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

Domestic Industry Presentation by Paul Rosenthal

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# Cumulation/Competition

- Fungibility: Hot-rolled steel from all sources is generally interchangeable and produced to industry standards.
- Geographic overlap: U.S. hot-rolled steel and imported hot-rolled steel from each subject country was sold on a nationwide basis.
- Channels of distribution: Domestic and imported hot-rolled steel competed for sales to both distributors and end users.
- Simultaneous presence: Imports from each subject country and domestic hot-rolled steel have been sold in the U.S. market throughout the POI.

Source: ITC Prehrg. Rep. at II-5, II-6, II-35, II-47, IV-25, and IV-27.

# The Vast Majority of Purchasers Reported U.S. and Subject Imports are Interchangeable

**Table II-15**

**Hot-rolled steel: Interchangeability between hot-rolled steel produced in the United States and in other countries, by country pairs**

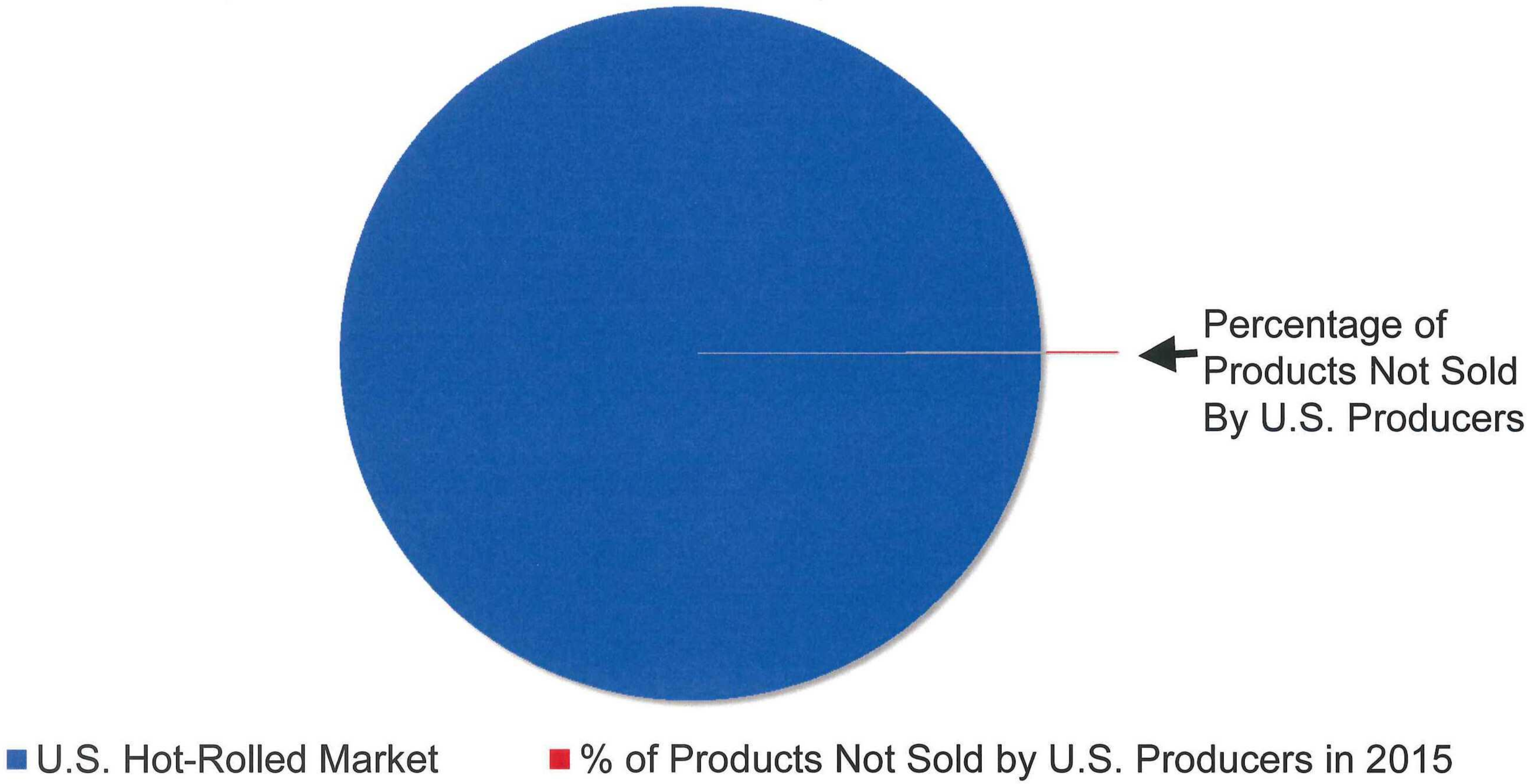
| Country pair | Number of U.S. producers reporting | | | | Number of U.S. importers reporting | | | | Number of purchasers reporting | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | F | S | N | A | F | S | N | A | F | S | N |
| United States vs. Australia | 9 | 0 | 0 | 0 | 5 | 9 | 2 | 1 | 7 | 5 | 2 | 1 |
| United States vs. Brazil | 9 | 0 | 0 | 0 | 8 | 10 | 3 | 1 | 5 | 8 | 5 | 1 |
| United States vs. Japan | 9 | 0 | 0 | 0 | 6 | 11 | 5 | 3 | 7 | 5 | 6 | 3 |
| United States vs. Korea | 9 | 0 | 0 | 0 | 7 | 16 | 9 | 2 | 10 | 10 | 4 | 2 |
| United States vs. Netherlands | 9 | 0 | 0 | 0 | 5 | 10 | 1 | 0 | 5 | 5 | 2 | 3 |
| United States vs. Turkey | 8 | 0 | 1 | 0 | 7 | 13 | 5 | 0 | 8 | 7 | 4 | 1 |
| United States vs. U.K. | 9 | 0 | 0 | 0 | 6 | 9 | 2 | 0 | 4 | 5 | 3 | 1 |

Source: ITC Prehrg. Rep. at II-47 (Table II-15).

# U.S. Producers Sell the Specialty Products Respondents Identified, Often in Even Larger Volumes

Source: ITC Prehrg. Rep. at IV-20 (Table IV-7).

# Domestic Products Compete With Subject Imports Across The Full Range of Hot-Rolled Steel




Source: ITC Prehrg. Rep. at IV-20 (Table IV-7).

# U.S. Producers and Subject Imports from Each Country Overlap in Virtually All Geographic Markets

**Table II-4**

**Hot-rolled steel: Geographic market areas in the United States served by U.S. producers and importers**

| Region | U.S. producers | U.S. importers | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Australia | Brazil | Japan | Korea | The Nether-lands | Turkey | United King-dom | Any subject country |
| Northeast | 9 | 1 | 4 | 0 | 5 | 2 | 4 | 2 | 13 |
| Midwest | 10 | 3 | 6 | 4 | 7 | 2 | 7 | 3 | 20 |
| Southeast | 9 | 2 | 5 | 6 | 7 | 2 | 7 | 2 | 23 |
| Central Southwest | 10 | 4 | 11 | 5 | 13 | 2 | 7 | 1 | 29 |
| Mountains | 9 | 1 | 1 | 2 | 3 | 1 | 2 | 0 | 6 |
| Pacific Coast | 9 | 2 | 0 | 4 | 12 | 1 | 2 | 0 | 17 |
| Other[1] | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| All regions (except Other) | 6 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Reporting firms | 10 | 5 | 12 | 9 | 22 | 2 | 13 | 3 | 42 |

[1] All other U.S. markets, including AK, HI, PR, and VI.

Source: ITC Prehrg. Rep. at II-9.

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(Public Version)

# U.S. Shipments and Subject Imports are Sold in the Same Channels of Distribution

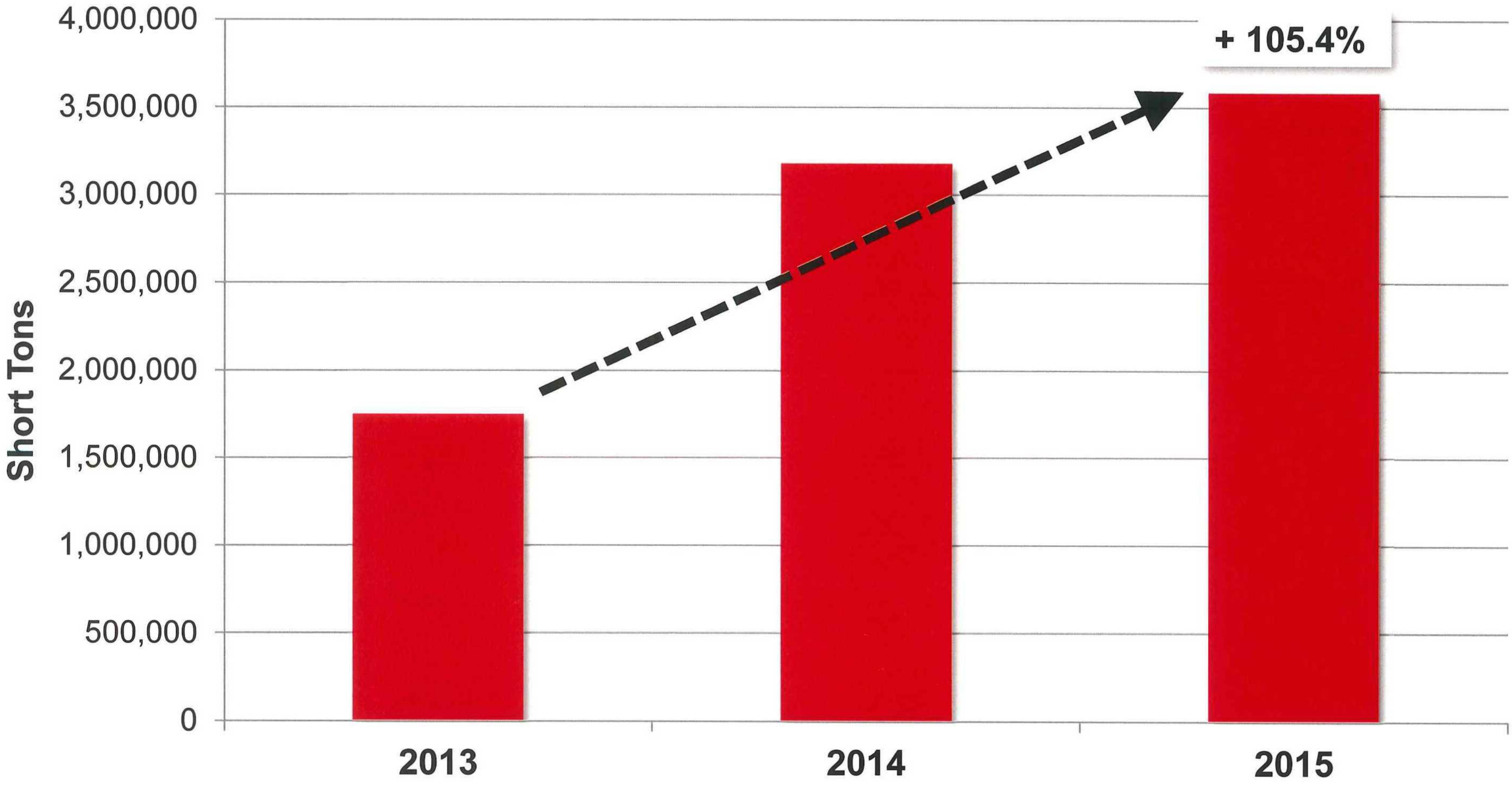
Table II-2
Hot-rolled steel: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2013-15, January-March 2015, and January-March 2016

| Item | Period | | | | |
|---|---|---|---|---|---|
| | Calendar year | | | January-March | |
| | 2013 | 2014 | 2015 | 2015 | 2016 |
| | Share of reported shipments (*percent*) | | | | |
| U.S. producers' U.S. commercial shipments of hot-rolled steel: | | | | | |
| Distributors | 47.8 | 48.8 | 54.5 | 54.0 | 56.2 |
| End users | 52.2 | 51.2 | 45.5 | 46.0 | 43.8 |
| U.S. importers' U.S. commercial shipments of hot-rolled steel from Australia: | | | | | |
| Distributors | *** | *** | *** | *** | *** |
| End users | *** | *** | *** | *** | *** |
| U.S. importers' U.S. commercial shipments of hot-rolled steel from Brazil: | | | | | |
| Distributors | *** | *** | *** | *** | *** |
| End users | *** | *** | *** | *** | *** |
| U.S. importers' U.S. commercial shipments of hot-rolled steel from Japan: | | | | | |
| Distributors | *** | *** | *** | *** | *** |
| End users | *** | *** | *** | *** | *** |
| U.S. importers' U.S. commercial shipments of hot-rolled steel from Korea: | | | | | |
| Distributors | *** | *** | *** | *** | *** |
| End users | *** | *** | *** | *** | *** |
| U.S. importers' U.S. commercial shipments of hot-rolled steel from the Netherlands: | | | | | |
| Distributors | *** | *** | *** | *** | *** |
| End users | *** | *** | *** | *** | *** |
| U.S. importers' U.S. commercial shipments of hot-rolled steel from Turkey: | | | | | |
| Distributors | *** | *** | *** | *** | *** |
| End users | *** | *** | *** | *** | *** |
| U.S. importers' U.S. commercial shipments of hot-rolled steel from the United Kingdom: | | | | | |
| Distributors | *** | *** | *** | *** | *** |
| End users | *** | *** | *** | *** | *** |
| U.S. importers' U.S. commercial shipments of hot-rolled steel from subject countries: | | | | | |
| Distributors | 76.5 | 73.7 | 70.9 | 67.0 | 70.6 |
| End users | 23.5 | 26.3 | 29.1 | 33.0 | 29.4 |

Source: ITC Prehrg. Rep. at II-6 (Table II-2).

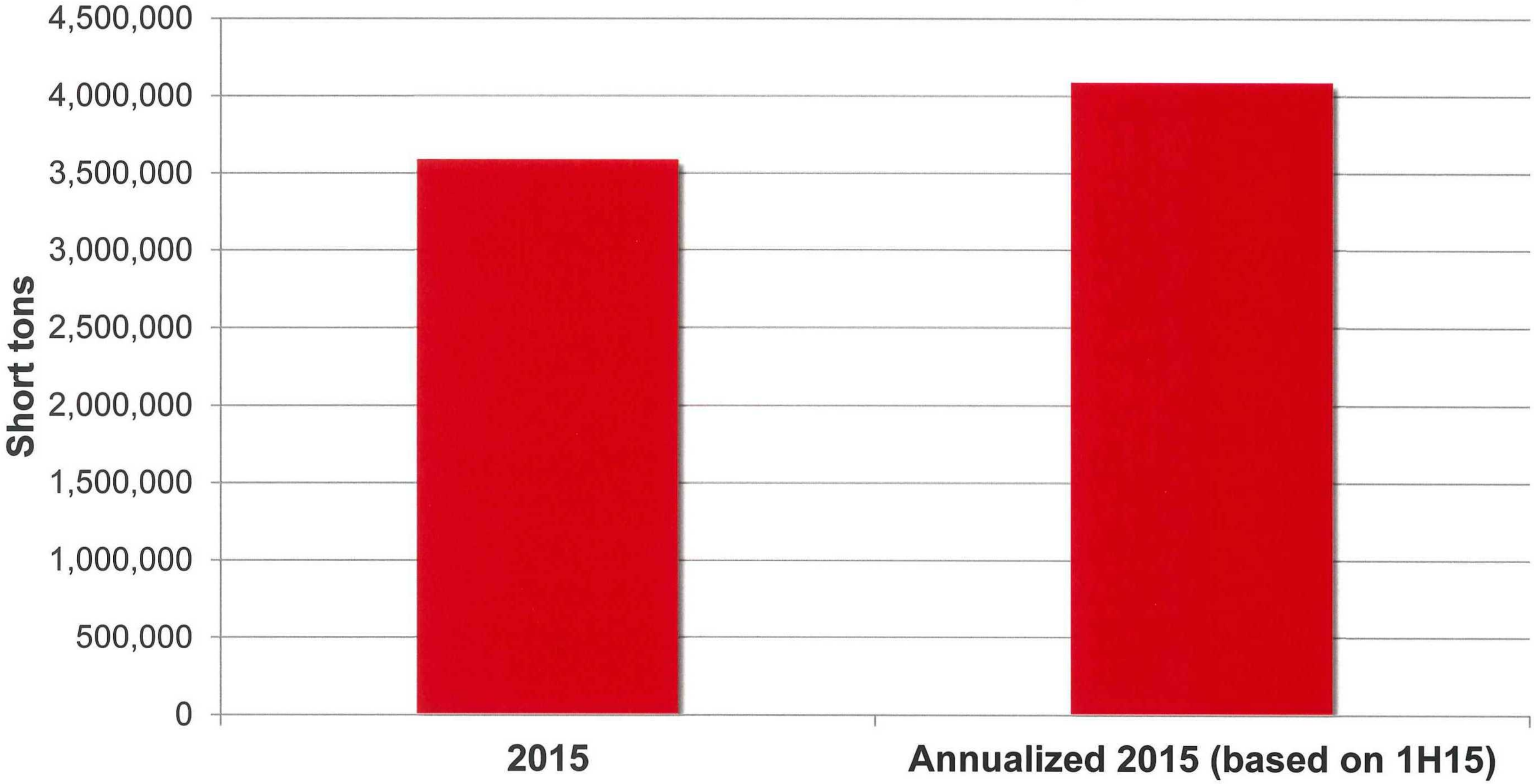
# Volume

# Subject Import Volumes Are Large and Increased Significantly from 2013 to 2015



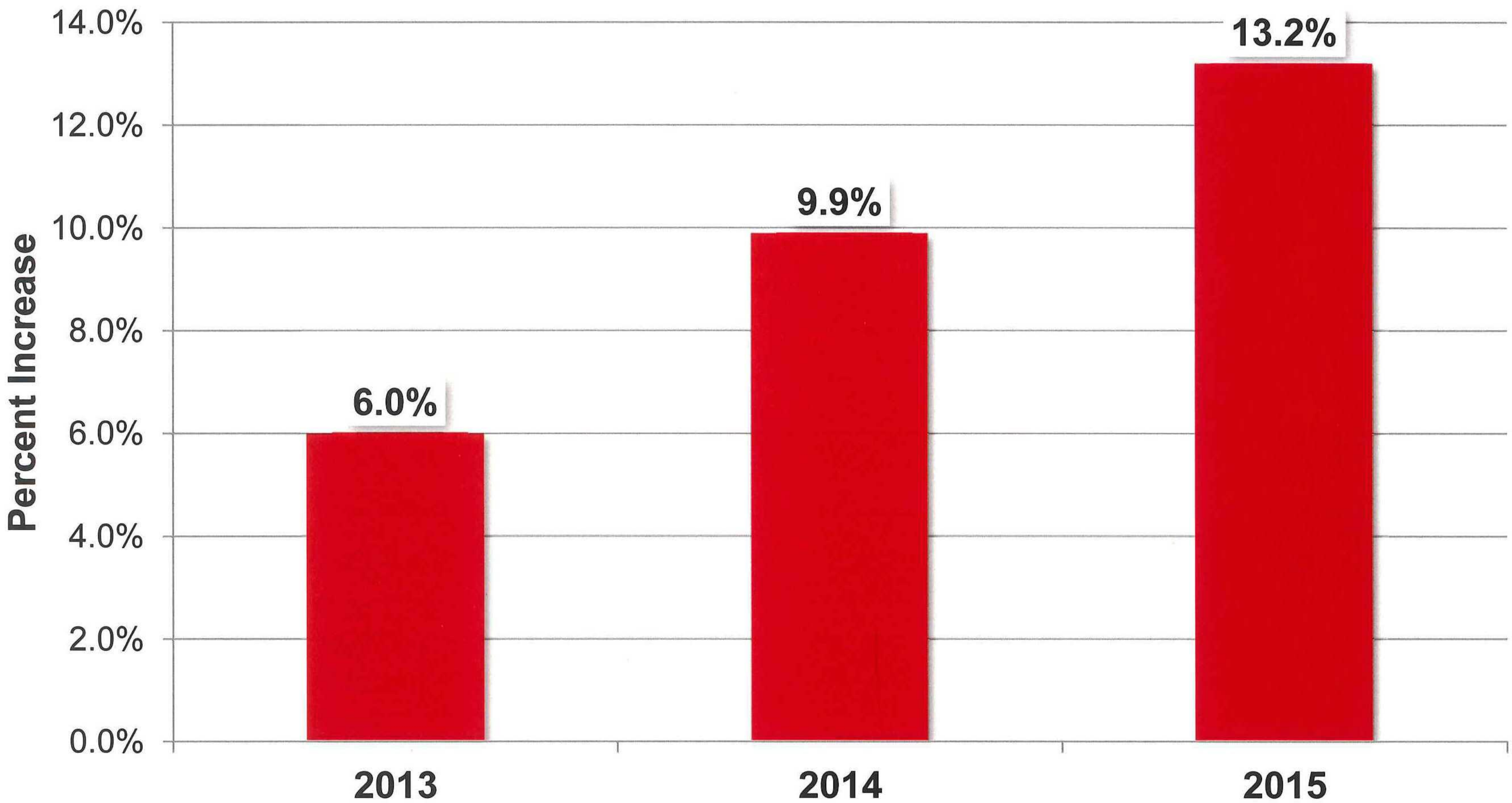

Source: ITC Prehrg. Rep. at C-3 (Table C-1).

## Before the Trade Case Filing, Imports in the First Half of 2015 Were on Pace to Reach Even Higher Levels in Full Year 2015




Source: ITC Prehrg. Rep. at C-3 (Table C-1).

# Subject Import Market Share Increased Rapidly from 2013 to 2015 As Well




Source: ITC Prehrg. Rep. at C-3 (Table C-1).

# Price

# Price Is Key in Purchasing Decisions

**Table II-12**
**Hot-rolled steel: Importance of purchase factors, as reported by U.S. purchasers, by factor**

| Factor | Very important | Somewhat important | Not important |
|---|---|---|---|
| Availability | 41 | 5 | 0 |
| Delivery terms | 16 | 28 | 2 |
| Delivery time | 37 | 8 | 1 |
| Discounts offered | 17 | 21 | 8 |
| Extension of credit | 9 | 19 | 19 |
| Minimum quantity requirements | 6 | 29 | 11 |
| Packaging | 7 | 28 | 11 |
| Price | 42 | 2 | 1 |
| Prior experience with supplier | 27 | 18 | 1 |
| Product consistency | 39 | 6 | 1 |
| Product range | 23 | 21 | 2 |
| Quality meets industry standards | 42 | 5 | 0 |
| Quality exceeds industry standards | 23 | 19 | 4 |
| Reliability of supply | 41 | 5 | 0 |
| Supplier certification | 21 | 20 | 5 |
| Technical support/service | 24 | 18 | 4 |
| U.S. transportation costs | 25 | 20 | 1 |

Source: Compiled from data submitted in response to Commission questionnaires.

Source: ITC Prehrg. Rep. at II-42.

# Subject Imports Undersold U.S. Product in a Majority of the Reported Volume

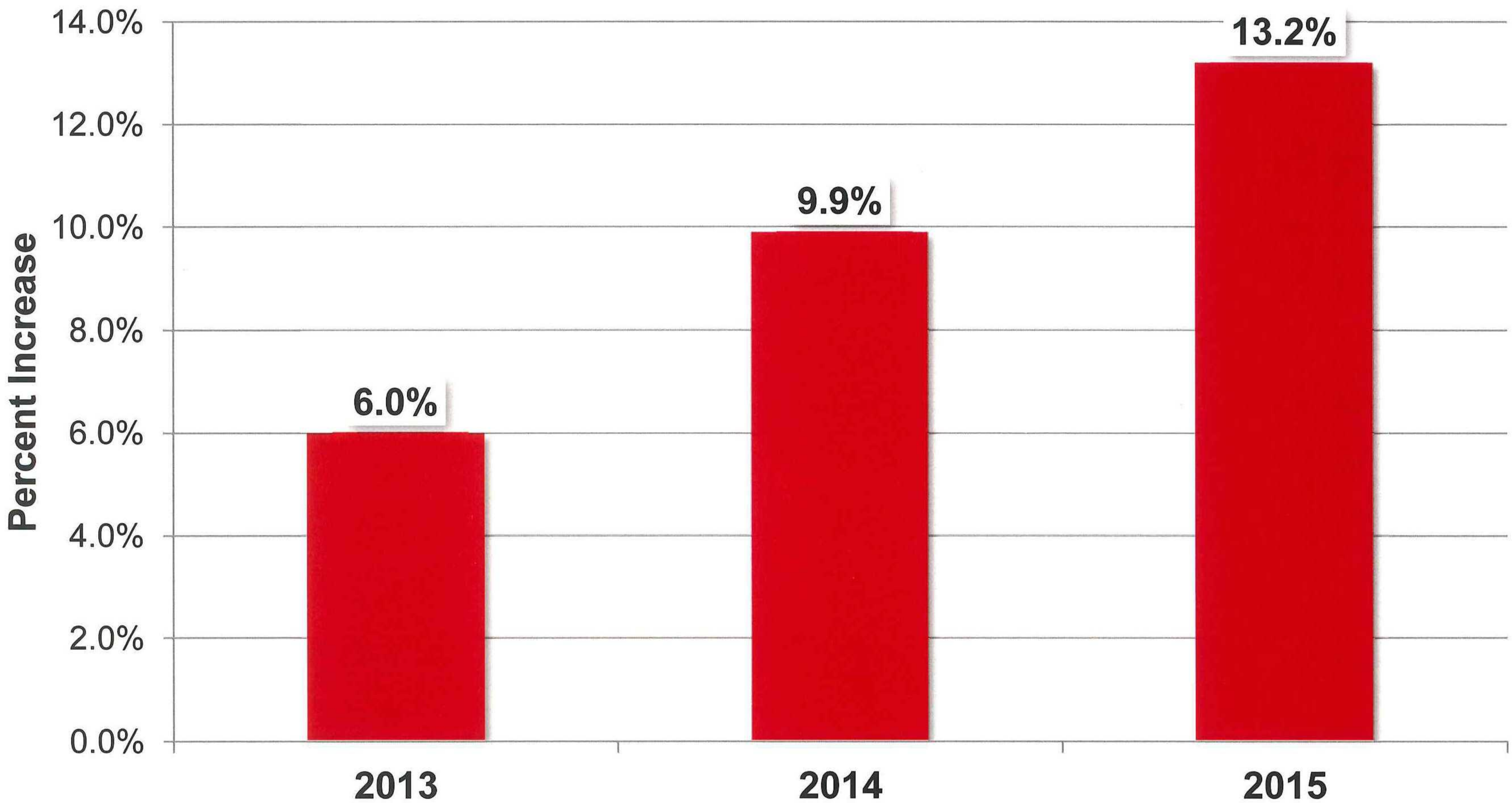
| | Number of Quarters – Underselling by Subject Imports | Underselling Volume by Subject Imports | Number of Quarters – Overselling by Subject Imports | Overselling Volume by Subject Imports | Percent Underselling based on Volume |
|---|---|---|---|---|---|
| **Total** | 174 | 1,225,218 | 275 | 1,116,950 | 52.3% |

Source: ITC Prehrg. Rep. at V-40 to V-41.

# Subject Imports Undersold U.S. Producer Prices to an Even Greater Degree if [ ] Pricing Data are Excluded

Source: ITC Prehrg. Rep. at V-40 to V-41; [ ] and AMUSA Prehrg. Brf. at 30.

# Subject Import Market Share Increased Rapidly from 2013 to 2015 As Well




Source: ITC Prehrg. Rep. at C-3 (Table C-1).

# Purchasers Admitted to Shifting to Imports Due to Price

**Table V-16**

**Hot-rolled steel: Purchasers' responses to U.S. producer price reductions**

| Source | Count of purchasers reporting shifting sources | Count of purchasers reporting that imports were priced lower | Count of purchasers reporting that price was the primary reason for the shift | Quantity shifted (short tons) |
|---|---|---|---|---|
| Australia | 9 | 9 | 7 | *** |
| Brazil | 11 | 10 | 9 | *** |
| Japan | 10 | 5 | 2 | *** |
| Korea | 19 | 15 | 11 | *** |
| Netherlands | 6 | 4 | 4 | *** |
| Turkey | 11 | 10 | 8 | *** |
| United Kingdom | 6 | 2 | 2 | *** |
| Subject sources | 30 | 24 | 18 | 1,059,321 |

Source: Compiled from data submitted in response to Commission questionnaires.

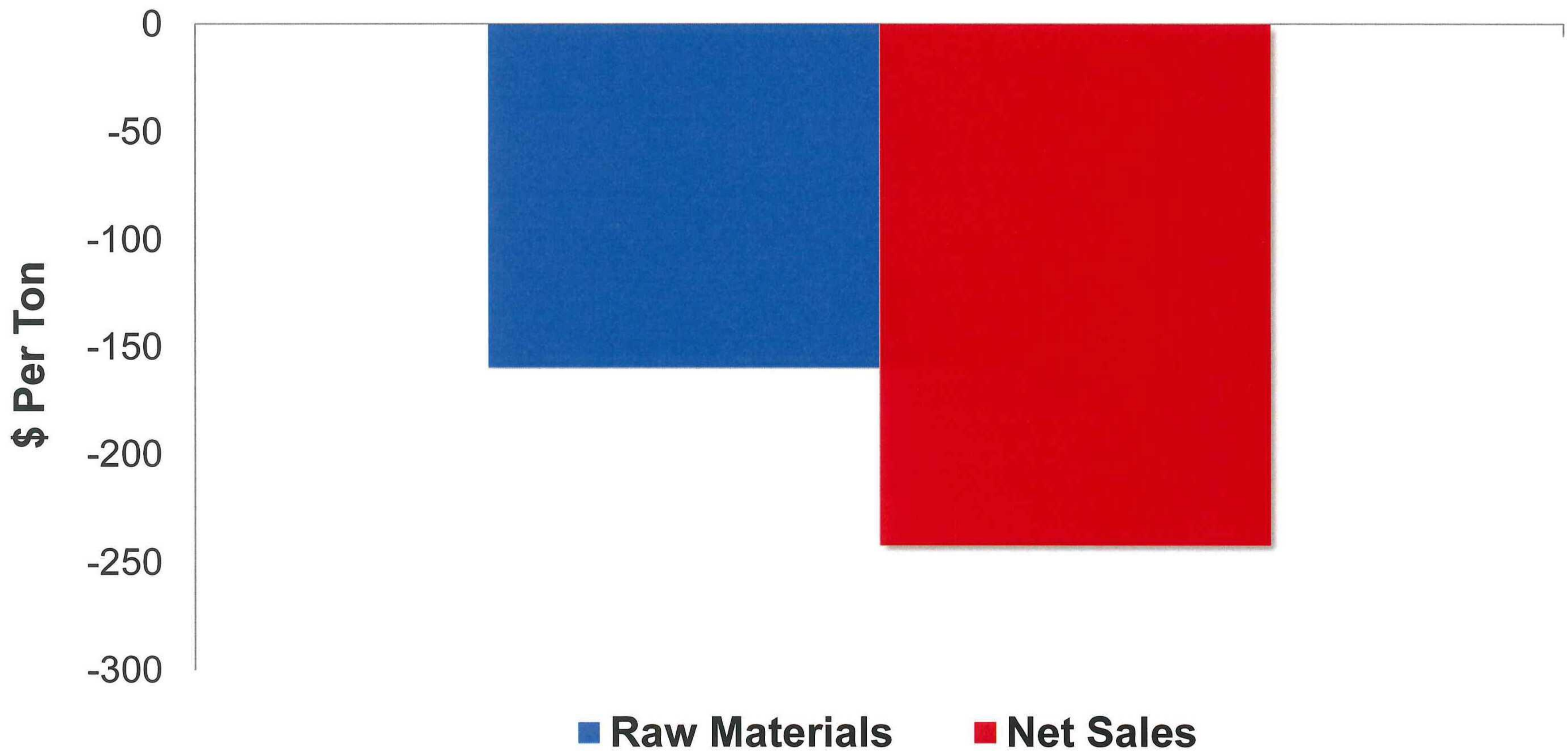
Source: ITC Prehrg. Rep. at V-49.

# Respondents are Wrong that the Import Product Shift is Overstated

Source: [ ] and Korean Prehg. Brf. at 38.

# U.S. Hot-Rolled Steel Prices
# Began Falling in 2014 and Continued to Decline Through 2015

# Unit Net Sales Values Declined Much More Than Unit Raw Materials from 2014 to Jan.-Mar. 2016




Source: ITC Prehrg. Rep. at VI-6 (Table VI-1).

# IMPACT

# Domestic Industry Trade Indicators Declined Substantially from 2013 to 2015

- Production fell by 7.0 million tons
- Capacity Utilization fell to 68.0% in 2015
- Domestic Shipments fell by 4 million tons
- U.S. Market dropped by 2 million tons
- Domestic Shipment Value fell by $5.1 billion
- Domestic Shipment AUV declined by $123/ton

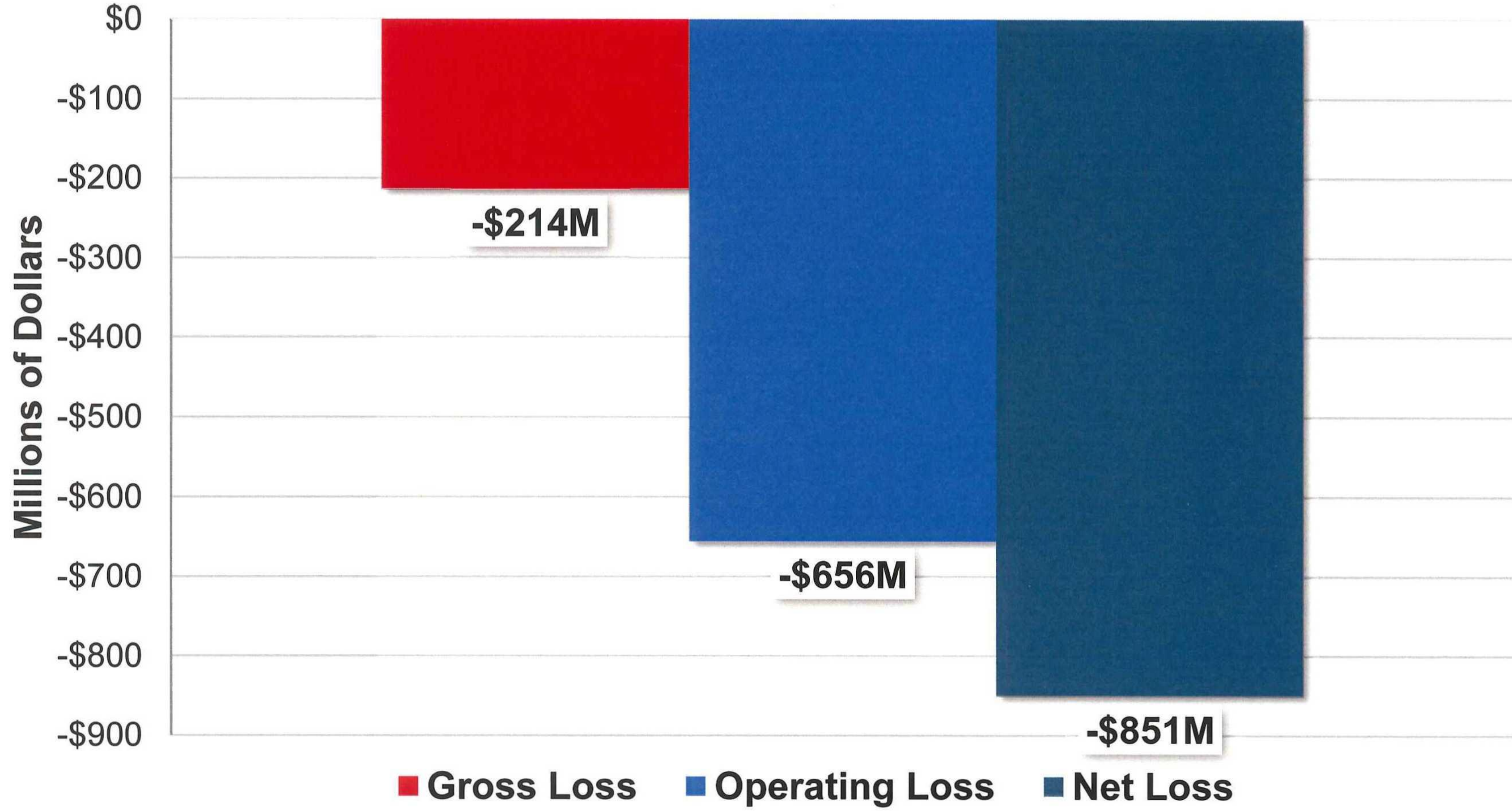
Source: ITC Prehrg. Rep. at C-3 to C-4 (Table C-1).

# Domestic Industry Financial Indicators Also Dropped Substantially from 2013 to 2015

- Net Sales Value plunged by $4.8 billion
- Gross Profit declined by $1.5 billion
- Operating Income fell by $1.4 billion
- Net Income dropped by $1.4 billion
- Operating Income/Net Sales plunged to -6.0 percent
- Net Income/Net Sales fell to -7.8 percent
- Capital Expenditures declined by $146 million
- Cash Flow was negative in 2015

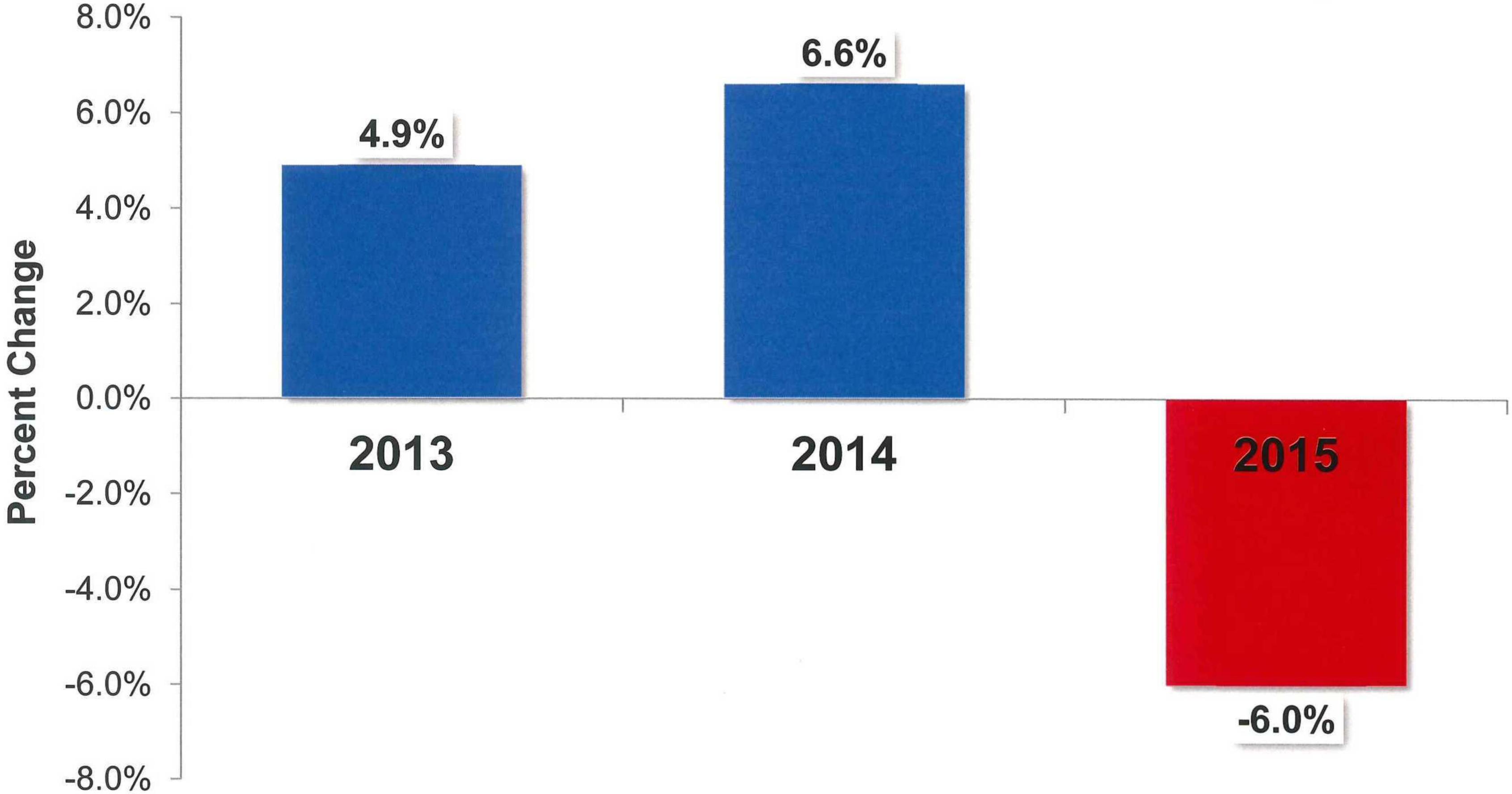
Source: ITC Prehrg. Rep. at C-4 (Table C-1).

# U.S. Producers Experienced Substantial Losses in 2015




Source: ITC Prehrg. Rep. at VI-5.

# U.S. Producers' Operating Profit Ratios Fell to a Significant Loss in 2015




Source: ITC Prehrg. Rep. at C-4 (Table C-1).

# U.S. Producers Lost Significant Revenue Due to Increased Subject Import Volume

| | | |
|---|---|---|
| **2014:** | | $ 948,806,703 |
| **2015:** | + | $ 927,759,672 |
| | | **$1,876,566,375** |

Source: AMUSA's ITC Prehrg. Brf. at 37 and ITC Prehrg. Rep. at III-15 and C-3 (Table C-1).

# The U.S. Industry Experienced Production Curtailments and Plant Closures

- U.S. Steel's Fairfield, Alabama facility shut down in August 2015.
- In March 2016, AMUSA announced the idling of its Indiana Harbor 84-inch hot strip mill.
- Parts of AK Steel's Ashland, KY plant were idled in December 2015.

Source: Trade Articles.

# Jobs and Wages Were Lost During the POI

- 2,506 jobs had been lost by first quarter 2016.
- Workers lost $49 million in wages in the first quarter of 2016 alone, and $38 million in wages in 2015.
- Numerous employees were laid off from 2013-2015.
- Crew levels and hours were curtailed over the POI.

Source: ITC Prehrg. Rep. at C-6 (Table C-1) and ITC Prehrg. Rep. at III-9 (Table III-4).

# Even Respondents Concede the U.S. Industry is Suffering Injury

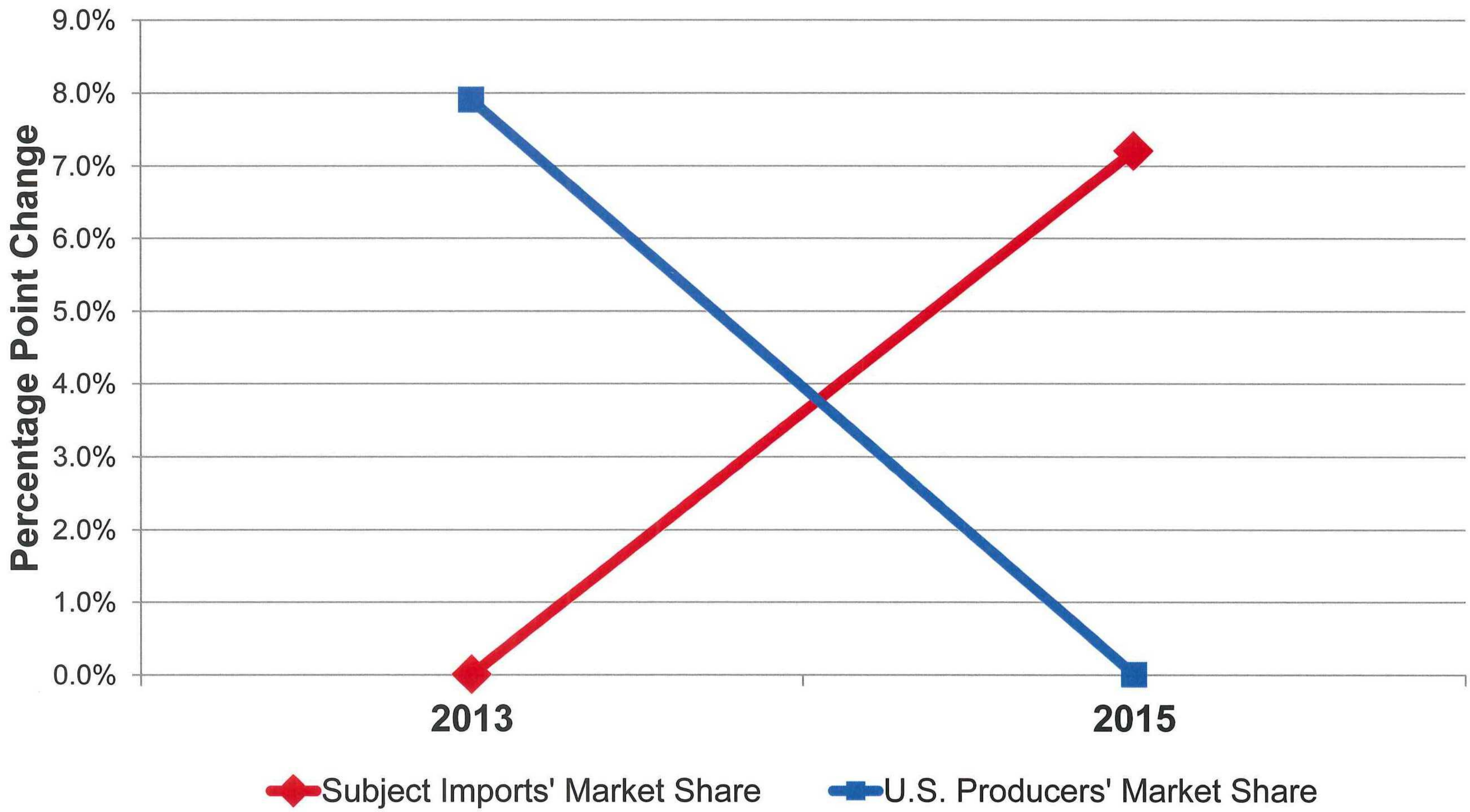
***"It is very clear that it had injury in 2015.***

***The issue is, what caused the injury."***

Source: ITC Conference Transcript at 253 (Mr. Cunningham).

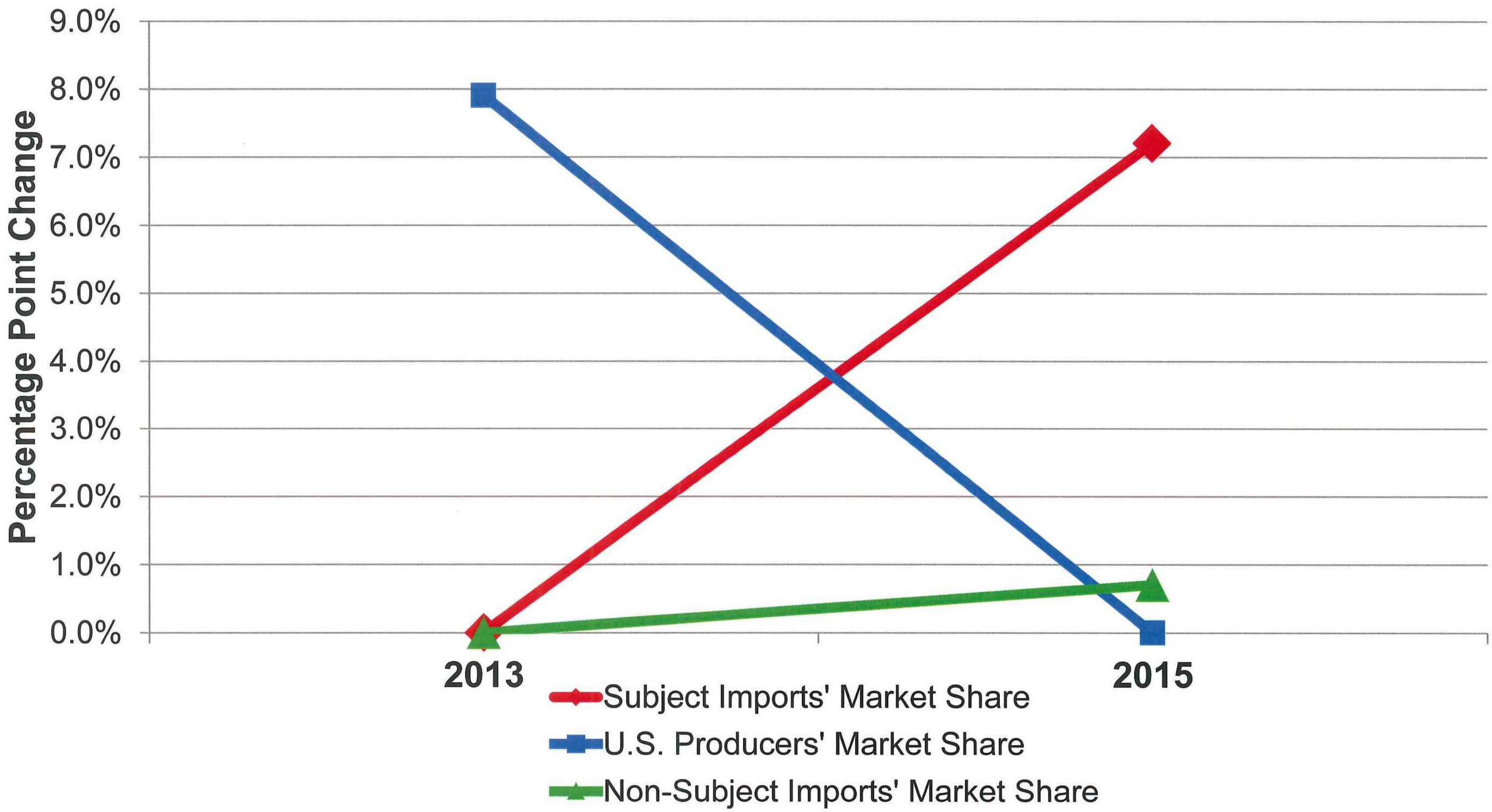
# CAUSAL NEXUS

# Subject Imports' Increasing Share of Commercial Market Directly Displaced U.S. Producers' Share



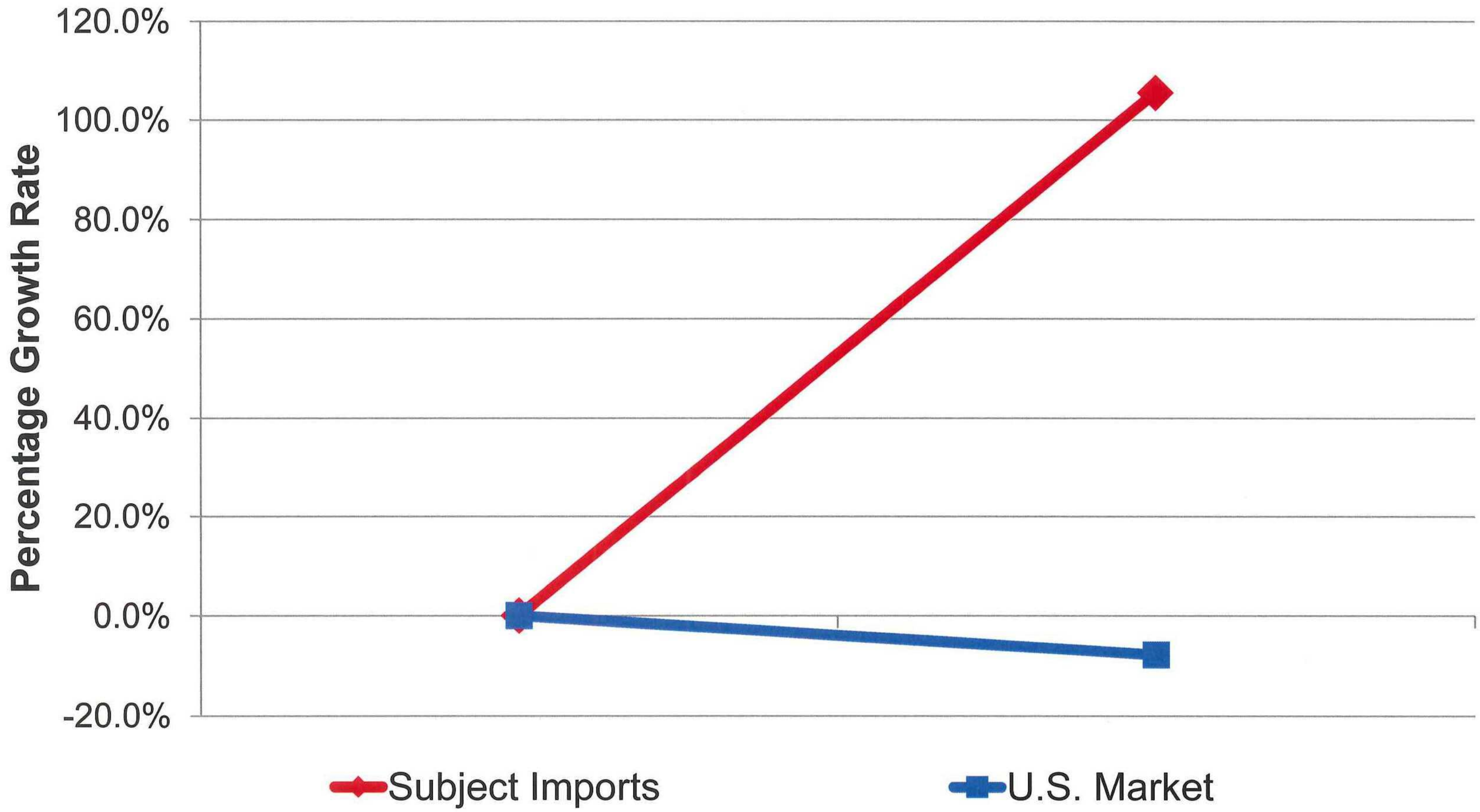

Source: ITC Prehrg. Rep. at C-3 (Table C-1).

# Non-Subject Imports Are Not the Cause of Lost U.S. Share



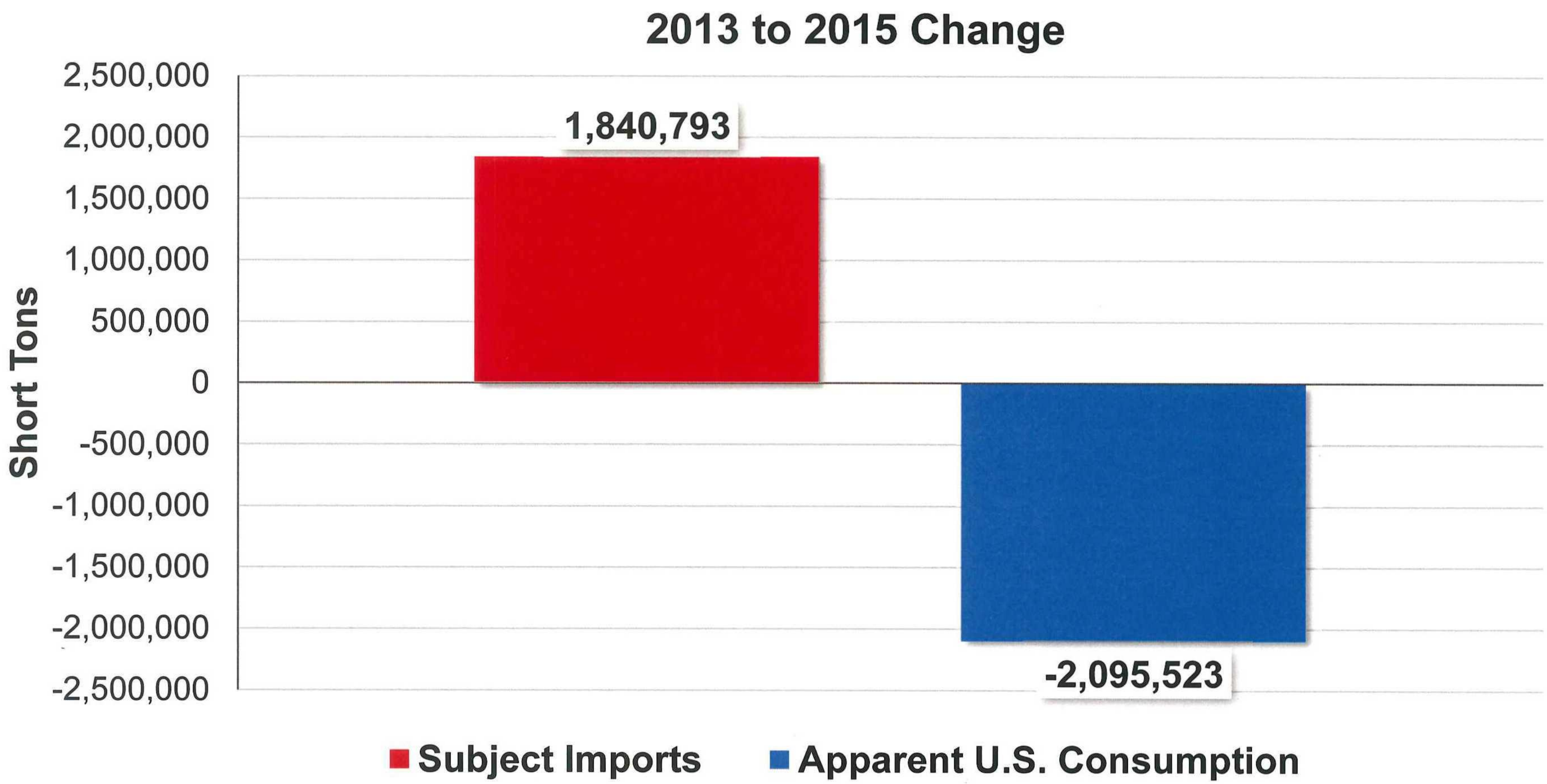

Source:ITC Prehrg. Rep. at C-3 (Table C-1).

# As Demand Fell, Subject Imports Continued to Increase from 2013 to 2015



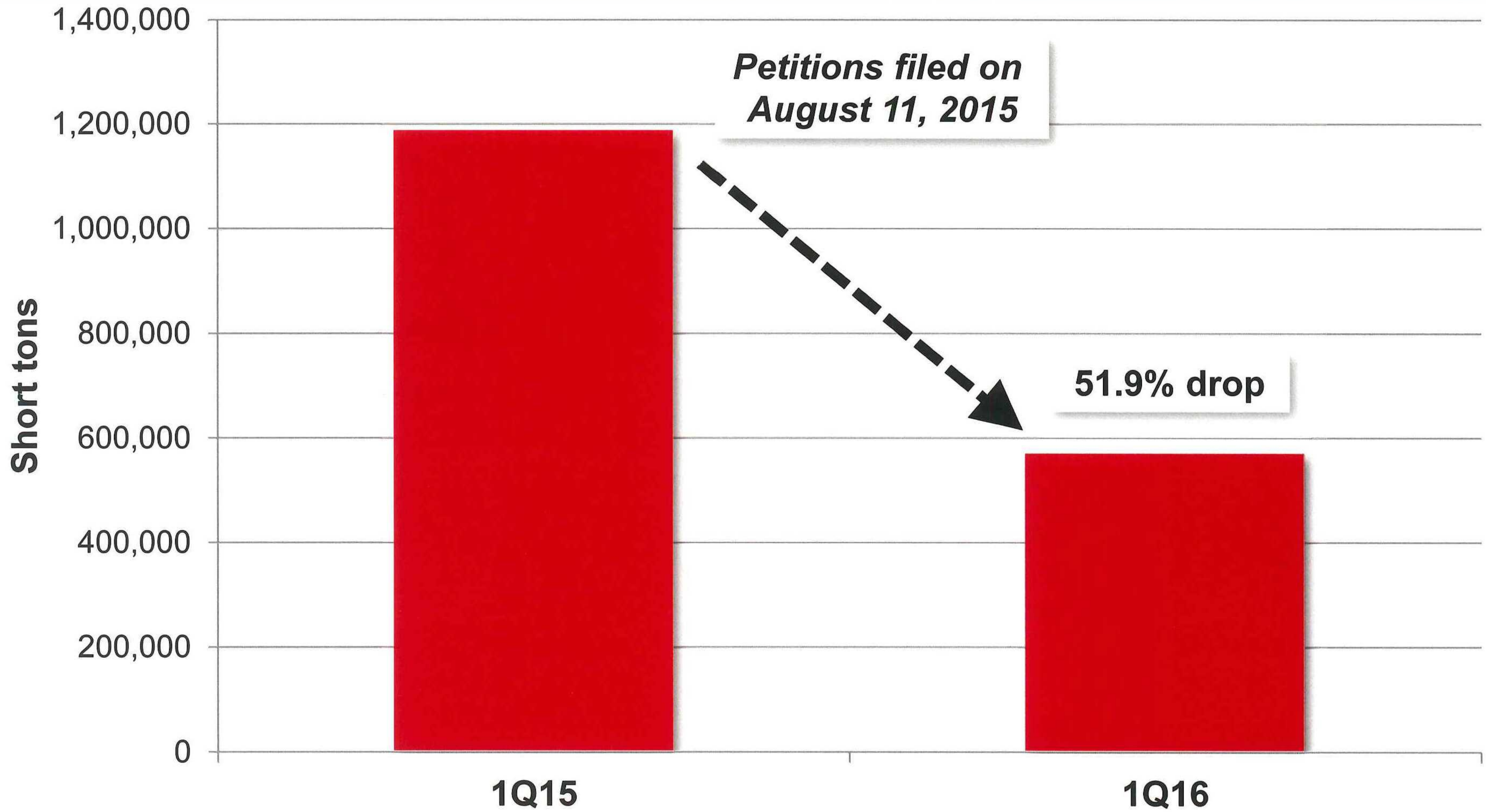

Source: ITC Prehrg. Rep. at C-3 (Table C-1).

# The Increase In Subject Imports In Context of the Business Cycle Is Significant



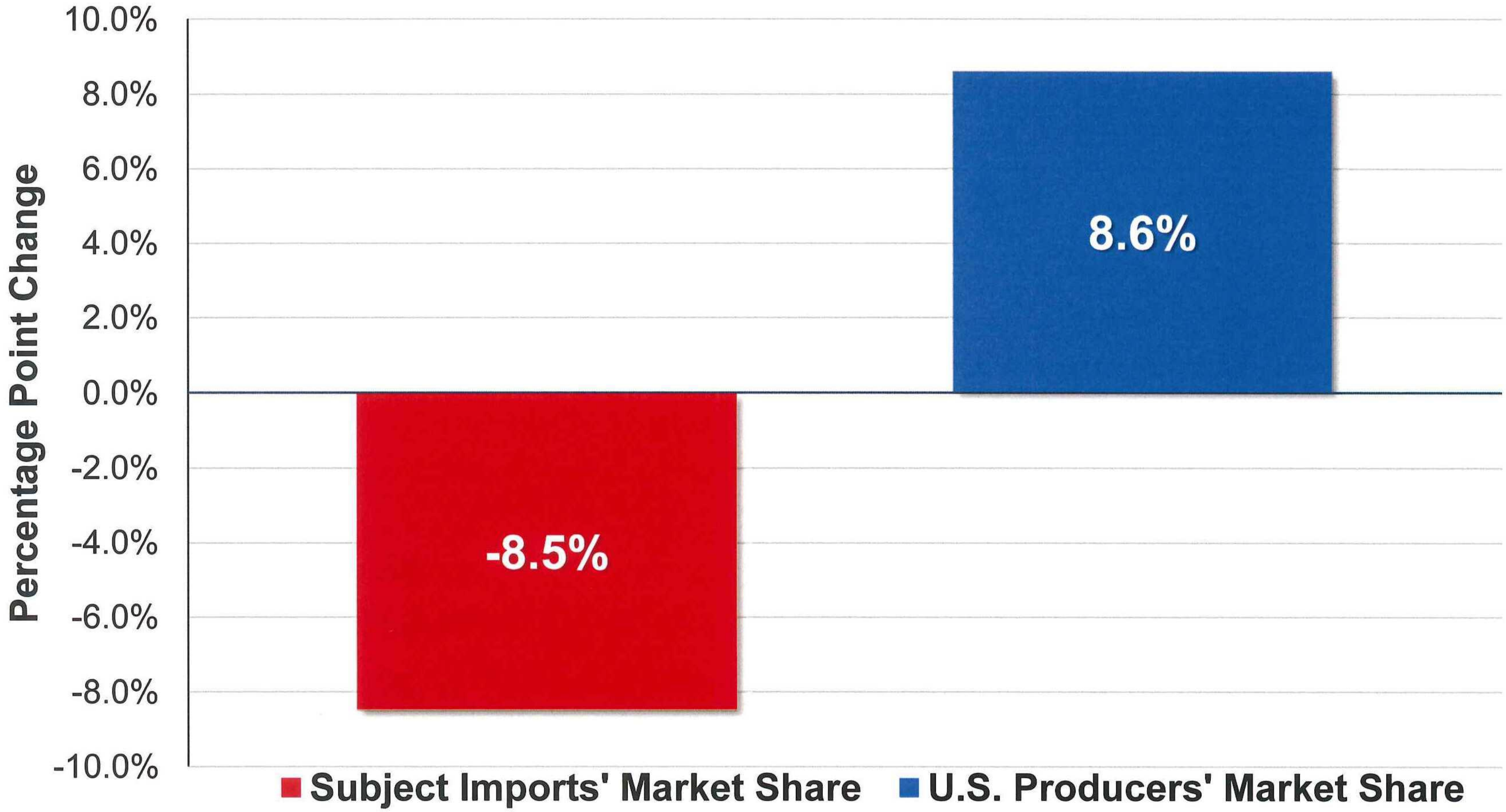

Source: ITC Preliminary Rep. at C-3 (Table C-1)

# Imports Dropped Significantly from 1Q15 to 1Q16 Due to Case Filing



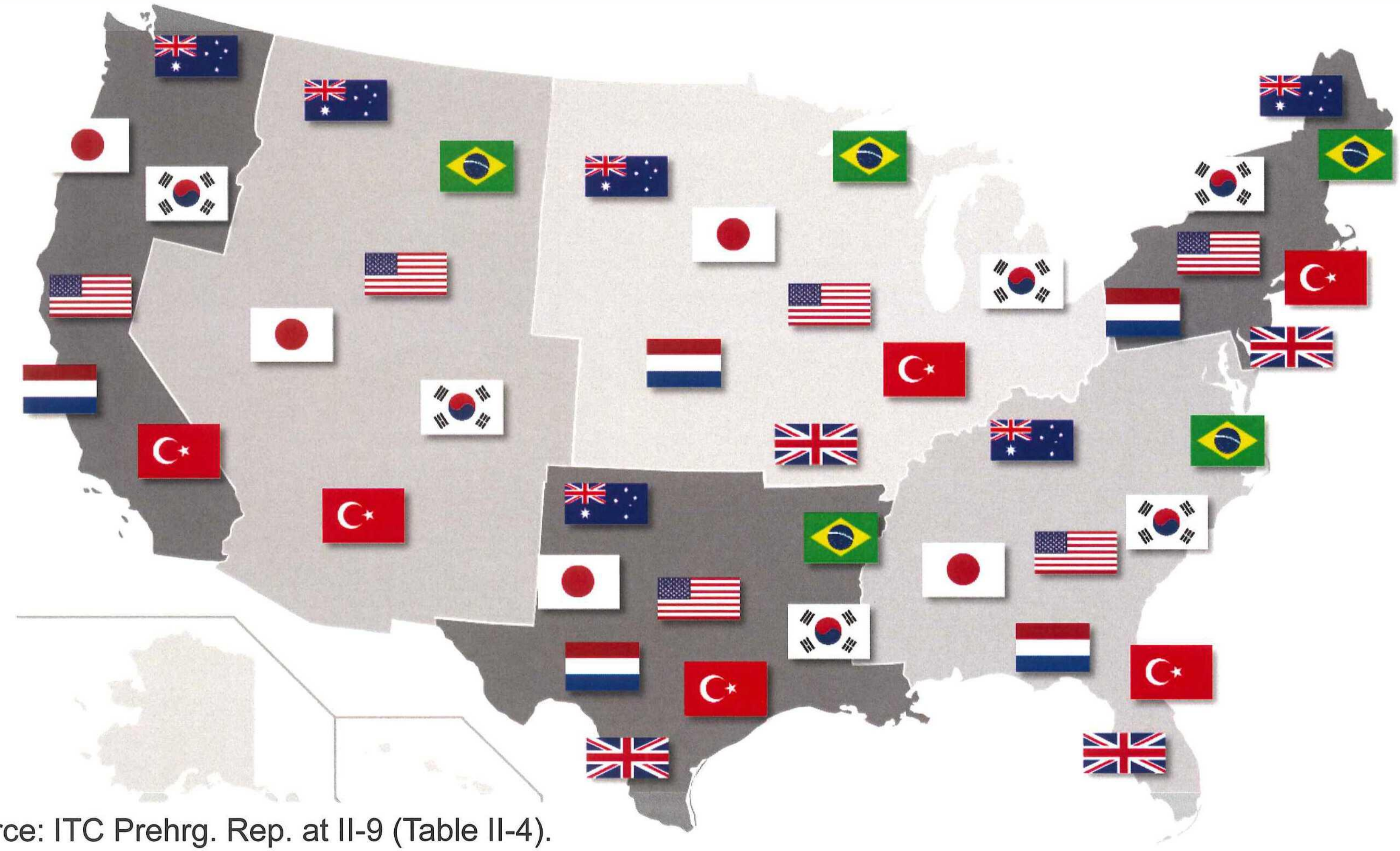

Source: ITC Preliminary Rep. at C-3 (Table C-1)

# As Subject Imports' Fell in Reaction to the Case, U.S. Producers' Share Increased In Direct Proportion From 1Q15 to 1Q16




Source: ITC Prehrg. Rep. at C-3 (Table C-1).

# U.S. Producers and Subject Imports Compete in the Same Geographic Areas

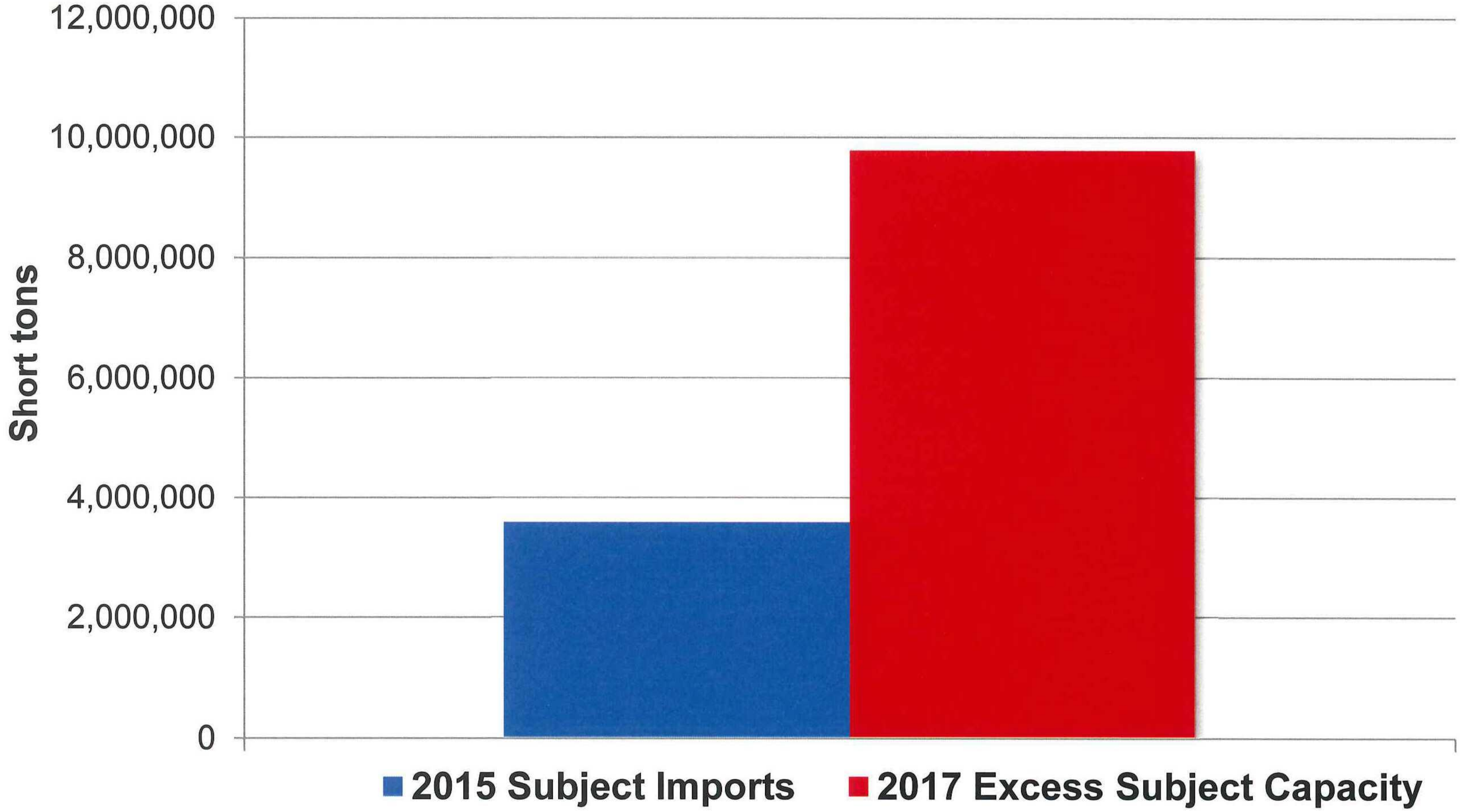


Source: ITC Prehrg. Rep. at II-9 (Table II-4).

# Price is What Prevented Sales by U.S. Producers to Respondents' Affiliates, Not the Inability to Supply

# THREAT

# Excess Capacity Would Allow Subject Imports to Increase Significantly from Present Levels




Source: ITC Prehrg. Rep. at VII-50.