

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 Mark Weisheit

1. Good afternoon, my name is Mark Weisheit and I am the Vice President of Business Development and Procurement for US Electric Motors Corporation, now known as Nidec Motor Corporation, headquartered in St. Louis, MO. I've been with Nidec, and our former parent company Emerson Electric, for nine years and before that spent eleven years in the steel industry.

2. Nidec is a leading manufacturer of commercial, industrial, and appliance motors and controls. Electrical steels (be they NOES or CRML grades) comprise the major portion of the active materials in the core of all of these electric motors. Depending on the motor's size, the electrical steel represents 25-55% of the total material cost.

3. Our group in St. Louis buys approximately 110,000 tons of electrical steel per year. Over the past 15 years we have converted our entire smaller motor product offering, representing 91% of that amount from NOES to CRML as better grades of CRML have been made available by the domestic producers specifically: US Steel, Nucor, ArcelorMittal, and Steel Dynamics.

4. We continue to redesign components as our customers push for smaller and smaller package sizes, reduced heat characteristics, and lower noise. We also are forced to review designs every time the Department of Energy issues revised efficiency guidelines; as was the case just four years ago. Rotating electric devices consist of four *active materials*: steel, copper, aluminum, and permanent magnets. During these redesign periods we utilize a balance of those four, and recently many of our design changes have allowed us to either reduce the quantity of NOES steel or convert from NOES to CRML steel grades in the core with the addition of permanent magnets or increased copper

5. For the twenty-one (21) years prior to these proceedings we have sourced our NOES steel from the Corus mill in Surahammer, Sweden. For the past fourteen (14) years, they have been our primary contractual supplier and have supported, more or less, 100% of our daily demand. Many years ago, Corus built a complete and very robust pull-system replenishment supply chain specifically to support our facility; with a local warehouse less than two hours away, a dedicated truck for small-quantity high-mix daily deliveries, and weekly replenishment shipments from Europe to allow immediate reaction to our seasonal production spikes. When we issue a release in the morning for delivery in the afternoon, a signal is automatically sent to the mill and replacement material is scheduled for the shipment at the end of the week. Any and all inventory in the pipeline is a direct result of our consumption-replenishment signals to our suppliers.

6. Over the years, we have provided AK with many opportunities to bid on our NOES supply chain package. This normally happens every 2-3 years as we approach the end of the extant contract period. More recently it has been every year. To this point, they have never submitted a compliant offer, or addressed our concerns from our limited past experiences with them. When they have made an offer, there have been items no-quoted, which would have required us to split our package and receive multiple daily deliveries from multiple suppliers. They are clearly not interested in our low-volume, high-mix production model. They have refused to maintain & manage finished goods or handle delivery to our plant. They have refused to extend commercial payment terms, and they have offered none of the joint co-design engineering services that our other NOES suppliers provide today. In short, they have offered no value-added service to us as a domestic Original Equipment Manufacturer (OEM) - which has become the standard across the entire steel industry.

7. Even if AK were to submit a fully-compliant bid to support our US operation, several “red flag” items would need to be addressed.

A. Allocation. – On Sep 28th, 2006 AK Steel notified us that they would be putting us on an allocation of under 2,000 tons combined for 2007. That left us more than 40% short of our sister company’s demand, and left nothing at all for US Motors. This also left us inside of published lead-times from all other suppliers without enough raw material to meet our first quarter demands. Production was missed and sales were lost as a result of AK’s

actions.

B. Redundancy. – AK Steel has only one manufacturing facility with the equipment necessary to produce NOES steels. On Multiple occasions over the past 3-4 years AK Steel has been forced to shut down portions of their operations due to severe weather or mechanical breakdowns which immediately impacted deliveries to customers for those products.

C. NOES/GOES Balance. - AK Steel has historically proven itself to be less than committed to supporting its NOES customers. During 2008 and 2009, when the price of grain-oriented electrical steel (GOES) was going through the roof, AK Steel re-allocated and expanded its capacity to GOES, at the expense of NOES production.

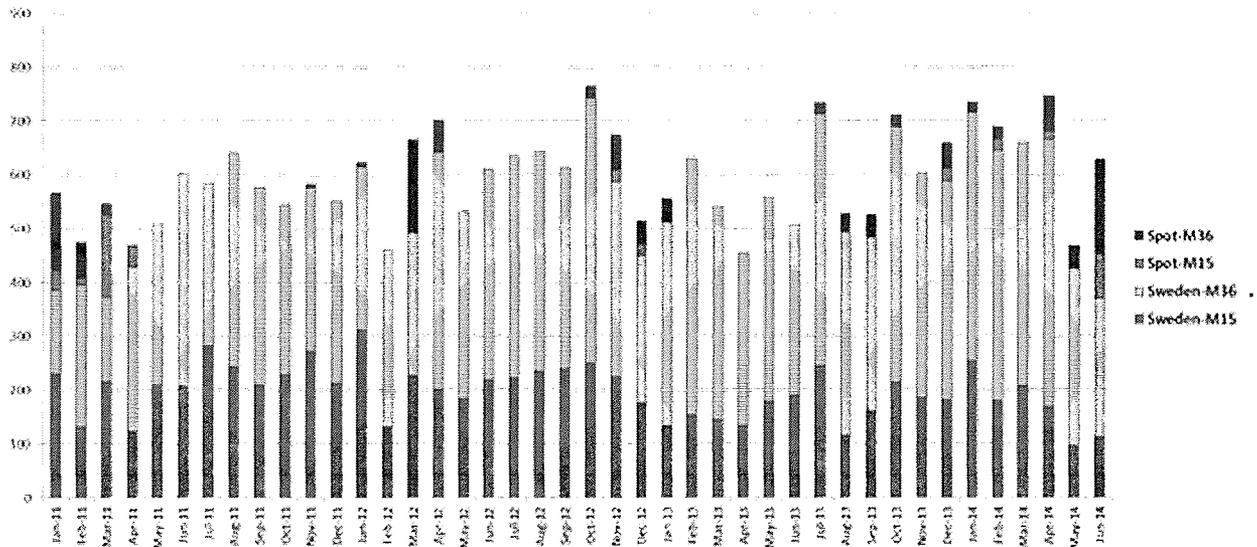
8. In summary, decades ago Armco (now AK) Steel was a long-term supplier to US Motors. Over the years, their commercial focus changed and their dedication to domestic manufacturers has disappeared. **They walked away from us!** As procurement professionals we simply cannot risk awarding the single-most critical portion of our manufacturing supply chain to any producer who doesn't treat us as long-term partners.

9. I would also like to talk briefly about critical circumstances and the volume of Swedish imports that Nidec has needed and used since this case started.

10. The relationship between Nidec and Corus-Cogent was built based on three key factors: 1) Cogent's ability to provide us with the quality and quantity of NOES materials that we need, 2) their willingness to work with us to develop an extremely responsive JIT warehousing and delivery system, and 3) their willingness to work with us to develop new materials and engineer cost out of our legacy motor designs. The key part of that JIT obligation is the requirement for Corus-Cogent to maintain pre-processed, finished goods inventory at the levels that Nidec needs for our production and ready to ship on a moment's notice. As we draw down the inventory to meet our production needs, Cogent replenishes it on a weekly basis, in order to satisfy our minimum staged inventory requirements. This requires, Cogent, for example, to increase inventory going into the beginning of every year, to accommodate our increased production for the agricultural markets that we service. This year, we had additional weather-driven demands as a result of the severe draught in California. In addition to the normal beginning-of-year increase from the agricultural market, we also enjoyed all-time record sales from the municipal water and wastewater markets across California. It was an exceptional six-month period. Our overall demand for both quarters exceeded normal requirements to the point that we completely exhausted safety stocks on a number of purchased items and significantly depleted the rest. All of the increase in our steel demand was the result of the sales-demand for our end-use products. All of the NOES we withdrew from the JIT inventory went into current production and shipped to customers within weeks. We know, based on our experience and our weekly inventory pipeline reports, that Cogent was actually exhausting, and not building, inventory

during this time period. As our sales have grown, Corus' shipments to us have grown in a 1:1 ratio. All of this is set out in greater detail, including a historical picture of our monthly NOES consumption for the past several years, in our confidential questionnaire response.

Nidec Motor Corporation "NOES" Consumption, During Review Period



11. Thank you for the opportunity to speak here today.