

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

Non-Oriented Electrical Steel from China)
Germany, Japan, Korea, Sweden and Taiwan) Inv. Nos. 701-TA-506-508 and
_____) 731-TA-1238-1243 (Final)

Testimony of Robert Stewart

1. I am Robert Stewart, CEO of Lamination Specialties Corp. founded in 1956. I have been with Lamination Specialties thirty four years. We are still owned by founder Albert Delighter.

2. Lamination Specialties manufactures parts called laminations that go into electric motors and transformers that require high quality electrical steel. We also have the LSI Steel Division which is an Electrical Steel Service Center. We provide slit coils to customers who stamp their own parts. We also supply sheets of electrical steel for a number of end usages.

3. The only type of steel we use is electrical grade steel, and we usually have 20 to 25 million pounds of master coil in stock at all times. This amounts to approximately 4-5 months of inventory. We have another 4 to 5 million in slit stock and finished goods. The ability

to purchase the best possible electrical steel is critical to us.

4. Popular perception is that we only purchase steel for the cheapest price! Twenty years ago that may have been the case. Not any more. Today our customers are extremely sophisticated. They demand superior customer service, they test for magnetic properties, shape & part dimensions, and coatings. Only after those qualities are satisfied is price discussed.

5. In order to satisfy our customers and our customers' customers, we must purchase steel that has the required magnetic properties, excellent coatings and uniformity.

6. We are a large customer of AK Steel and we were before anti-dumping was filed. And we will continue to be a large customer because AK Steel is the only producer of NOES in North America and we value a domestic source. However, we are opposed to having to use only AK Steel as our primary source or our only source. There are several reasons for this.

7. First, should weather, transportation, raw material, financial situation, equipment failure, labor or any unforeseen problems interrupt

delivery from AK Steel, it would shut us down and create a LARGE PROBLEM with our customers and other manufacturers. These are not hypothetical concerns--AK Steel has a history of unanticipated delays and interruptions that have caused havoc with the trade.

8. Second, AK makes good steel, but it is often not the best steel for a given end use. For instance, for more than 20 years we have tried to get them to offer a coating like their C5 coating that could be sold as a fully processed steel or stamped and annealed for our lamination customers. Their C5 coating turns black and gets chalky when it is annealed, and it is totally unacceptable in quality after annealing. AK's attitude has been that this is what they make, and yes it will turn black and chalky. China Steel Corp and other foreign suppliers, however, listened to our problem and provided a coating that will go both ways. Our customers love it and we have a more versatile steel. Only after AK's testified at the preliminary phase that they could produce anything that others could did they even attempt to produce this kind of coating. We sent them samples, which we had done in the past, and they have made a test amount for us. They then sent us a

report telling us it may or may not work. China Steel and others make coating that actually works.

9. AK Steel has had additional problems with other coatings as well. Their C3 is not consistent. Occasionally it is streaky or has voids and we have had problems with it. AK Steel's attitude is that although the coating does not look the best, it meets AK specs and therefore AK will not accept rejection of the steel by the customer. In contrast, CSC and other suppliers have consistent coating that our customers like.

10. Another example is coil width. We need coils as wide as possible that have great shape and are flat for stamping and laser cutting. On the better grades like M19, AK's widest is 43 inches and that is only if we are willing to accept wavy edges with 6/32 of an inch wave or less. That much wave is not acceptable to some of our customers. From China Steel and others we can get 48 inch wide flat steel with no wave problems.

11. During 2014, AK Steel shipped us over 830,000 pounds that had wave in excess of their own specs. Their answer was they probably should not have shipped those coils to us. No kidding. They

did accept these coils back and gave us a credit, but that credit did not cover our time for sorting this mess and we lost several major orders. When you give customers steel that has problems, you may lose that customer forever. We lost one large order to our competitor who had wide flat steel from a foreign source in stock.

12. Overall, we have had several rejections for quality issues with AK's steel this year totaling over 840,000 pounds. In the last ten years I do not remember a single quality rejection with all the other mills with whom we have done business.

13. The electrical steel market is an international market. Our Customers are not restricted to purchasing parts stamped in the USA from domestic steel. These customers want the best quality for the best price and can purchase the parts or complete assemblies made outside the USA. Manufacturers have the ability to produce the assemblies in Mexico or elsewhere using imported NOES without antidumping duties, and then export the parts or fully assembled equipment to the USA. Many of our larger customers have advised us they are looking into doing this! Imposing antidumping duties on

imports of NOES to the United States would only increase the incentives for more manufacturers to move offshore.