HOT-ROLLED STEEL FLAT PRODUCTS FROM AUSTRALIA, BRAZIL, JAPAN, KOREA, THE NETHERLANDS, TURKEY, AND THE UNITED KINGDOM, 701-ta-545-547 AND 731-TA-1291 – 1297 (Final)

STATEMENT OF GORDON AUBUCHON

STEEL WAREHOUSE

Good afternoon. My name is Gordon AuBuchon. I am the Executive Vice President for Steel Warehouse Company. Steel Warehouse is part of a group of companies that purchase, process and distribute Flat-rolled carbon steel throughout the USA, Mexico, and Brazil. Our company was founded in South Bend, IN in 1947 by Nate Lerman and the company has remained a family owned business for almost 70 years. Today, we have over 20 plus locations, including three manufacturing plants in the Cleveland area. We have invested heavily in capital equipment that allows us to process and fabricate flat-rolled steel into a variety of forms to serve our customers. This includes Pickling, Temper Passing, Cold-Rolling, Annealing, Leveling, Blanking, Tube making, and Fabrication.

We purchase more than 1.5 million tons of steel annually with the majority being Hot-Rolled Coil. We have a very diverse customer base, including Agricultural Equipment, Construction, Energy, Automotive, Semi-Truck and Trailer. We are proud that we currently employ 1,873 American workers.

I am here to explain to you today why our company had to increase its purchases of foreign steel during the period you are investigating, and in particular why we looked to Tata Netherlands during that period.

I first want to emphasize that Steel Warehouse has always looked within the US for the vast majority – typically 75% or more -- of our Hot-Rolled steel purchases. We depend upon our relationships with domestic Steel Mills and will continue to do so. We have a diverse customer base and we have over the years found that they have needs that in some respects cannot be met by the US mills.

For over 60 years, we have worked very closely with Tata Netherlands to develop solutions for our customers that allowed them to improve their productivity and the quality of the parts that they manufacture. There are many examples over the years where we were able to purchase steel from Tata Netherlands that we were unable to procure from domestic mills on a consistent basis. We have letters from our customers that indicate this fact and will be happy to provide them to the Commission as part of a confidential submission after the hearing. These examples reflect attributes such as surface quality, dimensional tolerance control and mechanical properties.

We have tried domestic product repeatedly to meet these demands. Our customers would not accept them. In fact, in response to questions to our domestic suppliers, we were told to purchase product from foreign suppliers. Therefore, the US mills did not lose any domestic sales because of our foreign purchases of these products. If they were no longer imported, these products would most likely be shifted to other foreign mills, or worse, the subcomponents made from this steel instead would be made outside the US.

The level of participation with Tata Netherlands also rises and falls based on the mix of customer demand that we have from year to year. All of our purchases are specific to our customers' demands. If we have a year where our specialty steel requirements increase, it follows that our reliance on Dutch imports, on a percentage basis, goes up.

In the period that this Commission is investigating our demand parallels that of the industries we serve. 2014 was a boom year – 2015 was a bust year. These realities, coupled with the production outages, drove the consequences of both periods.

2014 was an exceptional year – steel demand boomed. Conversely, there were unplanned outages limiting the ability of US suppliers to meet that demand. Supply from domestic mills was constrained in the first half of 2014 due to the extremely harsh winter which resulted in supply interruptions.

In addition, there were unplanned production outages that further disrupted supply. We will document both in a post hearing submission. Second, there was a lot of demand for steel going into energy related projects and the automotive industry, which was up 1.2 million cars in 2014 compared to 2013, that kept the order books at the US Domestic mills filled and limited availability of US-produced hot rolled steel for other markets.

Let me turn now to 2015. Our perspective on the collapse in Hot-Rolled Steel market prices that started at the beginning of 2015 is that a main contributor was the dramatic drop in demand for steel going into the energy and related sectors that was a direct result of lower oil prices. Not imports from Tata Netherlands. The difference between 2014 and 2015 was remarkable, going from a boom year to a bust year.

Another factor was lower input costs. For example, scrap prices dropped 40% in 2015. Other inputs such as Iron Ore also dropped dramatically in price.

This was important because customers follow raw material prices and expect to see that reflected in the prices they pay for their next purchases -- especially when raw material prices dropped, expecting prices to follow.

We do not feel that the participation in the US market of Tata Netherlands had any impact in driving the market price for hot-rolled steel down in 2015. This mill has been supplying our company for many decades, year in and year out. We buy from this mill not because of price but rather for quality, availability, flexibility and technical support. We feel strongly that any trade action against The Netherlands for hot-rolled steel products has the potential to damage our ability to service a portion of our customers in the US. It is likely that such actions could ultimately hurt manufacturing in the US and the jobs associated with that manufacturing.

I would be happy to answer any questions the Commission may have. Thank you.