Fabricated Structural Steel from Canada, China, and Mexico

Inv. Nos. 701-TA-615-617 and 731-TA-1432-1434 (Final)

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Presentation at the United States International Trade Commission

On Behalf of
Petitioner

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Established Facts

- The domestic industry has "large amounts of unused capacity." (1)
- The domestic product and subject imports compete head-to-head on the basis of price. (2)
- Projects won by the subject imports were underbid. (3)
- The domestic industry's performance was suppressed at the peak of the business cycle. (4)

Sources: (1) Prehearing Report at II-5 (bullet 1); at II-17-18, and II-26 (bullet 2); Table V-2 at V-11 (bullet 3); Petitioner's Prehearing Brief, Exhibit 1 at 20-32 (bullet 4).

Key Questions

- *Have the subject imports lowered prices, diminished domestic shipments and market share, negatively affected employment, and suppressed domestic profits and margins?*

- *Is this particularly injurious in the context of the business cycle?*

Price

The Subject Imports Undersold and Suppressed Prices

- The vast majority of projects won by the subject imports were underbid. (1)
- Purchasers confirm that subject imports won the projects because they were lower priced. (2)
- Subject imports overwhelmingly undersold in the preliminary phase Pricing Product comparisons. (3)
- The domestic industry experienced a cost-price squeeze over the POI. (4)

Sources: (1) Prehearing Report (Confidential Version), Table V-2 at V-11. (2) Prehearing Report (Public Version) at V-15-16. 81 percent of responding purchasers purchased lower-priced subject imports and 81 percent confirmed they purchased the subject imports primarily because they were lower priced. (3) USITC Pub. No. 4878, Table V-10 at V-13. (Subject imports undersold in 87 percent of instances accounting for 89 percent of the volume.) (4) Prehearing Report (Public Version), Table VI-1, at VI-4.

Volume

Documented Lost Projects

- The bid data from Purchasers documents a significant volume of subject-won projects where the subject imports underbid domestic bidders.

- The volume of FSS in the documented lost projects is a significant share of U.S. market, in and of itself.

Source: Petitioner's Prehearing Brief, Exhibit 1 at 13. A list of these projects is provided at Attachment 9.

Volume Effects due to Underbidding

- The record of documented subject wins show that imports must underbid to win a project.
- Documented subject wins are a sample of all subject project wins just as, for example, Pricing Product underselling comparisons are only a sample of all potential price comparisons.
- Just as the Commission reaches a conclusion regarding overall market underselling from the Pricing Product analysis, the Commission can reach a conclusion regarding lost project bids from the project underbidding analysis.

Source: Petitioner's Prehearing Brief, Exhibit 1 at 14-16.

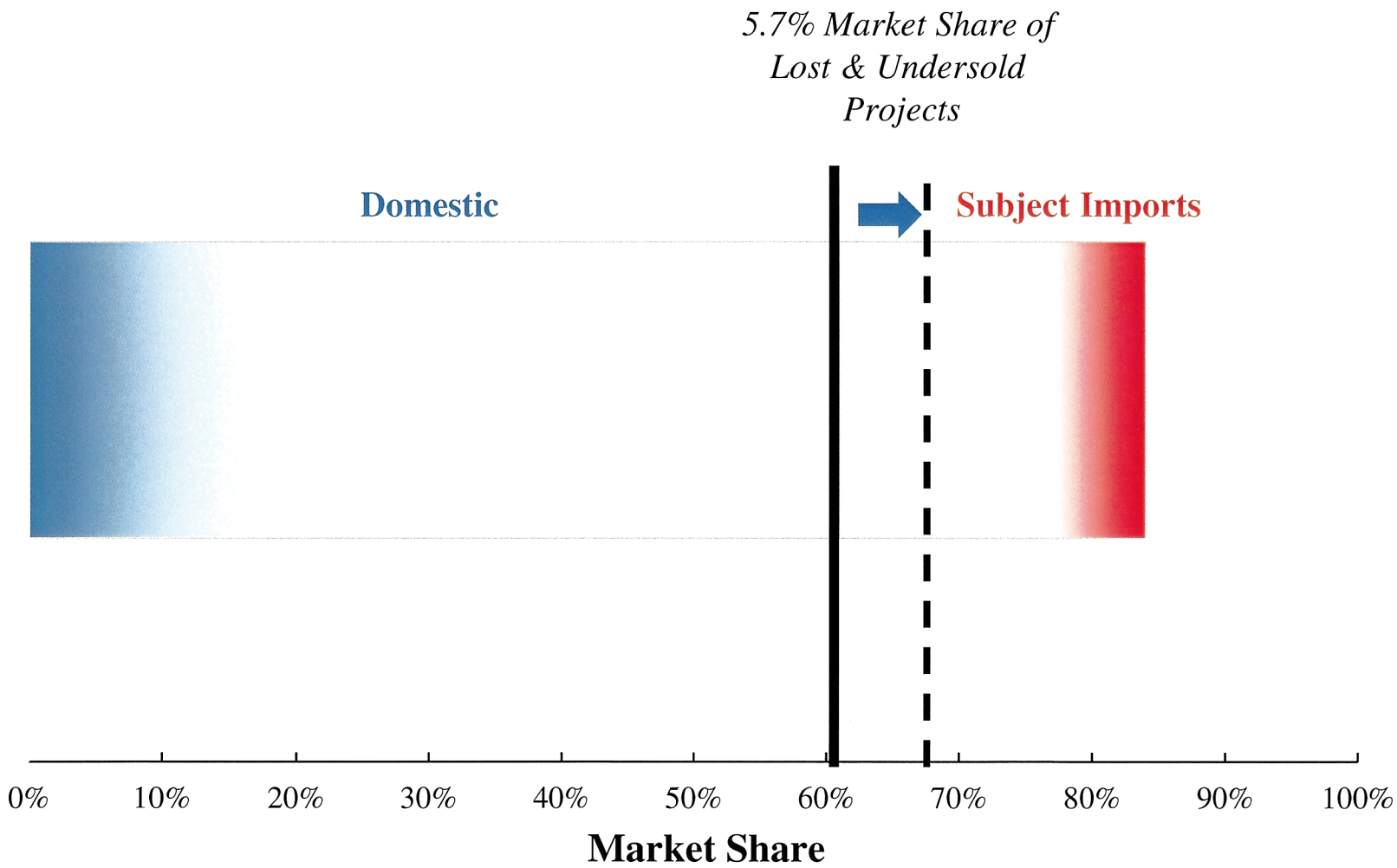
Volume Effects due to Underbidding

- The record shows a large share of subject imports compete head-to-head for domestic projects based on the lowest bid.
- If the share of subject imports that undersold is even a fraction of the share in the bid data, the volume of lost projects would be significant.
  - If just 25% of subject imports undersold (conservative with respect to the frequency of underselling in the bid data), the domestic industry would have earned an additional 5.7% of market share but for the undersold projects.
- The increase in domestic shipments during the interim period shows the industry is able to supply these projects.

Source: Petitioner's Prehearing Brief, Exhibit 1, at 9-17. A list of these projects is provided at Attachment 9.

Volume

Head-to-Head Competition



Source: Prehearing Report (Public Version), Table C-1. Nonsubject imports are not shown.

Impact

Domestic Performance

The effect of winning projects accounting for 5.7% of the U.S. market (conservative with respect to the frequency of underselling in the bid data).

	Annualized POI Totals		
Measure	**Actual**	**Lost & Undersold Projects**	**Increase**
Production (STs)	1,739,564	1,944,947	205,383
Capacity Utilization (%)	63.7%	71.2%	7.5%
Market Share of Quantity (STs)	61.0%	68.3%	7.3%
Market Share of Value ($1,000s)	65.6%	71.4%	5.7%
Production-related workers	18,109	20,247	2,138
Operating income ($1,000s)	357,677	473,034	115,357
Operating margin (%)	6.8%	8.3%	1.5%

Source: Petitioner's Prehearing Brief (Confidential Version), Exhibit 1 at 16. (The values in Table 2 of the report can be calculated based only on public data: Prehearing Report (Public Version), Tables C-1, III-12, VI-1, VI-3, and VI-5). All figures reflect the POI totals divided by 3.75 to put on an annual basis. The profit calculations rely on certain assumptions about fixed and variable costs, and an allocation of COGS components from "large" U.S. producers to "small" firms. Calculations shown in Attachment 9.

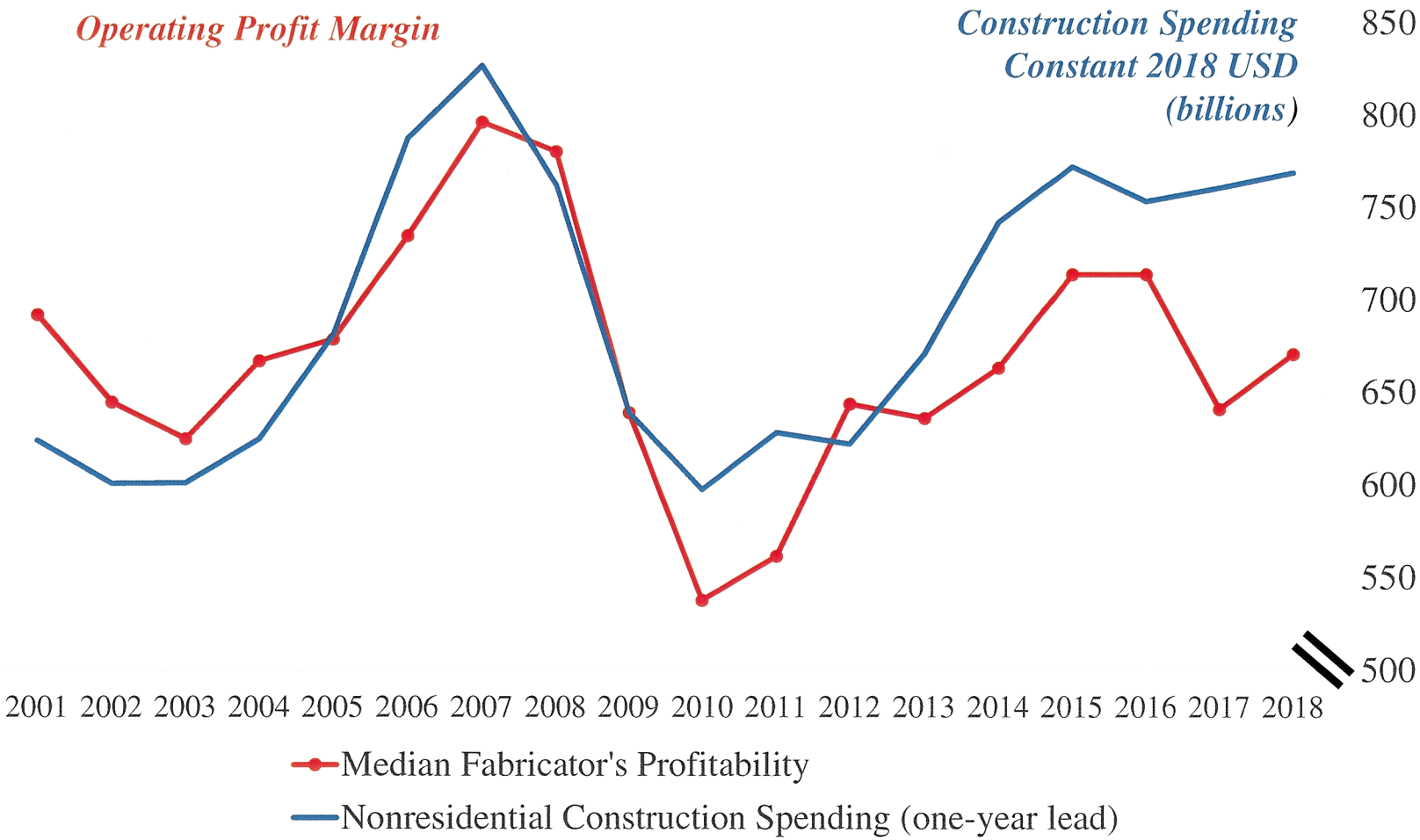
The Domestic Industry Underperformed at the Peak of the Business Cycle

- FSS demand is a function of construction spending. (1)
- Construction spending was at the peak of the business cycle over the POI. (2)
- Domestic profitability was suppressed during the POI as compared to historical median operating margins viewed over the business cycle. (3)
- Domestic profitability over the POI was significantly below the last peak in the business cycle in 2006-2008. (4)

Sources: (1) Prehearing Report (Public Version), at II-8. Petitioner's Prehearing Brief, Exhibit 1, at 21-23 (bullet 2), at 24-26 (bullet 3), at 26-28 (bullet 4)

Injury Over the Cycle

The Domestic Industry Underperformed at the Peak of the Business Cycle



Source: Petitioner's Prehearing Brief (Confidential Version), Exhibit 1, at 25. ***Left axis suppressed to avoid disclosing proprietary information. Right axis not set to zero to compare trends.*** Coefficient of correlation is 0.74 and statistically significant.