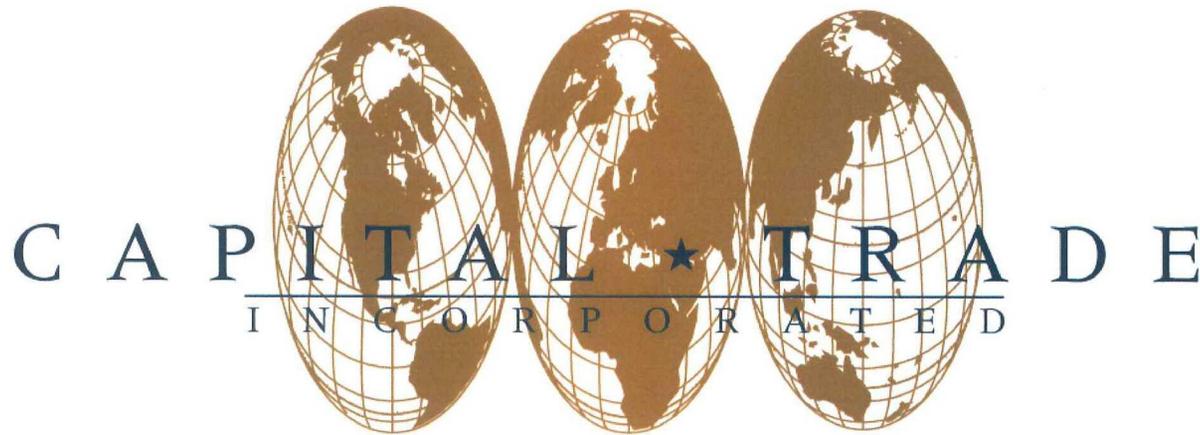


Silicomanganese from Australia

Inv. No. 731-TA-1269
(Preliminary)

March 12, 2015
Presentation at USITC



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Overview

Conditions of Competition

Import Volumes

Pricing

Injury

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Conditions

Summary

- Demand is stable during POI
- Domestic capacity is insufficient to supply the market
- The U.S. market has a long history of being supplied by non-subject imports
- Volume of non-subject imports and domestic production are controlled by multinational corporations

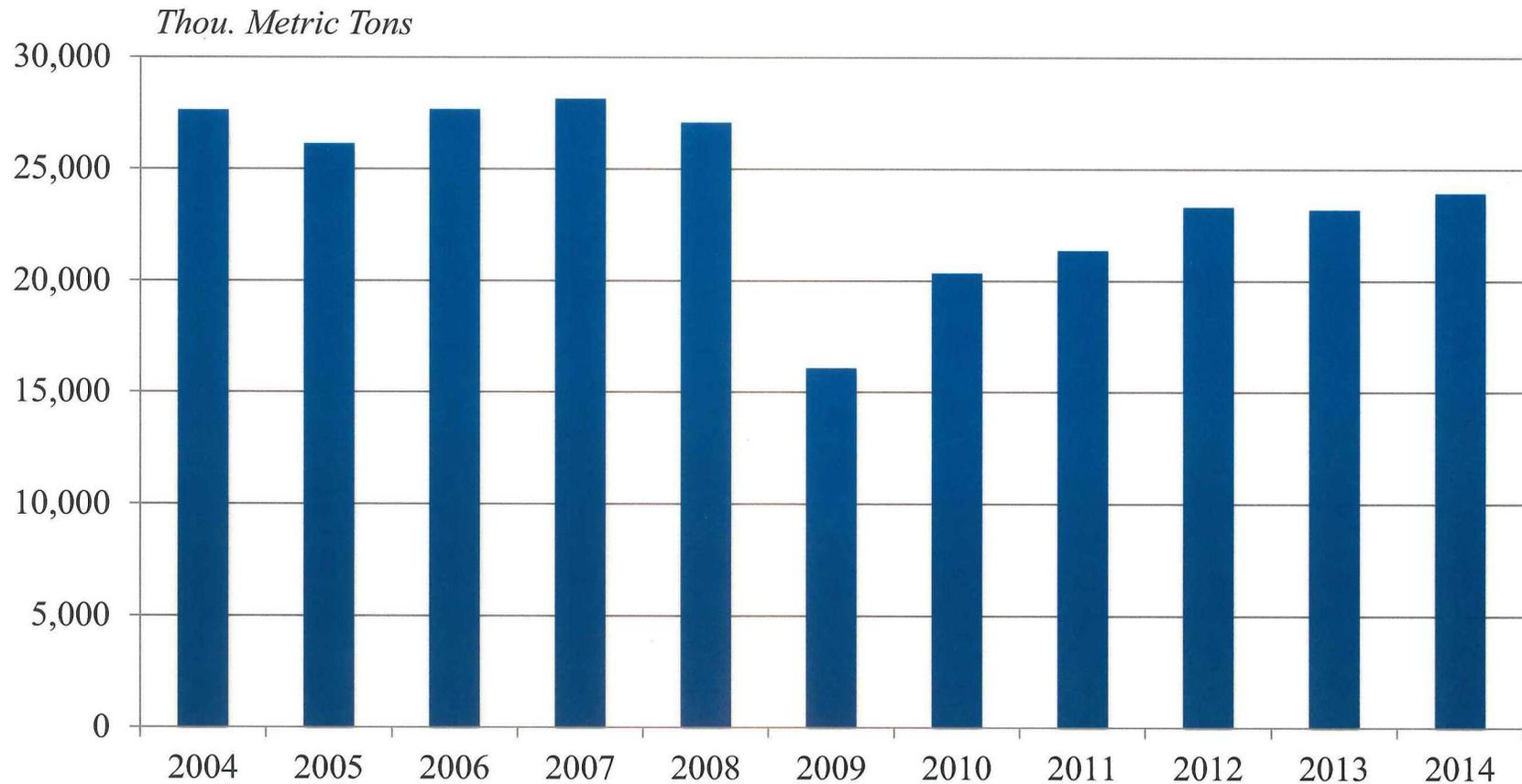
Conditions

Demand was Stable during POI

- SiMn is an input into the production of carbon steel long-products
- The domestic production of long products was relatively stable over the POI
- Thus, *actual* consumption of SiMn by the steel industry was relatively stable during the POI
- The difference between *actual* and *apparent* consumption are inventories and stocks

Conditions

U.S. Steel Long Product Production



Source: World Steel Association 2014 Statistical Yearbook, Table 12: Production of Hot Rolled Long Products; AISI (shipments in 2014).

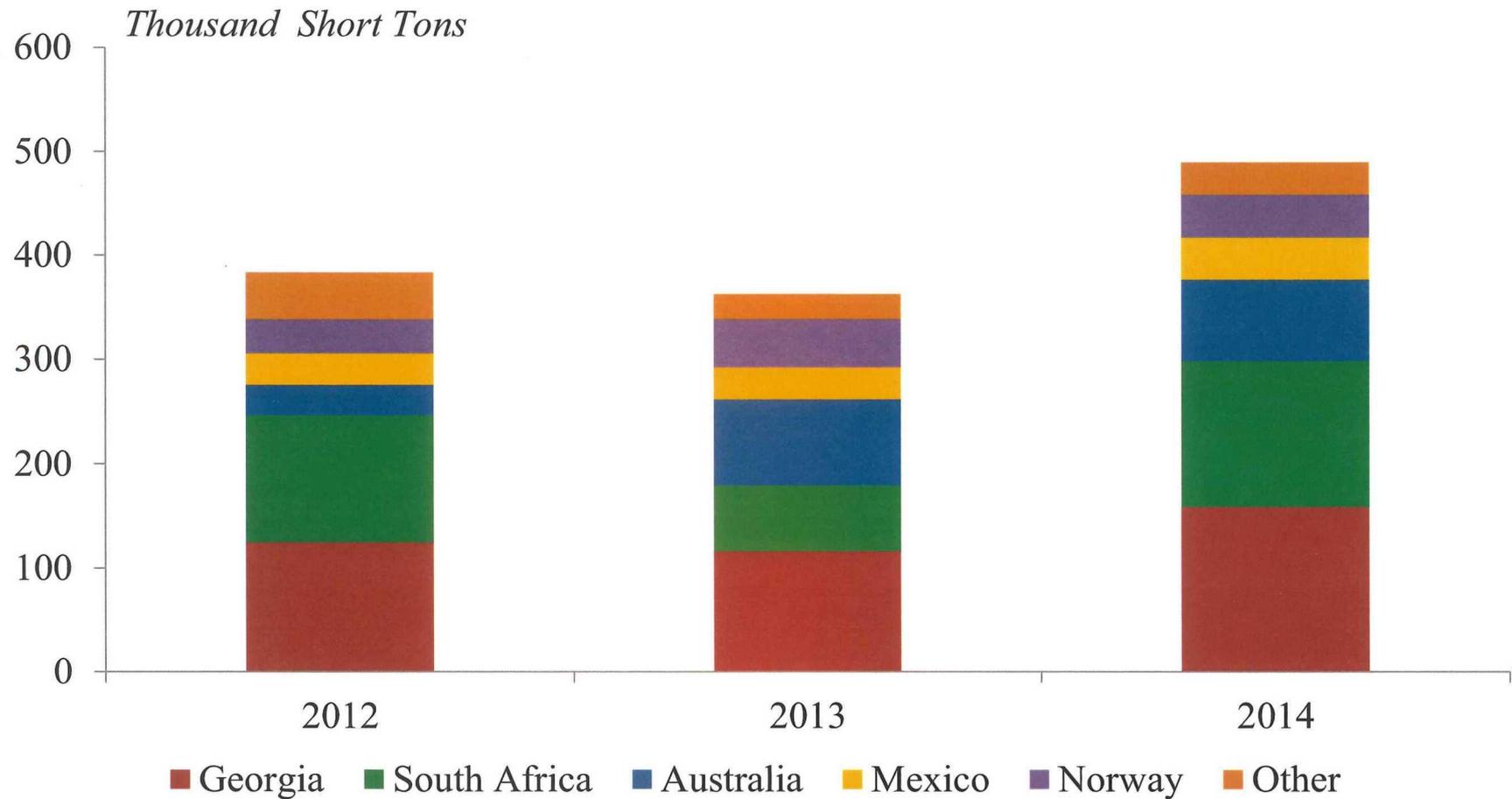
Conditions

The Domestic Market Needs Imports

- The two domestic producers can only supply a fraction of the U.S. market
 - Capacity constraints
 - Downtime and inefficiencies
 - Production of alternative higher-value products in a multi-product plant
- Imports are required to supply the domestic market and keep the U.S. steel industry viable
 - Georgia and South Africa are the largest suppliers accounting for 62 percent of imports.
 - Australia, Mexico, and Norway also supply the market
 - China, Ukraine, India, Kazakhstan, and Venezuela already under order
- Behavior by multinational firms related to the domestic producers creates uncertainty and volatility of domestic supply

Conditions

POI Imports of SiMn



Source: USITC Trade Dataweb (HTS 7202.30.0000).

Conditions

U.S.-Related Multinational Suppliers

- Multinational companies are major sources of domestic supply
 - Georgia American Alloys/Privat
 - Georgia, Ukraine, Romania, and United States
 - Eramet
 - Norway, France, China, and United States
- Multinational firms maximize profits across countries not within countries

Conditions

Domestic Producers are a Small Part of Multinational Parents



★ Privat-Owned SiMn Producers

★ Eramet-Owned SiMn Producers

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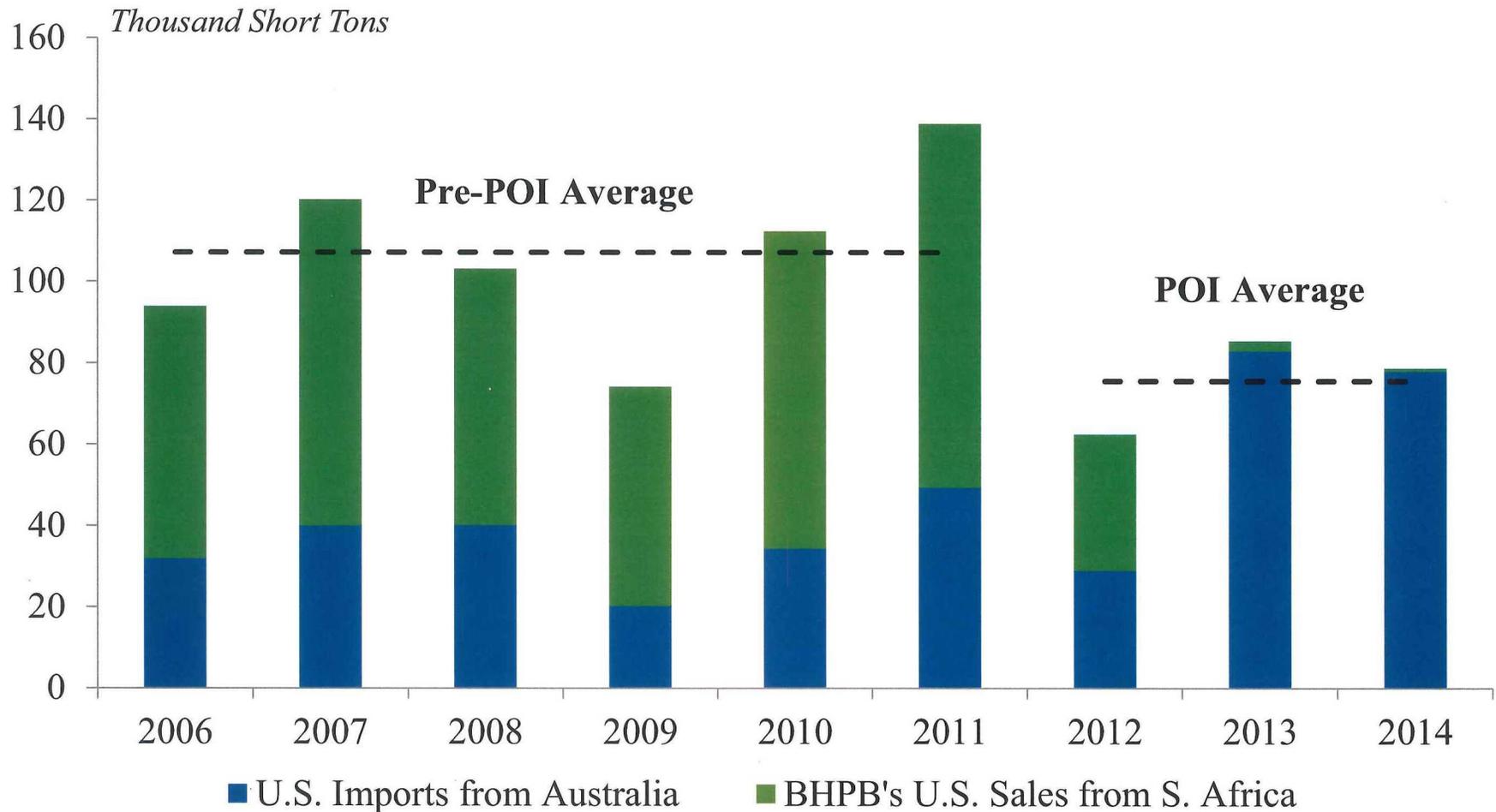
Imports

Subject Imports are Not Significant

- BHP Billiton is a reliable long-term supplier
- Australia is a relatively small supplier while large volumes of similarly priced non-subject imports are available
- The POI increase in imports from Australia is distorted by TEMCO'S temporary shutdown and Samancor's S. Africa silicomanganese facility's permanent closure in 2012
- During 2012-13 BHP Billiton shifted imports from Samancor in South Africa to TEMCO in Australia
- Imports from Australia declined in 2014 while imports from the rest of the world increased by 47 percent

Imports

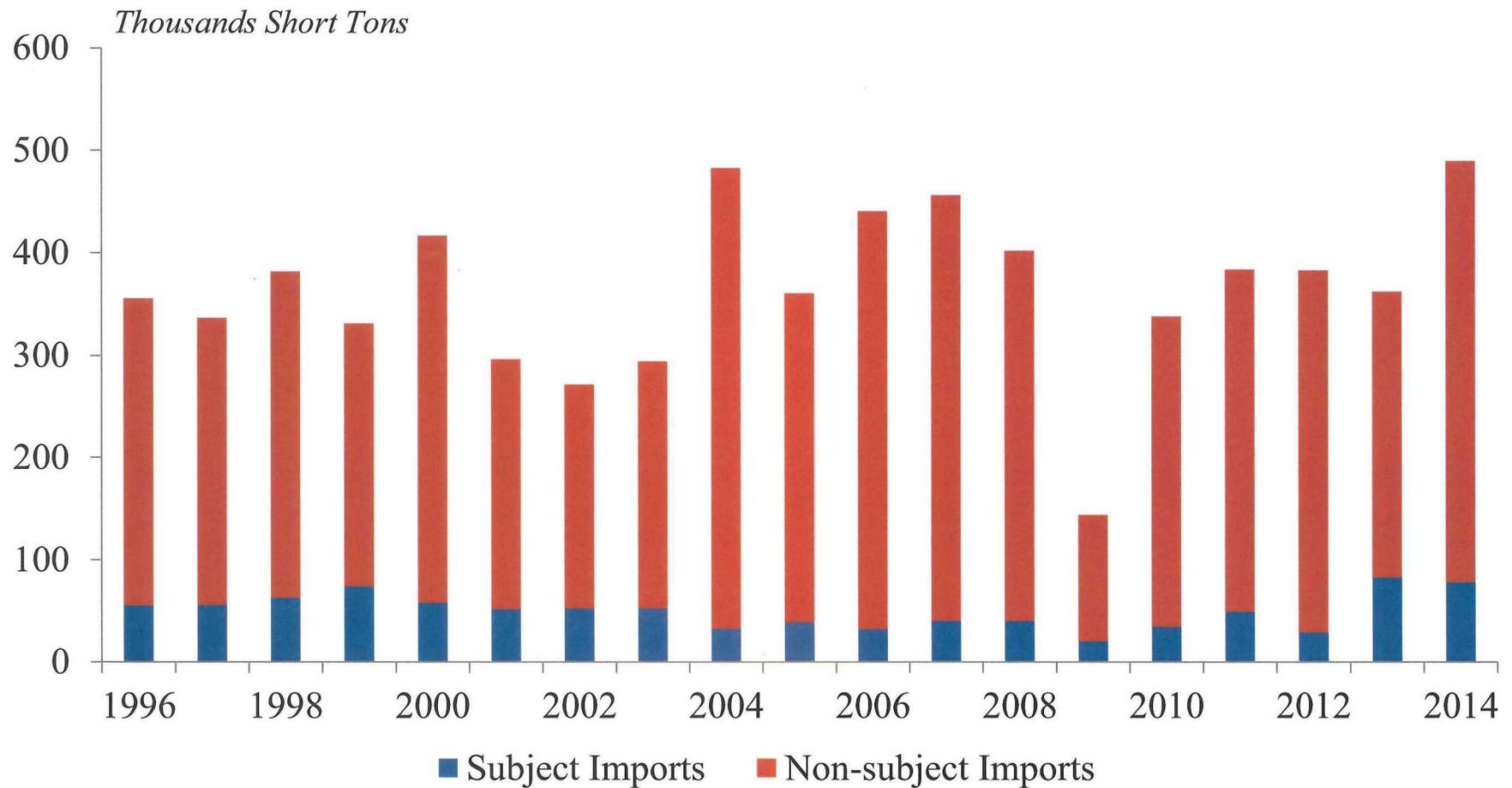
BHP Billiton has been a Reliable Supplier to the U.S. Market



Source: U.S. Imports from Australia from USITC DataWeb for Commodity 7202.30.0000. BHP Billiton's South Africa sales to the U.S. from internal sales data.

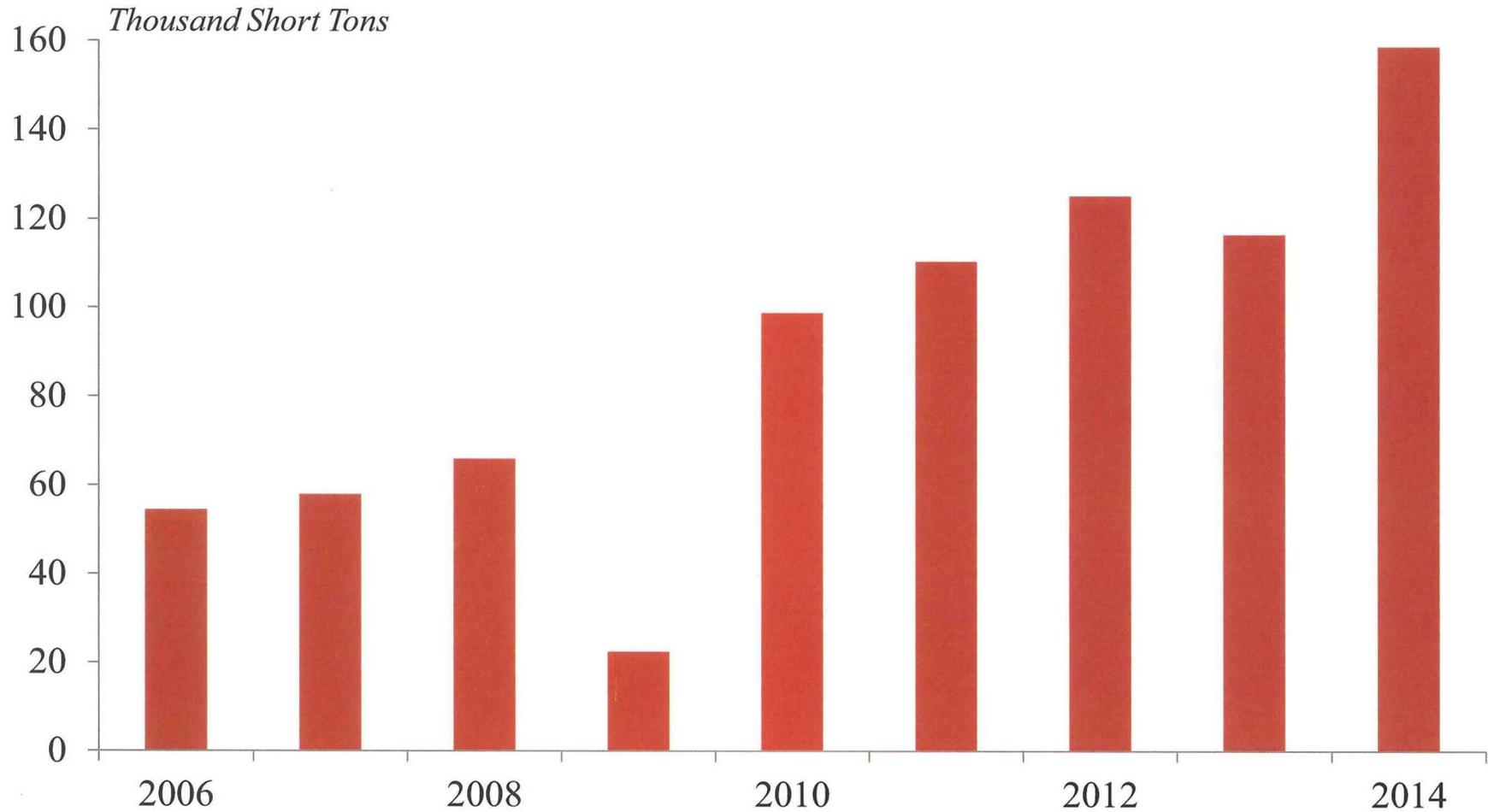
Imports

Non-Subject Imports Dominate the U.S. Market



Imports

U.S. Imports from Georgia Have Nearly Tripled since 2006



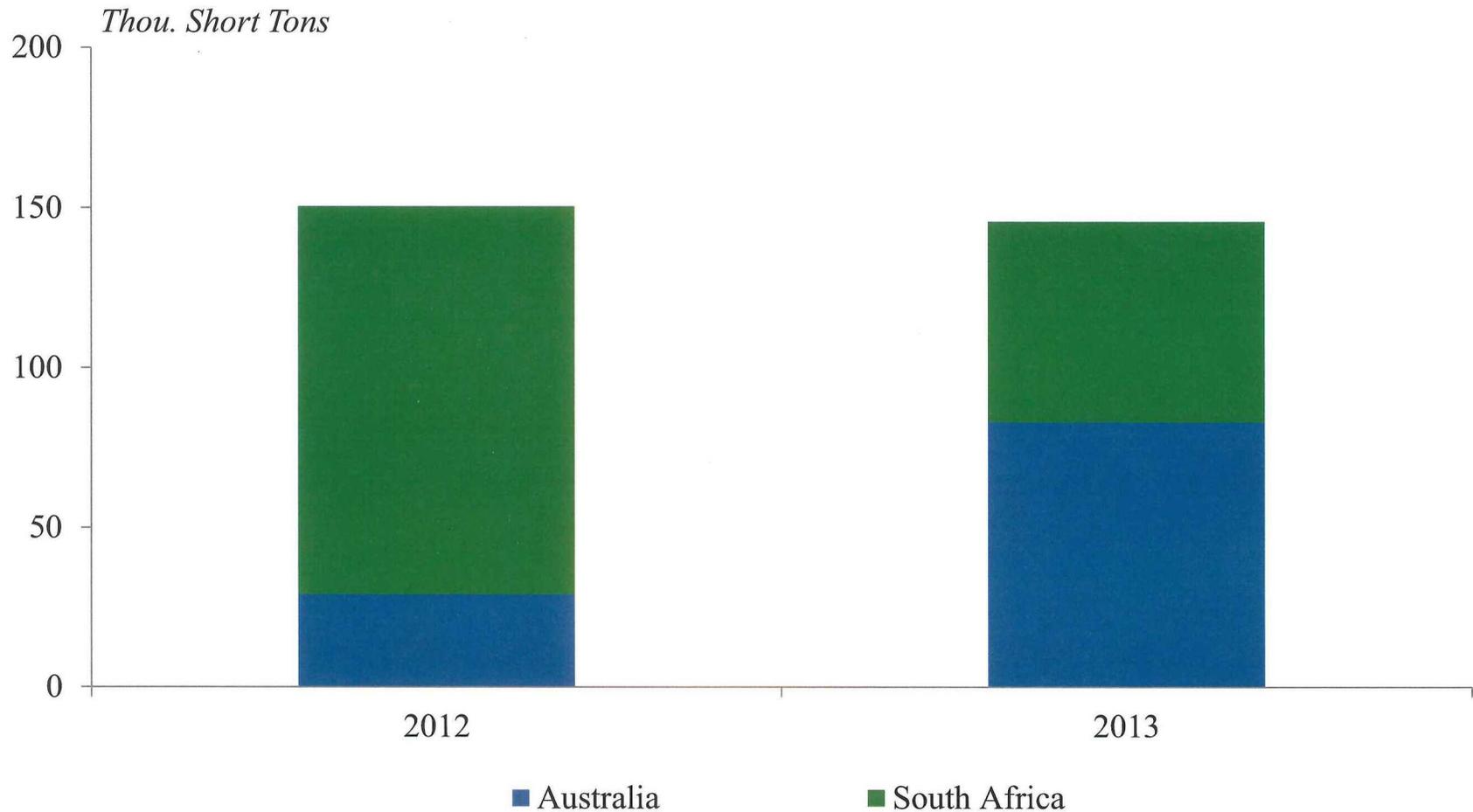
Imports

Changes in Australian Imports from 2012-13 Reflect Changes in BHP Billiton's Sourcing

- BHP Billiton supplied the U.S. market with imports from Australia (TEMCO) and South Africa (Samancor)
- TEMCO was shutdown in 2012 from February until June
 - BHP Billiton increased imports from Samancor's inventory
- With Samancor closed, BHP Billiton supplies the U.S. market with imports from Australia
- The increase in imports from Australia in 2013 in large measure reflects TEMCO's shutdown in 2012

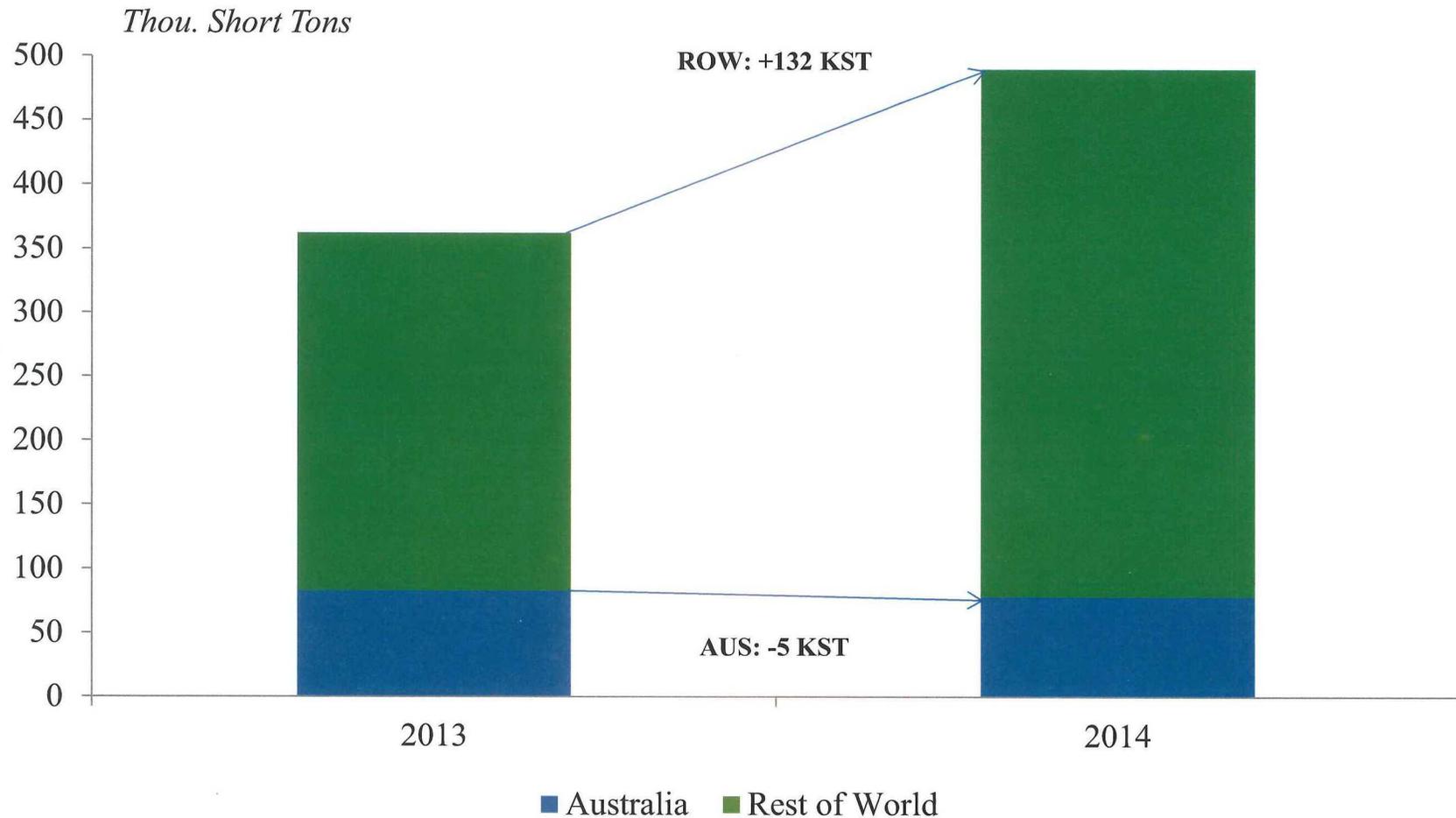
Imports

Import Data are Indicative of the Shift in BHP Billiton's Production



Imports

Imports of SiMn from Australia Were Stable in 2014



Source: USITC Trade Dataweb (HTS 7202.30.0000).

Overview

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Import Volumes

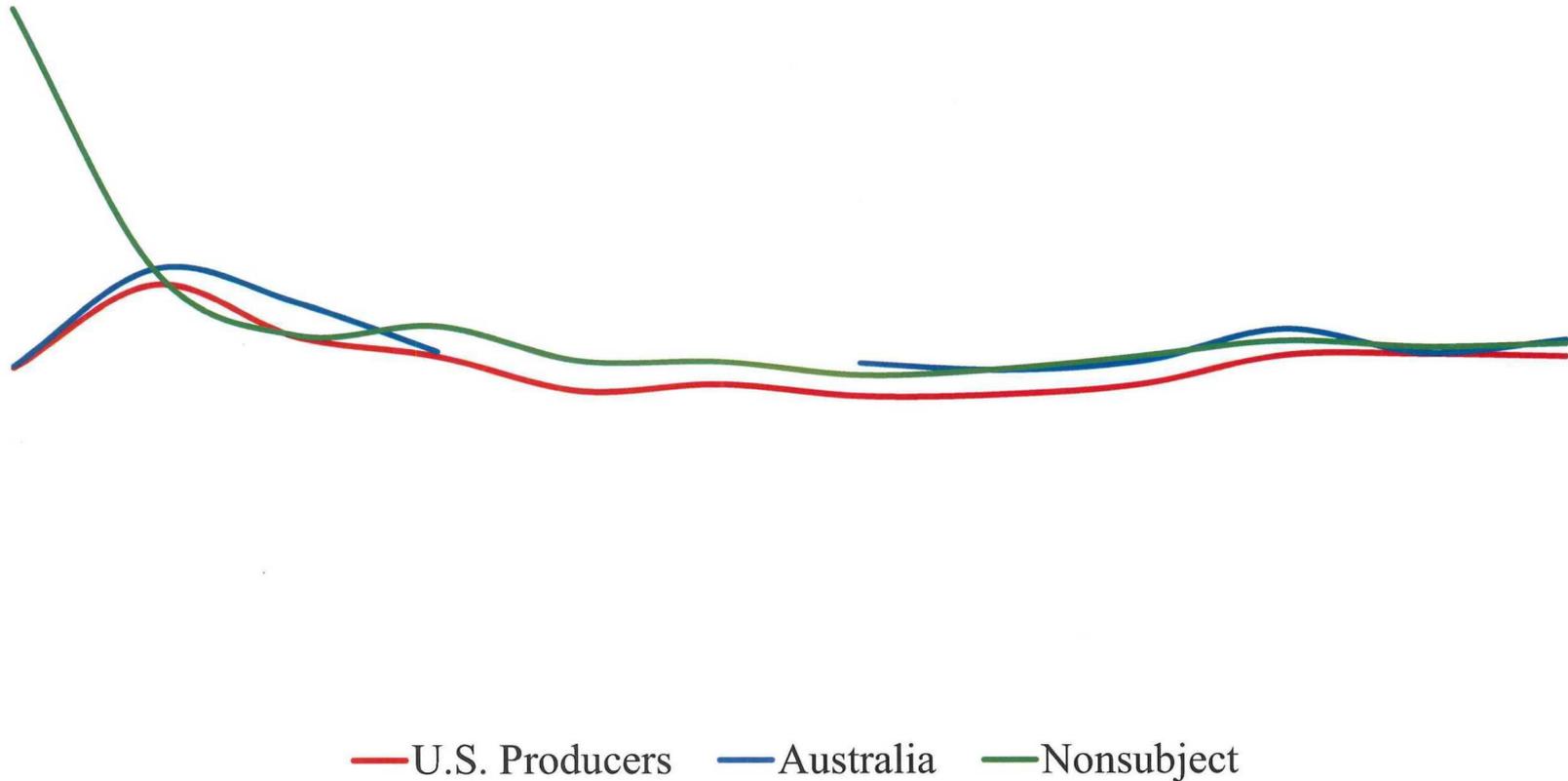
Pricing

Injury

Pricing

Subject Imports Predominantly Oversold

Dollars per ST



Source: U.S. Producers' Questionnaire Responses of Felman Production and Eramet Marietta. U.S. Importers' Questionnaire Responses of Felman Trading, Eramet Marietta, and BHP Billiton. Data are indicative.

Pricing

Pricing

- POI pricing is consistent with historical pricing
- Commission data show overselling
- Contract prices are determined by spot sales reported to Ryan's Notes and Platt's
- If the vast majority of Australian SiMn is sold on contract rather than spot, it cannot be suppressing or depressing domestic prices
- To ensure apples-to-apples price comparisons, data should be collected at the same level of trade and the same level of alloy concentration
- Import AUVs are not a reliable indicator of market pricing

Pricing

Contract Pricing

- Contract pricing is often set and adjusted using prices reported in Ryan's Notes and Platts
- Ryan's Notes collects spot SiMn pricing and reports it twice a week
- If Australian SiMn is overwhelmingly sold on the contract market, it is not likely driving contract pricing through Ryan's Notes or Platts

Overview

Conditions of Competition

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Injury

Injury

Subject Imports have Not Injured the U.S. Industry

- There is no nexus between Australian imports and the condition of the domestic industry
- Production location and product mix in a multinational firm are driven by firm-wide profitability, not country profitability
- Felman's plant closures were due to high energy costs, high labor costs, production inefficiencies, and environmental compliance issues
- Lost sales allegations of related-party imports should be rejected
- Lost sales allegations absent the ability to supply should be rejected

Multinational Production

- “One of the many benefits of GAA's organizational structure is that we are able to make the necessary changes across our business to serve our customers.” *CEO Mordechai Korf, GAA press release: Georgian American Alloys, Inc. announces shift in furnace production (July 7, 2014)*

Injury

Felman Production: Energy and Labor Costs

- “The West Virginia Public Service Commission had authorized a special rate plan for the plant in April. **The plan will enable Felman to buy electricity from Appalachian at as much as \$9 million per year off its full rate.**” *Felman Production to restart idled W.Va. Plant, Charleston Gazette (July 2, 2014)*
- “Felman Production, LLC (“Felman” or the “Company”) today announced that it will immediately begin to resume plant operations following an agreement that it has reached with the Appalachian Power Company (“APCo”) regarding a market variable electrical rate. **The rate was a necessary component in enabling the ongoing economic viability of Felman’s New Haven manufacturing site.**” *Felman Production to Restart One Furnace, Effective Immediately, GAA press release (July 1, 2014)*

Felman Plant Inefficiencies

- “The Felman plant is 61 years old, and has changed hands several times over the years, as owners have gone into bankruptcy or sold off the plant to other companies.” *Felman plant faces tough sell, Daily Mail Business Editor (Sept. 12, 2013)*
- “According to the company's filing with the PSC, Felman has failed to turn a profit in the seven years since it bought the New Haven plant.” *Felman plant faces tough sell, Daily Mail Business Editor (Sept. 12, 2013)*

Injury

Felman 2015 Closure due to Environmental Compliance Issues

- “The temporary shutdown will allow Felman to improve production efficiency and environmental compliance.” *Felman Production Temporarily Shuts Down Electric Arc Furnace for Maintenance, GAA press release (Feb. 20, 2015)*

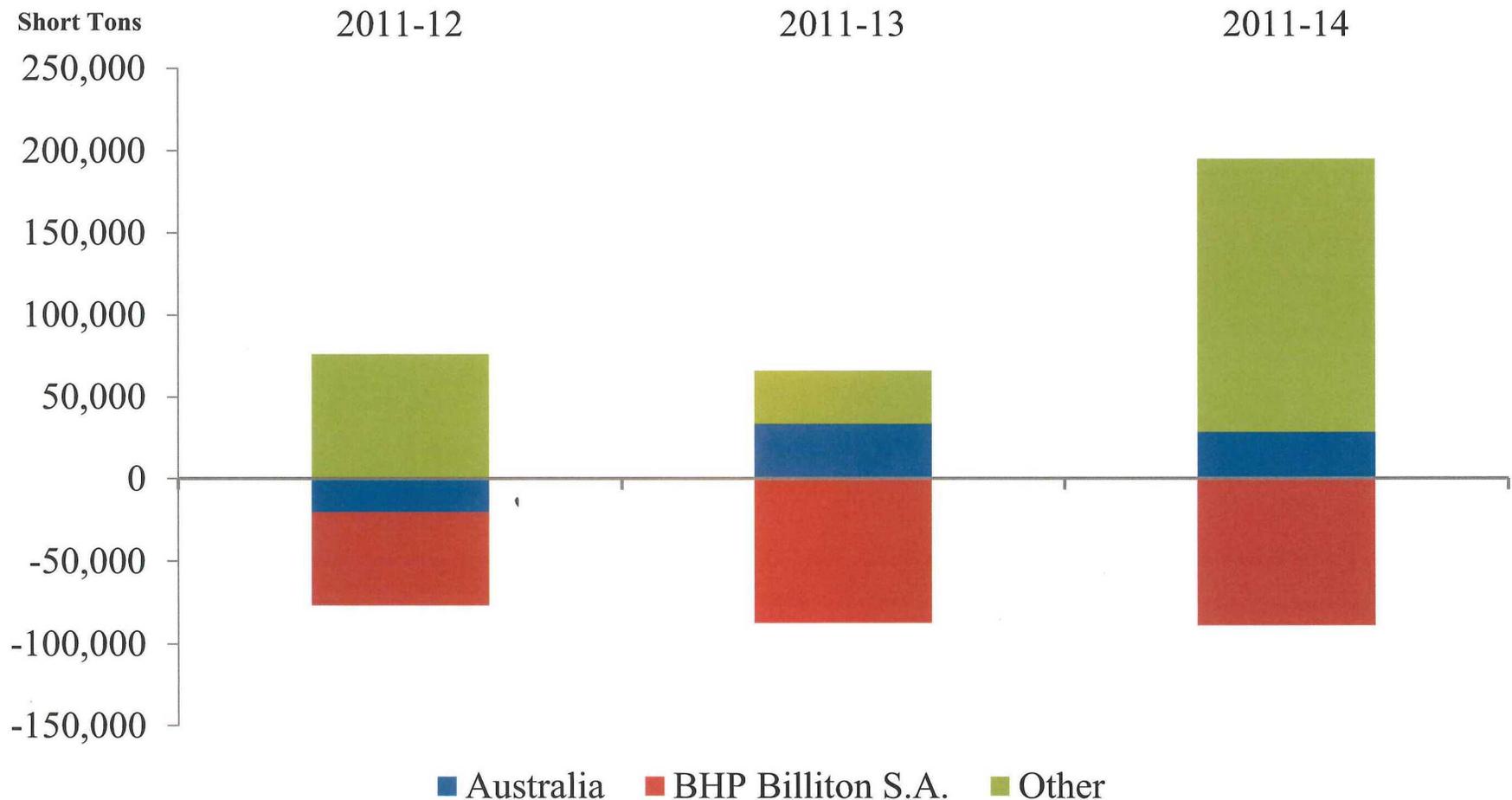
Injury

Imports from Sources Other Than BHP Billiton Have been Increasing

- During the POI
 - BHP Billiton remained a responsible participant in the U.S. market
 - 2012-14 shipments from BHP Billiton's Australia and South African facilities are comparable to prior years
 - Since 2011, the year prior to the closure of Samancor, imports from BHP Billiton facilities have declined while those from other sources have increased

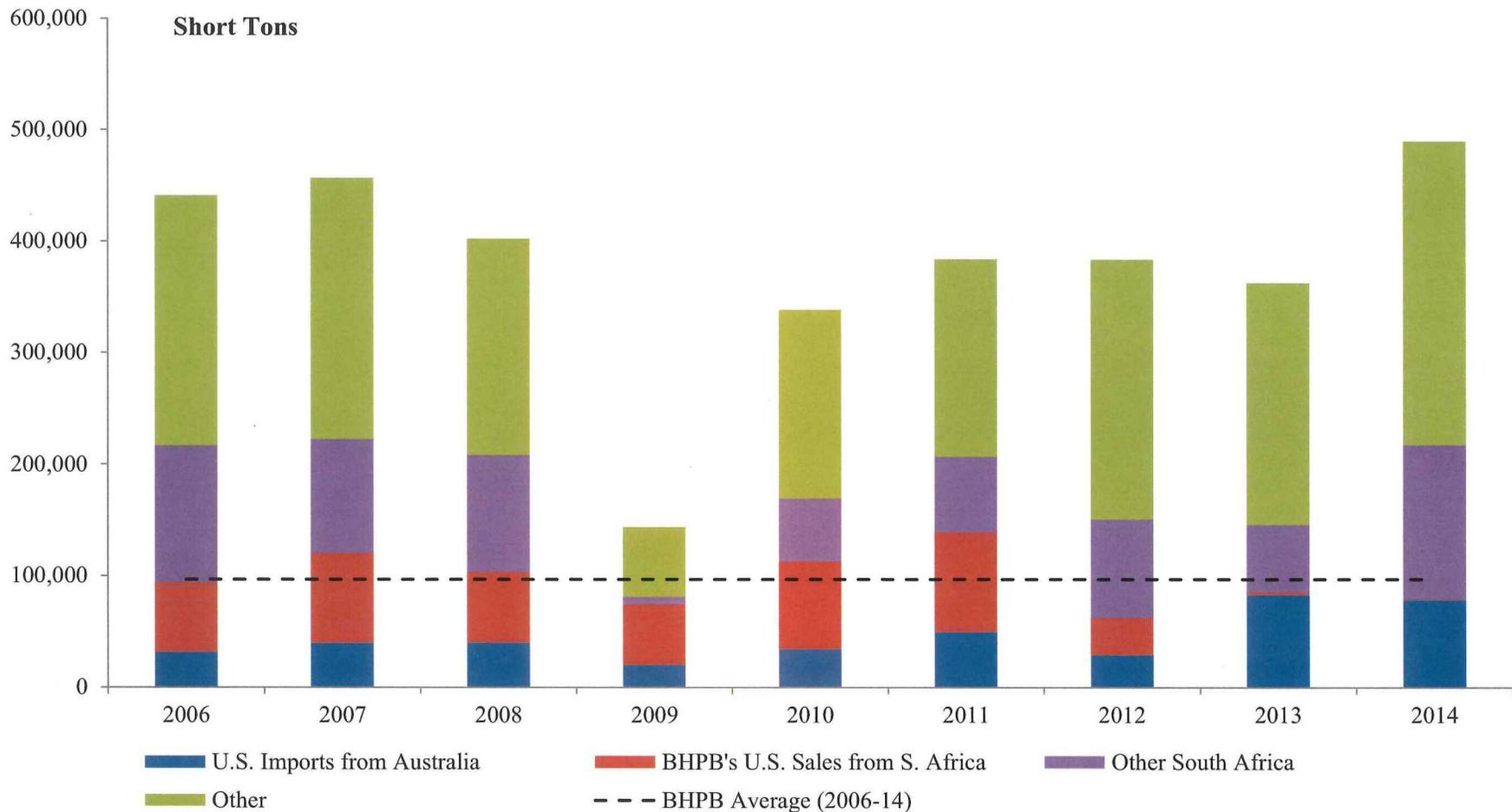
Injury

BHP Billiton Has Not Been the Source of Rising U.S. Import Volumes



Injury

BHP Billiton's POI Footprint is Smaller than Its Long-Term Average



Source: U.S. Imports from Australia from USITC DataWeb for Commodity 7202.30.0000. BHP Billiton's South Africa sales to the U.S. from internal sales data.

Injury

No Threat of Injury

	Yes	No
Countervailing subsidy/serious prejudice?		✓
Existing excess capacity or imminent increase?		✓
Significant rate of increase of import volumes and share?		✓
Subject prices at levels likely to depress or suppress domestic prices?		✓
High inventories of the subject merchandise?		✓
Potential for product shifting?		✓
Negative effects on efforts to develop a new industry?		✓
Other demonstrable adverse trends that indicate a likelihood of material injury?		✓

Injury

Summary

- There has been no significant increase in subject imports over the POI
- There has been no significant underselling by the subject imports
- The lost sales and lost revenue allegations are unsubstantiated
- There is no imminent threat of material injury by the subject imports