the ability
6 to finance capital improvements, upgrade equipment and
7 undertake the research needed to improve product.

8 Mr. Chairman and members of the Commission,
9 the IPSCO facility located in my district just outside
10 of Mobile, Alabama, was able to respond quickly to the
11 requirements for rebuilding oil and gas infrastructure
12 following the worst natural disaster in U.S. history,
13 Hurricane Katrina, which just so happened to hit my
14 district as well.

15 These were specialized grades that without a
16 healthy CTL plate industry these grades would not have
17 been produced locally, nor would they have been
18 available just-in-time. Last fall, if you remember,
19 just-in-time meant we needed it yesterday.

20 In the past few years, the mantra from Wall
21 Street has been that the domestic steel industry needs
22 to consolidate. That is happening, I might add, but
23 consolidation does not happen without capital, and
24 capital formation does not happen in a weakened steel
25 sector.

1 Yes, the conditions for the domestic steel
2 industry have improved, and these improvements have
3 resulted in reinvestment. As an example, the IPSCO
4 facility in Alabama has put over \$50 million back into
5 the Mobile facility and is making a \$30 million
6 investment at its Iowa facility. The company has also
7 doubled its research facility and brought in testing
8 equipment not previously available anywhere in North
9 America.

10 Ladies and gentlemen, these are the actions
11 of a healthy industry. Import data from the
12 Department of Commerce indicates that imports for 2006
13 are consistently above those of 2005, and 2005 showed
14 an increase over 2004 and 2003. This could be
15 considered a trend, and by year's end I am told that
16 imports will represent about 15 percent of the market.

17 To me, that indicates there is a healthy
18 market for fairly traded plate. Additionally, it is
19 worth noting that there are no shortages being
20 reported in the plate market. It is my understanding
21 that in fact CTL plate customers will testify later
22 today in support of keeping these orders.

23 The health of this market is dependent on
24 fairly traded steel. The orders you're considering
25 today were put in place to stop unfairly traded steel.

1 The countries and companies subjected to the orders
2 have an option. They can comply with the orders and
3 import into this market. Companies can have the
4 orders vacated after showing willingness to trade
5 without subsidy or dumping. It has been done in the
6 past, and it can be done again.

7 In my district, IPSCO originally brought
8 over 450 badly needed jobs to our area, and today they
9 have become a true partner for progress for all of
10 south Alabama. The investment IPSCO has made since it
11 first opened has only increased employment, and the
12 recent decision to invest another \$50 million will
13 result in at least 50 new jobs for my area and may
14 attract even more new business to south Alabama as
15 well.

16 After the hurricanes of the past couple
17 years, IPSCO was not able to operate for roughly two
18 days. Although they never lost power, they needed
19 time to get their people back. During that time, they
20 put their employees to work repairing houses in the
21 area, brought diesel to the area to keep sewage
22 treatment plants operating and donated over \$500,000
23 to the local Red Cross.

24 In a time of disaster, one thing is certain.
25 Imported steel is not going to help rebuild the Gulf

1 Coast, but domestic healthy manufacturers can, will
2 and do.

3 The steel sector is also investing in
4 upgrading technologies to meet increasingly tough new
5 environmental standards. The United States has the
6 highest rate of recycled steel product in the world.
7 Approximately one-half of the steel plate produced in
8 the U.S. is recycled, and that matters.

9 The domestic steel industry produces steel
10 more efficiently than any other country in the world
11 and is working to bring energy intensity down even
12 further. In fact, I would submit that the U.S. plate
13 industry represented in this room today is spending
14 significantly large amounts on breakthrough research
15 and efficiency through partnerships with the U.S.
16 Department of Energy. Again, this is an important
17 byproduct of a healthy domestic industry.

18 As I said earlier, the CTL plate market in
19 the U.S. is relatively small, which means it could
20 easily be swamped by the influx of plate. Plate that
21 is unfairly traded would only exacerbate the damage.

22 I know that the plate market has been stable
23 for a few years, but that is not a reason to abandon
24 the principles of fair trade. Instead, I would submit
25 it is a reason to keep what is working in place.

1 Mr. Chairman, thank you again for this
2 opportunity to appear before you and your fellow
3 Commissioners. I appreciate this opportunity.

4 CHAIRMAN PEARSON: Thank you, Congressman.
5 Does anyone have a question for
6 Representative Bonner?

7 (No response.)

8 CHAIRMAN PEARSON: Thank you very much. We
9 appreciate your trip here for this hearing.

10 MS. ABBOTT: On behalf of the Honorable
11 Theodore Kulongoski, Governor of Oregon, Sarah
12 Bittleman, Director of the Washington, D.C. office.

13 CHAIRMAN PEARSON: Good morning, Ms.
14 Bittleman. Welcome to the Commission.

15 MS. BITTLEMAN: Good morning, Mr. Chairman
16 and Commission. I am the Director of the Governor of
17 Oregon's Washington, D.C. office. The Governor asked
18 that I read his very short testimony into the record
19 this morning.

20 Commissioners, I am writing in support of
21 Oregon Steel Mills, a producer of cut-to-length plate
22 products and the state's largest steel producer.
23 Headquartered in Portland, Oregon, the company today
24 provides 1,900 jobs to our residents and is an
25 important contributor to our state and local

1 economies. In addition, Oregon Steel Mills works
2 closely with the Port of Portland on the transport of
3 goods, which has resulted in new berths at the port.

4 The company makes a variety of steel
5 products and today has the only remaining plate
6 rolling mill in the western United States. Oregon
7 Still Mills is only one of two U.S. producers of armor
8 plate. This product is made to retrofit armor kits
9 for Humvees and military police vehicles, as well as
10 other products used to protect our nation's servicemen
11 and servicewomen.

12 As part of their testimony, representatives
13 of the company will explain that despite recent years
14 of strong economic results, the industry is facing an
15 uncertain future based on increasing imports and
16 declining demands in the U.S. market.

17 The existing orders on plate have ensured
18 that unfairly traded plate has not disrupted the U.S.
19 market. More importantly, the existing orders have
20 also allowed the domestic industry and Oregon Steel
21 Mills to compete on a level playing field. Further, a
22 strong plate business is critical to the economic
23 well-being and survival of Oregon Steel Mills.

24 The State of Oregon is home to many of our
25 businesses that rely on global trade. Steel and

1 metals are an important component of our state's
2 economy. Our state has launched a number of
3 initiatives which will promote innovation and
4 competition in the workplace, and I recently announced
5 the development of the 2006 Innovation Plan, which we
6 believe will help our businesses grow and allow our
7 residents to have access to good paying jobs.

8 Our state values the contributions made by
9 the business community, and we want to ensure that
10 there is a future for Oregon Steel Mills and the steel
11 sector in our state. I would therefore request that
12 the Commission take into consideration the facts
13 provided to you by U.S. plate producers at this
14 important hearing.

15 Thank you for the opportunity to submit
16 comments on this critical issue. Sincerely, Governor
17 of Oregon, Theodore R. Kulongoski.

18 CHAIRMAN PEARSON: Thank you.

19 Does anyone have a question for Ms.

20 Bittleman?

21 (No response.)

22 CHAIRMAN PEARSON: Thank you very much.

23 MS. BITTLEMAN: Thank you very much.

24 MS. ABBOTT: On behalf of the Embassy of
25 Mexico, Kenneth Smith Ramos, Director General for

1 International Trade Negotiations, and Adriana Diaz
2 Ortiz, Director of International Assistance for
3 Mexican Exporters.

4 CHAIRMAN PEARSON: Welcome to both of you.
5 Please proceed.

6 MR. RAMOS: Good morning, Mr. Chairman,
7 distinguished members of the Commission. It's a
8 pleasure to be here. Thank you for the opportunity to
9 present this testimony.

10 My name is Kenneth Smith Ramos, and I serve
11 as the Director General for International Trade
12 Negotiations in Mexico, Secretary of the Economy. As
13 such, I am intimately involved in Mexico's negotiation
14 of trade agreements with the United States and
15 elsewhere.

16 A necessary part of my job is to assess the
17 effects of these agreements on Mexico's industries and
18 ensure proper implementation and compliance with NAFTA
19 commitments. I appreciate this opportunity to share
20 my experience with the Commission in this case, which
21 so epitomizes the mutually beneficial aspects of the
22 NAFTA and its effects for our two countries on the
23 cut-to-length plate industries.

24 The conditions of competition underlying
25 these mutual benefits help to explain why it is not

1 likely that the Commission's requested revocation of
2 the U.S. orders on CTL plate from Mexico would cause
3 any harm to the U.S. industry.

4 The North American Free Trade Agreement was
5 implemented in 1994 to extend the benefits of free
6 trade to the United States, Mexico and Canada. Since
7 then, the value of trade between the U.S. and Mexico
8 has increased more than 150 percent to approximately
9 \$300 billion, and U.S. exports to Mexico have doubled.

10 In addition, our two economies are
11 increasingly integrated with one another through
12 complementary trade patterns and interests. This is
13 most evident with the now integrated North American
14 cut-to-length steel plate industry

15 U.S. CTL plate producers have operations in
16 more than one NAFTA country. For example, IPSCO is in
17 Canada and the United States, while Mittal is in the
18 United States and reportedly soon to be in Mexico.

19 The same is true with the major OEM
20 purchasers of cut-to-length plate such as Caterpillar,
21 John Deere and Trinity, all three of which manufacture
22 and source from the United States and Mexico.

23 Steel producers in NAFTA countries also
24 source raw materials from the three. For instance,
25 AHMSA, the sole integrated producer of CTL plate in

1 Mexico, sources coal and iron ore from the United
2 States to make its steel. Market integration is also
3 found in pricing with CTL plate prices in Mexico
4 closely tracking those of the United States based on
5 U.S. public data.

6 Large volumes of cut-to-length plate are now
7 traded among NAFTA countries with U.S. exports
8 constituting the vast majority of that trade. Since
9 implementation of NAFTA, the U.S. industry's exports
10 of CTL plate to Mexico have increased eleven-fold.

11 In 2005, the U.S. industry exported to
12 Mexico 458 times the amount of CTL plate the United
13 States imported from Mexico. In the same year, the
14 U.S. industry's exports to Mexico exceeded its exports
15 to the entire world, excluding Canada, by 27 percent.

16 As these numbers demonstrate, the U.S.
17 industry has been afforded full advantage of NAFTA and
18 the corresponding benefits of market integration.
19 Meanwhile, demand in Mexico has kept exports of cut-
20 to-length plate from Mexico at very low levels.
21 Indeed, strong demand has not only kept Mexico from
22 becoming a CTL plate export platform, but it has also
23 made Mexico a net importer of this product.

24 In the first half of 2006, almost half of
25 all CTL plate consumed in Mexico was imported, mostly

1 from the United States. This should be no surprise,
2 given that CTL plate demand in Mexico has grown by
3 almost 40 percent since the year 2000, and AHMSA's
4 production capacity has remained constant and unable
5 to come even close to meeting demand.

6 All reliable forecasts indicate that demand
7 for cut-to-length plate in Mexico will continue to
8 increase. GDP growth in Mexico is expected to surpass
9 four percent this year. Growth in key sectors that
10 consume CTL plate will also continue. Construction, a
11 main driver of cut-to-length plate demand, is expected
12 to rise by an annual rate of approximately four
13 percent for the foreseeable future.

14 Like in the United States, PEMEX and other
15 energy companies are undertaking large projects to
16 expand oil and gas production facilities throughout
17 the country with new pipelines and rigs, both of which
18 consume large amounts of CTL plate.

19 Major U.S. multinational companies that
20 consume cut-to-length plate are likewise expanding
21 their operations in Mexico, and to be more competitive
22 over non-NAFTA sources they need to be able to source
23 NAFTA-wide when logistics demand.

24 For instance, Trinity, a U.S. rail car
25 producer, is shifting 50 percent of its total rail car

1 production to Mexico within the next two years, and it
2 is expected to continue to buy large amounts of CTL
3 plate from mills on both sides of the border. All of
4 this is expected to increase cut-to-length plate
5 demand in Mexico by an annual rate of at least seven
6 percent in the coming years.

7 With home market demand continuing to
8 increase, Mexico is not likely to become a significant
9 exporter of cut-to-length plate and is certain to
10 remain a net importer of this product.

11 NAFTA integration is also illustrated by
12 increasing cooperation among NAFTA governments and
13 industry bodies. Through various organizations, NAFTA
14 governments and industry have adopted the goal of a
15 single North American steel industry.

16 Just recently, the North American
17 Competitive Council was created to strengthen the
18 North American manufacturing base, including steel
19 through further integration.

20 Also, in 2002 the NAFTA countries created
21 the North American Steel Trade Committee, an
22 innovative forum which brings together the steel
23 industries and governments of Canada, the United
24 States and Mexico and whose objective is to develop a
25 common strategy to increase the competitiveness of the

1 steel sectors in the NAFTA region and find common
2 solutions to many of the international challenges that
3 the sector faces.

4 That is how the NAFTA governments have
5 presented joint positions in the OECD process aimed at
6 reducing and eliminating subsidies in the steel sector
7 worldwide. A key component of the committee is
8 finding ways to facilitate intra-NAFTA steel trade,
9 and reducing trade disputes is definitely a step in
10 the right direction.

11 This three-way coordination will make the
12 North American cut-to-length plate industry even more
13 integrated, efficient and globally competitive, so
14 long as it is not hampered by unwarranted trade
15 restraints among NAFTA members.

16 Experience has taught me that the effects of
17 a trade agreement on industry are important and long-
18 lasting. The market conditions arising from the
19 considerable integration of the North American CTL
20 steel plate industry, which is unique to Mexico among
21 the countries subject to this review, undoubtedly
22 impact the Mexican CTL plate industry from raw
23 material sourcing to sales of cut-to-length plate and
24 in the key downstream sectors that consume CTL plate.

25 The Commission should make its determination

1 as to Mexico with these consequential market
2 conditions in mind. Specifically, revocation of the
3 Mexican orders will not be likely to cause any harm to
4 the U.S. industry. The Commission reached a closely
5 analogous conclusion when it revoked the antidumping
6 order on CTL plate from Canada in 2000. All the basic
7 facts that supported that decision for Canada support
8 the same decision for Mexico.

9 The Canadian Government made this same
10 determination when it revoked its antidumping order on
11 cut-to-length plate from Mexico in 2003, and there was
12 no harm to the Canadian industry.

13 Because all the facts support it, we believe
14 the time has come for the United States to also revoke
15 the Mexican orders.

16 Thank you for your time and attention.

17 CHAIRMAN PEARSON: Thank you.

18 MS. ORTIZ: Good morning, Mr. Chairman and
19 members of the Commission. I am Adriana Diaz,
20 Director of International Assistance for the Unit of
21 International Trade Practices in Mexico, Secretary of
22 Economy.

23 Among other duties, I am responsible for
24 monitoring trade barriers abroad concerning the
25 potential of adverse effects on Mexico's industries,

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1 including the steel industry.

2 Nowadays there are no antidumping,
3 countervailing or safeguard measures against Mexican
4 exports of cut-to-length plate in other countries
5 other than the U.S. order the Commission is now
6 considering. Furthermore, Mexican exports of CTL
7 plate are not relevant due to the facts as explained
8 by Mr. Smith that home market demand constrains
9 Mexican exports.

10 This is evidenced by the Canadian
11 International Trade Tribunal's determination to revoke
12 its antidumping order on CTL plate from Mexico after
13 the 2003 sunset review findings that revocation of the
14 order would not be likely to lead to material injury
15 to the Canadian industry.

16 Since then, Mexican exports of plate to
17 Canada have been from small to nonexistent. Thus,
18 there were no exports from Mexico to Canada in 2004.
19 During Canada's 2005 supply shortage following
20 Stelco's closure of its plate operations, Mexico
21 shipped only 11,000 tons to Canada, which accounts for
22 1.7 percent of total CTL plate imports into Canada
23 that year, while the U.S. accounts for 62.5 percent
24 during 2006.

25 Mexico has exported only 23 tons to Canada.

1 Mexican exports to Canada have been extremely low
2 following revocation, even though total imports into
3 Canada increased substantially.

4 It is important to mention that Mexico is a
5 net importer of cut-to-length plate due to AHMSA's
6 inability to meet home market demand, notwithstanding
7 its dedication of virtually all of its capacity to
8 serve the home market.

9 Considering the current market conditions
10 and the prior experience in Canada, I expect the same
11 pattern of trade if the U.S. orders on Mexican CTL
12 plate are revoked. In fact, as demand in Mexico
13 continues to increase, it is likely that CTL imports
14 into Mexico will also increase, especially from the
15 United States and possibly China.

16 Currently Mexico's only significant barrier
17 to CTL plate imports are antidumping orders against
18 Russia, Ukraine and Romania, three countries against
19 which the U.S. has also imposed antidumping
20 restraints. Also, the United States maintains orders
21 on CTL plate from many other countries, including
22 China.

23 Among other commitments undertaken at the
24 North American Steel Trade Committee, Mexico has
25 implemented an import monitoring system for steel

1 products. Given these conditions of competition and
2 what is reasonably foreseeable, it is hard to see how
3 revocation of the U.S. orders on CTL plate from Mexico
4 could have any adverse impact on the U.S. mills.

5 Based on the Canadian experience and home
6 market demand, significant exports to the United
7 States would not be likely if the Commission revokes
8 the Mexican order.

9 Indeed, it seems to me that the Mexican and
10 U.S. CTL plate industries share common interests in
11 the North American market. Both are better served by
12 balanced complementary actions by our two governments
13 instead of continuing one where it limits trade among
14 NAFTA partners.

15 Thank you.

16 CHAIRMAN PEARSON: Thank you.

17 Are there any questions for Ms. Diaz Ortiz
18 or Mr. Smith Ramos?

19 (No response.)

20 CHAIRMAN PEARSON: Seeing none, thank you
21 very much. Appreciate your testimony.

22 MS. ABBOTT: Opening remarks in support of
23 continuation of orders will be by Roger B. Schagrín,
24 Schagrín Associates.

25 CHAIRMAN PEARSON: Madam Secretary, as we're

1 moving to opening remarks I would just offer a couple
2 comments.

3 The first one has to do with Tuesday's
4 hearing on corrosion-resistant steel. I've been
5 advised by the Secretary that although this was not an
6 intention we started out with, we did set what may be
7 a modern day record for length of the hearing.

8 The previous longest hearing was in
9 conjunction with the 210 investigation, and that went
10 until 9:25 in the evening, so we went beyond that by
11 more than an hour and a half.

12 I had the good sense not to conduct a poll
13 of those who were here at that time. There was quite
14 a crowd yet, some of whom I see here this morning, but
15 had I done so I probably would not have won the
16 Chairman of the Week award.

17 I'll do what I can to try to keep it shorter
18 today. I think we can move through this material
19 reasonably well while considering it thoroughly, and
20 so I just wanted to provide that background that I
21 hope we don't repeat Tuesday's timeframe.

22 The other thing I would mention is that we
23 may break for lunch today prior to the conclusion of
24 the questioning of the domestic industry panel, but I
25 just don't know that yet. We'll see how it goes. If

1 it's starting to get a bit late we might do that and
2 then come back and finish the questioning after lunch.

3 Thank you for that opportunity to comment.

4 Welcome, Mr. Schagrin. Your turn now.

5 Please proceed.

6 MR. SCHAGRIN: Thank you, and good morning,
7 Chairman Pearson and members of the Commission. I am
8 sorry I missed that marathon hearing on Tuesday. I'm
9 not completely sorry, of course. I am sure that we
10 will have a very educational and erudite hearing
11 today, though I am sure much shorter.

12 I will also commit to you, because I've been
13 known to be long-winded in the past, that I will keep
14 answers short and will do everything to move the
15 hearing along.

16 There are several conditions of competition
17 in the U.S. cut-to-length plate market that, taken
18 together, will result in a recurrence of injury to the
19 domestic industry caused by a surge of unfairly traded
20 imports if the Commission were to sunset these orders.

21 First, the cut-to-length plate market is
22 increasingly focused on sales through service centers.
23 During the original investigation, the Commission
24 found that 43 percent of domestic shipments were to
25 distributor service centers.

1 At the outset of this review period, that
2 number had increased to 53 percent, and by 2005 it was
3 up to 60 percent of domestic shipments. For subject
4 foreign producers, sales to service centers accounted
5 for over 80 percent of their sales during the original
6 period of investigation.

7 Second, unlike some other steel or flat-
8 rolled steel products, over three-quarters of domestic
9 shipments of cut-to-length plate are sold by the
10 domestic industry on a spot market basis. There are
11 not many long-term contracts that would shield this
12 industry from a sudden surge in imports.

13 There is already existing significant excess
14 capacity in the 11 countries subject to this review,
15 and the Commission should make adverse inferences on
16 excess export capacity for the two countries that did
17 not have producers respond to the Commission's
18 questionnaires.

19 The record here is replete with factual
20 information, and the Commission can have no doubt that
21 with every passing day excess capacity to produce cut-
22 to-length plate in China is growing, and Chinese
23 exports to markets around the world will continue to
24 grow exponentially.

25 Therefore, within a reasonably foreseeable

1 timeframe producers in the subject countries will have
2 more tonnage displaced from their home market and
3 principal export markets. They will wish to continue
4 operating their capital intensive cut-to-length plate
5 operations at high rates of utilization, and they will
6 increasingly target their exports on the most
7 attractive cut-to-length plate in the world, the
8 United States of America.

9 Some of these same producers profess a lack
10 of interest in the Canadian market, but after the
11 Canadian Tribunal's sunset orders imports of cut-to-
12 length plate into Canada have surged. Regardless of
13 demand forecasts, whether strong or weakening, and the
14 amount of quantity of inventory stocked by service
15 centers and end users, the records of past Commission
16 investigations, and there have been many on this
17 product, demonstrate that there will be injury to the
18 domestic industry by surging imports even during
19 periods of strong demand.

20 In 2006, imports are already increasing
21 significantly from nonsubject countries with imports
22 up by 56 percent through August compared to last year.
23 These increased imports are leading to a serious
24 inventory glut in the U.S. market, and due to reduced
25 order books some domestic mills are already announcing

1 production cutbacks for the fourth quarter of 2006.

2 Despite healthy recent results for the
3 domestic industry, this industry is vulnerable to
4 increased imports. The combination of the market
5 being centered on spot market sales to distributors
6 who are willing to buy imports at prices that are
7 lower than domestic prices means that a future massive
8 surge of imports is merely a phone call, facsimile or
9 e-mail away to a host of major service centers the day
10 after the Commission's determination.

11 The major import stocking distributors like
12 Ranger and Superior have now expanded from use into
13 the midwest. As soon as major import orders are
14 placed, order books for domestic companies will
15 plummet, future production and shipments will suffer,
16 and there will be massive price and profitability
17 effects on the domestic industry in short order.

18 As a consequence, the domestic industry will
19 no longer be able to continue with the investments
20 necessary to stay competitive and to develop the
21 future products demanded by the marketplace.

22 For these reasons, on behalf of the domestic
23 producers and their employees, we urge the Commission
24 to continue these orders against unfairly traded
25 imports of cut-to-length plate.

1 Thank you.

2 CHAIRMAN PEARSON: Thank you, Mr. Schagrín.

3 MS. ABBOTT: Opening remarks in opposition
4 to continuation of orders will be by Kenneth J.
5 Pierce, Willkie Farr & Gallagher.

6 CHAIRMAN PEARSON: Welcome, Mr. Pierce.

7 MR. PIERCE: Good morning, Mr. Chairman.
8 Good morning, Commissioners. I'm Ken Pierce of
9 Willkie Farr & Gallagher, counsel for Mexican and
10 Brazilian producers. This opening statement is on
11 behalf of Respondents that filed the joint prehearing
12 brief on cumulated issues.

13 Commissioners, what you'll hear from
14 Petitioners today you have heard before. Just one
15 year ago, in the last cut-to-length plate sunset
16 review, then, like now, they said they were on the
17 brink of disaster with demand about to plummet, which
18 would force prices down in the face of rising cost,
19 causing a fatal cost/price squeeze.

20 Their Chicken Little claims are as false
21 today as they were then, but this time the Commission
22 has a record to test them. The domestic cut-to-length
23 plate industry is by far the strongest among all flat
24 products, an important consideration for the
25 Commission, given Petitioners' diversionary arguments

1 concerning nonsubject steel products and countries.

2 The industry at issue today has operating
3 margins well above 20 percent for three years running,
4 a 40 percent rate of return on investments, pricing
5 increases for August, September and October
6 deliveries, a spread of more than \$400 per ton between
7 material cost and prices with a 39 percent markup over
8 cost of goods sold.

9 The cash has been pouring into the domestic
10 industry's coffers despite what they told you last
11 year. Net cashflow for just 2005 and interim 2006
12 exceeds depreciation for the entire period of review
13 by over \$1 billion.

14 The domestic industry is extremely strong
15 and profitable. It will be for a long time because
16 its health is due to the fundamental realignments,
17 consolidations, restructurings and labor agreements
18 that followed on the 201 restraints and associated
19 subsidies.

20 This spectacular sustained turnaround has
21 nothing to do with the orders now under consideration.
22 It will continue long past their revocation. Demand
23 is strong for the foreseeable future. Our prehearing
24 brief is replete with recent industry statements
25 confirming this, statements made when their opposition

1 to sunset revocation was not under Commission
2 scrutiny.

3 The Commission should direct Petitioners to
4 submit for the record a group forecast by IPSCO,
5 Mittal, Nucor and Oregon Steel that was presented this
6 September to the Metal Service Center Institute's
7 Forecast Conference. Strong demand projections were
8 reported for all the major downstream applications.
9 This demand has helped make cut-to-length plate the
10 premium flat-rolled industry today and for the
11 foreseeable future.

12 Respondents' joint brief also details the
13 evidence that demand and prices are strong worldwide.
14 Respondents are operating at near full capacity.
15 Respondents have healthy profits in their existing
16 markets and no rational reason to shift significant
17 quantities to the United States.

18 Petitioners again raise the specter of
19 China, but their argument on China stumbles and falls
20 over the facts in this case. China is subject to an
21 antidumping order on cut-to-length plate, but is not
22 subject to the sunset review, forcing Petitioners in
23 this case to base their claims on incredibly weak
24 causal speculation.

25 The subject countries export little plate to

1 China, and those that import plate from China, the EU
2 and Mexico, are about to seek trade restraints against
3 China. China has been exporting plate for three years
4 already at the same time the domestic industry has
5 risen to meteoric profits. In this review, the China
6 arguments are desperation.

7 Concerning Petitioners' claims about excess
8 foreign capacity and Canada's revocation of its plate
9 antidumping orders, the Commission has before it this
10 morning the right people to ask.

11 Romania accounted for well over half of all
12 subject imports during the period of review. Romania
13 is Mittal, and Mittal is here as a Petitioner this
14 morning. We suggest the Commission ask Petitioners
15 about past and likely future imports from Romania, the
16 largest subject source.

17 With respect to Canada, a nonsubject
18 country, the U.S. was by far the largest source of
19 imports following Canada's sunset revocations. The
20 Commission should ask the Petitioners why. Since
21 Canada is the largest source of U.S. imports and the
22 Commission has the largest Canadian producer here, it
23 can ask IPSCO about its exports to and from Canada to
24 best understand market shortages and allocation
25 following the closure of Stelco's plate operations.

1 Mittal is reported to be considering
2 building a plate mill in Mexico, and several of this
3 morning's witnesses export substantial amounts of
4 plate to Mexico, so the Commission can ask them about
5 demand in Mexico as well.

6 Rarely does the Commission have the
7 opportunity to test what it was told by a domestic
8 industry just one year later in a subsequent sunset
9 review. We are confident the Commission will seize
10 this opportunity to learn the truth.

11 The Commission was misled by Petitioners one
12 year ago, and they are seeking to do the same again
13 today on many issues from their available capacity to
14 their lack of internal investment in market studies.
15 The list goes on.

16 The credible evidence in this sunset record
17 is overwhelming that cumulated revocation is not
18 likely to lead to material injury to the domestic
19 industry within a reasonably foreseeable time. We ask
20 that the Commission so vote.

21 Thank you.

22 CHAIRMAN PEARSON: Thank you, Mr. Pierce.

23 MS. ABBOTT: Will the first panel in support
24 of the continuation of countervailing duty and
25 antidumping duty orders please come forward and be

1 seated?

2 Mr. Chairman, the witnesses have been sworn.

3 (Witnesses sworn.)

4 CHAIRMAN PEARSON: I'd like to welcome the
5 panel. I know many of you have traveled a good
6 distance to be here. We look forward very much to
7 your presentation.

8 Mr. Schagrin, are you guiding this process?

9 MR. SCHAGRIN: Yes. I'll be quarterbacking
10 the panel.

11 CHAIRMAN PEARSON: Please proceed.

12 MR. SCHAGRIN: This panel would like to
13 begin its testimony with Mr. John Tulloch of IPSCO
14 Steel. Mr. Tulloch?

15 MR. TULLOCH: Good morning, Chairman Pearson
16 and members of the Commission. For the record, my
17 name is John Tulloch, and I'm Executive Vice President
18 and Chief Commercial Officer of IPSCO Steel, Inc.
19 I've been in the industry for 32 years, including 29
20 years with IPSCO, and I'm accompanied today by Glenn
21 Gilmore, who heads up our trade activities.

22 In the USA, IPSCO has two of the most
23 efficient plate mills in the world with greenfield
24 mills built in Montpelier, Iowa, in 1997 and Mobile,
25 Alabama, in 2001. We also have two cut-to-length

1 lines, one in Minnesota and one constructed in 2002 in
2 Houston, Texas, where coil plate, either ours or that
3 of other companies, is cut to length.

4 In addition to the original cost of over \$1
5 billion for these facilities, IPSCO has continued to
6 invest in the U.S. market and in the past year has
7 spent nearly \$50 million to add a new heat treat
8 facility in our Mobile plant that is now ramping up
9 170,000 tons of capacity to heat treat plate that we
10 make at that facility to better serve the higher end
11 of the U.S. plate market.

12 We recently announced a \$30 million vacuum
13 degassing investment in Montpelier to increase the
14 range of plate produced there.

15 Financial results following the start up of
16 our plate mills in the United States was so negative
17 that as we ended 2004 IPSCO had a tax loss
18 carryforward of approximately \$400 million directly
19 related to these U.S. plants. Fortunately, 2004 was a
20 turnaround year for the plate industry due in large
21 part to surge in global demand, which reduced import
22 pressure on the U.S. market, reduced imports supply
23 amid higher prices in the U.S. market.

24 Since 2004, however, we have seen a steady
25 and significant increase in imports of plate into the

1 U.S. market. While demand in the U.S. has remained
2 buoyant, it has slowed down in particular in the
3 service center segment, and that, coupled with the
4 rising import levels, has placed U.S. producers at
5 risk.

6 Because the overwhelming majority of plate
7 flows to the market through distributors instead of
8 through direct sales from mills to end users, changes
9 in distributor inventories can either accelerate
10 apparent demand above the underlying demand levels or
11 decelerate demand below the underlying demand levels.

12 Therefore, we very closely review the Mittal
13 service center industry data to determine the amount
14 of total purchases by service centers, their shipping
15 levels, their inventory level and their trends in
16 stocking or destocking inventory.

17 In July and August of 2006, service centers
18 received 15 percent more in terms of purchase
19 deliveries from domestic mills and imports than the
20 service centers were shipping to their customers.
21 This resulted in a significant increase in service
22 center inventories, which are now over 1.4 million
23 tons, one of the highest levels ever for plate
24 inventories.

25 We saw a clear signal, and I think you'll

1 hear more about this from the distributor panel later
2 this morning, that distributors are even now reducing
3 their inventories, thus depressing demand for
4 shipments from mills.

5 Imports have a significant impact on
6 distributor inventory changes and distributor
7 perceptions of price in the marketplace. This is true
8 for several reasons. As the Commission knows, except
9 for imports from Mexico and Canada imports generally
10 have longer lead times than the domestic industry.
11 Moreover, when imports arrive they tend to arrive in
12 large quantities all at once in a shipment at port, in
13 contrast to a truckload or trainload arriving from
14 domestic suppliers.

15 As a result, in a period such as the period
16 we are presently in distributors have large quantities
17 of imports arriving that they purchased several months
18 ago at a time when their perceptions of the need to
19 stock inventory were different than they are now.
20 Thus, the inventory destocking falls mostly on the
21 shoulders of the domestic mills as distributors tell
22 us that they don't presently need more of a product
23 because their inventories are too high.

24 The market is further distorted when the
25 distributors stop placing orders with importers or

1 brokers. When that happens, the foreign mills get
2 hungry about maintaining their export levels to the
3 United States, and they start dropping their prices
4 significantly in order to entice distributors to place
5 future orders.

6 Distributors then turn to us and say we
7 don't really need a lot of product right now, but if
8 you want to sell us product we need a lower price from
9 you. This is exactly the mode we're in at present.

10 Compounding this problem is the fact that
11 major plate import stocking houses, which originally
12 just had large stocking depots in Houston, have now
13 expanded with the recent opening of supply depots in
14 both Tulsa and Chicago. This puts larger quantities
15 of imports right into the heart of the major markets
16 for the domestic industry.

17 In periods of inventory destocking, price
18 pressures can create a vicious circle, particularly
19 when import supplies are ample. Imports in the U.S.
20 market are already ample, and, as you have already
21 heard, we have had significant increases in plate
22 imports already even while these 11 countries are
23 subject to orders.

24 Unleashing unfairly traded imports from the
25 excess capacity present amongst these 11 countries

1 into the most sought after market in the world would
2 unquestionably have serious negative impact on IPSCO's
3 plate business.

4 Let me conclude by sharing with you that
5 IPSCO has firsthand knowledge of the impact of
6 sunseting plate orders. We are one of only two
7 remaining plate producers in Canada. In 2004 and
8 2005, the Canadian International Trade Tribunal, the
9 Canadian equivalent of this Commission, sunset orders
10 on cut-to-length plate against eight countries.
11 Imports of cut-to-length plate in Canada have surged
12 since those orders were sunset.

13 As a result, the Canadian industry has lost
14 over 19 percent of the Canadian market in the last two
15 years, and pricing in the Canadian market,
16 notwithstanding the significant strengthening of the
17 Canadian dollar, has been driven lower.

18 The situation in Canada indicates that
19 assertions of higher Asian and European demand, as
20 well as assertions of no interest in the North
21 American market, quickly give way to increased exports
22 upon sunset of plate relief.

23 On behalf of our company and our over 1,000
24 employees directly engaged in plate production in our
25 four U.S. facilities, we respectfully request that you

1 maintain these unfair trade orders on cut-to-length
2 plate.

3 Thank you.

4 MR. MCFADDEN: Thank you, Chairman Pearson
5 and members of the Commission. My name is Pat
6 McFadden. I'm National Sales and Marketing Manager,
7 Plate Products, Nucor Hertford County.

8 I welcome this opportunity to discuss with
9 you why the antidumping and countervailing duty orders
10 under review are essential to the continued health and
11 stability of the domestic cut-to-length steel plate
12 industry.

13 As you know, Nucor produces plate at our
14 mill in Hertford County, North Carolina, and at our
15 Tuscaloosa, Alabama, mill purchased from Corus in
16 2004. The Hertford mill is a telling example of what
17 has happened in the plate industry over the past
18 several years.

19 We began production at Hertford in late
20 2000. For four straight years, Nucor suffered losses
21 on our plate business. Starting in the second quarter
22 of 2004, we have seen better times and experienced
23 solid financial returns since then thanks in large
24 part to the protection afforded by these and other
25 orders on plate, but have been in this business long

1 enough to know that the good times are likely to be
2 short-lived.

3 The positive returns we've experienced over
4 the past two years can quickly turn to long periods of
5 substantial losses. In fact, if the orders are
6 revoked Nucor will experience harm to its plate
7 operations and will likely return to years of weaker
8 financial performance.

9 To look forward, there are three areas of
10 concern for the health of Nucor's plate business. The
11 first is global oversupply caused in large part by
12 China's continued production expansion. Over the next
13 five years, more than 68 million tons of new plate
14 capacity are expected to come on line around the
15 world, far in excess of even the most optimistic
16 growth projections. China is the main culprit, though
17 subject producers are also certainly responsible.

18 China's steel producers, who are heavily
19 subsidized by the Chinese Government, continue to
20 build plate capacity without regard for market forces.
21 China's growth has displaced millions of tons of plate
22 imports, including imports from subject countries.

23 China is also exporting millions of tons of
24 plate, forcing producers around the world, including
25 those subject to these orders, to search for new

1 markets for their products. If the orders are
2 revoked, the thing I'm most concerned about is that we
3 will see a domino effect caused by this massive
4 oversupply. Nucor and the U.S. plate market will be
5 assaulted by imports from those countries that are
6 themselves being assaulted by Chinese exports.

7 The bottom line is that the U.S. remains the
8 most attractive market in the world in terms of its
9 pricing, size and distribution system. Without the
10 orders, the excess supply will come here. This is
11 especially true given the significant production
12 capacity and export dependence of the subject
13 countries.

14 The second area of concern is that the cut-
15 to-length plate is a commodity product such that
16 import surges can quickly harm our pricing. Over the
17 past several months, we have seen substantial
18 increases in imports from Asia. These imports are
19 coming in at \$150 to \$200 per ton under U.S. prices
20 and by now have infected the domestic supply.

21 The result should be no surprise. Forced to
22 compete with these prices, U.S. prices will likely
23 drop \$40 to \$50 per ton by the end of the year. In
24 addition, our order books are already taking a hit.
25 We're experiencing sales volumes to be down 10 percent

1 in October and 15 to 20 percent in November.

2 Imports frankly are a wildcard which we have
3 little control over. They quickly enter this market
4 and cause immediate and substantial volume and price
5 damage. The only control we have is through the AD
6 and CVD orders.

7 If the orders are revoked, such damage is a
8 virtual certainty as subject imports will again return
9 to the U.S. market in large volumes. Our prices will
10 fall, our order books will suffer, and our workers
11 will work less and earn less.

12 My third concern for the health of Nucor's
13 plate business is that the strong demand that has
14 enabled our financial recovery over the past two years
15 is not projected to continue. Our business is driven
16 primarily by the construction equipment and heavy
17 machinery industries.

18 Growth in these industries appears to be
19 peaking in 2006 and is projected to taper off in 2007
20 by as much as five to 10 percent. If the orders are
21 revoked at the same time that demand for plate is
22 declining, subject imports will cause even greater
23 harm to the U.S. plate market.

24 Finally, I understand that you have heard
25 complaints about the unavailability of domestic plate.

1 In October 2005, we changed our quench box at the
2 Hertford County mill. It took us until March of 2006
3 to run the new equipment at maximum efficiency.

4 During this six month period, we dealt with
5 the normal issues related to upgrading a mill and had
6 to manage that impact. This issue is now resolved.
7 We need orders, and our mills are open.

8 In short, if the antidumping and
9 countervailing duties are revoked we can expect the
10 return of leaner years for the domestic plate
11 industry. There is too much global oversupply, and
12 the U.S. market is too inviting a target for dumping.

13 Imports from subject countries have
14 devastated the U.S. market, and they will do so again
15 if given the opportunity. I urge the Commission to
16 leave these orders in place. They're very important
17 to Nucor, our workers and their families. Thank you.

18 MR. INSETTA: Good morning, Chairman Pearson
19 and Commissioners. My name is Bob Insetta. I am
20 Director of Plate Products for Mittal Steel USA Sales
21 and Marketing Group.

22 I am accompanied today by Larry Fabina,
23 Mittal Steel USA's Manager of Continuous Improvement,
24 and Matt Habenicht, Mittal Steel USA's Commercial
25 Plate Manager. We are here today to support

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1 continuation of the orders on imports of cut-to-length
2 plate from Belgium, Brazil, France, Germany, Mexico,
3 Poland, Sweden, Spain, Taiwan and the United Kingdom.

4 My responsibilities span all of our plate
5 mills in both Pennsylvania and Indiana. They include
6 providing strategic direction for marketing,
7 establishing pricing, obtaining competitive market
8 intelligence and, most importantly, ensuring that our
9 mills are filled with a valuable mix of profitable
10 business and our customers receive a world class
11 product.

12 In my 27 years of experience with the sales
13 and marketing of plate products, I have worked for
14 Lukens Steel Company, Bethlehem Lukens Plate,
15 International Steel Group and now Mittal Steel USA. I
16 have appeared before the Commission on several
17 occasions and appreciate the opportunity to do so
18 again.

19 Each time I have come before you my message
20 has been the same. The trade laws are critical to
21 preventing price collapses, rapidly declining profits
22 and massive disinvestment that results from dumped and
23 subsidized imports of plate.

24 Last fall when I testified in the sunset
25 review on cut-to-length plate from six other

1 countries, our prices had fallen over \$100 per ton in
2 only a few months. Thanks to the Commission's
3 affirmative determinations on orders covering five of
4 those countries, the price declines did not worsen,
5 and we were able to continue to operate profitably in
6 2006 without significantly increased dumped imports.

7 As imports of plate from noncovered
8 countries surged this past year, imports from those
9 five countries were restrained. Other factors that
10 contributed to our recovery of market conditions in
11 2006 include unforeseen spikes in demand at a time
12 when unforeseen outages restricted supply. These
13 conditions were temporary. Supply has been restored,
14 and by all accounts demand growth in 2007 is not
15 forecast to continue at the robust levels experienced
16 in 2006.

17 You will hear arguments that the U.S. plate
18 market is strong with healthy prices and profits.
19 After years of losses as a result of unfair trade, we
20 are pleased to finally be generating reasonable
21 returns for our products, particularly as costs have
22 risen.

23 It is no wonder that the industry is
24 operating profitably in this most recent peak in the
25 cycle. The U.S. market is one of the most attractive

1 and sought after export markets in the world. As
2 such, there are orders and suspension agreements
3 restraining imports of plate from 19 major steel
4 producing countries, including those under review
5 today.

6 The orders are essential to ensuring that
7 there is not a reversal of this positive performance
8 as the market cools and demand growth slows. Because
9 plate is primarily sold on the spot market, prices for
10 plate are subject to large and sudden swings.

11 At times when imports are increasing and
12 service centers are destocking, U.S. prices have come
13 under tremendous pressure. Recent evidence of this is
14 the fact that spot prices for plate fell over \$100 per
15 ton in 2005 under these very conditions.

16 While in 2006 there have been spikes in
17 imports of plate, this has occurred at a time of
18 unforeseen outages at domestic mills and rapidly
19 increasingly service center inventories.

20 As the rate of importation on a monthly
21 basis is now twice that from 2005 with service center
22 inventories at a level exceeding the peak from the
23 last destocking period and with U.S. mills back in
24 full operation, the pricing pressures the industry is
25 already starting to experience are likely to be more

1 severe than those experienced in 2005.

2 In my experience and as the facts confirm,
3 this is a lethal combination for U.S. spot market
4 prices. Already the beginnings of destocking are in
5 evidence as plate resale prices have begun to fall.
6 Revocation of the orders will deepen and hasten the
7 magnitude of these price pressures.

8 Subject countries are likely to increase
9 exports of plate to the United States if the orders
10 are removed. Do not be misled by their minimal
11 presence in the U.S. market now, which reflects their
12 past pricing practices and imposition of the orders.

13 What remains unchanged is these countries'
14 dependence on exports and continuing search for the
15 most attractive profit maximizing export market.
16 Comparatively higher U.S. prices are the magnet that
17 will attract these imports if trade relief is removed.

18 Recent comparisons of U.S. prices and prices
19 in markets like Asia and the CIS countries show
20 differences of as much as \$400 per ton or more. I
21 cannot think of a company in the world that would not
22 take advantage of that price differential to increase
23 their profits.

24 The incentive to increase or shift exports
25 to the United States is more pronounced as global

1 plate capacity increasingly outweighs global demand.
2 Millions of tons of plate making capacity are coming
3 on line in both subject and nonsubject countries.

4 The mounting imbalance between supply and
5 demand is intensified by the ramp up of production and
6 capacity in China. Since 2003, there has been an
7 eight million ton swing in China's net trade in plate.
8 This figure is actually larger than total U.S. plate
9 consumption in 2005.

10 This shift has displaced subject country
11 exports and has resulted in a massive surge of low-
12 priced Chinese exports of plate into subject
13 countries' home markets. Without the orders, these
14 countries will look to the U.S. market first to
15 offload excess production displaced by Chinese
16 imports. This will bring added downward pressure on
17 domestic prices.

18 The domestic industry is already losing
19 market share to low-priced imports from producers in
20 Canada, Thailand and Malaysia, nearly four percentage
21 points in the first half of 2006 compared to 2005.
22 Examples of low-priced offers from the latter two
23 countries are attached to our confidential brief.

24 Revocation of the orders will permit subject
25 producers to expand exports by increasing price

1 aggression, gaining market share and injuring the
2 domestic industry.

3 On behalf of Mittal Steel USA, I urge you to
4 continue the antidumping and countervailing duty
5 orders under review. Thank you.

6 MR. FABINA: Mr. Chairman and Commissioners,
7 I am Larry Fabina, Manager of Continuous Improvement
8 for the Burns Harbor Plant of Mittal Steel USA. Thank
9 you for this opportunity to appear again before you in
10 support of the continuation of trade relief on imports
11 of plate.

12 I have 33 years of experience in the steel
13 industry with almost half of that dedicated to the
14 plate business. Prior to my most recent position, I
15 was responsible for the operations, maintenance and
16 quality of the plate mills at Burns Harbor and the
17 heat treat facility in Gary, Indiana.

18 Mittal Steel USA has four plate mills that
19 are currently in operation serving our customers
20 nationwide with a wide variety of plate produced to
21 different dimensions and chemistries. Our plate is
22 used for applications ranging from construction
23 equipment to oil rigs to armored Humvees in Iraq.

24 In 2003, International Steel Group acquired
25 the Gary plate mill and the heat treat operation.

1 While we have utilized the heat treat capabilities to
2 maximize our product mix, marketing conditions did not
3 and have not justified running the Gary plate mill.
4 Had we done so, we would have sacrificed efficiency
5 and capacity utilization at our other mills.

6 This is important to the steel business
7 since we have to run at high levels in order to cover
8 our costs and provide stable jobs for our crews. For
9 example, we only brought on the 110 inch plate mill on
10 line in April 2005 when we felt confident that the
11 demand would be there to justify such a move. That
12 mill had been idle for nearly five years.

13 Due to the softening order books over the
14 summer of 2005, we actually had to temporarily idle
15 that mill for seven weeks in the fall. Today, while
16 that mill is running, there is capacity available to
17 increase production if so required.

18 In recent months, two of our mills were
19 idled due to unplanned outages which temporarily
20 resulted in tightness of supply in the market. In
21 June of 2006, we had a motor failure at the
22 Conshohocken plate mill and a down blast furnace at
23 our Sparrows Point mill as a result of an electrical
24 storm. Both are fully operational ahead of schedule,
25 and we are back to normal operations.

1 One of our most critical issues that steel
2 producers face is finding innovative ways to operate
3 in a more cost effective manner. Over the last nine
4 months, I have been coordinating efforts throughout
5 Mittal Steel USA to reduce our energy costs.

6 Since we are an energy intensive business,
7 the escalating cost and availability of natural gas
8 and industrial electricity are of paramount concern to
9 our long-term competitiveness and cost structure. The
10 cost of natural gas has increased fourfold since the
11 1990s. Then the price per MMBtu was approximately \$2.
12 Today it is over \$8, as your staff report reflects.

13 Even though the cost of natural gas has
14 eased somewhat in the recent months, we project that
15 the long-term cost will remain far above the
16 historical levels.

17 Energy is not the only input that has
18 increased in recent years. Cost of scrap and iron
19 ore, while subject to some fluctuations, have doubled
20 since 2000 and are not projected to ease significantly
21 any time soon.

22 Combined, these increased costs require that
23 we continue maintaining prices that are considerably
24 higher than in the past. Higher costs also mean that
25 our business is increasingly exposed to rapid

1 fluctuation in prices for plate.

2 The orders under review have helped minimize
3 the volatility of our plate prices and have
4 contributed to helping us cover these rising raw
5 material and energy costs. Without them, our prices
6 would quickly come under pressure while costs remain
7 constant. This increases the potential for a cost/
8 price squeeze, which has historically been the result
9 when import supply increases and prices come under
10 pressure.

11 I would also like to take a moment to
12 explain how the orders under review complement the
13 increased production efficiencies gained by industry
14 consolidation and restructuring.

15 As the Commission is aware, Mittal Steel USA
16 is a pioneer in the domestic industry's consolidation
17 efforts. As someone who has spent years in the
18 operations, I can tell you that consolidation has not
19 come without a price.

20 American institutions like Bethlehem Steel
21 Corporation that have operated nearly a century were
22 forced into bankruptcy, and numerous others were
23 closed for good. However, these sacrifices paved the
24 way for increased synergy and productivity.

25 The orders under review have allowed our

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1 company to respond to market conditions in a forward
2 looking manner rather than in response to the
3 distortions caused by unfair trade. However, make no
4 mistake. No amount of consolidation could shield us
5 from having to severely cut our prices and curtail
6 production in response to a surge of subject imports
7 if orders are revoked.

8 This would result in a loss of sales and
9 market share, put tremendous pressure on our margins
10 as we struggle to cover our fixed costs and impede
11 further reinvestment in modernization of equipment, as
12 well as basic maintenance.

13 These orders must be continued so the
14 domestic plate industry can continue to progress with
15 the assurance that we are competing on fair terms.

16 Thank you.

17 MR. MONTROSS: Good morning, Chairman
18 Pearson and members of the Commission. For the
19 record, my name is Scott Montross, and I'm Vice
20 President of Marketing and Sales at Oregon Steel
21 Mills. I am accompanied today by Kent Thies, our
22 National Marketing Manager.

23 Oregon Steel Mills was founded in 1926 and
24 has been in Portland, Oregon, since the late 1960s and
25 is the only remaining plate rolling mill in the

1 western United States and one of only two U.S.
2 producers of armor plate for military application.

3 Our armor plate is used in such applications
4 as retrofit kits for the Humvees, military security
5 vehicles that are currently in use in Iraq, police
6 vehicles, as well as inserts for bulletproof vests.

7 In 1997, we at Oregon Steel Mills invested
8 about \$30 million in a new Steckel combination mill
9 designed to produce world-class quality cut plate
10 products. Just as that investment was nearing
11 completion, the west coast was hit with successive
12 waves of unfairly traded imports, which ultimately
13 resulted in the industry filing two sets of trade
14 cases in order to gain relief from unfair trade
15 practices.

16 For Oregon Steel Mills, the damage had
17 already been done, and by late in 2003 we were on the
18 verge of joining a long list of other steel companies
19 that were already in bankruptcy. However, the
20 resurgence in the world plate market late in 2003,
21 driven by tremendous growth in China and in other
22 countries of Asia, relieved west coast import
23 pressures and allowed Oregon Steel Mills to increase
24 prices on its cut plate products to profitable levels
25 for the first time in many years.

1 After a strong 2004 from a price, volume and
2 profitability standpoint and a 2005 that was
3 relatively strong but that began to show the impact of
4 increased imports to the west coast of the United
5 States, our cut plate business has once again begun to
6 deteriorate in 2006 under pressure from a massive west
7 coast import surge.

8 Through the first half of 2006, imports to
9 the west coast were on pace to represent over 30
10 percent of the west coast's market consumption. We
11 believe that China is a significant factor in the
12 current west coast market import surge.

13 China has added so much plate capacity that
14 their growing exports are having a significant impact
15 on the world plate market by displacing production in
16 the home markets of some of the world's leading
17 foreign plate producers, displaced production that is
18 showing up on the west coast of the United States in
19 the form of the current import surge.

20 Even though up to this point direct imports
21 from China have not been a factor due to high dumping
22 duties and are not subject of this review, they still
23 must be considered because their impact has been felt
24 by driving other displaced imports to the west coast,
25 a situation that is certain to get much worse due to

1 the increasing Chinese exports of cut plate to the
2 world market and current projections of cut plate
3 capacity growth in China between 2006 and 2010.

4 We at Oregon Steel Mills have felt the
5 impact throughout the whole year of 2006 as we've
6 struggled to maintain efficient rolling schedules on
7 our plate mill. Even as west coast distributors were
8 building inventories, they were doing so by purchasing
9 low-priced, unfairly traded imports instead of
10 increased purchases from Oregon Steel Mills.

11 The result has been that our trade plate
12 business has dropped to its lowest level in several
13 years, and as orders have declined the price has been
14 quick to follow. We have seen a relatively slow,
15 steady decline in prices over the last several weeks
16 on the west coast and a rather abrupt -- in excess of
17 \$30 per ton -- decline in prices over the last three
18 weeks.

19 It's a common market misconception that
20 Oregon Steel's main business activity is in the large
21 diameter pipe business, and therefore we are less
22 vulnerable to imports than some other steel companies.

23 This is definitely not true as is apparent
24 by looking at the consequences of the massive imports
25 surges that occurred on the west coast between 1997

1 and 2002 which brought Oregon Steel Mills to the brink
2 of bankruptcy, a situation that we must prevent from
3 reoccurring, but that we fear could easily be set in
4 motion by massive capacity growth in China and the
5 effects that it is having on the rest of the plate
6 producing world and the west coast of the United
7 States.

8 We at Oregon Steel Mills have over 800,000
9 tons of cut plate capacity available annually, more
10 than enough capacity to consistently supply the west
11 coast distributors, manufacturers and end users
12 regardless of the ups and downs of our own internal
13 plate usage for large diameter pipe and without the
14 help of massive import surges into the west coast of
15 the United States.

16 I sincerely hope that I've presented the
17 Commission with a few points that illustrate the
18 tenuous nature of the current west coast plate market.
19 I appreciate the opportunity to come and explain our
20 situation to you, and on behalf of the 1,900 employees
21 at Oregon Steel Mills I would respectfully request
22 that the Commission keep these orders in place.

23 Thank you.

24 MR. CONWAY: Mr. Chairman, members of the
25 Commission, I am Tom Conway, Vice President of the

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1 United Steelworkers Union.

2 Our union represents workers at a number of
3 the domestic plate producers identified by the
4 Commission's staff, and on behalf of those workers I'm
5 here to ask you to maintain these orders on the
6 imports of cut-to-length plate.

7 I'm not here to tell you what these orders
8 mean to any one of these specific companies or either
9 to the industry as a whole. I am here to talk to you
10 about what they mean to the individuals, to the
11 hundreds of thousands of steelworkers and retirees
12 whose livelihoods depend on the health of the steel
13 industry.

14 One of the orders in this case has been in
15 place since 1979 and the other since 1993. They are
16 among numerous other orders covering plate imports
17 from an additional eight countries. This demonstrates
18 the long history of unfair trade practices that has
19 taken a toll on our U.S. plate industry.

20 In the face of dumped and subsidized
21 imports, U.S. firms have gone bankrupt. Tens of
22 thousands of workers have lost their jobs, and
23 hundreds of thousands of retirees have lost their
24 healthcare and full pension benefits.

25 The industry has only recently started to

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1 turn around, a feat that would have not been possible
2 without these orders. By restricting unfair imports,
3 the orders have provided some security and some
4 confidence that the U.S. industry could restructure
5 and get back on its feet.

6 Our union has worked with our employers to
7 negotiate an innovative collective bargaining
8 agreement that requires continued investment in the
9 industry's future. We've also worked with the steel
10 companies to create trusts, VEBA trusts, to provide
11 for the retirees who are left behind. Through the
12 VEBAs, a portion of the company's profits go into a
13 trust fund for the retired steelworkers who lost so
14 much when companies fell prey to the unfairly traded
15 imports.

16 Mittal Steel and U.S. Steel, companies that
17 produce cut-to-length plate, have contributed hundreds
18 of millions of dollars to VEBAs that provide retirees
19 with prescription drug benefits and reimbursement for
20 insurance premiums. These trusts ensure that tens of
21 thousands of retired steelworkers regain at least some
22 portion of what they lost.

23 While we made important strides, continued
24 profits are essential to the industry's health.
25 Company contributions to the VEBAs are tied directly

1 to the profit stream. If the steel industry declines,
2 our retirees' futures will once again be placed in
3 jeopardy. Profits are also necessary for the much
4 needed capital investments, investments the companies
5 cannot make if the future of the industry is
6 uncertain.

7 Removing the orders now when raw material
8 costs remain sky high, when global plate capacity is
9 rising and when demand growth is slowing would open a
10 door to a resurgence of unfair plate imports.

11 Steelworkers and retirees have already made
12 huge sacrifices and are just starting to benefit from
13 the industry's recovery. Please do not make it worse
14 by revoking these orders and once again allowing
15 unfair imports to undermine the livelihood of our
16 members and their families.

17 Thank you again for your time and attention.

18 MR. BALLOU: Good morning, Chairman Pearson
19 and members of the Commission. For the record, my
20 name is Tom Ballou. I am the Director of Plate, Flat-
21 Roll and Tubing Products for O'Neal Steel. O'Neal is
22 headquartered in Birmingham, Alabama.

23 I have been in the steel industry for 30
24 years, and I've been with O'Neal for 18 years. O'Neal
25 has 26 full line service centers throughout the United

1 States, which are concentrated in the midwest,
2 southeast and Gulf Coast.

3 O'Neal is one of the largest plate
4 processing service centers in the United States. We
5 process plate by burning, cutting, bending, shaping,
6 welding and other operations for customers in a wide
7 variety of plate consuming industries.

8 These customers include auto and truck
9 industries and associated parts producers, as well as
10 the agriculture, construction equipment, barge
11 building, ship building, rail car and construction
12 industries. We no longer cut coiled plate into cut-
13 to-length plate on cut-to-length lines.

14 For the entire period that I've been with
15 O'Neal, we have purchased both domestic and imported
16 products. We are in favor of fairly traded imports
17 providing fair competition against our domestic
18 suppliers.

19 As a full line service center, O'Neal stocks
20 over 200,000 tons of steel products. Discrete plate
21 is the single largest component of this inventory by a
22 wide amount. Consequently, it is our single largest
23 investment.

24 As we have witnessed many times in the past,
25 whenever there is a surge of unfairly traded plate

1 imports into the U.S. market the inventory value of
2 our plate falls significantly, and this has negative
3 financial repercussions for our company.

4 In fact, O'Neal has grown mostly through
5 acquisitions of small service center chains or
6 individual service centers that have experienced
7 serious financial squeezes caused by this inventory
8 devaluation in which they lacked the financial
9 strength to survive.

10 Given our size and our exposure to so many
11 plate end use markets, I would like to provide our
12 assessment of the market. My best analogy would be
13 that for the past two years or so everyone in the
14 plate market has been running something that's similar
15 to the Daytona 500.

16 We have seen exceptionally strong economic
17 growth in this country, and we were playing catch up
18 from some abnormally low capital investment levels
19 early in the decade in areas such as agriculture and
20 construction equipment, barge building and rail cars.

21 Now, based on what is typical in the
22 business cycle and following 17 rate increases from
23 the Fed, it's clear to me that the plate market is
24 getting off of the racetrack and back on the road at
25 normal speeds.

1 As a result, it is time for O'Neal and other
2 service centers to start curbing our inventories in
3 line with flattening demand. In line with slower
4 demand, we are seeing plate transaction prices fall
5 moderately from both domestic and foreign sources.

6 I am here because I know from past
7 experience that a number of the foreign producers who
8 are subject to this review are capable of bringing
9 large tonnages back into the U.S. market. The last
10 thing O'Neal Steel needs at a time of flowing or flat
11 demand for plate products and at a time of high
12 inventory levels is for there to be a surge of low-
13 priced plate imports that cause inventory values to
14 tank.

15 For this reason, I ask you to carefully
16 review the record and ensure that fair trade practices
17 continue in the plate market.

18 Thank you for the opportunity to testify
19 here again today.

20 MR. HELTZEL: Good morning, Chairman Pearson
21 and members of the Commission. My name is Bob
22 Heltzel, Jr., president of Kenilworth Steel Company of
23 Warren, Ohio.

24 Kenilworth is a steel service center
25 specializing in the distribution of domestic carbon

1 and alloy steel plate. This year, Kenilworth
2 celebrates its 25th anniversary. I have been part of
3 the steel industry for 36 years.

4 Kenilworth's primary marketing area
5 encompasses a 400 mile radius of Warren, Ohio, which
6 includes Pittsburgh, Pennsylvania; Cleveland, Ohio;
7 Detroit, Michigan; Buffalo, New York; and Chicago,
8 Illinois.

9 The manufacturing base, OEMs and their
10 suppliers, has experienced significant downsizing,
11 consolidations and bankruptcies this past decade. In
12 the midwest, I believe much of this is a direct result
13 of dumped and subsidized imported steel products.

14 Kenilworth Steel purchases 90 percent of its
15 requirements from domestic sources. These plants are
16 located in the midwest and southeast primarily. Even
17 with such a close proximity to our supply sources, we
18 continue to receive offers to place orders with
19 foreign producers.

20 Present market for carbon and alloy plate
21 remains stable. Even with a slight volatility in raw
22 material surcharges, which remains the same for all
23 global steel producers, the main concern is the base
24 price, which represents 85 to 90 percent of our cost.

25 Given the opportunity to return to the

1 dumping syndromes of the 1990s and the early 2000
2 years, these 11 country exports to the U.S. could
3 again cause havoc to the domestic steel industry.
4 This is at a time when the domestic industry again has
5 committed itself to largest capital expenditures to
6 provide world class products.

7 In closing, are we going to watch the
8 industry collapse and impact the benefits and
9 stability of thousands of lives again? For all these
10 reasons, I would respectfully ask the Commission to
11 continue the orders. Thank you.

12 MR. RUANE: Good morning. My name is Frank
13 Ruane. I am the Director of Corporate Purchasing for
14 Olympic Steel in Cleveland, Ohio.

15 Olympic has 12 processing and distribution
16 facilities nationwide and employs more than 1,100
17 workers. While Olympic Steel was profitable as a
18 whole last year, we were challenged in managing a
19 sizeable devaluation of our plate inventory.

20 I'm wearing two hats today. First, Olympic
21 is a plate processor. We take coiled plate, which is
22 not subject to these investigations, and process it
23 into cut-to-length plate and other fabricated parts.
24 We have the capacity to process about 1.2 million tons
25 of cut-to-length plate. Therefore, Olympic is a major

1 purchaser of plate and coils as our production starts
2 with coil plate that we buy from steel mills or other
3 sources.

4 We purchase coil plate from many of the
5 major domestic mills, as well as from a variety of
6 trading companies representing foreign producers, more
7 than 16 different sources over a recent period. We
8 are also a significant purchaser of cut-to-length
9 plate, the overwhelming majority of which is melted
10 and manufactured in the United States.

11 Since Olympic is a large consumer of plate,
12 I can tell you that there is a significant price
13 spread between the United States and the rest of the
14 world on plate products. For example, the discrete
15 plate price in China is over \$440 per ton less than
16 this marketplace, more than 50 percent lower. Plate
17 product for export in the Black Sea is more than \$165
18 per ton below this marketplace. These areas tend to
19 set the benchmark price for all marketplaces.

20 Without the effect of the orders we are
21 discussing today and other successful applications of
22 our trade laws, the U.S. market would be a dumping
23 ground. One thing I am certain of is that if the
24 antidumping orders covering plate are removed it will
25 absolutely change the pricing of plate.

1 Imports from the subject countries would be
2 priced to attract business away from domestic
3 producers, therefore increasing the already
4 substantial supply in the United States.

5 Further, the wider variety of imports
6 available then compete on price with each other. The
7 result will be a cycle of continuously lower prices.
8 I have no doubt about it.

9 As a buyer, I can also assure the Commission
10 that there is plenty of plate supply available today.
11 Olympic has increased its sales and its inventory of
12 plate. Inventories also increased for our industry as
13 a whole for eight consecutive months.

14 Today inventories are swelling, and prices
15 are falling modestly as appropriate in a business
16 cycle. If the dumping orders go away, prices will
17 decline rapidly. When prices fall like that, the
18 value of my most at-risk asset, current inventory,
19 falls right along with it. That hurts my company, its
20 workers and its shareholders. A \$100 price decline
21 over Olympic's 270,000 ton inventory costs \$27
22 million.

23 Is a \$100 per ton price drop possible? I
24 can tell you that U.S. produced plate and plate from
25 import sources is a commodity, always interchangeable.

1 This applies to all of the countries subject to these
2 cases and most others besides. These products all
3 compete with each other and, like any other commodity,
4 they compete based on price. The tons flow swiftly to
5 the most attractive markets.

6 \$100 per ton is approximately 12 percent of
7 today's U.S. selling price. The drop in price in the
8 U.S. from January to August in '05 was \$50 per ton
9 with these orders in place. By comparison, during the
10 same period Europe experienced a drop of more than
11 \$200 per ton, four times the negative change in the
12 United States. Should these dumping orders be
13 removed, a \$100 per ton drop in the U.S. could just be
14 the start.

15 I very much appreciate this opportunity to
16 share Olympic's views with the Commission. Thank you
17 for your attention.

18 MR. SCOTT: Good morning, Chairman Pearson
19 and members of the Commission. For the record, my
20 name is Dr. Robert Scott.

21 My colleague, Dr. Robert Blecker, regrets
22 that he cannot be here this morning, but he'll be
23 happy to answer questions in our posthearing
24 submission.

25 Preparing our prehearing economic brief, Dr.

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1 Blecker and I show that demand for cut-to-length plate
2 is highly cyclical and tightly linked to gross
3 domestic product and output in the major plate
4 consuming sectors. In our brief we show that plate
5 demand closely follows real investment in plate using
6 activities such as nonresidential construction,
7 industrial equipment and transportation equipment.

8 We also provide an econometric model of the
9 underlying macroeconomic drivers of the U.S. demand
10 for plate. As the model shows, the plate demand is
11 positively affected by GDP growth and industrial
12 production and negatively affected by real interest
13 rates.

14 Although we recognize that the economic
15 cycle affecting the plate market has been strong until
16 recently, we also believe that a likely downturn in
17 the overall U.S. economy will severely impact the CTL
18 plate market in the U.S. in the near future.

19 According to our forecast using our
20 econometric model, if the U.S. economy has a growth
21 slowdown -- that's just a soft landing as it's called
22 -- in 2007, plate demand will be 429,000 tons or 6.3
23 percent lower than it otherwise would be, and in 2008
24 it would be 591,000 tons lower or 8.4 percent lower
25 than it otherwise would be if the economy remained

1 strong in 2008.

2 Research for a number of highly respected
3 economists and available economic data also indicate
4 that an economic slowdown or recession is likely by
5 2007. Many prominent economists whose views are cited
6 in our submission think that a downturn in the U.S.
7 economy is already in the pipeline and that the risk
8 of a recession in the next year is in excess of 50
9 percent.

10 Even if an actual recession does not occur,
11 the same data suggests that a significant growth
12 slowdown is likely. The collapse of the housing
13 bubble, which is reducing consumer spending, is a
14 major factor in predictions of the coming downturn.

15 Although the housing slump directly affects
16 the plate market only in relation to highrise
17 condominium construction, nonresidential construction
18 generally follows residential construction with a lag
19 of about 12 to 18 months.

20 In addition, the interest rate increases
21 already instituted by the Fed are destined to slow the
22 economy. Although the Federal Reserve has recently
23 taken a pause in its interest rate hikes, it has also
24 made clear that it will resume raising interest rates
25 if inflation does not slow down enough in response to

1 previous increases.

2 In remarks on October 4, Federal Reserve
3 Chairman Ben Bernanke stated that the bank remained
4 "concerned about inflation."

5 Financial markets have interpreted this as a
6 signal that the Fed will not lower interest rates in
7 response to the weakening domestic economy. This view
8 was reinforced by more recent economic data showing
9 strong retail sales in September. The current stance
10 of the Fed virtually guarantees an economic slowdown
11 by the end of this year or early next.

12 At the same time, Bernanke also confirmed in
13 his speech on October 4 that the substantial
14 correction in the housing sector is hurting the
15 economy. In particular, he estimated the housing
16 slowdown "will probably take about a percentage point
17 off growth in the second half of this year and
18 probably something going into next year as well."

19 A downturn in the U.S. economy is also
20 likely to lead to a global slowdown, which could
21 trigger recession, a slower growth in many countries,
22 including subject countries in this investigation,
23 which would then have a greater incentive to dump
24 unfairly traded plate in the U.S. market.

25 Mexico in particular is especially sensitive

1 to the U.S. business cycle due to the NAFTA agreement,
2 as Dr. Blecker has shown in his academic research,
3 which has also been confirmed by a recent World Bank
4 Study. There are signs that a global glut in
5 steelmaking capacity is developing, leading to price
6 softening and expectations of demand declines in the
7 future as reported in the industry press. Again,
8 citations are given in our brief.

9 While there is no doubt that the U.S. plate
10 market has been strong until recently, the industry
11 for the foreseeable future will be highly dependent on
12 the growth of the economy and GDP and other
13 macroeconomic conditions such as interest rates in the
14 next few months and years.

15 Past experience demonstrates that even if
16 the economy does not slow down, the domestic industry
17 can be damaged by recurrence of dumped imports. In
18 1998 and 1999 when demand reached a cyclical peak
19 similar to the levels in 2006, dumping of CTL plate
20 rapidly reduced domestic shipments, prices and
21 operating margins as shown in the record in the
22 prehearing staff report.

23 If the orders in these cases are revoked,
24 recurrence of dumping of CTL plate by subject
25 producers could quickly disrupt the domestic plate

1 market. This would bring about a rapid end to the
2 recovery experienced by the domestic plate industry in
3 the past two years while they enjoy the benefit of
4 relief in these and other investigations.

5 Thank you very much.

6 MR. SCHAGRIN: Thank you.

7 Chairman Pearson, members of the Commission,
8 that completes our direct testimony. We would be
9 happy to answer your questions.

10 CHAIRMAN PEARSON: Okay. Thank you.

11 We will begin the questioning this morning
12 with Commissioner Lane.

13 COMMISSIONER LANE: Good morning. Welcome
14 back to all of you who were here on Tuesday. For
15 those of you who didn't have that wonderful
16 experience, maybe we can relive it today.

17 I would note for the record, Mr. Schagrin,
18 had you been here on Tuesday we probably wouldn't have
19 gotten out until midnight.

20 I know that several of you have touched on
21 this issue this morning, and I don't want to be
22 redundant, but I feel it necessary to ask it anyway.
23 When making its affirmative determination in last
24 year's CTL plate case, the Commission noted the
25 domestic industry's increased profits, production and

1 productivity in the final year of the period of
2 review, but ultimately found that "the conditions that
3 have enabled the industry to realize its recent
4 profits are not likely to continue into the reasonably
5 foreseeable future."

6 However, data in the current cut-to-length
7 plate investigations suggest that the levels of
8 profitability experienced by the domestic industry in
9 2004 continued in 2005 and interim 2006. Do the
10 continued profits of the industry in 2005 and interim
11 2006 indicate that profitable conditions are likely to
12 continue?

13 MR. TULLOCH: This is John Tulloch. Clearly
14 2004 was a buildup, 2005 and then 2006 have been
15 excellent years in the plate business. I think that's
16 apparent from the data.

17 We certainly had a period at the beginning
18 of 2005 where inventories were coming down. Things
19 did look like they were slowing down. That changed as
20 we went through into '06, and pricing has remained at
21 a good level and volumes have remained at a good
22 level.

23 As was described from the gentleman from
24 Mittal and from Nucor, they did have outages, which we
25 think had a material effect on what happened in the

1 middle of 2006. You know, this is a very volatile
2 industry, and we as a company have been quite open
3 about the fact the end use of plate has remained
4 strong, and we see it remaining strong.

5 I noticed in the Caterpillar brief, the
6 public brief, they've quoted extensively from our
7 public statements in that area, but we make quite a
8 distinction, quite frankly, on the end use and the
9 sale of plate that goes into the market in general,
10 the other component being the distribution sector.

11 The distribution sector has not had the same
12 strength. We try and look through that at the end
13 use. The end use we think remains strong, and we
14 ourselves pick up on comments from people like
15 Caterpillar that it will remain strong.

16 A huge part of this business is about
17 supply, and it's that supply piece, you know. We get
18 often asked, for example, by investment analysts what
19 keeps you awake at night? Well, it's the supply piece
20 that keeps us awake at night. That supply piece, the
21 biggest volatility there is the import piece. That
22 can change so fast. We've seen that in a number of
23 cases and a number of markets.

24 Certainly we've been in a strong period. We
25 have been in a strong period. We have seen our

1 distributor orders as a company drop in the fourth
2 quarter significantly. I mean, if we go through
3 individual distributors, for example, 20 percent, 40
4 percent. The maximum is 68 percent. These are orders
5 in the fourth quarter over the prior quarters.

6 We are going to be idling some facilities
7 through the fourth quarter in order to -- rather than
8 jamming -- try to reduce their inventories. It
9 doesn't make sense to try and push that up.

10 There certainly is a change. It's a very
11 volatile business. I mean, we've been at very high
12 levels that last couple of years, but we were at
13 extremely low levels for the years before that.

14 We do need to make money when times are
15 good, and we believe we've done that, but it's a
16 supply issue that is the biggest worry for us.

17 MR. INSETTA: Commissioner?

18 COMMISSIONER LANE: Yes?

19 MR. INSETTA: If I may add to what John just
20 stated? My name is Bob Insetta, and I'm with Mittal
21 Steel.

22 I think I'd like to just emphasize what John
23 said about the supply side, in particular as it
24 related in this past year to the steady rise in
25 imports and the production disruptions that we saw

1 domestically.

2 If you look at the imports where they are as
3 we sit here today and compare them to the point at
4 which destocking began last year, the imports are
5 significantly higher today than they were at that
6 time.

7 I think what we saw as these imports
8 increased from the beginning of 2006 is that most of
9 the increase was absorbed by this domestic disruption.
10 We can provide additional information in the
11 posthearing submission. If any of the other domestic
12 mills would like to support that, I think they can
13 also do the same thing.

14 The point is there were a significant number
15 of tons that came out of the domestic shipments that
16 were replaced by these imports. We are now back into
17 a situation where our production is up to levels that
18 we have manned the facilities for, and imports keep
19 growing.

20 To reiterate Mr. Tulloch's comment, the
21 supply side right now I believe is in a lot worse
22 shape than it was this time last year when destocking
23 started, and therefore the pricing pressures are more
24 of a concern now than they were then.

25 COMMISSIONER LANE: Okay. Let me just

1 clarify one point you made. When you say that the
2 imports are up, are you talking about subject imports?

3 MR. INSETTA: Yes.

4 COMMISSIONER LANE: Okay.

5 MR. INSETTA: Yes.

6 COMMISSIONER LANE: Okay. Thank you.

7 MR. INSETTA: No. I'm sorry. Nonsubject.

8 COMMISSIONER LANE: Nonsubject imports.

9 MR. INSETTA: Yes.

10 COMMISSIONER LANE: Okay. Thank you.

11 Yes, sir? I'm sorry. Hold up your --

12 MR. RIKER: This is David Riker.

13 COMMISSIONER LANE: Okay. thank you.

14 MR. RIKER: I'm an economist. We've heard
15 the domestic industry testify that they've decided not
16 to invest in additional CTL plate capacity, and I
17 think this is very significant because the investment
18 decisions, just like your five-year sunset review, are
19 forward looking.

20 The Respondents' lawyers argue that you
21 should ignore financial performance in the first half
22 of the POR, and assume instead that this financial
23 performance that you're asking about is here to stay,
24 that it will persist.

25 Under this rosy scenario, we could ask why

1 doesn't the domestic industry invest in more capacity?
2 Clearly the industry knows better. They know that the
3 market is subject to significant volatility as they've
4 testified this morning, and their recognition of this
5 volatility and the likelihood that the current
6 conditions won't persist I think is reflected in their
7 decision to forego additional CTL plate capacity
8 additions, a point that was made to me particularly by
9 Mr. McFadden at Nucor.

10 COMMISSIONER LANE: Okay. Thank you.

11 Dr. Scott, did you want to answer that too,
12 please?

13 MR. SCOTT: Briefly. Very, very briefly.
14 Robert Scott, economist with Schagrin Associates.

15 Of course, if the Commission had decided to
16 sunset the orders a year ago that would have probably
17 resulted in more imports coming in, and it would have
18 I think injured the domestic producers.

19 At that time I was involved in that case as
20 well. We were expecting the economy to slow, and in
21 fact it has slowed in the third and we predict and I
22 think it's widely expected it will slow in the fourth
23 quarter, I think with in the foreseeable future,
24 considering that case.

25 Finally, since September of last year when

1 those cases were heard, the Fed has raised interest
2 rates by 2.25 percentage points. That certainly
3 clouds the economic outlook even more going forward.

4 Thank you.

5 COMMISSIONER LANE: Okay. Thank you.

6 Mr. Schagrin, in Mr. Pierce's opening
7 remarks he referred to a group forecast that was made
8 by four companies about demand. Is it possible that
9 that be put in the record if you have it?

10 MR. SCHAGRIN: Yes, we can supply that with
11 our posthearing submission.

12 COMMISSIONER LANE: Okay. thank you.

13 The staff report indicates that 24 out of 35
14 responding purchasers reported that there had been
15 problems with supply, with most reporting that
16 domestic mills had placed them on allocation or
17 controlled order entry from early 2004 to mid 2005.

18 Are any purchasers still on allocation, and
19 do any parties anticipate that the market conditions
20 which led the domestic mills to place purchasers on
21 allocation will recur in the reasonably foreseeable
22 future?

23 That's a nice, short question for the last
24 minute.

25 MR. TULLOCH: In IPSCO's case we have nobody

1 on allocation today. That has changed quite
2 dramatically. In fact, as I said, we have available
3 capacity for anybody who wants to step up.

4 MR. MCFADDEN: The same at Nucor. We're
5 wide open, and I expect us to be that way in the
6 future.

7 COMMISSIONER LANE: Okay. Thank you.

8 MR. MONTROSS: It is exactly the same at
9 Oregon Steel Mills. We have not and do not put people
10 on allocation, and we don't see that any time in the
11 foreseeable future.

12 MR. RUANE: Commissioner Lane? Frank Ruane
13 with Olympic Steel.

14 We would be one of those people that would
15 have been placed on allocation. The allocation is
16 really simply a reservation system that allows the
17 steel mills to manage how actually long their lead
18 time is.

19 Whether you are on this reservation system
20 does not really prevent you from building inventories.
21 At Olympic Steel, as well as the distribution industry
22 in general, our inventories rose from the end of '03
23 to the end of '04, from the end of '04 to the end of
24 '05 and from '05 until today and so there's been
25 constant inventory growth in the supply chain

1 regardless of the period of reservations.

2 COMMISSIONER LANE: Okay. Thank you.

3 Thank you, Mr. Chairman.

4 CHAIRMAN PEARSON: I get to ask the second
5 set of questions.

6 This period of review was characterized by
7 not very good financial performance the first several
8 years and then towards the latter part of the period
9 of review the earnings have been quite decent.

10 Go back and review for me. What was it that
11 led to the industry not doing well in the early part
12 of the period of review? These subject imports of
13 course have been constrained by orders since 1993 and
14 so there must have been issues other than these
15 subject imports that were causing problems for the
16 industry.

17 MR. TULLOCH: We have been active in the
18 U.S. plate market since 1997 when we brought in new
19 facilities.

20 At that period as we brought our facilities
21 on the market took a very sudden and quick downturn
22 significantly related to a huge supply influx, which
23 did lead to a number of reviews and cases.

24 CHAIRMAN PEARSON: Would that have been
25 related to the Asian financial difficulties?

1 MR. TULLOCH: Yes, typically around the time
2 that I believe was ascribed to the Asian collapse.

3 We also had a period where very many of the
4 producers in the market were in an extended period of
5 financial stress themselves, and we had a number of
6 producers in the market who were just trying to get
7 cash and survive.

8 We went through a period of rather sluggish
9 demand and massive oversupply and an extended period
10 of therefore very poor financial results. That did
11 turn around when basically global growth took off
12 starting really in 2004.

13 What happened was that it dried up or soaked
14 up a lot of the excess supply that had been floating
15 around the world for that period, and a lot of the
16 allocations that we've talked about were the result of
17 that sudden change. It was in that period of
18 readjustment and through that. That in our view was
19 what caused that period prior to 2004.

20 CHAIRMAN PEARSON: Mr. McFadden?

21 MR. MCFADDEN: Thank you. Our experience in
22 the early 2000s was one of just growth and new
23 capacity in the domestic market that happened with new
24 mills coming on, ours included.

25 At the same time in the cycle of what

1 happened in the years preceding there was heavy
2 inventories, particularly the end users and the
3 manufacturing sector, so the Caterpillars and the
4 Deeres and those people had large inventories of semi-
5 finished goods, and it took all that time from '00 to
6 '03, thereabouts, for that to start to wear down.
7 That was our experience.

8 CHAIRMAN PEARSON: Mr. Montross?

9 MR. MONTROSS: From our perspective on the
10 west coast, if you go back to the 1997 through 2002
11 timeframe -- as you put it, the Asian crisis time
12 period -- our main competitor there was the imported
13 products.

14 We were in a position at that point in time
15 where the company was very, very close to bankruptcy
16 by the end of that point in time, so the fear, as I
17 see it going forward on the west coast, is we've
18 actually returned to import levels on the west coast
19 that through the month of August of this year are
20 already above any other year dating back to 1995,
21 which is where the concern is.

22 CHAIRMAN PEARSON: Okay. Remind me.
23 Perhaps, Mr. Schagrín, you could do this. In those
24 years I was working on other issues.

25 The influx of imports relating to the Asian

1 financial difficulties, I assume that those were
2 mostly nonsubject imports, or were there some subject
3 imports that were able to price themselves in in that
4 timeframe?

5 MR. SCHAGRIN: At that time, among these 11
6 countries the only countries exporting significant
7 amounts were really Romania and Mexico. We had very
8 little imports from other subject countries.

9 Those big surge of imports actually predated
10 the Asian crisis because first we had the meltdown of
11 the USSR, which a lot of people forget about, but
12 those of us who are old enough remember the meltdown
13 of the USSR. You know, that really occurred between
14 '92 when the USSR first broke up and '94 and '95.

15 By '96 we had massive amounts of plate
16 arriving from Russia, Ukraine and lesser amounts from
17 China, and that was because they were shifting from
18 producing plate to making tanks, which is a good
19 thing, to producing plate and exporting it to the
20 United States.

21 That even very much predated the Asian
22 crisis and had a significant effect on the U.S.
23 industry during a period of incredibly strong demand
24 in the U.S. market in the '90s.

25 Then we had the Asian crisis followed by the

1 first recession in the U.S. since I believe 1991 that
2 occurred in 2001. In fact, the combination of what
3 had been very high import levels and then the extra
4 vulnerability caused by a weak demand led this
5 Commission unanimously to find serious injury in the
6 201 case as to cut-to-length plate.

7 We would say that two things have
8 contributed to the rebound in the industry. First,
9 the relief afforded by both the unfair trade orders
10 and the 201 relief and then the growth in demand that
11 occurred coming out of the recession which, and I
12 think some of the distributors referred to this in
13 their testimony, was really catch up on a lot of
14 capital intensive items, so we saw even more growth in
15 plate demand than the normal GDP.

16 Just one follow-up that in part answers
17 Commissioner Lane's earlier question as well, which is
18 why did we say last September things could be
19 problematic for 2006 and then they turned out so well?

20 I don't think anyone realistically in
21 September of last year could forecast that the U.S.
22 economy would experience 5.6 percent first quarter GDP
23 growth in 2006. That was really beneficial to the
24 plate industry. It wasn't what people were
25 forecasting last September.

1 If the people who appeared here knew the
2 economy was going to grow by 5.5 percent in the first
3 quarter, they would have made more money in the market
4 and wouldn't need to be participating here.

5 You know, no one on this panel, myself
6 included, ever tried to mislead the Commission last
7 year. Did the economic forecasts turn out a little
8 differently? Yes, they did. We're happy for that.
9 We'll see how the future forecasts turn out.

10 CHAIRMAN PEARSON: You mentioned the 201
11 orders. Were there any antidumping or countervailing
12 duty orders that were put in place following the Asian
13 crisis and the imports at that point?

14 MR. SCHAGRIN: Yes. We had cases which were
15 the subject of last September's review, cases that
16 were filed in 1999-2000 most against Asian countries,
17 Korea, Japan, India and Indonesia, as well as Italy
18 and France.

19 Those were a direct result of the growth in
20 imports in the 1998-1999 time period after the
21 Commission had given relief against the imports in the
22 China, Russia, Ukraine, South Africa cases, which were
23 filed in late 1996.

24 CHAIRMAN PEARSON: Okay. Thanks for that
25 review of recent history.

1 Is it possible to sort out how much of the
2 difficulty that the industry had in the early part of
3 the period of review was related to the import surge
4 and how much of it was, for lack of a better term,
5 self-inflicted by a bit of overenthusiasm in terms of
6 investing in new facilities and bringing more capacity
7 on line than the market could absorb at that moment?

8 Has anyone tried to look at that question?
9 Yes? In the back?

10 MR. RIKER: David Riker, an economist. We
11 did quite a lot of analysis in the context of the 201
12 both in the original investigation to look at the
13 effect of the imports and then in the midterm review
14 that I testified on.

15 I'd be happy to provide that and point you
16 to it and explain it in the posthearing if that's
17 useful.

18 CHAIRMAN PEARSON: Thank you. I would
19 appreciate that.

20 I have some interest in this because I have
21 a bit of experience in an industry where there were
22 substantial losses for a period of time, and the
23 behavior of firms in those circumstances is much
24 different than one would see in better circumstances.
25 You can get into a snowballing situation where people

1 pile on and prices tend to drop further.

2 I'm trying to understand whether the
3 circumstances we see going forward are likely to lead
4 to recurrence of that. If not, we might see less
5 vulnerability than we would if we thought that was
6 likely to recur.

7 My light is turning yellow, so if there's
8 any quick comment I'd take it. Otherwise we'll pass.

9 MR. SCHAGRIN: I would just say, Chairman
10 Pearson, that if you look at the overall domestic
11 capacity there is additional present capacity in the
12 U.S. market vis-à-vis even a strong U.S. demand
13 situation as occurred in '05-'06, so while there may
14 be less excess capacity than there had been before the
15 shutdowns of Geneva Steel and Gulf States Steel,
16 certainly any slowdown in demand or without a slowdown
17 in demand the additional supply shock referred to by
18 Mr. Tulloch can lead to the same kinds of imbalances
19 we saw just several years ago.

20 That's why we believe the industry remains
21 vulnerable in the same way that it did just several
22 years ago.

23 CHAIRMAN PEARSON: Thank you.

24 Vice Chairman Aranoff?

25 VICE CHAIRMAN ARANOFF: Thank you, Mr.

1 Chairman.

2 Let me join my colleagues in welcoming this
3 morning's panel here and particularly thanking all you
4 who traveled to be with us today. We hope that unlike
5 those who traveled to be with us on Tuesday, you make
6 your flights out of town tonight, but you might want
7 to have a Plan B.

8 Let me start with a question about Canada.
9 Mr. Tulloch in his testimony and perhaps others as
10 well pointed to the recent experience in Canada as an
11 example of the likely effects of revocation of these
12 orders.

13 I want to probe that a little bit more.
14 First of all, taking a look at our staff report my
15 impression is that the volumes that went into Canada
16 after revocation were measured in the tens of
17 thousands of tons, as opposed to the U.S. market,
18 which is consuming in the millions.

19 When you describe that as a surge it may be
20 relative to the size of the Canadian market, but does
21 that tell us anything about the ability of producers
22 and particularly subject producers to ship more to the
23 United States?

24 MR. TULLOCH: On the Canadian side, the
25 market deteriorated very quickly. Clearly when

1 conditions like that happen those of us who are trying
2 to supply that market react ourselves in ways that we
3 try and compete with those imports. It usually finds
4 its expression in price.

5 I think clearly the discussions that we have
6 with customers in Canada very quickly turn to what's
7 being offered from import sources right after the
8 sunseting of those orders.

9 VICE CHAIRMAN ARANOFF: Of the surge in
10 imports that was noted coming into Canada after the
11 CITT revoked those orders, what portion of that
12 increase represented product from countries that are
13 subject to the reviews that we're looking at today?
14 Do you know?

15 MR. TULLOCH: I'd have to get you something
16 in the posthearing brief, I think.

17 VICE CHAIRMAN ARANOFF: Okay. I'd
18 appreciate that.

19 MR. SCHAGRIN: I'd invite Mr. Gilmore to
20 answer and then, depending on his answer, I might be
21 able to add something, Commissioner Aranoff.

22 Glenn?

23 MR. GILMORE: Sure. My name is Glenn
24 Gilmore. I'm with IPSCO.

25 As an example, in June of 2005 the finding

1 was rescinded, and one of the named countries here,
2 Brazil, in 2004 their imports into Canada were 1,800
3 tons, and in 2005 basically in the second half of 2005
4 they jumped to approximately 17,000 tons, and in
5 Brazil in the first half of 2006 they're almost up to
6 40,000 tons.

7 VICE CHAIRMAN ARANOFF: Okay. Well, I
8 appreciate that. Anything that you can do in the
9 posthearing to just break that out and show me.

10 The second thing I'm interested in with
11 respect to Canada is when someone says to us, and this
12 often happens in these cases, well, another country
13 revoked an order and here's what happens.

14 A lot of times we find ourselves saying, you
15 know, we don't know anything about conditions of
16 competition in this other market so we can't say for
17 certain that the conditions there are so similar to
18 the conditions here that we can really rely on that as
19 an example of what's likely to happen here.

20 Is there anything that those of you who are
21 doing business in Canada can tell me about whether
22 there are demand issues, structural issues in that
23 market that are similar to or different from what
24 might happen in the U.S.?

25 MR. TULLOCH: The market in Canada and

1 particularly eastern Canada where most of the
2 industrial activity takes place is very similar to the
3 market we have in the U.S.

4 Differences, if you look for them there,
5 would be the exchange. They operate in a different
6 currency, although that has tended to be washed out,
7 and the pricing has tended to come between the two.

8 The Canadian economy is likewise strong. A
9 lot of the people that we supply in Canada, I'd have
10 to look at the numbers, but I believe it could even be
11 a larger distribution component in Canada.

12 I believe it is more distribution, but a lot
13 of those customers are in fact serving U.S. markets so
14 it's probably more similar than anywhere else
15 obviously that we deal in or any other two countries
16 that we deal in.

17 Can you tell me before and after the
18 revocation of those orders in Canada about what
19 percentage of the Canadian market is supplied by the
20 Canadian product?

21 MR. TULLOCH: We could certainly get those
22 for you. I don't have that at my fingertips.

23 VICE CHAIRMAN ARANOFF: Okay. I appreciate
24 that.

25 Mr. Montross?

1 MR. MONTROSS: Vice Chairman, we do at
2 Oregon Steel Mills a significant amount of business on
3 the west coast of Canada, and we find the business
4 that we do there very similar to the west coast of the
5 United States.

6 It's subject to very rapid changes in volume
7 requirements specifically by the distributors because
8 of the import levels that actually come into the west
9 coast of Canada.

10 VICE CHAIRMAN ARANOFF: Okay. I don't want
11 to belabor the point too much.

12 MR. SCHAGRIN: And we'll supply the data,
13 Vice Chairman Aranoff. Because I've already seen it,
14 I can tell you here in the open that the Canadian
15 industry now has less than half of the market in
16 Canada.

17 It's been an unbelievable change since the
18 Tribunal sunset those orders. They've lost roughly
19 about 17 percent market share points in just a two-
20 year period since the Canadian Tribunal started
21 sunsetting.

22 You talk about things that keep you awake at
23 night. I mean, I really worry that the same thing
24 would happen in the United States that happened in
25 Canada. The difference between the Canadian market

1 and the U.S. is just really that they're about a tenth
2 our size. Other than that, there's a lot of
3 similarities. In fact, they're just like us, only
4 different, eh?

5 VICE CHAIRMAN ARANOFF: Okay. I take your
6 point on that, and I'm looking forward to seeing the
7 numbers.

8 I would just note that, you know, one story
9 I heard here was Brazil. Okay. You know, Mexico,
10 also close by to Canada. You know, Taiwan, the only
11 country we're looking at today that's in Asia.
12 Everybody else is in Europe.

13 I want to know whether what happened in
14 Canada had anything to do with the European industry.
15 There's a hand up way in the back.

16 MR. RUANE: Commissioner Aranoff, Frank
17 Ruane with Olympic Steel.

18 One of the similarities between the Canadian
19 marketplace and the United States marketplace is that
20 the plate sales are on a spot price basis to
21 distributors, so that is very equivalent.

22 Your question about is the volume a very big
23 issue, it is because it only takes a very small
24 amount, a very small percentage of the marketplace, to
25 trigger a change in everyone's spot price.

1 While the quantities may not be as
2 significant compared to the U.S. marketplace, the
3 effect of that spot market change is extremely
4 similar.

5 VICE CHAIRMAN ARANOFF: Okay. I appreciate
6 that. Obviously there's a magnitude issue between the
7 Canadian market and the U.S. market, so I need to see
8 the tie between the amount coming in from subject
9 countries, their prices and whether the volumes which
10 may have been significant enough to affect prices in
11 Canada would also be significant enough to affect
12 prices in the United States. I think you guys all get
13 the question now.

14 Let me turn to something different. This is
15 a question that goes to cumulation. In looking back
16 over what the Commission did in the first reviews in
17 these cases, although a lot of arguments were made to
18 the Commission about no discernable adverse impact for
19 various of the countries, in looking at that the
20 Commission asserted that because it considered the
21 domestic industry to be in such a vulnerable condition
22 that implied that what would be discernable in terms
23 of adverse impact needed to only be relatively small.

24 I wanted to ask counsel who are here to
25 comment. Do you think that the Commission should be

1 applying no discernable adverse impact on this kind of
2 I don't want to say sliding scale, but a relative
3 assessment that the amount of impact that's
4 discernable changes with the general health and
5 profitability of the domestic industry?

6 That's certainly what we said or what the
7 Commission said -- I shouldn't say "we" because I
8 wasn't here -- in the first review. Does anyone have
9 thoughts on that?

10 MR. BRIGHTBILL: Tim Brightbill, Wiley, Rein
11 & Fielding. I think certainly there is still an
12 element of vulnerability here to this industry and
13 it's not apparent in the last year or two of operating
14 profits, but it's apparent in the comments that the
15 panel has made about the volatility of this market,
16 and so when you're approaching the question of
17 discernable adverse impact we think you should look at
18 the volatility of the market along with the other
19 traditional factors that you've analyzed.

20 Capacity utilization in the 11 subject
21 countries. Is there an export orientation? There
22 clearly is in many of those countries. The ability to
23 product shift. That's particularly true here in plate
24 and presence in the U.S. market. As we laid out in
25 our brief each of the subject countries has at least a

1 certain percentage of U.S. apparent domestic
2 consumption, and so they each would have a discernable
3 adverse impact on the U.S. industry.

4 Now, vulnerability is still an issue and
5 it's reflected in the volatility that these witnesses
6 have talked about.

7 VICE CHAIRMAN ARANOFF: Okay. Appreciate
8 that answer. My light has turned red, but if any
9 other counsel want to comment on that in their
10 posthearing briefs please feel free.

11 Thanks, Mr. Chairman.

12 CHAIRMAN PEARSON: Commissioner Hillman?

13 COMMISSIONER HILLMAN: Thank you very much
14 and I, too, would join my colleagues in welcoming I
15 believe all of you back to the Commission. We
16 appreciate very much your taking the time to be with
17 us this morning. Let me take you back just a little
18 bit on the question that Vice Chairman Aranoff was
19 just asking with respect to Canada to ask for two
20 other things to be factored into your analysis. One
21 would be to make sure we understand exactly what
22 happened on the price side.

23 I know, Mr. Tulloch, you commented that once
24 the CITT revoked these orders that there was a price
25 affect as well as a volume affect, so if there is

1 actual data that can be put on the record in terms of
2 what happened in Canada connected with those imports
3 coming in following the revocation I think that would
4 be helpful.

5 The second thing that I would ask you to
6 factor in is the issue of as I understand it Stelco
7 closed their plate mill during this period of time.
8 Again, I would ask you to add in anything that you can
9 in terms of the implications of Stelco closing, again,
10 whether those imports were drawn into the Canadian
11 market as a result of Stelco's closing, whether or not
12 the closure of Stelco had anything to do with the
13 imports and any other things that should be put on the
14 record with respect to that issue.

15 MR. TULLOCH: We'd be pleased to provide
16 some assessment on that.

17 COMMISSIONER HILLMAN: Okay. The next thing
18 I wanted to make sure I understand as clearly as I can
19 because this strikes me as one of those issues where
20 there appears to be a significant difference of view
21 between what I'm hearing from this panel and what I've
22 read in a number of the briefs concerns the issue of
23 future demand.

24 Some of you have been very careful in the
25 way that you have described whether you're going to

1 see an actual decline in demand or whether what you're
2 going to see is a decline in the rate of growth of
3 demand. Obviously from our perspective there's
4 somewhat of a difference whether you're going to see
5 an actual reduction in the consumption of the product
6 or whether you're just not going to see the
7 consumption rising at the same pace at which it has
8 been growing.

9 I want to make sure I understand exactly
10 what you all see and, again, it may be a little
11 different from the mill perspective versus from the
12 service center perspective, so if I can start first
13 from the mill side of it, going forward for the next
14 year what do you actually see in terms of consumption
15 of cut to length product?

16 Maybe I can start with you, Mr. Tulloch?

17 MR. TULLOCH: Right. This you will find
18 reflected in our public comments in various forms. We
19 are expecting that the actual use, the end consumption
20 of plate in the U.S., will continue to be at a strong
21 level for some time here.

22 COMMISSIONER HILLMAN: Strong level meaning
23 higher than it is right now, but not going --

24 MR. TULLOCH: No. No. We think it's at a
25 high level now and will continue at that high level.

1 We're not expecting significant growth in that going
2 forward. If anything perhaps a decline. When you
3 look at where plate is used it's typically in the
4 energy sector, which has been strong. It's typically
5 in the off-road transportation sector, it's typically
6 in equipment construction, and all of those markets
7 have been at a pretty high level and we expect them to
8 stay at that sort of a level for a while.

9 Now, this is the capital goods part of the
10 economy, and so we have not seen what some of the
11 sheet producers have seen as more the consumption of
12 items, automobiles and appliances, we have not seen
13 the residential construction impact, although we are
14 starting to see it through a couple of our customers
15 who supply equipment that are slowing down in that
16 area and have reduced their orders accordingly.

17 We read as others do the public statements
18 of those companies who are in the plate using business
19 and they're typically strong. Our order book is
20 strongest in the case of large diameter pipe, which is
21 firm through the third quarter of 2007 with
22 significant prospects beyond that that aren't yet
23 orders, but provided those pipelines go ahead we would
24 expect that to be strong.

25 In the case of barges and wind towers is

1 probably the next strongest and that we would see into
2 the first quarter, maybe the second quarter of 2007.
3 Virtually everything else is on a quarter by quarter
4 basis. I'm talking now about end users as distinct
5 from distribution. So we have seen in the fourth
6 quarter some reduction from people who themselves are
7 saying business is very strong.

8 We take that as being a bit of an inventory
9 correction. We hope that's what it is. All of that
10 is dependent on the economy continuing at the level
11 that would support that capital investment in new
12 infrastructure which is basically what we're talking
13 about. So I think that probably gives you our view of
14 what's going on there.

15 That is quite distinct from the distribution
16 side of the business, which as you know is a
17 significant part of the plate business, and what we
18 see of shipments from distributors to their customers,
19 who are many of the same people, we're expecting that
20 to be fairly stable as well. It's what happens to the
21 inventories around that that bothers us the most.

22 COMMISSIONER HILLMAN: All right. Others?

23 Mr. McFadden?

24 MR. MCFADDEN: Thank you. We have different
25 perspectives in the market between some of the mills

1 because of the nature of the products that we make and
2 the equipment that we have. Our mills at Nucor, we'd
3 call them true commodity products that we're making.
4 We're not adding value through heat treatment, or
5 through any kind of processing, or things of that
6 nature.

7 Our shipments are 90 percent through
8 distribution, so we're very exposed to the spot
9 markets, and inventories, et cetera. With all that
10 said we still see the year of 2007 to consume less
11 plate than was consumed in the year 2006. I think the
12 market peaked in 2006.

13 We see that from the customers that we talk
14 to who are telling us that their demand is going to be
15 down next year five to 10 percent, particularly in
16 heavy equipment, capital goods and machinery and those
17 are really the largest parts of our customer base. So
18 we are forecasting down both on volume and on price in
19 2007.

20 COMMISSIONER HILLMAN: Okay. Mr. Montross?

21 MR. MONTROSS: From our perspective at
22 Oregon we have some cross-over business, similar
23 markets with IPSCO, and we see the large diameter pipe
24 side of business as very strong over the next year and
25 a half or so, but that's only a relatively small

1 section of our business.

2 Maybe a little different from IPSCO, our
3 concentration, we focus more in doing business with
4 the service center side of the industry which really
5 the demand is going to be dependent on what their
6 inventory levels are. The feeling is with increased
7 imports obviously their inventory levels will have a
8 tendency to rise and we feel that if their inventories
9 are going to have a tendency to rise based on
10 increased imports that our overall demand from service
11 centers will be down in 2007.

12 COMMISSIONER HILLMAN: All right. Then you
13 mentioned in your opening your focused on armored
14 plate.

15 MR. MONTROSS: Yes.

16 COMMISSIONER HILLMAN: I'm trying to make
17 sure I understand. It's hard for me to suggest that's
18 likely to see a downward trend over the next year.

19 MR. MONTROSS: Well, armored plate product,
20 it's not a carbon plate, it's more of an alloyed plate
21 that really I don't believe that we're discussing in
22 these reviews. Just to answer that question it's a
23 relatively small part of our overall business. If
24 you're talking in the area of maybe 10,000 total tons
25 of armor plate in one year that's a pretty substantial

1 year in armor plate.

2 COMMISSIONER HILLMAN: Okay. Mr. Insetta?

3 MR. INSETTA: Yes, Commissioner. Just to
4 add to what was already stated I think another way to
5 look at it would be contracts and contracts that we
6 have with OEMs or fabricators really turn out to be
7 the most known quantity that we can identify. Now, in
8 our business it's not a huge part of our business.

9 It may 20 to 25 percent overall including
10 nonsubject. I don't know what that number would be
11 for subject products, but in that percentage of our
12 business we're pretty certain that next year will be a
13 good year.

14 COMMISSIONER HILLMAN: Good. When you say
15 good I just want to make sure I'm understanding it.
16 At about 2006 levels, slightly less than 2006, but
17 2006 was such a sky high level of consumption that you
18 nonetheless are -- that's what I'm trying to
19 understand.

20 MR. INSETTA: Okay. It will be about like
21 2006.

22 COMMISSIONER HILLMAN: About like 2006.

23 MR. INSETTA: Yes. The rest of it we do see
24 some risk. As an example the infrastructure side of
25 the business with the bridge market. The bridge

1 market is a significant part of our business and
2 there's been some pent up demand in that market for
3 some time, but it hasn't materialized, so that's an
4 area of risk that we would say has the potential for
5 significant downs compared to this year rather than
6 up.

7 COMMISSIONER HILLMAN: Okay.
8 Notwithstanding the fact that a major highway bill has
9 passed, some of that funding now actually coming
10 online, you're still saying that will not result in
11 increase in consumption in that highway bridge sector?

12 MR. INSETTA: I'm saying that's a risk area
13 because we've seen that highway bill now in effect for
14 a year and we still haven't seen the impact of it. So
15 that's a risk area that we would see in consumption.

16 COMMISSIONER HILLMAN: Okay. All right.

17 MR. SCHAGRIN: Did you want to hear from the
18 distributors, Commissioner Hillman, on their view?

19 COMMISSIONER HILLMAN: Well, unfortunately
20 that yellow light has come on, and so I'm not sure
21 that I can hear answer. I've obviously heard some of
22 the mill responses. I will need to come back to that
23 on the next round. Thank you.

24 Thanks, Mr. Chairman.

25 CHAIRMAN PEARSON: Commissioner Koplan?

1 COMMISSIONER KOPLAN: Thank you, Mr.
2 Chairman.

3 I want to thank the witnesses for their
4 testimony and their answers to our questions thus far.

5 I'd like to come back to Mr. Gilmore if I
6 could as a follow-up to the Vice Chairman's question.
7 You discussed Brazil with respect to Canada, so let me
8 ask you this. On page 9 of Corus' prehearing brief
9 they state, "Corus' selling practices in Canada since
10 the order was rescinded demonstrate that it will not
11 direct any additional subject plate produced in the
12 United Kingdom to the United States".

13 Further down the page they add, "for five
14 full years after the Canadian revocation a period much
15 longer than the Commission's usual definition of
16 reasonably foreseeable Corus' exports to Canada have
17 been", and I have to leave that out because it's
18 business proprietary, "have been consistent with
19 Corus' overall strategy to sell limited quantities for
20 export outside its home EU zone".

21 On page 10 they make similar representations
22 about their imports from the Netherlands. How do you
23 respond to their claim with respect to their sales to
24 Canada? Do you have numbers that are different?

25 MR. GILMORE: I don't have any numbers with

1 the respect to the UK or Netherlands with me, but I
2 can provide them in the posthearing brief.

3 COMMISSIONER KOPLAN: Okay. Fine. If
4 you'll deal with that I would appreciate that.

5 Mr. Schagrin, I see you're nodding that you
6 will do that as well.

7 MR. SCHAGRIN: We'll supply all the import
8 data for UK. Of course it will be UK data, not Corus
9 data, but I think it will serve your purposes.

10 COMMISSIONER KOPLAN: Right. As a follow-up
11 for you, Mr. Stewart and Mr. Price, the reason I'm
12 asking is and I'll say this, I'm going to make this
13 request of the three of you for the posthearing,
14 because in the first reviews I decumulated cut-to-
15 length plate imports from the UK from the other
16 subject countries and I voted to revoke the UK order.

17 So other than the fact that Corus sold
18 Tuscaloosa to Nucor in 2004, and that's discussed in
19 our staff report in Part 4 on page 79, it appears to
20 me that nearly all of the major conditions of
21 competition that existed in 2000 with respect to the
22 UK still remain, so I'd like the three of you to
23 address that for me in the posthearing if you would.

24 Mr. Stewart, you're nodding you will, Mr.
25 Schagrin, you're nodding the same, and so is Mr. Price

1 and I'd appreciate that if you will.

2 MR. BRIGHTBILL: Tim Brightbill from Wiley,
3 Rein. Just one point. I would note that one of the
4 big stories in the steel world this week was Corus'
5 proposed acquisition by Tata of India and what affect
6 that might have on Corus' behavior in the reasonably
7 foreseeable future.

8 COMMISSIONER KOPLAN: I appreciate that.
9 I've read that story as well. I'm sure we all have.
10 Thank you.

11 Mr. Conway, I have a request of you for the
12 posthearing. In your direct testimony you said our
13 union has worked with our employers to negotiate
14 innovative bargaining agreements that require
15 continued investments in the industry's future.

16 I take it from that we're talking about
17 capital expenditures, so for the purposes of the
18 posthearing could you provide or could you excerpt
19 provisions from those collective bargaining agreements
20 negotiated during the period of this review and submit
21 them to us? I need your microphone.

22 MR. CONWAY: Yes. We'll get them submitted
23 in.

24 COMMISSIONER KOPLAN: Thank you very much.
25 I appreciate that. Let me come over now to an area of

1 questioning that my colleagues have already been
2 inquiring about. I'd like to start with Mittal. On
3 pages 79 to 80 of your brief you acknowledge that, "in
4 2004 the domestic CTL industry finally began to
5 generate the returns necessary to cover its costs".

6 You then recite its increases in capital
7 expenditures for 2004 through the first half of 2006
8 and state, "despite these increases however the
9 industry's capital expenditures are still below its
10 depreciation costs". Question is this. With
11 operating profits for the domestic industry exceeding
12 20 percent for that same period and cash flow amounts
13 even higher than profits, and I'm referring to Table
14 CTL3-9 in Part 3, page 16, why weren't capital
15 expenditures significantly higher?

16 Who would like to start?

17 MR. FABINA: For us at Mittal Steel we
18 acquired the -- I'm sorry. I'm Larry Fabina from
19 Mittal Steel.

20 COMMISSIONER KOPLAN: Because of the number
21 of witnesses if you can reidentify yourself each time
22 you speak that would be helpful to the court reporter.

23 MR. FABINA: In Mittal Steel we acquired the
24 Gary Works from U.S. Steel in 2003 and that was a
25 pretty good size acquisition for us even though it

1 didn't cost money. It was an exchange of properties.
2 They got a pickling line and we got a plate mill.
3 Actually, though, with that we had to put a lot of
4 expense into that operation at Burns Harbor with
5 bringing what we believed that equipment up to
6 standards, okay?

7 It's a piece for a piece, and so it really
8 doesn't show as a capital expense, but it actually is
9 a piece of equipment that we had to bring up so we can
10 run that mill efficiently. So that was one aspect
11 that wouldn't show on the books and we put a lot of
12 time at Burns Harbor in doing that. The other one is
13 in the plate business especially at Burns Harbor is
14 that the capital that it takes to run that part of the
15 business goes beyond the plate business.

16 It goes to the blast furnace, it goes to the
17 capital that it uses through the continuous casters in
18 the steel making operations. So it just goes beyond
19 the plate business. So the monies that we pay our
20 supplier, which is our partners at Burns Harbor for
21 those slabs, actually there has been capital put in
22 those operations and major capital is going to be
23 spent in the near future on our blast furnace to get
24 them rebuilt.

25 That actually becomes part of our plate

1 business, but it doesn't show as part of the plate
2 business.

3 COMMISSIONER KOPLAN: Can you quantify this
4 for purposes of the posthearing? I'm interested in
5 what your wish list for capital expenditures would be
6 between now and the foreseeable future through 2008,
7 but I'm also interested in are you saying that you
8 couldn't have done more once your profits reached the
9 levels that they did in 2004 and have continued or are
10 you saying that you've been able to accomplish up
11 until now what you've wanted to?

12 MR. FABINA: You always like to do more. We
13 have a lot of projects on the books that actually are
14 in the works and we will present those to you in the
15 post. A lot of our mills are, it's not like IPSCO's
16 or Nucor's mills. They are relatively new mills that
17 we compete day in and day out with. Our mills are 40,
18 50, 60 years old, so all our money even though it
19 doesn't go into capital and improvements we end up
20 putting it into the maintaining and repairing of
21 equipment.

22 That's where a lot of our monies do go and
23 it's bringing us back up to where it ought to run
24 efficiently, but we do have projects on the books that
25 we can submit.

1 COMMISSIONER KOPLAN: If the other domestic
2 industry witnesses have that kind of information,
3 counsel, will you make sure that they submit that
4 information for the posthearing as well?

5 MR. SCHAGRIN: Yes, we will. Mr. Tulloch
6 may have a comment.

7 MR. TULLOCH: We have actually increased our
8 capital spending. We went through a freeze obviously
9 when things were so difficult financially and I had
10 mentioned we had substantial losses embedded. Once we
11 became profitable we've turned around and been
12 investing and a lot of that has been value added
13 equipment to the plate.

14 Some of it is incremental growth, but it's
15 typically around increasing for example the heat
16 treatment of plate that we already make or moving to
17 higher grades and better capabilities, so we can
18 document that.

19 CHAIRMAN PEARSON: Thank you.

20 Mr. Price, if you would also submit that
21 kind of information if it's available?

22 MR. PRICE: Yes, we will.

23 COMMISSIONER KOPLAN: Thank you.

24 Mr. Fabina, at page 67 of Mittal's brief it
25 states -- no. I won't do it because the yellow light

1 is on, so I'll come back.

2 Came close, though, Mr. Chairman.

3 CHAIRMAN PEARSON: Excellent use of
4 discretion, Commissioner.

5 CHAIRMAN PEARSON: Commissioner Okun?

6 COMMISSIONER OKUN: Thank you, Mr. Chairman.

7 I join my colleagues in welcoming this panel
8 here this morning. Very much appreciate you taking
9 the time to be with us and answer our questions, and
10 welcome back to all of you.

11 If I could as just a follow-up to
12 Commissioner Koplan's question and that is to ask that
13 in providing information on the capital expenditures
14 that you may have in the works or what you're looking
15 at the Commission has asked and I would just make a
16 special plea here that to the extent that you can
17 submit business plans that are forward looking that
18 were not prepared in preparation of this case it would
19 be extremely helpful.

20 I would note in the CORE case that Nucor was
21 able to provide us with a business plan that was
22 forward looking and I hope that they can do that for
23 this line as well I think both in terms of what you're
24 looking at and what you've had to say about demand
25 this morning and capital expenditures and to the

1 extent that, it wasn't Mr. Scott, but one of the other
2 economists, noted that whether or not they're
3 investing or making future investments may be
4 relevant, I'd like to see that from the businessman's
5 plan as well.

6 I'll go with that. Then for the producers
7 one of the issues that came up in the review last year
8 and has been talked about here today and in the briefs
9 is that this industry has now identified as one with
10 high fixed costs and thus needs to operate at high
11 levels of capacity utilization. I note the record
12 shows that last year the industry reported a capacity
13 utilization figure of about 71 percent and
14 profitability of more than 25 percent.

15 In the first half of this year it's attained
16 80 percent capacity utilization and a profitability of
17 more than 25 percent. So I'd like the producers if
18 you could tell me now what would the industry define
19 as high capacity utilization and what they believe
20 their capacity utilization used to be looking forward.

21 If you could help me out on whether that's
22 changed over time. In other words one of the
23 questions that we've been exploring in a number of
24 these reviews is with the changes in the industry and
25 the ability to lower fixed costs do some of these

1 numbers change from what we had looked at in the
2 original investigation, even in the first review?

3 So let me start on the front row and if the
4 producers could all respond on that, on capacity
5 utilization rates. How they relate to profitability,
6 too.

7 MR. MCFADDEN: Specific capacity rates, I'd
8 like to submit those in posthearing, but I could talk
9 about it in general terms. Now, our mills run best
10 when they run full and our strategy and plan at Nucor
11 is built around running our mills full. We compensate
12 our workers based on productivity and it's in our
13 interest to try to do that.

14 In the last two years we've not run full for
15 different reasons, but most of them stem back to the
16 same swings and market demands that we've had. In
17 2005 we ran soft from the periods about April through
18 October and during those times our workers were
19 working at about 70 percent of what their normal hours
20 would be.

21 As we come into this year many of the other
22 mills at Nucor have already gone into pullback and our
23 plate mills are looking at very serious issues in
24 November and December. At Tuscaloosa particularly
25 we're looking at a load right now of about 60 percent

1 of where it should be, so we're going to have a
2 shortfall of production.

3 That creates other issues in our facilities,
4 particularly at the temperature and the speeds at
5 which we operate, so our furnaces are running. Our
6 equipment is built to run at 3,000 degrees and we turn
7 it on and turn it off it's a radical shock to the
8 whole system of how we make steel.

9 So the general essence of what we'll supply
10 to you is that we're not running at the level of
11 capacity we want to, we're not at the capacities that
12 our business is built around and enough said.

13 COMMISSIONER OKUN: Okay. Mr. Tulloch?

14 MR. TULLOCH: Yes. In our case likewise
15 it's the format that we try and run at full capacity
16 all the time and we actually spend a fair bit of time
17 and effort trying to structure our business to be able
18 to do that. In our case our plate mills are capable
19 of making a range of products, not all of which ends
20 up as cut-to-length plate, so we will adjust the mix
21 we have on the mills and what we're buying and what
22 products we're making.

23 A lot of our product ends up going down the
24 stream into tubular products to try and keep the mills
25 running at a high degree of utilization. Having said

1 that there are scheduled maintenance outages which
2 reduce that number obviously depending on how you look
3 at those. In the fourth quarter for the first time in
4 a very long time we will actually be idling equipment.

5 We'll take advantage of what maintenance we
6 can do by bringing it forward, but we will be idling
7 equipment because we don't have orders to fill that
8 and that is directly related to the inventory change
9 at the distribution level and the change in orders.
10 Rather than try and just jam stuff into the market
11 which just creates a bigger problem in the first
12 quarter we've elected to take some time out in those
13 facilities and we can provide you with what our plan
14 is to do that.

15 It's a fluid plan. If orders jump up and
16 come back in we'll keep running, but we do have a plan
17 around that.

18 COMMISSIONER OKUN: Mr. Montross?

19 MR. MONTROSS: We're very similar.
20 Obviously we want to run our equipment as close to
21 capacity as we can in order to spread the fixed costs
22 across as many tons as we can. What I see going
23 forward right now in the fourth quarter is that we're
24 going to have a very difficult time specifically in
25 November and December by doing that because the west

1 coast service centers, we've seen a precipitous fall
2 off in their buying patterns in that point in time.

3 Like I said previously our concentration
4 focuses on selling service centers and they're going
5 through a period of destocking right now, so it's up
6 in the air how we're going to be able to run the mill
7 as far as number of days and what kind of capacity
8 level we're going to be able to run at in November and
9 December.

10 I can't really even tell you what that
11 capacity level is right now until we get there because
12 like I said our business is very much spot and
13 dependent on the service centers placing orders with
14 us.

15 COMMISSIONER OKUN: Okay. Mr. Insetta?
16 Sure.

17 MR. FABINA: I'm sorry. Larry Fabina will
18 answer that one for Mittal. Our present capacity as
19 stated is only the capacity that we are presently
20 manned for, so you need to take a look at two aspects,
21 the manning capabilities that we presently have or the
22 equipment capabilities for capacity that we have.

23 Presently the numbers that is in the report
24 is what we can actually run with the people we have.
25 The 160 inch plate mill at Burns Harbor, we are at

1 about 90 to 95 percent at capacity. However, the 110
2 mill at Burns Harbor is really probably around 33 to
3 40 percent of capacity. As I said in my testimony
4 that we had a decision to make last year.

5 Do we bring on the 110 inch plate mill or
6 not? That's a difficult decision to make. I know we
7 had it idled for five years. When you take on and
8 bring on a mill like that you take on a lot of
9 responsibility for getting the mill up and running, is
10 the market going to be there, but also for the people
11 that we had to hire.

12 We had to hire a sizeable number of people
13 and make commitments to those people as it goes. The
14 next step we would do is take a look is the market
15 going to be there to take the next step? The next
16 step is obviously if we have equipment to run more on
17 we would have to hire more people. Again, that's a
18 concern because back in 1998 I did the same thing.

19 We had a plate mill that we ran the same as
20 we did today at 33 percent or so, I quickly hired a
21 crew of people, brought it up to about 66 percent and
22 by the time I hired those people on the Asian crisis
23 happened, and guess what, I had to lay those same
24 people off within probably a year time period. Two
25 years later we shut down that mill.

1 The Conshohocken mill, it's probably about
2 80 percent at capacity and same thing at the
3 Conshohocken mill. The Coatesville mill is really
4 held back by the heating capabilities at the mill.
5 The mill has no capacity, but you cannot heat the
6 steel quick enough to roll it, so there's an issue
7 there.

8 The Gary plate mill has been idle since we
9 acquired it. To bring it online first we would have
10 to bring up the operations, the utilization of our
11 present mills and we do have ability to do that. The
12 Gary mill is a bigger item to take hold of. To bring
13 that mill online we'd almost have to be assured of
14 400,000 to 600,000 tons of additional steel in the
15 United States for four to five years.

16 That commitment is hiring 400 to 500 people
17 and you have to be running that at least 70 percent
18 capacity to really take that option on.

19 COMMISSIONER OKUN: Okay. Well, my yellow
20 light has come on and I understand that each company
21 has a slightly different situation, so perhaps for
22 counsel and the economists here, when they submit this
23 information the reason I'm asking this is to try to
24 determine obviously looking forward are the companies
25 able to continue to make money, be profitable, at

1 slightly lower capacity utilization rates than we
2 might have thought in the past based on what I see in
3 this record with reduced costs?

4 So if you can help me understand whether
5 there has been a change there and how we should
6 evaluate it I'd appreciate that. Rather than getting
7 into another line of questions, Mr. Chairman, I'll
8 stop there.

9 CHAIRMAN PEARSON: Commissioner Lane?

10 COMMISSIONER LANE: Thank you. I'd like to
11 go back to a remark that Mr. Tulloch made in his
12 opening remarks and that is your \$400 million tax loss
13 carry forward. Are you going to be able to use that
14 up, or did you use that up in 2004 and 2005, or if not
15 are you likely to be able to use that up in the near
16 future?

17 MR. TULLOCH: We have used it all up and
18 we're pleased to have done that.

19 COMMISSIONER LANE: So you have used it up?

20 MR. TULLOCH: It's gone. Yes.

21 COMMISSIONER LANE: What year did you use it
22 up?

23 MR. TULLOCH: I think it was 2005, but I'll
24 get you a date.

25 COMMISSIONER LANE: Okay. Thank you.

1 MR. TULLOCH: Great.

2 COMMISSIONER LANE: Now, several times today
3 I've heard references to capital additions and
4 increased capitalization. For each company
5 represented here can you tell me what your historic
6 capital structure has been and what current capital
7 structures look like? I am guessing that you will
8 want to provide this posthearing.

9 If in response to Commissioner Okun you
10 provide business plans I would like you to include
11 sources of capital for any future capital additions
12 and how that might change your capital structure.
13 Specifically I would like you to provide short-term
14 and long-term debt and equity percentages of total
15 capital.

16 Would you all want to respond to that now or
17 provide it posthearing?

18 MR. SCHAGRIN: I think we'll do it in our
19 posthearing brief, Commissioner Lane, for each
20 company.

21 COMMISSIONER LANE: Okay. Thank you.

22 Now, Mr. Tulloch, you also said that IPSCO
23 is going to idle production in the fourth quarter of
24 this year. Has that already been announced, and how
25 long do you expect that to continue?

1 MR. TULLOCH: Yes, it has been announced.
2 We had put out a press release last Monday I believe
3 it was just stating that because it was an unusual
4 circumstance. It's been explained to our employees.
5 We are hopeful that this is a fourth quarter
6 phenomenon.

7 We just don't have enough visibility of the
8 first quarter yet, but we think given that it is an
9 inventory correction and it is impacted through the
10 plate market and pipe market that it should be through
11 in the fourth quarter, so that's kind of perspective
12 right now. That's what we've planned for. We'll deal
13 with that when we see the first quarter, but we would
14 hope we'll be through that.

15 COMMISSIONER LANE: Does that mean that you
16 are going to idle your plant completely and lay off
17 the workers or how exactly are you going to do this?

18 MR. TULLOCH: Well, in the case of the steel
19 mills which is where we make the plate they will not
20 be making plate for a number of days. Did that answer
21 the question?

22 COMMISSIONER LANE: Well, I'm not exactly
23 sure.

24 MR. TULLOCH: Well, in terms of the
25 employees we will keep them on the payroll for that

1 period. It's just the way we treat our employees.

2 COMMISSIONER LANE: Okay. Thank you.

3 Mr. Montross, you suggested that Oregon
4 might also be having to do a slow down or idle in the
5 fourth quarter. When will you make that decision?

6 MR. MONTROSS: Well, since our business is a
7 very high percentage of spot business I would see if
8 we were going to have a problem it would be in the
9 November and December timeframe and we would probably
10 have to make that decision sometime later this month.

11 COMMISSIONER LANE: Okay. Any other?

12 MR. TULLOCH: Perhaps I could just round out
13 a little bit about what IPSCO's doing. We did bring
14 forward a six day outage that was scheduled for the
15 second quarter of next year into the fourth quarter of
16 this year, so that's part of that outage. In our mill
17 in Iowa we are taking a day off a week out of the
18 schedule rather than a block.

19 Certainly this is the high staff holiday
20 quarter of course with Thanksgiving and Christmas, so
21 as we get closer to those we'll decide about working
22 those days or not.

23 COMMISSIONER LANE: Okay. Thank you.

24 MR. INSETTA: Commissioner? Bob Insetta,
25 Mittal Steel.

1 COMMISSIONER LANE: Yes?

2 MR. INSETTA: Yes. I would just add that on
3 our Conshohocken facility in eastern Pennsylvania our
4 order intake for the fourth quarter is down
5 dramatically and we will not be idling any facilities,
6 but we are reducing the terms that we're running on
7 that facility. We're reducing the number of hours
8 that we're actually making plate.

9 COMMISSIONER LANE: Okay. Thank you.

10 MR. MCFADDEN: Excuse me. Commissioner?
11 Pat McFadden at Nucor.

12 COMMISSIONER LANE: Yes?

13 MR. MCFADDEN: Is it possible to comment on
14 that as well? We probably are working a little
15 differently right now than that. The market is what
16 it is and we'll see how we end up by the end of the
17 year with our mill loads, but our intention is to
18 compete aggressively, try and load our mills, keep
19 steel moving through for our employees to make.

20 COMMISSIONER LANE: Okay. Thank you. Let
21 me turn to another area now. There has been mention
22 of increased natural gas and other energy costs. I
23 would like to get some more detail on these energy
24 costs. Could you provide the percentage of total cost
25 of goods sold for each energy source, natural gas,

1 coal or coke and electricity, or if you would provide
2 that breakdown on a dollar per ton basis that would be
3 fine.

4 MR. TULLOCH: We can get that for you.

5 COMMISSIONER LANE: Okay.

6 MR. SCHAGRIN: We'll do that in our
7 posthearing brief, Commissioner Lane.

8 COMMISSIONER LANE: Okay. Mr. Stewart? Mr.
9 Price?

10 MR. PRICE: Same. The posthearing brief.

11 COMMISSIONER LANE: Okay. Thank you.

12 Mr. Ruane?

13 MR. RUANE: Ruane.

14 COMMISSIONER LANE: Okay. That's the way it
15 looks, but I was afraid it had a different
16 pronunciation. You mentioned 2005 price declines in
17 the United States and even more significant price
18 declines in the European Union. That leads me to the
19 attractiveness of price in the United States compared
20 to other markets. How do U.S. prices compare to
21 prices in other markets, and are any price differences
22 increasing, or decreasing, or are they staying the
23 same?

24 MR. RUANE: From the offers that we're
25 seeing today it appears that the price differences are

1 increasing. Prices today happen to be similar in
2 Europe to the United States, but both sides of the
3 ocean are extremely volatile. What we're finding is
4 that China does not have to really take any actions to
5 affect pricing around the world.

6 In fact on a passive basis they are
7 importing less and simply by importing less the
8 product that they were importing then flows to other
9 markets around the world, and so that is really what's
10 affecting the price spreads for us today.

11 COMMISSIONER LANE: Okay. Does anyone else
12 want to comment on that question?

13 Mr. McFadden?

14 MR. MCFADDEN: This is Pat McFadden at
15 Nucor. I think the price gap between Europe and the
16 United States has been evident over the last 20
17 months. Seventeen of the last 20 month prices have
18 been higher in the United States than they have been
19 in Europe. I don't think that the European prices and
20 United States prices track evenly even if they might
21 be that way in any given month overall. The trend is
22 there's a gap.

23 COMMISSIONER LANE: Okay. Thank you.

24 MR. SCHAGRIN: The only thing I would add,
25 Commissioner Lane --

1 COMMISSIONER LANE: Mr. Schagrin.

2 MR. SCHAGRIN: -- yes, that I think affects
3 this issue of pricing worldwide, it's public
4 information that there's been a huge surge of imports
5 from China into Europe and into a number of markets
6 around the world. I found it interesting in just Mr.
7 Pierce's introduction that he said well, there may be
8 big imports from China, but both the EU and I believe
9 he mentioned Mexico are about to start trade actions
10 against China. I found that very interesting.

11 Maybe he's preparing the cases, maybe
12 they've been filed. I haven't heard of them. I do
13 find a bit of contradiction in the position taken by
14 the Respondents that say we're doing so well in our
15 markets that we don't threaten the U.S. and we don't
16 find the U.S. that attractive because their own
17 markets are so attractive and then them saying, but
18 we're really not doing so well, we're suffering injury
19 and we're just about to file trade cases because we
20 can demonstrate injury in the EU or Mexico.

21 I'm sure that's something that the
22 Commission will explore this afternoon, but I found it
23 to be a significant internal contradiction that go to
24 this price differential issue among markets.

25 MR. PRICE: Alan Price, Wiley, Rein &

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1 Fielding.

2 COMMISSIONER LANE: Yes, Mr. Price?

3 MR. PRICE: I see the yellow light is on, so
4 I won't take too long here. Ourselves and many of the
5 participants in this room are very active in various
6 OECD meetings where there is unanimity of the level of
7 subsidies that exist in China are overwhelming.

8 Capacity growth going on in China is
9 overwhelming the world market as we speak, so it's
10 major fundamental shifts going on including affecting
11 Europe quite dramatically where there are hundreds and
12 hundreds of thousands of tons of steel plate sitting
13 on Spanish docks, similar reports to Italian docks.
14 We've heard some of the comments regarding the
15 Mexicans, we've heard the Brazilians complaining about
16 losing their export markets in Chile.

17 The distortions on the supply side,
18 Commissioner Pearson, are enormous and growing and
19 it's of a magnitude frankly that everyone is looking
20 at and can't explain except for the fact that market
21 forces are being overwhelmed by huge government
22 subsidies in China. They're just building capacity
23 out in rates that no one can fathom and no one can
24 deal with. It's affecting the entire global market
25 very quickly.

1 So everyone walked up from 2004 and said
2 short-term there was a supply shift and China drove
3 world market prices up and now we're seeing China come
4 on with so much capacity, as Ambassador Schwab has
5 just said, 117,000,000 tons of excess capacity and and
6 excess production now affecting the world market.

7 Excess production of this market is very
8 significant to the point where these same countries as
9 Mr. Schagrin has just said are starting to talk about
10 well, we may need to file trade cases and we are
11 obviously being injured by that. So we see very
12 significant supply side shocks here.

13 COMMISSIONER LANE: Okay. Thank you, Mr.
14 Price.

15 Thank you, Mr. Chairman.

16 COMMISSIONER OKUN: If these orders are
17 revoked and imports do rise in response would the
18 reaction in the marketplace be the same as it was in
19 the year 2000? The reason for asking this, I ask it
20 in the context of the industry restructuring and
21 consolidation that has occurred in the intervening
22 years.

23 I mean, my observation has been that
24 companies with strong balance sheets are in a whole
25 lot better position to deal with adverse developments

1 in a marketplace than those with weak balance sheets.

2 The question perhaps is if we saw this
3 increase in imports would we have a normal competitive
4 situation in the marketplace relative to the downward
5 spiral that we saw in the 2000/2004 timeframe, 2003
6 timeframe, when we had firms in financial stress
7 producing for cashflow and a very unfortunate set of
8 market economics that came about because of that?

9 So after rambling let me go back to the
10 question. If these orders are revoked and imports do
11 rise would the reaction in the marketplace be the same
12 as it was in 2000?

13 MR. TULLOCH: The first part obviously we're
14 in a much better position to compete today than we
15 were in 2000. I mean, financially we've got our
16 balance sheet restructured and we're in good shape to
17 do that. So the net affect of a surge of imports
18 however affecting the price of the sort of orders that
19 has been talked about here will very quickly start to
20 erode that financial position, number one.

21 Secondly, what we saw in that period of 2000
22 and that area was an exceptionally poor period. We
23 don't have to go that deep to get into trouble, but I
24 think the chances of going back to that situation we
25 hope are pretty slim. It doesn't have to get that

1 bad.

2 CHAIRMAN PEARSON: Mr. McFadden?

3 MR. MCFADDEN: Pat McFadden at Nucor. Thank
4 you. I think it's very difficult to try to pin down
5 exactly one year to another will it be the same as in
6 2000? I have no way to know that, but I would say it
7 would be very damaging. If the orders are pulled
8 imports will come in. We have rising imports for the
9 last three years in the markets right now approaching,
10 but not there, approaching record levels certainly in
11 that high end of over the last 20 years what we've
12 seen.

13 These are from nonsubject countries with
14 orders in place already on the subject countries. So
15 that will continue. There's new phenomenon now that
16 were not on in place in 2000 such as a very dynamic
17 and rapidly changing scrap price. That scrap price is
18 a huge part of the risks of the business now. That
19 element of risk, although there were many other risks
20 in place in 2000, that piece of the risk was as
21 significant. It was relatively stable.

22 It's not the case now. The swing on both
23 pricing and scrap that swings both sides over \$100 a
24 ton within a matter of weeks makes it a very dangerous
25 situation going forward.

1 MR. SCHAGRIN: I don't know if one of the
2 distributors would like to add to this, but in
3 discussing it last night and I think this would
4 accelerate the problems that increased imports would
5 cause.

6 As bad as things were in 2000 distributors
7 were looking at pricing of plate at amazingly low
8 depressed price of maybe 15 cents a pound, \$300 a ton,
9 and they probably thought well, I don't have to worry
10 that much about where my inventory is because what's
11 the chance that price is going to go from 15 cents to
12 five cents?

13 Well, now with a product in their inventory
14 at 40 cents a pound and now they have to think if the
15 ITC revokes these orders and there's going to be a
16 surge of imports and the prices of plate could go
17 quickly from 40 cents to 30 cents I don't want to have
18 plate inventory. I invite any distributors. So I
19 actually see in some ways, yes, the balance sheets of
20 this industry are much better than the balance sheet
21 in 2000.

22 I know personally because when Gulf States
23 and Geneva filed for bankruptcy they owed me lots of
24 money, so that was very bad. IPSCO and Oregon are not
25 in the same position and that's good for everyone,

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1 myself included, but I invite the distributors.

2 In some ways I believe some of these present
3 market conditions make the industry even more
4 vulnerable than they were in 2000 and that's because
5 the inventory evaluations have further to fall and the
6 worry that they could fall quickly could really have a
7 significant influence in the market.

8 I'd invite any distributors if you want to
9 add to that.

10 MR. HELTZEL: Mr. Chairman, Bob Heltzel. I
11 think in the late 1900s and the early 2000s I know for
12 one had an extreme commitment to the domestic industry
13 thinking that it was a temporary situation and that we
14 could fall through it. We all sat and saw something
15 happen to the industry that none of us thought would
16 happen being located in Warren, Ohio, between
17 Pittsburgh and Cleveland.

18 The steel workers, their families losing the
19 pensions, losing the healthcare, well, losing their
20 jobs first and then the tremendous amount of Korean
21 builders and mill maintenance people, et cetera, et
22 cetera, lost their jobs. We just never thought.

23 If the foreign stuff comes in and starts
24 coming in again I'm not going to make the assumption
25 that it's temporary, I'm going to buy it, I'm going to

1 lower the cost of my inventory, I'm going to compete
2 and I'm going to ask the domestic suppliers to lower
3 their price immediately. If they don't then I'll
4 continue to buy the foreign material.

5 CHAIRMAN PEARSON: Okay. Thank you.
6 Following up on this is there a part of the world
7 that's not currently covered by an order that has a
8 large enough plate industry so that it could supply a
9 substantial quantity of plate to the United States
10 market in the event of a financial crisis or some
11 other shock to the marketplace?

12 I mean, and I ask this question with the
13 sense that the plate industry with the existing orders
14 has one of the more regulated environments for
15 shipping product to the United States of any of the
16 steel sectors. You might correct me on that, but it's
17 a fairly heavily regulated sector.

18 So is there enough of the world not
19 regulated so that in the event things go badly they
20 could dump steel in here?

21 Mr. Insetta?

22 MR. INSETTA: Yes. Mr. Commissioner, we
23 have testified and I would just re-emphasize that the
24 subject countries right now are under control, but the
25 rise in the imports that we've seen have been from

1 noncovered countries like Malaysia, Thailand, Korea
2 and so forth and these have been dramatic increases.
3 So we would answer that just from looking at the data,
4 yes, there's plenty of capacity out there in
5 noncovered countries that will replace covered
6 imports.

7 MR. CHAIRMAN: I would just add, Chairman
8 Pearson, that two countries really come to mind and
9 those are Malaysia and Thailand. I think they're
10 representative of a couple of different items in the
11 marketplace. First, the mills in those countries are
12 relatively new mills with relatively large capacity.

13 They are not making steel by either electric
14 furnaces, nor blast furnaces, they are slap conversion
15 mills. They are seeing lots of imports of Chinese
16 plate into their own markets displacing them. We
17 believe having done research on this that they are now
18 largely converting Chinese slab into plate and then
19 shipping to the United States.

20 The Chinese mills can't ship the plate to
21 the United States because of orders, but they ship
22 slab to mills in Malaysia and Thailand at incredibly
23 low prices and then those mills convert the Chinese
24 slabs into plate and ship them to the United States.
25 The growth in those imports have been incredible from

1 very few tons to probably they'll be in the 250,000 to
2 300,000 ton range this year between those two
3 countries.

4 They seem to have the capability of soaring
5 quite a bit into the future as well.

6 CHAIRMAN PEARSON: Mr. Riker?

7 MR. RIKER: Riker. Yes. Economist for the
8 domestic industry. Just one quick point. In addition
9 to the increase in nonsubject imports that we've seen
10 in the last couple of years of course the subject
11 countries can always -- in your scenario where there's
12 a big steel crisis they can always send in subject
13 imports at fair prices subject to the order.

14 So the order is not a zero ton quota, but it
15 is intended to maintain fair trade.

16 CHAIRMAN PEARSON: Of course. I'm on my
17 yellow light, but, Mr. Price, you had something to
18 add?

19 MR. PRICE: I would add somewhat similar to
20 your point there is a fairly comprehensive set of
21 orders in this industry and I think that comprehensive
22 set of orders has an impact through its
23 comprehensiveness here. I would say that if you
24 remove this set of orders here there will be a
25 significant additional impact on top of any other

1 available volumes, so you'd end up with significantly
2 lower prices than you would otherwise end up with.

3 CHAIRMAN PEARSON: Okay. Thank you.

4 Madam Vice Chairman?

5 VICE CHAIRMAN ARANOFF: Thank you, Mr.
6 Chairman.

7 This morning both the witnesses from the
8 Mexican government and Mr. Pierce in his opening
9 remark mentioned what they said the likely beginning
10 of production by Mittal in Mexico, so I wanted to ask
11 Mr. Insetta or anyone else who wants to comment what
12 can you tell us about Mittal's plans with respect to
13 the Mexican market? What's the timeframe and what
14 affects will that have on conditions of competition in
15 the U.S.?

16 MR. INSETTA: Yes. Commissioner, we would
17 submit something to you in posthearing on that, okay?

18 VICE CHAIRMAN ARANOFF: Okay.

19 MR. INSETTA: Thank you.

20 VICE CHAIRMAN ARANOFF: Well, then I'm going
21 to give you a long list of other questions that I'd
22 like you to answer posthearing, please. In addition
23 to what the plans are with respect to Mexico and how
24 that might affect conditions of competition in the
25 U.S. market, also with respect to the recent merger

1 with Arcelor and that makes you related I think to
2 some European producers, so how that changes the
3 conditions of competition compared to what we looked
4 at in the first reviews.

5 I don't know if that's something you want to
6 comment on now or confidentially.

7 MR. INSETTA: Posthearing, please.

8 VICE CHAIRMAN ARANOFF: Okay.

9 MR. INSETTA: Thank you.

10 VICE CHAIRMAN ARANOFF: In particular one of
11 the things that I'm getting at in addition to just
12 wanting some factual information about how you think
13 this is going to affect the way that you and your
14 related companies compete in this market in a number
15 of sunset reviews the Commission has looked at the
16 question of relationships between a U.S. producer and
17 a subject producer and respondents will often make the
18 argument to us see, they're not going to ship imports
19 into the U.S. from their related subject producer
20 that's going to hurt our U.S. operation.

21 Frequently the Commission looks at that and
22 says well, maybe that's true, but they could still
23 ship imports that somehow didn't hurt their U.S.
24 operation because they've rationalized their product
25 mix, but it still might hurt other domestic producers.

1 So I want to assess how that type of an
2 analysis would fit here, particularly in light of the
3 testimony that I've heard from a number of you this
4 morning that almost any ton of steel that comes into
5 this market when it's not needed is going to drive
6 prices down for everybody.

7 So it seems like either these related
8 producers are not going to be a problem because you
9 don't want to send any steel here from them at all,
10 that's going to drive down the prices for everyone, or
11 this logic that we have just doesn't hold anymore. So
12 that's the kind of thing that I'm trying to understand
13 about the dynamics here.

14 If any of the other domestic producers other
15 than Mittal want to comment on how they see the affect
16 on their U.S. operations from these new mergers that
17 Mittal has just gone through I certainly welcome those
18 comments either now or in your brief.

19 MR. MCFADDEN: Pat McFadden at Nucor. I
20 would love to make a comment about that. First, I
21 would just say we'd be much more comfortable with the
22 Commission maintaining the orders in place than we
23 would ever be with a promise from Mittal Steel that
24 they're not going to do something with imports into
25 the United States, so we believe in the orders and

1 want to see them be held.

2 I have a young salesman that I lost in the
3 last two months who quit and went to work for Arcelor
4 Mittal to sell foreign plate in the City of Houston.
5 That's going to be a depot that's going to be put
6 there specifically to sell this product. I spent a
7 lot of time training him and he left, and so I'm
8 concerned that there will be a lot of competition with
9 foreign plate whether it comes in from Arcelor, or
10 Mittal, or the subject countries, Romania.

11 Wherever it is it's an ongoing saga and
12 enough said.

13 VICE CHAIRMAN ARANOFF: Okay. Appreciate
14 that comment.

15 MR. SCHAGRIN: Vice Chairman, I would say as
16 a legal point that I don't think this Commission
17 should ever give overwhelming amount of weight to the
18 fact that U.S. producers are affiliated with foreign
19 producers subject to an order as shielding the U.S.
20 industry from imports as a general proposition.

21 As to Mittal and Mittal Romania specifically
22 in this review there is no question that Mittal
23 Romania through their actions through the entire
24 review period including the period when they've been
25 part of Mittal or Mittal USA and their plate assets

1 has an overwhelming interest in the U.S. market.

2 While the Respondents point to a big decline
3 in imports from Romania we did administrative reviews
4 from Romania. In the 2003 administrative review it
5 raised the cash deposit rate from zero to 35 percent.
6 That's what caused imports from Romania to decline,
7 not the relationship and that's under appeal now at
8 the CIT, so Mittal is obviously fighting to reduce the
9 rates.

10 The next review the rate went up to 75
11 percent. Now, mind you last month in the 2005 review
12 requested by Mittal the preliminary margin was one
13 percent. So when they get their margins down as they
14 had several years ago they were shipping 80,000 to
15 100,000 tons to the U.S. which was very damaging. We
16 got the numbers up.

17 People who ask for reviews, who go to Court
18 litigation, who pay attorneys at Arent Fox very good
19 -- John Gurley, I have a lot of respect for him --
20 that's not the way people evidence no interest in the
21 U.S. market, and so from the perspective of
22 representing IPSCO and Oregon Steel Mills, and no
23 affront to anybody from Mittal, I think Mr. McFadden
24 just pointed out that they're hiring salespeople to
25 sell imported plate into the U.S., to me here on this

1 record it's very clear that a relationship between
2 Mittal and foreign plate producers will in no way
3 shield the U.S. market if these orders are revoked.

4 I think the evidence in this case is very
5 clear.

6 VICE CHAIRMAN ARANOFF: I take that
7 argument. I would tend to say that the evidence on
8 our record so far is a little more mixed than you
9 describe it.

10 Some of it's confidential so I can't even go
11 there, but I would say we've seen a number of cases
12 before us recently where we've had the U.S. Mittal
13 operations and foreign operations owned by the same
14 company taking opposite sides in the same case and I
15 know Mr. Mittal is a visionary and I don't begin to
16 understand how he plans to run his business, but that
17 seems like a transitional sort of issue that probably
18 is not going to be a long-term part of his business
19 plan, so not sure that we can continue to assume based
20 on past behavior during this review period that these
21 operations are going to be operating at cross purposes
22 to each other.

23 MR. SCHAGRIN: We'll address it in our
24 posthearing brief. I'll try and clean up in our
25 posthearing brief any questions that might be raised

1 from the record, but I would also say I don't think it
2 meets the criteria of reasonable foreseeable timeframe
3 for the Commission to assume that Mr. Mittal will
4 change those operational issues within a reasonably
5 foreseeable timeframe.

6 Look, he's a very wealthy man. I have
7 nothing but respect for him, but I don't think that's
8 going to shield the U.S. industry from unfairly traded
9 imports.

10 VICE CHAIRMAN ARANOFF: Okay. Fair enough.
11 Let me turn to another issue. There's been some
12 discussion of the fact that service centers are going
13 into a destocking phase and yet there was also
14 reference to the fact that domestic producers have in
15 the most recent months, August, September, October of
16 this year, announced price increases. How are those
17 consistent or inconsistent?

18 MR. MCFADDEN: Pat McFadden at Nucor. We
19 announced one price increase for the month of October
20 and I can say that our prices in November will be
21 lower than our prices are in October.

22 VICE CHAIRMAN ARANOFF: Okay.

23 MR. MCFADDEN: The point is that price
24 increases are announced, price decreases are quietly
25 discussed. Enough said.

1 VICE CHAIRMAN ARANOFF: Okay. Anybody else
2 want to comment on --

3 MR. TULLOCH: Yes. The October announcement
4 was a bit of a flash in the pan. It did not turn into
5 additional pricing.

6 VICE CHAIRMAN ARANOFF: Okay. Well,
7 anything that any of you can submit on the record to
8 show us that these announced price increases over the
9 last few months have in fact not been effective.
10 Obviously we're looking at or past the end of the data
11 that we have in our pricing data and our pricing data
12 don't really show reversals in the price trend, so if
13 there's anything you can submit to show us that your
14 price increases are not sticking that would be very
15 helpful.

16 Thank you, Mr. Chairman.

17 CHAIRMAN PEARSON: Commissioner Hillman?

18 COMMISSIONER HILLMAN: Thank you. One of
19 the things that I'm trying to make sure I understand,
20 I listened very carefully to your responses to
21 Commissioner Okun with respect to this issue of
22 capacity utilization and what you think you've been
23 operating at and what might be optimal, I will say I
24 am struggling with what I hear everybody saying which
25 was we had a fair amount more capacity, we were at 70,

1 we would have loved to have been full, everybody would
2 loved to have run full.

3 I'm struggling with contracting that with
4 how high the prices went. If in fact you all had so
5 much extra capacity that you would have loved to have
6 sold more I'm struggling with then why did we see some
7 products more than \$500 increases in prices and at
8 least for the first time since I can recall sitting
9 here plate prices being above the prices for high end
10 corrosion product?

11 So we clearly saw something happening in
12 plate where you all were able to get these enormous
13 increases in prices at a time when at least you're
14 telling me there could have been a lot more supply put
15 onto the market because you were sitting on excess
16 capacity that you weren't using. How is that
17 possible? How did these huge, huge price increases
18 come about?

19 MR. MCFADDEN: Pat McFadden at Nucor. For
20 our business our prices were driven over the last two
21 years really by scrap and the trend and following
22 track with scrap. I could say our prices peaked in
23 the very first part of the first quarter of 2005.
24 We've never had prices as high since then, and I
25 believe we could submit that to you in a posthearing

1 brief.

2 COMMISSIONER HILLMAN: Okay. Again, I
3 understand the issue of tracking scrap and yet
4 obviously the gap between the scrap prices and what
5 you were able to sell for expanded very greatly over
6 this period of time hence the reason that you're all
7 showing such high profitability numbers, so that's
8 what I'm struggling with is how is it possible that
9 you were able to get the level of price increases that
10 were achieved?

11 MR. MCFADDEN: I think in the year of 2006
12 we didn't collect large amounts of price increases.
13 Pricing moved in the year of 2005 and if I speak in
14 general terms from a published basis of what you would
15 see in a CRU index or something like that if the
16 market price for plate in the first quarter of 2005
17 was 41 cents a pound it dropped to the summertime of
18 that same year of 2005 to 32 or 33 cents a pound.

19 Then in the third and fourth quarters as
20 demand started to escalate we went into outage in
21 October and we didn't take the orders or the tons that
22 we could have taken October through the months of
23 February and prices slowly crept back up as really,
24 again, demand -- again, for us in our business,
25 construction equipment, heavy industry, these are

1 industries that are fourth and first quarter loaded.

2 It starts like a roller coaster and it
3 starts going. September, October, November we start
4 getting a pull demand and then June, July, August it
5 starts to drop off. That to me was more the cycle
6 than to say in the year of 2006 everything just went
7 rampant. I think -- I think, we can submit for sure,
8 okay, in posthearing -- we published something in the
9 month of June of which we would have collected maybe
10 it was \$10 or \$20, but in October as I said our
11 November price will be lower than our October.

12 COMMISSIONER HILLMAN: Others? Mr. Insetta?

13 MR. INSETTA: I would agree with that on the
14 subject products. If you look at the CRU data the
15 prices peaked in the middle of 2004 and then came down
16 fairly steadily into the middle of 2005. They've
17 risen a little bit, but the degree is really much
18 smaller than the run up we had seen since 2003 to the
19 middle of 2004.

20 As I think we've indicated earlier I believe
21 that the downward price pressure at this moment in
22 time for the fourth quarter and beyond is more
23 significant than we've seen in a year and probably in
24 my opinion more significant pressure down than we saw
25 in the middle of 2005 when we did see some destocking.

1 COMMISSIONER HILLMAN: Like I said I'm
2 struggling just to put it in perspective downward
3 price pressure, but from appears to me to be an
4 extraordinarily high level. So yes, you're coming
5 down, but you're coming down from, again, a very high
6 level. I'm struggling how to put that into context as
7 well as to try to understand how is it that prices
8 went as high as they did if there was all of this
9 supply out there available?

10 I don't know whether any of the service
11 centers have any sense of it?

12 MR. HELTZEL: Commissioner, Bob Heltzel.
13 Obviously we're part of the instrument used in getting
14 the prices increased in the marketplace because that's
15 what we have to pay on a speculative basis
16 anticipating on what the market is going to have and
17 where the pricing is going to be looking out.

18 Initially when the prices started to go up
19 in the marketplace I think the first realization with
20 our customer base was the fact that the prices had
21 been severely depressed anyway from the damage that
22 was done in the early 2000s and that when the price
23 went up \$200 a ton or \$100 a ton let's say initially
24 the market understood it because the price was so
25 depressed and the price went down so low of course

1 along with a lot of their orders and which followed
2 with their bankruptcies, et cetera, et cetera -- I
3 don't mean the mills specifically, but some of the
4 crane makers and mill equipment makers that lost their
5 companies because of the mill bankruptcies -- so I
6 think that's part of it is the fact that the prices
7 were so depressed at the very beginning.

8 COMMISSIONER HILLMAN: All right. No. I
9 appreciate that response. One of the other things
10 that we always struggle with in these cases is to
11 understand the issue of the vulnerability to the
12 industry and your condition and we've had a lot of
13 discussion about the financial condition, the capital
14 condition, of the industry at this point in time and
15 what it means going forward.

16 One of the other things that's very striking
17 on this record has been the change in labor
18 productivity where you've seen a huge, huge increase
19 in the amount of product produced per labor component
20 to it. I want to make sure I understand from your
21 perspective kind of how that came about and whether it
22 is likely in the future that we would continue to see
23 this very dramatic increase in the level of
24 productivity in this plate sector.

25 MR. TULLOCH: Commissioner Hillman, if I

1 could come back very quickly to your prior question.
2 Now, we did not have excess capacity through that
3 period. We were running at full capacity through the
4 period when prices went up at IPSCO.

5 Then secondly, just very quickly which may
6 be more of a theory than a fact, but I think so many
7 buyers of plate got badly short of plate in 2004 that
8 they were scrambling to get up from wherever because
9 the price of plate had been so low and so freely
10 available that people didn't pay a lot of attention to
11 that or as much attention.

12 Security of supply for people who use a lot
13 of plate became a very big deal in 2004 and quite
14 frankly I think carried through into 2005. Now, with
15 some time to adjust to that people are now saying I've
16 now got my supply base back in line, I can go further
17 afield.

18 So I think there were some dynamics that
19 went through that period and you'd have some people I
20 think testifying later who can probably address that,
21 but certainly there was a massive shift from not
22 paying a lot of attention to supply to all of a sudden
23 making sure first thing we've got to do is have plate
24 and then we'll go forward from there.

25 Then on the labor productivity I think if

1 you're looking at it on an industry basis clearly the
2 entrance of the mini mill plate makers like ourselves,
3 and Nucor, Tuscaloosa's role, certainly Oregon are
4 significantly more efficient than the integrated mills
5 which went out of the business. So I think if it's an
6 industry statistic you are looking at that could
7 explain part of that.

8 The other one is that when you are running
9 at a full degree of capacity for a while you get very
10 good at it, and so your rates go up.

11 COMMISSIONER HILLMAN: Okay. Going forward
12 would we expect continued improvements in
13 productivity?

14 MR. TULLOCH: For our company clearly the
15 mandate is to do that, but it will be incremental
16 gains, not dramatic changes.

17 MR. MCFADDEN: Pat McFadden at Nucor. Our
18 experience was there was a quantum change with the
19 technology in the way we make steel. We would not see
20 that happen again. We would strive for continuous
21 improvement, but the kind of change you saw in the
22 period between 2000 and 2003/2004, we would not see
23 that happen again, not to that degree.

24 MR. FABINA: Lawrence Fabina from Mittal
25 Steel. For Mittal Steel our product mix has a wide

1 variety from light gauge to heavy, from control rolled
2 product which is time consuming on the mill to as
3 rolled product as high productivity. Depending on a
4 given month, or any given year, or any given day we
5 can run our mill at running productivity levels of 50
6 or 60 tons an hour up to 150 tons an hour, so it
7 depends at the time on what mix we're rolling.

8 Back several years ago we had no line pipe
9 on our mill and at times line pipe is a time consumer
10 for running. The other one is that with the new labor
11 agreements we have new work practices and with those
12 new work practices also came new incentive rates.

13 Now, people working with people, management
14 working with the union have improved that relationship
15 and also the incentives where they are more related
16 with tons and quality than they ever have been before,
17 I believe the combination of those actually has
18 improved our productivity over the last several years.

19 COMMISSIONER HILLMAN: All right. Thank you
20 very much. Appreciate those answers.

21 Thank you, Mr. Chairman.

22 MR. CONWAY: Commissioner, are we --

23 COMMISSIONER HILLMAN: Unfortunately, Mr.
24 Conway, that red light has come on, so I will come
25 back. I would appreciate your comments on this issue

1 of whether on a going forward basis we're likely to
2 continue to see these kind of improvements. Thanks.

3 CHAIRMAN PEARSON: Commissioner Koplan?

4 COMMISSIONER KOPLAN: Thank you, Mr.
5 Chairman.

6 Dr. Riker, let me start with you. On page
7 11 of the CRA economic submission of October 6 it
8 states, "although plate prices in western Europe are
9 not as low as prices in the Asian market and reported
10 price differences with the U.S. market are much
11 smaller the economic incentive to divert sales from
12 the local market to the U.S. market is just as real".

13 Does your analysis take into account
14 transportation differentials for shipping cut-to-
15 length plate to the U.S. excluding an inland cost from
16 the subject countries? If not I refer you to page 3
17 of Part 5 of the CTL of the staff reports which
18 contains such data for 2005.

19 MR. RIKER: This is David Riker for the
20 record. I appreciate the question. Some of the
21 description here is bracketed out, so I'll try to
22 avoid that.

23 COMMISSIONER KOPLAN: I know that.

24 MR. RIKER: The point that I'm making there
25 is not that there is a significant difference between

1 prices in Europe and the U.S. Whether you do it on a
2 transportation adjusted basis, which I think you
3 should, or not the point is that many of the subject
4 producers are European producers and they're shipping
5 significant quantities to the low priced Asian market.

6 COMMISSIONER KOPLAN: No, no. I appreciate
7 what you're saying, but I'm wondering if in making
8 that point you took those costs into affect?

9 MR. RIKER: No. My point is that I think
10 it's very much consistent with the high prices that
11 you see in Europe because it's the maintenance of
12 those high home market prices that drives the
13 countries to export. I think that's what the record
14 shows. I mean, I think that it's important to
15 distinguish between price differentials in the Asian
16 market, between the Asian market and the U.S. and the
17 Europeans.

18 There is quite close price parity I think as
19 far as the published data that we've seen between
20 Europe and the U.S., but that certainly doesn't
21 preclude or dissuade the subject European producers
22 from shipping significant quantities to the Asian
23 market. With that price differential between Asia and
24 the U.S. I expect a very significant diversion of
25 those exports should the orders be sunsetted.

1 COMMISSIONER KOPLAN: Well, you'd help me
2 out if for purposes of the posthearing you could
3 simply detail for me the incentive that European
4 producers have to ship CTL plate to the U.S. at
5 current prices giving the transportation differentials
6 that I referred to in the staff report.

7 I appreciate everything you're telling me,
8 but if you'd do that as well I would appreciate that.

9 MR. RIKER: Yes. I'd be happy to.

10 COMMISSIONER KOPLAN: Thank you very much.

11 This is for counsel. On page 96 of Part 4
12 of our staff report it states that with regard to,
13 "published monthly prices for steel plate U.S. prices
14 were generally higher than non-U.S. prices", and this
15 is not your quote, but I'm looking at our staff report
16 still, but according to Table 69 in Part 4 of our CTL
17 portion of the staff report at page 4-100 which
18 contains confidential data the price gap with certain
19 non-U.S. markets narrowed considerably in 2006.

20 I consider the relative prices in export
21 markets for CTL plate to be an important factor for
22 me. For purposes of the posthearing will you document
23 your independent estimates of prices for CTL plate in
24 the U.S., European, Brazilian and Asian markets for
25 the last four months of 2006 through 2008?

1 Mr. Brightbill, you were --

2 MR. BRIGHTBILL: Tim Brightbill, Wiley,
3 Rein. We will do that.

4 COMMISSIONER KOPLAN: Thank you.

5 Mr. Schagrín?

6 MR. SCHAGRIN: We'll commiserate with our
7 co-counsel and make sure it's addressed in the
8 posthearing brief.

9 COMMISSIONER KOPLAN: Mr. Price, you're
10 nodding that you'll do the same?

11 MR. PRICE: Well, Mr. Brightbill answered
12 for me already.

13 COMMISSIONER KOPLAN: He answered for you
14 already. Okay. Move on.

15 Mr. Stewart, you've been very quiet.

16 CHAIRMAN PEARSON: He hasn't recovered from
17 Tuesday yet.

18 COMMISSIONER KOPLAN: Right.

19 MR. STEWART: Just that there was no
20 microphone close to me, Commissioner.

21 COMMISSIONER KOPLAN: That's an oversight on
22 our part.

23 MR. STEWART: I was not quite sure of the
24 last part of your request. I understood that you
25 wanted the last few months in 2006.

1 COMMISSIONER KOPLAN: The last four months
2 of 2006 through 2008. I'm looking for estimates here.

3 MR. STEWART: Estimates of where prices will
4 be?

5 COMMISSIONER KOPLAN: Yes. Estimates of
6 prices for CTL plate in the countries that I listed.

7 MR. STEWART: Now, I understand. Thank you.

8 COMMISSIONER KOPLAN: Thank you. Coming
9 back to a question that Commissioner Hillman asked I
10 think on her first round where she mentioned the
11 highway bill. The staff report in Part 2, page 1,
12 indicates that commodity grade CTL plate is used in
13 part to produce, "general load bearing structures",
14 and noncommodity grade is used in part to produce,
15 "highway and railway bridges".

16 Last year that highway bill totalling I
17 think \$286.4 billion was enacted. What I'm interested
18 in is what impact that's having now and what impact
19 will it have in the foreseeable future on the demand
20 for cut-to-length plate? I can either take the
21 response now or in the posthearing, but if either Mr.
22 Insetta, Mr. McFadden or Mr. Montross want to say
23 something now I'm happy to take it.

24 MR. MONTROSS: I can say on Oregon Steel and
25 Hitton Mill's behalf that it's having no impact on our

1 plate at this point in time.

2 COMMISSIONER KOPLAN: Okay. Thank you. In
3 the foreseeable future?

4 MR. MONTROSS: Nor in the foreseeable
5 future. We have very little in the way of I would
6 assume you're referring to bridge type business.

7 COMMISSIONER KOPLAN: Mr. McFadden?

8 MR. MCFADDEN: The same for Nucor.

9 COMMISSIONER KOPLAN: Okay. Mr. Insetta?

10 MR. INSETTA: Yes. Commissioner, I guess we
11 can supply more information in the posthearing, but
12 just a couple of quick comments. The monies that are
13 provided for that are also required to have a
14 component of state matching funds, so as I mentioned
15 earlier I think this is an area of risk in terms of
16 actual expenditures of the funding. That's number
17 one.

18 Number two, there continue to be severe
19 competitive issues with alternative materials and that
20 in itself does not guarantee that the steel industry
21 will be positively affected by the spending of any of
22 the funds. I guess the third point to make would be
23 even though the dollar amount is a big number the
24 actual tonnage levels that are going to be consumed
25 are not at all guaranteed to be anywhere near what

1 they've been in the past because of rising costs, and
2 different design elements and everything else.

3 So those three points are just quick hits,
4 but we can provide more in a posthearing submission.

5 COMMISSIONER KOPLAN: Thank you. I
6 appreciate your response and I look forward to your
7 additional response for the posthearing.

8 MR. PRICE: Excuse me. Alan Price. Can I
9 add one quick comment on that? We've now seen the two
10 biggest bridge projects in the United States go out to
11 bid and bid has been rewarded on them. The San
12 Francisco Bay Bridge span went to China in its
13 entirety and it's actually being fabricated in China.

14 Just this month the Dallas Woodall Rogers
15 Bridge, which is also a very major bridge, went to
16 Offshore Plate for the bid to be fabricated and steel
17 prices were significantly lower, so it shows that just
18 because these projects are out there and people think
19 that there's a buy America component to them in fact
20 there often isn't because there are waiver authorities
21 and much of them are growing offshore at this point.

22 COMMISSIONER KOPLAN: Thank you. Appreciate
23 that.

24 Mr. Fabina, my yellow light came on, you
25 were next. I was going to save you from my next

1 round, but I still have a question for you.

2 Go ahead, Mr. Chairman. Thank you.

3 CHAIRMAN PEARSON: Commissioner Okun?

4 COMMISSIONER OKUN: Mr. Tulloch, did you
5 have a chance to comment on the transportation?

6 MR. TULLOCH: We have a modest amount on the
7 bridge area and we're not expecting significant growth
8 in that area.

9 COMMISSIONER OKUN: Okay. And, Mr. Fabina,
10 was yours related to that or that was your comment?

11 No. Okay.

12 MR. FABINA: (Away from microphone).

13 COMMISSIONER OKUN: No, no. I was just
14 wondering whether Commissioner Koplan, whether you'd
15 not had a chance to respond to his question.

16 MR. FABINA: We're fine.

17 COMMISSIONER OKUN: Okay. Great. Okay.

18 Thank you.

19 Mr. Schagrín, in your comments you had
20 reminded us of the time period of the collapse of the
21 Soviet Union and its repercussions which led to some
22 of the suspension agreements. One of the I guess
23 differences between the review last year and the
24 review this year in terms of the make up of the
25 subject countries is this is a much more eurocentric

1 group of countries.

2 I wondered if you or others could discuss
3 the current conditions in Russia and the implications
4 that might have for plate and for the producers
5 subject to this review. In particular because I'm not
6 sure if I read this whether the EU maintains
7 quantitative restrictions on Russian plate imports.
8 If that's not on the record if you could let me know
9 that as well?

10 MR. SCHAGRIN: Commissioner Okun, we can
11 give you the updated information. It's hard to
12 believe, given the integration of Europe and the
13 number of years it has been since the collapse of the
14 Soviet Union, but because neither Russia nor Ukraine
15 are members of the WTO, it is my understanding that
16 even though the EU has said a number of times in the
17 past that they were going to phase out their quota
18 regimes with Russia and Ukraine, which very much
19 include plate products, over a period of time that
20 passed many years ago. They are still in force, and
21 we can give you the updated information on what those
22 levels are in our posthearing submission.

23 It shows that the EU believes, and we also
24 believe, that even with the growth of demand in
25 Russia, as their economy has grown quite a bit from

1 the energy sector, from growth in Ukraine, those
2 countries still have massive amounts of plate
3 overcapacity. Getting back to Canada again, that's
4 one of the countries that, when the orders were sunset
5 in Canada, imports from the Ukraine into rather small
6 Canadian market surged quite a bit, and we'll address
7 that in our posthearing as well.

8 COMMISSIONER OKUN: Okay. If you could do
9 that because I think, again, one of the arguments made
10 by a number of the Respondents is that, to the extent,
11 what we've seen in their market is they will be
12 looking to Russia and the other region to continue
13 place their imports because it's a good market. To
14 the extent you have conflicting information, provide
15 that.

16 I see a hand on the back row.

17 MR. RUANE: Yes, Commissioner. Thank you.
18 I can speak a bit to the product that comes to the
19 United States from the Black Sea today.

20 COMMISSIONER OKUN: Will you just re-
21 identify yourself?

22 MR. RUANE: Frank Ruane from Olympic Steel.

23 COMMISSIONER OKUN: Thank you.

24 MR. RUANE: The product that would come
25 here, as well as the rest of the world, but the

1 product that comes here is subject to a quota, so
2 there is only a certain amount of volume that can
3 come. What I find is that that volume materializes
4 very much in relationship to the required floor price.

5 The way the floor price is calculated,
6 basically, it becomes a trailing index. So they take
7 pricing from several months that have passed, and that
8 becomes the floor price for the next several months.
9 What we find is that when that calculation is an
10 advantaged calculation, we see very large imports
11 against the allocation. When that trailing index does
12 not leave the floor price to be below the domestic
13 price, then there isn't imports from that area.

14 COMMISSIONER OKUN: Okay. I appreciate
15 those further comments.

16 You had reminded me, Mr. Schagrin. On
17 Canada, I just had a couple of other questions for the
18 posthearing brief. This would be directed to you, Mr.
19 Tulloch, because it goes into Canadian operations.
20 When you're responding, if you could provide for us
21 your company's Canadian operations' performance, both
22 pre-order and post-order, that would be helpful as
23 well.

24 And then also, and I'm sure this will be
25 part of the response you're giving, Mr. Schagrin,

1 which is to discuss, to the extent that a large
2 percentage of the imports into Canada, as I understand
3 it, are from the United States, what that means for
4 the arguments made here that prices went down after
5 the order, what role the United States' exports play
6 in the market. I would appreciate that.

7 Okay. This question probably goes to
8 counsel and you, Mr. Scott, as well, although it could
9 be that producers have a view on it. In looking at
10 the capacity level of the subject countries in this
11 review, in looking at their capacity level at the time
12 of the original investigation and now, while
13 individual countries may have added capacity or
14 decreased capacity, if I look at it on a cumulated
15 basis, the capacity level in these subject producer
16 countries has declined by more than 20 percent between
17 the original investigations and the current review.

18 Apparent consumption, as you know, though,
19 has increased significantly since the original
20 investigation, and even though, in the original
21 investigation, we didn't include processors, even if
22 you look at the processors since 1999, apparent
23 consumption has increased by much more than the level
24 of total subject import volume in the original
25 investigation.

1 My question is a volume question. With
2 these decreases in capacity in the subject producer
3 countries, why would I expect likely volume to be
4 significant if the orders are lifted in a much larger
5 U.S. market?

6 MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.
7 First of all, I think it's an overstatement to say
8 that there has been that much of a decline in
9 capacity, and I think we've documented in our
10 prehearing brief capacity that's going to be added by
11 subject countries, as well as China and others, in the
12 very near future.

13 Secondly, I would say --

14 COMMISSIONER OKUN: I understand that, but,
15 again, I'm looking now at the subject countries, not
16 China. I understand your arguments about China, but
17 I'm saying, from these countries, because, again, I
18 think they are competing against nonsubjects in the
19 market as well.

20 MR. BRIGHTBILL: Sure. I think you have to
21 look not only at capacity but also inventories and
22 other factors, and I think those were shown,
23 particularly by Dr. Riker in his submission, on how a
24 small volume from the subject countries, even a small
25 volume, half a million tons or one million tons, would

1 have a significant impact on the U.S. market and that
2 it's reasonable to expect that level of tonnage if you
3 look not only at capacity but capacity and inventories
4 and sales to other markets that would likely be
5 switched to the United States.

6 MR. RIKER: This is David Riker.

7 COMMISSIONER OKUN: Yes.

8 MR. RIKER: Hi. I guess I would just refer
9 again to that economic submission, and what it does,
10 and what you can do with your confidential data, is
11 look at these statutory factors, which Mr. Brightbill
12 identified -- excess capacity, excess inventories,
13 exports to the low-priced Asian market, capacity
14 additions -- for the subject countries and count the
15 tons. Count the tons, and the tons are large relative
16 to the U.S. market, and the question is just
17 incentive.

18 Is there an economic incentive, and I think
19 what the record shows is that there are a lot of these
20 tons that are going to the Asian market, either start
21 there or are currently being exported there, and that
22 there is a strong economic incentive to divert them to
23 the U.S. market if the orders are sunsetted.

24 You know, China does figure into that
25 because the oversupply in China is kind of the

1 fundamental driver bringing down Asian prices below
2 U.S. prices, but the fact that there is a capacity for
3 the specific subject foreign producers to send to the
4 U.S. is the fact that they are actually participating
5 in that market now, that low-priced Asian market.

6 COMMISSIONER OKUN: Okay. Were there other
7 comments on that? Mr. Schagrin?

8 MR. SCHAGRIN: I would just add,
9 Commissioner Okun, that while capacity may have
10 declined in these countries, the one factor that has
11 remained quite constant is that, both in the original
12 investigation, at the time of the first sunset review,
13 and at the present time, that these producers still
14 have a significant export orientation, and that export
15 orientation was wonderful back in 2002, 2003, or 2004
16 when demand in China was booming, but all of these new
17 Chinese mills hadn't come onstream yet.

18 Now that much more Chinese capacity is
19 coming on than demand warrants in China means that
20 that export orientation towards Asia is a detriment
21 for these mills. It does help them keep price levels
22 up in their own country, instead of trying to pour it
23 all into their own country, but it means that they are
24 probably more likely to shift exports from Asia and
25 the United States now than they would have been,

1 either at the time of the first review or at the time
2 of the original investigation.

3 So I think that the Commission really has to
4 take that into account, besides looking at just the
5 capacity and present excess capacity numbers, has to
6 look at the export orientation of the foreign
7 producers.

8 COMMISSIONER OKUN: I take your point, but I
9 also think that part of the reason I'm asking this
10 question about the overall levels is just we also have
11 to look at the U.S. industry today versus the U.S.
12 industry then and to the extent it's in a better
13 position to compete with whatever that volume is. I'm
14 trying to evaluate the significance of that.

15 I had a China question, but I will, in light
16 of the yellow light, I will wait for the next round,
17 if it's not covered. Thank you very much.

18 CHAIRMAN PEARSON: Before turning to
19 Commissioner Lane, let me just mention that the
20 Commission likes nothing better than to have a
21 unanimous vote because it means that we all see things
22 the same.

23 In the current circumstances, we have six
24 votes for holding lunch until the conclusion of
25 questioning of this panel. We're making good

1 progress. We're now through two rounds. We perhaps
2 can wrap it up after the third round or not too much
3 thereafter. So make your plans accordingly, please.

4 MR. SCHAGRIN: We're unanimous in support.
5 It's, of course, only the Commission's call, Chairman
6 Pearson, but I'm sure this panel is as unanimous as
7 the Commission on that issue.

8 CHAIRMAN PEARSON: We are so far ahead of
9 where we were on Tuesday, that this just seemed
10 sensible.

11 Commissioner Lane?

12 COMMISSIONER LANE: Yes. I guess it took
13 us a whole day on Tuesday for us to realize that we
14 are the cause of how long the hearing goes.

15 I have some questions about raw materials.
16 The staff report, at V No. 2, states that domestic
17 mills implemented raw material surcharges, starting in
18 January 2004 but that recently U.S. producers have
19 reportedly rolled surcharges into base prices. What
20 impact do surcharges have on the domestic industry's
21 ability to protect itself from the effects of higher
22 raw material costs, and how has the implementation of
23 surcharges changed over the period of review?

24 MR. INSETTA: Commissioner, this is Bob
25 Insetta from Mittal Steel. I would just start off by

1 saying, in November of last year, we made an official
2 announcement to roll our surcharges into our price,
3 and we no longer have raw material surcharges in
4 place.

5 COMMISSIONER LANE: Mr. Tulloch?

6 MR. TULLOCH: From IPSCO's point of view, we
7 did implement surcharges when scrap prices were
8 soaring. Generally, this is not a cost-plus industry;
9 otherwise, it would never make a loss, I guess. But
10 that was one component of cost that was just beyond
11 any ability to manage, so that turned into surcharges.

12 Then as that settled out, the market, you're
13 right, did absorb those surcharges into the pricing
14 structure. So things like energy cost increases and
15 ferro-alloy cost increases were taken as part of the
16 normal cost structure, and scrap sort of adopted that,
17 both because as time has passed, and people can
18 adjust, but, secondly, because, competitively, that's
19 where the market has gone.

20 In our case, we still report a surcharge
21 primarily because we did enter into some contracts in
22 the period when surcharges were in place, and those
23 contracts require that we calculate what the surcharge
24 would be. So that's where it does affect our
25 business. It's a rather small amount of contracts.

1 COMMISSIONER LANE: Mr. Montross?

2 MR. MONTROSS: Commission Lane, because the
3 majority of our business is spot business, we don't
4 use surcharges on the vast majority of it. The pieces
5 that we have contractual business on, it's just a
6 surcharge, potential of a surcharge, to protect both
7 parties due to the potential of sharp market
8 variations. But over 90 percent of our business is
9 the spot side of the business, and we have no
10 surcharges.

11 COMMISSIONER LANE: Mr. McFadden?

12 MR. MCFADDEN: Yes. We do use surcharge;
13 however, ultimately, it's the transaction price, even
14 with the component as scrap surcharge involved. So we
15 transact as we have to. The unfortunate thing about
16 the raw material surcharge that we'll use, or many of
17 us use, is that it's scrap based, but there are many
18 areas outside of scrap that have elevated as well,
19 particularly in energy, natural gas, and all of the
20 other raw materials that we use, natural elements and
21 things like that, and we're not able to reflect that
22 in how we price, but, at the end of the day, however
23 we build the price, it's still a transaction price. A
24 decision is made, an order is placed, and we have to
25 be competitive.

1 COMMISSIONER LANE: Does anybody else want
2 to respond to that question?

3 (No response.)

4 COMMISSIONER LANE: Okay. Thank you. When
5 surcharges are in place, are they used across the
6 board for all customers, or are they used on a case-
7 by-case basis or customer-by-customer basis?

8 MR. TULLOCH: When we first implemented
9 surcharges, they were across the board. As I
10 described, that isn't how it's evolved since. A lot
11 of the market has gone to the price covering all of
12 those items, but there are some cases where remains
13 because of a commitment made some time ago.

14 The one item I should mention additionally,
15 and it's not a big factor, but with surcharges -- we
16 have a number of people who are trying to look at
17 business that may stretch over an extended period of
18 time, and it is impossible to know what the price of
19 scrap is going to be, so we do talk about if we are,
20 in fact, going to commit a price at a period well out
21 into the future, there is going to have to be some
22 sort of component that recognizes the price of scrap
23 because there is no market mechanism to hedge against
24 scrap.

25 MR. McFADDEN: Pat McFadden at Nucor.

1 Commissioner, we bill a surcharge on every invoice
2 that we send out.

3 COMMISSIONER LANE: Okay. Does anybody
4 else want to respond to that?

5 (No response.)

6 COMMISSIONER LANE: Okay. This next
7 question; I'm sure that you all have responded to it,
8 and maybe you need to tell me again so it will sink
9 in, but, in looking at the period of review and
10 looking at the amount of money that you were losing in
11 the early part of the period and the amount of money
12 that you are making now, and in looking at the cost of
13 goods sold in the earlier period and what it costs now
14 and what the average unit costs were in the early part
15 and now, how on earth, in 2004, were you able to
16 increase your average unit price almost by double and
17 almost double what your costs went up. I'm just sort
18 of amazed, and I would just sort of like an
19 explanation of that.

20 MR. TULLOCH: It was a market-driven
21 situation. Things turned around extremely quickly,
22 and the demand levels were staggering. It wasn't
23 related just to a use demand, but all of a sudden --

24 COMMISSIONER LANE: Well, now, it doesn't
25 look to me that the demand went up that much.

1 MR. TULLOCH: Well, the demand that you're
2 being asked for -- there is a limit to what you can
3 ship because your equipment can only turn around so
4 quickly. The requests for material, and,
5 significantly, were coming obviously from the service
6 center sector because there was a lot of money to be
7 made in the chain. We also had other people who had
8 not committed to buy steel for a period because it was
9 generally available, and nobody saw this coming, who
10 all of a sudden had to bring an order.

11 So the request to supply plate ballooned to
12 a number that would not show up in the statistics,
13 which created an environment where the ability to
14 raise the price was there. I don't know if that helps
15 explain it, but the environment in 2004, the speed at
16 which it turned around, which I don't think anybody,
17 including ourselves, had a clue, really created a
18 situation where that price recovery was able to take
19 place very quickly.

20 COMMISSIONER LANE: Mr. McFadden?

21 MR. McFADDEN: Thank you. Our experience
22 was, in '04, global demand for all products, not just
23 steel plate, not just steel, global demand for all
24 products was strong, and scrap, our key raw material,
25 just absolutely exploded in its cost structure, and

1 the movement of scrap got very complicated. Scrap was
2 moving all over the world and responded to all kinds
3 of demand.

4 That was the basis for what happened, and I
5 believe all steel products, in 2004, doubled in price,
6 whatever the parameters are, but exploded in price,
7 and I think, for the plate product, the ability to
8 recoup scrap costs and the change in scrap costs
9 through the raw material surcharge was really the key
10 ingredient where things started to change for at least
11 our ability to sell our products based on what they
12 cost.

13 Prior to that point, we were prone to
14 strictly market fundamentals of supply and demand:
15 Imports come in, inventory drives up, prices go down.
16 Since that time period, the elements of scrap are
17 still a part of what we do, but the reality is we've
18 evolved back to transaction prices, and we've got to
19 sell steel, and the demand is not the same as it was,
20 and we have different types of parameters, and we're
21 prone again to the same market dynamics of imports
22 come in, and inventories build, and prices go down.
23 We just seem to be doing it a different point.

24 COMMISSIONER LANE: Mr. Price?

25 MR. PRICE: Well, I'll give you the answer

1 that we all came up with at the OECD, which is China,
2 China, China. It drove a spike-up in raw material
3 costs. You saw that chart on Tuesday from Mittal
4 Steel saying, oh, prices are up here, but iron ore
5 costs also went up, which wasn't in that chart.

6 So you have substantial raw material cost
7 changes driven by their consumption rates. You have
8 added to that an inbound increase in their demand,
9 which has then been offset more recently as they build
10 up this capacity beyond anyone's capabilities of
11 absorbing it and their own capabilities of absorbing
12 it and world market capabilities of absorbing it
13 coming back out on the market now on the flip side of
14 all of this.

15 So there are some macro issues that play
16 into '04 and as we see playing out in '07-'08.

17 COMMISSIONER LANE: Okay. Thank you. Yes,
18 sir?

19 MR. BALLOU: Tom Ballou with O'Neal Steel.
20 From our perspective, we saw '04 as what we termed
21 internally kind of as the perfect storm. Inventories
22 across the industry were very low. I won't get into
23 why that was, but they were very low. Raw material
24 costs at the mill levels spiked, and demand picked up;
25 really literally, almost overnight, all three of these

1 things occurred. So it led to just a firestorm,
2 frankly.

3 COMMISSIONER LANE: Okay. Thank you.

4 Thank you, Mr. Chairman.

5 CHAIRMAN PEARSON: Normally, I don't focus
6 too heavily on data that we see in an interim period,
7 but for this investigation, we've got half-year data
8 for 2005 and for 2006, and I am struck by the strength
9 of the market that we've seen in the first half of
10 2006 relative to 2005. We've got apparent consumption
11 up roughly 20 percent. We've got domestic production
12 up roughly that same amount, and then because apparent
13 consumption is a little larger than domestic
14 production, we had imports rising to fill the
15 difference.

16 What's the difference in the market between
17 last year and this year? Why has it been so strong in
18 2006?

19 MR. McFADDEN: Pat McFadden at Nucor.
20 Again, it's a perspective issue. In my mind, the
21 issue in 2005 is that it tanked. The first half of
22 2005, the market went down. I believe all steel
23 products eroded. I believe sheet prices went from 30
24 cents to 20 cents a pound in the first six months of
25 2005. The plate prices, as I said earlier, went down

1 as well, not to the same extreme but nearly to the
2 same extreme.

3 So the issue is really, I think, in the
4 comparison of that time period, it's extreme what you
5 saw in '05, which was a full inventory, a large amount
6 of imports, overstocking, and eroded prices, and
7 that's really the same point in time we're at right
8 now. So we're at the very beginning of that same kind
9 of pattern that we saw in the first half of '05.

10 MR. HELTZEL: Chairman, Bob Heltzel,
11 Kenilworth. We had quite a few customers, but some of
12 our larger customers attributed it to, specifically, a
13 tremendous demand of their product relative to,
14 unfortunately, the disaster that Katrina put on this
15 country.

16 Quite a few of the rental companies --
17 Hertz, United, et cetera, et cetera -- in the
18 Northeast, in the Midwest sent a lot of their goods
19 down there immediately to help in the assistance, and
20 a lot of the construction industry and our customer
21 base was confronted immediately with building
22 inventory to fulfill the responsibility they had to
23 the distributorships in the Midwest and the Mideast.
24 That's one thing that we noticed immediately.

25 CHAIRMAN PEARSON: Mr. Ruane?

1 MR. RUANE: Yes, sir. The consumption
2 numbers, I think, that you're making reference to are
3 apparent consumption, and that would include some
4 significant inventory builds at the service center
5 level. So a great deal of that is in my inventory
6 today.

7 But I would also say that demand has been up
8 in '06 over '05 for distributors on a year-to-date
9 basis, so our shipments are higher. They are not 20
10 percent higher; they are less than 10 percent higher.

11 What we're finding, though, is, over the
12 last couple of months, that degree of positive
13 improvement over '05 has been deteriorating. The
14 point is that as we enter the fourth quarter here, our
15 shipments are forecasted to be less than the fourth
16 quarter of '05, and it's very possible that '06
17 actually is a declining shipment year for service
18 centers.

19 Now, as we look at the economic conditions
20 going into '07, we definitely suspect that '07 will be
21 less than '06, from a distributor shipment level.

22 CHAIRMAN PEARSON: Perhaps closer to the
23 2005 level?

24 MR. RUANE: I think that it's possible that
25 they could be less than that.

1 COMMISSIONER LANE: Okay. Thank you.

2 Mr. Riker?

3 MR. RIKER: Thank you. This is David Riker.
4 I just wanted to point out, if you are making this
5 interim period-to-interim period comparison, that
6 operating margins went down, gross profit margins went
7 down, I think, as you'll see in the public staff
8 report. So to the extent that you follow the trends,
9 I think perhaps it's not much of an improvement.

10 CHAIRMAN PEARSON: Well, then, in capital-
11 intensive businesses like this, I prefer to look at
12 whole years when possible rather than interim. I'm
13 always a little suspicious. This struck me as
14 sufficiently unusual that it deserved a question, and
15 I appreciate those answers.

16 Mr. Ruane, if I could, let me go back to you
17 on a somewhat related question. There was a lot of
18 inventory accumulation during the period of review.
19 Can you discuss the several years and what was going
20 on with your inventories and why?

21 MR. RUANE: Right. Our inventories are a
22 function of really two things, and they are what our
23 expected demand is, and what are the lead times at our
24 producers? Those combinations have offset certain
25 inventory targets, as well as the amount of orders

1 that are open.

2 So through this period, we were seeing
3 continuous expansion of our demand view. At the same
4 time, as you can imagine, the order rates were much
5 more on the steel mills, and, hence, their lead times
6 were moving out to a degree that they were actually
7 trying to place reservations on orders so as we could
8 have a realistic horizon as far as placing new orders.

9 If lead times are two to three months,
10 that's about the longest that I can possibly have an
11 idea of what particular items I would like to order,
12 and so the steel mills cooperate by allowing a
13 reservation system that allows me to have some time to
14 understand exactly what I want to put on order.

15 What's happened now, recently, as supply has
16 increased further, largely with a lot of imports that
17 have been arriving that have not been able to be
18 absorbed by shipments, is that, combined with our
19 expectations of lower demand, we are seeing shorter
20 mill lead times, which kind of changes our entire
21 order mathematics, and that's what the steel mills
22 have been referring to as "destocking."

23 So as our view of the future demand
24 diminishes, as well as the lead times of the steel
25 mills diminish, it has a doubling effect on the amount

1 of new orders that we're able to place and still
2 maintain an inventory target.

3 CHAIRMAN PEARSON: Okay. Thank you. Could
4 I follow up with one more question?

5 I think you indicated earlier that you have
6 in the range of a couple of hundred thousand tons of
7 inventory.

8 MR. RUANE: Yes, sir.

9 CHAIRMAN PEARSON: Do you have any financial
10 hedging opportunities for that, or are you sitting on
11 that much flat price risk? By my math, you have a lot
12 of flat price risk if you're sitting on all of that
13 unhedged.

14 MR. RUANE: We absolutely do. From a
15 commodity standpoint, if there is not a terminal
16 marketplace that will allow us to hedge the steel nor
17 the component of scrap that is within it; so both the
18 steel price and the scrap price are very volatile.
19 So, yes, we do have a great deal of risk.

20 The way that we manage that risk is in a
21 number of fashions. The first is, is to try to
22 maintain a level of inventory that represents a
23 certain amount of ship days by which we think we can
24 move our inventory to the correct position.

25 The other way that we manage risk, and kind

1 of goes to a question of kind of purchasing imports,
2 is that we look to manage risk by having the
3 appropriate cost of goods sold at all times in our
4 inventory. One of the ways that we do that is that we
5 try to balance the amount of inventory that we have,
6 that is, domestic versus foreign, the foreign
7 typically lower placed, based on the percentages that
8 the United States is receiving.

9 So if the U.S. marketplace has a 20-percent
10 foreign component, I'm looking to manage my position
11 in inventory to also have a 20-percent foreign
12 component to try to balance my cost of goods sold so I
13 don't get very far out of line with where the cost of
14 goods sold are. But other than kind of being very
15 good speculators, we are wearing that risk. So at
16 Olympic Steel today, I wear a risk of 270,000 tons of
17 inventory.

18 CHAIRMAN PEARSON: Have there been any
19 efforts to develop a futures market or other financial
20 risk-management devices, options, or derivatives of
21 one sort or another that would allow some of that risk
22 to be fobbed off to others?

23 MR. RUANE: Yes, sir. In fact, the work on
24 that is actually accelerating, and there are several
25 exchanges that are looking to do a steel component.

1 The LME is looking at a steel component. NYMEX is
2 also looking at a steel component. So the marketplace
3 is moving in that direction. It is an enormous market
4 around the world, as you can imagine, and so the
5 financial community is very much looking forward to
6 trying to find an index and a methodology to trade
7 that.

8 MR. BALLOU: Commissioner, Tom Ballou of
9 O'Neal. I would just say that the first one who tried
10 this was Enron, and they worked very hard at trying to
11 sell it to the industry, with little success or no
12 success, and the industry -- that subject came up at a
13 steel strategy session in New York in June, and I
14 would say -- I won't speak for the mills, but from a
15 producing level, from just about every CEO in
16 attendance at that session, they were, let's say,
17 anti-index. They didn't see that being very
18 successful, but there are still a lot of people
19 working on it.

20 CHAIRMAN PEARSON: Thank you for those
21 comments. I would just note that there might be more
22 steel price volatility now than there had been when
23 Enron still was in business, so I don't know exactly
24 what timeframe. If they were trying to institute some
25 type of options or swap market at a time when prices

1 were relatively stable, they probably wouldn't find as
2 many takers as they might today.

3 Mr. Ruane, I'm on my yellow light.

4 MR. RUANE: Just to follow is that, in the
5 Enron vein, there is a small, over-the-counter
6 marketplace that is developing, and the folks from
7 Coke, which do a lot of commodity trading out in the
8 Midwest, are instituting that. So it's very minor
9 today, but they do report kind of a consistent growth
10 pattern in over-the-counter trading.

11 CHAIRMAN PEARSON: Thank you.

12 MR. HELTZEL: One quick comment, and that's
13 the issue of risk, Mr. Chairman, that Frank was
14 dealing with. Our customers perceive that risk as
15 well, and I think that's one reason why, to support
16 the earlier testimony of one of the gentlemen from the
17 domestic mills, is why the service centers are now
18 buying 60 percent as opposed to 48 percent before, is
19 that our customer base is also perceiving that risk
20 and saying, "Hey, gentlemen, you take it."

21 CHAIRMAN PEARSON: Okay. Thank you, and I
22 thank my colleagues for your indulgence. I don't
23 think I have any further questions. Madam Vice
24 Chairman?

25 VICE CHAIRMAN ARANOFF: Thank you, Mr.

1 Chairman. Hopefully, I'm just about through my
2 questions as well.

3 I don't think any of my colleagues has
4 directly addressed this, although some have gotten
5 close. All of the briefs of the domestic producers
6 and all of the conversation that we've heard this
7 morning makes the generalized statement that the
8 subject producers are, as a group, very export
9 oriented. I'm not sure, looking at their track
10 record, that I would necessarily agree with respect to
11 most or all of them.

12 I took a look at it, and I have a chart that
13 I put together, but it contains some confidential
14 data, so I can't share it, but if you look, both at
15 the amount that these exporters in these countries
16 send to the home market, in the case of the European
17 producers, the amount they send within the European
18 Union and then other, you come up with basically three
19 tiers of countries within this group.

20 There are two countries, by my calculations,
21 Belgium and Romania, which have what I would view as a
22 fairly substantial amount of their production that
23 they export outside their home market and outside of
24 the European Union. Germany and Brazil, a little
25 less, but maybe you could say they are sort of export

1 oriented, and then the rest of them, leaving aside the
2 two that we don't know as much about, Spain and
3 Sweden, are really shipping very small amounts outside
4 their home market or outside the European Union, where
5 that's relevant.

6 And with respect to the two that I
7 mentioned, who are sort of the first tier, maybe the
8 highest, you've got Romania that's about to join the
9 European Union and Belgium, which maybe a share of
10 what they do is exporting a lot, but it's not a very
11 big producing country.

12 Do any of you want to comment on a sort of a
13 more disaggregated basis, to the extent that it's not
14 confidential? I'm not sure that I see this, that you
15 can make generation that these are very export-
16 oriented producers.

17 MR. RIKER: This is David Riker. I don't
18 know if I have much to say about on a disaggregated
19 basis, but, clearly, the comparison is your export-
20 oriented -- I think the numbers that you're looking at
21 is their exports relative to their total shipments,
22 and if you look at simply the tons shipped, the
23 question is, what is their impact? What could their
24 impact be should the orders be sunsetted, should they
25 come into the U.S. market?

1 So I deal with that in my economic
2 submission. I think we briefed it. It is BPI, every
3 which way I can imagine. But I think that what you'll
4 see, even in the public version, is that there's a lot
5 of exports, counting the tons, especially going to
6 low-priced markets, that they have an incentive to
7 come to the market, and you can quantify the financial
8 impact that will come from this.

9 One other point that we heard on Tuesday,
10 and probably will hear this afternoon, is this notion
11 of export oriented versus trade in the EU and how it
12 should be viewed differently. I think that if you
13 look at the record, and there is only one country that
14 we can do this with on the public record, but we see
15 Germany actually increasing its exports out of the EU,
16 from 189,000 tons in 2000 to 264,000 tons in 2005.

17 So I'm not sure that the record is
18 necessarily consistent with Respondent's argument that
19 they are becoming just reclusive and sticking to the
20 EU market. I think that the volumes are there, and
21 the incentives are there.

22 MR. SCHAGRIN: Commissioner Aranoff, I would
23 just add, as the economist just pointed out, the only
24 public information is as to Germany on Table CTL-4-25,
25 but that demonstrates that, in the interim period, the

1 exports from Germany to other Asia and all other
2 markets as a percentage of their total shipments was
3 the highest of any time period, and putting them
4 together at 13.2 percent of what is given as a
5 production in the first half of '06 is a million, 269.
6 You know, we're talking just in the first half of 2006
7 about in excess of 150,000 tons.

8 So you categorized that in your question as,
9 I don't see that as very significant. Send just from
10 one of the 11 countries something in the order of 150
11 to 300,000 tons potentially shifting from other Asia
12 and other markets towards the U.S., and we're in real
13 trouble.

14 So it's just a question, you know, of
15 subjectivity, characterization. We see that as very
16 high, and we have to convince the Commission that it
17 is significant.

18 The other information, we'll have to
19 address, I think, confidentially in our posthearing
20 brief, if that would be okay with you, because it's
21 all BPI.

22 VICE CHAIRMAN ARANOFF: Okay. I invite you
23 to address that confidentially. I'm, obviously,
24 interested just, in country-by-country, looking at
25 export orientation, and while I understand that, you

1 know, exports within the European Union are exports in
2 some sense of the word, I think it's also true that it
3 takes a higher level of -- I'm not quite sure what the
4 word is -- to push those exports outside of Europe
5 than it might for a country that wasn't within the
6 European Union.

7 So if there is anything that you want to add
8 about demand conditions in Europe that might suggest
9 that the business plan that I think all of these
10 producers have, that Europe is going to be their
11 primary market, are not going to pan out for them, I
12 would certainly be interested in seeing that, but let
13 me move on.

14 One final question: If you look at Table 1-
15 20 in our staff report, which is the one that lists
16 all of the domestic producers and their market shares,
17 you might get the impression that this is a very
18 disaggregated, fragmented industry, which, I think, is
19 somewhat deceptive, and perhaps that's because of the
20 way that our data have put the mills and the
21 processors together and also perhaps because we've
22 gotten a better response, I think, from processors
23 than we did in last year's case, or perhaps in the
24 past.

25 But I guess I would ask the producers who

1 are here today, do you view your industry, at this
2 point, as being more fragmented and less consolidated
3 than some of the other major segments of the steel
4 market, or do you think that's just an anomaly of the
5 way we've presented the data?

6 MR. TULLOCH: I haven't looked at the table
7 in question, but, at the producing-mill level, we see
8 it as more consolidated than it was some years ago.
9 Once you get to the processors of plate, it becomes
10 very fragmented very quickly, but at the mill-
11 producing level, those people actually making plate,
12 clearly it's more consolidated than it has been.

13 VICE CHAIRMAN ARANOFF: I don't know if I
14 could ask you to speculate on whether you think
15 consolidation has gone about as far as it's going to
16 go.

17 MR. TULLOCH: We speculate on that every
18 day, but I don't have an answer.

19 VICE CHAIRMAN ARANOFF: Do any of the other
20 producers want to comment?

21 (No response.)

22 VICE CHAIRMAN ARANOFF: Not a popular
23 question. Okay. Well, if there is anything that
24 anyone wants to comment on in the posthearing brief,
25 especially those of you who can look at the

1 confidential information in that table, please do.
2 And with that, Mr. Chairman, I have no further
3 questions.

4 CHAIRMAN PEARSON: Commissioner Hillman?

5 COMMISSIONER HILLMAN: Thank you. Mr.
6 Conway, I did want to give you an opportunity to
7 respond to the question that I was asking at the end.
8 Again, I was noting that if we look at our staff
9 report, we are seeing this tremendous increase in
10 labor productivity. I realize, we measure it a little
11 bit differently than you all do in terms of man hours
12 per ton. We're looking more at tons produced per
13 thousand hours worked, but, nonetheless, the number is
14 going from in the 460 range all the way up to over 700
15 at the end of the period of review, a remarkable
16 increase in productivity.

17 I'm just curious, from your perspective, do
18 you think that trend is going to continue?

19 MR. CONWAY: I think, incrementally, there
20 will be more, but there won't be another quantum like
21 that. We will never be able to make that. We did it
22 by inducing a lot of people to leave the mills and
23 reincented [sic] the way they work inside the shop and
24 restructured what they do. So I think we will
25 continue to seek opportunities, but it will now be on

1 the increment.

2 COMMISSIONER HILLMAN: Okay. I appreciate
3 that. If I can, then, go to some of the product mix
4 issues. The Respondents have raised a number of
5 issues around a couple of things that I wanted your
6 response to. One is whether the product is made on a
7 reversing mill versus a steckle mill, and the other is
8 whether it is made with steel from a blast-oxygen
9 process versus an electric arc process.

10 I just want to make sure I understand how
11 much difference it makes in the market, and maybe it
12 would be helpful for me to understand, from your
13 perspective, how large a market segment is there for
14 products that can only be made on a reversing mill or
15 only be made with steel that starts from a blast-
16 oxygen process. How big a market segment is there?

17 MR. McFADDEN: Pat McFadden at Nucor.
18 That's a tough question because it covers a lot of
19 issues that we would really have to spend time talking
20 to. I think, in posthearing, we could organize it and
21 make it very simple, and you could read it. It would
22 be easier than discussing it.

23 I would say a couple of things, though. The
24 language is an issue in how we communicate about
25 equipment and the markets because steckle mills are

1 actually reversing mills. They just have coil boxes
2 that allow you to produce light-gauge plate in coil
3 form.

4 So amongst ourselves in our business, we've
5 tried to communicate about the market with plate from
6 coil versus discreet plate, regardless of what kind of
7 facility it was actually produced on, and from a melt
8 standpoint, whether it's a BOF furnace or an electric
9 furnace, you can make plate from either one. It's
10 more an issue of the function of whether it comes from
11 coil, or it's produced discreet. I think we could
12 submit to you very clear discreet versus plate from
13 coil and try to surmise the market that way.

14 COMMISSIONER HILLMAN: It would be helpful
15 to understand. Obviously, some of this is the
16 thickness, some of this is the chemical, some of this
17 is the heat treating, some of this is width. I'm just
18 trying to make sure I understand how much to make of
19 the arguments that the Respondents are making in terms
20 of where there may or may not be specific overlaps
21 with domestic production and whether there are
22 limitations in the U.S. market because of the way in
23 which we are currently producing the majority of our
24 plate product.

25 MR. McFADDEN: We can do that. Just one

1 last thing. The mills are very flexible now. That's
2 another issue that's come with the technologies, and
3 that's something that we'll expand on in the
4 posthearing. Mills can do a lot of different things
5 than they could do before.

6 COMMISSIONER HILLMAN: One of the things,
7 for example, that I would ask you in general is to
8 respond very specifically to the cumulation arguments
9 that are made in the individual briefs. I realize you
10 briefed in general the issue of cumulation, but now we
11 have very specific arguments from a number of the
12 Respondents.

13 The Germans, for example, argued that they
14 are unique among the subject countries because the
15 substantial majority of their product is thick plate
16 greater than an inch in thickness, and a relatively
17 small share of it is of structural plate.

18 Again, I'm trying to make sure I understand
19 the context into which I should be reading those
20 arguments. I would ask you very specifically to
21 respond to that in light of this understanding of
22 where the U.S. market sees itself, where the U.S.
23 producers see themselves on this issue of thick,
24 extra-wide, all of those other factors.

25 MR. SCHAGRIN: I'll just say, in general,

1 Commissioner, most of the arguments made by the
2 Respondents' individual briefs don't actually hold a
3 lot of water, but I believe it would make most sense
4 for us to respond to those in our posthearing briefs,
5 and based on the public information in those briefs,
6 we can get technical information and help from our
7 clients, but we are aware, individually, through
8 counsel, of our clients' capabilities in terms of size
9 ranges, technical, et cetera. So I think we can
10 certainly address those in posthearing.

11 COMMISSIONER HILLMAN: I would appreciate
12 that.

13 On the issue of Mexico, I would ask you,
14 because we have looked very carefully in some
15 instances, on this issue of the degree to which the
16 country is a net importer of product, and, obviously,
17 that's one of the central arguments that the Mexicans
18 are making, that that creates a very different dynamic
19 for them, that they such a significant net importer
20 and largely a net importer from the United States,
21 that that places them in a very different mix in terms
22 of how we should look on them vis-à-vis some of the
23 other countries that are subject to this review. So,
24 again, if that issue could be --

25 MR. SCHAGRIN: We'll address that, but I'll

1 address that partially here, Commissioner. I may, at
2 times, be known for my frankness. You know, if it
3 wasn't public, and there is public information -- we
4 put it into our brief, a Spanish article from Mexican
5 press within the last few weeks -- that AHMSA was
6 going to double their plate capacity. I think it's an
7 \$800 million investment, U.S. dollar. It may have
8 been put in that article in terms of pesos, I believe
9 it was, and this is in our brief. Then Mexico would
10 probably be out of this case in a minute, based on,
11 you know, their present capacity compared to the
12 amount of imports in the market.

13 What makes them different from other cases
14 in which the Commission has let people out because
15 they were large importers, couldn't satisfy their
16 market, is the massive capacity expansion in the
17 reasonably foreseeable timeframe.

18 COMMISSIONER HILLMAN: That would be the
19 other issue there that you really do need to address,
20 is whether this project is likely to come online and
21 be producing in what we would fairly describe as a
22 reasonably foreseeable timeframe.

23 MR. SCHAGRIN: I'm sure you will be asking
24 them about it. We can only go by what we read in the
25 press other than other information. Thank you.

1 COMMISSIONER HILLMAN: Two other issues.
2 You all have spoken at length about the issue of China
3 and where it fits into all of this and the capacity
4 that's coming onboard. I would ask you, in the brief,
5 to look very specifically at the data that is in the
6 staff report, forecasts from a particular source --
7 the source is confidential, and the individual numbers
8 are confidential, but it is forecasting production, as
9 well as consumption, in a series of markets around the
10 world, including, very specifically -- I think they
11 describe it as the east and southeast Asian market,
12 which would include China.

13 Yes, they are showing production growth in
14 relationship to outstrip consumption growth but at
15 nowhere near the kind of levels that you are
16 suggesting to us from China. I'm only asking you to
17 please square your sense of what is going on in China
18 with the data that came out of a very reputable
19 forecasting study and is reported in our staff report
20 because I don't think it suggests anywhere near the
21 level of production excesses over consumption. It's
22 over the increases in consumption that have been
23 suggested in this testimony.

24 MR. SCHAGRIN: I think we'll address it
25 specifically in posthearings, but one comment now,

1 without referring to that confidential report. Any
2 respected forecaster who uses any information that
3 comes out of the Chinese government automatically
4 makes the information completely suspect. We have
5 seen, at every international steel exhibition in the
6 last two or three years, every intergovernmental, the
7 Chinese government always say that the differences
8 between demand and supply are very narrow for our
9 steel industry. We're forcing a lot of mills to shut
10 down. You all don't have things to worry about.

11 I had to listen to a lot of garbage from
12 people from the Chinese government there in our 421
13 case, and people at USTR actually believe them, and
14 maybe even the president of our country and --

15 COMMISSIONER HILLMAN: Okay. This is not --
16 the other thing I would say, it's my understanding
17 that some of the data from this particular source
18 would be available specifically for China. It is not
19 currently available to us.

20 So if some of you all that get this data
21 would want to put that on the record specifically from
22 China for us, it would be much appreciated,
23 particularly if you are trying to make these arguments
24 about China. Again, we don't currently have access to
25 the particular pages of these studies that would show

1 us the individual China data. I believe some of you
2 do. That would be helpful.

3 MR. SCHAGRIN: We'll do that.

4 COMMISSIONER HILLMAN: If I can focus,
5 lastly, on one like-product issue. Respondents have
6 raised the issue of wide, flat bar, and so I do want
7 to ask you to address, in your posthearing briefs,
8 what is your position on whether wide, flat bar should
9 be kept together with cut-to-length plate as a single
10 like product, or whether we should be treating it as a
11 separate like product.

12 Does the domestic industry produce wide,
13 flat bar to the extent that it's produced? Do you
14 think it should be considered a commodity-type product
15 like cut to length, or is it more of a specialty
16 product more like SPQ bar that we have seen in other
17 cases? How interchangeable is wide, flat bar from CTL
18 plate? Do you think we currently have domestic
19 capacity on wide, flat bar to meet current demand?

20 I don't know whether anybody wants to say
21 anything in this setting about wide, flat bar. You
22 don't care about it at all, it's all confidential, or
23 -- Mr. Price.

24 MR. PRICE: I think we'll respond in the
25 post-conference brief. It's a very complicated series

1 of questions in there, and we'll address them all.

2 COMMISSIONER HILLMAN: Okay.

3 MR. INSETTA: This is Bob Insetta from
4 Mittal. We would say, on the interchangeability
5 question, yes, flat bar is interchangeable with plate
6 for many applications, and we do make flat bar.

7 COMMISSIONER HILLMAN: Okay. Do you make it
8 in your plate mills, or do you make it in a bar mill?

9 MR. INSETTA: We make it in a bar mill.

10 COMMISSIONER HILLMAN: Okay. And to the
11 extent that you are adding this information, I do
12 think we should understand whether it's made in your
13 plate mills or whether it's made in your bar mills,
14 just so we understand, from a supply standpoint,
15 whether they are considered like, in that we are
16 typically looking at whether it's the same facility,
17 same workers, same all of those factors.

18 Given that the yellow light is on, Mr.
19 Chairman, I will stop there. Thank you.

20 CHAIRMAN PEARSON: Thank you, Commissioner.
21 Commissioner Koplan?

22 COMMISSIONER KOPLAN: Thank you, Mr.
23 Chairman.

24 Mr. Fabina, this is the time. At page 67 of
25 your brief, you note, and I'm quoting, "As the

1 Commission has found in previous sunset reviews
2 regarding CTL plate, producers of carbon flat-steel
3 products can easily switch production between subject
4 and non subject products. My question is, can you
5 tell me how costly is it to switch? That's the first
6 part.

7 MR. FABINA: Most of our product, we can
8 switch with no cost at all. If we are switching or
9 making a radical change where we may be going to a
10 line-type product, we would have to change the work
11 rolls, and they would take 30 minutes.

12 COMMISSIONER KOPLAN: Okay. Could the three
13 other domestic producers tell me whether their
14 facilities have switched production between subject
15 and nonsubject products in any significant way during
16 the period of review? Have any of you done that?

17 MR. TULLOCH: In our case, on the same
18 facility, we can move material between nonsubject
19 goods into the micro-alloyed and higher grades of
20 material, and that would be not a difficult change to
21 make.

22 COMMISSIONER KOPLAN: Okay. Can I hear from
23 the others?

24 MR. McFADDEN: Pat McFadden, Nucor. We are
25 not flexible to be able to switch products that

1 easily. Our product mix is low-end, commodity carbon,
2 and that's where we exist.

3 COMMISSIONER KOPLAN: And Oregon?

4 MR. MONTROSS: We have somewhat of a larger
5 load of line pipe that we're running on our plate mill
6 right now for internal consumption than we actually
7 were during the last briefing. But, overall, we're
8 still in a position now where we're still looking for
9 trade orders because the line pipe still only fills a
10 relatively small section of our order book.

11 COMMISSIONER KOPLAN: Thank you for that.

12 Just for purposes of the posthearing, if you
13 could add what relative prices between subject and
14 nonsubject products would need to be to be as an
15 incentive to switch? And I would ask Respondents to
16 provide that information in their posthearing briefs
17 as well.

18 MR. TULLOCH: The other component, of
19 course, is the market for the nonsubject goods as
20 well. There needs to be an outlet for it.

21 COMMISSIONER KOPLAN: Mr. Brightbill?

22 MR. BRIGHTBILL: Tim Brightbill. We'll do
23 that. You're talking about subject and nonsubject
24 plate only. Correct?

25 COMMISSIONER KOPLAN: Yes.

1 MR. BRIGHTBILL: All right.

2 COMMISSIONER KOPLAN: All right. Can you
3 discuss -- this is for the industry witnesses -- in
4 some detail the nature of the business cycle in the
5 CTL plate market, including the typical length of an
6 entire cycle in the U.S., and where in that cycle are
7 we now? Mr. Tulloch?

8 MR. TULLOCH: I'm not sure it would be in
9 some detail. Certainly, the plate, it's -- on the
10 capital goods spending. The demand tends to be a
11 capital-goods-spending cycle, and that varies,
12 depending on the parts of that product.

13 We, in our experience, have certainly seen
14 what we thought was an extended down period leading up
15 until 2004. We have heard others say that this
16 capital spending cycle will typically run for five to
17 seven years. Certainly, we're three years into it
18 now. But there's been a lot of changes globally in
19 the steel industry, that I think it's very difficult
20 to look at an historical analysis and be sure about
21 what's going forward.

22 We came through a period, from really the
23 seventies through to the turn of the century, where
24 there was very little difference in the world steel
25 market in terms of new capacity coming and very

1 slowly. That's changed overnight, and so we now have
2 a totally different supply picture in the global steel
3 industry and in the global plate industry.

4 I started off as an economist at New Zealand
5 Steel forecasting demand, and I learned very quickly
6 that that's fine, as long as the underlying structure
7 stays the same, but when that changes, now you're in
8 trouble, and I think we're in that situation where the
9 underlying structure in the steel market has shifted
10 from the last several decades to where we are today.

11 COMMISSIONER KOPLAN: Thank you for that.

12 Do any of the other producers want to
13 comment? Mr. McFadden?

14 MR. MCFADDEN: Thank you. It's hard to
15 guess the timing of these cycles, how long they last,
16 et cetera, but I do think we are at the beginning of a
17 downward trend from where we've been over the last two
18 and a half years to where we're at right now, and I
19 base that on what the customers tell us about demand
20 for product for their end users as they go forward.
21 It's going to be down next year.

22 COMMISSIONER KOPLAN: Thank you. Anyone
23 else? No? All right. I'm moving to my last
24 question.

25 Mr. Insetta or Mr. McFadden, are there any

1 CTL plate products imported because either the
2 domestic industry does not produce them or cannot
3 produce enough of them? Mr. Insetta?

4 MR. INSETTA: Yes. I would say there are
5 small niche areas where there are imports that either
6 are very unusual in specification and product
7 characteristics, and some because there has been a
8 need for more supply.

9 COMMISSIONER KOPLAN: Could you identify
10 those for purposes of the posthearing, or do you want
11 to do it now?

12 MR. INSETTA: We can do that in the
13 posthearing.

14 COMMISSIONER KOPLAN: Okay. Mr. McFadden?

15 MR. MCFADDEN: I just think that the areas
16 where that's the case; they are very small. The vast
17 majority of imports that come in, you know, the Asian,
18 the non countries right now that's coming in, it's 84
19 wide and one inch, half-inch 84, just in a glut in the
20 market.

21 COMMISSIONER KOPLAN: Thank you. With that,
22 I think you all for your answers to my questions. I
23 have nothing further.

24 CHAIRMAN PEARSON: Commissioner Okun?

25 COMMISSIONER OKUN: Thank you, Mr. Chairman.

1 Hopefully, just a few brief things to close out here.

2 Mr. Schagrín, I noted with interest
3 Commissioner Aranoff's question to you about how much
4 weight we should place on corporate relationships and
5 what they mean. In listening to Mr. Tulloch, it
6 always reminds me of what I feel like, sitting here in
7 the last couple of years, which is it's not your
8 father's steel mill anymore, not your father's steel
9 company. We need help in understanding how we should
10 evaluate what these changes mean in a number of ways,
11 and you've helped us do that today.

12 For posthearing, Mr. Insetta, I wanted to
13 make sure that you will also respond to the Mittal
14 relationship with Romania and what it means, both, if
15 you could, for purposes of posthearing, talk about the
16 imports from Romania, why they came in, and then,
17 looking forward, what that means in how we evaluate
18 imports from Romania. I would appreciate looking at
19 that as well.

20 MR. INSETTA: Okay, Commissioner. We'll do.

21 COMMISSIONER OKUN: Okay.

22 MR. SCHAGRIN: Commission Okun, I can't help
23 myself. I just have to say, unfortunately, it was
24 never my father's steel mill.

25 COMMISSIONER OKUN: All right. I thought we

1 would get someone on that one.

2 Okay. Then, on the second follow-up -- I
3 guess, just one point with respect to the questions
4 about China and the forecasts, perhaps to note that,
5 in looking at what we should rely on with respect to
6 China in the last reviews, in the '05 reviews, I rely
7 on the information in the staff report for purposes of
8 looking at the reasonably foreseeable future and
9 predicting what the impact of China would be. I think
10 those forecasts have turned out to be more accurate
11 than the forecasts that were on the record from the
12 domestic industry.

13 So, to the extent things have changed, if
14 you can point that out to me, I would appreciate that.

15 And, finally, just a question familiar, I
16 hope, now to all counsel, which is, to the extent the
17 Federal Circuit made a decision in Bratsk Aluminum
18 regarding how we evaluate nonsubjects causation, if
19 you would discuss for me whether it has any
20 implications in a sunset analysis of how we look at
21 nonsubject imports and their competitiveness and
22 prices, and I think, in particular, in this case, when
23 there was such a focus on what has happened with
24 nonsubjects and what might happen with subject
25 imports, help me understand whether you think there

1 are any implications in that analysis.

2 I would note there that three commissioners
3 applied Bratsk in the Lined Paper Products case in a
4 threat context. So if you could go through that as
5 well, I would appreciate that from all counsel. They
6 are all shaking their heads. They knew that one was
7 coming.

8 I think, with that, Mr. Chairman, I think
9 everything else was covered by my colleagues, so thank
10 you very much.

11 CHAIRMAN PEARSON: Commissioner Lane?

12 COMMISSIONER LANE: I just have two
13 questions.

14 Mr. Conway, I would like to start -- oh, he
15 left. Okay. Well, then I'll go to the second
16 question.

17 In the first sunset reviews in these
18 investigations, the Commission did not include micro-
19 alloys in the domestic like product. However, in last
20 year's Cut-to-length Pipe case, the Commission adopted
21 a single domestic like-product definition, which
22 included Grade X-70 plate micro-alloy, steel plate,
23 and plate cut from coils, finding that these products
24 are part of a continuum of cut-to-length plate
25 products.

1 How should the Commission define the
2 domestic like products in these current reviews? I'm
3 especially interested to learn why we should or should
4 not include micro-alloy, steel plate in the like-
5 product definition. Would including micro-alloy in
6 the domestic like product substantially change the
7 Commission's analysis?

8 Mr. Schagrin, if you talk long enough, maybe
9 Mr. Conway will be back.

10 MR. SCHAGRIN: I'll just answer the last
11 question first, which is, we don't believe including
12 micro-alloy in the domestic industry like product
13 would change the Commission's analysis.

14 COMMISSIONER LANE: And do you take a
15 position as to whether or not we should include it in
16 the domestic like product?

17 MR. SCHAGRIN: I think we'll do that in the
18 posthearing brief. My gut feeling is that it should
19 be included and has been included in all of the recent
20 cases, and I think we would probably want to stay
21 consistent instead of look like we're cherry picking
22 like product, depending on the case.

23 COMMISSIONER LANE: Okay. Thank you.

24 Mr. Conway?

25 MR. SCHAGRIN: Was that long enough? I

1 talked long enough until Mr. Conway made it back.

2 COMMISSIONER LANE: That was perfect.

3 MR. SCHAGRIN: I hate when I have to do
4 that.

5 COMMISSIONER LANE: Mr. Conway, I'm
6 interested in the present condition of the workers in
7 this industry and the likely impact on those workers
8 if these orders are lifted. There has been a lot of
9 discussion of the current health of the domestic
10 industry in view of the relatively healthy profit
11 margins in 2004 and 2005.

12 Looking at the production workers, I don't
13 see any such upward trends in 2004 and 2005. Levels
14 of employees have continued to decline in 2004 and
15 2005, and average hourly wages don't reflect any
16 significant increases, even though productivity is
17 continually climbing.

18 Do you believe that we should consider the
19 impact of lifting or retaining these orders on the
20 domestic workers, and, if so, what impacts do you see
21 occurring if these orders are lifted?

22 MR. CONWAY: If the orders are lifted, then
23 the imports flood back in. We expect we're going to
24 find ourselves where we were when this crisis began,
25 and we did the restructuring in the industry.

1 We also note, with some anticipation, the
2 amount of productivity and the steady state of the
3 wages and intend to try and deal with it as soon as we
4 have an opportunity, when our labor agreements come
5 about, but, right now, this is the deal we have, and
6 it's a deal that we needed to do, so we're living with
7 it, and we don't want to return or find ourselves in a
8 situation where we face the imports again and have a
9 constant situation where wages are stagnant, and we
10 can't have an effect on them.

11 These are crucial to us. They are crucial
12 to us, both in the profit stream for our retirees, and
13 we are completely committed to trying to do what we
14 can to keep that benefit. But in terms of increasing
15 productivity, our people are working a lot harder, we
16 have a lot fewer of them, and we recognize it and know
17 it, and we'll get to it.

18 COMMISSIONER LANE: Okay. Thank you.

19 Thank you, Mr. Chairman. That's all I have.

20 MR. CONWAY: I appreciate you noting it for
21 the record as well so the rest of my colleagues here
22 understand it.

23 COMMISSIONER LANE: Thank you.

24 CHAIRMAN PEARSON: Madam Vice Chairman,
25 anything further? Commissioner Hillman?

1 No further questions from the dais?

2 COMMISSIONER KOPLAN: Are you looking for
3 some?

4 CHAIRMAN PEARSON: If you wish. I'm
5 accommodating the interests of every commissioner.

6 Do members of the staff have questions for
7 this panel?

8 MR. CORKRAN: Douglas Corkran, Office of
9 Investigations. Thank you, Chairman Pearson. I do
10 have one question, and that involves much of the
11 discussion this morning that was in response, I think,
12 primarily to questions by Commissioners Okun and Lane.

13 The discussion centered around idling of
14 capacity that was to take place in the fourth quarter
15 of this year, and to the extent that you're providing
16 additional information on your operations, please do
17 refer to page III-4 of the staff report from last year
18 discussing maintenance and outages.

19 To summarize very briefly, it essentially
20 indicated that planned maintenance shutdowns are part
21 of the production cycle, that such shutdowns are
22 typically coordinated with customers, including
23 production and inventory adjustments so as to minimize
24 the impact, and, generally, that planned maintenance
25 outages typically last one week and are taken annually

1 or on a semi-annual basis.

2 The real question would be, then, are these
3 additional outages that you've been discussing, or are
4 they simply part of the regular annual planned outages
5 that are typical in producing plate?

6 MR. TULLOCH: We'll certainly respond. I
7 can tell you that what we're planning in Q-4 is quite
8 separate and distinct from scheduled maintenance
9 outage.

10 MR. SCHAGRIN: Just for the record, we'll
11 respond further in the posthearing brief, Mr. Corkran.

12 MR. CORKRAN: Thank you very much. The
13 staff has no further questions.

14 CHAIRMAN PEARSON: Do parties in opposition
15 to the continuation of the order have any questions
16 for this panel?

17 MR. PIERCE: No, Mr. Chairman.

18 CHAIRMAN PEARSON: Okay. Well, then we're
19 getting to where we wanted to be.

20 Let's break for lunch until five minutes
21 before three, which will give a little extra time than
22 my colleagues had anticipated. Be mindful that the
23 room is not secure, so please take any confidential
24 information with you. We stand in recess.

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1 (Whereupon, at 2:08 p.m., a luncheon recess
2 was taken.)
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1 CHAIRMAN PEARSON: Okay. Very well. Let's
2 begin. Mr. Cunningham, are you --

3 MR. CUNNINGHAM: Mr. Pierce will be the
4 master of ceremonies.

5 CHAIRMAN PEARSON: Wonderful. Please
6 proceed.

7 MR. PIERCE: Thank you, Mr. Chairman. Good
8 afternoon. Good afternoon, Commissioners. I'm Ken
9 Pierce, counsel for the Mexican producer, AHMSA, and
10 this is Respondents' panel presenting cumulated
11 arguments and noncumulated arguments for Mexico, the
12 United Kingdom, and Germany.

13 The first witness will be Dennis Kunka of
14 Caterpillar to discuss how this major purchaser of
15 cut-to-length plate sees market supply today.

16 Next will be Jim Dougan of Economic
17 Consulting Services to discuss the state of the
18 domestic industry and demand.

19 Mr. Dougan is followed by Dr. Thomas Prusa
20 of Rutgers University. He will address China and
21 Petitioners' economic models.

22 Richard Cunningham of Steptoe & Johnson,
23 with witnesses from the Corus Group, will discuss the
24 United Kingdom on a decumulated basis.

25 Dr. Prusa and I will then present the case

1 for Mexico's decumulation and revocation.

2 Chris Dunn, also of Willkie Farr, will
3 address Petitioners' arguments specific to Brazil.

4 Finally, Marc Montalbine of deKieffer &
5 Horgan, counsel to the German mills, will explain why
6 Germany should be decumulated.

7 All of those presenting direct testimony and
8 others appearing on the Commission's calendar for
9 Respondents are available to answer questions from the
10 commissioners or staff. Thank you.

11 MR. KUNKA: Good afternoon. My name is
12 Dennis Kunka. I am the North American steel plate
13 purchasing manager for Caterpillar, Inc., with
14 commercial responsibility for steel plate, sheet, and
15 special sections consumed in the United States.

16 I have been involved with steel procurement
17 at Caterpillar for eight years and an employee of CAT
18 for 16 years. I would like to briefly review CAT's
19 role in the cut-to-length plate market and then
20 explain the major changes that we have seen in the
21 cut-to-length plate market in recent years in the U.S.

22 Because of those changes in the market, CAT
23 believes that the antidumping orders no longer serve
24 their purpose and should be revoked. CAT is the
25 world's leading manufacturer of construction and

1 mining equipment, diesel and natural gas engines, and
2 industrial gas turbines. It employs almost 44,000
3 people in the United States. CAT purchases millions
4 of dollars of cut-to-length plate every year from a
5 number of major producers primarily in the United
6 States.

7 CAT uses that plate to manufacture its
8 mining and construction equipment, and demand for that
9 plate is driven by consumers' demand for the product
10 it manufactures.

11 I work with CAT product and design groups
12 and plate suppliers to manage CAT's purchasers of cut-
13 to-length plate. CAT imposes stringent quality
14 standards on the equipment that it manufactures.
15 These standards extend to its suppliers, including
16 suppliers of plate.

17 Consequently, CAT bases its purchasing
18 decisions for cut-to-length plate and all other inputs
19 primarily on quality. In addition to meeting quality
20 requirements, suppliers must meet CAT's delivery,
21 logistics, and supply chain cost criteria.

22 One of CAT's biggest purchasing problems
23 with plate is the tight supply situation. While CAT's
24 demand for plate has grown in recent years, the supply
25 has not kept pace, and, on occasion, CAT has been

1 placed on allocation. Such conditions have placed CAT
2 in the untenable position of not being able to produce
3 its products in a timely manner, as its customers
4 require.

5 CAT is concerned that continued tight supply
6 conditions may lead to extended lead times in the near
7 future. For example, recent press reports indicate
8 that U.S. producers are going to cut production soon,
9 worsening tight supply conditions. In addition,
10 Caterpillar faced unprecedented price increases for
11 cut-to-length plate. The U.S. suppliers of plate have
12 dramatically raised prices since 2002. Despite
13 Petitioners' claims that prices are currently falling.
14 Caterpillar's fabrication suppliers have faced price
15 increases throughout 2006, which they have sought to
16 pass on to Caterpillar.

17 Despite these supply and price issues,
18 Caterpillar continues to purchase cut-to-length plate
19 from U.S. suppliers because of the consistent high
20 quality that these producers provide, because of its
21 commitment to establishing and maintaining long-term
22 supplier relationships, and because of other nonprice
23 factors.

24 These practices will not change on
25 revocation of the antidumping orders because they are

1 an integral part of Caterpillar's business strategy.
2 Revocation would simply provide Caterpillar with
3 greater flexibility to relieve some of the current
4 tight-supply issues it faces by importing small
5 amounts of cut-to-length plate without the burden and
6 uncertainty created by duties.

7 In the case of Mexico, for example,
8 revocation could provide Caterpillar with a more
9 convenient, cut-to-length plate supply for its U.S.
10 southwestern facilities and fabrication suppliers,
11 thus helping Caterpillar to attain improved
12 efficiencies with respect to logistics.

13 Let me also say a few words about the
14 conditions in the U.S. cut-to-length plate industry.
15 We have seen a trend of consolidation among the
16 producers in the industry over the past few years.
17 Caterpillar welcomes this consolidation trend because
18 it is making the industry more financially secure and
19 providing more stable suppliers for CAT.

20 This consolidation is also occurring on a
21 global scale. For example, Mittal Steel, a company
22 headquartered in The Netherlands, acquired ISG in
23 2005, which itself had acquired Bethlehem Steel in
24 2002.

25 Thus, the domestic industry is far different

1 and stronger than it was at the time of the original
2 investigations many years ago. And in this position
3 of strength, which is likely to continue for the
4 foreseeable future, the industry needs no further
5 government protection. Instead, the antidumping
6 orders on cut-to-length plate from subject countries
7 should be revoked to ease supply limitations and
8 provide much needed flexibility to domestic consumers,
9 such as Caterpillar.

10 Thank you for your time this afternoon.

11 MR. DOUGAN: Good afternoon. I'm Jim Dougan
12 from ECS.

13 In the time since this case was last before
14 the Commission, a remarkable transformation has taken
15 place in the U.S. CTL plate industry. Today, the
16 domestic plate industry is a model of efficiency,
17 having reinvented itself and, in the past two years
18 alone, more than offset by billions of dollars every
19 penny of operating loss incurred during the early
20 years of the POR.

21 Let me turn now to the critical issues
22 confronting the Commission today. Domestic producers
23 place a great deal of emphasis on the antidumping
24 orders as an essential factor in their restructuring
25 and financial improvement. The fact is, there was no

1 correlation between the volume of imports and the
2 health of the domestic industry during the POR. See
3 the left-hand side of Slide 1.

4 During periods of substantial import relief,
5 including as many as 18 antidumping orders and the
6 Section 201 remedy, the industry still lost money and
7 faced declining prices. However, since the 201 relief
8 was lifted in December 2003, the U.S. CTL plate
9 industry has enjoyed a period of financial success
10 unparalleled for decades, as you can see to the right-
11 hand side of the chart. Indeed, a rise in imports,
12 entirely driven, by the way, by nonsubject imports
13 since the 201 relief was lifted, coincided with the
14 record-breaking profits for the domestic industry.

15 In sum, the domestic industry's improvement
16 and continued success is driven not by any import
17 relief but by two primary factors: one, strong
18 demonstrate, with concurrent and continuing growth in
19 each of the major end-use segments; and, two, the
20 restructuring of the domestic industry, with the
21 resulting improvements in its efficiency.

22 The various trade press articles and
23 government publications attached at Exhibits 2 and 5
24 to our joint brief are just a sample of the public
25 record data that demand is expected to grow

1 simultaneously in all of the key end-use markets for
2 CTL plate. This sustained growth includes booming
3 demand in the energy industry, increased demand for
4 rail cars and industrial equipment, and substantial
5 increases in nonresidential construction activity
6 enhanced by the Federal Highway Bill and hurricane
7 reconstruction in the Gulf Coast region.

8 As a matter of fact, it appears that the
9 four major domestic mills themselves -- IPSCO, Mittal,
10 Nucor, and Oregon -- recently prepared a group
11 forecast for the carbon and alloy plate industry that
12 confirms this outlook. That forecast was presented in
13 September of this year at the Mittal Service Center
14 Institute's Economic Forecast Conference in Schaumburg,
15 Illinois.

16 While the Commission and Respondents did not
17 have access to the report, nor was it provided in
18 Petitioners' prehearing brief, key facts were cited in
19 recent American Metal Market and Steel Business
20 Briefing articles, and all point to an extremely
21 strong demand outlook for the reasonably foreseeable
22 future in the same key, end-use segments identified in
23 the staff report.

24 Nothing has changed since the September 2006
25 release of the domestic industry group forecast. Just

1 last week, David Sutherland, the CEO of IPSCO, was
2 quoted in Steel Business Briefing discussing the
3 booming plate market and said, "Clearly, our
4 customers, both in plate as well as pipe, believe next
5 year will be quite strong, certainly through the
6 middle part of the year. Plate consumers don't think
7 much beyond a quarter or two, but they are feeling
8 quite good about 2007."

9 Thus, outside of these proceedings, the
10 domestic mills paint a very different picture of plate
11 demand than they presented in their prehearing briefs
12 and in their testimony earlier today. Despite all
13 evidence to the contrary, even from their own mouths,
14 the domestic industry still claims that future demand
15 growth for CTL plate will be undermined by, one, an
16 impending recessing; and, two, a potential and
17 temporary inventory adjustment.

18 At Exhibit 3 to IPSCO's prehearing brief,
19 Schagrin Associates presents an economic submission
20 that forecasts a coming recession in the U.S. economy.
21 While we plan to provide a more detailed critique and
22 rebuttal of this analysis in our posthearing brief, a
23 few points are worth noting here.

24 The first, and most significant, point is
25 that the Schagrin forecast, while an interesting

1 theoretical construct, is at odds completely with the
2 domestic producers' own forecasts based on their own
3 order books, customer relations, and other firsthand
4 market intelligence.

5 Second, the Schagrin analysis explicitly
6 recognizes that demand for plate responds to
7 developments in certain key economic sectors, and I
8 quote, "mainly nonresidential construction, industrial
9 equipment, and transportation equipment." It then
10 ignores measures of demand in these key economic
11 sectors and forecasts plate demand on the much broader
12 estimates of GDP and industrial production growth.

13 It concedes that residential construction is
14 not a major demand driver for CTL but that if the
15 decline in the housing sector causes an overall
16 downturn in the economy, which has not happened,
17 nonresidential construction "will inevitably decline
18 with the lag." Since nonresidential construction
19 projects usually take more than a year to complete,
20 this decline would not occur until 12 to 24 months
21 later.

22 In short, a cooling in the residential
23 housing market might lead to a slowdown in the general
24 economy sometime next year, which might be followed by
25 a decline in nonresidential construction one to two

1 years after that.

2 Given all of the other variables at play,
3 this stretches the definition of "reasonably
4 foreseeable future." And even if such a slowdown in
5 nonresidential construction were to occur, its effect
6 on plate demand likely would be offset by strong
7 demand in the energy and transportation sectors.

8 Third, to accept the arguments in the
9 Schagrin submission and the stated implications for
10 the CTL market, the Commission must find that a
11 recession, usually defined as a decline in GDP for two
12 consecutive quarters, is likely in the near term and
13 that the negative effects thereof would occur within
14 the reasonable foreseeable future. That would be pure
15 speculation.

16 Fourth, the Schagrin analysis only evidence
17 of this supposed slowing demand is actually occurring
18 in the market for CTL plate are data points referring
19 to recent price declines in hot-rolled band and flat-
20 rolled steel, in general. These points ignore the
21 domestic industry's price increases for CTL plate in
22 August, September, and October of this year.

23 Respondents provided ample evidence of the tightness
24 in the plate market and how its market differs from
25 that for other steel products at Exhibit 6 to the

1 joint brief.

2 With regard to the inventory adjustment, we
3 remind the Commission that the domestic industry made
4 virtually the same arguments in this room last year,
5 stating that the demand improvements in 2004 were a
6 one-time boom, driven by panic buying on the part of
7 customers and that demand was already declining
8 exacerbated by an inventory correction. This
9 testimony came at the same time that these companies
10 were a full nine months into accruing operating
11 profits at an annual rate of 25 percent sales.
12 Moreover, any possible upcoming inventory adjustment
13 is a natural function of increasing plate prices.
14 Distributors desire to increase their stocks is
15 reflective of their view that prices are increasing,
16 which, in turn, is a consequence of high and
17 continuing strong demand. The Commission should not
18 be persuaded by these forecasts of recession or an
19 inventory adjustment. We are seeing increases in real
20 fundamental demand in the market, not so-called
21 apparent consumption. Any possible inventory
22 adjustment in the coming months, which has yet to
23 materialize, will represent only a decline in apparent
24 consumption at the service center level and not actual
25 demand. The actual demand by the domestic producers'

1 own forecast and backed by actual advanced orders from
2 their customers in key end-use markets through at
3 least 2007 is extremely positive into the reasonably
4 foreseeable future.

5 But increase in demand is hardly the whole
6 story. The domestic CTL plate industry has made
7 significant improvements in its productivity and
8 efficiency. It is literally not the same industry
9 that existed at the time of the previous sunset review
10 in 2000. Production has increased by 30 percent from
11 2000 to 2006. Over the full review period, labor
12 productivity is up by 56 percent and unit labor costs
13 have declined by over 30 percent. The increases in
14 demand and improved efficiency has driven the domestic
15 industry to new heights of market power and economic
16 success, earning profits unprecedented in recent
17 memory. Any rise in raw material costs witnessed over
18 the review period has been completely passed on to
19 customers. In 2005 and through at least June 2006,
20 the domestic producers enjoyed a 40 percent markup
21 over cost of goods sold. This is an improvement from
22 the 33 percent markup of what Mr. Ballou described
23 this morning as the perfect storm of 2004. Within the
24 past few months, the industry has increased prices by
25 \$70 a ton.

1 Now, in 2004, the domestic industry earned
2 \$794 million in operating profits, nearly equal to the
3 total profits earned by the industry in the preceding
4 13 years. In 2005, the industry's profitability
5 actually improved from this level, to a total profit
6 of \$1.1 billion. Operating profit through June 2006
7 was \$634 million, even higher than 2005 on an
8 annualized basis, and bringing total operating profits
9 since 2004 to approximately \$2.5 billion. With these
10 operating results, the domestic CTL plate industry is
11 not vulnerable to injury by region of subject imports.
12 The fact is the domestic CTL industry has been a wash
13 in cash for the last two-and-a-half years. They
14 merely have chosen not to spend it on their plate
15 assets in the U.S. Please refer to slide 10 on the
16 screen above. This exhibit shows that during the POR,
17 domestic producers' capital expenditure were below
18 their depreciation expense. This is the story
19 domestic producers want you to see.

20 What they prefer you didn't see is on the
21 next page at slide 11. Cash flow is a metric that
22 represents a reasonable proxy for the funds available
23 to domestic producers for investment without having to
24 resort to borrowing. This chart shows that the
25 domestic industry's cash flow in 2004 alone was

1 sufficient to cover all depreciation expenses incurred
2 from 2000 to 2004, which is represented by the orange
3 box, with enough left over from that one year to
4 recover the negative cash flows from 2000 to 2003,
5 represented by the yellow box, and still cover the
6 capital expenditures for 2004. That's the blue box.
7 When one adds cash flow from 2005 and 2006 to the mix,
8 the point is even more striking. Please look at slide
9 12. Domestic industry cash flow exceeds depreciation,
10 the orange box, plus capital expenditures for the
11 entire POR, the blue box, plus a repayment, if you
12 will, of the negative cash flows of the 2000 to 2003
13 period, the yellow box, by nearly \$1.5 billion.
14 That's the green box.

15 Thus, the domestic industry's argument that
16 the orders must remain in place until it earns capital
17 required for future investments is specious. It has
18 had the capital and it has chosen to spend it
19 elsewhere.

20 Despite the strong demand forecasts, the
21 industry's demonstrated pricing power and their
22 excellent financial results, the domestic mills
23 continue to argue that they are vulnerable to injury,
24 because the U.S. market will attract huge volumes of
25 subject plate in the absence of the orders. Domestic

1 producers claim that the U.S. is the prime market for
2 plate across the globe and that its size and high
3 prices make it a magnet for imports from all over the
4 world. If this picture of the U.S. market was true in
5 the past, it is certainly not true today. According
6 to data in the staff report, the U.S. market's current
7 share of global consumption is small and has been on a
8 declining trend since the time of the original
9 investigation. While the data, themselves, are
10 confidential, I refer the Commissioners to Exhibits 12
11 and 13 of the joint Respondents' pre-hearing brief and
12 ask if these data support the claim that the U.S. is
13 the prime market in the global plate industry now or
14 into the foreseeable future.

15 But beyond mere size, arguments regarding
16 the price differentials between the U.S. and other
17 markets are grossly oversimplified and misleading.
18 For one, the data relied upon by U.S. producers to
19 develop these arguments is subject to the following
20 caveats, as noted in the staff report, on page CTL-IV-
21 93. These data are collected based on different
22 product categories, timing, and commercial
23 considerations and, thereby, may not be directly
24 comparable with one another. Moreover, such data are
25 distinct from the pricing data purported in the staff

1 report, which are collected directly from U.S.
2 producers and U.S. importers via the Commissioner's
3 questionnaires. While the exact data used in the
4 analysis are confidential, I refer the Commission to
5 pages 72 to 75 of the joint Respondents' pre-hearing
6 brief and the corresponding exhibits at 20 to 23.
7 This analysis shows, using data from the staff report
8 and questionnaires, that the price differentials
9 between markets do not exist to the degree claimed by
10 the domestic industry, if they exist at all.

11 Finally, the questionnaire data indicate
12 that U.S. producers with the lowest prices do not gain
13 market share at the expense of those with higher
14 prices, suggesting that other non-price factors, such
15 as lead times, are at play in determining market
16 share. There is no reason to believe that the market
17 dynamics would be any different for plate imports.
18 This is particularly true, given the much more
19 significant lead times and transportation costs
20 associated with bringing imported plate to the U.S.
21 market. This concludes my remarks. Thank you.

22 MR. PRUSA: Good afternoon. My name is Tom
23 Prusa and I'm a professor of economics at Rutgers
24 University. Let me begin by discussing the question
25 of subject foreign capacity. Capacity utilization

1 rates of foreign producers in subject countries
2 indicate little ability to export significant volumes
3 to the United States. Due to confidentiality
4 concerns, let me just say that the Respondents are
5 operating at very high capacity utilization rates.
6 This indicates little ability to direct or redirect
7 shipments of cut-to-length plate to the United States.
8 Accordingly, there is no basis to believe that the
9 absence of the orders will likely cause significant
10 volumes to be shipped to the United States.

11 The pre-hearing report indicates that high
12 subject supplier capacity utilization rates are not
13 simply found in the interim period, but have
14 characterized subject countries for several years.
15 The inability of subject suppliers to shift supply
16 from other markets to the United States is not just a
17 passing phenomenon. Rather, it has been the condition
18 in the market for a long time. Simply put, the cut-
19 to-length plate market is tight, very tight. Let me
20 mention two independent sources that confirm the
21 tightness in the market.

22 First, there are numerous trust articles
23 confirming the findings in the pre-hearing report.
24 Plate buyers are struggling to get their product into
25 the United States. The number and the tone of these

1 articles suggest that domestic capacity utilization
2 rates are notional, rather than practical. On October
3 5th, Purchasing Magazine reported a survey of
4 purchasers that cited plate among those products
5 currently in short supply in the market. Plate buyers
6 are also struggling to get their product abroad. As
7 discussed in the pre-hearing brief, their reports of
8 foreign plate buyers having order backlogs as long as
9 a year.

10 Second, the pre-hearing report indicates
11 that capacity utilization in subject countries is
12 higher than U.S. capacity utilization. This is
13 noteworthy, because the economic study in Exhibit 1 of
14 the Nucor brief notes that U.S. producers have little
15 ability to increase their supply. But, if U.S.
16 producers have little ability to increase their supply
17 and if foreign producers are running their mills at
18 higher capacity utilization, then surely foreign
19 producers should not have the ability to ship
20 significant quantities.

21 Market shifting is a related issue. The
22 Petitioners claim that the majority of subject
23 countries' production is destined for export markets
24 and that these exports would be diverted to the U.S.
25 market. This claim is false. The Petitioners are

1 deceiving the Commission to the true nature of most
2 subject country sales. Seven of the subject countries
3 are EU member states and Petitioners note that EU
4 countries are subject suppliers with large export
5 shares. However, the EU is a single common market.
6 This means that intra-EU trade is properly viewed as
7 home market trade. Once this is recognized, the
8 Petitioners' export orientation argument falls apart.
9 While intra-EU trade may technically be classified as
10 exports, it does not reflect export orientation in the
11 sense that Petitioners suggest. The market reality is
12 that in order for subject countries to increase export
13 shipments to the United States, they would have to
14 terminate lucrative long-term relationships with
15 current European or, more generally, home market
16 customers.

17 The second issue stems from Petitioners'
18 suggestion that subject producers would or could
19 resort to product shifting, in order to ship more cut-
20 to-length plate to the United States, if the orders
21 are revoked. Such allegations are unsubstantiated and
22 are belied by the record in the proceeding. To begin
23 with, Petitioners focus on phantom capacity among
24 subject countries to produce more cut-to-length plate
25 on hot-strip mills. No support is offered for this

1 claim, other than noting that it is possible to
2 produce plate on a hot-strip mill. No effort is made
3 to identify those subject producers that, in fact,
4 operate hot-strip mills or what capacities such mills
5 are currently operating.

6 The Commission has previously found that
7 hot-strip mills can only produce a narrow range of
8 plate products. The Commission has also collected
9 data on the percent of plate produced by subject
10 producers on their hot-strip mills, which is roughly
11 10 to 11 percent of total cut-to-length plate
12 production. That information is quite compelling, in
13 light of the strong demand in prices in global markets
14 for cut-to-length plate. Suffice it to say that if
15 any product shifting would or could occur on hot-strip
16 mills, it would have already happened. But the record
17 data collected by the Commission reveals that it is
18 not. The percentage of cut-to-length plate produced
19 by subject producers on hot-strip mills is low, when
20 one would have expected a much higher percentage if
21 the Petitioners' claims regarding production shifting
22 were, in fact, true.

23 Petitioners, also, suggest that subject
24 countries would shift from non-subject cut-to-length
25 plate to subject plate. Again, there's no

1 substantiation for this claim. To the extent subject
2 producers can produce both subject and non-subject
3 cut-to-length plate on the same equipment, non-subject
4 cut-to-length plate serves a much smaller segment in
5 the market and tends to be more specialized. Non-
6 subject cut-to-length plate is serving particular
7 specialized demand and that is unlikely to be
8 abandoned simply to sell more carbon cut-to-length
9 plate. Again, if there was an incentive to abandon
10 such specialized accounts, it would have already
11 happened in today's global plate market. It has not.

12 I would now like to briefly discuss the
13 economic study contained in Exhibit 1 of the Nucor
14 brief. The study is so badly flawed, its results tell
15 us nothing about the actual workings of the cut-to-
16 length plate market. Their analysis is based on two
17 findings. First, subject countries have ample excess
18 and divertable capacity and, two, that world pricing
19 for plate is far below current U.S. prices.

20 With respect to the first finding, the study
21 goes to great pains to argue that subject suppliers
22 have millions of tons of cut-to-length plate just
23 waiting to be shipped to the United States. This
24 finding will surely come as a surprise to cut-to-
25 length plate buyers in the subject countries, who are

1 on allocation right now. To get this inflated figure,
2 the Petitioners assume that subject countries can run
3 their mills indefinitely at 100 percent capacity
4 utilization. Moreover, they fail to note that cut-to-
5 length plate production in Romania, the subject
6 country responsible for the majority of export to the
7 United States, is fully controlled by Mittal.
8 Moreover, Romania cut-to-length plate is predominantly
9 engages that bring it into direct competition with the
10 bulk of domestic product. This is not true for most
11 subject suppliers. As I have already mentioned, the
12 study acknowledges that U.S. mills cannot supply much
13 additional cut-to-length plate due to capacity
14 constraints. Nevertheless, the study asserts that
15 subject mills can supply millions of tons of plate,
16 notwithstanding that U.S. capacity utilization rates
17 are less than subject countries. Their conclusion
18 that there are millions of tons of divertable capacity
19 is fictitious.

20 The study's second major contention is that
21 price differences across markets mean subject
22 countries will divert supply. Their assertion ignores
23 transportation costs. As was discussed this morning,
24 the pre-hearing report detail significant
25 transportation costs. In fact, the pre-hearing report

1 indicates that transportation costs account for most
2 of the differences in the prices across markets.
3 Thus, the so-called findings that underlie their
4 analysis are both imaginary and rejected by the data
5 in the pre-hearing report.

6 Further, the study is full of internal
7 contradictions. For instance, the study begins by
8 arguing that plate from all suppliers is wholly
9 interchangeable. Yet, a few pages later, the study
10 assumes that non-subject supply would not react to any
11 increase in subject supply. Well, the only way this
12 could happen is if plate from non-subject suppliers is
13 somehow different from plate from subject suppliers,
14 which according to their own words is not true. Said
15 differently, the model is rigged and rigged in a way
16 that contradicts their own assumptions.

17 Let me, also, stress that the Petitioners'
18 model is not the same as COMPAS. COMPAS allows import
19 volumes to be determined by the market. But since
20 COMPAS gives too small impact in this case, the
21 Petitioners, instead, assume that subject country
22 import volume will increase by a truly unrealistic
23 amount. According to the Petitioners' theory, the
24 volume of subject imports is not the result of supply
25 and demand interaction, rather they prefer to pull a

1 number out of thin air. Ironically, at the end of the
2 day, their simulation model highlights not the
3 domestic industry's vulnerability, but its remarkable
4 health. After all the convoluted effort and argument,
5 one would have thought that the study would conclude
6 that there is a dramatic impact of the contrived
7 massive surge of subject imports. In an industry that
8 has made an excess of 20 percent profit for three
9 years running and is currently making over 25 percent
10 operating margin, I would argue their rigged
11 conclusion, in particular, the amount by which the
12 operating margin is predicted to fall is not
13 meaningful.

14 The last topic I will address is China. Let
15 me begin by reminding the Commission that China is not
16 part of this investigation and is subject to
17 antidumping orders for at least three more years. As
18 a result, the domestic industry's belief that China's
19 emergence justifies the Commission maintaining orders
20 on cut-to-length plate from all suppliers requires a
21 rather remarkable set of events to occur. We begin by
22 noting that most subject countries do not ship
23 significant tonnage of cut-to-length plate to China.
24 Of subject countries' sales to China, two-thirds of
25 from Taiwan. Most other subject countries ship no

1 more than a few thousand tons or less per year to
2 China. In addition, subject countries account for
3 only about 20 percent of China's cut-to-length plate
4 exports in the most recent period. Most of China's
5 cut-to-length plate exports are destined for other
6 markets.

7 The Petitioners' argument also requires
8 demand in subject countries grow sufficiently slowly,
9 so Chinese exports create excess capacity for subject
10 producers. Data in the pre-hearing report cast doubt
11 on this argument, as demand projections that indicate
12 demand growth would be quite strong for the reasonably
13 foreseeable future. Moreover, the pre-hearing report
14 indicates that demand growth in other markets will
15 likely outpace demand growth in the United States.
16 This last point is very important. As domestic
17 industry's story that China requires a continuation of
18 orders on subject countries, assumes that countries
19 will chose to ship to the United States over other
20 markets that are also growing and also have high
21 prices.

22 Subject countries have long-standing
23 relationships with existing plate customers in other
24 markets. These other relationships dominate the
25 potential prospect of additional U.S. sales. The

1 domestic industry's view about the need for subject
2 suppliers to ship to the United States market is
3 rejected by record data. The domestic industry also
4 assumes that the United States is the only country in
5 the world concerned about the potential injurious
6 effects of Chinese cut-to-length plate. This
7 assumption is incorrect. The subject countries rank
8 among the world's leading antidumping users. Seven
9 subject countries are EU members, a long time heavy
10 antidumping user. Two other subject countries, Mexico
11 and Brazil, are also major users of antidumping laws.
12 There have been several press reports that Mexico is
13 considering an antidumping investigation against cut-
14 to-length plate against China -- from China.
15 According a press release provided in the Nucor brief,
16 the EU is also considering an antidumping
17 investigation against China. In fact, just two days
18 ago, Steel Business Briefing reported that the threat
19 of EU trade actions is leading the Chinese to restrict
20 their plate exports.

21 The bottom line is that in light of the
22 industry's current performance, in light of the
23 current and projected robust demand, and in light of
24 the many strained assumptions required for the
25 Petitioners' China argument to be valid, the

1 Commissioner can and should disregard the China
2 causation story as speculative and unsubstantiated.
3 Thank you.

4 MR. CUNNINGHAM: Good afternoon. I'm Dick
5 Cunningham, counsel for the Corus Group. The Corus
6 Group witnesses today will persuade the Commission,
7 first, that termination of the order, as to the United
8 Kingdom, poses no threat whatsoever to the domestic
9 industry; and, second, that it is not appropriate to
10 cumulate UK imports with those of other countries.
11 But, at the outset, I want to emphasize to the
12 Commission that if it is possible to prevail on this
13 argument entirely by presenting witnesses from the
14 British Isles with really charming accents, then we
15 win hands down. In that regard, let me turn first to
16 Mr. Richard White.

17 MR. WHITE: That's the nicest thing that
18 he's ever said to me.

19 (Laughter.)

20 MR. WHITE: Good afternoon. My name is
21 Richard White. I've been with Corus for 29 years, but
22 for the last six years I've been general manager
23 responsible for the sales and marketing of plate.
24 Corus UK no longer employs its formal strategy of
25 selling largely commodity plate products. Starting

1 informally in 2001 and more formally in 2003, Corus UK
2 adopted a new strategy, touted the Corus Way, premised
3 on greatly increasing the percentage of sales of
4 specialized steel products and providing the most
5 comprehensive service possible. As a result, our
6 adoption and implementation of the Corus Way within
7 the plate's business, Corus now sells plates, products
8 in one of three models, depending on the market.
9 Inside the United Kingdom, Corus continues to sell
10 both commodity and specialized plate products largely
11 to end-users, its own distribution business, and to
12 specialized stockholders. In the rest of the European
13 Union, which we consider to be our home market, Corus
14 sells specialized plate products and some commodity
15 plate. However, the EU commodity plate sales are
16 mostly to long-term end users or customers and the
17 shipbuilding and yellow goods industries that involve
18 very specialized services. For example, one of
19 Corus's principle commodity plate customers in the EU
20 has been a customer for over 60 years. This customer
21 recently renewed their long-term contract, which will
22 account for a very large percentage of all Corus EU
23 sales of commodity plate products.

24 In exports to the rest of the world, Corus
25 only sells small quantities of specialized plate,

1 plate products. Consistent with their strategy, Corus
2 will only sell small quantities of specialized plate
3 products in the United States, if the antidumping
4 order on the UK plate is revoked. Thank you for
5 allowing me to speak to you today. I will be happy to
6 answer any questions.

7 MR. CUNNINGHAM: We next turn to Mr. Paul
8 Parkins.

9 MR. PARKINS: Good afternoon. My name is
10 Paul Parkins. For the past nine years, I've worked
11 for Corus UK Limited, the sales manager, energy
12 engineering, principally involving plate products.
13 Prior to this position, I worked for Corus UK, British
14 Steel Corus's predecessor, in primarily metallurgical
15 roles, such as in product and process development.
16 Total, I've worked in the British steel industry for
17 over 23 years.

18 Corus UK is the largest steel producer in
19 the United Kingdom. It manufactures a variety of cut-
20 to-length plate products, principally using reversing
21 mill technology. Corus restrict sales outside the
22 European Union to limited volumes, specialized cut-to-
23 length plate products, to meet very exacting physical
24 or chemical specifications, in which in the main part,
25 is heat-treated plate, produced at Corus's extensive

1 heat treatment facilities.

2 Corus UK has made significant investment
3 over the last 10 years in areas such as ladle
4 metallurgy and vacuum degassing. These investments
5 have not increased capacity, because they are to
6 improve product quality and value to the customer.
7 Additionally, Corus UK is able to make plate thicker
8 than many steel producers supplying plates up to eight
9 inches thick. Corus spends more than \$240 million per
10 year on research and development activities, to
11 further refine its process capability, develop new
12 products application, to meet ever more stringent
13 customer requirements.

14 In addition to the benefits provided by the
15 physical capability of each process equipment, Corus
16 provides specialized services to its customers. For
17 example, by developing a full understanding of its
18 customers' businesses, Corus is able to provide
19 maximum flexibility in the dimensions applied to
20 customary order and is able to deliver plate to much
21 closely customer's manufacturing schedules.

22 If the antidumping order on cut-to-length
23 plate from the United Kingdom were revoked, Corus UK
24 would only sell small quantities of these kinds of
25 specialized plate products, with these specialized

1 services to the customers in the United States. Thank
2 you for allowing me to speak to you and I will be
3 happy to answer any questions you may have later.

4 MR. CUNNINGHAM: As we proceed with this
5 testimony, I trust the Commission is noticing that
6 there is no resemblance whatsoever to the type of
7 imports that the domestic industry complains of. Let
8 me turn now to Pete Joyce of Corus UK.

9 MR. JOYCE: Good afternoon. My name is
10 Peter Joyce. I work at Corus, as a sales manager.
11 Corus America Inc. sells a variety of steel products
12 in the United States, including cut-to-length plate
13 not subject to antidumping or countervailing duties.
14 If the antidumping order is lifted, I expect Corus
15 would sell modest quantities of specialized plate
16 products in the United States, primarily to three
17 market segments: (1) the offshore and energy sector;
18 (2) the construction and mining sector; and three, the
19 original equipment manufacturing sector. These
20 sectors are experiencing exceptional prosperity. My
21 customers and contacts consistently report that the
22 cut-to-length plate market is expected to remain very
23 strong for the foreseeable future and also that there
24 is insufficient domestic cut-to-length plate supply to
25 satisfy demand. In this regard, the Commission should

1 note that current military needs and government work
2 projects, such as the recently passed \$280 billion
3 highway transportation bill almost always requires the
4 use of large amounts of domestically-produced steel,
5 because of Buy American conditions. As a result,
6 other market segments, such as energy or construction
7 must wait.

8 I understand that cut-to-length plate
9 customers are being forced to wait at least three or
10 four months and as long as 12 months for certain
11 specialized non-commodity products. Those specialized
12 products are what we would offer in the United States,
13 if this order is terminated. Thank you.

14 MR. CUNNINGHAM: Now for a customer's
15 viewpoint on these issues, let me turn to Patrick
16 Boyle.

17 MR. BOYLE: Good afternoon. My name is Pat
18 Boyle and I'm the president of the Houston Office of
19 Murray International Metals, a division of Edgen
20 Carbon Products Group. I've been with the company for
21 over 30 years. Murray supplies carbon structural
22 steel shapes, plates, and tubulars to the offshore oil
23 and gas construction industry. Murray has a long
24 standing relationship with Corus Murray offices in the
25 U.K., Dubai and Singapore all buy from Corus's plate

1 mills in the U.K. If our Houston office could
2 purchase from Corus in the U.K., I believe we could
3 expand our business in the United States, which, in
4 turn, would provide benefits for our customers. This
5 would not displace purchases from U.S. producers. We
6 do not purchase significant quantities of plates from
7 U.S. producers. Our experience with U.S. producers is
8 they do not have the specialized products that our
9 customers seek from us. Moreover, my customers and
10 other end users tell us that U.S. producers often have
11 significant service and delivery issues with these
12 specialized products.

13 If the antidumping order were lifted, I
14 would expect our Houston office to purchase limited
15 volumes of specialized products from Corus. We would
16 not expect that Corus would switch significant volumes
17 from our other offices, in order to supply the United
18 States. For example, my colleagues in the Murray
19 offices in the U.K., Dubai and Singapore simply are
20 not going to allow the Houston office to utilize their
21 tonnage. They need their tonnage to satisfy their
22 customers.

23 I think Corus view us as a long-term
24 strategic customer, to switch to the United States
25 would not be a positive part of the relationship we

1 enjoy. Thank you for allowing me to speak to you. I
2 will be happy to answer any questions.

3 MR. CUNNINGHAM: Finally for some economic
4 views, but alas no accent whatsoever, I'll turn to
5 Bruce Malashevich. I would like to ask that the
6 extended version of those remarks, which have been
7 distributed, be incorporated in the record.

8 MR. MALASHEVICH: Good afternoon, Mr.
9 Chairman, members of the Commission. My oral
10 testimony just briefly addresses the major economic
11 contentions made by Petitioners, which simply do not
12 apply at all to Corus's circumstances.

13 First, U.K. exports were small in volume and
14 declining in trend during the original investigation
15 in this proceeding. Corus's plate capacity has been
16 significantly reduced by physically dismantling major
17 production facilities. Corus did not, as it could
18 have done, bring in plate from affiliated plate mills
19 in the Netherlands not subject to any order to
20 maintain its position in the U.S. market, if it wanted
21 to. It didn't. When Canada lifted its plate
22 antidumping order, Corus's exports to Canada remained
23 negligible and still are negligible. Finally, Corus's
24 plate exports simply do not fit the producer's market
25 profile, comprised of spot sales of commodity plate

1 sold through distributors.

2 Since the order was entered in this case,
3 Corus has adopted a corporate strategy of
4 concentrating export sales outside the EU on specialty
5 plate products produced only to order and only for
6 sales directly to end users. It couldn't be any more
7 different than what the domestic industry described
8 this morning.

9 IPSCO, in its brief, paints a dire picture
10 of increases in subject countries' capacity and
11 softening global demand. The capacity increase
12 argument, like I said, does not apply at all to Corus.
13 As to the claim of softening demand, I urge the
14 Commission to look at the forecast, more specifically
15 at the confidential figures at page 44 of Mittal's
16 brief. If softening means anything more than some
17 slowing in the rate of growth, Petitioners' own
18 figures don't show it. In short, the domestic
19 industry's import concerns do not relate at all to the
20 circumstances of U.K. plate, and please see my
21 prepared statement for more details. Thank you.

22 MR. CUNNINGHAM: That concludes the U.K.
23 testimony.

24 MR. PIERCE: For the record, I'm Tim Ken
25 Pierce, counsel to Altos Hornos de Mexico, the sole

1 Mexican mill, AHMSA. With me today to answer the
2 Commission's questions is Luis Landois, AHMSA's
3 director of sales, and Federico Reyes of AHMSA
4 Corporate Finance.

5 Mexico should not be cumulated, because its
6 revocation would not be likely to have any discernible
7 adverse impact on the domestic industry. Mexico's
8 decumulation is, also, warranted in the Commission's
9 discretion, because Mexico's condition of competition
10 are so decidedly different from the other subject
11 countries. Either way, a separate negative
12 determination should be rendered on Mexico.

13 Under NAFTA, Mexico and the domestic
14 industry have closely aligned interest. Just as the
15 order on Canada was revoked by the Commission in 2000,
16 so should be Mexico's today. Mexico's shipments to
17 Canada were small to nonexistent following Canada's
18 2003 revocation of its order on Mexico and so will be
19 Mexico's shipments to the U.S., if the Commission
20 revokes. For example, there was no surge of imports
21 in Mexico when it was exempted from the 201 measures,
22 just as there was none to Canada when Mexico was
23 exempted from the Canadian safeguards. Running at
24 full capacity, AHMSA cannot begin to meet growing
25 demand in Mexico. It can supply only about half of

1 home market consumption. This is why AHMSA makes
2 virtually no exports, whether to China or anywhere
3 else. This is why nearly a quarter of total Mexican
4 demand is met by U.S. imports into Mexico.

5 The fact is that the Mexican and U.S. cut-
6 to-length markets are closely integrated. AHMSA
7 sources millions of dollars of coal and iron ore to
8 make steel for sale in Mexico from the United States.
9 The domestic mills ship millions of dollars worth of
10 cut-to-length plate to Mexico. Indeed, as shown on
11 page 36 of Mexico's brief, AHMSA's prices in Mexico
12 closely track U.S. market prices. And indeed in the
13 1999 review of Mexico's antidumping order on cut-to-
14 length plate from the United States, AHMSA withdrew
15 the petition to allow termination of that order and
16 opened this NAFTA trade channel.

17 Integration is also found in the fact that
18 AHMSA will soon be filing an antidumping petition
19 against cut-to-length plate in ports from China, so
20 that all three NAFTA members will have orders against
21 China in place in the foreseeable future. Given that
22 Mexico is a net importer and that the U.S. is the
23 largest import source, the U.S. mills will be the main
24 beneficiary of an antidumping action limited to China.

25 AHMSA's major home market customers are U.S.

1 multinational corporations with operations on both
2 sides of the border. Because AHMSA is a qualified
3 supplier and have improved the logistical efficiencies
4 of their production, these American OEMs need the
5 flexibility to source from AHMSA NAFTA-wide, even
6 though AHMSA has no affiliated U.S. importer. Only
7 revocation by the Commission will allow this. This is
8 why AHMSA is seeking revocation. There is no other
9 logical reason to do so, given its home market demand
10 and orientation. Thank you. Dr. Prusa?

11 MR. PRUSA: Once again, good afternoon. I'm
12 Tom Prusa of Rutgers University. I now want to talk
13 to you about issues specific to Mexico. When the
14 Commission takes a close look at Mexico-U.S. cut-to-
15 length plate trade, there is only one conclusion that
16 can be drawn. Upon revocation of the Mexican orders
17 individually, subject imports from Mexico will have no
18 discernible adverse impact on the domestic industry.

19 Mexico poses no risk to the United States
20 cut-to-length plate industry. To begin with, subject
21 imports from Mexico have been minuscule over the
22 period of review. In fact, in almost all years,
23 AHMSA, which is the only integrated steel mill that
24 produces cut-to-length plate in Mexico, has shipped
25 zero tons to the United States. The reason is quite

1 simple. Even operating at 100 percent capacity, AHMSA
2 cannot come close to satisfying Mexican home market
3 demand. The truth is that Mexico must import hundreds
4 of thousands of cut-to-length plate. And despite what
5 Petitioners might have you believe, this is not a
6 recent phenomenon. During the POR, Mexico never
7 imported less than 180,000 tons of cut-to-length
8 plate. Furthermore, Mexican's dependence on foreign
9 cut-to-length plate supply is growing over time.
10 Mexico's tiny exports and its large imports mean that
11 Mexico is a large net importer of cut-to-length plate.

12 It should be noted that the United States
13 has been the largest supplier of cut-to-length plate
14 to the Mexican market. That's right. The firms that
15 were here this morning actually sell hundreds of
16 thousands of tons of cut-to-length plate to Mexico
17 each and every year. What kinds of magnitudes are we
18 talking about? Well, in 2005, the U.S. cut-to-length
19 plate exports to Mexico were more than 450, 450 times
20 larger than the U.S.'s imports from Mexico. The U.S.-
21 Mexico trade pattern totally contradicts the notion
22 that Mexico would have a discernible impact on the
23 United States.

24 What has changed since the order was
25 imposed? In a nutshell, Mexico's home market demand

1 for cut-to-length plate has grown dramatically and a
2 lot of this growth is related to NAFTA. Cross border
3 investments have transformed the Mexican economy and
4 deepened the ties between Mexico and the United
5 States. Investments have spurred growth in all key
6 sectors that consume plate, including bridge building,
7 pipelines, offshore platforms, residential and
8 nonresidential construction, and other infrastructure
9 development sectors.

10 Here are some specifics. Construction
11 activity in Mexico have grown at more than twice the
12 rate in the last five years than during the 1993-2000
13 period. Housing construction is estimated to have
14 grown 15 percent in 2004 and by another 13 percent in
15 2005. More broad measures of building and
16 construction industry reveal that every year since
17 2002, the Mexican construction industry has grown
18 faster than Mexican GDP and that that growth is
19 increasing. The Mexican oil and natural gas
20 industries are also booming and generating increased
21 demand for cut-to-length plate. PEMEX, Mexico's
22 state-owned oil company, is committed to expanding and
23 modernizing its oil and gas production facilities for
24 the remainder of the decade. As discussed in the
25 brief, virtually all aspects of PEMEX reconstruction

1 for laying about 9,000 kilometers of pipeline, to the
2 construction of 45 new oil well platforms will involve
3 large quantities of cut-to-length plate.

4 It seems that every day, there's another
5 story about demand growth in Mexico. Just this week,
6 Greenbrier, a U.S. company, announced a large new
7 railcar facility in the same town as AHMSA's cut-to-
8 length plate mill. This new facility is literally in
9 AHMSA's backyard. This new facility, by itself, will
10 consume about four percent of AHMSA's capacity. Note
11 that this railcar facility should not be confused with
12 the Trinity railcar expansion mentioned on page 16 of
13 the Mexico brief.

14 Looking forward, Mexico will continue to
15 import huge quantities of cut-to-length for the
16 reasonably foreseeable future, much of that plate from
17 the United States. This reality is not contingent on
18 some improbable growth projections, but will be the
19 case even if there were no growth in Mexico's home
20 market. Of course, no growth is more than
21 pessimistic. It's unreasonable. The simple truth is
22 that for the foreseeable future, AHMSA cannot produce
23 any more cut-to-length plate than it already is.
24 Mexico must import large quantities of cut-to-length
25 plate.

1 Petitioners' brief attempt to deceive the
2 Commission about the effect of AHMSA's planned
3 capacity expansion. Let's set the record straight.
4 First of all, AHMSA's expansion is still at the
5 planning stage and will be on line in the first
6 quarter 2009 at the earliest.

7 Second, the expansion will increase AHMSA's
8 subject cut-to-length plate capacity by less than
9 350,000 tons, not the 500,000 tons the Petitioners
10 suggest.

11 Third, Petitioners' brief suggests that
12 AHMSA's expansion will threaten the U.S. industry
13 within the reasonably foreseeable future. This is
14 false. Given the uncertainty surrounding the new
15 facility, any impact it might have on the market is
16 surely beyond the reasonably foreseeable future. As
17 shown on the chart, even with no or modest demand
18 growth, Mexico will be importing large quantities of
19 cut-to-length plate for the foreseeable future.
20 However, we reject IPSCO's assertion that AHMSA's
21 expansion is driven by export interest. Given
22 projected growth in cut-to-length plate in Mexico,
23 even after the AHMSA expansion, Mexico will still need
24 to import over 270,000 tons of cut-to-length plate in
25 2009. The Petitioners suggest that one must project

1 out to 2016 to justify AHMSA's expansion. This is
2 wrong. Given its huge shortfall in cut-to-length
3 plate capacity, Mexico is nowhere near self-
4 sufficiency now and will not be for the foreseeable
5 future. Mexico will continue to import cut-to-length
6 plate even if the planned capacity expansion comes to
7 fruition. Thank you.

8 MR. DUNN: Good afternoon. I'm Chris Dunn,
9 counsel to Brazilian plate producers, USIMINAS and
10 COSIPA. I'm appearing here today to set the record
11 straight concerning certain allegations U.S. mills
12 have made about Brazil's ability to export to the
13 United States, if the order on plate is revoked.

14 First, despite Petitioners' claims, the
15 record in this case shows that Brazilian mills do not
16 have available capacity to export significant
17 quantities of plate to the U.S. Brazilians mills are
18 operating at or near their practical capacity. The
19 U.S. mills have conjured up phantom capacity by
20 assuming that Brazilian mills could ship at 100
21 percent of their rated capacity levels or more
22 immediately and indefinitely and that all this so-
23 called unused capacity would come to the United
24 States. It's just not true. At the high capacity
25 utilization rates at which Brazilian mills are now

1 operating, exporting to the U.S. would require them to
2 postpone or forego necessary maintenance, increase
3 overtime, and delay deliveries to existing customers.
4 This, they are not likely to do.

5 Brazilian producers have shown that the
6 Brazilian market demand for plate is strong and
7 growing rapidly, as Brazil moves to ensure energy
8 self-sufficiency through the construction of large gas
9 pipelines, new offshore drilling platforms, and the
10 establishment of new fleet of jumbo ocean tankers.
11 These projects require huge amounts of plate and will
12 continue to do so over the foreseeable future. At the
13 same time, Brazilian producers have developed
14 substantial customers in other export markets, filling
15 their order books. Brazil is not going to abandon
16 existing domestic and export customers just to sell to
17 the United States.

18 Second, U.S. mills claim that because
19 Brazilian mills increased their exports to Canada
20 following the end of the Canadian dumping order, they
21 will do so to the United States, if this order is
22 revoked. However, the Canadian and U.S. examples are
23 completely different. The major reason that the
24 Canadian dumping order on plate was lifted is that
25 there has been an acute shortage of plate in Canada

1 since the closure of Stelco's plate mill in April of
2 2003. That closure removed some 900,000 tons of
3 Canadian plate production from the market. The
4 remaining Canadian plate producers have been unable to
5 fulfill this vacuum. U.S. mills are acutely aware of
6 the Canadian shortage, or they should be, because they
7 vastly increased their exports to Canada, dwarfing
8 anything the Brazilian mills shipped. Indeed, imports
9 into Canada from U.S. mills alone were more than 25
10 times the level of imports from Brazil in 2005.
11 Between 2005 and 2006, just the increase in imports
12 from the United States alone is three-and-a-half times
13 the total imports from Brazil this year. For U.S.
14 mills to suggest that Brazil will increase its
15 exports to the U.S. under these circumstances is just
16 plain silly.

17 MR. MONTALBINE: Good afternoon. My name is
18 Marc Montalbine of the law firm deKieffer & Horgan.
19 We represent the German plate producers in this five-
20 year review. It is a pleasure to be back before the
21 Commission. The last time I was here was in November
22 of last year for the five-year review of cut-to-length
23 plate from France, India, Indonesia, Italy, Japan, and
24 Korea. In that proceeding, we represented the major
25 French producer GTS Industries. As the Commission

1 will remember, you found that France should not be
2 cumulated with the other countries in that case and
3 that revoking the antidumping duty order against
4 France would not be likely to lead to continuation or
5 recurrence of material injury within the reasonably
6 foreseeable time, and the Commission was correct.

7 Since revocation of the French order, the
8 quantities of imports have actually declined and the
9 unit values have increased. The Commission will
10 notice that the German industry in this case is very
11 similar to the French industry in the 2005 review.
12 Like the French industry, the German industry
13 concentrates its production upon special grade
14 products, such as line pipe plate that are not
15 produced in sufficient quantities in the United
16 States. In fact, the major French producer GTS is
17 owned by the major German producer Dillinger and the
18 two companies have a very similar product mix.

19 The German industry has undergone a major
20 restructuring since the original investigations in the
21 early 1990s. Of the six producers in 1992, only three
22 remain and total German production capacity has fallen
23 by some 40 percent. Moreover, as the U.S. Department
24 of Commerce found in the last five-year reviews, the
25 German industry no longer benefits from any

1 countervailable subsidies. Accordingly, as it did in
2 the French proceeding, we ask the Commission to
3 consider the German industry on its own without
4 cumulation and determine that revocation of the
5 antidumping duty order against German will not be
6 likely to lead to the continuation or recurrence of
7 material injury within a reasonable foreseeable time.
8 Thank you, very much.

9 MR. DUNN: That concludes Respondents'
10 panel. If we could reserve the balance of our time
11 for rebuttal, I would appreciate it.

12 CHAIRMAN PEARSON: Of course. Thank you
13 all, very much. Welcome to this afternoon session.
14 We are in good shape. We are going to get out of here
15 before 11:00, I'm quite sure. Let's see, I get to
16 start the afternoon questioning. Let me start by
17 going back to one of the issues that we had discussed
18 with the domestic industry. That involved the
19 increase in apparent consumption that we saw during
20 the interim period, from the first five months of 2005
21 to the first five months of 2006. Do you have any
22 sense of how much of that increase in apparent
23 consumption was attributable to inventory building by
24 service centers, as compared to consumption that was
25 actually effective demand in the marketplace? That

1 would probably be a question for those, who have
2 access to the confidential data, and maybe something
3 to address in posthearing.

4 MR. MALASHEVICH: I will take an initial
5 stab at it, Mr. Chairman. Bruce Malashevich. I think
6 the answer is a good bit of both. I cannot, at this
7 time, offer a quantification, but we'll try to do so,
8 as the best of our ability, posthearing.

9 CHAIRMAN PEARSON: Would you agree with the
10 characterization of the domestic industry, that the
11 service center inventories are higher now than at
12 anytime since the first half of 2001?

13 MR. PRUSA: I do know in terms of -- the
14 market is a lot bigger here, so to quote things in
15 terms of just tonnage without taking into account that
16 the market is two million tons bigger now than then,
17 it's a little bit deceptive. I think that in terms of
18 number of days of inventory, it's up a little bit, but
19 not a huge amount.

20 MR. MCCULLOUGH: Matt McCullough with Wilkie
21 Farr. One thing that I think is a good indication of
22 what service centers are looking at is if you look at
23 the processor industry, because that data is public,
24 that operator of service centers that are processors,
25 I think it's a function of real demand and what they

1 think demand will be in the future. If you look at
2 their performance, they increased shipments by over 13
3 percent between first half of 2005, which is record
4 performance, to first half of 2006. And on top of
5 that rather significant increase in shipments over
6 record levels, they added additional inventory of
7 about three percent during the same period, I think,
8 which indicates they think there will be more demand
9 out there.

10 CHAIRMAN PEARSON: Okay.

11 MR. CUNNINGHAM: Might I?

12 CHAIRMAN PEARSON: Please.

13 MR. CUNNINGHAM: To put this in context, if
14 you would look at the table to which Mr. Malashevich
15 referred, at page 44 of the Mittal brief, and look at
16 the increases in demand that they have set forth in
17 that table, what you see is a quite substantial
18 increase in the year you're talking about, consistent
19 with what you're saying, consistent to what he said.
20 Part of it would be inventory building and part of it
21 would be the increase in end-use demand. But if it
22 were substantially or a major part due to inventory
23 building, then one would expect to see the forecast
24 consumption fall off in the next periods in that
25 table. And as you can see, it doesn't.

1 CHAIRMAN PEARSON: Okay. The firms
2 represented here operate in quite a number of
3 countries. Have we seen this same sort of inventory
4 building either in distribution systems or held by
5 producers in other countries? Is this a global
6 phenomenon rather than a U.S. phenomenon?

7 MR. CUNNINGHAM: By that you mean a
8 coordinated global phenomenon at the same time or just
9 that this happens from time to time in all markets?

10 CHAIRMAN PEARSON: I'm not looking for
11 conspiracies. I'm just wondering if that's the way
12 the marketplace is operating, if --

13 MR. CUNNINGHAM: You're not asking whether
14 it was happening -- it was, in fact, happening at the
15 same time, just does this happen?

16 CHAIRMAN PEARSON: Are we seeing a global
17 buildup in inventory --

18 MR. CUNNINGHAM: Oh, I see.

19 CHAIRMAN PEARSON: -- or simply a buildup in
20 this country?

21 MR. LANDOIS: Luis Landois from AHMSA,
22 Mexico. In Mexico, also in the service centers, we
23 have seen a little bit of inventory building.

24 CHAIRMAN PEARSON: In the U.K.?

25 MR. WHITE: In the U.K., there's been no

1 significant stock build. If you want to look at
2 Europe and get the most reliable data is Germany. The
3 German statistics there was a continuing stock draw
4 even into this year and there's been reversed a
5 little. It's gone up slightly. I think it peaked at
6 580,000 tons, I think it dropped to 470,000 tons, and
7 I think it's now at 500,000 tons. There's no cause of
8 concern on the stock levels. The other thing that's
9 worth noting, in terms of Germany, is the stock ton
10 has remained constant. The same number of weeks stock
11 relative to sales have remained constant over the last
12 three or four months. So, even though the stock has
13 risen from the very bottom level, the stock tonnage
14 remained the same. So, it's kept in pace with
15 increased sales.

16 CHAIRMAN PEARSON: Okay. Mr. Parkins, did
17 you have a comment?

18 MR. PARKINS: No.

19 MR. CUNNINGHAM: I would like to underline
20 that these are temporary cyclical phenomena, that
21 inventory buildups tend to occur as a consequence of
22 significant price rises and then they are a corrective
23 measure that lasts for a while, and then the
24 inventories are worked off and prices go back up
25 again. And I would commend to your attention the

1 charts at Tab 7 to Corus's pre-hearing brief, where
2 you see, from a price standpoint, precisely that
3 phenomenon and not only its downward part, but its
4 corrective back upwards again when the inventory is
5 worked off. What's important for a case like this is
6 whether end-use demand is continuing to rise and
7 that's why the table at page 44 of Mittal's brief is
8 so crucial.

9 CHAIRMAN PEARSON: Right. And, of course,
10 the purpose for asking the question is to try to
11 understand what might the effect be in the U.S.
12 market, if, indeed, we do have a larger than average
13 inventory right now and if it is worked off in the
14 reasonably foreseeable future, is it going to be
15 having some effects that might be causing problems.
16 So, based on past experience, what is your expectation
17 for how the current inventory held in the United
18 States might be absorbed by the market? Dr. Prusa?

19 MR. PRUSA: Well, all the demand
20 projections, even this morning, were indicating that
21 the market is very strong, pressure ports, buyers
22 unable to get plate. So, the idea that this is going
23 to cause some grave collapse in domestic plate prices,
24 it seems -- the demand in -- the service centers have
25 built up and my own guess is anticipation of further

1 price increases. So, they're trying to build up
2 inventory in anticipation of end of the year. And,
3 again, we had three straight months of announced price
4 increases by the cut-to-length plate producers in the
5 United States. How would you react if you know that
6 three months from now that my prices are going to be
7 \$70 a ton higher? I think I'll buy some plate today,
8 if I can get it. I'll hold it inventory, because come
9 November, they've already announced I will be paying
10 \$70 a ton more. And it seems a natural reaction is to
11 try to build up a little bit of inventory against
12 already announced price increases. But, if you pin up
13 demand and future demand is quite strong, it doesn't
14 seem at all reasonable to think that you'll see prices
15 fall significantly at all; actually, I would say
16 prices fall at all.

17 CHAIRMAN PEARSON: Other comments on U.S.
18 inventory and how it might affect the market in the
19 year or two ahead?

20 MR. WHITE: If I can just refer back to some
21 discussion this morning, which seemed to be of
22 significant interest, and that was the effect on the
23 U.S. stockholders of inventory, reduction of stock --
24 windfall losses, when the price falls. In the U.K.
25 and Europe, most stockholders have enjoyed significant

1 profit growth, because they've been holding stocks in
2 a rising market. Most stockholders make provisions,
3 internal provisions for paying when the market is
4 going to fall. So, in terms of hedging, although it
5 may seem strange to people, who are not in the
6 industry, that is usually the mechanism in Europe for
7 mitigating against any future falls at some point.

8 CHAIRMAN PEARSON: And for benefit of the
9 court reporter, that was a comment by Mr. White.

10 MR. CUNNINGHAM: Might I add just one quick
11 comment on that, I wanted to add on to that. Dick
12 Cunningham. This is a phenomenon of commodity plate
13 in a spot market, sales that through inventory held by
14 distributors. It doesn't effect nor would it be
15 affected by those imports that go to the specialized
16 part of the market and which go particularly direct to
17 end users, which would not contribute to this nor
18 would it be affected by this in any significant way.

19 CHAIRMAN PEARSON: Okay. Well, I appreciate
20 all of those comments. If there are further things
21 that we should know for purposes of the posthearing
22 about the current inventory levels in the United
23 States and what they might mean for the market in the
24 reasonably foreseeable future, by all means summarize
25 that for us in the posthearing. Madam Vice Chairman?

1 VICE CHAIRMAN ARANOFF: Thank you, Mr.
2 Chairman, and I join the Chairman in welcoming this
3 afternoon's panel. Thank you, particularly those of
4 you, who have traveled significant distances to be
5 with us and answer our questions this afternoon.

6 Let me begin with some questions for -- I
7 believe that was Mr. White and Mr. -- is it Parkins --
8 Mr. Parkins from Corus. In your brief and in your
9 testimony, you've told us that Corus has a business
10 plan to restrict sales outside the home market to
11 mostly more specialized higher value added products,
12 and I can see why any producer in a relatively high
13 cost country would want to move up the value chain
14 like that. But what one plans to do and what one
15 actually does are not always the same thing. The
16 staff report definitely indicates that much of the
17 production of your company continues to be in carbon
18 structural steel plate less than an inch in thickness.
19 So, to the extent that your business still is oriented
20 towards more commodity-grade products, how does that
21 effect your argument that, well, we have these, but we
22 wouldn't send them here to the U.S.?

23 MR. WHITE: Richard White, Corus. If I can
24 explain to that. We've effectively transformed the
25 business over the last three or four years. At one

1 point, we were very heavily dependent on European --
2 our European business was heavily dependent in sales
3 of stockholders, distributors. This year, if we look
4 at those distributors that we don't own, are not part
5 of the company, our sales will be less than 14 percent
6 to distributors in Europe. In fact, that's the whole
7 distributors in total, non-Corus owned. And even
8 within those -- that tonnage, we have segmented the
9 tonnage and it's not commodity, as we would describe
10 or think what is being feared by American producers.
11 Within the European sales, there's a very high
12 percentage of shipping plate, which although it could
13 be termed commodity, it's associated with high service
14 levels, very big plates. It's sometimes shop blasted.
15 There are service levels that go with that, that are
16 contractual terms. So, we wouldn't actually view that
17 as commodity plate, as this group would understand
18 commodity plate. But in our numbers that have been
19 submitted, technically, it's still commodity plate
20 from a chemistry perspective.

21 VICE CHAIRMAN ARANOFF: Okay. And you do
22 make a fair point there. And I guess I would ask all
23 the parties when addressing this issue to be more
24 precise than I perhaps was in asking the question.
25 Nobody really does agree on precisely what's a

1 specialty and not a specialty product here. And so,
2 if you're talking about something that you view as
3 specialized in one way or another, just the more
4 specific you can be about why, that would be helpful
5 in evaluating your argument. Mr. Cunningham, you want
6 to respond?

7 MR. CUNNINGHAM: Yes. This is Dick
8 Cunningham. I might add a quick bit of history on
9 this that may be helpful to the Commission.
10 Commissioners, some of you have been here for a while
11 and seen some of these other cases that involve plate
12 from the U.K., know that Corus, until a few years ago,
13 owned Tuscaloosa Steel and served -- additionally,
14 Corus served the U.S. plate market primarily as a
15 commodity plate supplier of various imports and then
16 shipped it to serve the U.S. market for commodity
17 plate by Tuscaloosa Steel. Its disposition of
18 Tuscaloosa Steel and, frankly, substantially all of
19 its other U.S. production facilities with a very few
20 exceptions, is part of the plan and a tangible part of
21 the plan of moving away from the commodity products to
22 the specialized products. It's also away from dealing
23 with the type of market that the U.S. industry says
24 that it's having such trouble in, that is the market
25 of sales on the spot market to distributors into their

1 inventory for subsequent resale. None, none of
2 Corus's exports fit that category. We will show that
3 in a table we'll give you afterwards and will show you
4 what the products are that we sell and export outside
5 the EU and I think it will be pretty clear to you that
6 we don't -- whether you can define them all with a
7 bright line between commodity and non-commodity, there
8 is a clear bright line between what type of market we
9 sell into and what general type of stuff we sell
10 versus the stuff that the U.S. industry is concerned
11 about and the stuff that some of the Respondents are
12 selling.

13 MR. MALASHEVICH: And one other point,
14 Commissioner, if I may is to draw your attention to
15 the existence of Corus's 100 percent owned facilities
16 in the Netherlands, not a subject company, never was.
17 And those facilities are quite major. There are two
18 of them that produce plate. The product mix is nearly
19 identical to the product mix in the U.K. and the staff
20 report shows zero, not negligible or small or modest,
21 zero from the Netherlands. So, I think that's a
22 single most compelling fact, quite frankly,
23 demonstrating that the U.K.'s business strategy, in
24 fact, has been implemented.

25 MR. PIERCE: Ken Pierce, if I may. I want

1 to just underscore that with respect to Mexico, it's
2 not a specialty product per se, but it does turn on
3 the customer base; in other words, who we're looking
4 to sell to are the OEMs that are operating on both
5 sides of the border. And the Caterpillar, the
6 Trinity, the John Deere, who are already are major
7 customers in Mexico, they want the flexibility to also
8 source for their southwestern United States
9 operations. So, when you start looking at it in terms
10 of separate countries, as Dick was alluding to, it's
11 not just the specialty product, but it's also what
12 channel, what types of customers is a country looking
13 for.

14 VICE CHAIRMAN ARANOFF: Right. Well,
15 actually, I did have a follow-up question that I was
16 coming to you on that. But, let me just ask all of
17 you, obviously, you were asked in the questionnaire to
18 report channels of distribution, as distributors or
19 end users, and if I'm not much mistaken the percentage
20 of subject imports going to distributors is pretty
21 high. So, if what you're telling me is, yes, we send
22 them to distributors, but it's not the same
23 distributors that the domestic industry is talking
24 about, I think that requires some --

25 MR. PRUSA: You, also, need to look at the

1 source of most of subject imports and I think you can
2 reconcile the fact that many of the people here on the
3 panel are saying that is not us. And, in fact, the
4 single biggest supplier of subject imports is Mittal.
5 I think you can reconcile the two issues.

6 MR. PIERCE: Exactly, because what you're --
7 Ken Pierce, sorry, what you're dealing with in
8 Mexico's case is no imports virtually during the POR.
9 So, who are you going to sell to? What are you doing
10 here? And if you haven't shipped to the United
11 States, why are you defending this case? And I'm
12 trying to explain to you what our customers would be,
13 but you won't see that in the record, in the sense of
14 -- because there's been no imports in that
15 distribution between distributors and OEMs.

16 VICE CHAIRMAN ARANOFF: Okay. Well, Mr.
17 Pierce, then, I mean, if your argument is, and
18 certainly what you've said so far, you want to have
19 the ability to sell to the U.S. facilities of the same
20 customers that you already sell to in Mexico, can you
21 give us a sense of the relative size of the U.S.
22 versus Mexican operations of these customers, so that
23 we can get a sense of this sort of -- how much you
24 might be able to sell them?

25 MR. PIERCE: Yes, I would be happy to in the

1 posthearing brief. I don't have those numbers here
2 with me, but I would be happy to.

3 VICE CHAIRMAN ARANOFF: Okay.

4 MR. CUNNINGHAM: And Mr. Joyce has one
5 clarification, too.

6 MR. JOYCE: Yes. I just want to touch on
7 the distributor comment.

8 VICE CHAIRMAN ARANOFF: Okay.

9 MR. JOYCE: There are certainly distributors
10 that just move the plate, but the type of distributors
11 that Corus might work with in the United States
12 certainly have added value and very specific
13 processing capabilities for end-use applications.

14 VICE CHAIRMAN ARANOFF: Okay. I'm not sure
15 that's different from the processor distributors, who
16 were testifying this morning at the panel.

17 MR. CUNNINGHAM: But, if the end-use
18 application that's already sold before Corus sends to
19 the distributor, that's the idea.

20 VICE CHAIRMAN ARANOFF: Okay.

21 MR. CUNNINGHAM: In other words, we don't
22 sell on the spot market or into somebody's inventory.
23 We sell to the end users. Whether it goes through a
24 distributor for further processing may be something.
25 But, it's a sale that's already arranged for. We

1 produce the stuff.

2 VICE CHAIRMAN ARANOFF: Okay. I appreciate
3 that clarification. And since my yellow light is on,
4 I'll have to get back to my next question.

5 CHAIRMAN PEARSON: Commissioner Hillman?

6 COMMISSIONER HILLMAN: Thank you and I, too,
7 would welcome all of you here this afternoon and
8 appreciate your taking the time and for many of you a
9 lot of time to travel a long way to be with us this
10 afternoon. We very much appreciate it.

11 Mr. Kunka, if I could start with you on the
12 Caterpillar side, just to make sure I understand the
13 details of your testimony. You were comment on that
14 both in your brief and in your testimony, that to the
15 extent that Caterpillar would increase its imports if
16 these orders were to be revoked, it would be to
17 supplement U.S. purchasers, in light of tight supply
18 and allocations. I just want to make sure I
19 understand whether your testimony is, are you
20 currently under an allocation?

21 MR. KUNKA: No, not at this time, other than
22 varying lead times throughout the year.

23 COMMISSIONER HILLMAN: Okay. And to the
24 extent that you have found supply to be restricted, I
25 want to make sure I understand, is it with respect to

1 general products or would you say it's more on the
2 specialized products, where you were seeing supply
3 tight?

4 MR. KUNKA: In 2004, it was on almost all
5 products. So, at this time now, it would be more
6 specialized. By specialized, I mean plate that would
7 be covered under this hearing, which would be like
8 very heavy plate that can only be procured from one
9 manufacturer in the U.S.

10 COMMISSIONER HILLMAN: Okay. And you're
11 saying currently, the supply situation is you are not
12 under any allocations and for the more general
13 product, you're not finding supply to be particularly
14 tight. But with respect to these thicker
15 applications, thicker requirements, still a relatively
16 tight market?

17 MR. KUNKA: Yes, yes.

18 COMMISSIONER HILLMAN: Okay. Just so I
19 understand it, do you purchase all of your product
20 directly or do you purchase through any of the service
21 center distributors?

22 MR. KUNKA: The majority of the steel plate
23 that Caterpillar buys in the U.S. is direct. We
24 purchase from service centers only when we have
25 shortfalls.

1 COMMISSIONER HILLMAN: Okay. And would you
2 say that percentage has changed over this period of
3 time?

4 MR. KUNKA: Define period of time, meaning
5 since the last --

6 COMMISSIONER HILLMAN: 2000 through 2006.

7 MR. KUNKA: Yes. There were periods of time
8 in 2004, when we had to procure material from service
9 centers to help keep our factories running. And at
10 times, even in this year, we have had to do that a
11 couple of times, but not as often.

12 COMMISSIONER HILLMAN: In 2006?

13 MR. KUNKA: Yes.

14 COMMISSIONER HILLMAN: Okay. It was
15 available from the service centers, but it was outside
16 of your normal process of going direct to the mills?

17 MR. KUNKA: Correct.

18 COMMISSIONER HILLMAN: Okay. All right, I
19 appreciate that. Have you had to shift production
20 from the United States to any production in any other
21 countries, as a result of either high plate prices
22 here or limited supply here?

23 MR. KUNKA: On the heavy plate that I
24 indicated, we have placed trial orders to examine that
25 supply chain for that specialty plate in 2006.

1 COMMISSIONER HILLMAN: Okay, but only for
2 the thick product?

3 MR. KUNKA: Correct.

4 COMMISSIONER HILLMAN: Okay. To the extent
5 that you're buying direct from the mills, is that on a
6 contract basis?

7 MR. KUNKA: Correct.

8 COMMISSIONER HILLMAN: How long of a
9 contract, typically?

10 MR. KUNKA: It varies. I would prefer to
11 answer that in the posthearing brief.

12 COMMISSIONER HILLMAN: Fair enough. And I
13 apologize. Any of these issues, if it involves
14 confidential information and you would prefer to do so
15 in the posthearing brief, that's fine. And then I'm
16 just trying to make sure I understand, for the
17 products for which Caterpillar uses this cut-to-length
18 plate, if you could give me any sense of what share of
19 the material cost the plate constitutes.

20 MR. KUNKA: You're asking the material cost
21 of the products that uses the plate?

22 COMMISSIONER HILLMAN: Yes, how much -- what
23 percentage of the cost of your mining thing, whatever
24 that particular machine is, would plate be?

25 MR. KUNKA: Again --

1 COMMISSIONER HILLMAN: I mean, whatever the
2 large Cat product is that's using this plate, what
3 portion of the total cost is plate.

4 MR. KUNKA: It varies quite a bit. I'd have
5 to review some numbers and get you that in a
6 posthearing brief.

7 COMMISSIONER HILLMAN: Okay. If you could -
8 - again, I'm not looking for an exact number, I'm just
9 trying to get a sense of relative to the other things
10 that you're procuring, where plate falls into that.

11 MR. KUNKA: Considering like a dump truck or
12 a bulldozer, they're primarily made of steel, it's
13 going to be fairly high. Now, there are other steel
14 components in there, such as forgings and castings and
15 things like that. But, we'll get you a number in the
16 posthearing brief for plate.

17 COMMISSIONER HILLMAN: Okay. Thank you,
18 very much. I appreciate it. If I could come, I guess
19 to counsel, one of the issues that was talked about
20 this morning was the fact that the percentage of
21 product that is being sold through service centers
22 appears from our data to have increased over this
23 period of review. Petitioners are arguing that that
24 means that it's more likely that imports will come
25 into the market, since it is the service centers that

1 are more out there in the market for product from a
2 variety of sources. They're not the ones that tend
3 to be purchasing directly from a single mill, as an
4 end user might. I wondered if I could hear any
5 response, as to how the Commission should consider
6 this shift to a larger portion through the service
7 centers and whether it says anything about their
8 willingness to seek out additional sources of supply.
9 Mr. Pierce?

10 MR. PIERCE: Well, there's two ways to look
11 at it. There's the individual country basis, of
12 course, which we've already discussed, which country
13 is going to be shifting to a distributor, to an OEM.
14 But, secondly, as -- it's an interesting claim that
15 they're making, because the sales -- shipments to
16 service centers, distributors have increased over the
17 last three years, the record shows. Imports, non-
18 subject imports have increased over the last three
19 years, the record shows. It, also, shows unbelievable
20 record profits by the domestic industry. So, this
21 process has been playing out the last three years that
22 they claim it's going to injure them. You have the
23 test case. You've seen it operating for the last
24 three years and, yet, they're scoring profit ratios of
25 25 percent. I think it's a mountain out of a

1 molehill, frankly.

2 COMMISSIONER HILLMAN: Okay. Mr.
3 Montalbine?

4 MR. MONTALBINE: I think you, also, have to
5 make distinction between the commodity grades and the
6 higher grades. As you saw in the French case, the
7 service centers are not handling the special quality
8 grades, such as line pipe. So, this whole activity
9 that we're talking about is in commodity products that
10 wouldn't be, for example, the types of things that are
11 coming from Germany.

12 COMMISSIONER HILLMAN: Okay. Actually, on
13 the German side, the data would show a larger of the
14 German producer shipments in the category of just
15 other. I didn't know whether there was anything that
16 you could tell us on the record about what that other
17 is, again, trying to understand where this fits in the
18 mix of product that's coming in.

19 MR. MONTALBINE: We tried to address that a
20 little bit in our pre-hearing brief; but, in that
21 category is mainly clinched and tempered abrasion
22 resistant type products that don't fit neatly into any
23 of the other categories.

24 COMMISSIONER HILLMAN: Okay, all right. I
25 appreciate that. Okay, thank you. Again, going back

1 to this issue of product shifting, the Commission
2 collected a lot of data on foreign capacity to produce
3 subject plate, as well as to produce other products on
4 the same equipment. And I'm just wanting to make sure
5 I understand whether there is anything you want to say
6 on the appropriateness of the Commission considering
7 all of that capacity, in assessing available foreign
8 capacity. Again, I'm trying to make sure I understand
9 whether you think, again, for this industry -- again,
10 we've had some recent court cases, Siderca comes to
11 mind, where the court has made it very clear that we
12 have to have certain criteria met, if we are to
13 honestly say that we think product shifting is likely
14 to occur or, alternatively, is not going to occur,
15 that we need to make sure that we're not looking at
16 just the theoretical possibility, but in practical
17 terms, whether for a lot of the foreign producers out
18 there, who can produce both subject cut-to-length
19 plate and other plate or other even flat products on
20 those facilities, whether, in fact, there is a real
21 ability to shift into the production of cut-to-length
22 plate.

23 MR. PRUSA: Commissioner Hillman, Tom Prusa.
24 I mean, the cut-to-length plate market, by everyone's
25 admission, for the last two-and-a-half years worldwide

1 has been gang busters, worldwide. Whether they want
2 to say it was 2004, that was special, because it was
3 China, but 2005 was not wired, oh, God, 2006 was
4 whatever, worldwide cut-to-length plate market is hot.
5 So to the extent -- whether or not you want to say
6 they want to product shift to the United States, if
7 these orders were off, the subject suppliers here are
8 not product shifting in other markets they currently
9 could sell to that are also in extremely tight demand
10 right now. So, as I had in my affirmative testimony,
11 you would have thought you had already seen product
12 shifting from non-subject cut-to-length plate to the
13 extent that they could, because there are -- this is a
14 very -- globally, very, very desirable market to be
15 in. But, you don't see it.

16 COMMISSIONER HILLMAN: Do any of the
17 producers want to comment from a practical standpoint
18 how easy it is to shift in and out of subject product
19 to non-subject product?

20 MR. CUNNINGHAM: I suspect the producers are
21 not exactly clear what non-subject product would be.

22 COMMISSIONER HILLMAN: Okay, I'm sorry. The
23 micro alloy, the X-70, any of the products that would
24 be considered out of the scope. I'm just trying to
25 understand from an absolute practical standpoint how

1 readily done that is today.

2 MR. PARKINS: It's Paul Parkins. If you
3 want to know how readily could you shift from subject
4 to non-subject product or even more specialized
5 product --

6 COMMISSIONER HILLMAN: Right.

7 MR. PARKINS: -- it's very difficult,
8 because you have process constraints on very much in
9 the steel-making aspects of it, rather than actually
10 at the rolling mills, because all the steel that you
11 need to actually produce those products is
12 manufactured using different equipment than that used
13 for subject products, just basic commodity steels.
14 And most steel producers have that equipment
15 available, but the volumes it can be produced are
16 restricted by the amount of equipment they've got.
17 There are people, who are producing non-subject
18 product, generally producing it at a level, which is
19 as much of their capability at the steel-making plant,
20 rather than at the rolling mills. It's not a physical
21 constraint of rolling. It's an all-through process
22 that has to be looked at.

23 COMMISSIONER HILLMAN: Okay. I appreciate
24 those responses. Unfortunately, the red light has
25 come on, so I will come back. Mr. Pierce, thank you.

1 CHAIRMAN PEARSON: Commissioner Koplan?

2 COMMISSIONER KOPLAN: Thank you, Mr.

3 Chairman. Thank you for your answers to our questions
4 thus far and for your direct testimony. I want to
5 start with a series of questions that I'm requesting
6 counsel for each of the five subject countries
7 participating in today's hearing to respond to for
8 purposes of the posthearing. If I ask each of the
9 five of you to respond to each of these questions, we
10 will be here past 11:00, I guess, tonight.

11 So, first, this first one goes to whether I
12 should make a finding of no discernible adverse
13 impact. It bears on that issue for me. In the staff
14 report, at CTL part two, page five, and I'm coming
15 back to the allocation control order entry issue that
16 Commissioner Hillman has touched on, but purchasers
17 were asked if any suppliers refused, declined, or were
18 unable to supply CTL plate since 2000. Twenty-four
19 purchasers reported that there had been problems with
20 supply, with most reporting that domestic mills had
21 placed them on allocation or controlled order entry
22 from early 2004, to early to mid 2005; and four
23 purchasers reported that domestic mills had placed
24 them on allocation in 2006, with another purchaser
25 reporting that the supply has been tight in 2006.

1 There's much more here, but I can't get into it,
2 because it's BPI. If you would keep in mind that I am
3 looking at this point with this question as to the
4 issue of no discernible adverse impact and if each of
5 you would respond to me on that issue, taking into
6 account what I just read from the staff report, I
7 would appreciate that. I'm referring to Mr. Campbell,
8 Mr. Dunn, Mr. Montalbine, Mr. Cunningham, and Mr.
9 Pierce. I don't think I've left anybody out of that
10 group. So do I take it --

11 MR. CUNNINGHAM: We will do it.

12 COMMISSIONER KOPLAN: Thank you. Are you
13 speaking for the group? Whatever he says goes. All
14 right.

15 Next, for those Respondents, who reported
16 capacity utilization during the period and either read
17 at about 100 percent or in excess of 100 percent, for
18 the posthearing, please document how you allocated
19 your production and capacity to arrive at that number.
20 Again, I would ask counsel to do that for me. And
21 you're speaking for the group again, Mr. Cunningham?

22 MR. PIERCE: Whatever he says.

23 COMMISSIONER KOPLAN: Whatever he says --

24 MR. CUNNINGHAM: But that's not us, but --

25 COMMISSIONER KOPLAN: I hear you.

1 MR. PIERCE: Yes, Commissioner Koplan.

2 COMMISSIONER KOPLAN: Thank you. I didn't
3 want to single anybody out, that's why I'm making this
4 a group question.

5 Next, earlier I asked the domestic industry
6 this question. On page CTL 4-96, the staff report
7 states that with regard to 'published monthly prices
8 for steel plate, U.S. prices were generally higher
9 than non-U.S. prices.' But, according to Table CTL 4-
10 69, at page 4-100, which contains confidential data,
11 the price gap with certain non-U.S. markets narrowed
12 considerably in 2006. I consider the relative prices
13 in export markets for CTL plate an important factor.
14 Will you document your independent estimates of prices
15 for CTL plate in the U.S., European, Brazilian, and
16 Asian markets for the last four months of 2006 through
17 2008 for me in the posthearing?

18 MR. CUNNINGHAM: Could I ask for a
19 clarification on that? When you say let's say we're
20 doing this for Corus, when you refer to the Asian
21 market, do you mean for Corus' exports to Asia, or do
22 you mean for the Asian market as a whole?

23 COMMISSIONER KOPLAN: For your exports to
24 Asia.

25 MR. CUNNINGHAM: Thank you. We'll be happy

1 to do that.

2 MR. PIERCE: Ken Pierce. If I may clarify
3 or get a clarification as well? You didn't mention
4 Mexico. We don't export hardly anywhere, but we'll
5 get you the home market prices, if that would be
6 helpful.

7 COMMISSIONER KOPLAN: Okay. All right.

8 Can I expect this, then, from counsel?

9 Mr. Montalbine, you're saying yes?

10 MR. MONTALBINE: Yes, sir.

11 COMMISSIONER KOPLAN: Thank you.

12 Mr. White, on page 1 of your brief, you
13 state that, "Corus, the only significant U.K. CTL
14 plate producer for the issues in this review, has no
15 significant capacity available for export to the
16 United States and longstanding customer relationships
17 preclude any significant shifting to the U.S. market
18 of its present shipment patterns."

19 Can you document the nature of those
20 relationships for me for purposes of the post-hearing?
21 Are we talking about spot or long-term? For example,
22 does Corus have long-term contracts which guarantee
23 sales volume at set prices?

24 MR. WHITE: Yes, we have.

25 COMMISSIONER KOPLAN: Okay. And so could

1 you document those things for me for purposes of the
2 post-hearing?

3 MR. WHITE: Yes. Yes, we can do that.

4 COMMISSIONER KOPLAN: Thank you very much.

5 Mr. Cunningham, in the first reviews when
6 I declined to exercise my discretion to cumulate CTL
7 plate imports from the U.K. with imports from the
8 other subject countries, I did that largely on the
9 basis of Corus' relationship to domestic producer
10 Tuscaloosa Steel. I stated, and I quote, "Corus'
11 participation in the domestic market is likely to be
12 altered by its relationship and significant investment
13 in Tuscaloosa Steel." But, as you've mentioned, in
14 2004, Corus sold Tuscaloosa to Nucor.

15 Could you comment on how that should impact
16 on my decision to cumulate the U.K. again? You could
17 do that either now or in the post-hearing.

18 MR. CUNNINGHAM: I can do it briefly now and
19 will expand in the post-hearing brief.

20 COMMISSIONER KOPLAN: Okay.

21 MR. CUNNINGHAM: That reinforces your
22 decision and let me tell you why. Corus' setting up
23 Tuscaloosa was its decision not to serve the U.S.
24 market on commodity plate by selling from the U.K. but
25 instead to serve it by domestic U.S. producer. Corus'

1 sale of Tuscaloosa demonstrably does not represent a
2 determination to go back to selling commodity plate
3 into the U.S. from the U.K. but rather simply to stop
4 participating in the commodity plate market.

5 Why do I say demonstrably? I say
6 demonstrably first because Corus could have throughout
7 this period shipped commodity plate to the United
8 States from the Netherlands where it has ample
9 commodity plate production and did not do so.

10 Secondly, in the analogous situation in
11 Canada, where Corus was under an antidumping order
12 there, in 1998, that dumping order was lifted and
13 Corus did not return to selling significant quantities
14 of commodity plate. We sell the same specialized
15 stuff there as we do here and sold it only in
16 quantities which by the commission's calculation
17 standards were de minimis for all the years after that
18 and, indeed, were substantially zero for several years
19 after that.

20 COMMISSIONER KOPLAN: Thank you. That's
21 helpful. If you want to add more to that
22 post-hearing, of course, that would be fine, too.
23 Thank you very much for that.

24 Mr. Dunn, your principal arguments for why
25 Brazilian exports of CTL plate will not enter the U.S.

1 market to any material degree if the order is revoked
2 are that Brazilian producers have no available
3 capacity and that Brazilian demand is strong and
4 growing for the foreseeable future, but for purposes
5 of the post-hearing, I refer you to CTL part 2, page
6 9, footnote 10 of the staff reporter, which is BPI,
7 but contains information about competition in the
8 Brazilian home market.

9 In your post-hearing brief, could you
10 reconcile your argument with the reference I just
11 cited?

12 MR. DUNN: Absolutely. We'll be happy to do
13 that.

14 COMMISSIONER KOPLAN: Thank you.

15 I see my yellow light is on. Thank you,
16 Mr. Chairman.

17 CHAIRMAN PEARSON: I must say that was a
18 very efficient use of your time. Congratulations.

19 Commissioner Okun?

20 COMMISSIONER OKUN: Thank you, Mr. Chairman.

21 I join my colleagues in thanking this panel
22 for being here, particularly those who have traveled
23 from other countries to be with us. I very much
24 appreciate your willingness to be here to answer our
25 questions.

1 If I could turn to the representatives here
2 from AHMSA and to you, Mr. Pierce, I appreciate the
3 further explanation or the further statistics that you
4 gave with regard to the proposed expansion in Mexico
5 and I'm not sure if there's further backup information
6 you could provide the commission in post-hearing to
7 back up the information that's in your presentation,
8 any documents prepared for the expansion that would
9 indicate the time table?

10 MR. PIERCE: We would be happy to do that.
11 We have put in pretty extensive information. Much of
12 it is reflected in the staff report. We did bring
13 this up to the commission's attention right in our
14 questionnaire response. This isn't something
15 Petitioners raised that they found in a Spanish
16 newspaper that Mr. Schagrín alluded to. We also
17 addressed it in our brief.

18 I think it's something important and I'd
19 like you to hear from Mr. Reyes about it. One of the
20 things that we're talking about is this is planned,
21 but it's uncertain. We don't have financing in place,
22 we don't have vendors hired and, indeed, this company
23 is under the equivalent of Chapter 11 bankruptcy
24 supervision. So I thought with Mr. Reyes here he
25 could talk with you a little bit about some of the

1 problems they've been having getting financing because
2 until you get the money, nothing gets started. At the
3 earliest date, if we got the money quickly, we think
4 we can get started by early 2009.

5 COMMISSIONER OKUN: Mr. Reyes?

6 MR. VILLARREAL: Good evening. Well, as Ken
7 was saying, we're in the process of evaluating the
8 project, receiving bids, and making evaluations on the
9 cash flows to see if it's profitable. Besides that,
10 we're also searching for financing which we haven't
11 been very lucky on that. So it's not a done deal
12 right now.

13 MR. PIERCE: What we'll be able to document
14 for you is that under this type of bankruptcy law, you
15 have to have court approval before you can incur debt
16 of this sort for financing and we don't have that
17 court approval yet. We'll lay out the efforts that
18 we've been attempting over the last six months to get
19 financing, both from banks and trying to convince some
20 of the vendors to handle some of the financing for us,
21 with the backup documentation that you requested.

22 COMMISSIONER OKUN: Okay. I very much
23 appreciate that. I'll look forward to seeing that.

24 Now, let's see. Mr. Cunningham, I think,
25 has just switched places back there.

1 You don't need to come back up, but this may
2 be -- sorry.

3 Actually, the question may be better put to
4 the representatives but, again --

5 MR. CUNNINGHAM: I don't want to miss my
6 chance.

7 COMMISSIONER OKUN: Continuing on the theme
8 of this is not your father's steel company, of course,
9 it's been in the press that Tata has offered to
10 purchase Corus. For post-hearing, if there is
11 anything that can be put on the record, to the extent
12 that is going to take place, what impact that should
13 have on our deliberations with regard to where imports
14 would come from or if there's anything you want to say
15 now?

16 MR. CUNNINGHAM: It may not surprise you to
17 know that I have a certain interest in how that comes
18 out myself.

19 COMMISSIONER OKUN: I assume Mr. White does
20 and Mr. Parkins, too.

21 MR. CUNNINGHAM: I've been trying to find
22 out and as yet I haven't, but we'll do our best to try
23 and find out. As transactions like this go, people
24 are not anxious to make all the details public until
25 something is really solidly established, so whatever

1 we can get for you, we'll get for you.

2 COMMISSIONER OKUN: I understand that there
3 happened to be something that came over the wire when
4 we were back at lunch, so I thought that --

5 MR. CUNNINGHAM: And what was it?

6 COMMISSIONER OKUN: We believe that -- well,
7 I will get the actual document.

8 So for Mr. White and Mr. Parkins, I don't
9 know if there's anything -- you probably don't want to
10 add anything here, but if you did --

11 MR. WHITE: Richard White. I don't mind
12 speculating that any potential new owners of Corus, as
13 they examine the plate business, they'll be pleased to
14 find the performance and the results and how we've
15 restructured the business over the last few years.
16 Thank you.

17 COMMISSIONER OKUN: I wanted to confirm that
18 the board of directors of Corus had approved the
19 offer, is what was over the wire, but, again, whether
20 that's true or accurate is beyond -- I don't want to
21 speculate on that.

22 MR. CUNNINGHAM: Eek. For the reporter,
23 that's E-E-K.

24 COMMISSIONER OKUN: Okay. Let's see. Let's
25 talk about China since I have producers from other

1 countries here and it was mentioned, I believe, at
2 least by the Mexicans and maybe others that there may
3 be possible trade actions being contemplated against
4 China's imports into those countries.

5 How do you view China? It's come up in
6 every case I've been in for a while and one of the big
7 issues is we have some data on the record indicating
8 how much their production is going to exceed capacity
9 and what impact that's going to have on the market, so
10 I'd love to hear from the producers here on how they
11 see China.

12 Who would like to start?

13 The Mexicans? Or Mr. White?

14 MR. PIERCE: Well, I can start, if I could?

15 COMMISSIONER OKUN: Okay.

16 MR. PIERCE: China is a huge market with
17 tremendous demand and that's sucked in a lot of the
18 steel of the world over the last couple of years and
19 definitely affects market.

20 China is also subject to a U.S. antidumping
21 order. This isn't corrosion resistant, this isn't a
22 case where any plate could be exported, CTL plate from
23 China, to the United States without being subject to
24 an antidumping order. Therefore, Petitioners have
25 concocted this causal analysis, well, first thing,

1 subject country exports to China are going to be
2 pushed out of China and therefore put pressure on them
3 by cutting off that market. The fact is the subject
4 countries in this case don't export much to China and
5 haven't for quite some time.

6 Their next argument is, well, China's going
7 to ship a lot into these other countries' market, the
8 subject countries' home markets and that's going to
9 put pressure on and force those countries to export to
10 the United States. In the case at least of Mexico,
11 I would expect by the end of this month, if not
12 shortly thereafter, there will be an antidumping
13 petition filed against China by AHMSA and with that
14 you will have, once that order goes into place and
15 we're confident that it will, you will have
16 essentially an antidumping wall around North America
17 vis-a-vis China in cut-to-length plate. So in
18 Mexico's case, exports from China have increased to
19 Mexico. Frankly, Mexico is a net importer, mostly
20 from the United States. Nevertheless, that increase
21 in imports from China is going to be dealt with in an
22 antidumping petition which will be filed well before
23 you vote.

24 MR. CUNNINGHAM: Could I ask Richard White
25 to address that from the standpoint of the U.K. market

1 and China's access or lack of it to the U.K. market?

2 COMMISSIONER OKUN: Yes.

3 MR. WHITE: If I can just say that in terms
4 of our sales to China, they've been negligible. In
5 terms of China's sales to the U.K., last year it was
6 around 6000 tons. This year, it's around 13,000 tons.
7 The Chinese plate enters the U.K., it's traders who
8 sell to stockholders, to distributors. What we've
9 found is that any increase -- the trade volumes are
10 quite fixed. The whole of the U.K. market is quite a
11 stable market. The trader volumes are fixed and if
12 there's an increase in Chinese, there will be a
13 decrease in Ukrainian. For example, there's more
14 Ukrainian plate around now because demand is so high
15 in their own market. So we tend to see what we call
16 traded imports which I think is what the U.S.
17 producers are most concerned about, but what we tend
18 to find is one source substitutes for another and
19 overall the level remains fairly constant.

20 MR. CUNNINGHAM: How's that for a Bratsk
21 argument?

22 COMMISSIONER OKUN: What's that?

23 MR. CUNNINGHAM: How's that for a Bratsk
24 argument?

25 COMMISSIONER OKUN: You're ready for the

1 question.

2 MR. WHITE: The other fact is that I would
3 just like to point out again we sell commodity plate
4 in the U.K., in our home state, if you like. We have
5 reduced, as I said earlier, dramatically our
6 vulnerability in Europe, so we see China, yes, it's a
7 threat, anything that's unknown is a threat, but let's
8 get it into perspective and I think this morning it
9 was just way out of perspective, if I can say that
10 respectfully.

11 The other thing that was missing is, yes,
12 there's new capacities coming on stream, but there is
13 old redundant capacity being taken out and that
14 doesn't seem to be getting any place at all. And
15 then, of course, the other factor we have is Chinese
16 local demand and this is where these factors, we
17 haven't really seen them come together yet in a
18 realistic set of numbers and until we see that it's
19 very difficult to assess just how much of a threat
20 this is going to be.

21 COMMISSIONER OKUN: Okay. I appreciate
22 those comments.

23 My red light has come on, so I'll have a
24 follow-up on that when I come back. Thank you.

25 CHAIRMAN PEARSON: Commissioner Lane?

1 COMMISSIONER LANE: Good afternoon.

2 Mr. Malashevich and Mr. Prusa, maybe I'll
3 start with you. You all heard my question earlier to
4 the Petitioners in looking at the current pricing from
5 2002 to 2003 and 2004 in relation to the increase in
6 the cost of goods sold, that it occurred to me that it
7 was a pretty incredible jump that didn't bear much
8 relation to the size of the increase in the cost of
9 goods sold. The answer was China or supply and
10 demand. I would just like to give you an opportunity
11 to give me your take on how the domestic industry was
12 able to achieve these increased prices and how long do
13 you think it would last, whether or not the orders
14 stay on.

15 MR. MALASHEVICH: I'd be happy to address
16 that, but I also defer to Dr. Prusa and Jim Dougan
17 because in our division of labor they focused on the
18 joint defense, so to speak, and I focused on U.K.
19 specific issues. So if I may, I'd like to defer to
20 them.

21 COMMISSIONER LANE: I recognize that, but
22 I also know that you probably have an opinion on the
23 matter and would love to tell us, so let's go with Dr.
24 Prusa and Mr. Dougan and then we'll finish up with
25 you. How would that be?

1 MR. MALASHEVICH: Okay. I do have two kids
2 in college that I have to educate, so I'll be happy to
3 follow up.

4 COMMISSIONER LANE: Okay.

5 MR. DOUGAN: This is Jim Dougan from ECS.
6 One of the slides that I showed -- you were given the
7 impression, I think, this morning from the domestic
8 producers that there was something anomalous about
9 2004 and while indeed it was the beginning of the
10 current boom in demand in the U.S. for CTL plate, it
11 wasn't a one-time thing. While there may have been a
12 number of factors that contributed to the increase in
13 prices and tightness of supply, it wasn't this perfect
14 storm because, as you can see, the prices continued to
15 remain high in 2005 and thus far in 2006, even while
16 the raw material price increases did not accompany
17 that. I think that is a function, to a large degree,
18 of strong and continuing demand, again, in all of the
19 key end use segments and a tightness of supply here.
20 I think the market will bear the prices and so that's
21 what they charge.

22 MR. PRUSA: I want to follow up a little bit
23 on that, slightly different. I agree completely.
24 What's really interesting about what happened to
25 cut-to-length plate is it all happened after the

1 safeguard duties came off, so any idea that but for
2 imports we lost money in 2003, it's clearly not the
3 case. What happened in 2004, at the end of 2003, this
4 industry has gone under just a complete restructuring.
5 We had the entrance of two mills with large amounts
6 of capacity who did not exist who were entering this
7 industry early in this POR, they were not there. They
8 changed the cost structure. How else can you get such
9 high priced cost markups? These guys COGs are way
10 more efficient than the industry in 2000. The firms
11 that they put out of business are no longer here.

12 The existing U.S. mills have shed billions
13 of dollars of cost and they now have lower COGs and
14 the question this morning about the labor productivity
15 numbers, which are one reflection of how great this
16 industry has restructured, so I do think a big part of
17 it's demand.

18 If you only say demand, you're not giving
19 this industrial transformation that happened during
20 the POR any credit for changing the industry. The
21 industry is fundamentally different. When that
22 finished, when the shake-up finished, demand did pick
23 up and they were able to take advantage of very, very
24 efficient operations. The industry deserves credit.
25 They are way, way more efficient now than they were in

1 2000. Let's acknowledge that. That's how you can
2 have -- what might have previously only been a price
3 cost markup of 12 percent, say the industry circa
4 1999, same circumstances, is now a price cost markup
5 of 40 percent, that's stable. And part of that is
6 this is not your father's steel industry, all right?

7 COMMISSIONER LANE: Okay. Mr. Malashevich?

8 MR. MALASHEVICH: I do have two things to
9 add, although I concur entirely with my colleagues.
10 There's been a lot of debate in the steel cases
11 generally recently in the reviews especially
12 concerning illustrations of what we call market power,
13 the ability to move the price in a particular
14 direction, which is how I would define it in basic
15 terms. A lot of times it's difficult to measure it,
16 how much the concentration -- not just the
17 restructuring, but the concentration -- of U.S.
18 production in just basically less than a handful of
19 mills can do to the price. And I think the percent
20 markup per ton illustrated in one of the exhibits
21 earlier is an excellent way of illustrating the change
22 in market power shifting in the favor of the domestic
23 industry and away from purchasers.

24 The other thing is the steel industry has
25 argued consistently that, well, the problem is not

1 only earning a particular rate of profit but
2 sustaining that rate of profit over a succession of
3 years rather than having it go up and down in boom and
4 bust cycle. So the sustenance of that high margin
5 over a period of years in addition to the magnitude of
6 the margin I find extremely compelling evidence of
7 true market power.

8 COMMISSIONER LANE: Okay. Thank you.

9 That leads me to the next question relating
10 to what is the business cycle for this industry and
11 where do you see that we are in that business cycle?

12 I would like the same three suspects to
13 answer that.

14 MR. DOUGAN: I believe we heard from one of
15 the market participants this morning that we were at
16 the third year of a five to seven year business cycle,
17 so I think we can expect to continue to grow in the
18 reasonably foreseeable future.

19 MR. CUNNINGHAM: That was Mr. Tulloch who
20 voiced that opinion.

21 MR. PRUSA: Tom Prusa. I'm not quite sure.
22 There is, I'm sure, a cut-to-length plate business
23 cycle. I think one of the things that stood out to me
24 when you look at the data is the argument that this is
25 simply the reflection of a cycle of GDP, which I'm not

1 trying to discount that GDP is related to
2 cut-to-length plate demand. I do think that there was
3 a lot of pent up demand for downstream products that
4 use it. Now, for why the downstream products, say
5 some of the bridge building, some of the oil rigs, why
6 they were not being built in 2000 and 1999 and 2001,
7 I'm not quite sure I know why but it's clear that for
8 the last several years all the downstream demand for
9 cut-to-length plate is growing significantly faster
10 than GDP and all the projections for those products.
11 So even notwithstanding GDP perhaps slowing down, it's
12 that those downstream demand industries are growing
13 faster, are continuing to grow. We're not seeing a
14 slowdown in those products. So I don't see for the
15 reasonably foreseeable future any sense that we're
16 going to have a decrease in demand and I thought that
17 the domestic industry made it clear that they actually
18 are booked out quite far into the future and they see
19 a very strong demand.

20 MR. DOUGAN: If I may add to that, it was
21 Mr. Southerland who is the CEO of IPSCO who in his
22 quote from the steel business briefing referred
23 specifically to certain items in the transportation
24 sector, rail cars and barges, that for some reason
25 were being used far beyond what is normally considered

1 their useful life and now those things are kind of
2 wearing out and there's this pent up demand, as well
3 as the booming energy sector which I think all here
4 would agree --

5 MR. CUNNINGHAM: And highway construction.

6 MR. DOUGAN: And highway construction.

7 COMMISSIONER LANE: Mr. Malashevich?

8 MR. MALASHEVICH: What I would add is simply
9 that the plate follows, as everyone, I think, agrees,
10 the capital goods cycle. The capital goods cycle is
11 very distinct from GDP or consumer goods cycle for
12 sure and it is steeper in terms of its movements.

13 So for a given change in GDP, I would go a
14 little further than Dr. Prusa to say there is an order
15 of magnitude change greater in the capital goods cycle
16 at the same time. This cycle, in general, the capital
17 goods cycle that I've studied for other purposes,
18 tends to be five to seven years, I would agree, but
19 that's historically. I think what's different about
20 this cycle is the confluence of every thing that's
21 being replaced.

22 When energy prices were low, there was no
23 investment at all in transit lines for oil and gas
24 that use this kind of plate and part. Now, there is
25 booming investment, not only associated with expanding

1 demand for energy, but making up for all the
2 investment that was never made in earlier years
3 because oil in real terms was priced very low for
4 about ten years. No one was building any pipelines.
5 The same is true of rail cars. The same is true of
6 barge traffic.

7 What I would like to emphasize is the
8 confluence of all these segments growing sharply at
9 the same time. Unprecedented, I believe, certainly in
10 recent history of 20 or 30 years. It's an extremely
11 unusual cycle that will make it longer than has been
12 true historically and profoundly more profitable for
13 everybody who is involved from steel on downstream.

14 COMMISSIONER LANE: Okay. Thank you.

15 Thank you, Mr. Chairman.

16 CHAIRMAN PEARSON: My colleagues have done a
17 really good job of asking some of the question that
18 I had in mind, so I'm left here with a couple, but one
19 of them is an issue on which I generally am hesitant
20 to tread. It's accumulation.

21 That's not really an issue for economists.
22 That's more an issue for counsel, I think, but let me
23 give it a try.

24 We, of course, have the discretion to
25 decumulate in sunset cases but if we set aside the

1 issue of no discernable adverse impact and the
2 reasonable overlap of competition, we have at times in
3 the past declined to cumulate based on likely
4 differences in conditions of competition.

5 For those of you who are urging us to engage
6 in a decumulated analysis, can you identify any such
7 differences and, in particular, whether these
8 differences existed prior to the imposition of the
9 duties?

10 Part of the issue here is if the differences
11 have developed since the orders went into effect, then
12 how do you counter the argument that the differences
13 are the result of the orders?

14 Have I done an adequate job of throwing the
15 issue out there?

16 MR. CUNNINGHAM: This is Dick Cunningham
17 again. I'm not going to take a lot of time with this,
18 I've already said a lot of the things that I would say
19 responsive to this about Corus' change in selling
20 policy, about Corus no longer being in the commodities
21 market, Corus not selling to the spot market, Corus
22 selling different types of merchandise, the things
23 like that. But it is also clear that that for Corus
24 is a change since the original investigation and
25 that's what makes it a particularly compelling

1 argument for decumulation here.

2 I'm not going to talk about no discernable
3 impact now because you asked me not to, but I will
4 point out what Commissioner Aranoff pointed out, which
5 was the reason for not touching no discernable impact
6 last time which was vulnerability, last year, I must
7 say I find that hard to be a justification for staying
8 away from the issue now.

9 MR. MALASHEVICH: One further point in the
10 context strictly of the U.K. is I think the most
11 compelling evidence already in the record on why
12 what's happened in the case of the U.K. was not as a
13 consequence of the order is that it's not -- the new
14 policy is not specific to the United States, it's
15 globally outside of the E.U. and it's evidenced
16 already in the behavior of U.K. exports to Canada and
17 also you've been given fairly weighty documentation,
18 weighty in terms of the corporate authority behind it,
19 that the policy is institutionalized, it's not an ad
20 hoc reaction to the order in the U.S.

21 CHAIRMAN PEARSON: Okay. So in terms of the
22 U.K., even though a number of the differences took
23 place after the imposition of the order, it's
24 sufficiently documented that they were done for
25 reasons that had nothing to do with the order.

1 MR. CUNNINGHAM: That's correct.

2 MR. MALASHEVICH: Absolutely.

3 CHAIRMAN PEARSON: How about counsel from
4 some other countries?

5 Mr. Pierce?

6 MR. PIERCE: Well, with respect to Mexico
7 and then we'll be able to submit this for the record,
8 you're going to see a tremendous growth in demand to
9 Mexico since imposition of the antidumping order such
10 that you see a dramatic shortfall in the ability of
11 domestic production in Mexico to meet demand, leading
12 it to be a very large net importer such that it
13 exports virtually nothing from Mexico today.

14 MR. MALASHEVICH: I would add one more
15 thing. I don't even think the Petitioners would argue
16 that NAFTA was caused by the antidumping order. To
17 the extent that what has happened in Mexico is related
18 to NAFTA, that is a change in the conditions of
19 official competition and the way businesses think
20 about U.S. and Mexico.

21 CHAIRMAN PEARSON: Mr. Montalbine?

22 MR. MONTALBINE: In Germany, you have a real
23 restructuring and reorganization of the industry that
24 obviously had nothing to do with the antidumping duty
25 order, it had to do with the economics in Germany, the

1 German reunification, and you have the six producers
2 being shrunk down to three producers. You have
3 capacity being closed. At the same time, you had
4 legal changes within the European Union that
5 prohibited any more state aid to steel companies. So
6 you have the German industry being reorganized but
7 also not receiving any more subsidies and Commerce has
8 confirmed that and revoked a countervailing duty order
9 on Germany.

10 CHAIRMAN PEARSON: Others? Yes?

11 MR. CAMPBELL: Chairman Pearson, this is Jay
12 Campbell in the back. I'm with White & Case, here
13 today on behalf of Duferco Quebec, the Belgium
14 producer. Just to confirm, we do make a decumulation
15 argument for Belgium and we submitted a prehearing
16 brief on this issue. Just to confirm, our argument is
17 based on no likely discernable adverse impact and we
18 do not make an argument based on significant
19 differences in the trends of competition for Belgium.

20 MR. CUNNINGHAM: Might I just add one more
21 point? The commission should note that one other
22 change has occurred and that is that the
23 countervailing duty order has been revoked as to the
24 U.K.

25 MR. PIERCE: With respect to NAFTA, just to

1 take it one step further, it's not just the existence
2 of NAFTA, it's the integration of the two markets that
3 we've seen. The cross border trade has picked up
4 tremendously, whether it be the raw materials coming
5 into Mexico or the cut-to-length plate coming into
6 Mexico or where the customer base is. This
7 integration in the market in 2000 vis-a-vis NAFTA,
8 U.S. and Canada, was the reason that Canada was
9 decumulated by the commission the last time around in
10 that sunset review. We've seen the Mexican economy
11 develop over that time significantly in the last six
12 years, greater integration between Mexico and the
13 United States such that I would say that Mexico has
14 now advanced to a position where the exact same
15 rationale on which you decumulated Canada in 2000
16 certainly applies today vis-a-vis Mexico.

17 CHAIRMAN PEARSON: Anything else on
18 cumulation or have we pretty well exhausted that?

19 MR. CUNNINGHAM: I would just say one thing.
20 When you look at what you did with respect to France
21 in the last case and when you talked about the other
22 aspects, that is, the other things, not under the
23 heading of no discernable impact, in your conditions
24 of competition you talked at that point about two
25 factors that are certainly relevant to both Germany

1 and to the U.K. which is the decline in volume during
2 the original investigation period and the substantial
3 reduction in capacity of the two industries.

4 CHAIRMAN PEARSON: Okay. Thank you.
5 I appreciate those comments. I may stay here long
6 enough at the commission so that I fully understand
7 all the cumulation considerations, but --

8 MR. CUNNINGHAM: And I will call you for a
9 lesson at that point, if I may, sir.

10 CHAIRMAN PEARSON: If there are any other
11 things that we should know for purposes of the
12 post-hearing, by all means go ahead and clarify, add
13 to what you might have already said, make sure that we
14 have this outlined to the extent that even I can
15 understand it.

16 I have one last question. Have any of the
17 foreign producers implemented accounting systems or
18 other type of control systems that would allow them to
19 know in advance of making an export sale whether it
20 would be priced at a level that the Department of
21 Commerce might deem to be dumped? I understand that's
22 a little bit tricky because it's not entirely possible
23 to predict, there's a bit of art and science there
24 together, but first of all, do you know what I'm
25 talking about when I raise this issue and has there

1 been progress in this direction?

2 MR. CUNNINGHAM: We conduct seminars for
3 Corus every year on this, both in the U.K. and in the
4 Netherlands and included in that are the plate people.

5 CHAIRMAN PEARSON: And do you know whether
6 Corus has adopted any measures, any accounting system
7 or any way to monitor closely what sales prices are in
8 response to your seminars?

9 MR. CUNNINGHAM: They vary from product
10 group to product group, but in general all the product
11 groups have some degree of price monitoring in both
12 markets with the knowledge that we give them as to how
13 the dumping price computations are made so they can do
14 more, not just raw price analysis.

15 MR. PIERCE: With respect to Mexico, Mexico
16 currently has a zero antidumping rate as a result of a
17 review. Reviews take time, thinking, so that will
18 tell you something about their planning. Other than
19 that, they haven't been selling to the United States.
20 As we move towards selling to the United States
21 following revocation, all of our information and the
22 information we've provided to the commission is that
23 the prices track extremely closely between the United
24 States and Mexico. It really is an integrated market
25 with the United States selling into Mexico. So

1 I think you're at a price equivalency in the market
2 between the U.S. and Mexico now.

3 CHAIRMAN PEARSON: Okay. My yellow light
4 has come on.

5 Mr. Montalbine, do you have something to add
6 quickly or would it be best to address it in the
7 post-hearing?

8 MR. MONTALBINE: I can say very quickly
9 ThyssenKrupp has never imported its product to the
10 United States, but they testified at the corrosion
11 resistant hearing that they do have that sort of price
12 monitoring system in place and so they would be
13 available if they chose in the future to import this
14 product.

15 CHAIRMAN PEARSON: Okay. Thank you.

16 If there are other comments, if we could
17 have them for the post-hearing, that would be great.
18 I thank you very much.

19 Madam Vice Chairman?

20 VICE CHAIRMAN ARANOFF: Thanks,
21 Mr. Chairman.

22 The chairman did an admirable job of asking
23 questions about cumulation, but I actually still have
24 another one.

25 This takes me to something of an existential

1 dilemma. The U.K. and German producers have in each
2 case argued that the country should be decumulated, we
3 should exercise our discretion not to cumulate because
4 the subject volume from both countries were declining
5 prior to the orders, production capacity has fallen
6 and each would export mostly specialized, higher value
7 plate. While that may distinguish them from some of
8 the other subject countries, it doesn't distinguish
9 them from each other. We always have to ask ourselves
10 that existential question, if we have 11 countries and
11 two of them differ from the others in some respects
12 but not from each other do we then cumulate those two
13 and then consider the other nine in a separate pot. I
14 have considered doing a very large spreadsheet with
15 the 11 countries down one side and 14 or 15 factors
16 along the other side and see if I can get checkmarks
17 in all the different columns and different places so
18 that then maybe I could say that each one of them has
19 different conditions of competition, but that's a
20 pretty hard place to go.

21 I guess I'll start with counsel for the
22 German and U.K. producers, since that's the easiest
23 question to answer.

24 MR. CUNNINGHAM: I didn't bring my volume of
25 Kierkegaard with me. First of all, it's never been

1 done in the commission one way or the other and so you
2 have the rich prospect of being able to roll it your
3 own way, but it seems to me the logic is that if you
4 were to find that two of the respondent countries are
5 unlike all the other respondent countries but are like
6 each other then one would cumulate the two of them
7 together and I think it would be obvious -- if you
8 cumulated Germany and the U.K., the answer would be
9 obvious, two nothings is a nothing. The whole point
10 of cumulation is you don't cumulate unlike
11 competitors.

12 VICE CHAIRMAN ARANOFF: Okay.

13 MR. MONTALBINE: Marc Montalbine on behalf
14 of the Germans. I agree with that and I think
15 especially when you're talking about the U.K. and
16 Germany, both E.U. countries, that could make a lot of
17 sense.

18 VICE CHAIRMAN ARANOFF: Okay. I appreciate
19 your answers. You're right, the commission has never
20 answered this question. We've thought about it a lot
21 and always found a way to avoid having to answer it.

22 MR. CUNNINGHAM: So did Kierkegaard on a
23 whole lot of questions.

24 VICE CHAIRMAN ARANOFF: I think I understand
25 this better.

1 All right. Totally different question on
2 transportation costs. The domestic industry, I think
3 it's in the IPSCO brief, asserts that once you put
4 plate on the water, it pretty much doesn't matter
5 where you're sending it, it's just as cheap to move it
6 anywhere. The joint Respondents' brief takes the
7 opposite view, that transportation costs are very high
8 and have to be factored into any comparisons that we
9 make between prices in different markets. Can those
10 both be right?

11 MR. DOUGAN: I would say the staff report
12 itself sort of puts the light on that and has observed
13 differences in shipping costs among the different
14 countries or rather from the different subject
15 countries to the U.S. It only stands to reason that
16 you have to take into consideration transportation
17 costs and other factors like that when you compare
18 prices across markets.

19 In the analysis in the joint Respondents'
20 brief to which I alluded earlier, we actually tried to
21 look at these things on a real market basis as
22 possible. What if you were to take a ton of plate and
23 take it from Germany and put it on a boat and bring it
24 to the United States? Once you accounted for
25 transportation costs, would the price differential or

1 the alleged price differential really exist? I think
2 the data on which it's based are confidential, but
3 more or less once you take these things into
4 consideration the differences do not exist to the
5 degree that are claimed by the domestics.

6 CHAIRMAN PEARSON: Let me ask the witnesses
7 from Corus, first of all, when you ship your product,
8 either within the U.K. or to continental Europe, how
9 do you do that and how does the cost of doing that
10 differ from the cost of shipping your product to the
11 United States?

12 MR. PARKINS: Paul Parkins. Shipping in the
13 U.K. is primarily done by truck. It's quite simple.
14 From the mills to a domestic customer, we throw it on
15 a truck and we deliver it. On average, that costs us
16 about \$22 a ton. If we're shipping to mainland
17 Europe, we have to go across the English Channel by
18 one means or another. We can either use coasters and
19 go straight up the Rhine, if we move them into
20 Germany, or we can deliver by truck from the U.K. The
21 cost therefore is considerably higher, a factor of
22 about another 50 to 60 percent more delivering to near
23 Western European markets as opposed to the U.K.

24 Conversely, if you're delivering to the
25 United States, there's a much longer transit time and

1 a much longer transit distance and you're talking
2 about a considerably larger factor of transport costs.
3 Steel pricing for the carriage is very much dependent
4 on the volume that you move. If you're looking to
5 move a lot of volume in a big boat, its unit cost is
6 cheaper. Certainly from Corus' perspective, we don't
7 do that globally. As a business, we don't believe in
8 steel tourism.

9 VICE CHAIRMAN ARANOFF: I appreciate that
10 answer. I guess while we're talking about
11 transportation costs, that also goes to the sort of
12 China domino effect argument that we've been
13 discussing today, this idea that because China is
14 exporting more and because it can't send so much of
15 that directly to the U.S. because it's under order it
16 might send it to some of the markets that are
17 represented here today and then that would mean there
18 would be displaced volume from those markets that
19 would be shipped to the U.S. How do transportation
20 costs play into the way that we evaluate the
21 likelihood of that scenario?

22 If you want to think about it and answer it
23 post-hearing, that's okay, too.

24 MR. PRUSA: I'll address it in post-hearing,
25 but it certainly makes you question, again, the whole

1 sequence of dominoes that has to happen. I hadn't
2 heard that term before, about steel tourism, but the
3 idea of all this stuff, it is not free to ship and the
4 staff report clearly indicates that. Their measure of
5 transportation costs is exactly the standard measure
6 that economists use. It would be nice if you could
7 actually get it, but this measure they use is the
8 proxy that everybody uses for transportation costs and
9 if you're on a \$700, \$800 product, these
10 transportation costs map into significant difference
11 that have to make you wonder whether Europe or Mexico
12 certainly it makes sense to send it.

13 MR. CUNNINGHAM: I'm not quite sure
14 I understand the question here and I really do want to
15 give you the best answer. Are you saying that you
16 want to know from us whether transportation costs from
17 China to any of these various European or Brazilian or
18 Mexican markets would be an inhibition to China
19 exporting to them? Is that it?

20 VICE CHAIRMAN ARANOFF: Well, if the
21 argument that's being made China has an imperative to
22 export to whatever markets are open to it, which may
23 not include the U.S. market because there's an order,
24 therefore China may export to some or all of the
25 subject countries, resulting in displacement of

1 domestically produced tonnage, which will look for a
2 market which will come to the U.S. because whatever,
3 we're a desirable or large or high priced market.
4 That's sort of the way that argument goes. To what
5 extent do transportation costs provide an explanation
6 for why that is perhaps not likely to happen?

7 MR. CUNNINGHAM: Okay. Let's think about
8 that and give you something in the post-hearing brief.
9 Corus will at any rate.

10 MR. PIERCE: On that particular issue, as
11 you articulate it, there is, of course, even in a
12 sunset review still a causation requirement, a likely
13 causal requirement, and when you get down this domino
14 effect, you're really back to first year law school
15 and proximate cause. How strung out is this causal
16 effect going to be that you're still going to be
17 buying these arguments because every time there's
18 another link in the causal chain it gets less and less
19 likely and more and more uncertain. And so as they've
20 strung out their argument, one wonders -- I don't know
21 what the kids' riddle is, the mouse run up the house
22 and that's what caused the barn to burn down. But
23 just the way you articulate it, it's showing how
24 strung out this whole causal argument is.

25 VICE CHAIRMAN ARANOFF: That's the Palzgraf

1 case, right?

2 MR. PIERCE: Yes, exactly. Exactly.

3 MR. MALASHEVICH: I'd like to make one
4 comment, please, specific to the U.K. on that issue.

5 VICE CHAIRMAN ARANOFF: Okay.

6 MR. MALASHEVICH: And by the way, it's "The
7 House That Jack Built."

8 If you look at my prepared statement which
9 goes into considerably more detail than my oral
10 testimony, you'll see the U.K., as you heard earlier,
11 penetration is only 2 percent today and also the
12 structure of the U.K. is generally dominated by
13 affiliated service centers, if you will, or
14 distributors, to Corus. So it's very, very difficult
15 for the Chinese, whatever the incentives may be. The
16 Chinese stuff is not going to go to the U.K.

17 VICE CHAIRMAN ARANOFF: My apologies to Mr.
18 Montalbine and whoever else was raising their hand in
19 the back, but the light has turned red.

20 CHAIRMAN PEARSON: Madam Vice Chairman,
21 I don't know whether you're planning another round,
22 but if you wanted to go to those people now, I think
23 we could probably accommodate that.

24 VICE CHAIRMAN ARANOFF: I still might have
25 one more question for another round.

1 CHAIRMAN PEARSON: Fine. Save your
2 responses, please.

3 Commissioner Hillman?

4 COMMISSIONER HILLMAN: Thank you.

5 I hope a couple of quick follow-ups.

6 Mr. Dunn, you heard, I think, this morning
7 this notion that we should look at what happened when
8 Canada revoked its antidumping order as a proxy for
9 what will happen in the United States and allegations
10 about the tremendous increase of Brazilian product
11 going into Canada after that order was revoked.

12 I just wanted to get your response to that. Do you
13 think that is what happened? What was the
14 relationship between the revocation of the order and
15 the Brazilian product going into Canada?

16 MR. DUNN: I'd be happy to expand on my
17 comments earlier about that. The increase in Canada,
18 I think it needs to be put in perspective. As I said
19 in my testimony, you're talking about a country where
20 900,000 tons of capacity came out of domestic product,
21 stopped. Stelco closed its mill. That left a huge
22 gap. If you look at the CITT opinion in that case,
23 they said this is a vacuum which the other two
24 Canadian producers have not been able to fill.

25 Now, the market in Canada is about -- I'm

1 trying to recollect because I represented Stelco in
2 the 2000 sunset review. My recollection, the market
3 in Canada is about 2 to 2.5 million tons. The United
4 States so far in 2006 exported over 500,000 tons of
5 steel to Canada. Now, we have Canadian exports of
6 41,000 tons. In 2005, it was 16,000 tons. You're
7 talking about a drop in the bucket.

8 Now, let me just say one other thing about
9 these huge, massive exports of 41,000 tons. In
10 Canada, those interim, you can't just take those
11 interim imports -- I can't remember how many months
12 they were. If they were six months, you can't take
13 them and double them; if they were seven months, you
14 can't take them and multiply by them by 12 over seven
15 because the St. Lawrence seaway closes in late
16 October, November, December, so what comes in by
17 September is pretty much what's going to be in for the
18 year. So my point is that you don't have a massive
19 increase in shipments the way they would characterize
20 it. There was an increase in shipments, undeniably,
21 but it is peanuts compared to what the U.S. mills have
22 done.

23 COMMISSIONER HILLMAN: All right.
24 I appreciate that. If there is anything further that
25 you or any others want to comment on this issue of the

1 situation in terms of what happened in Canada is or is
2 not representative of what would or would not happen
3 in the United States if these orders are revoked,
4 I would invite you to do so.

5 MR. CUNNINGHAM: For your convenience,
6 Commissioner Hillman, the Canadian tribunal decision
7 in that case appears at Tab 6 of Corus' pre-hearing
8 brief.

9 COMMISSIONER HILLMAN: No, it's more the
10 what happened since then.

11 MR. CUNNINGHAM: I understand.

12 COMMISSIONER HILLMAN: And the take on that.
13 And I guess as part of that, to the extent that
14 anything connected to the Stelco closure itself is in
15 any way linked to imports, again, I would just ask you
16 to help us understand how you would urge U.S. Steel to
17 think about this whole issue of Canada, if indeed the
18 argument is being made that the Stelco closure was
19 also connected to an increase.

20 MR. DUNN: I can just add to that briefly,
21 Commissioner Hillman. The Stelco closure was due to
22 the fact that they made the questionable decision to
23 try to install a steckle mill, a new steckle mill into
24 their operations, without closing down their existing
25 plate mill and they never were able to get it running

1 efficiently. They ended basically wrecking their
2 plate mill operation and they were never able to get
3 it to run efficiently and they just couldn't perform
4 in the market with what they ended up with.

5 COMMISSIONER HILLMAN: I appreciate those
6 comments. Again, anything further in the
7 post-hearing.

8 A lot of what we heard in terms of testimony
9 from the domestic industry concerns very recent
10 timeframes. In essence, post when a lot of the data
11 was collected. It particularly concerned a lot of
12 testimony of recent months, that people's order books
13 are no longer as full, that they're all out there
14 seeking further orders and, as the Nucor folks kept
15 saying, that the November prices will be below the
16 October prices.

17 I'm just curious for the Corus
18 representatives and on the Mexican side, if you could
19 help me understand in your home market, are you seeing
20 any softening of demand very recently and/or any
21 downturn in prices?

22 MR. WHITE: Richard White from Corus. U.K.
23 demand is still strong. European demand is strong and
24 strengthening. If you look at European shipbuilding,
25 typically the shipbuilders have ordered two to three

1 years ahead. Construction is also improving in Europe
2 from the current levels. Our order book in quarter 4
3 is filled, has been filled for some time. We're
4 turning away business. In quarter 1, we are fully
5 committed. I'm not saying we've got all the orders
6 yet, but we're fully committed in quarter 1 and 2007
7 is looking very strong.

8 COMMISSIONER HILLMAN: Okay. On the Mexican
9 side?

10 MR. GARZA: This Luis Garza of AHMSA. On
11 the Mexican side, the prices on the OEM side of the
12 business have been high and steady and on the service
13 center side, we have experienced a small decline but
14 still at the high records at this moment.

15 COMMISSIONER HILLMAN: Okay. And on the
16 demand side?

17 MR. GARZA: The demand side, on the OEMs or
18 industrial customers, strong. On the service center
19 side, it's soft.

20 COMMISSIONER HILLMAN: Okay. All right.
21 I appreciate those answers.

22 We've heard in essence nothing from two of
23 the European producers, the Spanish and the Swedes.
24 I didn't know whether any of the producers or counsel
25 here have anything you would want to put on the record

1 that's not already there in terms of any changes in
2 production, capacity, product mix, anything with
3 respect to either the Spanish producers or the Swedish
4 producers.

5 MR. WHITE: Richard White from Corus. I can
6 say that our understanding of the Swedish mills is
7 that they have been heavily geared towards quench and
8 tempered products. They have over the last 18 months
9 or so gone even further down the quench and tempered
10 route, which is out of consideration here. So I would
11 suspect that the availability of commodity plate from
12 them will be even less than it has been over the last
13 few years.

14 COMMISSIONER HILLMAN: Okay. I appreciate
15 that.

16 One of the arguments I think we hear at
17 least with respect to some of the countries and this
18 issue of cumulation concerns the product mix issues.
19 I just want to make sure I understand the degree to
20 which you're arguing that what you would be shipping
21 here or could be shipping here in the absence of the
22 order are specialty products that are not made in the
23 United States, either from a thickness, a width, heat
24 treatment, to the extent that you think what you're
25 shipping is something that in your perception is not

1 made here. I'm wondering if you could at least make
2 sure we understand what those products are that you
3 believe you would be shipping, again, not against U.S.
4 competition.

5 MR. PIERCE: For Mexico, that's not part of
6 our argument.

7 MR. CUNNINGHAM: Nor is it in general part
8 of the Corus argument, although I can't say there's no
9 product that's so specialized that it's not made.
10 It's more the situation that's like -- I believe it
11 was Mr. -- well, I can't find it right now. Probably
12 Mr. Tulloch, I think. One of the domestic industry
13 witnesses said late in the day that there are some
14 products that aren't made, a few, there are others
15 that aren't made in sufficient quantity. It's more
16 that situation.

17 Our point really is that these are going to
18 be small quantity products, not big volume products,
19 that are sold in attenuated competition with the U.S.
20 producers.

21 CHAIRMAN PEARSON: Okay.

22 Mr. Montalbine?

23 MR. MONTALBINE: I'd just quickly say that
24 would be the same for Germany. For example, lined
25 pipe plate, you heard a lot of testimony in the French

1 case from Bergsteel Pipe Corporation that it's very
2 tight and very difficult to get. Though they do try
3 to source that in the United States, you can't always
4 get that.

5 COMMISSIONER HILLMAN: Okay. I appreciate
6 that. I guess I heard it a little bit differently,
7 that it was not made here and I now understand it
8 slightly differently. Thank you.

9 The last question is on this issue of the
10 use of surcharges. You heard discussion this morning
11 again that surcharges are out there and in place, when
12 they occur. I just want to make sure I understand
13 whether that is also the case in either the European
14 markets or in Mexico. Again, surcharges for increases
15 in any of the raw material costs, energy surcharges.

16 Mr. White?

17 MR. WHITE: In terms of Corus, we have
18 constantly moved prices up as iron ore and coal have
19 moved. In terms of surcharges, we introduced a
20 surcharge way back in 2004 that proved to be extremely
21 unpopular. The market preferred steady movements and
22 published list prices and that's the practice we've
23 adopted.

24 COMMISSIONER HILLMAN: Okay. So you have
25 not had any surcharges since then, you just move up

1 the base price?

2 MR. WHITE: We just move the base price.

3 COMMISSIONER HILLMAN: Mr. Montalbine?

4 MR. MONTALBINE: Similar in Germany, they do
5 it on a transaction price basis and I think surcharges
6 are mainly for mini mills that are based on scrap
7 input. In the basic oxygen furnace production, they
8 don't use surcharges because the scrap is not such an
9 important factor.

10 COMMISSIONER HILLMAN: Okay. All right.

11 MR. GARZA: In the case of Mexico, in 2004,
12 on the industrial side or the OEMs, we implemented
13 surcharges. On the service center side, they are on
14 the spot basis, we just keep changing or adjusting the
15 price.

16 COMMISSIONER HILLMAN: Okay. All right.

17 I appreciate those responses. Thank you very much.

18 MR. CUNNINGHAM: And just for completeness,
19 the testimony that I cited to from the domestic
20 industry about products that are produced in
21 sufficient volume was by Mr. Insetta and Mr. McFadden
22 in responses to question from Commissioner Koplan.

23 COMMISSIONER HILLMAN: Thank you very much.

24 CHAIRMAN PEARSON: Commissioner Koplan?

25 COMMISSIONER KOPLAN: Thank you,

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1 Mr. Chairman.

2 When you say moved rather efficiently,
3 I moved a little too efficiently on my first round.

4 Mr. Malashevich, hearing you straighten out
5 counsel, Mr. Pierce, about the fact that he meant "The
6 House That Jack Built," I don't feel quite as badly to
7 have to sit here and acknowledge that my economist,
8 John Fry, just straightened me out on a question that
9 I asked on my first round that I'm going to come back
10 to and see if I can get it right this time with you
11 all. That was that was request that I made of counsel
12 for estimates of future prices for the last four
13 months of 2006 through 2008.

14 I was not asking for company-specific
15 contract pricing, although it might have sounded that
16 way when you asked me, Mr. Cunningham.

17 I am requesting each of you to give me your
18 independent estimates of what cut-to-length prices
19 will be in the markets I listed, the U.S., European,
20 Brazilian and Asian markets and, of course, I welcome
21 your offer on behalf of the Mexicans to give me the
22 home market prices.

23 When I refer to Asia, I'm referring to China
24 and Taiwan.

25 That's what I'm asking from counsel, is to

1 give me your best estimates of what you foresee will
2 be happening in those markets during that period of
3 time.

4 Does that clarify it?

5 MR. CUNNINGHAM: Do you have any
6 clarification as to grade or type or anything like
7 that?

8 COMMISSIONER KOPLAN: No.

9 MR. CUNNINGHAM: We'll just wing it with
10 that.

11 COMMISSIONER KOPLAN: Cut-to-length plate.

12 MR. CUNNINGHAM: Cut-to-length plate? Got
13 it.

14 COMMISSIONER KOPLAN: If that's what you
15 would like to do, you can certainly do that, but I'm
16 just asking for cut-to-length plate.

17 MR. CUNNINGHAM: I hear you. We'll do our
18 best.

19 COMMISSIONER KOPLAN: Thank you very much.
20 That's what I asked this morning, actually, of the
21 domestic side.

22 Now, then, again for counsel, on page 4 of
23 U.K. Steel's brief, it's stated, "The bar industry is
24 therefore fundamentally different from the plate
25 industry. This is also reflected in the fact that

1 only two of the U.S. Petitioners produce flat bars and
2 these are produced on different facilities from their
3 plate production. In the U.K., none of the plate
4 producers manufactures flat bars and vice versa.
5 Therefore, if the commission were to decide against
6 revocation of the antidumping duty order on
7 cut-to-length plate, U.K. Steel submits that the
8 definition of the like product should be amended by
9 excluding wide flat bars rolled on a bar mill from
10 plate so that wide flat bars would be a separate and
11 distinct like product."

12 For the Respondents' post-hearing briefs,
13 could you please provide a like product analysis for
14 flat bar that addresses for me the six traditional
15 factors?

16 MR. CUNNINGHAM: We'll be happy to do that.

17 COMMISSIONER KOPLAN: Thank you very much.

18 (Pause.)

19 CHAIRMAN PEARSON: The chair will entertain
20 some more nursery rhymes while the commissioner is --

21 COMMISSIONER KOPLAN: No, actually, I'm
22 ready. Thank you, though, for that offer.

23 I notice that the cash deposit rate for one
24 of Romania's exporters, MEI, became zero on January
25 12, 2001, down from 75.04 percent, that's at table CTL

1 1-10 and CTL 111. On March 15, 2005, the rate for
2 MEI was raised to 13.50 percent and on March 10, 2006,
3 the cash deposit rate was increased back to 75.04
4 percent. Subject imports from Romania over that
5 period increased from 6 short tons in 2000 to 109,969
6 short tons in 2004 and 49,813 short tons in 2005. I'm
7 referring to Table 1-23 in the CTL portion at page
8 1-41. With a cash deposit rate of 75.04 percent back
9 in place, imports of cut-to-length plate from Romania
10 declined to zero in the first half of 2006.

11 When I look at that, it indicates to me that
12 if this order comes off I would expect to see Romania
13 resume their past practice upon revocation. I'd like
14 to know if anybody disagrees with the way I'm
15 evaluating that. I'd be happy to hear from anyone on
16 that with respect to Romania.

17 MR. PIERCE: If I may, Ken Pierce. There's
18 two aspects. I think I heard you say, if I'm correct,
19 that the increase to the 75 rate happened in March
20 '06?

21 COMMISSIONER KOPLAN: March 10th.

22 MR. PIERCE: '06?

23 COMMISSIONER KOPLAN: Yes.

24 MR. PIERCE: And imports for the whole first
25 half of '06 were zero, so before that increase to 75

1 percent, for the first quarter of '06, they'd already
2 stopped shipping to the United States, if I'm
3 understanding your dates and times correctly.

4 COMMISSIONER KOPLAN: It's right in the
5 staff report.

6 MR. PIERCE: Okay.

7 COMMISSIONER KOPLAN: I gave you the page
8 references.

9 MR. PIERCE: But if I'm understanding this,
10 you went up to 75 percent in the first quarter of '06,
11 right? It was still at a 13 percent deposit rate
12 during the first quarter of '06, right?

13 COMMISSIONER KOPLAN: With a cash deposit
14 rate of 75.04 percent back in place, their imports
15 declined to zero in the first half of '06.

16 MR. PIERCE: It went into place in March of
17 '06, so the first quarter of '06, it wasn't in place
18 and already they weren't shipping to the United
19 States.

20 COMMISSIONER KOPLAN: But on March 15th of
21 2005, I was raised to 13.50, so they were on their
22 way.

23 MR. PIERCE: Right.

24 COMMISSIONER KOPLAN: They were on their
25 way.

1 MR. PIERCE: Well, they were at 13 percent
2 during the first quarter. That's correct. But it's
3 different than 75 percent.

4 COMMISSIONER KOPLAN: Right.

5 MR. PIERCE: The second thing, as mentioned
6 in the opening remarks and that you had attempted to
7 ask some questions about but you didn't get answers to
8 and I assume you will in Petitioners' post-hearing
9 brief, Mittal is Mittal and Mittal is a Petitioner, so
10 Mittal's intentions, what they're going to do
11 vis-a-vis Romania, what their plans are, what their
12 intentions are, I assume they'll be telling you in
13 their post-hearing brief as they committed to do and
14 I can't tell you anything better about them than what
15 they can tell you themselves.

16 COMMISSIONER KOPLAN: Okay. Anyone else?

17 Mr. Cunningham?

18 MR. CUNNINGHAM: It's hard to evaluate
19 numbers like that about the cash deposits unless you
20 have a little bit more information on what's going on
21 at the Commerce Department. A cash deposit is, of
22 course, a cash deposit. It's not your ultimate duty
23 liability, there are circumstances where one has a
24 cash deposit, let's say, for example, it was
25 calculated on a facts available basis but one knows

1 that one can present the facts for the duty assessment
2 that will get that down to zero or something very
3 small. That still takes a certain amount of strength
4 of character to say I'm going to put up a 75 percent
5 cash deposit.

6 I suspect it's also true that some of that,
7 of course, just gets recycled because after all Mittal
8 gets bird money and Mittal pays the duty. While they
9 may not get all of it back -- I don't know. All of
10 this is pure speculation unless you know what's going
11 on at Commerce.

12 COMMISSIONER KOPLAN: Thank you for that.

13 I have nothing further.

14 CHAIRMAN PEARSON: Commissioner Okun?

15 COMMISSIONER OKUN: Thank you, Mr. Chairman.

16 Again, thank you for all the answers you've
17 provided so far.

18 If I can just go back on the Romania
19 question just for one moment, this question will be
20 for counsel, although I understand that I'm going to
21 ask your indulgence here and raise something that may
22 not be immediately in your interests and that is the
23 question that Commissioner Aranoff put to Mr. Schagrin
24 this morning, which is how much weight the commission
25 should place on these corporate relationships.

1 Actually, Mr. Cunningham might a much a
2 greater interest in this by the time he goes home
3 tonight, but if you could help us evaluate that.

4 I understand your point, Mr. Pierce, which
5 is we hope that we will have information from Mittal
6 indicating their intentions, but even if we have that,
7 what the representative from Nucor said, we don't
8 really care what Mittal says, we'd like an order in
9 place to make sure it doesn't really happen.

10 I wondered if you had any comments on,
11 again, how things have changed in this industry, how
12 much weight we should place on the changing corporate
13 relationships and determining what the trade flows
14 will be into the United States.

15 MR. PIERCE: We'll be happy to address it in
16 greater detail in the post-hearing brief, but it's
17 always been part of the commission practice, there's a
18 lot of cases on this and that should continue today,
19 that a related party, a foreign related party related
20 to a member of the domestic industry, is likely to be
21 controlled in such a way as that it does not cause
22 injury to its domestic parent or domestic related
23 party and I think that carries over here. Unless you
24 see some major distinction between Mittal's
25 production, IPSCO's, Nucor's and Oregon's from

1 Mittal's, then one has to presume if Mittal is
2 bringing in product from Romania in such a way that it
3 is not hurting Mittal, then it's not hurting anybody
4 else unless they can show that there is some reason
5 why it's not hurting Mittal but it would be hurting
6 the others. I haven't heard anything from the
7 domestic mills, from Mr. Schagrin or others, why the
8 imports from Romania planned, if they are, by Mittal
9 in the United States to be non-injurious to Mittal
10 would then turn around and be injurious to other
11 members of the domestic industry that are in the same
12 markets, the same products, the same channels of
13 distribution.

14 COMMISSIONER OKUN: I appreciate those
15 comments.

16 Mr. Cunningham, did you have anything you
17 wanted to add to that?

18 MR. CUNNINGHAM: I don't have a view on this
19 issue, believe it or not.

20 COMMISSIONER OKUN: You will soon.

21 MR. CUNNINGHAM: Well, maybe. Yes,
22 I probably will. Yes.

23 COMMISSIONER OKUN: Okay. Mr. Kunka, if
24 I could go back to you for a moment, just with respect
25 to pricing and the market and you've had a chance to

1 respond to a number of things, but one question I had
2 was in the period of review when we saw these very
3 large price increases, one of the arguments made by
4 the dual use is because you've had a comprehensive
5 order in place against a lot of countries that by
6 lifting that order you would not have -- without the
7 comprehensive orders in place, you would have a lot
8 more price pressure. I guess my question for you
9 would be during this period when you saw price
10 increases, when you had allocation issues, there were
11 non-subjects. Non-subjects increased over our period
12 of review. Did you use that as leverage in your
13 negotiations on these prices? Why were you forced to
14 accept these price increases if you did?

15 MR. KUNKA: I'd like to refrain from
16 answering questions about pricing and respond to that
17 in the post-hearing review, if that's okay.

18 COMMISSIONER OKUN: That's perfectly fine.
19 I appreciate that and understand the sensitivity on
20 that.

21 Mr. Cunningham, you already anticipated the
22 question that I will put to all counsel, which is with
23 respect to Bratsk and to the extent that they talked
24 about future replacement and parts of that decision
25 whether it has a place in sunset analysis and in

1 particular for this case, where we had increasing
2 non-subject imports, how we should evaluate it. And
3 that's for post-hearing.

4 MR. CUNNINGHAM: We'll do that in
5 post-hearing.

6 COMMISSIONER OKUN: Thank you.

7 I think with that and my colleagues'
8 questions, I've covered everything I would like to
9 this afternoon, but I did again want to thank you very
10 much for all the answers you've provided and I will
11 look forward to the post-hearing briefs.

12 CHAIRMAN PEARSON: Commissioner Lane?

13 COMMISSIONER LANE: I just have one final
14 question. This morning, Dr. Scott in predicting the
15 future and economic indicators presented a picture
16 that was pretty gloomy, so much so that I almost
17 wanted to fold my tent and go home and wait until
18 maybe things were going to get better, but listening
19 to the three economists this afternoon, things aren't
20 as bad apparently as Dr. Scott said. So tell me what
21 indicators you all are looking at that are different
22 than what Dr. Scott looked at that make you come to a
23 totally different conclusion than what he did as to
24 the future of the economy and this particular market.

25 MR. DOUGAN: This is Jim Dougan from ECS.

1 As I pointed out in my critique of Dr. Scott's
2 analysis, and we can do more on this in the
3 post-hearing, he was broadcasting on very broad
4 measures of economic activity, but there are key end
5 use segments for CTL plate that are quite
6 determinative of what demand will be for these
7 products. In Exhibit 5 to the joint brief that we
8 presented, there are a number of documentation that
9 supports how demand is growing simultaneously in all
10 of the key end use segments and you see that echoed in
11 the presentation that we haven't actually seen but is
12 quoted in AMM and Steel Business Briefing from the
13 domestic producers themselves about booming demand in
14 the key end use markets. So I think that's somewhat
15 of a confirmation and a corroboration of this
16 documentation that we have here at Exhibit 5, but if
17 it's pipelines that are quote in the pipeline, if it's
18 the replacement of rail stock or barges that are well
19 beyond their useful life, if it's non-residential
20 construction that the head of the AIA expects to be
21 the best that it's been, '06 and '07 will be the best
22 periods for the past decade, and the highway build
23 which was sort of characterized this morning as a risk
24 for the domestic producers and yet it seems to me like
25 that would be a source of additional demand for them

1 and those participating in the U.S. plate market.

2 So if you look at those indicators and the
3 things that actually drive demand for CTL plate rather
4 than the larger sort of macro variables, it seems to
5 me -- and also to the domestic producers themselves
6 and their own forecasts that they present elsewhere
7 that things are looking pretty good for the reasonably
8 foreseeable future.

9 MR. PRUSA: One thing that struck me with
10 their analysis beyond other issues with it but just
11 the sense that it was like flying an airplane at
12 30,000 feet and saying, well, I'm looking at GDP.
13 They took no time or chose not to actually look at the
14 actual industries that demand cut-to-length plate. So
15 I instead am going to focus on something that is
16 broadly potentially related to the product in
17 question. Instead, we present page after page of
18 documented industry press reports, company reports
19 that say our oil and rig demand is going up,
20 construction is going up, energy use is going up,
21 which means we need more pipelines.

22 You have to decide which approach do you
23 want: an approach that actually looked at demand for
24 the product and documents case after case after case
25 of actually people saying we are buying the product

1 and will be increasing our buys for the future years
2 versus a discussion in general terms of what we think
3 might be a slowdown in GDP. That's how you get a
4 difference of opinion. One is actually based on fact
5 of relevant demand in the case and the other one is a
6 broad discussion of potential GDP trends.

7 MR. MALASHEVICH: I might add that in
8 addition to all that's been said you also have to make
9 an assessment of quality and by quality I don't mean
10 at all to suggest the skills of economic experts on
11 the other side. That's not what I mean. But if any
12 of us did a model of this industry and forecasting the
13 future, it wouldn't be nearly as good as all the work
14 that's been done by those in the end using segments
15 actually consuming the stuff. I'd much rather rely on
16 the trade association for rail cars to come up with
17 what they forecast to be the future than anybody's
18 model, however brilliant. I think this is a case
19 where the commission is blessed by an industry that
20 sells into a handful of individual segments and you
21 have extensive documentation for what people in those
22 segments think is going to happen. I think it's a no
23 brainer as to which is the higher quality in terms of
24 its relationship to the product at issue in this case.

25 COMMISSIONER LANE: Thank you.

1 One final question. In this particular
2 industry, how would you define the reasonably
3 foreseeable future?

4 MR. PIERCE: Well, your database allows you
5 to go out to 2000. Once you start getting past a year
6 out, a year and a quarter out, a year and a half
7 out --

8 COMMISSIONER LANE: Wait a minute. Allows
9 me to go to the year 2000?

10 MR. PIERCE: I'm sorry, 2007. I'm sorry.
11 I'm sorry.

12 COMMISSIONER LANE: You were just checking
13 to see if we were awake.

14 MR. PIERCE: If somebody was listening, yes.
15 And you are. Out to 2007. Even if you pushed it out
16 to 2008, which is a pretty long time out in the
17 distance. Of course, the further you push something
18 out the more unlikely or uncertain it becomes. We'll
19 address this specifically in the post-hearing brief,
20 but I would think if you go anywhere past 2008 you're
21 just out in guess land.

22 MR. MALASHEVICH: I'd like to add I think
23 that's supported by all the documentation I just
24 referred to. The people actually in the segments
25 being served with plate have produced certain

1 forecasts about the future and I think when time runs
2 out on that forecast that's what they regard as the
3 reasonably foreseeable future or else they wouldn't
4 have forecast it.

5 COMMISSIONER LANE: Okay. Thank you.

6 MR. CUNNINGHAM: Could I add one thing to
7 that?

8 COMMISSIONER LANE: Yes, Mr. Cunningham.

9 MR. CUNNINGHAM: I do think there is a
10 factor that you should think about as you decide in a
11 particular case, not just for a particular industry,
12 what the reasonably foreseeable future is.

13 You're being asked here by the U.S. industry
14 to speculate on certain types of things that they say
15 they think are going to happen in the future and it
16 boils down to really two specific things. One is
17 whether certain things are going to happen with China
18 and then China's exports to other countries and then
19 the displacement from those other countries to the
20 United States. The other thing is basically an
21 inventory correction of prices. Those are the two
22 things that this industry really has pinned its entire
23 case on here.

24 As to the inventory correction, an inventory
25 correction is a fairly short-term phenomena and you're

1 looking, I think, a year is fine to think about that.
2 The problem with the China thing is as everybody said
3 here is it's a bunch of hypotheticals on
4 hypotheticals. It's a bunch of imponderables on
5 imponderables. Will this happen? There's no evidence
6 of it happening yet, but maybe it will happen and
7 maybe this will happen, maybe that will happen. The
8 farther you go out in time on that the more uncertain
9 your speculation, and it's inherently speculation, is
10 going to become.

11 I really think there's a good case here --
12 ordinarily in a steel case I probably would have said
13 two years is not a bad timeframe, but in this case
14 I think because of what the U.S. industry is asking
15 you to pin the decision on, you really shouldn't go
16 out two years. If you go out two years and speculate
17 on those sorts of things, you're really into Never
18 Never Land.

19 COMMISSIONER LANE: So if we don't go two
20 years, then what should we go?

21 MR. CUNNINGHAM: One year. If it's not
22 going to happen in one year, I think you shouldn't
23 speculate it's going to happen after that.

24 COMMISSIONER LANE: Thank you.

25 Mr. McCullough?

1 MR. McCULLOUGH: I think on that point, I
2 think what is very certain was the testimony you heard
3 this morning from Mr. Tulloch at IPSCO who saw that
4 2007 was going to be a very strong year. He admitted
5 as much. Nucor, despite projections they've had
6 earlier, Mr. McFadden said at best what he saw, maybe
7 a ten percent decline in shipments next year which by
8 the way, would still be higher than their record
9 shipments in 2005 when they made 25 percent profits.

10 COMMISSIONER LANE: Thank you.

11 Thank you, Mr. Chairman.

12 CHAIRMAN PEARSON: I have no further
13 questions.

14 Madame Vice Chairman?

15 VICE CHAIRMAN ARANOFF: A few quick follow-
16 ups.

17 I know that Commissioner Koplan has asked
18 the UK producers and anyone else who is interested to
19 brief the like product factors on the wide flat bar
20 issue. I would just add to that if you look all the
21 way back to the Commission's preliminary determination
22 in the original investigation, which is where I found
23 that issue addressed in a couple of paragraphs in the
24 opinion.

25 I guess I'd just add, he asked you to

1 address the like product factors, and my additional
2 question is the Commission did address the like
3 product factors in the preliminary determination and
4 it said basically, well, the fact that the
5 manufacturing process is very different weighs one
6 way, and the fact that there are overlaps in end uses
7 weighs the other way and we go with that one.

8 So the question would be, well we can change
9 our like product determinations in a sunset review,
10 but we usually like to know has something changed
11 about those six like product factors in the
12 intervening time. So as you address them it's not
13 just did we weigh them wrong the first time, or did
14 that Commission weigh them wrong, but has anything
15 changed in the underlying facts that might influence
16 our decision on whether or not to reconsider.

17 Just one other quick follow-up question. In
18 the last chart in the Willkie Farr Mexico questions
19 where it talks about how under any scenario the
20 projected increase in capacity for the current Mexican
21 producer would not get rid of the supply deficit in
22 the Mexican market, that I assume did not take into
23 consideration whatever it is that Mittals is planning
24 to do in the Mexican market.

25 MR. PRUSA: That is correct. That is with

1 AHMSA right now as the sole producer, it's focused on
2 AHMSA and demand projections on top of that. Correct.

3 VICE CHAIRMAN ARANOFF: Okay. So feel free
4 in your posthearing to address whether the fact that
5 Mittal may be preparing to enter that market makes a
6 difference to the analysis that you offered.

7 MR. PIERCE: We'd be happy to. We don't
8 know much about Mittal's plans. There's a press
9 report about it. As far as the details beyond that,
10 we'll see what we can find.

11 VICE CHAIRMAN ARANOFF: I'm assuming they're
12 not buying your client, they're actually talking about
13 building another producer in Mexico. But --

14 MR. PIERCE: I'm assuming that too.

15 (Laughter).

16 VICE CHAIRMAN ARANOFF: There's only two
17 ways to enter the Mexican market, right? You've
18 either got to buy the mill that's there or you have to
19 build one.

20 MR. CUNNINGHAM: If you see Mr. Pierce and
21 me drinking heavily in a bar together --

22 (Laughter).

23 VICE CHAIRMAN ARANOFF: I don't hang out in
24 bars so I probably wouldn't see you.

25 (Laughter).

1 Thank you very much to all of the witnesses
2 this afternoon. I have no further questions.

3 CHAIRMAN PEARSON: Madame Vice Chairman, at
4 the end of your previous round both Mr. Kunka and Mr.
5 Montalbine had wanted to comment on the question then
6 pending. Do you recall what it was, and would you be
7 willing to allow them to answer now?

8 VICE CHAIRMAN ARANOFF: the question was
9 transportation costs to China and how much we can move
10 big, heavy plates around the world. I don't know if
11 there's anything you want to add now. You're welcome
12 to do so.

13 MR. KUNKA: This is Mr. Kunka from
14 Caterpillar.

15 We look at total supply chain costs which
16 include transportation. But there was a question
17 about is transportation equal no matter where it's
18 coming from. The answer is no.

19 We also look at how it affects our other
20 criteria such as delivery and the risk of the product
21 being damaged when it gets there. There are things we
22 have to consider that do add cost to the total supply
23 chain when considering long transportation, so again,
24 if the material gets damaged, rusts, the boat sinks, a
25 number of different things. So I just wanted to say

1 that we do look at that from a purchaser's
2 perspective.

3 Thank you.

4 MR. MONTALBINE: Marc Montalbine on behalf
5 of Germany.

6 If I could add one thing. If we're talking
7 about the so-called steel tourism, that is only
8 something that happens with commodity products. When
9 you're talking about special grade products, those are
10 ordered by a specific client with specific
11 specifications for a specific project. You can't just
12 put it on a boat that's supposed to go to a pipeline
13 in Iran and say oh, the order's gone in America,
14 please turn the boat around and ship it to America.
15 It's tied to a very specific project.

16 That gets back to an earlier presentation by
17 the Petitioners. I believe there was a question that
18 you had about German exports outside of the EU and how
19 there was an increase. Those are exports to a
20 pipeline project in Iran. What the Germans are
21 exporting outside the EU is project specific. So it's
22 not anything that could easily be diverted to the
23 United States.

24 Thank you.

25 VICE CHAIRMAN ARANOFF: Actually, I

1 appreciate those answers very much and thank you, Mr.
2 Chairman for reminding me to give you the time. And
3 anything that you can add in your briefs to document
4 that that's where the Germany extra EU exports are
5 going, although Commissioner Okun is suggesting that
6 perhaps you don't want to advertise that too broadly
7 in Washington. In any event, thanks very much for
8 those comments.

9 MR. MONTALBINE: I'm a little naive. I live
10 in Germany, I work out of our German office, so I'm
11 not as savvy in the Washington politics as maybe the
12 others. So thank you for the comment. I'll try to be
13 careful.

14 (Laughter).

15 VICE CHAIRMAN ARANOFF: I believe the
16 correct term is "axis of evil."

17 (Laughter).

18 CHAIRMAN PEARSON: Madame Vice Chairman, I
19 too am surprised I remembered that at 6:00 in the
20 evening but I'm glad we got those responses. So thank
21 you.

22 Commissioner Hillman?

23 COMMISSIONER HILLMAN: Thank you. I hope
24 just a couple of quick follow-ups.

25 This exchange, Mr. Kunka, has just prompted

1 me to make sure I know whether we have on the record,
2 does Caterpillar purchaser cut-to-length plate from
3 China? If you have to do that posthearing if it's
4 confidential, fair enough.

5 MR. KUNKA: You mean for U.S. consumption?

6 COMMISSIONER HILLMAN: Either way. Are you
7 purchasing it for U.S. consumption?

8 MR. KUNKA: Not for U.S. consumption. We
9 have facilities that manufacture product in China that
10 consumes Chinese cut-to-length plate.

11 COMMISSIONER HILLMAN: Okay. I appreciate
12 that answer.

13 The last question on this issue of what is
14 reasonably foreseeable, et cetera, et cetera. We
15 heard a lot, Mr. Reyes, from you and others about how
16 likely or near term any additions to capacity are in
17 Mexico. But I noted in your slides you've also noted
18 there's going to be this new rail car facility right
19 near your plant. Can you give me a sense of what is
20 the reasonably foreseeable timeframe in which this
21 rail car facility would be actually up and running and
22 demanding product?

23 MR. GARZA: This is a joint venture between
24 Greenbrier Group of Oregon with already existing
25 company, Monclova Cuavila. They are going to use the

1 facilities that already exist, so they are planning on
2 start operation in four months.

3 COMMISSIONER HILLMAN: Four months from now.

4 MR. GARZA: Yes.

5 COMMISSIONER HILLMAN: Do you have a sense
6 of how long it would take them to ramp up in terms of
7 needing --

8 MR. GARZA: The first order they have is for
9 500 railroad cars.

10 COMMISSIONER HILLMAN: Beginning in four
11 months.

12 MR. GARZA: Yes.

13 COMMISSIONER HILLMAN: I appreciate that.
14 With that, I have no further questions.

15 MR. PRUSA: There is a press article we can
16 submit posthearing that actually documents the
17 specifics.

18 COMMISSIONER HILLMAN: I appreciate that.
19 I would join my colleagues in thanking all
20 of you for your testimony and for taking the time to
21 be with us. We very very much appreciate it. Thank
22 you.

23 CHAIRMAN PEARSON: Commissioner Okun?

24 Any further questions from the dais?

25 Mr. Corkran, do members of the staff have

1 any questions?

2 MR. CORKRAN: Douglas Corkran, Office of
3 Investigation.

4 Thank you, Chairman Pearson. Staff have no
5 further questions.

6 CHAIRMAN PEARSON: Do parties in support of
7 the continuation of the orders have any questions for
8 this panel?

9 MR. SCHAGRIN: Thank you, Chairman Pearson.
10 Roger Schagrin speaking. On behalf of all counsel we
11 have no questions of this panel.

12 CHAIRMAN PEARSON: Okay. Let me review the
13 time remaining.

14 Those in support of continuation have 11
15 minutes left from the direct presentation plus five
16 minutes for closing.

17 In opposition to continuation, three minutes
18 from direct plus the five.

19 How would you like to proceed? Do you want
20 to offer rebuttal or would you like to go directly to
21 closing?

22 MR. SCHAGRIN: It's so early, we would like
23 to offer rebuttal.

24 CHAIRMAN PEARSON: Very well. Go ahead and
25 rebut.

1 We should excuse the panel.

2 MR. CUNNINGHAM: Let me defer until after I
3 hear what they rebut, but I'm pretty sure all I want
4 to do is close, but let's see what they rebut with
5 first.

6 CHAIRMAN PEARSON: Would you like the
7 opportunity to rebut after their rebuttal or --

8 MR. CUNNINGHAM: I've got to -- We've
9 already rebutted everything they did in their original
10 presentation. So if they have something new on
11 rebuttal I might want to rebut that, but I'm going to
12 try to avoid it if possible.

13 CHAIRMAN PEARSON: You have no objection in
14 allowing me to let them go directly to closing?

15 MR. CUNNINGHAM: Absolutely.

16 (Pause).

17 CHAIRMAN PEARSON: Please proceed. Mr.
18 Schagrin, you're starting?

19 MR. SCHAGRIN: Thank you, Chairman Pearson,
20 members of the Commission. I will begin.

21 It's interesting that Respondents started
22 out with charts and their economic presentation trying
23 to demonstrate to the Commission that between 1990 and
24 2005 there was no correlation between import volumes
25 and industry profitability, which came as quite a

1 shock to me since the Commission's done three cases on
2 cut-to-length plates since that time, as well as three
3 sunset reviews and you found correlation in all
4 between imports and the injury suffered by the
5 industry. Why did you do that? Because it was
6 obvious, of course.

7 I think there's a misunderstanding of the
8 Petitioners' argument and what is called the Schagrin
9 economic paper, although to be honest we did put the
10 names of our two PhD economists on it, not myself. I
11 am not an economist and I am one of the few people who
12 is actually proud of that.

13 But the misunderstanding is that there is a
14 sense from respondents that in order for there to be a
15 recurrence of injury you had to believe the U.S. was
16 going into recession. That is not the case.

17 There is, I think, little chance that the
18 first quarter of 2007 is going to experience the
19 incredible growth which happened in the first quarter
20 of 2006, 5.6 percent GDP growth, tremendous growth as
21 was pointed out at the hearing this morning, in plate
22 consumption. If we have that kind of growth in the
23 first quarter of 2007 I'll jump for joy. I love
24 economic growth. It's good for everybody. It's just
25 so unlikely.

1 Listening to the financial news every day,
2 reading the financial press, it seems to me that the
3 entire debate going on in this country after 17 Fed
4 rate increases is whether we're going to have a hard
5 landing, a soft landing, or a bumpy landing. I never
6 hear anybody of the financial gurus or the economic
7 press talking about a no landing scenario. So I think
8 there's little doubt, it's the economic cycle, that we
9 are going to have a slowing economy, and it's because
10 we're going to have the slowing economy that the plate
11 producers now I think, two or three of the major plate
12 producers told you this morning that they are planning
13 some capacity shutdowns or production shutdowns in the
14 fourth quarter. Strong market, tight supply, tight
15 demand conditions don't make companies tell their
16 workers to come home, don't come to work today, we're
17 not producing plate today.

18 Let's be realistic here, and I don't think
19 the Respondents were ever realistic this afternoon.

20 It was very interesting to me that the
21 purchasing manager of Caterpillar said gee, it's a
22 pity we heard about these fourth quarter industry
23 shutdowns because we're afraid it's going to add to
24 tightness.

25 The industry wouldn't be planning shutdowns

1 during the fourth quarter, which we'll get to in our
2 posthearing brief, if it wasn't for the fact that
3 their order books are so weak.

4 If Caterpillar wants to make sure that the
5 industry doesn't have a shutdown, let them order more
6 plate from the domestic producers and we'll talk about
7 that in our posthearing brief confidentially.

8 I wasn't here on Tuesday, but I presume that
9 the Caterpillar arguments are very similar to that of
10 auto producers. They really want to buy domestic
11 product but they don't want there to be orders against
12 unfairly traded product because they'd love to use the
13 price offers of unfairly traded products in order to
14 force down domestic pricing.

15 That's essentially what I heard the
16 Caterpillar witness saying today. That demonstrates
17 that if you get rid of these orders there's going to
18 be a price effect. But the fact is the largest
19 segment of demand for the domestic industry isn't in
20 fact any of the segments discussed this afternoon.
21 The vast majority of sales are to service centers.
22 That is what drives orders for the domestic industry.
23 And unlike Caterpillar, the service centers don't want
24 to use import prices to force down domestic prices.
25 They're going to buy imports as soon as they're

1 offered at lower prices. That's why we had these huge
2 import surges from the former Soviet countries back in
3 '96, why we had them after the Asian crisis in '98,
4 '99, is because service centers bought imports at
5 lower prices than domestic products in droves.

6 Let me just talk about the Brazilian exports
7 to Canada. I don't think there's a dire shortage of
8 plate in Canada, but there are a lot of exports to
9 Canada. A lot of those exports are just from Oregon
10 Steel Mills right to their Camrose Pipe Facility.
11 They're not really "in" the Canadian market. But if
12 there are such shortages in Canada that caused
13 Brazilians to ship 45,000 tons in the first half of
14 this year you would think that Brazilian export prices
15 to Canada would be at least as high as U.S. prices,
16 and I think you'll see in our posthearing brief that
17 that's not the case. It's because they're buying
18 share in Canada and having an adverse affect on the
19 two remaining Canadian producers.

20 The China issue. China is the next Asian
21 crisis. The difference is that the Asian crisis was a
22 meltdown in demand. This time it's a supply explosion
23 in China. It's not speculation about where China is
24 going and a bunch of domino theories and how do we
25 connect the dominoes, and it's so complicated. China

1 is exporting massive amounts of plate around the world
2 right now. It's going to increase in the future, but
3 they're doing it right now. All the data is in the
4 Stewart and Stewart brief and we'll highlight it in
5 ours.

6 In fact there was an article in AMM just
7 yesterday where a representative course was
8 complaining about the fact that there's so much flat
9 rolled imports coming to the EU from China that it's
10 causing problems. Why would there be a potential EU
11 pate case against China if there weren't already a lot
12 of plate imports from China into the EU?

13 The penultimate issue, the cumulation issue.
14 I think this Commission has done an extraordinary job
15 over the first six years of sunset in deciding when
16 not to cumulate and to let countries out or to find no
17 discernible impact. I know just as the plate where
18 I've done the first, the last two reviews you let
19 South Africa out, you let France out. We haven't had
20 an increase in imports from those countries. You
21 didn't hear the domestic industry complaining about
22 that. The Commission got it right.

23 I know that if you end the orders against
24 all 11 of these countries, we're going to have import
25 surges and we're going to have damage to this

1 industry. I've got enough clients laying people off
2 and piping tubes. I'm tired of seeing good, efficient
3 producers damaged by imports. Those are all China
4 issues. I won't get into that.

5 So we're really depending on you to use your
6 wisdom in this case to decide which of these 11
7 countries, if you sunset the order, won't provide
8 larger quantities of low priced imports to the United
9 States. If that's the case, let them out.

10 It's clear from the record that doesn't
11 apply to all 11 countries.

12 Last night I just need to get on the record,
13 looking at my calendar, my next time coming to this
14 Commission isn't until April 12th. That may be the
15 longest time span of my career.

16 I know that the two successors to
17 Commissioner Koplan are not here, and Commissioner
18 Hillman, have already been named by the President. I
19 presume if the Senate does their job there's at least
20 a reasonable chance I won't see you again on April
21 12th. I just want you to know you have been a credit
22 to the professionalism of the Commission and I have
23 enjoyed practicing before you, including all the 201
24 cases. Unfortunately 9/11, but at least the Red Sox
25 won the World Series during that time. Thank you.

1 MR. RIKER: I'm David Riker with some
2 rebuttal points.

3 Dr. Prusa listed a number of concerns with
4 my economic analysis. I disagree with his comments.
5 I'll have to review the transcript to address them
6 point-by-point, but as I understand his comments, they
7 are not only difference of opinion, but refutable
8 misrepresentations of fact on Dr. Prusa's part. The
9 study's on the record. It speaks for itself. Some
10 people have even told me that it's readable, as
11 economics go.

12 My first example is those staples of
13 economics, supply and demand. As I understand his
14 testimony, Dr. Prusa claimed that my economic analysis
15 is not a model of supply and demand, yet the last few
16 pages of the submission show the equations for supply
17 and demand for the model. You can look it up.

18 My second example involves international
19 price differences. As I understand his testimony, Dr.
20 Prusa claimed that my analysis assumes that prices are
21 higher in the U.S. than anywhere else in the world.
22 That's not true. As I testified earlier today, the
23 evidence that I reviewed does not indicate significant
24 differences between EU and U.S. prices at the current
25 time. The economic model does not assume that there

1 are. The model is driven by large differences between
2 prices in Asia and the U.S. The model is driven by
3 the magnitude of existing unused capacity, by
4 divertible exports, and by excess inventory of foreign
5 subject producers.

6 My third and last example involves foreign
7 excess capacity. As I understand his testimony, Dr.
8 Prusa claimed that my model assumes that 100 percent
9 of the foreign subject producers reported excess
10 capacity will be shipped to the U.S. market. In fact
11 the economic submission explicitly states that there
12 is likely a strong economic incentive to shift only a
13 portion of these volumes if the orders are revoked.

14 As I understand one of Commissioner Okun's
15 questions earlier today, she was looking for a
16 framework to gauge the significance of foreign subject
17 tons to the reoccurrence of injury. In fact, the
18 purpose of my economic model is to integrate these
19 economic data in order to quantify the economic impact
20 of revoking the orders. Whether you embrace an
21 economic model or not, I think the Commission staff's
22 own variance analysis shows just how sensitive the
23 industry's financial performance has been to
24 fluctuations in prices.

25 MR. BRIGHTBILL: Let me continue with a

1 couple of rebuttal points.

2 China capacity. We did put on the record 70
3 million tons of capacity that's going to come on-line.
4 We believe two years is the appropriate timeframe for
5 looking at what is reasonably foreseeable. That's
6 precedent which the Commission has established and
7 which is appropriate.

8 We've compiled all that capacity. The
9 reason why Ambassador Schwab has elevated the China
10 capacity problem to the level that she has is because
11 of the dire situation that is faced today.

12 I'd just underscore what Mr. Schagrín said,
13 that the China domino effect story is not speculative,
14 it's not overly complex. It's happening today.
15 Brazil says, the President of the Brazilian Steel
16 Institute recently described China's growing capacity
17 as "a threat to Brazilian producers." So it's a
18 threat to subject imports and the world.

19 CHAIRMAN PEARSON: Now you're prepared for
20 closing.

21 MR. BRIGHTBILL: Would you like me to move
22 directly to closing at this point?

23 CHAIRMAN PEARSON: Yes. Unless you prefer
24 to wait until after Respondents, but if you're ready -
25 - Mr. Cunningham?

1 MR. CUNNINGHAM: I don't intend to rebut
2 anything other than some things I may say in my
3 closing, so why doesn't he just go ahead with his
4 closing and I'll take all my eight minutes and take
5 part of it or whatever to do the closing.

6 CHAIRMAN PEARSON: If you have no objection,
7 Mr. Brightbill, go ahead.

8 MR. BRIGHTBILL: Chairman Pearson, members
9 of the Commission. Thank you for your attention
10 during this long -- not as long day. As confirmed by
11 this weeks' hearings no one can doubt the seriousness
12 and the thoroughness of the Commission and we greatly
13 appreciate the opportunity.

14 Since 2004 the domestic cut-to-length plate
15 industry has been doing well. Very well. Let's not
16 forget, this is two years following many many more
17 years of losses and decades of dumping, subsidies, and
18 affirmative material injury determinations by this
19 Commission.

20 The AD and CVD orders on these and other
21 subject countries are a very important reason why the
22 domestic industry has recovered. The orders on these
23 21 countries have worked as intended, by eliminating
24 dumped and subsidized merchandise from the market.

25 Moreover, you know that the domestic

1 industry's two years of profits are not the whole
2 story of this sunset review. So what has this
3 investigation revealed? Many of the same facts that
4 you found a year ago in the sunset review of plate.
5 Massive addition to Chinese capacity resulting in
6 China becoming a net plate exporter with resulting
7 impacts immediately throughout the rest of the world.
8 Not speculative, not domino. True a year ago, still
9 true today.

10 Planned cut-to-length plate capacity
11 additions of about 70 million short tons worldwide,
12 including China, including many of the subject
13 countries. Current prices that have already started
14 to decline and are projected to decline by very
15 substantial amounts. Global demand growth that is
16 currently strong but which will slow significantly in
17 2007 and 2008. And a significant price gap between
18 the United States and the rest of the world, several
19 hundred dollars between the United States and Asia.
20 Also, let's not forget, a domestic industry that lost
21 money for four years of the period of review.

22 So with these conditions as backdrop, what
23 will happen if these orders are revoked?

24 There will be a volume effect. Subject
25 imports will return. These 11 countries will surge

1 back. This is particularly true because subsidized,
2 uncontrollable growth of China leaves them no choice.
3 Everyone in this room on both sides of the aisle knows
4 that China is poised to take their markets and their
5 customers. This is not speculation. Many of them
6 have or are seeking trade protection against Chinese
7 plate imports. While these foreign antidumping orders
8 are going up or being considered, perhaps now is not
9 the best time to get rid of ours.

10 There will be price effects. These products
11 are sold on the basis of price, as the investigation
12 has established, and small volumes of imports can have
13 immediate, large price affects. This is a commodity
14 product with bigger price swings than on corrosion
15 resistant products. It's a much different industry
16 than what you talked about on Tuesday. There would be
17 substantial price declines no later than 2007 and
18 2008.

19 You've heard testimony today of \$100 a ton
20 or more being likely. We've seen such rapid,
21 destabilizing price swings in the past.

22 What would be the impact on the industry?
23 An increase in subject imports would have substantial
24 impact on the domestic industry. And we don't have to
25 show a death spiral to show that material injury would

1 recur. A price drop in this industry goes straight to
2 the bottom line and the financial performance of these
3 domestic producers, their production levels, their
4 substantial capacity and capital investments are all
5 linked to whether or not these orders remain in place.

6 I'd like to rebut just a couple of points.
7 One, market power.

8 It is true as Respondents say that the
9 domestic industry is today more efficient and
10 productive and competitive than it was five years ago,
11 but it is not true that the domestic industry has
12 substantial pricing power or is insulated in any way.
13 Not when imports consistently undercut pricing levels,
14 not when the slightest uptick in import levels causes
15 plate prices to drop \$50 a ton or more.

16 Cumulation. We've heard a lot today from
17 individual countries and producers saying how they're
18 special, how they're not like the rest of Respondents.
19 But plate is a commodity product by and large with
20 imports that are highly substitutable for domestic
21 product and competition based on price. We've shown
22 today why there really aren't that many situations
23 where you can let someone off the hook because their
24 situation is that much different. All of them have
25 capacity, all of them export to varying degrees, all

1 of them undersell, and all of them will seek high-
2 priced markets.

3 It's been a good two years, we don't
4 apologize for that, but your question is where we will
5 be in the next one to two years if these orders are
6 removed. As the domestic industry has told you, we're
7 at the top of the price cycle, we're at the top of the
8 demand cycle, inventory is very high, the roller
9 coaster is headed one way, down. And removing these
10 orders now will likely cause the bottom to drop out.

11 For all these reasons, on behalf of the
12 domestic industry and its workers, we ask you to reach
13 the same conclusion as you did in 2003 and 2005, and
14 leave these orders in place. Thank you.

15 CHAIRMAN PEARSON: Thank you, Mr.
16 Brightbill.

17 Mr. Cunningham?

18 Please turn the microphone on before
19 thanking us.

20 MR. CUNNINGHAM: Is that not on? Okay.

21 Thanks again for your patience on this long
22 day.

23 (Laughter).

24 The Commission has two fundamental tasks in
25 this proceeding, two fundamental issues you face.

1 There is the overall yay or nay issues. Should you
2 simply say this order is to be revoked entirely.

3 The second question is, are there countries
4 that should be decumulated from your analysis.

5 On the first question, I have to confess to
6 the Commission that I can't point you to any case
7 where the Commission has ever said simply because the
8 industry is doing so fabulously well, that alone
9 requires revocation of the order. But I must say this
10 case pushes the envelope on that. It pushes it right
11 to the limit. That's a spectacular chart. This is a
12 spectacular earnings performance, a spectacular level
13 of prices, and an industry that in all the years I've
14 been doing steel, and I've been doing it since '74,
15 I've never seen a performance this strong by a steel
16 industry.

17 But let's not stop there. Even if we'll say
18 that alone doesn't do it, it does do a couple of
19 things. One is it colors how you analyze all of the
20 other issues. It colors how you analyze the extent to
21 which the industry is vulnerable. I think it's
22 preposterous to say this industry is vulnerable given
23 this financial situation and these operating results.

24 It colors how much threat of how much impact
25 you have to find to say that it's going to have a

1 material adverse impact on that industry. I submit
2 you have to have something awfully tangible, awfully
3 sure, and awfully substantial, and the U.S. industry
4 hasn't offered that to you.

5 I said before, a few minutes ago, they have
6 two arguments. I'll give them a little credit. Let's
7 say they have three arguments. One, let me just sort
8 of tell you I don't think you ought to go with.
9 That's the argument that yes, everything's fine now
10 but we're going to have a recession here in the United
11 States. I don't think the Commission's ever based a
12 decision on its forecasts of what the U.S. economy as
13 a whole is going to do as opposed to what you always
14 do which is a very specific analysis of this market,
15 this industry, this demand prospect, this supply
16 prospect, these price prospects. That's what we've
17 been giving you data on here today. The U.S. industry
18 hasn't given you much of that.

19 Don't just say oh, my gosh, we're going to
20 have a recession. Economists all over the world will
21 disagree on that, what's going to come, when there's
22 going to be a recession. Some day we'll have a
23 recession but whether it's in your foreseeability
24 period, I think it's a hard call for you to make and
25 not a sound basis for your decision.

1 The second point they say is China. The
2 China bomb is going to go off. It hasn't yet. You
3 don't have substantial exports to the degree of
4 forcing out the Respondent countries' sales, either
5 from the domestic markets or from their other export
6 markets now. You don't have any trends that show
7 that. You have to have something a lot more
8 substantial than that to say well, China's going to be
9 a big problem in the future. I guess we ought to keep
10 the order in effect.

11 Then they say well, this increase -- That's
12 really the only thing they have for you that says
13 there's going to be an overall increase in imports in
14 any significant way. That's their whole argument.

15 They also say look, we've got a price
16 decline coming. What kind of price decline coming is
17 it? It's not a decline coming from end use demand
18 shrinking. Very important that you look at the
19 figures they present. Look at page 44 of Mittal's
20 brief. Demand's going to go up. Steadily.
21 Throughout the period they look at. And it's at a
22 massively high level now.

23 What they're saying is there will be an
24 inventory correction. These happen in the steel
25 industry. We had that last year. They talked about

1 it in the last hearing. We're going to have an
2 inventory correction. We had it. It's over. It was
3 over before we got very far into this year and prices
4 have gone, in just that period of time, up to new high
5 levels. So it's not a very persuasive argument for
6 you.

7 I will say this, there are all the arguments
8 you've heard before. The industry is very clearly
9 adopting what I call the Alan Greenspan axiom which is
10 the secret to successful economic forecasting is to
11 forecast frequently. If your forecast is wrong, make
12 it again a little later. Maybe it will be right. If
13 it's not right then, make it again. It hasn't been
14 right yet. There's no indication they're going to be
15 right that is tangible enough for you to rely on.

16 Let's turn now to the decumulation issues.
17 I want to apologize because I know the Belgians are
18 here and they've said they've got a decumulation
19 argument. I'm sorry I just can't address it because I
20 don't know it. I hope you'll consider theirs on their
21 brief.

22 You've got two kinds of decumulation
23 arguments today. You have the argument that's
24 presented by the Mexicans, and I think you should
25 listen to Mr. Schagrín on that. Mr. Schagrín said if

1 it weren't for the fact that they've got a capacity
2 increase coming they should be out of this case in a
3 minute. I agree. They should be out of this case in
4 a minute. I think they've effectively rebutted for
5 you the idea that there's any substantial capacity
6 increase coming within the foreseeability parameters
7 that you normally would use or that you should use
8 here.

9 The other sort of argument is what is
10 presented by the two European producers that appeared
11 here. The British and the Germans.

12 You consider a number of factors in
13 determining whether to decumulate or not, and in
14 different cases you give different weight to different
15 factors.

16 Let me give you a rule of thumb as to how
17 you ought to choose which factors are significant in
18 decumulation. I suggest to you you ought to listen to
19 what it is that the U.S. industry tells you they're
20 threatened with. And you should look as to cumulation
21 as to whether a particular country fits those concerns
22 of the U.S. industry. You know they don't here.
23 Neither the British nor the Germans.

24 Listen to Mr. Schagrin in his closing. He
25 said the largest segments, the vast majority of our

1 problem is in the service center sector, in the spot
2 market, in the commodity plate that's plugged into the
3 service center spot market. That's not the Germans,
4 it's not the Brits. Both of them have declines of
5 significant amounts during the original investigation
6 period. Both of them have substantial declines in
7 their capacity and the Brits in addition have shown
8 you what they would not do. That is they would not
9 come into a market when the order is lifted both
10 because they didn't use their Dutch production to come
11 in here when they could have done so, no duties; and
12 they didn't increase their Canadian sales when the
13 Canadian order was lifted.

14 You should decumulate these countries. But
15 maybe you don't have to get to that if you just
16 terminate the whole order.

17 (Laughter).

18 CHAIRMAN PEARSON: Thank you, Mr.
19 Cunningham.

20 Mr. Schagrin, permit me to offer an
21 extemporaneous comment. Commissioner Koplan got an
22 excused absence from us to receive an honor this
23 evening from his alma mater. I will be pleased to
24 tell him that you also have honored him tonight with
25 your comments.

1 Now the closing statement.

2 Posthearing briefs, statements responsive to
3 questions and requests of the Commission, and
4 corrections to the transcript are to be filed by
5 October 30, 2006; closing of the record and final
6 release of data to parties, December 5, 2006; final
7 comments, December 8, 2006.

8 A final word, sincere thanks to the staff,
9 particularly those who have been here both on Tuesday
10 and Thursday. I don't envy your task of putting
11 together the final --

12 (Applause).

13 CHAIRMAN PEARSON: I don't envy your task of
14 putting together the final staff report, but that's
15 something you can handle and you don't have to do it
16 in the midnight hours.

17 I think there is no further business and no
18 further rambling comments. I'm getting my rambling
19 comments out of order the closing. But at any rate,
20 now at not much after 6:30, I am going to adjourn this
21 hearing.

22 (Whereupon, at 6:33 p.m. the hearing was
23 adjourned.)

24 //

25 //

CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, Poland, Romania, Spain, Sweden, Taiwan and the United Kingdom (Corrosion-Resistant Steel)

INVESTIGATION NO.: AA1921-197; 701-TA-319, 320, 325-327, 348 and 350; and 731-TA-573, 574, 576, 578, 582-587, 612 and 614-618 (Second Review)

HEARING DATE: October 19, 2006

LOCATION: Washington, D.C.

NATURE OF HEARING: Second Review

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

DATE: 10/19/06

SIGNED: LaShonne Robinson
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Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Christina Chesley
Signature of Court Reporter