

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

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| Hot -Rolled Steel Flat Products) | Inv. Nos. 701-TA-545-547 and |
| from Australia, Brazil, Japan, Korea,) | 731-TA-1291-1297 |
| the Netherlands, Turkey, and) | (Final) |
| the United Kingdom) | |
| _____) | |

Testimony of Daniel Eversmeyer, POSCO America

1. Good afternoon. My name is Dan Eversmeyer. I am the Corporate Strategy Manager at POSCO America, which is a subsidiary of POSCO. I deal extensively with POSCO's corporate relationship with USS-POSCO Industries ("UPI"), a joint venture between US Steel and POSCO. UPI is a domestic producer of pickled & oiled hot-rolled, cold-rolled, galvanized and tin plate located in Pittsburg, California, with more than 650 employees, including 488 steel workers represented by the United Steelworkers union.

2. Since UPI began operations in 1986, its business model has been based on utilizing coils from the joint venture partners, including hot-rolled produced by POSCO in Korea, to produce downstream flat-rolled products for domestic customers, competing largely with imports of those products in the Western market. Stated simply, without access to POSCO hot-rolled coil, I strongly believe that UPI's viability is seriously in question, and that neither POSCO nor U.S. Steel could have justified the hundreds of millions of dollars of

investments in UPI without the assurance of dedicated hot-rolled supply from POSCO. The unique nature of POSCO's supply to UPI was recognized in the 1993 Hot Rolled Determination by the ITC, which de-cumulated imports of hot-rolled steel from Korea, and the 2002 Steel Safeguard which provided a separate quota for POSCO and UPI.

3. Given the importance of POSCO's hot-rolled steel exports to the sustainability of UPI, the Commission may wonder why they are not here today to state its case and answer the Commission's questions. The answer is simple: while POSCO supported UPI's request to be here today, US Steel denied UPI permission to appear and testify on its own behalf.

4. Both joint venture partners have the right under the joint venture agreement to supply UPI with up to 50 percent of UPI's hot-rolled coil needs. However, during the period of this investigation, U.S. Steel elected not to supply anywhere close to the full quantity of hot-rolled steel to which it is entitled.

5. Historically, POSCO and U.S. Steel have each supplied roughly half of UPI's hot-rolled requirements, with the price based on a formula, inclusive of freight, agreed to by representatives of POSCO and U.S. Steel on UPI's Management Committee. Since 2013, however, U.S. Steel supply of hot-rolled to UPI has declined significantly. As a result, POSCO has increased its share of HR

supply to UPI above its 50 percent share to ensure that UPI had the feedstock it needed to operate its mill.

6. Because of U.S. Steel's decision to reduce its supply to UPI, both partners agreed in 2013 that UPI would be authorized to purchase hot-rolled from 3rd parties under certain conditions regarding price and, importantly, quality. Both U.S. Steel and POSCO have to approve the 3rd party suppliers to UPI, and both companies have the right of first refusal.

7. In October 2013, UPI requested bids from five domestic mills to supply up to 100,000 tons per year of hot-rolled coil beginning in 2014. Some mills did not respond at all, and only one domestic mill negotiated beyond quality parameters. As a result, most third party supply to UPI has been imported, and POSCO has exercised its rights to supply an increased share of UPI's hot-rolled requirements. Virtually every major domestic producer with cold reduction facilities has an established dedicated supply of substrate. This includes western market companies Steelscape and California Steel, the latter of which imports slab primarily from its owners. The alternative to dedicated supply is merchant supply, and the difficulty is that integrated producers will supply their own cold-rolled and galvanized mills before selling HR on the merchant market. Therefore, continuous and reliable supply in the volumes and quality required to operate efficiently cannot be assured.

8. The other reason for the importance of dedicated supply is that variances in hot-rolled suppliers introduces significant variables into the chemistries, dimensions, surface quality, and performance characteristics of UPI's finished products, making it difficult to meet customer specifications in a reliable and consistent manner. This is one reason that POSCO has replaced the 3rd party imports with additional POSCO supply.

9. UPI was designed to run extra-large coils. The average POSCO hot-rolled coil is 1270 PIW (pounds per inch width). These large coils enhance UPI's efficiencies and cost effectiveness. Incoming hot-rolled coil size directly impacts line yields and unit productivity. There are few mills in North America that produce coils this large.

10. Additionally, UPI is located on the West Coast, far from domestic hot-rolled production that is concentrated in the Mid-West and South. Freight is an important issue when considering supply of UPI or any West Coast producer. The issue is not only one of cost; it is also one of rail capacity. While there is rail capacity to temporarily meet intermittent needs, the lack of rail car capacity interferes with the ability of mills in the South/Midwest to ship large quantities of hot-rolled coil to the West Coast on a timely and regular basis. When operating at normal levels, UPI requires more than one million tons per year of hot-rolled.

11. Finally, UPI is an important part of the domestic market for downstream products on the West Coast. It is the only domestic producer of tin plate on the West Coast. 90 percent of all of UPI's customers are located in California, Oregon, and Washington. Absent UPI, the West Coast will be dramatically undersupplied, leading to severe economic disruption and increase imports of tin plate and other downstream products. And absent an ability to source hot-rolled coils from its parent company, I have serious concerns about UPI's long term viability.

Thank you.