



made in the fall of 2012 to regain some of our market share lost to dumped imports.

There are several conditions of competition that make the U.S. NOES industry susceptible to injury from unfairly traded imports.

First, NOES products from all sources are highly interchangeable. The characteristics of NOES sold in the U.S. market are the same whether produced by AK Steel or imported from the subject countries. NOES sold in the U.S. market is typically produced and warranted to meet ASTM specifications. While our published catalogs refer to ASTM specifications, our products also meet all international specifications, such as IEC. For example, all of our products meet IEC requirements for high permeability.

Second, because NOES is typically made to standard industry specifications, NOES products from different manufacturers are highly interchangeable. Thus, NOES is an extremely price sensitive product. Price is the primary driver of purchasing decisions.

Third, imports compete with our NOES products across the full spectrum of grades and applications. We offer fully-processed NOES in

12 standard core loss grades in 6 thicknesses and semi-processed NOES in two grades and three thicknesses. We offer our fully-processed NOES with 4 applied insulation coatings. Alternatively, if the customer does not want an applied insulation coating, we offer an ASTM C-0 surface oxide coating. All of our semi-processed NOES is provided with an anti-stick coating. We also routinely meet the specific needs of customers by modifying standard grades. AK Steel offers coils up to 48 inches wide. We also provide slit coils in any width and any grade. Subject imports and AK Steel's NOES are available throughout the United States. The key purchasers know who all the suppliers are and they leverage competition to force prices down. We are obviously at a disadvantage to competitors offering NOES at dumped and subsidized prices.

I am familiar with the arguments made by respondents regarding factors other than price that are important to NOES purchasers. We agree that price is not the only factor, but in our experience it is the most important one. Certainly, quality is important, but the suppliers in the six countries at issue all have quality products. You cannot sell NOES

without meeting industry specifications and being qualified by the purchaser. That is a given. In our experience, once producers are qualified with a purchaser for a certain product, quality is no longer an issue. The competition is then squarely on price.

As Eric stated, AK Steel has a quality record that is second to none. We pride ourselves on being rated #1 in customer satisfaction by the Jacobson customer survey and in having one of the lowest claim rates in the steel industry. The suggestion that we are losing sales to dumped imports because of quality is, frankly, ridiculous. If our quality is so bad, why is it necessary for the foreign producers to dump NOES and undercut our prices by large margins in order to win sales? If their quality were better than ours, their prices would be higher than ours, not substantially lower.

Product availability is also important, and the respondents try to convey the impression that AK Steel is unable to supply a broad segment of the NOES market because it does not, cannot, or refuses to make specific products. Again, not true. As Eric stated, we have outstanding, highly experienced applications engineers, dedicated

customer service groups, and internal and external sales representatives who have successfully served customers for decades by understanding their needs and providing technical support for the use of our products. We have an outstanding track record in being able to meet the technical needs of our customers. Our NOES products are certified by the largest and most sophisticated purchasers of NOES in the United States.

Respondents also state that AK Steel has put NOES customers on allocation several times over the past ten years. We did have a coating capacity issue in 2008 that caused us to ask customers to use outside coating contractors. We promptly resolved that issue and have not experienced any similar issues since then. We have not put any NOES customer on allocation since 2008. As is clear from our questionnaire response, we had plenty of available capacity during the period of investigation.

We also understand the desire of some customers to have more than one supplier to mitigate risk. But I would add that we are the sole supplier for a number of purchasers, who are very happy with our products, delivery, and service. As for those purchasers who prefer

more than one supplier, we would simply say that we want to compete fairly for as large a share as possible of their NOES business. We are not trying to shut any imports out of the market; we are trying to ensure that import competition is fair and that we do not lose volume and reduce our prices because of unfair prices.

Although NOES is a mature product, we currently have several NOES products in development, and we devote significant resources to this effort. We work hard to provide the best possible technical service and support, and we welcome feedback from our customers. But we dispute the argument that our NOES business is suffering due to technical failures. That is simply not true.

Another argument of respondents is that our problems are the result of sales lost to either CRML or imported laminations. There is no evidence to support either of these claims. As Mr. Dorn noted, it is now undisputed that CRML is not part of the domestic like product. But some respondents continue to insist that NOES and CRML are broadly interchangeable and that AK Steel has lost sales to CRML or suffered downward price pressure because of competition from CRML during the

period of investigation. That's just not true, and the respondents' arguments regarding competition between NOES and CRML are based on pure speculation.

We are unaware of any purchaser switching from NOES to CRML during the period of investigation. CRML was introduced into the U.S. market in the 1950s. It has also been much lower priced than NOES. To the extent that there was switching from NOES to CRML, it happened many years ago, long before this case. In addition, we have not experienced price pressure from competition with CRML. We are not aware that any of our customers have qualified CRML to compete with our NOES. To the contrary, the factor that purchasers always cite to us when we talk to them is the ready availability and low prices of dumped imports of NOES, not CRML. We are not aware of a single instance where a customer has used the threat of purchasing lower priced CRML as leverage to negotiate lower NOES pricing.

The notion that we are losing sales to imported laminations makes no sense. It would be like saying we lose sales of corrosion resistant carbon steel when an automobile is imported. We are competing in the

U.S. market with suppliers of NOES, not suppliers of laminations.

Moreover, the import statistics that are cited in support of this argument broadly include parts of motors or transformers and are not specific to laminations. So those statistics tell you nothing.

The final issue I would like to address is our response to significant and growing losses of market share to low-priced imports in 2012. In the fall of 2012, we made the difficult decision to cut our prices for 2013 shipments in order to regain some lost market share, add production volume, and lower our fixed unit costs. This strategy succeeded for a short period of time, and we were able to gain back some market share. But, the strategy ultimately did not work. Import prices continued to fall even further, underselling even our depressed spot market prices. When that happened, it was clear that we needed to file this trade case, because import prices apparently had no floor. As a result, although we bought back some market share from imports in the first half of 2013, our prices and profitability got even worse.

In our brief in exhibits 29-32 we provided documentation of our thinking and a copy of the proposal we made to our management for

approval of this pricing strategy. You will see in the documents our calculations of the differential impact on our business from either dropping prices to maintain volume or ceding more volume to imports. As you will see from our contemporaneous business records, our decision to reduce price was predicated on price competition with imported NOES, not competition from CRML or imported laminations.

In summary, we have lost sales and revenues because of what purchasers responding to your questionnaire call our “inferior price,” not because of inferior quality, availability, or other reasons. We want to continue to be a premier supplier and a viable source of supply to our customers for the long term. But we will not be able to continue if competition is not on a level playing field.

Thank you.

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