



ECONOMIC CONSULTING SERVICES, LLC

**BEFORE THE
UNITED STATES INTERNATIONAL TRADE COMMISSION**

**IN THE MATTER
OF
HOT-ROLLED STEEL PRODUCTS FROM AUSTRALIA, BRAZIL,
JAPAN, KOREA, NETHERLANDS, TURKEY, AND THE UNITED
KINGDOM**

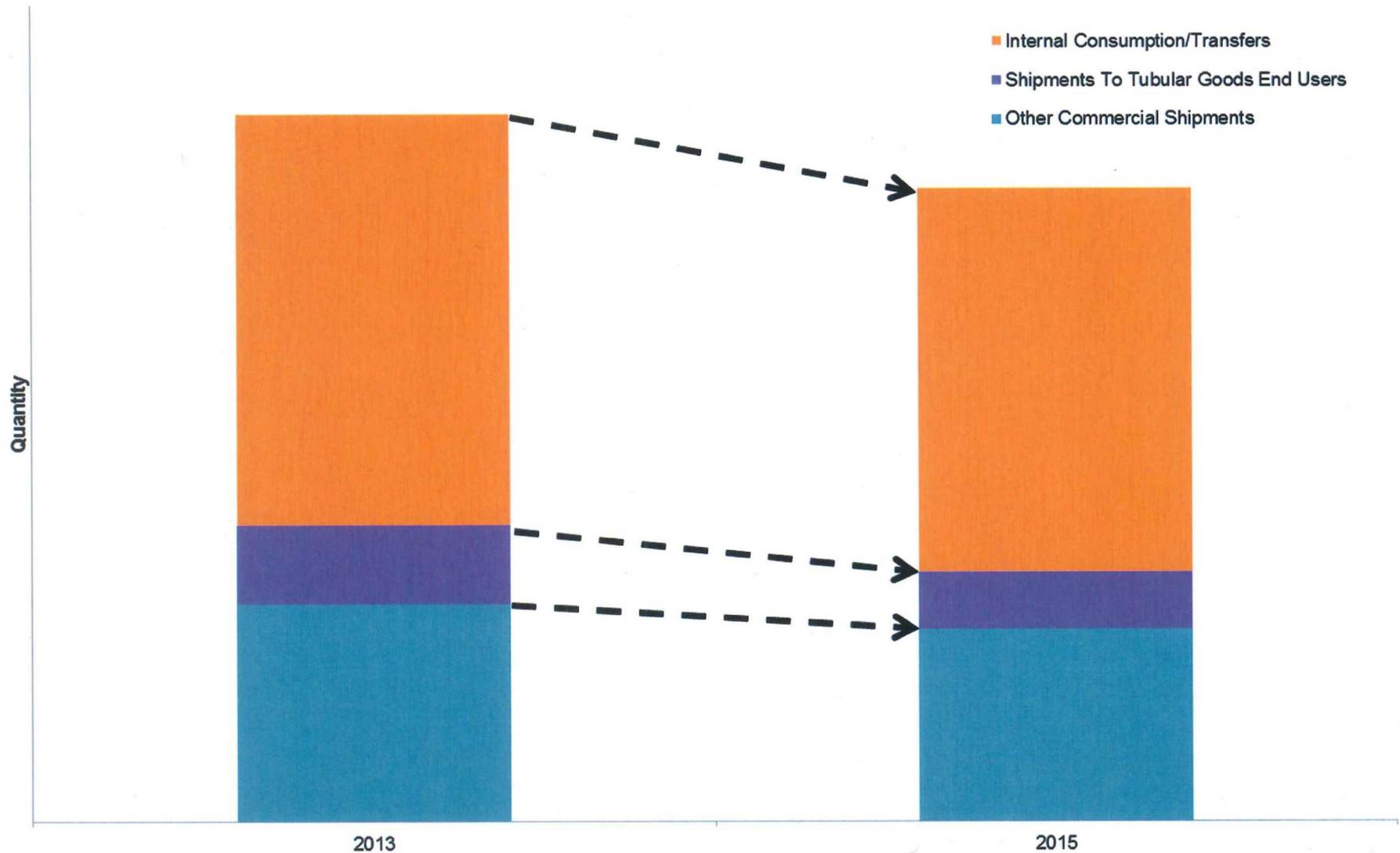
Inv. Nos. 701-TA-545-547 and 731-TA-1291-1297

**EXHIBITS TO TESTIMONY OF
JIM DOUGAN
VICE PRESIDENT
ECONOMIC CONSULTING SERVICES, LLC**

August 4, 2016

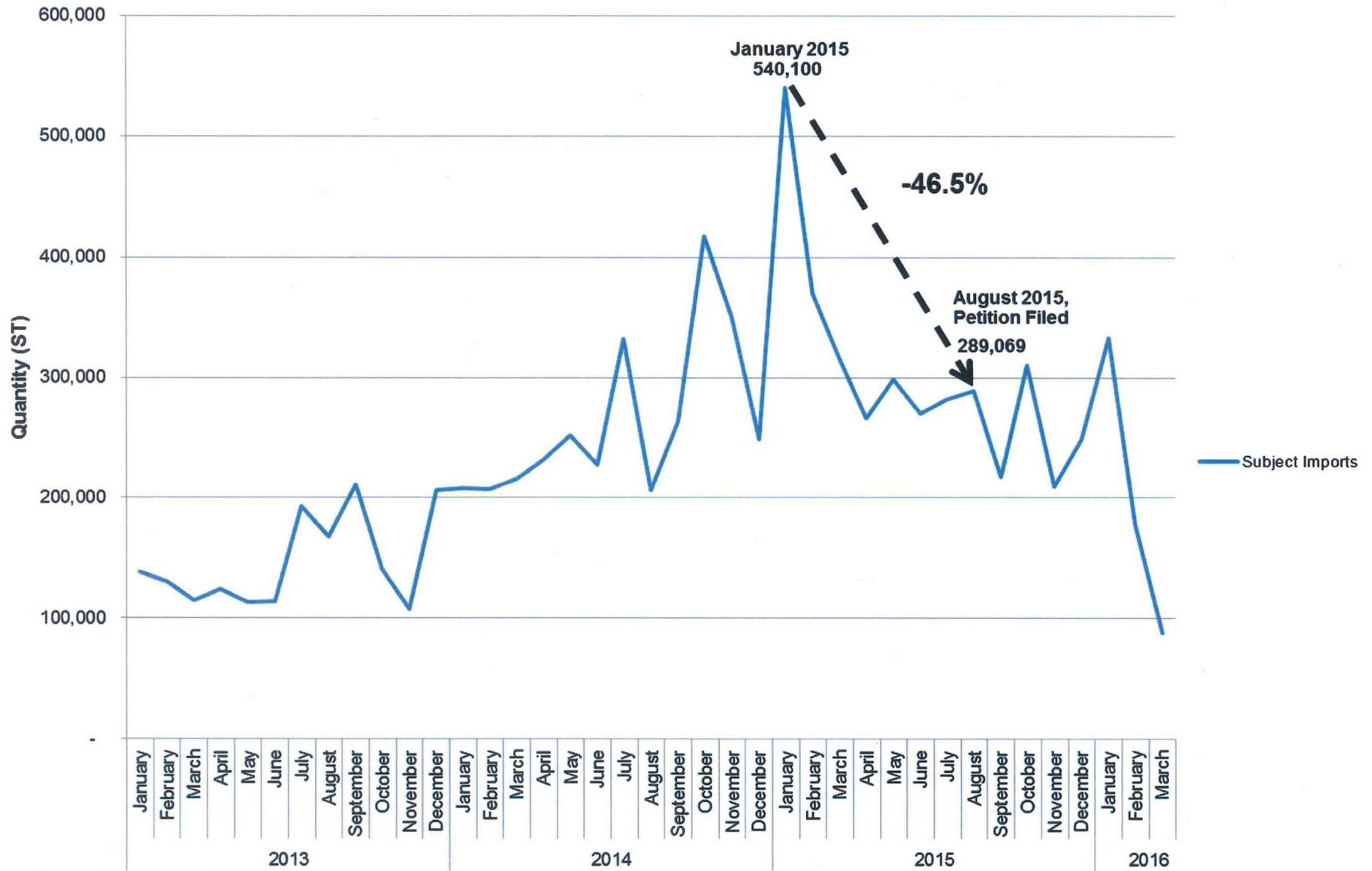
Washington, D.C.

Declines in Internal Consumption/Transfers and Shipments to Tubular Goods End Users Drove Declines in U.S. Producers' Total U.S. Shipments



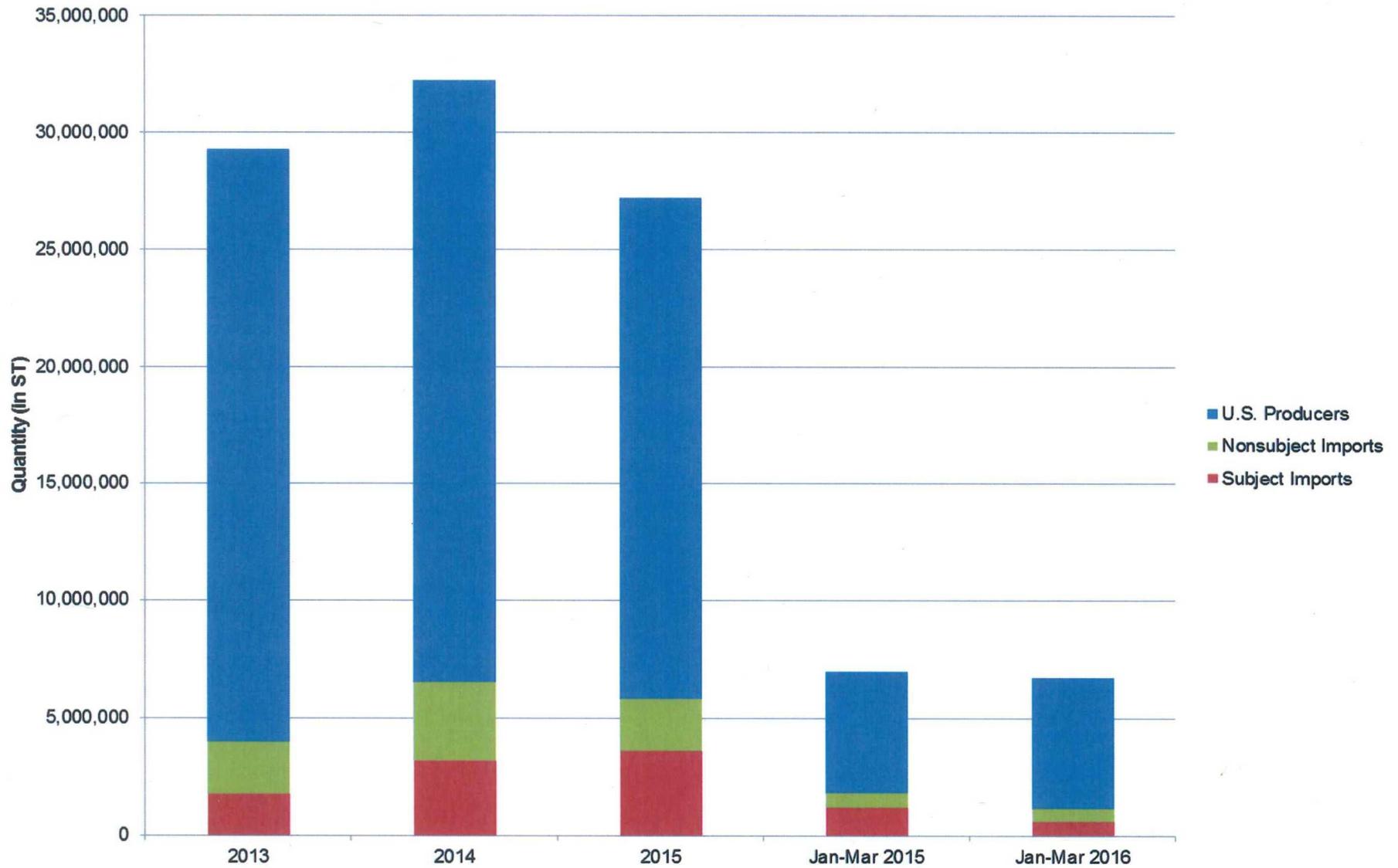
Sources: SR at Table III-7 and Table III-8; Prelim SR at II-2.

Subject Import Volume Declined Sharply Months Before the Petition was Filed



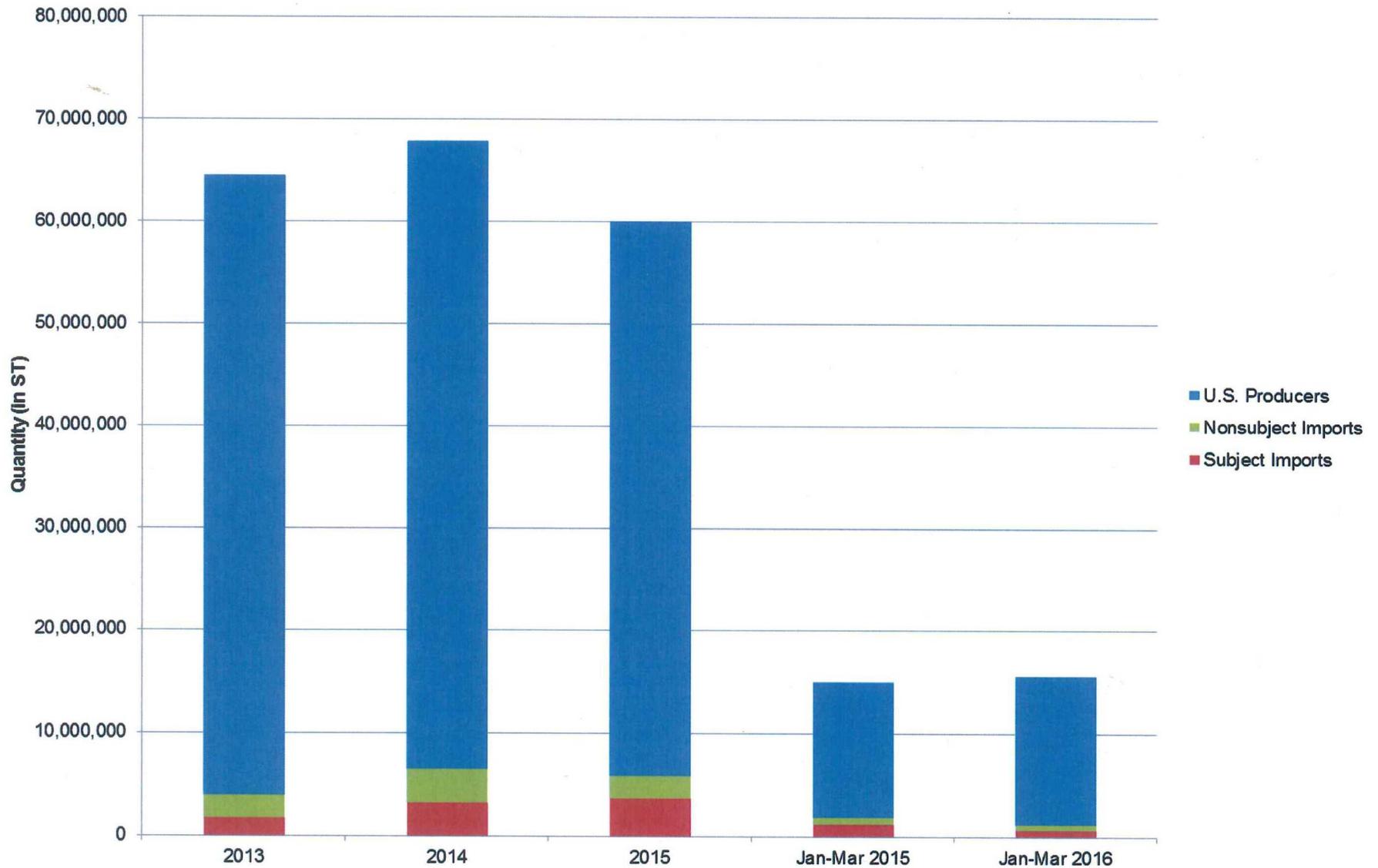
Source: Staff Report at Table IV-9.

In the Merchant Market, U.S. Producers' Shipments Dwarfed Subject Imports



Source: SR at Table C-1.

In the Total Market, Subject Imports are Barely Perceptible



Source: SR at Table C-2.

Nearly Half of Subject Imports Enter on the West Coast, Which is Underserved by the Domestic Industry

Imports (using HTS at SR I-22)	Total POI (ST)
Subject Imports Entering on West Coast	4,516,395
Total Subject Imports	9,705,536
West Coast/Total	47%

Source: See Korean Respondent's Prehearing Brief at Exhibit 1.

Figure III-1

Hot-rolled steel: Locations of production in the United States



- | | | | |
|--------------------------|-----------------------------|------------------------|----------------------|
| AK Steel | California Steel | Nucor | SSAB |
| 1: Ashland, KY | 10: Fontana, CA | 16: Ghent, KY | 24: Montpelier, IA |
| 2: Butler, PA | Evraz | 17: Crawfordsville, IN | 25: Axis, AL |
| 3: Dearborn, MI | 11: Portland, OR | 18: Blytheville, AR | U.S. Steel |
| 4: Middletown, OH | NLMK (Top Gun) | 19: Tuscaloosa, AL | 26: Fairfield, AL |
| ArcelorMittal USA | 12: Farrell, PA | 20: Trinity, AL | 27: Gary, IN |
| 5: Burns Harbor, IN | 13: Portage, IN | 21: Huger, SC | 28: Granite City, IL |
| 6: Cleveland, OH | 14: Sharon, PA | SDI | 29: Ecorse, MI |
| 7: East Chicago, IN | North Star BlueScope | 22: Butler, IN | 30: West Mifflin, PA |
| 8: Riverdale, IL | 15: Delta, OH | 23: Columbus, MS | |
| 9: Calvert, AL | | | |

“There’s no railcar shortage.”

– Alan Price, Counsel to Nucor

Preliminary Staff Conference, September 1, 2015 (Tr. at 92)

“Deliveries of raw materials to our facilities and our shipments to customers were hindered by railcar and truck availability”

– James Frias, Nucor’s Chief Financial Officer

Q1 2014 Earnings Call, April 24, 2014

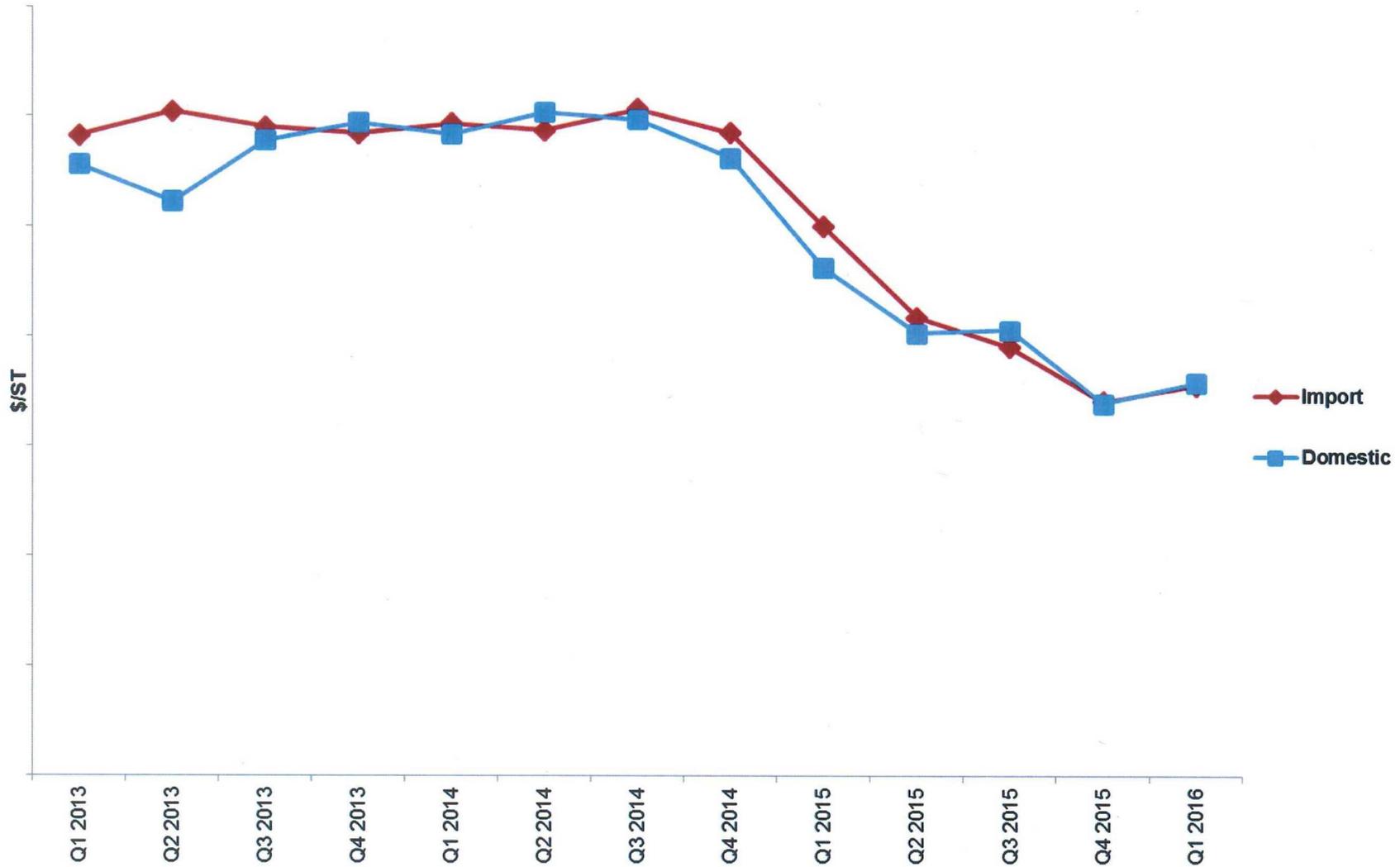
Subject Imports Predominantly Oversold the Domestic Industry

<i>Sales to Distributors/Service Centers</i>			
Underselling		Overselling	
Instances	Avg. Margin	Instances	Avg. Margin
86	6.2%	155	-9.4%
<i>Sales to End Users</i>			
Underselling		Overselling	
Instances	Avg. Margin	Instances	Avg. Margin
88	7.7%	122	-9.8%

<i>Total: Sales to Distributors/Service Centers and End Users</i>			
Underselling	Overselling	Total Instances	Overselling/ Total
174	277	451	61.4%

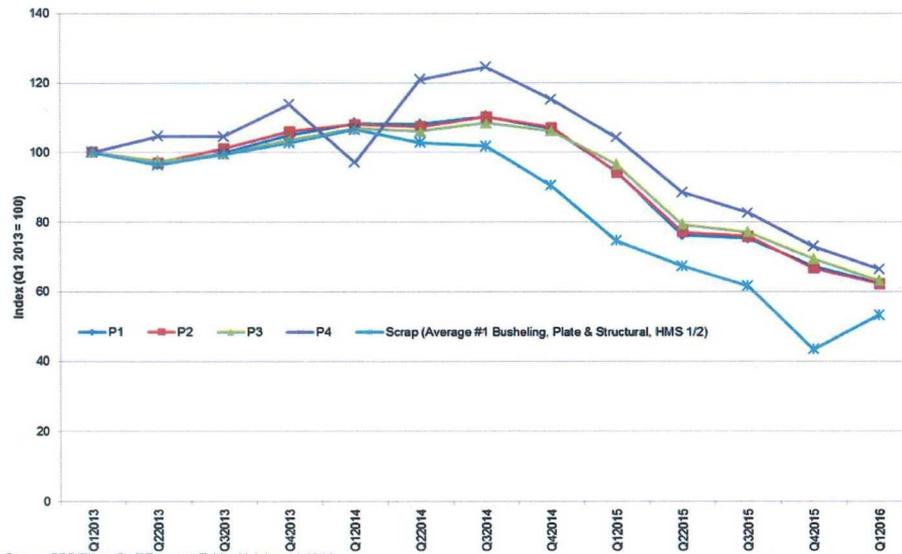
Source: SR at Table V-13a

AMM Data Show that Import Prices were Higher than Domestic Prices



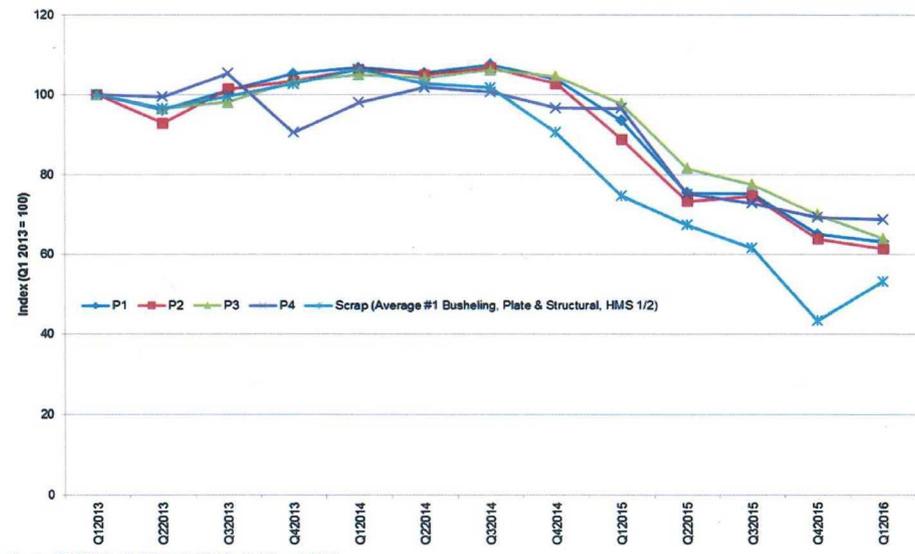
Source: AMM HRC Prices for US Domestic Midwest FOB Mill and US Import CFR Port of Houston.

Sales to Distributors/Service Centers and Scrap



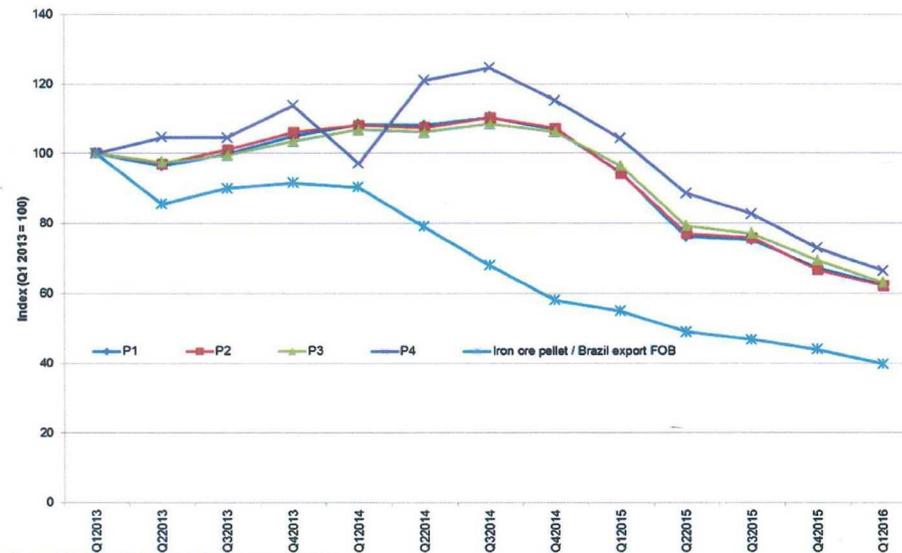
Source: SBB/Platts; Staff Report at Tables V-4 through V-11.

Sales to End Users and Scrap



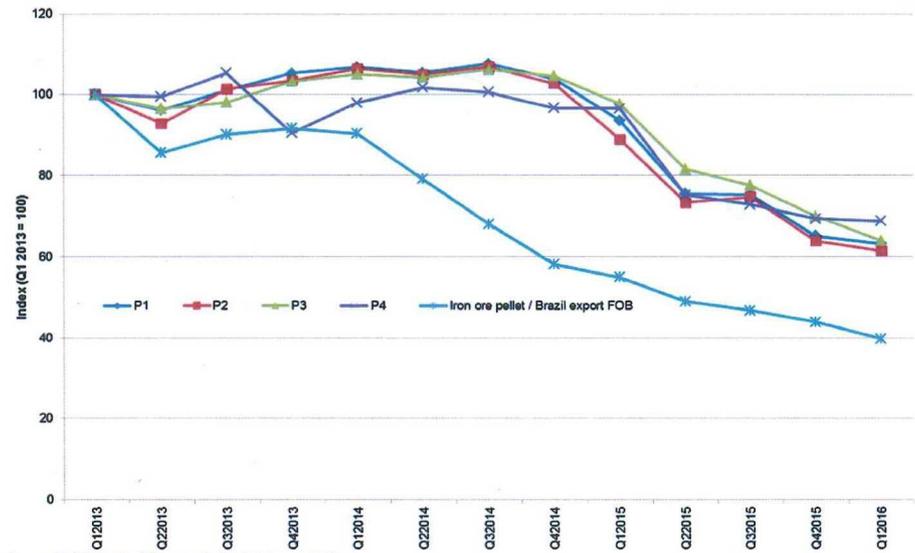
Source: SBB/Platts; Staff Report at Tables V-4 through V-11.

Sales to Distributors/Service Centers and Iron Ore



Source: SBB/Platts; Staff Report at Tables V-4 through V-11.

Sales to End Users and Iron Ore



Source: SBB/Platts; Staff Report at Tables V-4 through V-11.

Declines in U.S. Prices Were Less Severe Than Declines in Global Market Prices

	(\$ per ST)			(\$ per ST)	(%)
	2013	2014	2015	Change 2013-2015	Change 2013-2015
MEPS (Global)	\$588	\$575	\$417	\$(171)	-29%
U.S. Producers' U.S. Commercial Shipments AUV	\$627	\$663	\$504	\$(123)	-20%

Sources: SR at Table VII-36, Table C-1, and Table C-2.

No Price Suppression by Reason of Subject Imports

Criteria Established in the Commission's Determination in Cold-Rolled Steel

- From 2013 to 2014, unit net sales values increased by more than unit COGS



<i>Merchant Market</i>			
<i>\$/ST</i>	2013	2014	Change 2013-2014
Unit Net Sales	\$629	\$663	\$34
Unit COGS	\$579	\$600	\$21

Source: SR at Table VI-1

<i>Total Market</i>			
<i>\$/ST</i>	2013	2014	Change 2013-2014
Unit Net Sales	\$624	\$656	\$32
Unit COGS	\$577	\$597	\$20

Source: SR at Table VI-3

No Price Suppression by Reason of Subject Imports

Criteria Established in the Commission's Determination in Cold-Rolled Steel

- 2015 price increases would have been unlikely while unit COGS were declining



<i>Merchant Market</i>			
<i>\$/ST</i>	2014	2015	Change 2014-2015
Unit COGS	\$600	\$532	(\$68)

Source: SR at Table VI-1

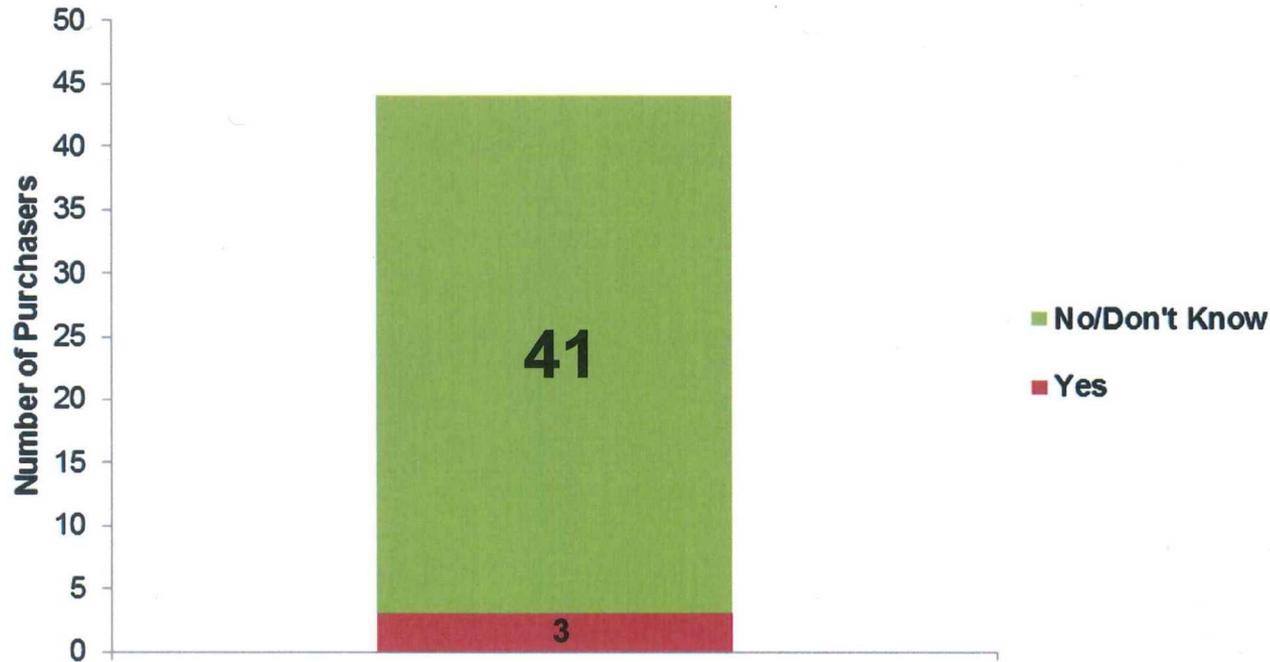
<i>Total Market</i>			
<i>\$/ST</i>	2014	2015	Change 2014-2015
Unit COGS	\$597	\$529	(\$68)

Source: SR at Table VI-3

No Price Suppression by Reason of Subject Imports

Criteria Established in the Commission's Determination in Cold-Rolled Steel

- Only a small number of purchasers indicated that a domestic producer had reduced its prices to meet competition from subject imports



Source: SR at V-43

Declines In Domestic Industry Performance Over The POI Were Not Attributable to Subject Imports

Merchant Market: 2013-2015



Declines In Domestic Industry Performance Over The POI Were Not Attributable to Subject Imports

Merchant Market: 2014-2015



Source: SR at Table VI-2

The Domestic Industry's Investment Metrics Were Strong

<i>Value in \$1,000s</i>	Total POI
Capital Expenditures	\$3,569,775
Depreciation	\$2,223,621
CapEx/Depreciation	160.5%

Source: SR at Table VI-3, Table VI-5, and Table C-2. Includes Big River's \$1.5 billion investment. See SR at III-7.

The Domestic Industry's Interest Expense Declined Over the POI

	2013	2014	2015	Q1 2015	Q1 2016
<i>Value in \$1,000s</i>	<i>Merchant Market</i>				
Interest Expense	203,190	130,059	78,017	30,176	27,526
Interest Expense/Sales	1.3%	0.8%	0.7%	1.0%	1.2%
Interest Expense/ST	8.1	5.2	3.7	5.9	5.0
<i>Value in \$1,000s</i>	<i>Total Market</i>				
Interest Expense	381,741	257,032	203,607	75,752	69,030
Interest Expense/Sales	1.0%	0.7%	0.7%	1.0%	1.2%
Interest Expense/ST	6.4	4.3	3.8	5.9	4.9

Source: SR at Table VI-1 and Table VI-3