

**Hot-Rolled Steel from Australia, Brazil,
Japan, Korea, Netherlands,
Turkey, and United Kingdom**

Domestic Industry Presentation by Paul Rosenthal

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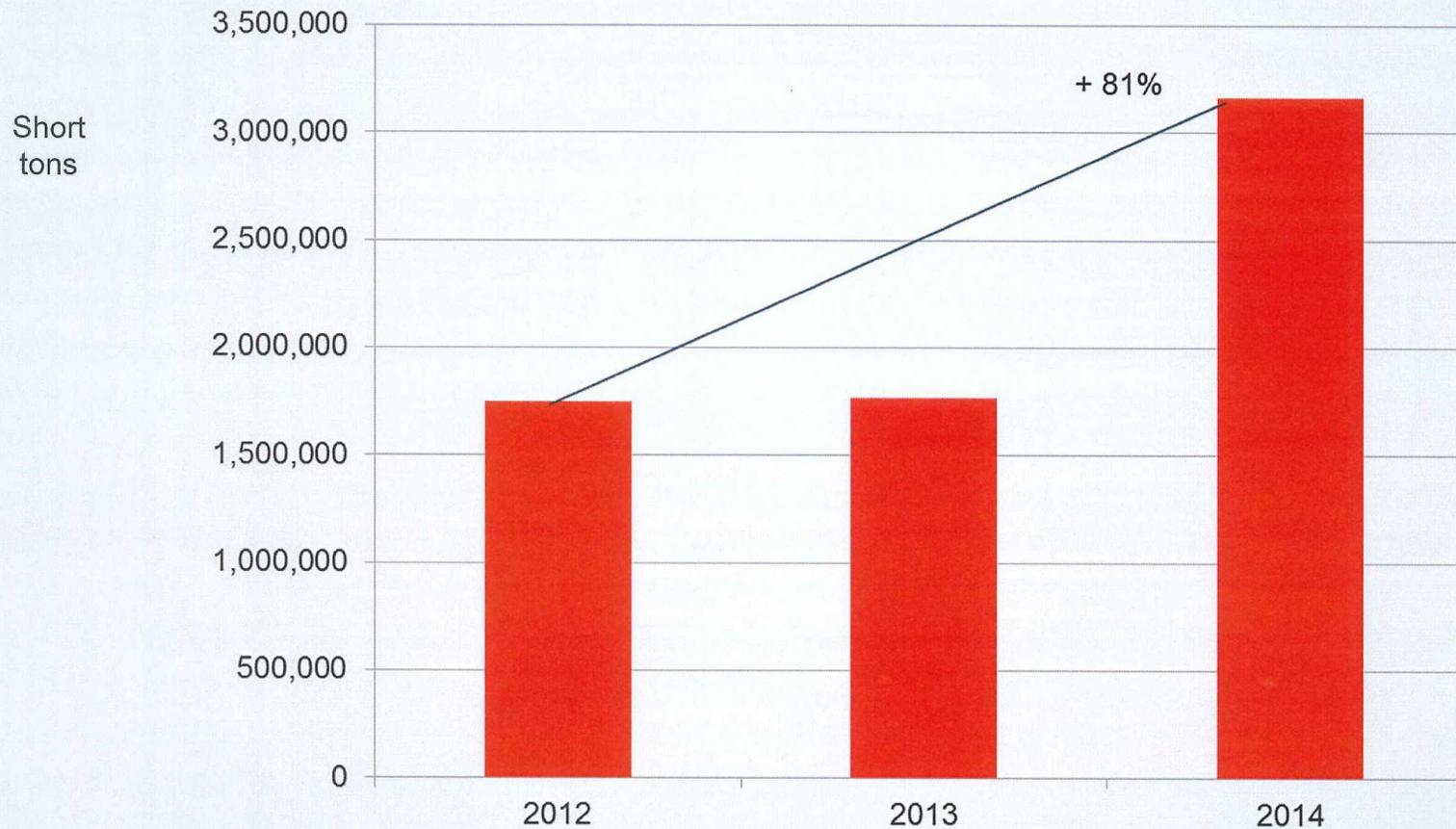
Overview

- The record contains compelling evidence of current material injury and threat of injury:
 - Volumes: Subject imports are significant and increasing, both in absolute terms and in relation to market share.
 - Prices: Subject imports continue to be the driver, undercutting U.S. producers and forcing the domestic industry to suffer price depression.
 - Effects: Subject imports' impact on the domestic industry has been devastating, as essentially every injury factor shows a decline.
 - Threat: Subject producers have the capacity and incentive to increase their exports to the United States, which will cause further material injury to the domestic industry and its workers.

The Commission Should Cumulate Imports from All Seven Subject Countries and Should Not Find Imports From Any Subject Country to Be Negligible

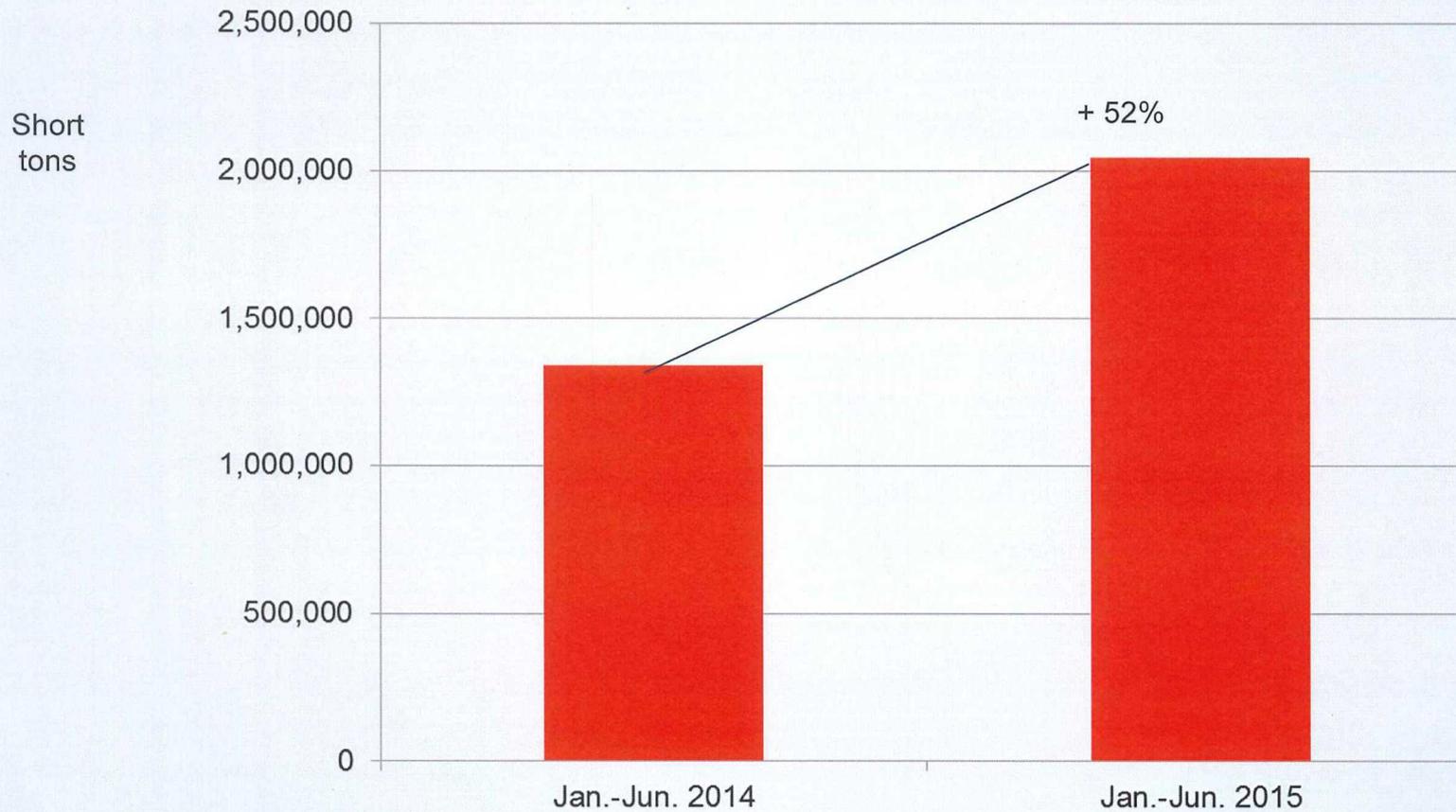
- In the most recent investigation on hot-rolled steel in 2001, the Commission found “there is a reasonable overlap of competition among the subject merchandise from all 11 countries and between subject imports and the domestic product.”
- Despite some differences in quality and product mix, the Commission found “general interchangeability between subject imports and between subject imports and the domestic like product, and that subject imports from every country contain a substantial proportion of interchangeable products.”
- The Commission likewise found that “subject imports from most countries had some presence in most or all regions of the United States, were present throughout most of the POI, and most especially in the latter portion of the POI, and moved in similar channels of distribution.”
- The facts support the same conclusions in the current case and the Commission should again cumulate imports from all subject countries in analyzing material injury.
- Whether using the import methodology used in the petition or the Commission’s revised list of HTS classifications, imports from all seven subject countries comfortably exceed the 3 percent negligibility threshold.

Subject Import Volumes Are Large and Increasing



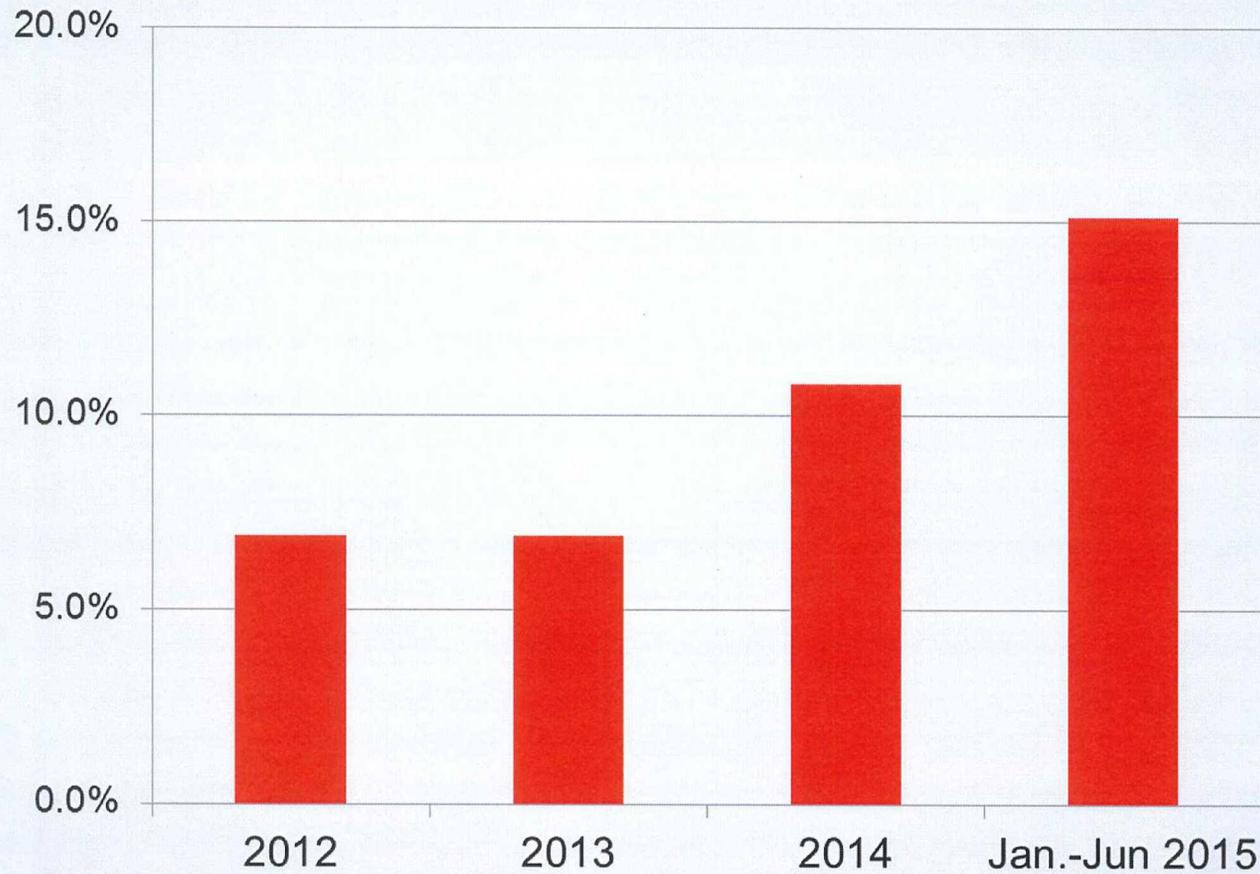
Source: Official Department of Commerce Import Statistics.

Subject Imports Continued to Surge in Interim 2015



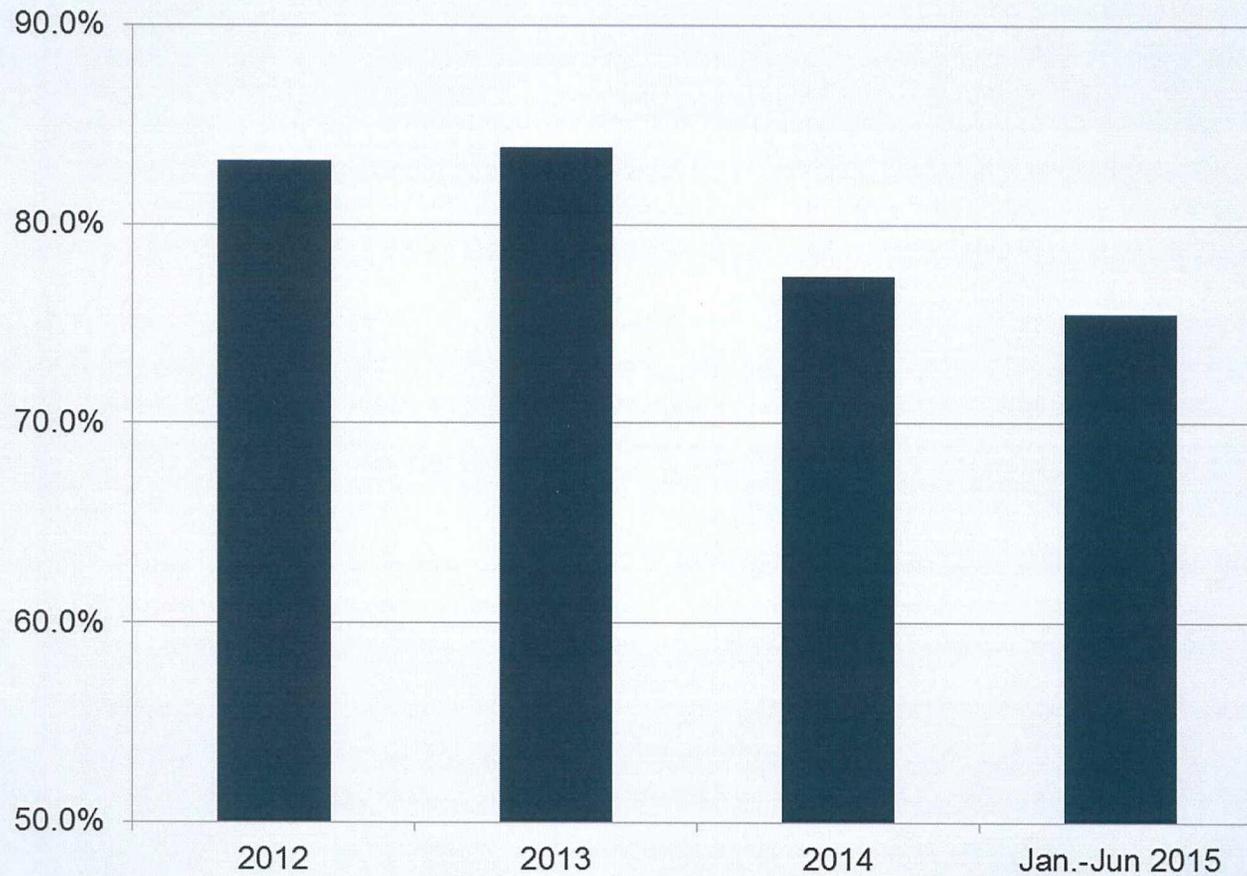
Source: Official Department of Commerce Import Statistics .

Subject Imports' U.S. Market Share Rose over the POI



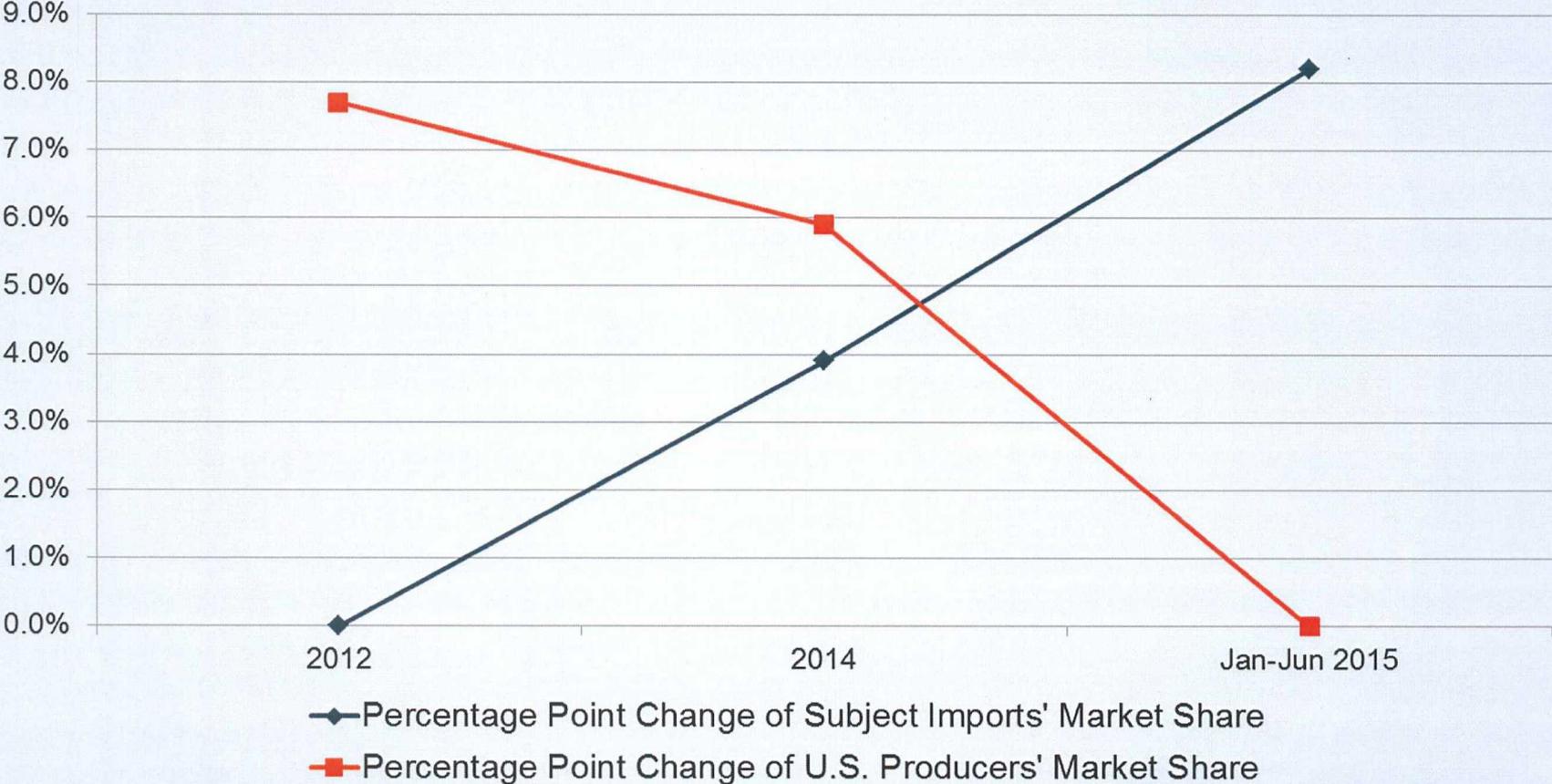
Source: Official Department of Commerce Import Statistics and AISI.

U.S. Producers' Market Share Declined over the POI



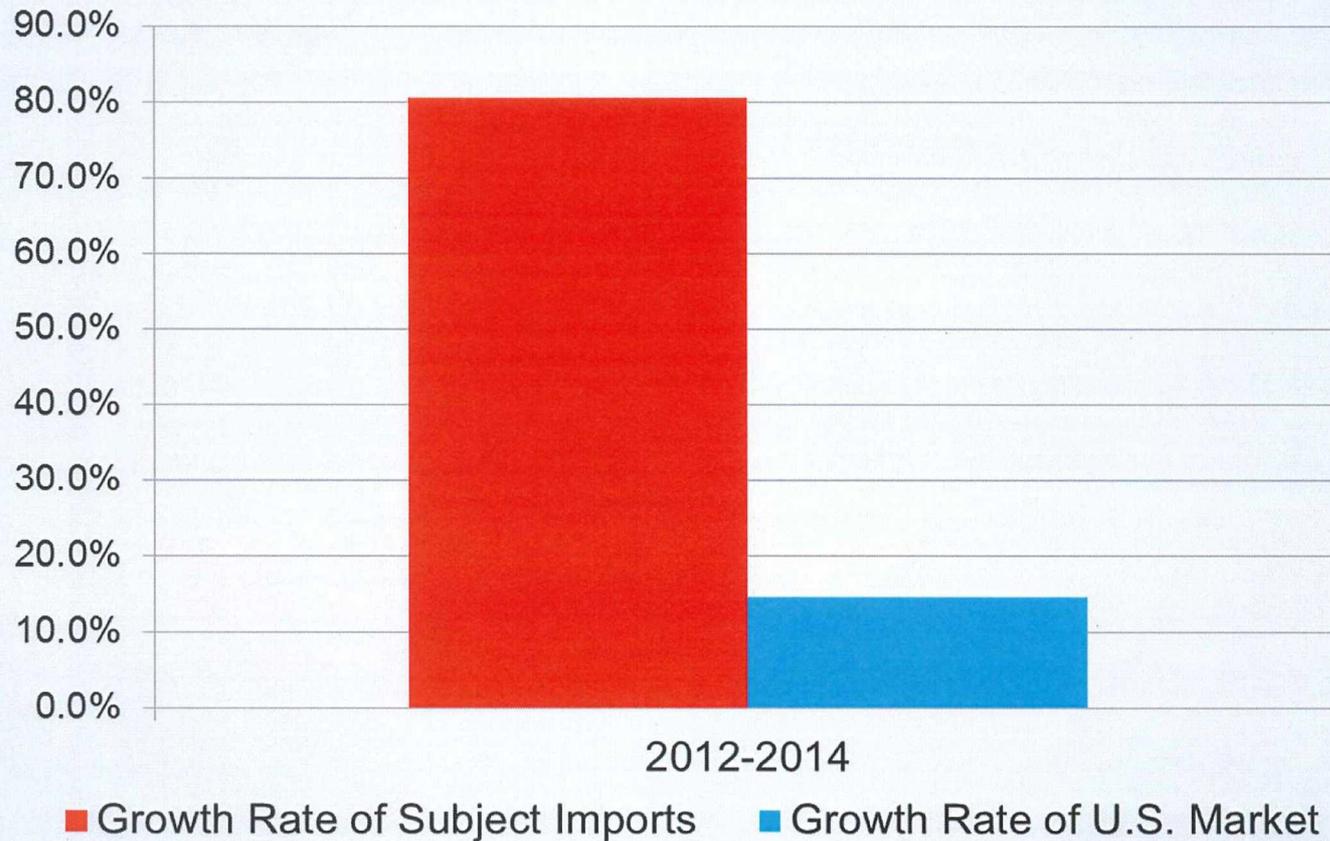
Source: Official Department of Commerce Import Statistics and AISI.

Subject Imports' Increasing Market Share Displaced U.S. Producers' Share



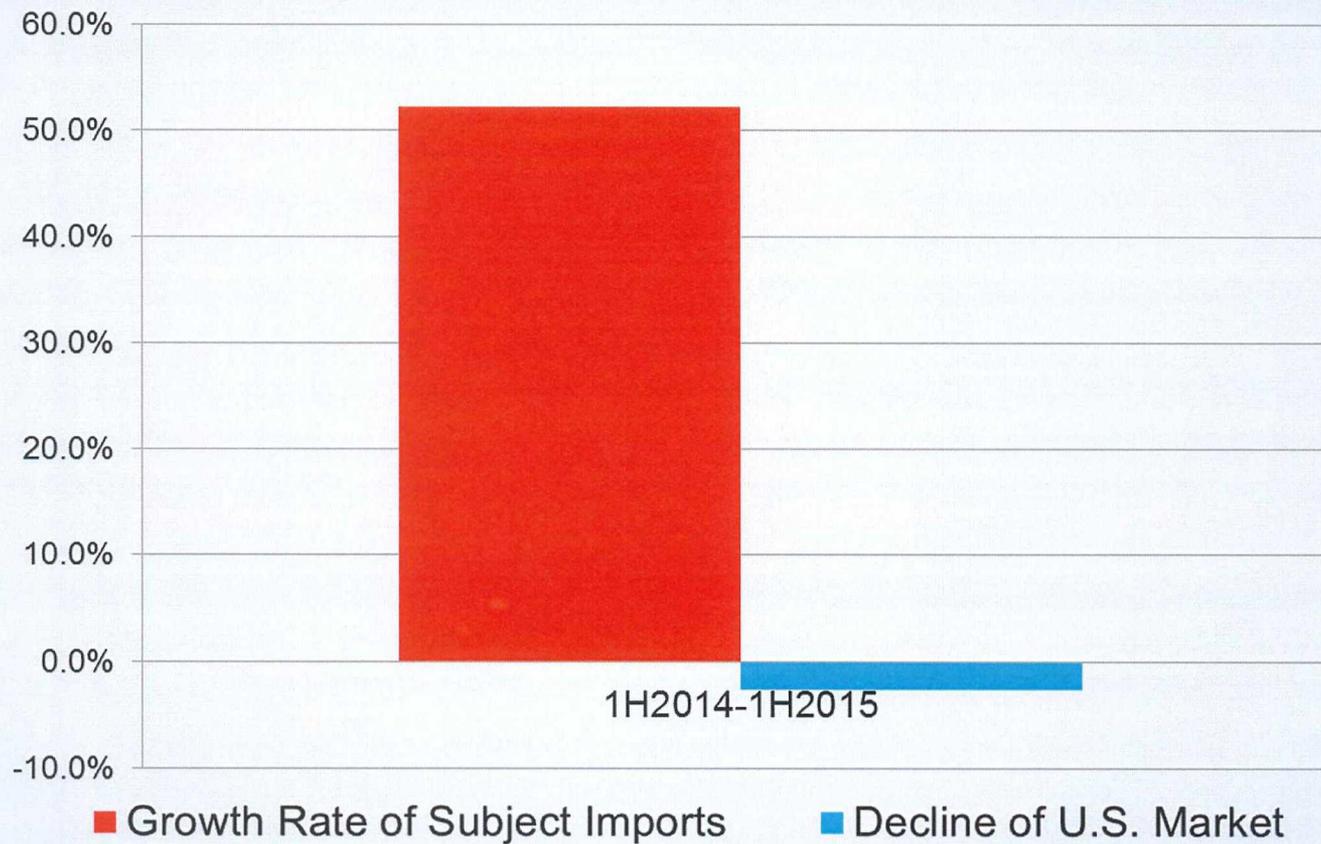
Source: Official Department of Commerce Import Statistics and AISI.

Subject Imports Grew at a Far Faster Pace Than U.S. Apparent Domestic Consumption 2012-14



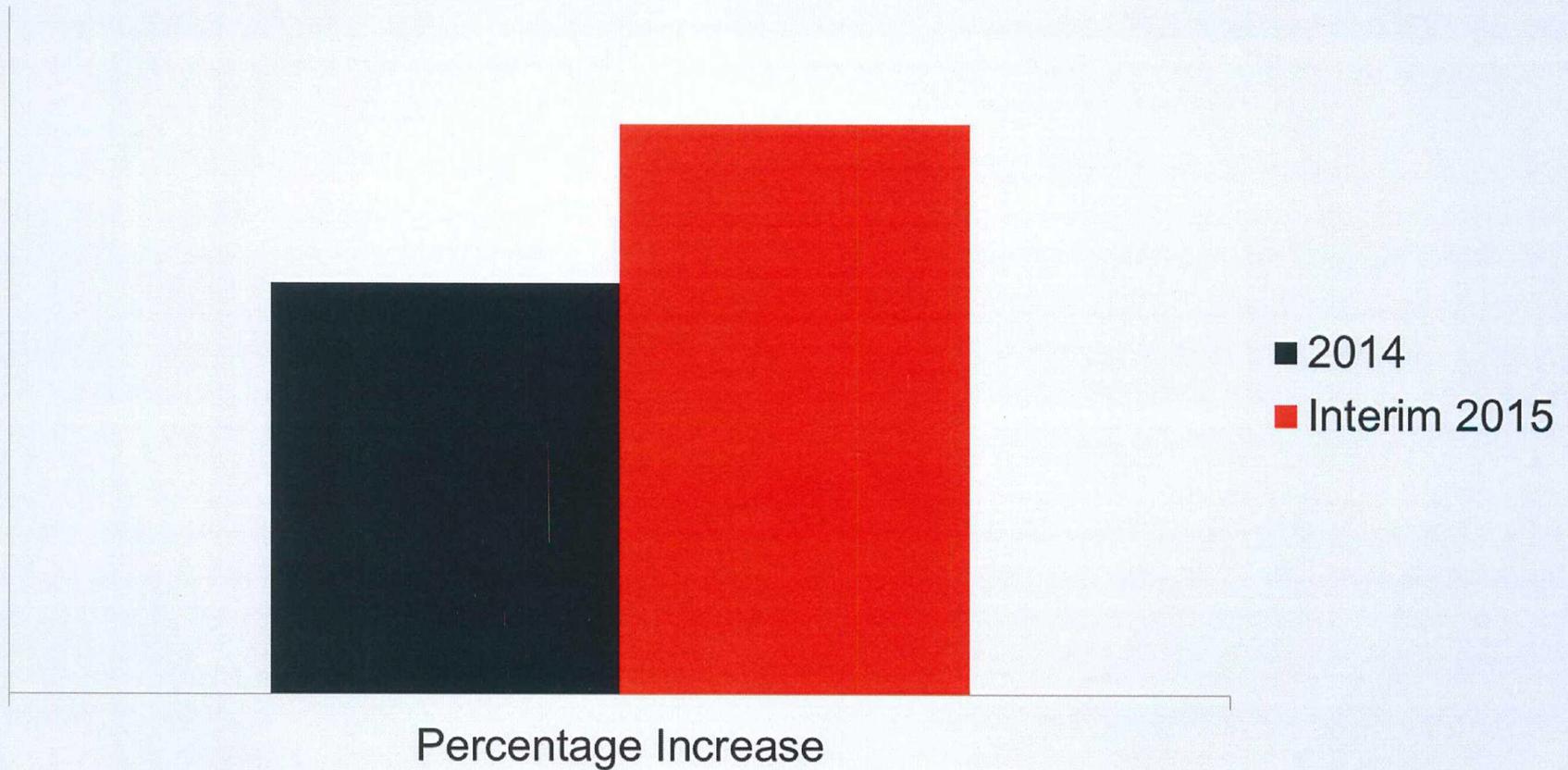
Source: Official Department of Commerce Import Statistics and AISI.

Subject Imports Grew As U.S. Apparent Domestic Consumption Fell in Interim 2015



Source: Official Department of Commerce Import Statistics and AISI.

Subject Importer Ending Inventories Increased Substantially in 2014 and Interim 2015



Source: Aggregated Importers' QRs. 2014 increase in relation to 2013; interim 2015 increase in relation to interim 2014.

Increasing Volumes of Unfairly Priced Subject Imports Caused Domestic Producer Prices to Decline Severely

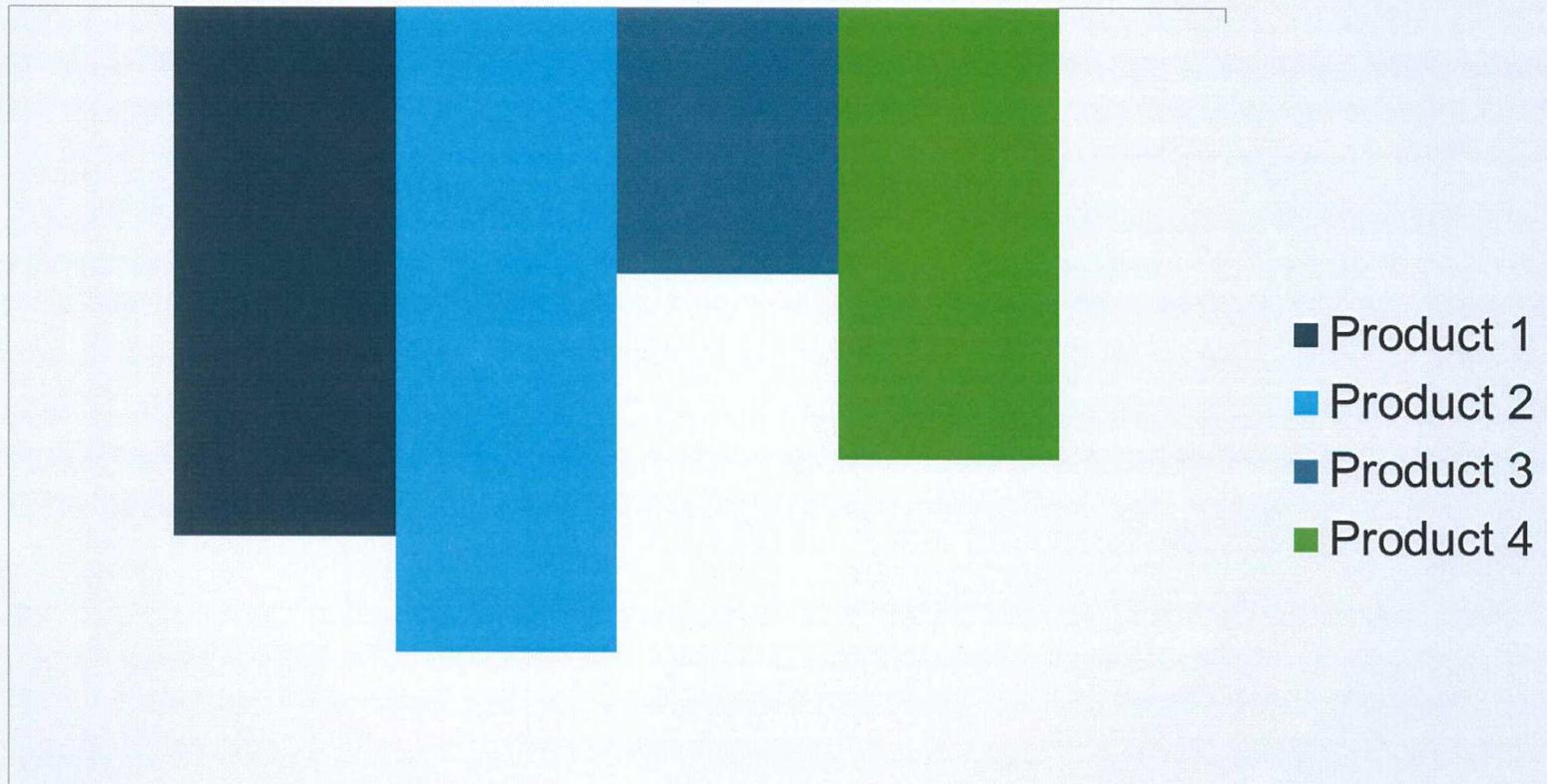
- As subject import volumes increased over the POI, domestic producers initially tried to hold the line on market prices, reflecting healthy demand for hot-rolled steel. As the industry held the line on pricing, it lost sales volume and market share to the subject imports.
- In 2014, expanding subject import volumes inundated the U.S. market and the domestic industry. Underselling by the subject imports became rampant, and importer and distributor inventories swelled. Domestic producers tried to arrest the subject imports' volume gains by lowering prices.
- In 2015, the surge in volumes from subject sources overwhelmed the U.S. market. As inventories of subject imports of hot-rolled steel grew to still-higher levels, U.S. market prices collapsed. From the 4th quarter of 2014 to the second quarter of 2015, domestic producer prices fell by \$150 to \$200 per ton.

The Growth in Subject Import Volumes in 2014 Cost the Domestic Industry Nearly \$1 Billion in Revenues

- Between 2013 and 2014, U.S. import volumes from subject sources increased by 1.4 million tons. Based on an average hot-rolled shipment price of \$685/ton, total revenue lost by the domestic industry due to this increase in subject import volumes reached nearly \$1 billion:

$$**1.4 million tons x $685/ton = $959 million**$$

Domestic Producer Prices for All Pricing Products Fell Precipitously Over the POI



Source: Domestic Producers' QRs (Q1 2012 – Q2 2015).

Declines in Domestic Producer Net Sales Values Per Ton Greatly Exceeded Cost Declines in Interim 2015



Source: Domestic Producers' QRs.

Domestic Industry Trade Indicators Declined Substantially in Interim 2015 as Compared to Interim 2014

- Production
- Capacity Utilization
- Domestic Shipment Volume
- Domestic Shipment Value
- Domestic Shipment AUV
- Market Share



Source: Domestic Producers' QRs.

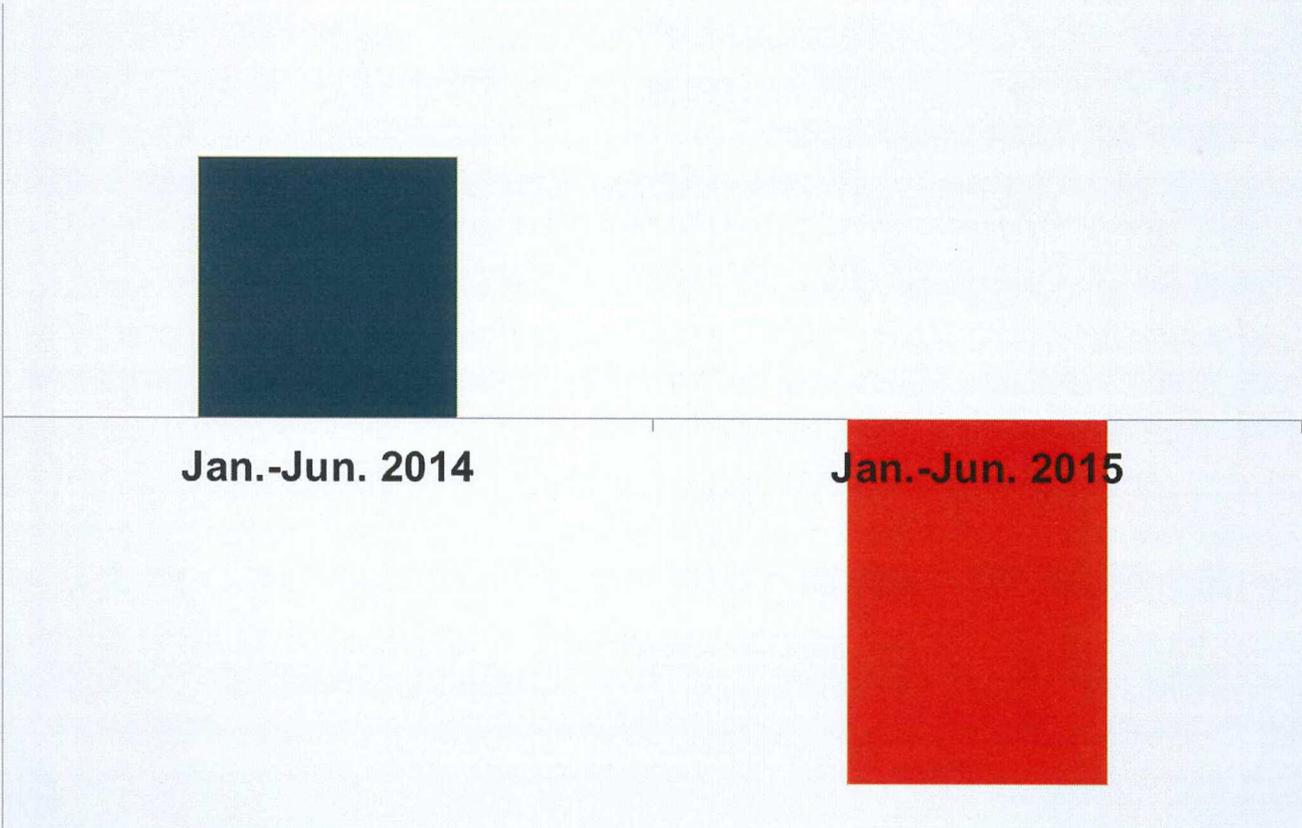
Domestic Industry Financial Indicators Also Declined Substantially in Interim 2015 as Compared to Interim 2014

- Net Sales Volume
- Net Sales Value
- Gross Profit
- Operating Income
- Operating Income/Net Sales
- Net Income



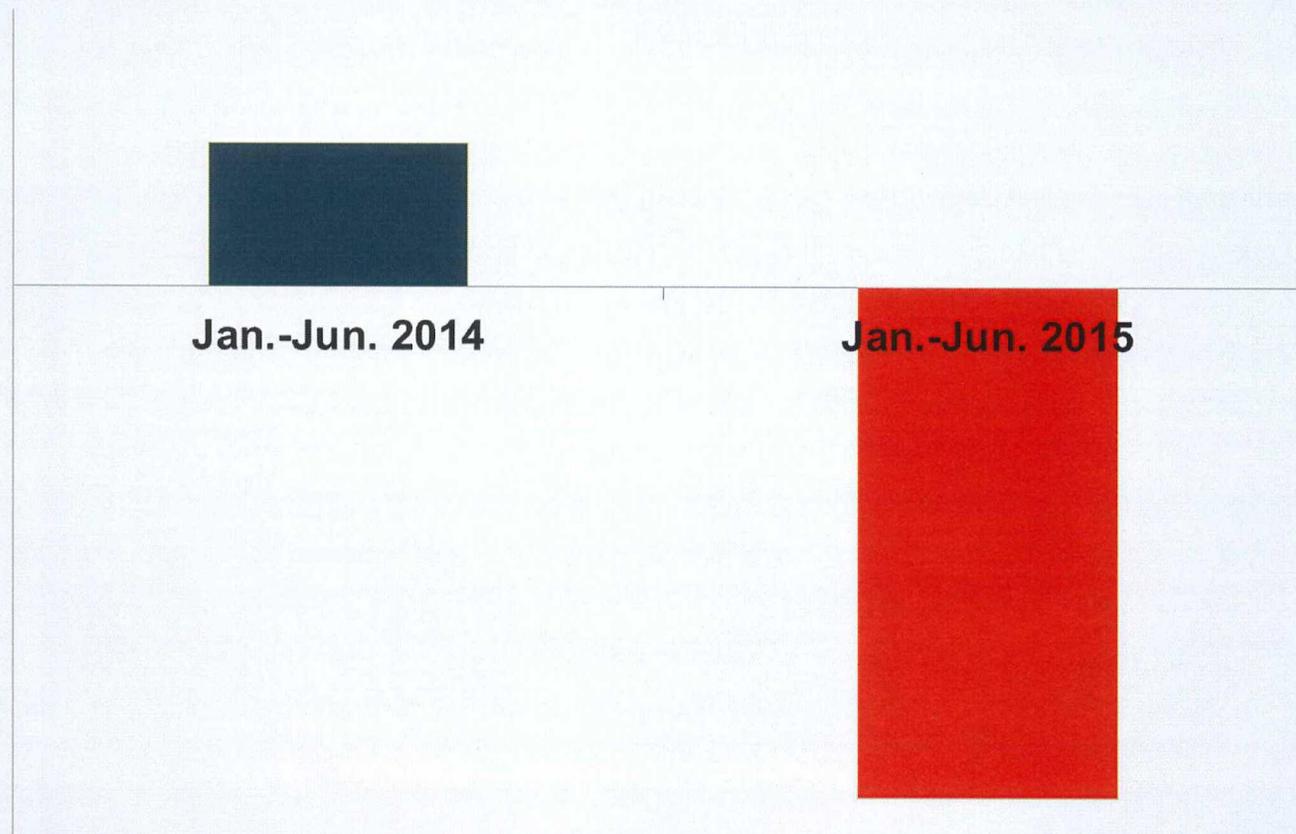
Source: Domestic Producers' QRs.

U.S. Producers' Operating Returns Deteriorated From a Small Profit in Interim 2014 to a Loss in Interim 2015



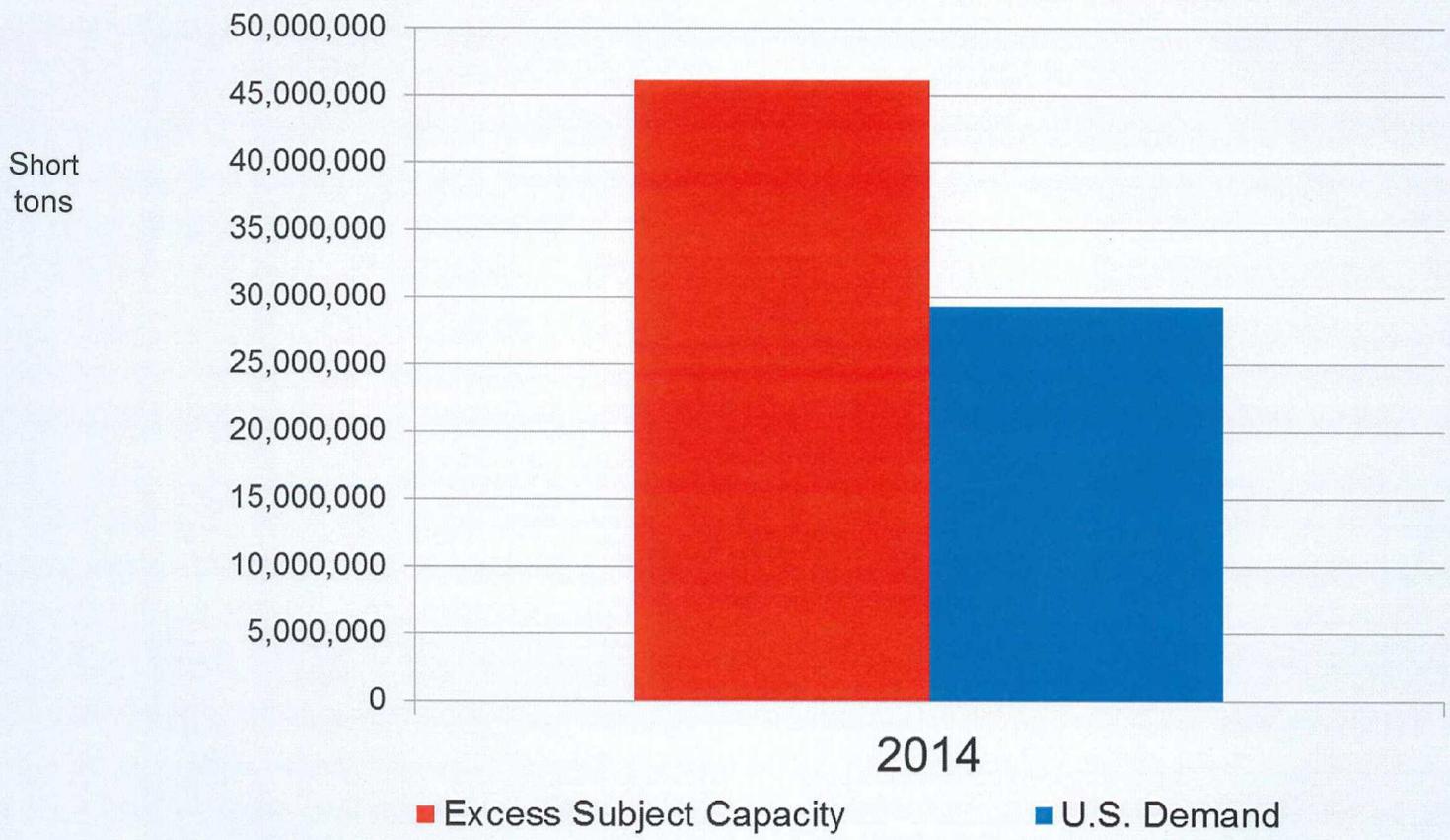
Source: Domestic Producers' QRs.

U.S. Producers' Net Profits Also Fell From a Minor Profit in Interim 2014 to a Large Loss in Interim 2015



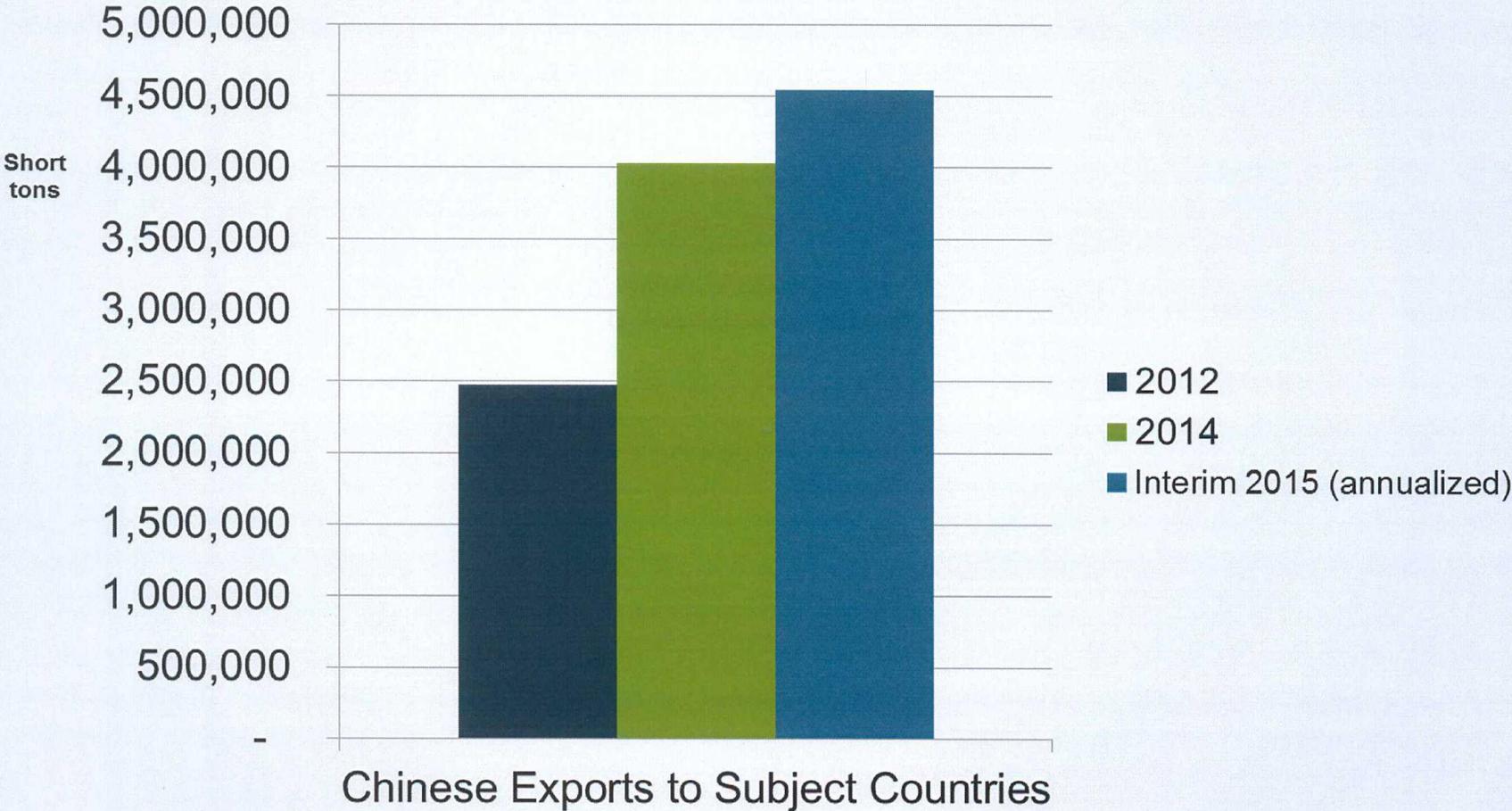
Source: Domestic Producers' QRs.

Excess Capacity of Subject Producers Far Exceeds U.S. Merchant Market Demand for Hot Rolled Steel



Source: Petition at 41, Official Department of Commerce Import Statistics, and AISI.

Hot-Rolled Steel Exports From China to the Subject Countries Have Increased Dramatically Over the POI



Source: Global Trade Atlas

The United States is a Top 10 Export Market for Producers in All of the Subject Countries

<u>Subject Country</u>	<u>2014 U.S. Market Rank</u>
Australia	#1
Brazil	#1
Japan	#9
Korea	#1
Netherlands	#2
Turkey	#1
UK	#2

Source: Global Trade Atlas.

IMPACT

Subject Imports



U.S. Production



Capacity Utilization



Shipments



Market Share



Net Sales Value



Operating Income



Operating Income/Sales



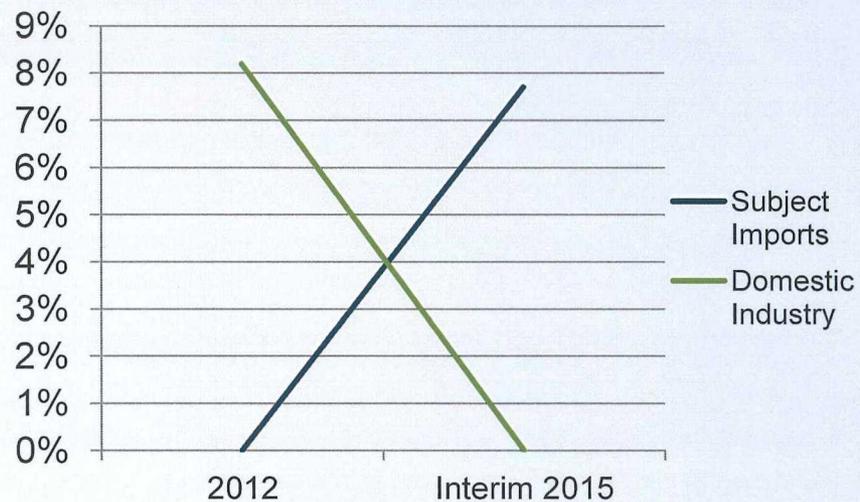
Net Income



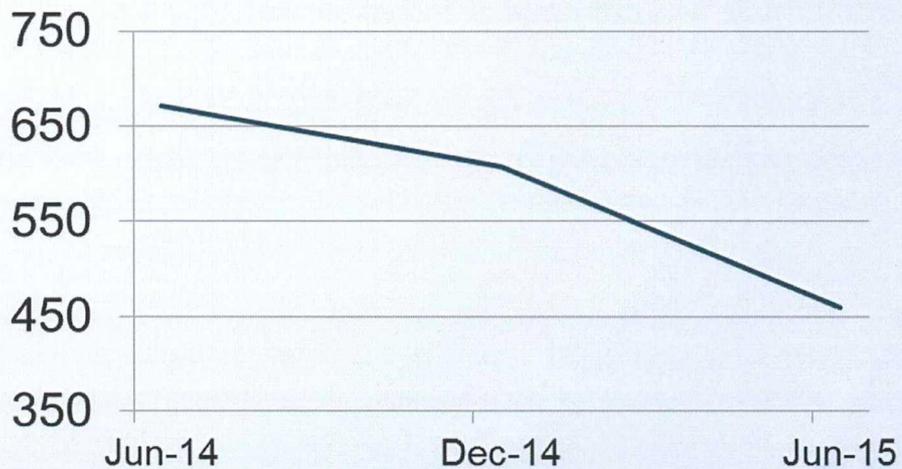
Net Income/Sales



MARKET SHARE CHANGE



PRICE



Sources: Slide 8, published index data