

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
)  
CERTAIN CARBON STEEL PRODUCTS ) Investigation Nos.:  
FROM AUSTRALIA, BELGIUM, ) AA1921-197; 701-TA-319,  
BRAZIL, CANADA, FINLAND, ) 320, 325-327, 348, and 350;  
FRANCE, GERMANY, JAPAN, ) and 731-TA-573, 574, 576,  
KOREA, MEXICO, POLAND, ) 578, 582-587, 612, and  
ROMANIA, SPAIN, SWEDEN, ) 614-618 (Second Review)  
TAIWAN, AND THE UNITED )  
KINGDOM (CUT-TO-LENGTH PLATE) )

REVISED AND CORRECTED COPY

Pages: 1 through 398

Place: Washington, D.C.

Date: October 19, 2006

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## HERITAGE REPORTING CORPORATION

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## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

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 SWEDEN, TAIWAN, AND THE )  
 UNITED KINGDOM )  
 (CUT-TO-LENGTH PLATE) )

Thursday,  
 October 19, 2006

Room No. 101  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The hearing commenced, pursuant to notice, at  
 9:32 a.m., before the Commissioners of the United States  
 International Trade Commission, the Honorable DANIEL R.  
 PEARSON, Chairman, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

DANIEL R. PEARSON, CHAIRMAN  
 SHARA L. ARANOFF, VICE CHAIRMAN  
 JENNIFER A. HILLMAN, COMMISSIONER  
 STEPHEN KOPLAN, COMMISSIONER  
 DEANNA TANNER OKUN, COMMISSIONER  
 CHARLOTTE R. LANE, COMMISSIONER

APPEARANCES: (Cont'd.)

Staff:

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 WILLIAM R. BISHOP, HEARINGS AND MEETINGS  
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 DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

CONGRESSIONAL APPEARANCES:

THE HONORABLE PETER J. VISCLOSKY, U.S.  
 Congressman, 1<sup>st</sup> District, State of Indiana  
 THE HONORABLE JO BONNER, U.S. Congressman, 1<sup>st</sup>  
 District, State of Alabama

STATE GOVERNMENT APPEARANCE:

SARAH BITTLEMAN, Director, Washington, D.C. Office  
 of the Governor of Oregon, on behalf of the  
 Honorable Theodore Kulongoski, Governor of Oregon

EMBASSY APPEARANCES:

KENNETH SMITH RAMOS, Director General for  
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 for International Trade Negotiations, Secretary  
 of the Economy, Embassy of Mexico  
 ADRIANA DIAZ ORTIZ, Director of International  
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 the Economy, Embassy of Mexico

APPEARANCES: (Cont'd.)

In Support of the Continuation of Countervailing Duty  
and Antidumping Duty Orders:

On behalf of Mittal Steel USA Inc. and United Steel,  
Paper and Forestry, Rubber, Manufacturing, Energy,  
Allied Industrial and Service Workers International  
Union, AFL-CIO-CLC:

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(Administration), USW  
ROBERT W. INSETTA, Director, Plate Products, Sales  
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On behalf of Nucor Corporation:

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FRANK RUANE, Director, Corporate Purchasing,  
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APPEARANCES: (Cont'd.)

In Support of the Continuation of Countervailing Duty and Antidumping Duty Orders:

On behalf of IPSCO Steel Inc. and Oregon Steel Mills:

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GLENN GILMORE, Trade Supervisor, IPSCO Steel Inc.  
SCOTT MONTROSS, Vice President, Sales and  
Marketing, Oregon Steel Mills  
KENT THIES, National Marketing Director, Oregon  
Steel Mills  
TOM BALLOU, Director, Plate and Flat-Rolled  
Products, O'Neal Steel  
ROBERT HELTZEL, JR., President, Kenilworth Steel  
ROBERT SCOTT, Economist, Schagrins Associates and  
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JOHNNA PURCELL, Corporate Attorney, Caterpillar

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Inc.:

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I N D E X

	PAGE
TESTIMONY OF THE HONORABLE PETER J. VISCLOSKY, U.S. CONGRESSMAN, 1 <sup>ST</sup> DISTRICT, STATE OF INDIANA	13
TESTIMONY OF THE HONORABLE JO BONNER, U.S. CONGRESSMAN, 1 <sup>ST</sup> DISTRICT, STATE OF ALABAMA	15
TESTIMONY OF SARAH BITTLEMAN, DIRECTOR, WASHINGTON, D.C. OFFICE OF THE GOVERNOR OF OREGON, ON BEHALF OF THE HONORABLE THEODORE KULONGOSKI, GOVERNOR OF OREGON	21
TESTIMONY OF KENNETH SMITH RAMOS, DIRECTOR GENERAL FOR INTERNATIONAL TRADE NEGOTIATIONS, UNDERSECRETARY FOR INTERNATIONAL TRADE NEGOTIATIONS, SECRETARY OF THE ECONOMY, EMBASSY OF MEXICO	24
TESTIMONY OF ADRIANA DIAZ ORTIZ, DIRECTOR OF INTERNATIONAL ASSISTANCE FOR MEXICAN EXPORTERS, UNIT FOR INTERNATIONAL COMMERCIAL PRACTICES, SECRETARY OF THE ECONOMY, EMBASSY OF MEXICO	30
OPENING STATEMENT OF ROGER B. SCHAGRIN, ESQUIRE, SCHAGRIN ASSOCIATES	35
OPENING STATEMENT OF KENNETH J. PIERCE, ESQUIRE, WILLKIE FARR & GALLAGHER LLP	39
TESTIMONY OF ROGER B. SCHAGRIN, ESQUIRE, SCHAGRIN ASSOCIATES	44
TESTIMONY OF JOHN TULLOCH, SENIOR VICE PRESIDENT AND CHIEF COMMERCIAL OFFICER, IPSCO STEEL INC.	44
TESTIMONY OF PATRICK J. MCFADDEN, NATIONAL SALES AND MARKETING MANAGER, PLATE PRODUCTS, NUCOR	50
TESTIMONY OF ROBERT W. INSETTA, DIRECTOR, PLATE PRODUCTS, SALES AND MARKETS, MITTAL STEEL USA	54
TESTIMONY OF LAWRENCE F. FABINA, MANAGER, CONTINUOUS IMPROVEMENT, BURNS HARBOR PLANT, MITTAL STEEL USA	60
TESTIMONY OF SCOTT MONTROSS, VICE PRESIDENT, SALES AND MARKETING, OREGON STEEL MILLS	64

I N D E X

	PAGE
TESTIMONY OF THOMAS CONWAY, INTERNATIONAL VICE PRESIDENT (ADMINISTRATION), USW	68
TESTIMONY OF TOM BALLOU, DIRECTOR, PLATE AND FLAT-ROLLED PRODUCTS, O'NEAL STEEL	71
TESTIMONY OF ROBERT HELTZEL, JR., PRESIDENT, KENILWORTH STEEL	74
TESTIMONY OF FRANK RUANE, DIRECTOR, CORPORATE PURCHASING, OLYMPIC STEEL	76
TESTIMONY OF ROBERT SCOTT, ECONOMIST, SCHAGRIN ASSOCIATES AND THE ECONOMIC POLICY INSTITUTE	79
TESTIMONY OF DAVID A. RIKER, PRINCIPAL, CRA INTERNATIONAL, INC.	89
TESTIMONY OF GLENN GILMORE, TRADE SUPERVISOR, IPSCO STEEL INC.	102
TESTIMONY OF TIMOTHY C. BRIGHTBILL, ESQUIRE, WILEY REIN & FIELDING LLP	108
TESTIMONY OF ALAN H. PRICE, ESQUIRE, WILEY REIN & FIELDING LLP	124
TESTIMONY OF TERENCE P. STEWART, ESQUIRE, STEWART & STEWART	169
TESTIMONY OF KENNETH J. PIERCE, ESQUIRE, WILLKIE FARR & GALLAGHER LLP	227
TESTIMONY OF RICHARD O. CUNNINGHAM, ESQUIRE, STEPTOE & JOHNSON LLP	229
TESTIMONY OF DENNIS KUNKA, STEEL PLATE COMMODITY MANAGER, GLOBAL PURCHASING, CATERPILLAR	231
TESTIMONY OF JIM DOUGAN, ECONOMIST, ECONOMIC CONSULTING SERVICES, LLC	235
TESTIMONY OF THOMAS J. PRUSA, PROFESSOR OF ECONOMICS, RUTGERS UNIVERSITY	246

I N D E X

	PAGE
TESTIMONY OF RICHARD WHITE, GENERAL MANAGER, SALES AND MARKETING, SECTIONS & PLATES, CORUS U.K. LTD.	257
TESTIMONY OF PAUL PARKINS, SALES MANAGER, ENERGY INTERNATIONAL, CORUS U.K. LTD.	259
TESTIMONY OF PETER J. JOYCE, SALES MANAGER, AMERICAS, CORUS AMERICA INC.	261
TESTIMONY OF PATRICK J. BOYLE, XX, MURRAY INTERNATIONAL METALS, A DIVISION OF EDGEN CARBON PRODUCTS GROUP LLC	262
TESTIMONY OF BRUCE MALASHEVICH, ECONOMIST, ECONOMIC CONSULTING SERVICES, LLC	264
TESTIMONY OF CHRISTOPHER DUNN, ESQUIRE, WILLKIE FARR & GALLAGHER LLP	273
TESTIMONY OF MARC E. MONTALBINE, ESQUIRE, DEKIEFFER & HORGAN	275
TESTIMONY OF MATTHEW P. MCCULLOUGH, ESQUIRE, WILLKIE FARR & GALLAGHER LLP	278

I N D E X

	PAGE
TESTIMONY OF FEDERICO J. REYES VILLARREAL, MANAGER, CORPORATE FINANCE, AHMSA	310
TESTIMONY OF JAY C. CAMPBELL, ESQUIRE, WHITE & CASE LLP	328
TESTIMONY OF LUIS A. LANDOIS GARZA, DIRECTOR, SALES, AHMSA	345
CLOSING STATEMENT OF RICHARD O. CUNNINGHAM, ESQUIRE, STEPTOE & JOHNSON LLP	390



1           As all written material will be entered in  
2 full into the record, it need not be read to us at  
3 this time. Parties are reminded to give prepared  
4 testimony to the Secretary. Please do not place  
5 testimony directly on the public distribution table.  
6 All witnesses must be sworn in by the Secretary before  
7 presenting testimony.

8           Finally, if you will be submitting documents  
9 that contain information you wish classified as  
10 business confidential your requests should comply with  
11 Commission Rule 201.6.

12           Madam Secretary, are there any preliminary  
13 matters?

14           MS. ABBOTT: Yes, Mr. Chairman. With your  
15 permission we will add Cheryl Ivy, Senior Legal  
16 Assistant, and Johnna Purcell, Corporate Attorney, for  
17 Caterpillar to page 7 of the calendar.

18           CHAIRMAN PEARSON: Seeing no objection, we  
19 agree.

20           MS. ABBOTT: Our first congressional  
21 appearance will be by the Honorable Peter J.  
22 Visclosky, United States Representative, 1st District,  
23 State of Indiana.

24           CHAIRMAN PEARSON: Welcome back, Congressman  
25 Visclosky.

1 MR. VISCLOSKY: Mr. Chairman, thank you and  
2 all the members of the Commission. I understand you  
3 had a very late evening Tuesday, so I will try to be  
4 as succinct as possible.

5 I do again appreciate the opportunity of  
6 being able to give testimony. I am here in this  
7 sunset review to ask that the orders in place on cut-  
8 to-length steel plate be maintained. I believe the  
9 issues before you are very important for our national  
10 security.

11 As a member of the Defense Appropriations  
12 Subcommittee in the House of Representatives, I  
13 believe that the health of the plate industry has  
14 profound implications for our national security. The  
15 plants that make cut-to-length plate make a variety of  
16 plate products that are essential to aircraft  
17 carriers, armor combat vehicles, Coast Guard cutters  
18 and destroyers.

19 In fact, all of the steel plate used to  
20 construct U.S. Navy destroyers since 1998 has come  
21 from the plate plant in Burns Harbor, Indiana, and  
22 one-third of aircraft carrier products use plate from  
23 this facility. The Defense Department counts on a  
24 limited number of domestic suppliers to meet this  
25 critical need, and we should not allow dumped and

1 subsidized imports to injure these suppliers.

2 I do believe there is adequate supply in the  
3 United States. This product is made by producers in  
4 the states of Indiana, Pennsylvania, Iowa, Alabama,  
5 North Carolina and Oregon.

6 On March 8 of this year, the Commerce  
7 Department, as they did on the CORE issue two days  
8 ago, indicated that, "We determine that revocation of  
9 the antidumping duty orders on plate would likely lead  
10 to continuation or recurrence of dumping at the  
11 following percentages," which range from six to 109  
12 percent.

13 We have also seen, as with the CORE  
14 products, imports from nonsubject countries  
15 significantly increase by a factor of 50 percent from  
16 July of 2005 to July of 2006 and imports in August of  
17 2006 increasing by an additional 18 percent over the  
18 month of July.

19 I do believe if the orders were lifted that  
20 injury would occur. The plate industry is on more  
21 solid footing today, but I would point out that it has  
22 lost money in four of the last six and a half years  
23 under review. While the industry has returned to  
24 profitability after 2004 and 2005, we did see a  
25 quadrupling of their capital investment, so they are

1 doing their very best.

2 I would conclude by pointing out that we  
3 have also seen 1,300 American citizens lose their jobs  
4 in the cut-to-length plate industry since the year  
5 2000, and I am convinced again that injury would  
6 reoccur.

7 I do appreciate again the opportunity to  
8 testify, your attentiveness and again the serious  
9 nature in which you address all of these issues.

10 CHAIRMAN PEARSON: Thank you, Congressman.

11 Are there any questions for Representative  
12 Visclosky?

13 (No response.)

14 MR. VISCLOSKY: Mr. Chairman, thank you very  
15 much.

16 CHAIRMAN PEARSON: It's very good having you  
17 here again. Thank you.

18 MS. ABBOTT: The Honorable Jo Bonner, United  
19 States Representative, 1st District, State of Alabama.

20 CHAIRMAN PEARSON: Welcome to the  
21 International Trade Commission, Representative.

22 MR. BONNER: Thank you.

23 CHAIRMAN PEARSON: Please proceed.

24 MR. BONNER: Thank you, Mr. Chairman. It's  
25 good to be back with you and your colleagues, other

1 members of the Commission. Thank you for giving me  
2 this opportunity to speak today regarding the  
3 manufacture of cut-to-length plate in the United  
4 States and the impact of imports on our domestic  
5 manufacturers.

6 As my colleague, Pete Visclosky, just  
7 mentioned to you with concerns that he raised, in the  
8 overall part of the domestic steel market CTL plate is  
9 relatively small, yet it is essential to the  
10 infrastructure of the United States.

11 CTL plate is the building block for highway  
12 bridges, offshore drilling rigs and large diameter  
13 pipe distribution centers. Plate is also used for  
14 rail cars, water towers, wind towers, utility poles  
15 and transmission towers. It is also a key component  
16 for many defense applications that supply the U.S.  
17 military, which Congressman Visclosky just mentioned  
18 in his testimony.

19 To be sure, plate is essential for  
20 infrastructure, and it is essential to rebuild  
21 infrastructure after natural and manmade disasters.  
22 Some, hopefully none in this room, might conclude that  
23 it does not matter where that plate comes from,  
24 domestic or foreign, but in fact it does matter very  
25 much.

1           The commodity grades of plate and the sale  
2 of those grades underpin the ability of domestic  
3 manufacturers to make more specialized plate that goes  
4 into energy infrastructure. Moreover, the steady  
5 stream of commodity plate sales provides the ability  
6 to finance capital improvements, upgrade equipment and  
7 undertake the research needed to improve product.

8           Mr. Chairman and members of the Commission,  
9 the IPSCO facility located in my district just outside  
10 of Mobile, Alabama, was able to respond quickly to the  
11 requirements for rebuilding oil and gas infrastructure  
12 following the worst natural disaster in U.S. history,  
13 Hurricane Katrina, which just so happened to hit my  
14 district as well.

15           These were specialized grades that without a  
16 healthy CTL plate industry these grades would not have  
17 been produced locally, nor would they have been  
18 available just-in-time. Last fall, if you remember,  
19 just-in-time meant we needed it yesterday.

20           In the past few years, the mantra from Wall  
21 Street has been that the domestic steel industry needs  
22 to consolidate. That is happening, I might add, but  
23 consolidation does not happen without capital, and  
24 capital formation does not happen in a weakened steel  
25 sector.

1           Yes, the conditions for the domestic steel  
2 industry have improved, and these improvements have  
3 resulted in reinvestment. As an example, the IPSCO  
4 facility in Alabama has put over \$50 million back into  
5 the Mobile facility and is making a \$30 million  
6 investment at its Iowa facility. The company has also  
7 doubled its research facility and brought in testing  
8 equipment not previously available anywhere in North  
9 America.

10           Ladies and gentlemen, these are the actions  
11 of a healthy industry. Import data from the  
12 Department of Commerce indicates that imports for 2006  
13 are consistently above those of 2005, and 2005 showed  
14 an increase over 2004 and 2003. This could be  
15 considered a trend, and by year's end I am told that  
16 imports will represent about 15 percent of the market.

17           To me, that indicates there is a healthy  
18 market for fairly traded plate. Additionally, it is  
19 worth noting that there are no shortages being  
20 reported in the plate market. It is my understanding  
21 that in fact CTL plate customers will testify later  
22 today in support of keeping these orders.

23           The health of this market is dependent on  
24 fairly traded steel. The orders you're considering  
25 today were put in place to stop unfairly traded steel.

1 The countries and companies subjected to the orders  
2 have an option. They can comply with the orders and  
3 import into this market. Companies can have the  
4 orders vacated after showing willingness to trade  
5 without subsidy or dumping. It has been done in the  
6 past, and it can be done again.

7 In my district, IPSCO originally brought  
8 over 450 badly needed jobs to our area, and today they  
9 have become a true partner for progress for all of  
10 south Alabama. The investment IPSCO has made since it  
11 first opened has only increased employment, and the  
12 recent decision to invest another \$50 million will  
13 result in at least 50 new jobs for my area and may  
14 attract even more new business to south Alabama as  
15 well.

16 After the hurricanes of the past couple  
17 years, IPSCO was not able to operate for roughly two  
18 days. Although they never lost power, they needed  
19 time to get their people back. During that time, they  
20 put their employees to work repairing houses in the  
21 area, brought diesel to the area to keep sewage  
22 treatment plants operating and donated over \$500,000  
23 to the local Red Cross.

24 In a time of disaster, one thing is certain.  
25 Imported steel is not going to help rebuild the Gulf

1 Coast, but domestic healthy manufacturers can, will  
2 and do.

3 The steel sector is also investing in  
4 upgrading technologies to meet increasingly tough new  
5 environmental standards. The United States has the  
6 highest rate of recycled steel product in the world.  
7 Approximately one-half of the steel plate produced in  
8 the U.S. is recycled, and that matters.

9 The domestic steel industry produces steel  
10 more efficiently than any other country in the world  
11 and is working to bring energy intensity down even  
12 further. In fact, I would submit that the U.S. plate  
13 industry represented in this room today is spending  
14 significantly large amounts on breakthrough research  
15 and efficiency through partnerships with the U.S.  
16 Department of Energy. Again, this is an important  
17 byproduct of a healthy domestic industry.

18 As I said earlier, the CTL plate market in  
19 the U.S. is relatively small, which means it could  
20 easily be swamped by the influx of plate. Plate that  
21 is unfairly traded would only exacerbate the damage.

22 I know that the plate market has been stable  
23 for a few years, but that is not a reason to abandon  
24 the principles of fair trade. Instead, I would submit  
25 it is a reason to keep what is working in place.

1           Mr. Chairman, thank you again for this  
2 opportunity to appear before you and your fellow  
3 Commissioners. I appreciate this opportunity.

4           CHAIRMAN PEARSON: Thank you, Congressman.  
5 Does anyone have a question for  
6 Representative Bonner?

7           (No response.)

8           CHAIRMAN PEARSON: Thank you very much. We  
9 appreciate your trip here for this hearing.

10          MS. ABBOTT: On behalf of the Honorable  
11 Theodore Kulongoski, Governor of Oregon, Sarah  
12 Bittleman, Director of the Washington, D.C. office.

13          CHAIRMAN PEARSON: Good morning, Ms.  
14 Bittleman. Welcome to the Commission.

15          MS. BITTLEMAN: Good morning, Mr. Chairman  
16 and Commission. I am the Director of the Governor of  
17 Oregon's Washington, D.C. office. The Governor asked  
18 that I read his very short testimony into the record  
19 this morning.

20          Commissioners, I am writing in support of  
21 Oregon Steel Mills, a producer of cut-to-length plate  
22 products and the state's largest steel producer.  
23 Headquartered in Portland, Oregon, the company today  
24 provides 1,900 jobs to our residents and is an  
25 important contributor to our state and local

1 economies. In addition, Oregon Steel Mills works  
2 closely with the Port of Portland on the transport of  
3 goods, which has resulted in new berths at the port.

4 The company makes a variety of steel  
5 products and today has the only remaining plate  
6 rolling mill in the western United States. Oregon  
7 Still Mills is only one of two U.S. producers of armor  
8 plate. This product is made to retrofit armor kits  
9 for Humvees and military police vehicles, as well as  
10 other products used to protect our nation's servicemen  
11 and servicewomen.

12 As part of their testimony, representatives  
13 of the company will explain that despite recent years  
14 of strong economic results, the industry is facing an  
15 uncertain future based on increasing imports and  
16 declining demands in the U.S. market.

17 The existing orders on plate have ensured  
18 that unfairly traded plate has not disrupted the U.S.  
19 market. More importantly, the existing orders have  
20 also allowed the domestic industry and Oregon Steel  
21 Mills to compete on a level playing field. Further, a  
22 strong plate business is critical to the economic  
23 well-being and survival of Oregon Steel Mills.

24 The State of Oregon is home to many of our  
25 businesses that rely on global trade. Steel and

1 metals are an important component of our state's  
2 economy. Our state has launched a number of  
3 initiatives which will promote innovation and  
4 competition in the workplace, and I recently announced  
5 the development of the 2006 Innovation Plan, which we  
6 believe will help our businesses grow and allow our  
7 residents to have access to good paying jobs.

8 Our state values the contributions made by  
9 the business community, and we want to ensure that  
10 there is a future for Oregon Steel Mills and the steel  
11 sector in our state. I would therefore request that  
12 the Commission take into consideration the facts  
13 provided to you by U.S. plate producers at this  
14 important hearing.

15 Thank you for the opportunity to submit  
16 comments on this critical issue. Sincerely, Governor  
17 of Oregon, Theodore R. Kulongoski.

18 CHAIRMAN PEARSON: Thank you.

19 Does anyone have a question for Ms.

20 Bittleman?

21 (No response.)

22 CHAIRMAN PEARSON: Thank you very much.

23 MS. BITTLEMAN: Thank you very much.

24 MS. ABBOTT: On behalf of the Embassy of  
25 Mexico, Kenneth Smith Ramos, Director General for

Heritage Reporting Corporation  
(202) 628-4888

1 International Trade Negotiations, and Adriana Diaz  
2 Ortiz, Director of International Assistance for  
3 Mexican Exporters.

4 CHAIRMAN PEARSON: Welcome to both of you.  
5 Please proceed.

6 MR. RAMOS: Good morning, Mr. Chairman,  
7 distinguished members of the Commission. It's a  
8 pleasure to be here. Thank you for the opportunity to  
9 present this testimony.

10 My name is Kenneth Smith Ramos, and I serve  
11 as the Director General for International Trade  
12 Negotiations in Mexico, Secretary of the Economy. As  
13 such, I am intimately involved in Mexico's negotiation  
14 of trade agreements with the United States and  
15 elsewhere.

16 A necessary part of my job is to assess the  
17 effects of these agreements on Mexico's industries and  
18 ensure proper implementation and compliance with NAFTA  
19 commitments. I appreciate this opportunity to share  
20 my experience with the Commission in this case, which  
21 so epitomizes the mutually beneficial aspects of the  
22 NAFTA and its effects for our two countries on the  
23 cut-to-length plate industries.

24 The conditions of competition underlying  
25 these mutual benefits help to explain why it is not

1 likely that the Commission's requested revocation of  
2 the U.S. orders on CTL plate from Mexico would cause  
3 any harm to the U.S. industry.

4 The North American Free Trade Agreement was  
5 implemented in 1994 to extend the benefits of free  
6 trade to the United States, Mexico and Canada. Since  
7 then, the value of trade between the U.S. and Mexico  
8 has increased more than 150 percent to approximately  
9 \$300 billion, and U.S. exports to Mexico have doubled.

10 In addition, our two economies are  
11 increasingly integrated with one another through  
12 complementary trade patterns and interests. This is  
13 most evident with the now integrated North American  
14 cut-to-length steel plate industry

15 U.S. CTL plate producers have operations in  
16 more than one NAFTA country. For example, IPSCO is in  
17 Canada and the United States, while Mittal is in the  
18 United States and reportedly soon to be in Mexico.

19 The same is true with the major OEM  
20 purchasers of cut-to-length plate such as Caterpillar,  
21 John Deere and Trinity, all three of which manufacture  
22 and source from the United States and Mexico.

23 Steel producers in NAFTA countries also  
24 source raw materials from the three. For instance,  
25 AHMSA, the sole integrated producer of CTL plate in

1 Mexico, sources coal and iron ore from the United  
2 States to make its steel. Market integration is also  
3 found in pricing with CTL plate prices in Mexico  
4 closely tracking those of the United States based on  
5 U.S. public data.

6 Large volumes of cut-to-length plate are now  
7 traded among NAFTA countries with U.S. exports  
8 constituting the vast majority of that trade. Since  
9 implementation of NAFTA, the U.S. industry's exports  
10 of CTL plate to Mexico have increased eleven-fold.

11 In 2005, the U.S. industry exported to  
12 Mexico 458 times the amount of CTL plate the United  
13 States imported from Mexico. In the same year, the  
14 U.S. industry's exports to Mexico exceeded its exports  
15 to the entire world, excluding Canada, by 27 percent.

16 As these numbers demonstrate, the U.S.  
17 industry has been afforded full advantage of NAFTA and  
18 the corresponding benefits of market integration.  
19 Meanwhile, demand in Mexico has kept exports of cut-  
20 to-length plate from Mexico at very low levels.  
21 Indeed, strong demand has not only kept Mexico from  
22 becoming a CTL plate export platform, but it has also  
23 made Mexico a net importer of this product.

24 In the first half of 2006, almost half of  
25 all CTL plate consumed in Mexico was imported, mostly

1 from the United States. This should be no surprise,  
2 given that CTL plate demand in Mexico has grown by  
3 almost 40 percent since the year 2000, and AHMSA's  
4 production capacity has remained constant and unable  
5 to come even close to meeting demand.

6 All reliable forecasts indicate that demand  
7 for cut-to-length plate in Mexico will continue to  
8 increase. GDP growth in Mexico is expected to surpass  
9 four percent this year. Growth in key sectors that  
10 consume CTL plate will also continue. Construction, a  
11 main driver of cut-to-length plate demand, is expected  
12 to rise by an annual rate of approximately four  
13 percent for the foreseeable future.

14 Like in the United States, PEMEX and other  
15 energy companies are undertaking large projects to  
16 expand oil and gas production facilities throughout  
17 the country with new pipelines and rigs, both of which  
18 consume large amounts of CTL plate.

19 Major U.S. multinational companies that  
20 consume cut-to-length plate are likewise expanding  
21 their operations in Mexico, and to be more competitive  
22 over non-NAFTA sources they need to be able to source  
23 NAFTA-wide when logistics demand.

24 For instance, Trinity, a U.S. rail car  
25 producer, is shifting 50 percent of its total rail car

1 production to Mexico within the next two years, and it  
2 is expected to continue to buy large amounts of CTL  
3 plate from mills on both sides of the border. All of  
4 this is expected to increase cut-to-length plate  
5 demand in Mexico by an annual rate of at least seven  
6 percent in the coming years.

7 With home market demand continuing to  
8 increase, Mexico is not likely to become a significant  
9 exporter of cut-to-length plate and is certain to  
10 remain a net importer of this product.

11 NAFTA integration is also illustrated by  
12 increasing cooperation among NAFTA governments and  
13 industry bodies. Through various organizations, NAFTA  
14 governments and industry have adopted the goal of a  
15 single North American steel industry.

16 Just recently, the North American  
17 Competitive Council was created to strengthen the  
18 North American manufacturing base, including steel  
19 through further integration.

20 Also, in 2002 the NAFTA countries created  
21 the North American Steel Trade Committee, an  
22 innovative forum which brings together the steel  
23 industries and governments of Canada, the United  
24 States and Mexico and whose objective is to develop a  
25 common strategy to increase the competitiveness of the

1 steel sectors in the NAFTA region and find common  
2 solutions to many of the international challenges that  
3 the sector faces.

4 That is how the NAFTA governments have  
5 presented joint positions in the OECD process aimed at  
6 reducing and eliminating subsidies in the steel sector  
7 worldwide. A key component of the committee is  
8 finding ways to facilitate intra-NAFTA steel trade,  
9 and reducing trade disputes is definitely a step in  
10 the right direction.

11 This three-way coordination will make the  
12 North American cut-to-length plate industry even more  
13 integrated, efficient and globally competitive, so  
14 long as it is not hampered by unwarranted trade  
15 restraints among NAFTA members.

16 Experience has taught me that the effects of  
17 a trade agreement on industry are important and long-  
18 lasting. The market conditions arising from the  
19 considerable integration of the North American CTL  
20 steel plate industry, which is unique to Mexico among  
21 the countries subject to this review, undoubtedly  
22 impact the Mexican CTL plate industry from raw  
23 material sourcing to sales of cut-to-length plate and  
24 in the key downstream sectors that consume CTL plate.

25 The Commission should make its determination

1 as to Mexico with these consequential market  
2 conditions in mind. Specifically, revocation of the  
3 Mexican orders will not be likely to cause any harm to  
4 the U.S. industry. The Commission reached a closely  
5 analogous conclusion when it revoked the antidumping  
6 order on CTL plate from Canada in 2000. All the basic  
7 facts that supported that decision for Canada support  
8 the same decision for Mexico.

9 The Canadian Government made this same  
10 determination when it revoked its antidumping order on  
11 cut-to-length plate from Mexico in 2003, and there was  
12 no harm to the Canadian industry.

13 Because all the facts support it, we believe  
14 the time has come for the United States to also revoke  
15 the Mexican orders.

16 Thank you for your time and attention.

17 CHAIRMAN PEARSON: Thank you.

18 MS. ORTIZ: Good morning, Mr. Chairman and  
19 members of the Commission. I am Adriana Diaz,  
20 Director of International Assistance for the Unit of  
21 International Trade Practices in Mexico, Secretary of  
22 Economy.

23 Among other duties, I am responsible for  
24 monitoring trade barriers abroad concerning the  
25 potential of adverse effects on Mexico's industries,

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1 including the steel industry.

2           Nowadays there are no antidumping,  
3 countervailing or safeguard measures against Mexican  
4 exports of cut-to-length plate in other countries  
5 other than the U.S. order the Commission is now  
6 considering. Furthermore, Mexican exports of CTL  
7 plate are not relevant due to the facts as explained  
8 by Mr. Smith that home market demand constrains  
9 Mexican exports.

10           This is evidenced by the Canadian  
11 International Trade Tribunal's determination to revoke  
12 its antidumping order on CTL plate from Mexico after  
13 the 2003 sunset review findings that revocation of the  
14 order would not be likely to lead to material injury  
15 to the Canadian industry.

16           Since then, Mexican exports of plate to  
17 Canada have been from small to nonexistent. Thus,  
18 there were no exports from Mexico to Canada in 2004.  
19 During Canada's 2005 supply shortage following  
20 Stelco's closure of its plate operations, Mexico  
21 shipped only 11,000 tons to Canada, which accounts for  
22 1.7 percent of total CTL plate imports into Canada  
23 that year, while the U.S. accounts for 62.5 percent  
24 during 2006.

25           Mexico has exported only 23 tons to Canada.

1 Mexican exports to Canada have been extremely low  
2 following revocation, even though total imports into  
3 Canada increased substantially.

4 It is important to mention that Mexico is a  
5 net importer of cut-to-length plate due to AHMSA's  
6 inability to meet home market demand, notwithstanding  
7 its dedication of virtually all of its capacity to  
8 serve the home market.

9 Considering the current market conditions  
10 and the prior experience in Canada, I expect the same  
11 pattern of trade if the U.S. orders on Mexican CTL  
12 plate are revoked. In fact, as demand in Mexico  
13 continues to increase, it is likely that CTL imports  
14 into Mexico will also increase, especially from the  
15 United States and possibly China.

16 Currently Mexico's only significant barrier  
17 to CTL plate imports are antidumping orders against  
18 Russia, Ukraine and Romania, three countries against  
19 which the U.S. has also imposed antidumping  
20 restraints. Also, the United States maintains orders  
21 on CTL plate from many other countries, including  
22 China.

23 Among other commitments undertaken at the  
24 North American Steel Trade Committee, Mexico has  
25 implemented an import monitoring system for steel

1 products. Given these conditions of competition and  
2 what is reasonably foreseeable, it is hard to see how  
3 revocation of the U.S. orders on CTL plate from Mexico  
4 could have any adverse impact on the U.S. mills.

5 Based on the Canadian experience and home  
6 market demand, significant exports to the United  
7 States would not be likely if the Commission revokes  
8 the Mexican order.

9 Indeed, it seems to me that the Mexican and  
10 U.S. CTL plate industries share common interests in  
11 the North American market. Both are better served by  
12 balanced complementary actions by our two governments  
13 instead of continuing one where it limits trade among  
14 NAFTA partners.

15 Thank you.

16 CHAIRMAN PEARSON: Thank you.

17 Are there any questions for Ms. Diaz Ortiz  
18 or Mr. Smith Ramos?

19 (No response.)

20 CHAIRMAN PEARSON: Seeing none, thank you  
21 very much. Appreciate your testimony.

22 MS. ABBOTT: Opening remarks in support of  
23 continuation of orders will be by Roger B. Schagrín,  
24 Schagrín Associates.

25 CHAIRMAN PEARSON: Madam Secretary, as we're

1 moving to opening remarks I would just offer a couple  
2 comments.

3 The first one has to do with Tuesday's  
4 hearing on corrosion-resistant steel. I've been  
5 advised by the Secretary that although this was not an  
6 intention we started out with, we did set what may be  
7 a modern day record for length of the hearing.

8 The previous longest hearing was in  
9 conjunction with the 210 investigation, and that went  
10 until 9:25 in the evening, so we went beyond that by  
11 more than an hour and a half.

12 I had the good sense not to conduct a poll  
13 of those who were here at that time. There was quite  
14 a crowd yet, some of whom I see here this morning, but  
15 had I done so I probably would not have won the  
16 Chairman of the Week award.

17 I'll do what I can to try to keep it shorter  
18 today. I think we can move through this material  
19 reasonably well while considering it thoroughly, and  
20 so I just wanted to provide that background that I  
21 hope we don't repeat Tuesday's timeframe.

22 The other thing I would mention is that we  
23 may break for lunch today prior to the conclusion of  
24 the questioning of the domestic industry panel, but I  
25 just don't know that yet. We'll see how it goes. If

1 it's starting to get a bit late we might do that and  
2 then come back and finish the questioning after lunch.

3 Thank you for that opportunity to comment.

4 Welcome, Mr. Schagrin. Your turn now.

5 Please proceed.

6 MR. SCHAGRIN: Thank you, and good morning,  
7 Chairman Pearson and members of the Commission. I am  
8 sorry I missed that marathon hearing on Tuesday. I'm  
9 not completely sorry, of course. I am sure that we  
10 will have a very educational and erudite hearing  
11 today, though I am sure much shorter.

12 I will also commit to you, because I've been  
13 known to be long-winded in the past, that I will keep  
14 answers short and will do everything to move the  
15 hearing along.

16 There are several conditions of competition  
17 in the U.S. cut-to-length plate market that, taken  
18 together, will result in a recurrence of injury to the  
19 domestic industry caused by a surge of unfairly traded  
20 imports if the Commission were to sunset these orders.

21 First, the cut-to-length plate market is  
22 increasingly focused on sales through service centers.  
23 During the original investigation, the Commission  
24 found that 43 percent of domestic shipments were to  
25 distributor service centers.

1           At the outset of this review period, that  
2           number had increased to 53 percent, and by 2005 it was  
3           up to 60 percent of domestic shipments. For subject  
4           foreign producers, sales to service centers accounted  
5           for over 80 percent of their sales during the original  
6           period of investigation.

7           Second, unlike some other steel or flat-  
8           rolled steel products, over three-quarters of domestic  
9           shipments of cut-to-length plate are sold by the  
10          domestic industry on a spot market basis. There are  
11          not many long-term contracts that would shield this  
12          industry from a sudden surge in imports.

13          There is already existing significant excess  
14          capacity in the 11 countries subject to this review,  
15          and the Commission should make adverse inferences on  
16          excess export capacity for the two countries that did  
17          not have producers respond to the Commission's  
18          questionnaires.

19          The record here is replete with factual  
20          information, and the Commission can have no doubt that  
21          with every passing day excess capacity to produce cut-  
22          to-length plate in China is growing, and Chinese  
23          exports to markets around the world will continue to  
24          grow exponentially.

25          Therefore, within a reasonably foreseeable

1        timeframe producers in the subject countries will have  
2        more tonnage displaced from their home market and  
3        principal export markets. They will wish to continue  
4        operating their capital intensive cut-to-length plate  
5        operations at high rates of utilization, and they will  
6        increasingly target their exports on the most  
7        attractive cut-to-length plate in the world, the  
8        United States of America.

9                Some of these same producers profess a lack  
10       of interest in the Canadian market, but after the  
11       Canadian Tribunal's sunset orders imports of cut-to-  
12       length plate into Canada have surged. Regardless of  
13       demand forecasts, whether strong or weakening, and the  
14       amount of quantity of inventory stocked by service  
15       centers and end users, the records of past Commission  
16       investigations, and there have been many on this  
17       product, demonstrate that there will be injury to the  
18       domestic industry by surging imports even during  
19       periods of strong demand.

20               In 2006, imports are already increasing  
21       significantly from nonsubject countries with imports  
22       up by 56 percent through August compared to last year.  
23       These increased imports are leading to a serious  
24       inventory glut in the U.S. market, and due to reduced  
25       order books some domestic mills are already announcing

1 production cutbacks for the fourth quarter of 2006.

2           Despite healthy recent results for the  
3 domestic industry, this industry is vulnerable to  
4 increased imports. The combination of the market  
5 being centered on spot market sales to distributors  
6 who are willing to buy imports at prices that are  
7 lower than domestic prices means that a future massive  
8 surge of imports is merely a phone call, facsimile or  
9 e-mail away to a host of major service centers the day  
10 after the Commission's determination.

11           The major import stocking distributors like  
12 Ranger and Superior have now expanded from use into  
13 the midwest. As soon as major import orders are  
14 placed, order books for domestic companies will  
15 plummet, future production and shipments will suffer,  
16 and there will be massive price and profitability  
17 effects on the domestic industry in short order.

18           As a consequence, the domestic industry will  
19 no longer be able to continue with the investments  
20 necessary to stay competitive and to develop the  
21 future products demanded by the marketplace.

22           For these reasons, on behalf of the domestic  
23 producers and their employees, we urge the Commission  
24 to continue these orders against unfairly traded  
25 imports of cut-to-length plate.

1 Thank you.

2 CHAIRMAN PEARSON: Thank you, Mr. Schagrín.

3 MS. ABBOTT: Opening remarks in opposition  
4 to continuation of orders will be by Kenneth J.  
5 Pierce, Willkie Farr & Gallagher.

6 CHAIRMAN PEARSON: Welcome, Mr. Pierce.

7 MR. PIERCE: Good morning, Mr. Chairman.  
8 Good morning, Commissioners. I'm Ken Pierce of  
9 Willkie Farr & Gallagher, counsel for Mexican and  
10 Brazilian producers. This opening statement is on  
11 behalf of Respondents that filed the joint prehearing  
12 brief on cumulated issues.

13 Commissioners, what you'll hear from  
14 Petitioners today you have heard before. Just one  
15 year ago, in the last cut-to-length plate sunset  
16 review, then, like now, they said they were on the  
17 brink of disaster with demand about to plummet, which  
18 would force prices down in the face of rising cost,  
19 causing a fatal cost/price squeeze.

20 Their Chicken Little claims are as false  
21 today as they were then, but this time the Commission  
22 has a record to test them. The domestic cut-to-length  
23 plate industry is by far the strongest among all flat  
24 products, an important consideration for the  
25 Commission, given Petitioners' diversionary arguments

1 concerning nonsubject steel products and countries.

2 The industry at issue today has operating  
3 margins well above 20 percent for three years running,  
4 a 40 percent rate of return on investments, pricing  
5 increases for August, September and October  
6 deliveries, a spread of more than \$400 per ton between  
7 material cost and prices with a 39 percent markup over  
8 cost of goods sold.

9 The cash has been pouring into the domestic  
10 industry's coffers despite what they told you last  
11 year. Net cashflow for just 2005 and interim 2006  
12 exceeds depreciation for the entire period of review  
13 by over \$1 billion.

14 The domestic industry is extremely strong  
15 and profitable. It will be for a long time because  
16 its health is due to the fundamental realignments,  
17 consolidations, restructurings and labor agreements  
18 that followed on the 201 restraints and associated  
19 subsidies.

20 This spectacular sustained turnaround has  
21 nothing to do with the orders now under consideration.  
22 It will continue long past their revocation. Demand  
23 is strong for the foreseeable future. Our prehearing  
24 brief is replete with recent industry statements  
25 confirming this, statements made when their opposition

1 to sunset revocation was not under Commission  
2 scrutiny.

3 The Commission should direct Petitioners to  
4 submit for the record a group forecast by IPSCO,  
5 Mittal, Nucor and Oregon Steel that was presented this  
6 September to the Metal Service Center Institute's  
7 Forecast Conference. Strong demand projections were  
8 reported for all the major downstream applications.  
9 This demand has helped make cut-to-length plate the  
10 premium flat-rolled industry today and for the  
11 foreseeable future.

12 Respondents' joint brief also details the  
13 evidence that demand and prices are strong worldwide.  
14 Respondents are operating at near full capacity.  
15 Respondents have healthy profits in their existing  
16 markets and no rational reason to shift significant  
17 quantities to the United States.

18 Petitioners again raise the specter of  
19 China, but their argument on China stumbles and falls  
20 over the facts in this case. China is subject to an  
21 antidumping order on cut-to-length plate, but is not  
22 subject to the sunset review, forcing Petitioners in  
23 this case to base their claims on incredibly weak  
24 causal speculation.

25 The subject countries export little plate to

1 China, and those that import plate from China, the EU  
2 and Mexico, are about to seek trade restraints against  
3 China. China has been exporting plate for three years  
4 already at the same time the domestic industry has  
5 risen to meteoric profits. In this review, the China  
6 arguments are desperation.

7 Concerning Petitioners' claims about excess  
8 foreign capacity and Canada's revocation of its plate  
9 antidumping orders, the Commission has before it this  
10 morning the right people to ask.

11 Romania accounted for well over half of all  
12 subject imports during the period of review. Romania  
13 is Mittal, and Mittal is here as a Petitioner this  
14 morning. We suggest the Commission ask Petitioners  
15 about past and likely future imports from Romania, the  
16 largest subject source.

17 With respect to Canada, a nonsubject  
18 country, the U.S. was by far the largest source of  
19 imports following Canada's sunset revocations. The  
20 Commission should ask the Petitioners why. Since  
21 Canada is the largest source of U.S. imports and the  
22 Commission has the largest Canadian producer here, it  
23 can ask IPSCO about its exports to and from Canada to  
24 best understand market shortages and allocation  
25 following the closure of Stelco's plate operations.

1           Mittal is reported to be considering  
2 building a plate mill in Mexico, and several of this  
3 morning's witnesses export substantial amounts of  
4 plate to Mexico, so the Commission can ask them about  
5 demand in Mexico as well.

6           Rarely does the Commission have the  
7 opportunity to test what it was told by a domestic  
8 industry just one year later in a subsequent sunset  
9 review. We are confident the Commission will seize  
10 this opportunity to learn the truth.

11           The Commission was misled by Petitioners one  
12 year ago, and they are seeking to do the same again  
13 today on many issues from their available capacity to  
14 their lack of internal investment in market studies.  
15 The list goes on.

16           The credible evidence in this sunset record  
17 is overwhelming that cumulated revocation is not  
18 likely to lead to material injury to the domestic  
19 industry within a reasonably foreseeable time. We ask  
20 that the Commission so vote.

21           Thank you.

22           CHAIRMAN PEARSON: Thank you, Mr. Pierce.

23           MS. ABBOTT: Will the first panel in support  
24 of the continuation of countervailing duty and  
25 antidumping duty orders please come forward and be

1 seated?

2 Mr. Chairman, the witnesses have been sworn.

3 (Witnesses sworn.)

4 CHAIRMAN PEARSON: I'd like to welcome the  
5 panel. I know many of you have traveled a good  
6 distance to be here. We look forward very much to  
7 your presentation.

8 Mr. Schagrin, are you guiding this process?

9 MR. SCHAGRIN: Yes. I'll be quarterbacking  
10 the panel.

11 CHAIRMAN PEARSON: Please proceed.

12 MR. SCHAGRIN: This panel would like to  
13 begin its testimony with Mr. John Tulloch of IPSCO  
14 Steel. Mr. Tulloch?

15 MR. TULLOCH: Good morning, Chairman Pearson  
16 and members of the Commission. For the record, my  
17 name is John Tulloch, and I'm Executive Vice President  
18 and Chief Commercial Officer of IPSCO Steel, Inc.  
19 I've been in the industry for 32 years, including 29  
20 years with IPSCO, and I'm accompanied today by Glenn  
21 Gilmore, who heads up our trade activities.

22 In the USA, IPSCO has two of the most  
23 efficient plate mills in the world with greenfield  
24 mills built in Montpelier, Iowa, in 1997 and Mobile,  
25 Alabama, in 2001. We also have two cut-to-length

1 lines, one in Minnesota and one constructed in 2002 in  
2 Houston, Texas, where coil plate, either ours or that  
3 of other companies, is cut to length.

4 In addition to the original cost of over \$1  
5 billion for these facilities, IPSCO has continued to  
6 invest in the U.S. market and in the past year has  
7 spent nearly \$50 million to add a new heat treat  
8 facility in our Mobile plant that is now ramping up  
9 170,000 tons of capacity to heat treat plate that we  
10 make at that facility to better serve the higher end  
11 of the U.S. plate market.

12 We recently announced a \$30 million vacuum  
13 degassing investment in Montpelier to increase the  
14 range of plate produced there.

15 Financial results following the start up of  
16 our plate mills in the United States was so negative  
17 that as we ended 2004 IPSCO had a tax loss  
18 carryforward of approximately \$400 million directly  
19 related to these U.S. plants. Fortunately, 2004 was a  
20 turnaround year for the plate industry due in large  
21 part to surge in global demand, which reduced import  
22 pressure on the U.S. market, reduced imports supply  
23 amid higher prices in the U.S. market.

24 Since 2004, however, we have seen a steady  
25 and significant increase in imports of plate into the

1 U.S. market. While demand in the U.S. has remained  
2 buoyant, it has slowed down in particular in the  
3 service center segment, and that, coupled with the  
4 rising import levels, has placed U.S. producers at  
5 risk.

6 Because the overwhelming majority of plate  
7 flows to the market through distributors instead of  
8 through direct sales from mills to end users, changes  
9 in distributor inventories can either accelerate  
10 apparent demand above the underlying demand levels or  
11 decelerate demand below the underlying demand levels.

12 Therefore, we very closely review the Mittal  
13 service center industry data to determine the amount  
14 of total purchases by service centers, their shipping  
15 levels, their inventory level and their trends in  
16 stocking or destocking inventory.

17 In July and August of 2006, service centers  
18 received 15 percent more in terms of purchase  
19 deliveries from domestic mills and imports than the  
20 service centers were shipping to their customers.  
21 This resulted in a significant increase in service  
22 center inventories, which are now over 1.4 million  
23 tons, one of the highest levels ever for plate  
24 inventories.

25 We saw a clear signal, and I think you'll

1 hear more about this from the distributor panel later  
2 this morning, that distributors are even now reducing  
3 their inventories, thus depressing demand for  
4 shipments from mills.

5 Imports have a significant impact on  
6 distributor inventory changes and distributor  
7 perceptions of price in the marketplace. This is true  
8 for several reasons. As the Commission knows, except  
9 for imports from Mexico and Canada imports generally  
10 have longer lead times than the domestic industry.  
11 Moreover, when imports arrive they tend to arrive in  
12 large quantities all at once in a shipment at port, in  
13 contrast to a truckload or trainload arriving from  
14 domestic suppliers.

15 As a result, in a period such as the period  
16 we are presently in distributors have large quantities  
17 of imports arriving that they purchased several months  
18 ago at a time when their perceptions of the need to  
19 stock inventory were different than they are now.  
20 Thus, the inventory destocking falls mostly on the  
21 shoulders of the domestic mills as distributors tell  
22 us that they don't presently need more of a product  
23 because their inventories are too high.

24 The market is further distorted when the  
25 distributors stop placing orders with importers or

1 brokers. When that happens, the foreign mills get  
2 hungry about maintaining their export levels to the  
3 United States, and they start dropping their prices  
4 significantly in order to entice distributors to place  
5 future orders.

6 Distributors then turn to us and say we  
7 don't really need a lot of product right now, but if  
8 you want to sell us product we need a lower price from  
9 you. This is exactly the mode we're in at present.

10 Compounding this problem is the fact that  
11 major plate import stocking houses, which originally  
12 just had large stocking depots in Houston, have now  
13 expanded with the recent opening of supply depots in  
14 both Tulsa and Chicago. This puts larger quantities  
15 of imports right into the heart of the major markets  
16 for the domestic industry.

17 In periods of inventory destocking, price  
18 pressures can create a vicious circle, particularly  
19 when import supplies are ample. Imports in the U.S.  
20 market are already ample, and, as you have already  
21 heard, we have had significant increases in plate  
22 imports already even while these 11 countries are  
23 subject to orders.

24 Unleashing unfairly traded imports from the  
25 excess capacity present amongst these 11 countries

1 into the most sought after market in the world would  
2 unquestionably have serious negative impact on IPSCO's  
3 plate business.

4 Let me conclude by sharing with you that  
5 IPSCO has firsthand knowledge of the impact of  
6 sunseting plate orders. We are one of only two  
7 remaining plate producers in Canada. In 2004 and  
8 2005, the Canadian International Trade Tribunal, the  
9 Canadian equivalent of this Commission, sunset orders  
10 on cut-to-length plate against eight countries.  
11 Imports of cut-to-length plate in Canada have surged  
12 since those orders were sunset.

13 As a result, the Canadian industry has lost  
14 over 19 percent of the Canadian market in the last two  
15 years, and pricing in the Canadian market,  
16 notwithstanding the significant strengthening of the  
17 Canadian dollar, has been driven lower.

18 The situation in Canada indicates that  
19 assertions of higher Asian and European demand, as  
20 well as assertions of no interest in the North  
21 American market, quickly give way to increased exports  
22 upon sunset of plate relief.

23 On behalf of our company and our over 1,000  
24 employees directly engaged in plate production in our  
25 four U.S. facilities, we respectfully request that you

1 maintain these unfair trade orders on cut-to-length  
2 plate.

3 Thank you.

4 MR. MCFADDEN: Thank you, Chairman Pearson  
5 and members of the Commission. My name is Pat  
6 McFadden. I'm National Sales and Marketing Manager,  
7 Plate Products, Nucor Hertford County.

8 I welcome this opportunity to discuss with  
9 you why the antidumping and countervailing duty orders  
10 under review are essential to the continued health and  
11 stability of the domestic cut-to-length steel plate  
12 industry.

13 As you know, Nucor produces plate at our  
14 mill in Hertford County, North Carolina, and at our  
15 Tuscaloosa, Alabama, mill purchased from Corus in  
16 2004. The Hertford mill is a telling example of what  
17 has happened in the plate industry over the past  
18 several years.

19 We began production at Hertford in late  
20 2000. For four straight years, Nucor suffered losses  
21 on our plate business. Starting in the second quarter  
22 of 2004, we have seen better times and experienced  
23 solid financial returns since then thanks in large  
24 part to the protection afforded by these and other  
25 orders on plate, but have been in this business long

1 enough to know that the good times are likely to be  
2 short-lived.

3 The positive returns we've experienced over  
4 the past two years can quickly turn to long periods of  
5 substantial losses. In fact, if the orders are  
6 revoked Nucor will experience harm to its plate  
7 operations and will likely return to years of weaker  
8 financial performance.

9 To look forward, there are three areas of  
10 concern for the health of Nucor's plate business. The  
11 first is global oversupply caused in large part by  
12 China's continued production expansion. Over the next  
13 five years, more than 68 million tons of new plate  
14 capacity are expected to come on line around the  
15 world, far in excess of even the most optimistic  
16 growth projections. China is the main culprit, though  
17 subject producers are also certainly responsible.

18 China's steel producers, who are heavily  
19 subsidized by the Chinese Government, continue to  
20 build plate capacity without regard for market forces.  
21 China's growth has displaced millions of tons of plate  
22 imports, including imports from subject countries.

23 China is also exporting millions of tons of  
24 plate, forcing producers around the world, including  
25 those subject to these orders, to search for new

1 markets for their products. If the orders are  
2 revoked, the thing I'm most concerned about is that we  
3 will see a domino effect caused by this massive  
4 oversupply. Nucor and the U.S. plate market will be  
5 assaulted by imports from those countries that are  
6 themselves being assaulted by Chinese exports.

7           The bottom line is that the U.S. remains the  
8 most attractive market in the world in terms of its  
9 pricing, size and distribution system. Without the  
10 orders, the excess supply will come here. This is  
11 especially true given the significant production  
12 capacity and export dependence of the subject  
13 countries.

14           The second area of concern is that the cut-  
15 to-length plate is a commodity product such that  
16 import surges can quickly harm our pricing. Over the  
17 past several months, we have seen substantial  
18 increases in imports from Asia. These imports are  
19 coming in at \$150 to \$200 per ton under U.S. prices  
20 and by now have infected the domestic supply.

21           The result should be no surprise. Forced to  
22 compete with these prices, U.S. prices will likely  
23 drop \$40 to \$50 per ton by the end of the year. In  
24 addition, our order books are already taking a hit.  
25 We're experiencing sales volumes to be down 10 percent

1 in October and 15 to 20 percent in November.

2 Imports frankly are a wildcard which we have  
3 little control over. They quickly enter this market  
4 and cause immediate and substantial volume and price  
5 damage. The only control we have is through the AD  
6 and CVD orders.

7 If the orders are revoked, such damage is a  
8 virtual certainty as subject imports will again return  
9 to the U.S. market in large volumes. Our prices will  
10 fall, our order books will suffer, and our workers  
11 will work less and earn less.

12 My third concern for the health of Nucor's  
13 plate business is that the strong demand that has  
14 enabled our financial recovery over the past two years  
15 is not projected to continue. Our business is driven  
16 primarily by the construction equipment and heavy  
17 machinery industries.

18 Growth in these industries appears to be  
19 peaking in 2006 and is projected to taper off in 2007  
20 by as much as five to 10 percent. If the orders are  
21 revoked at the same time that demand for plate is  
22 declining, subject imports will cause even greater  
23 harm to the U.S. plate market.

24 Finally, I understand that you have heard  
25 complaints about the unavailability of domestic plate.

1 In October 2005, we changed our quench box at the  
2 Hertford County mill. It took us until March of 2006  
3 to run the new equipment at maximum efficiency.

4 During this six month period, we dealt with  
5 the normal issues related to upgrading a mill and had  
6 to manage that impact. This issue is now resolved.  
7 We need orders, and our mills are open.

8 In short, if the antidumping and  
9 countervailing duties are revoked we can expect the  
10 return of leaner years for the domestic plate  
11 industry. There is too much global oversupply, and  
12 the U.S. market is too inviting a target for dumping.

13 Imports from subject countries have  
14 devastated the U.S. market, and they will do so again  
15 if given the opportunity. I urge the Commission to  
16 leave these orders in place. They're very important  
17 to Nucor, our workers and their families. Thank you.

18 MR. INSETTA: Good morning, Chairman Pearson  
19 and Commissioners. My name is Bob Insetta. I am  
20 Director of Plate Products for Mittal Steel USA Sales  
21 and Marketing Group.

22 I am accompanied today by Larry Fabina,  
23 Mittal Steel USA's Manager of Continuous Improvement,  
24 and Matt Habenicht, Mittal Steel USA's Commercial  
25 Plate Manager. We are here today to support

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1 continuation of the orders on imports of cut-to-length  
2 plate from Belgium, Brazil, France, Germany, Mexico,  
3 Poland, Sweden, Spain, Taiwan and the United Kingdom.

4 My responsibilities span all of our plate  
5 mills in both Pennsylvania and Indiana. They include  
6 providing strategic direction for marketing,  
7 establishing pricing, obtaining competitive market  
8 intelligence and, most importantly, ensuring that our  
9 mills are filled with a valuable mix of profitable  
10 business and our customers receive a world class  
11 product.

12 In my 27 years of experience with the sales  
13 and marketing of plate products, I have worked for  
14 Lukens Steel Company, Bethlehem Lukens Plate,  
15 International Steel Group and now Mittal Steel USA. I  
16 have appeared before the Commission on several  
17 occasions and appreciate the opportunity to do so  
18 again.

19 Each time I have come before you my message  
20 has been the same. The trade laws are critical to  
21 preventing price collapses, rapidly declining profits  
22 and massive disinvestment that results from dumped and  
23 subsidized imports of plate.

24 Last fall when I testified in the sunset  
25 review on cut-to-length plate from six other

1 countries, our prices had fallen over \$100 per ton in  
2 only a few months. Thanks to the Commission's  
3 affirmative determinations on orders covering five of  
4 those countries, the price declines did not worsen,  
5 and we were able to continue to operate profitably in  
6 2006 without significantly increased dumped imports.

7 As imports of plate from noncovered  
8 countries surged this past year, imports from those  
9 five countries were restrained. Other factors that  
10 contributed to our recovery of market conditions in  
11 2006 include unforeseen spikes in demand at a time  
12 when unforeseen outages restricted supply. These  
13 conditions were temporary. Supply has been restored,  
14 and by all accounts demand growth in 2007 is not  
15 forecast to continue at the robust levels experienced  
16 in 2006.

17 You will hear arguments that the U.S. plate  
18 market is strong with healthy prices and profits.  
19 After years of losses as a result of unfair trade, we  
20 are pleased to finally be generating reasonable  
21 returns for our products, particularly as costs have  
22 risen.

23 It is no wonder that the industry is  
24 operating profitably in this most recent peak in the  
25 cycle. The U.S. market is one of the most attractive

1 and sought after export markets in the world. As  
2 such, there are orders and suspension agreements  
3 restraining imports of plate from 19 major steel  
4 producing countries, including those under review  
5 today.

6 The orders are essential to ensuring that  
7 there is not a reversal of this positive performance  
8 as the market cools and demand growth slows. Because  
9 plate is primarily sold on the spot market, prices for  
10 plate are subject to large and sudden swings.

11 At times when imports are increasing and  
12 service centers are destocking, U.S. prices have come  
13 under tremendous pressure. Recent evidence of this is  
14 the fact that spot prices for plate fell over \$100 per  
15 ton in 2005 under these very conditions.

16 While in 2006 there have been spikes in  
17 imports of plate, this has occurred at a time of  
18 unforeseen outages at domestic mills and rapidly  
19 increasingly service center inventories.

20 As the rate of importation on a monthly  
21 basis is now twice that from 2005 with service center  
22 inventories at a level exceeding the peak from the  
23 last destocking period and with U.S. mills back in  
24 full operation, the pricing pressures the industry is  
25 already starting to experience are likely to be more

1 severe than those experienced in 2005.

2 In my experience and as the facts confirm,  
3 this is a lethal combination for U.S. spot market  
4 prices. Already the beginnings of destocking are in  
5 evidence as plate resale prices have begun to fall.  
6 Revocation of the orders will deepen and hasten the  
7 magnitude of these price pressures.

8 Subject countries are likely to increase  
9 exports of plate to the United States if the orders  
10 are removed. Do not be misled by their minimal  
11 presence in the U.S. market now, which reflects their  
12 past pricing practices and imposition of the orders.

13 What remains unchanged is these countries'  
14 dependence on exports and continuing search for the  
15 most attractive profit maximizing export market.  
16 Comparatively higher U.S. prices are the magnet that  
17 will attract these imports if trade relief is removed.

18 Recent comparisons of U.S. prices and prices  
19 in markets like Asia and the CIS countries show  
20 differences of as much as \$400 per ton or more. I  
21 cannot think of a company in the world that would not  
22 take advantage of that price differential to increase  
23 their profits.

24 The incentive to increase or shift exports  
25 to the United States is more pronounced as global

1 plate capacity increasingly outweighs global demand.  
2 Millions of tons of plate making capacity are coming  
3 on line in both subject and nonsubject countries.

4 The mounting imbalance between supply and  
5 demand is intensified by the ramp up of production and  
6 capacity in China. Since 2003, there has been an  
7 eight million ton swing in China's net trade in plate.  
8 This figure is actually larger than total U.S. plate  
9 consumption in 2005.

10 This shift has displaced subject country  
11 exports and has resulted in a massive surge of low-  
12 priced Chinese exports of plate into subject  
13 countries' home markets. Without the orders, these  
14 countries will look to the U.S. market first to  
15 offload excess production displaced by Chinese  
16 imports. This will bring added downward pressure on  
17 domestic prices.

18 The domestic industry is already losing  
19 market share to low-priced imports from producers in  
20 Canada, Thailand and Malaysia, nearly four percentage  
21 points in the first half of 2006 compared to 2005.  
22 Examples of low-priced offers from the latter two  
23 countries are attached to our confidential brief.

24 Revocation of the orders will permit subject  
25 producers to expand exports by increasing price

1 aggression, gaining market share and injuring the  
2 domestic industry.

3 On behalf of Mittal Steel USA, I urge you to  
4 continue the antidumping and countervailing duty  
5 orders under review. Thank you.

6 MR. FABINA: Mr. Chairman and Commissioners,  
7 I am Larry Fabina, Manager of Continuous Improvement  
8 for the Burns Harbor Plant of Mittal Steel USA. Thank  
9 you for this opportunity to appear again before you in  
10 support of the continuation of trade relief on imports  
11 of plate.

12 I have 33 years of experience in the steel  
13 industry with almost half of that dedicated to the  
14 plate business. Prior to my most recent position, I  
15 was responsible for the operations, maintenance and  
16 quality of the plate mills at Burns Harbor and the  
17 heat treat facility in Gary, Indiana.

18 Mittal Steel USA has four plate mills that  
19 are currently in operation serving our customers  
20 nationwide with a wide variety of plate produced to  
21 different dimensions and chemistries. Our plate is  
22 used for applications ranging from construction  
23 equipment to oil rigs to armored Humvees in Iraq.

24 In 2003, International Steel Group acquired  
25 the Gary plate mill and the heat treat operation.

1 While we have utilized the heat treat capabilities to  
2 maximize our product mix, marketing conditions did not  
3 and have not justified running the Gary plate mill.  
4 Had we done so, we would have sacrificed efficiency  
5 and capacity utilization at our other mills.

6 This is important to the steel business  
7 since we have to run at high levels in order to cover  
8 our costs and provide stable jobs for our crews. For  
9 example, we only brought on the 110 inch plate mill on  
10 line in April 2005 when we felt confident that the  
11 demand would be there to justify such a move. That  
12 mill had been idle for nearly five years.

13 Due to the softening order books over the  
14 summer of 2005, we actually had to temporarily idle  
15 that mill for seven weeks in the fall. Today, while  
16 that mill is running, there is capacity available to  
17 increase production if so required.

18 In recent months, two of our mills were  
19 idled due to unplanned outages which temporarily  
20 resulted in tightness of supply in the market. In  
21 June of 2006, we had a motor failure at the  
22 Conshohocken plate mill and a down blast furnace at  
23 our Sparrows Point mill as a result of an electrical  
24 storm. Both are fully operational ahead of schedule,  
25 and we are back to normal operations.

1           One of our most critical issues that steel  
2 producers face is finding innovative ways to operate  
3 in a more cost effective manner. Over the last nine  
4 months, I have been coordinating efforts throughout  
5 Mittal Steel USA to reduce our energy costs.

6           Since we are an energy intensive business,  
7 the escalating cost and availability of natural gas  
8 and industrial electricity are of paramount concern to  
9 our long-term competitiveness and cost structure. The  
10 cost of natural gas has increased fourfold since the  
11 1990s. Then the price per MMBtu was approximately \$2.  
12 Today it is over \$8, as your staff report reflects.

13           Even though the cost of natural gas has  
14 eased somewhat in the recent months, we project that  
15 the long-term cost will remain far above the  
16 historical levels.

17           Energy is not the only input that has  
18 increased in recent years. Cost of scrap and iron  
19 ore, while subject to some fluctuations, have doubled  
20 since 2000 and are not projected to ease significantly  
21 any time soon.

22           Combined, these increased costs require that  
23 we continue maintaining prices that are considerably  
24 higher than in the past. Higher costs also mean that  
25 our business is increasingly exposed to rapid

1 fluctuation in prices for plate.

2           The orders under review have helped minimize  
3 the volatility of our plate prices and have  
4 contributed to helping us cover these rising raw  
5 material and energy costs. Without them, our prices  
6 would quickly come under pressure while costs remain  
7 constant. This increases the potential for a cost/  
8 price squeeze, which has historically been the result  
9 when import supply increases and prices come under  
10 pressure.

11           I would also like to take a moment to  
12 explain how the orders under review complement the  
13 increased production efficiencies gained by industry  
14 consolidation and restructuring.

15           As the Commission is aware, Mittal Steel USA  
16 is a pioneer in the domestic industry's consolidation  
17 efforts. As someone who has spent years in the  
18 operations, I can tell you that consolidation has not  
19 come without a price.

20           American institutions like Bethlehem Steel  
21 Corporation that have operated nearly a century were  
22 forced into bankruptcy, and numerous others were  
23 closed for good. However, these sacrifices paved the  
24 way for increased synergy and productivity.

25           The orders under review have allowed our

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1 company to respond to market conditions in a forward  
2 looking manner rather than in response to the  
3 distortions caused by unfair trade. However, make no  
4 mistake. No amount of consolidation could shield us  
5 from having to severely cut our prices and curtail  
6 production in response to a surge of subject imports  
7 if orders are revoked.

8 This would result in a loss of sales and  
9 market share, put tremendous pressure on our margins  
10 as we struggle to cover our fixed costs and impede  
11 further reinvestment in modernization of equipment, as  
12 well as basic maintenance.

13 These orders must be continued so the  
14 domestic plate industry can continue to progress with  
15 the assurance that we are competing on fair terms.

16 Thank you.

17 MR. MONTROSS: Good morning, Chairman  
18 Pearson and members of the Commission. For the  
19 record, my name is Scott Montross, and I'm Vice  
20 President of Marketing and Sales at Oregon Steel  
21 Mills. I am accompanied today by Kent Thies, our  
22 National Marketing Manager.

23 Oregon Steel Mills was founded in 1926 and  
24 has been in Portland, Oregon, since the late 1960s and  
25 is the only remaining plate rolling mill in the

1 western United States and one of only two U.S.  
2 producers of armor plate for military application.

3 Our armor plate is used in such applications  
4 as retrofit kits for the Humvees, military security  
5 vehicles that are currently in use in Iraq, police  
6 vehicles, as well as inserts for bulletproof vests.

7 In 1997, we at Oregon Steel Mills invested  
8 about \$30 million in a new Steckel combination mill  
9 designed to produce world-class quality cut plate  
10 products. Just as that investment was nearing  
11 completion, the west coast was hit with successive  
12 waves of unfairly traded imports, which ultimately  
13 resulted in the industry filing two sets of trade  
14 cases in order to gain relief from unfair trade  
15 practices.

16 For Oregon Steel Mills, the damage had  
17 already been done, and by late in 2003 we were on the  
18 verge of joining a long list of other steel companies  
19 that were already in bankruptcy. However, the  
20 resurgence in the world plate market late in 2003,  
21 driven by tremendous growth in China and in other  
22 countries of Asia, relieved west coast import  
23 pressures and allowed Oregon Steel Mills to increase  
24 prices on its cut plate products to profitable levels  
25 for the first time in many years.

1           After a strong 2004 from a price, volume and  
2           profitability standpoint and a 2005 that was  
3           relatively strong but that began to show the impact of  
4           increased imports to the west coast of the United  
5           States, our cut plate business has once again begun to  
6           deteriorate in 2006 under pressure from a massive west  
7           coast import surge.

8           Through the first half of 2006, imports to  
9           the west coast were on pace to represent over 30  
10          percent of the west coast's market consumption. We  
11          believe that China is a significant factor in the  
12          current west coast market import surge.

13          China has added so much plate capacity that  
14          their growing exports are having a significant impact  
15          on the world plate market by displacing production in  
16          the home markets of some of the world's leading  
17          foreign plate producers, displaced production that is  
18          showing up on the west coast of the United States in  
19          the form of the current import surge.

20          Even though up to this point direct imports  
21          from China have not been a factor due to high dumping  
22          duties and are not subject of this review, they still  
23          must be considered because their impact has been felt  
24          by driving other displaced imports to the west coast,  
25          a situation that is certain to get much worse due to

1 the increasing Chinese exports of cut plate to the  
2 world market and current projections of cut plate  
3 capacity growth in China between 2006 and 2010.

4 We at Oregon Steel Mills have felt the  
5 impact throughout the whole year of 2006 as we've  
6 struggled to maintain efficient rolling schedules on  
7 our plate mill. Even as west coast distributors were  
8 building inventories, they were doing so by purchasing  
9 low-priced, unfairly traded imports instead of  
10 increased purchases from Oregon Steel Mills.

11 The result has been that our trade plate  
12 business has dropped to its lowest level in several  
13 years, and as orders have declined the price has been  
14 quick to follow. We have seen a relatively slow,  
15 steady decline in prices over the last several weeks  
16 on the west coast and a rather abrupt -- in excess of  
17 \$30 per ton -- decline in prices over the last three  
18 weeks.

19 It's a common market misconception that  
20 Oregon Steel's main business activity is in the large  
21 diameter pipe business, and therefore we are less  
22 vulnerable to imports than some other steel companies.

23 This is definitely not true as is apparent  
24 by looking at the consequences of the massive imports  
25 surges that occurred on the west coast between 1997

1 and 2002 which brought Oregon Steel Mills to the brink  
2 of bankruptcy, a situation that we must prevent from  
3 reoccurring, but that we fear could easily be set in  
4 motion by massive capacity growth in China and the  
5 effects that it is having on the rest of the plate  
6 producing world and the west coast of the United  
7 States.

8 We at Oregon Steel Mills have over 800,000  
9 tons of cut plate capacity available annually, more  
10 than enough capacity to consistently supply the west  
11 coast distributors, manufacturers and end users  
12 regardless of the ups and downs of our own internal  
13 plate usage for large diameter pipe and without the  
14 help of massive import surges into the west coast of  
15 the United States.

16 I sincerely hope that I've presented the  
17 Commission with a few points that illustrate the  
18 tenuous nature of the current west coast plate market.  
19 I appreciate the opportunity to come and explain our  
20 situation to you, and on behalf of the 1,900 employees  
21 at Oregon Steel Mills I would respectfully request  
22 that the Commission keep these orders in place.

23 Thank you.

24 MR. CONWAY: Mr. Chairman, members of the  
25 Commission, I am Tom Conway, Vice President of the

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1 United Steelworkers Union.

2 Our union represents workers at a number of  
3 the domestic plate producers identified by the  
4 Commission's staff, and on behalf of those workers I'm  
5 here to ask you to maintain these orders on the  
6 imports of cut-to-length plate.

7 I'm not here to tell you what these orders  
8 mean to any one of these specific companies or either  
9 to the industry as a whole. I am here to talk to you  
10 about what they mean to the individuals, to the  
11 hundreds of thousands of steelworkers and retirees  
12 whose livelihoods depend on the health of the steel  
13 industry.

14 One of the orders in this case has been in  
15 place since 1979 and the other since 1993. They are  
16 among numerous other orders covering plate imports  
17 from an additional eight countries. This demonstrates  
18 the long history of unfair trade practices that has  
19 taken a toll on our U.S. plate industry.

20 In the face of dumped and subsidized  
21 imports, U.S. firms have gone bankrupt. Tens of  
22 thousands of workers have lost their jobs, and  
23 hundreds of thousands of retirees have lost their  
24 healthcare and full pension benefits.

25 The industry has only recently started to

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1 turn around, a feat that would have not been possible  
2 without these orders. By restricting unfair imports,  
3 the orders have provided some security and some  
4 confidence that the U.S. industry could restructure  
5 and get back on its feet.

6 Our union has worked with our employers to  
7 negotiate an innovative collective bargaining  
8 agreement that requires continued investment in the  
9 industry's future. We've also worked with the steel  
10 companies to create trusts, VEBA trusts, to provide  
11 for the retirees who are left behind. Through the  
12 VEBAs, a portion of the company's profits go into a  
13 trust fund for the retired steelworkers who lost so  
14 much when companies fell prey to the unfairly traded  
15 imports.

16 Mittal Steel and U.S. Steel, companies that  
17 produce cut-to-length plate, have contributed hundreds  
18 of millions of dollars to VEBAs that provide retirees  
19 with prescription drug benefits and reimbursement for  
20 insurance premiums. These trusts ensure that tens of  
21 thousands of retired steelworkers regain at least some  
22 portion of what they lost.

23 While we made important strides, continued  
24 profits are essential to the industry's health.  
25 Company contributions to the VEBAs are tied directly

1 to the profit stream. If the steel industry declines,  
2 our retirees' futures will once again be placed in  
3 jeopardy. Profits are also necessary for the much  
4 needed capital investments, investments the companies  
5 cannot make if the future of the industry is  
6 uncertain.

7 Removing the orders now when raw material  
8 costs remain sky high, when global plate capacity is  
9 rising and when demand growth is slowing would open a  
10 door to a resurgence of unfair plate imports.

11 Steelworkers and retirees have already made  
12 huge sacrifices and are just starting to benefit from  
13 the industry's recovery. Please do not make it worse  
14 by revoking these orders and once again allowing  
15 unfair imports to undermine the livelihood of our  
16 members and their families.

17 Thank you again for your time and attention.

18 MR. BALLOU: Good morning, Chairman Pearson  
19 and members of the Commission. For the record, my  
20 name is Tom Ballou. I am the Director of Plate, Flat-  
21 Roll and Tubing Products for O'Neal Steel. O'Neal is  
22 headquartered in Birmingham, Alabama.

23 I have been in the steel industry for 30  
24 years, and I've been with O'Neal for 18 years. O'Neal  
25 has 26 full line service centers throughout the United

1 States, which are concentrated in the midwest,  
2 southeast and Gulf Coast.

3 O'Neal is one of the largest plate  
4 processing service centers in the United States. We  
5 process plate by burning, cutting, bending, shaping,  
6 welding and other operations for customers in a wide  
7 variety of plate consuming industries.

8 These customers include auto and truck  
9 industries and associated parts producers, as well as  
10 the agriculture, construction equipment, barge  
11 building, ship building, rail car and construction  
12 industries. We no longer cut coiled plate into cut-  
13 to-length plate on cut-to-length lines.

14 For the entire period that I've been with  
15 O'Neal, we have purchased both domestic and imported  
16 products. We are in favor of fairly traded imports  
17 providing fair competition against our domestic  
18 suppliers.

19 As a full line service center, O'Neal stocks  
20 over 200,000 tons of steel products. Discrete plate  
21 is the single largest component of this inventory by a  
22 wide amount. Consequently, it is our single largest  
23 investment.

24 As we have witnessed many times in the past,  
25 whenever there is a surge of unfairly traded plate

1 imports into the U.S. market the inventory value of  
2 our plate falls significantly, and this has negative  
3 financial repercussions for our company.

4 In fact, O'Neal has grown mostly through  
5 acquisitions of small service center chains or  
6 individual service centers that have experienced  
7 serious financial squeezes caused by this inventory  
8 devaluation in which they lacked the financial  
9 strength to survive.

10 Given our size and our exposure to so many  
11 plate end use markets, I would like to provide our  
12 assessment of the market. My best analogy would be  
13 that for the past two years or so everyone in the  
14 plate market has been running something that's similar  
15 to the Daytona 500.

16 We have seen exceptionally strong economic  
17 growth in this country, and we were playing catch up  
18 from some abnormally low capital investment levels  
19 early in the decade in areas such as agriculture and  
20 construction equipment, barge building and rail cars.

21 Now, based on what is typical in the  
22 business cycle and following 17 rate increases from  
23 the Fed, it's clear to me that the plate market is  
24 getting off of the racetrack and back on the road at  
25 normal speeds.

1           As a result, it is time for O'Neal and other  
2 service centers to start curbing our inventories in  
3 line with flattening demand. In line with slower  
4 demand, we are seeing plate transaction prices fall  
5 moderately from both domestic and foreign sources.

6           I am here because I know from past  
7 experience that a number of the foreign producers who  
8 are subject to this review are capable of bringing  
9 large tonnages back into the U.S. market. The last  
10 thing O'Neal Steel needs at a time of flowing or flat  
11 demand for plate products and at a time of high  
12 inventory levels is for there to be a surge of low-  
13 priced plate imports that cause inventory values to  
14 tank.

15           For this reason, I ask you to carefully  
16 review the record and ensure that fair trade practices  
17 continue in the plate market.

18           Thank you for the opportunity to testify  
19 here again today.

20           MR. HELTZEL: Good morning, Chairman Pearson  
21 and members of the Commission. My name is Bob  
22 Heltzel, Jr., president of Kenilworth Steel Company of  
23 Warren, Ohio.

24           Kenilworth is a steel service center  
25 specializing in the distribution of domestic carbon

1 and alloy steel plate. This year, Kenilworth  
2 celebrates its 25th anniversary. I have been part of  
3 the steel industry for 36 years.

4 Kenilworth's primary marketing area  
5 encompasses a 400 mile radius of Warren, Ohio, which  
6 includes Pittsburgh, Pennsylvania; Cleveland, Ohio;  
7 Detroit, Michigan; Buffalo, New York; and Chicago,  
8 Illinois.

9 The manufacturing base, OEMs and their  
10 suppliers, has experienced significant downsizing,  
11 consolidations and bankruptcies this past decade. In  
12 the midwest, I believe much of this is a direct result  
13 of dumped and subsidized imported steel products.

14 Kenilworth Steel purchases 90 percent of its  
15 requirements from domestic sources. These plants are  
16 located in the midwest and southeast primarily. Even  
17 with such a close proximity to our supply sources, we  
18 continue to receive offers to place orders with  
19 foreign producers.

20 Present market for carbon and alloy plate  
21 remains stable. Even with a slight volatility in raw  
22 material surcharges, which remains the same for all  
23 global steel producers, the main concern is the base  
24 price, which represents 85 to 90 percent of our cost.

25 Given the opportunity to return to the

1 dumping syndromes of the 1990s and the early 2000  
2 years, these 11 country exports to the U.S. could  
3 again cause havoc to the domestic steel industry.  
4 This is at a time when the domestic industry again has  
5 committed itself to largest capital expenditures to  
6 provide world class products.

7 In closing, are we going to watch the  
8 industry collapse and impact the benefits and  
9 stability of thousands of lives again? For all these  
10 reasons, I would respectfully ask the Commission to  
11 continue the orders. Thank you.

12 MR. RUANE: Good morning. My name is Frank  
13 Ruane. I am the Director of Corporate Purchasing for  
14 Olympic Steel in Cleveland, Ohio.

15 Olympic has 12 processing and distribution  
16 facilities nationwide and employs more than 1,100  
17 workers. While Olympic Steel was profitable as a  
18 whole last year, we were challenged in managing a  
19 sizeable devaluation of our plate inventory.

20 I'm wearing two hats today. First, Olympic  
21 is a plate processor. We take coiled plate, which is  
22 not subject to these investigations, and process it  
23 into cut-to-length plate and other fabricated parts.  
24 We have the capacity to process about 1.2 million tons  
25 of cut-to-length plate. Therefore, Olympic is a major

1 purchaser of plate and coils as our production starts  
2 with coil plate that we buy from steel mills or other  
3 sources.

4 We purchase coil plate from many of the  
5 major domestic mills, as well as from a variety of  
6 trading companies representing foreign producers, more  
7 than 16 different sources over a recent period. We  
8 are also a significant purchaser of cut-to-length  
9 plate, the overwhelming majority of which is melted  
10 and manufactured in the United States.

11 Since Olympic is a large consumer of plate,  
12 I can tell you that there is a significant price  
13 spread between the United States and the rest of the  
14 world on plate products. For example, the discrete  
15 plate price in China is over \$440 per ton less than  
16 this marketplace, more than 50 percent lower. Plate  
17 product for export in the Black Sea is more than \$165  
18 per ton below this marketplace. These areas tend to  
19 set the benchmark price for all marketplaces.

20 Without the effect of the orders we are  
21 discussing today and other successful applications of  
22 our trade laws, the U.S. market would be a dumping  
23 ground. One thing I am certain of is that if the  
24 antidumping orders covering plate are removed it will  
25 absolutely change the pricing of plate.

1 Imports from the subject countries would be  
2 priced to attract business away from domestic  
3 producers, therefore increasing the already  
4 substantial supply in the United States.

5 Further, the wider variety of imports  
6 available then compete on price with each other. The  
7 result will be a cycle of continuously lower prices.  
8 I have no doubt about it.

9 As a buyer, I can also assure the Commission  
10 that there is plenty of plate supply available today.  
11 Olympic has increased its sales and its inventory of  
12 plate. Inventories also increased for our industry as  
13 a whole for eight consecutive months.

14 Today inventories are swelling, and prices  
15 are falling modestly as appropriate in a business  
16 cycle. If the dumping orders go away, prices will  
17 decline rapidly. When prices fall like that, the  
18 value of my most at-risk asset, current inventory,  
19 falls right along with it. That hurts my company, its  
20 workers and its shareholders. A \$100 price decline  
21 over Olympic's 270,000 ton inventory costs \$27  
22 million.

23 Is a \$100 per ton price drop possible? I  
24 can tell you that U.S. produced plate and plate from  
25 import sources is a commodity, always interchangeable.

1 This applies to all of the countries subject to these  
2 cases and most others besides. These products all  
3 compete with each other and, like any other commodity,  
4 they compete based on price. The tons flow swiftly to  
5 the most attractive markets.

6 \$100 per ton is approximately 12 percent of  
7 today's U.S. selling price. The drop in price in the  
8 U.S. from January to August in '05 was \$50 per ton  
9 with these orders in place. By comparison, during the  
10 same period Europe experienced a drop of more than  
11 \$200 per ton, four times the negative change in the  
12 United States. Should these dumping orders be  
13 removed, a \$100 per ton drop in the U.S. could just be  
14 the start.

15 I very much appreciate this opportunity to  
16 share Olympic's views with the Commission. Thank you  
17 for your attention.

18 MR. SCOTT: Good morning, Chairman Pearson  
19 and members of the Commission. For the record, my  
20 name is Dr. Robert Scott.

21 My colleague, Dr. Robert Blecker, regrets  
22 that he cannot be here this morning, but he'll be  
23 happy to answer questions in our posthearing  
24 submission.

25 Preparing our prehearing economic brief, Dr.

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(202) 628-4888

1 Blecker and I show that demand for cut-to-length plate  
2 is highly cyclical and tightly linked to gross  
3 domestic product and output in the major plate  
4 consuming sectors. In our brief we show that plate  
5 demand closely follows real investment in plate using  
6 activities such as nonresidential construction,  
7 industrial equipment and transportation equipment.

8 We also provide an econometric model of the  
9 underlying macroeconomic drivers of the U.S. demand  
10 for plate. As the model shows, the plate demand is  
11 positively affected by GDP growth and industrial  
12 production and negatively affected by real interest  
13 rates.

14 Although we recognize that the economic  
15 cycle affecting the plate market has been strong until  
16 recently, we also believe that a likely downturn in  
17 the overall U.S. economy will severely impact the CTL  
18 plate market in the U.S. in the near future.

19 According to our forecast using our  
20 econometric model, if the U.S. economy has a growth  
21 slowdown -- that's just a soft landing as it's called  
22 -- in 2007, plate demand will be 429,000 tons or 6.3  
23 percent lower than it otherwise would be, and in 2008  
24 it would be 591,000 tons lower or 8.4 percent lower  
25 than it otherwise would be if the economy remained

1 strong in 2008.

2 Research for a number of highly respected  
3 economists and available economic data also indicate  
4 that an economic slowdown or recession is likely by  
5 2007. Many prominent economists whose views are cited  
6 in our submission think that a downturn in the U.S.  
7 economy is already in the pipeline and that the risk  
8 of a recession in the next year is in excess of 50  
9 percent.

10 Even if an actual recession does not occur,  
11 the same data suggests that a significant growth  
12 slowdown is likely. The collapse of the housing  
13 bubble, which is reducing consumer spending, is a  
14 major factor in predictions of the coming downturn.

15 Although the housing slump directly affects  
16 the plate market only in relation to highrise  
17 condominium construction, nonresidential construction  
18 generally follows residential construction with a lag  
19 of about 12 to 18 months.

20 In addition, the interest rate increases  
21 already instituted by the Fed are destined to slow the  
22 economy. Although the Federal Reserve has recently  
23 taken a pause in its interest rate hikes, it has also  
24 made clear that it will resume raising interest rates  
25 if inflation does not slow down enough in response to

1 previous increases.

2 In remarks on October 4, Federal Reserve  
3 Chairman Ben Bernanke stated that the bank remained  
4 "concerned about inflation."

5 Financial markets have interpreted this as a  
6 signal that the Fed will not lower interest rates in  
7 response to the weakening domestic economy. This view  
8 was reinforced by more recent economic data showing  
9 strong retail sales in September. The current stance  
10 of the Fed virtually guarantees an economic slowdown  
11 by the end of this year or early next.

12 At the same time, Bernanke also confirmed in  
13 his speech on October 4 that the substantial  
14 correction in the housing sector is hurting the  
15 economy. In particular, he estimated the housing  
16 slowdown "will probably take about a percentage point  
17 off growth in the second half of this year and  
18 probably something going into next year as well."

19 A downturn in the U.S. economy is also  
20 likely to lead to a global slowdown, which could  
21 trigger recession, a slower growth in many countries,  
22 including subject countries in this investigation,  
23 which would then have a greater incentive to dump  
24 unfairly traded plate in the U.S. market.

25 Mexico in particular is especially sensitive

1 to the U.S. business cycle due to the NAFTA agreement,  
2 as Dr. Blecker has shown in his academic research,  
3 which has also been confirmed by a recent World Bank  
4 Study. There are signs that a global glut in  
5 steelmaking capacity is developing, leading to price  
6 softening and expectations of demand declines in the  
7 future as reported in the industry press. Again,  
8 citations are given in our brief.

9 While there is no doubt that the U.S. plate  
10 market has been strong until recently, the industry  
11 for the foreseeable future will be highly dependent on  
12 the growth of the economy and GDP and other  
13 macroeconomic conditions such as interest rates in the  
14 next few months and years.

15 Past experience demonstrates that even if  
16 the economy does not slow down, the domestic industry  
17 can be damaged by recurrence of dumped imports. In  
18 1998 and 1999 when demand reached a cyclical peak  
19 similar to the levels in 2006, dumping of CTL plate  
20 rapidly reduced domestic shipments, prices and  
21 operating margins as shown in the record in the  
22 prehearing staff report.

23 If the orders in these cases are revoked,  
24 recurrence of dumping of CTL plate by subject  
25 producers could quickly disrupt the domestic plate

1 market. This would bring about a rapid end to the  
2 recovery experienced by the domestic plate industry in  
3 the past two years while they enjoy the benefit of  
4 relief in these and other investigations.

5 Thank you very much.

6 MR. SCHAGRIN: Thank you.

7 Chairman Pearson, members of the Commission,  
8 that completes our direct testimony. We would be  
9 happy to answer your questions.

10 CHAIRMAN PEARSON: Okay. Thank you.

11 We will begin the questioning this morning  
12 with Commissioner Lane.

13 COMMISSIONER LANE: Good morning. Welcome  
14 back to all of you who were here on Tuesday. For  
15 those of you who didn't have that wonderful  
16 experience, maybe we can relive it today.

17 I would note for the record, Mr. Schagrin,  
18 had you been here on Tuesday we probably wouldn't have  
19 gotten out until midnight.

20 I know that several of you have touched on  
21 this issue this morning, and I don't want to be  
22 redundant, but I feel it necessary to ask it anyway.  
23 When making its affirmative determination in last  
24 year's CTL plate case, the Commission noted the  
25 domestic industry's increased profits, production and

1 productivity in the final year of the period of  
2 review, but ultimately found that "the conditions that  
3 have enabled the industry to realize its recent  
4 profits are not likely to continue into the reasonably  
5 foreseeable future."

6           However, data in the current cut-to-length  
7 plate investigations suggest that the levels of  
8 profitability experienced by the domestic industry in  
9 2004 continued in 2005 and interim 2006. Do the  
10 continued profits of the industry in 2005 and interim  
11 2006 indicate that profitable conditions are likely to  
12 continue?

13           MR. TULLOCH: This is John Tulloch. Clearly  
14 2004 was a buildup, 2005 and then 2006 have been  
15 excellent years in the plate business. I think that's  
16 apparent from the data.

17           We certainly had a period at the beginning  
18 of 2005 where inventories were coming down. Things  
19 did look like they were slowing down. That changed as  
20 we went through into '06, and pricing has remained at  
21 a good level and volumes have remained at a good  
22 level.

23           As was described from the gentleman from  
24 Mittal and from Nucor, they did have outages, which we  
25 think had a material effect on what happened in the

1 middle of 2006. You know, this is a very volatile  
2 industry, and we as a company have been quite open  
3 about the fact the end use of plate has remained  
4 strong, and we see it remaining strong.

5 I noticed in the Caterpillar brief, the  
6 public brief, they've quoted extensively from our  
7 public statements in that area, but we make quite a  
8 distinction, quite frankly, on the end use and the  
9 sale of plate that goes into the market in general,  
10 the other component being the distribution sector.

11 The distribution sector has not had the same  
12 strength. We try and look through that at the end  
13 use. The end use we think remains strong, and we  
14 ourselves pick up on comments from people like  
15 Caterpillar that it will remain strong.

16 A huge part of this business is about  
17 supply, and it's that supply piece, you know. We get  
18 often asked, for example, by investment analysts what  
19 keeps you awake at night? Well, it's the supply piece  
20 that keeps us awake at night. That supply piece, the  
21 biggest volatility there is the import piece. That  
22 can change so fast. We've seen that in a number of  
23 cases and a number of markets.

24 Certainly we've been in a strong period. We  
25 have been in a strong period. We have seen our

1 distributor orders as a company drop in the fourth  
2 quarter significantly. I mean, if we go through  
3 individual distributors, for example, 20 percent, 40  
4 percent. The maximum is 68 percent. These are orders  
5 in the fourth quarter over the prior quarters.

6 We are going to be idling some facilities  
7 through the fourth quarter in order to -- rather than  
8 jamming -- try to reduce their inventories. It  
9 doesn't make sense to try and push that up.

10 There certainly is a change. It's a very  
11 volatile business. I mean, we've been at very high  
12 levels that last couple of years, but we were at  
13 extremely low levels for the years before that.

14 We do need to make money when times are  
15 good, and we believe we've done that, but it's a  
16 supply issue that is the biggest worry for us.

17 MR. INSETTA: Commissioner?

18 COMMISSIONER LANE: Yes?

19 MR. INSETTA: If I may add to what John just  
20 stated? My name is Bob Insetta, and I'm with Mittal  
21 Steel.

22 I think I'd like to just emphasize what John  
23 said about the supply side, in particular as it  
24 related in this past year to the steady rise in  
25 imports and the production disruptions that we saw

1 domestically.

2           If you look at the imports where they are as  
3 we sit here today and compare them to the point at  
4 which destocking began last year, the imports are  
5 significantly higher today than they were at that  
6 time.

7           I think what we saw as these imports  
8 increased from the beginning of 2006 is that most of  
9 the increase was absorbed by this domestic disruption.  
10 We can provide additional information in the  
11 posthearing submission. If any of the other domestic  
12 mills would like to support that, I think they can  
13 also do the same thing.

14           The point is there were a significant number  
15 of tons that came out of the domestic shipments that  
16 were replaced by these imports. We are now back into  
17 a situation where our production is up to levels that  
18 we have manned the facilities for, and imports keep  
19 growing.

20           To reiterate Mr. Tulloch's comment, the  
21 supply side right now I believe is in a lot worse  
22 shape than it was this time last year when destocking  
23 started, and therefore the pricing pressures are more  
24 of a concern now than they were then.

25           COMMISSIONER LANE: Okay. Let me just

1 clarify one point you made. When you say that the  
2 imports are up, are you talking about subject imports?

3 MR. INSETTA: Yes.

4 COMMISSIONER LANE: Okay.

5 MR. INSETTA: Yes.

6 COMMISSIONER LANE: Okay. Thank you.

7 MR. INSETTA: No. I'm sorry. Nonsubject.

8 COMMISSIONER LANE: Nonsubject imports.

9 MR. INSETTA: Yes.

10 COMMISSIONER LANE: Okay. Thank you.

11 Yes, sir? I'm sorry. Hold up your --

12 MR. RIKER: This is David Riker.

13 COMMISSIONER LANE: Okay. thank you.

14 MR. RIKER: I'm an economist. We've heard  
15 the domestic industry testify that they've decided not  
16 to invest in additional CTL plate capacity, and I  
17 think this is very significant because the investment  
18 decisions, just like your five-year sunset review, are  
19 forward looking.

20 The Respondents' lawyers argue that you  
21 should ignore financial performance in the first half  
22 of the POR, and assume instead that this financial  
23 performance that you're asking about is here to stay,  
24 that it will persist.

25 Under this rosy scenario, we could ask why

1 doesn't the domestic industry invest in more capacity?  
2 Clearly the industry knows better. They know that the  
3 market is subject to significant volatility as they've  
4 testified this morning, and their recognition of this  
5 volatility and the likelihood that the current  
6 conditions won't persist I think is reflected in their  
7 decision to forego additional CTL plate capacity  
8 additions, a point that was made to me particularly by  
9 Mr. McFadden at Nucor.

10 COMMISSIONER LANE: Okay. Thank you.

11 Dr. Scott, did you want to answer that too,  
12 please?

13 MR. SCOTT: Briefly. Very, very briefly.  
14 Robert Scott, economist with Schagrin Associates.

15 Of course, if the Commission had decided to  
16 sunset the orders a year ago that would have probably  
17 resulted in more imports coming in, and it would have  
18 I think injured the domestic producers.

19 At that time I was involved in that case as  
20 well. We were expecting the economy to slow, and in  
21 fact it has slowed in the third and we predict and I  
22 think it's widely expected it will slow in the fourth  
23 quarter, I think with in the foreseeable future,  
24 considering that case.

25 Finally, since September of last year when

1 those cases were heard, the Fed has raised interest  
2 rates by 2.25 percentage points. That certainly  
3 clouds the economic outlook even more going forward.

4 Thank you.

5 COMMISSIONER LANE: Okay. Thank you.

6 Mr. Schagrin, in Mr. Pierce's opening  
7 remarks he referred to a group forecast that was made  
8 by four companies about demand. Is it possible that  
9 that be put in the record if you have it?

10 MR. SCHAGRIN: Yes, we can supply that with  
11 our posthearing submission.

12 COMMISSIONER LANE: Okay. thank you.

13 The staff report indicates that 24 out of 35  
14 responding purchasers reported that there had been  
15 problems with supply, with most reporting that  
16 domestic mills had placed them on allocation or  
17 controlled order entry from early 2004 to mid 2005.

18 Are any purchasers still on allocation, and  
19 do any parties anticipate that the market conditions  
20 which led the domestic mills to place purchasers on  
21 allocation will recur in the reasonably foreseeable  
22 future?

23 That's a nice, short question for the last  
24 minute.

25 MR. TULLOCH: In IPSCO's case we have nobody

1 on allocation today. That has changed quite  
2 dramatically. In fact, as I said, we have available  
3 capacity for anybody who wants to step up.

4 MR. MCFADDEN: The same at Nucor. We're  
5 wide open, and I expect us to be that way in the  
6 future.

7 COMMISSIONER LANE: Okay. Thank you.

8 MR. MONTROSS: It is exactly the same at  
9 Oregon Steel Mills. We have not and do not put people  
10 on allocation, and we don't see that any time in the  
11 foreseeable future.

12 MR. RUANE: Commissioner Lane? Frank Ruane  
13 with Olympic Steel.

14 We would be one of those people that would  
15 have been placed on allocation. The allocation is  
16 really simply a reservation system that allows the  
17 steel mills to manage how actually long their lead  
18 time is.

19 Whether you are on this reservation system  
20 does not really prevent you from building inventories.  
21 At Olympic Steel, as well as the distribution industry  
22 in general, our inventories rose from the end of '03  
23 to the end of '04, from the end of '04 to the end of  
24 '05 and from '05 until today and so there's been  
25 constant inventory growth in the supply chain

1 regardless of the period of reservations.

2 COMMISSIONER LANE: Okay. Thank you.

3 Thank you, Mr. Chairman.

4 CHAIRMAN PEARSON: I get to ask the second  
5 set of questions.

6 This period of review was characterized by  
7 not very good financial performance the first several  
8 years and then towards the latter part of the period  
9 of review the earnings have been quite decent.

10 Go back and review for me. What was it that  
11 led to the industry not doing well in the early part  
12 of the period of review? These subject imports of  
13 course have been constrained by orders since 1993 and  
14 so there must have been issues other than these  
15 subject imports that were causing problems for the  
16 industry.

17 MR. TULLOCH: We have been active in the  
18 U.S. plate market since 1997 when we brought in new  
19 facilities.

20 At that period as we brought our facilities  
21 on the market took a very sudden and quick downturn  
22 significantly related to a huge supply influx, which  
23 did lead to a number of reviews and cases.

24 CHAIRMAN PEARSON: Would that have been  
25 related to the Asian financial difficulties?

1 MR. TULLOCH: Yes, typically around the time  
2 that I believe was ascribed to the Asian collapse.

3 We also had a period where very many of the  
4 producers in the market were in an extended period of  
5 financial stress themselves, and we had a number of  
6 producers in the market who were just trying to get  
7 cash and survive.

8 We went through a period of rather sluggish  
9 demand and massive oversupply and an extended period  
10 of therefore very poor financial results. That did  
11 turn around when basically global growth took off  
12 starting really in 2004.

13 What happened was that it dried up or soaked  
14 up a lot of the excess supply that had been floating  
15 around the world for that period, and a lot of the  
16 allocations that we've talked about were the result of  
17 that sudden change. It was in that period of  
18 readjustment and through that. That in our view was  
19 what caused that period prior to 2004.

20 CHAIRMAN PEARSON: Mr. McFadden?

21 MR. MCFADDEN: Thank you. Our experience in  
22 the early 2000s was one of just growth and new  
23 capacity in the domestic market that happened with new  
24 mills coming on, ours included.

25 At the same time in the cycle of what

1 happened in the years preceding there was heavy  
2 inventories, particularly the end users and the  
3 manufacturing sector, so the Caterpillars and the  
4 Deeres and those people had large inventories of semi-  
5 finished goods, and it took all that time from '00 to  
6 '03, thereabouts, for that to start to wear down.  
7 That was our experience.

8 CHAIRMAN PEARSON: Mr. Montross?

9 MR. MONTROSS: From our perspective on the  
10 west coast, if you go back to the 1997 through 2002  
11 timeframe -- as you put it, the Asian crisis time  
12 period -- our main competitor there was the imported  
13 products.

14 We were in a position at that point in time  
15 where the company was very, very close to bankruptcy  
16 by the end of that point in time, so the fear, as I  
17 see it going forward on the west coast, is we've  
18 actually returned to import levels on the west coast  
19 that through the month of August of this year are  
20 already above any other year dating back to 1995,  
21 which is where the concern is.

22 CHAIRMAN PEARSON: Okay. Remind me.  
23 Perhaps, Mr. Schagrín, you could do this. In those  
24 years I was working on other issues.

25 The influx of imports relating to the Asian

1 financial difficulties, I assume that those were  
2 mostly nonsubject imports, or were there some subject  
3 imports that were able to price themselves in in that  
4 timeframe?

5 MR. SCHAGRIN: At that time, among these 11  
6 countries the only countries exporting significant  
7 amounts were really Romania and Mexico. We had very  
8 little imports from other subject countries.

9 Those big surge of imports actually predated  
10 the Asian crisis because first we had the meltdown of  
11 the USSR, which a lot of people forget about, but  
12 those of us who are old enough remember the meltdown  
13 of the USSR. You know, that really occurred between  
14 '92 when the USSR first broke up and '94 and '95.

15 By '96 we had massive amounts of plate  
16 arriving from Russia, Ukraine and lesser amounts from  
17 China, and that was because they were shifting from  
18 producing plate to making tanks, which is a good  
19 thing, to producing plate and exporting it to the  
20 United States.

21 That even very much predated the Asian  
22 crisis and had a significant effect on the U.S.  
23 industry during a period of incredibly strong demand  
24 in the U.S. market in the '90s.

25 Then we had the Asian crisis followed by the

1 first recession in the U.S. since I believe 1991 that  
2 occurred in 2001. In fact, the combination of what  
3 had been very high import levels and then the extra  
4 vulnerability caused by a weak demand led this  
5 Commission unanimously to find serious injury in the  
6 201 case as to cut-to-length plate.

7 We would say that two things have  
8 contributed to the rebound in the industry. First,  
9 the relief afforded by both the unfair trade orders  
10 and the 201 relief and then the growth in demand that  
11 occurred coming out of the recession which, and I  
12 think some of the distributors referred to this in  
13 their testimony, was really catch up on a lot of  
14 capital intensive items, so we saw even more growth in  
15 plate demand than the normal GDP.

16 Just one follow-up that in part answers  
17 Commissioner Lane's earlier question as well, which is  
18 why did we say last September things could be  
19 problematic for 2006 and then they turned out so well?

20 I don't think anyone realistically in  
21 September of last year could forecast that the U.S.  
22 economy would experience 5.6 percent first quarter GDP  
23 growth in 2006. That was really beneficial to the  
24 plate industry. It wasn't what people were  
25 forecasting last September.

1           If the people who appeared here knew the  
2 economy was going to grow by 5.5 percent in the first  
3 quarter, they would have made more money in the market  
4 and wouldn't need to be participating here.

5           You know, no one on this panel, myself  
6 included, ever tried to mislead the Commission last  
7 year. Did the economic forecasts turn out a little  
8 differently? Yes, they did. We're happy for that.  
9 We'll see how the future forecasts turn out.

10           CHAIRMAN PEARSON: You mentioned the 201  
11 orders. Were there any antidumping or countervailing  
12 duty orders that were put in place following the Asian  
13 crisis and the imports at that point?

14           MR. SCHAGRIN: Yes. We had cases which were  
15 the subject of last September's review, cases that  
16 were filed in 1999-2000 most against Asian countries,  
17 Korea, Japan, India and Indonesia, as well as Italy  
18 and France.

19           Those were a direct result of the growth in  
20 imports in the 1998-1999 time period after the  
21 Commission had given relief against the imports in the  
22 China, Russia, Ukraine, South Africa cases, which were  
23 filed in late 1996.

24           CHAIRMAN PEARSON: Okay. Thanks for that  
25 review of recent history.

1           Is it possible to sort out how much of the  
2 difficulty that the industry had in the early part of  
3 the period of review was related to the import surge  
4 and how much of it was, for lack of a better term,  
5 self-inflicted by a bit of overenthusiasm in terms of  
6 investing in new facilities and bringing more capacity  
7 on line than the market could absorb at that moment?

8           Has anyone tried to look at that question?  
9 Yes? In the back?

10           MR. RIKER: David Riker, an economist. We  
11 did quite a lot of analysis in the context of the 201  
12 both in the original investigation to look at the  
13 effect of the imports and then in the midterm review  
14 that I testified on.

15           I'd be happy to provide that and point you  
16 to it and explain it in the posthearing if that's  
17 useful.

18           CHAIRMAN PEARSON: Thank you. I would  
19 appreciate that.

20           I have some interest in this because I have  
21 a bit of experience in an industry where there were  
22 substantial losses for a period of time, and the  
23 behavior of firms in those circumstances is much  
24 different than one would see in better circumstances.  
25 You can get into a snowballing situation where people

1 pile on and prices tend to drop further.

2 I'm trying to understand whether the  
3 circumstances we see going forward are likely to lead  
4 to recurrence of that. If not, we might see less  
5 vulnerability than we would if we thought that was  
6 likely to recur.

7 My light is turning yellow, so if there's  
8 any quick comment I'd take it. Otherwise we'll pass.

9 MR. SCHAGRIN: I would just say, Chairman  
10 Pearson, that if you look at the overall domestic  
11 capacity there is additional present capacity in the  
12 U.S. market vis-à-vis even a strong U.S. demand  
13 situation as occurred in '05-'06, so while there may  
14 be less excess capacity than there had been before the  
15 shutdowns of Geneva Steel and Gulf States Steel,  
16 certainly any slowdown in demand or without a slowdown  
17 in demand the additional supply shock referred to by  
18 Mr. Tulloch can lead to the same kinds of imbalances  
19 we saw just several years ago.

20 That's why we believe the industry remains  
21 vulnerable in the same way that it did just several  
22 years ago.

23 CHAIRMAN PEARSON: Thank you.

24 Vice Chairman Aranoff?

25 VICE CHAIRMAN ARANOFF: Thank you, Mr.

1 Chairman.

2 Let me join my colleagues in welcoming this  
3 morning's panel here and particularly thanking all you  
4 who traveled to be with us today. We hope that unlike  
5 those who traveled to be with us on Tuesday, you make  
6 your flights out of town tonight, but you might want  
7 to have a Plan B.

8 Let me start with a question about Canada.  
9 Mr. Tulloch in his testimony and perhaps others as  
10 well pointed to the recent experience in Canada as an  
11 example of the likely effects of revocation of these  
12 orders.

13 I want to probe that a little bit more.  
14 First of all, taking a look at our staff report my  
15 impression is that the volumes that went into Canada  
16 after revocation were measured in the tens of  
17 thousands of tons, as opposed to the U.S. market,  
18 which is consuming in the millions.

19 When you describe that as a surge it may be  
20 relative to the size of the Canadian market, but does  
21 that tell us anything about the ability of producers  
22 and particularly subject producers to ship more to the  
23 United States?

24 MR. TULLOCH: On the Canadian side, the  
25 market deteriorated very quickly. Clearly when

1 conditions like that happen those of us who are trying  
2 to supply that market react ourselves in ways that we  
3 try and compete with those imports. It usually finds  
4 its expression in price.

5 I think clearly the discussions that we have  
6 with customers in Canada very quickly turn to what's  
7 being offered from import sources right after the  
8 sunseting of those orders.

9 VICE CHAIRMAN ARANOFF: Of the surge in  
10 imports that was noted coming into Canada after the  
11 CITT revoked those orders, what portion of that  
12 increase represented product from countries that are  
13 subject to the reviews that we're looking at today?  
14 Do you know?

15 MR. TULLOCH: I'd have to get you something  
16 in the posthearing brief, I think.

17 VICE CHAIRMAN ARANOFF: Okay. I'd  
18 appreciate that.

19 MR. SCHAGRIN: I'd invite Mr. Gilmore to  
20 answer and then, depending on his answer, I might be  
21 able to add something, Commissioner Aranoff.

22 Glenn?

23 MR. GILMORE: Sure. My name is Glenn  
24 Gilmore. I'm with IPSCO.

25 As an example, in June of 2005 the finding

1 was rescinded, and one of the named countries here,  
2 Brazil, in 2004 their imports into Canada were 1,800  
3 tons, and in 2005 basically in the second half of 2005  
4 they jumped to approximately 17,000 tons, and in  
5 Brazil in the first half of 2006 they're almost up to  
6 40,000 tons.

7 VICE CHAIRMAN ARANOFF: Okay. Well, I  
8 appreciate that. Anything that you can do in the  
9 posthearing to just break that out and show me.

10 The second thing I'm interested in with  
11 respect to Canada is when someone says to us, and this  
12 often happens in these cases, well, another country  
13 revoked an order and here's what happens.

14 A lot of times we find ourselves saying, you  
15 know, we don't know anything about conditions of  
16 competition in this other market so we can't say for  
17 certain that the conditions there are so similar to  
18 the conditions here that we can really rely on that as  
19 an example of what's likely to happen here.

20 Is there anything that those of you who are  
21 doing business in Canada can tell me about whether  
22 there are demand issues, structural issues in that  
23 market that are similar to or different from what  
24 might happen in the U.S.?

25 MR. TULLOCH: The market in Canada and

1 particularly eastern Canada where most of the  
2 industrial activity takes place is very similar to the  
3 market we have in the U.S.

4 Differences, if you look for them there,  
5 would be the exchange. They operate in a different  
6 currency, although that has tended to be washed out,  
7 and the pricing has tended to come between the two.

8 The Canadian economy is likewise strong. A  
9 lot of the people that we supply in Canada, I'd have  
10 to look at the numbers, but I believe it could even be  
11 a larger distribution component in Canada.

12 I believe it is more distribution, but a lot  
13 of those customers are in fact serving U.S. markets so  
14 it's probably more similar than anywhere else  
15 obviously that we deal in or any other two countries  
16 that we deal in.

17 Can you tell me before and after the  
18 revocation of those orders in Canada about what  
19 percentage of the Canadian market is supplied by the  
20 Canadian product?

21 MR. TULLOCH: We could certainly get those  
22 for you. I don't have that at my fingertips.

23 VICE CHAIRMAN ARANOFF: Okay. I appreciate  
24 that.

25 Mr. Montross?

1                   MR. MONTROSS: Vice Chairman, we do at  
2 Oregon Steel Mills a significant amount of business on  
3 the west coast of Canada, and we find the business  
4 that we do there very similar to the west coast of the  
5 United States.

6                   It's subject to very rapid changes in volume  
7 requirements specifically by the distributors because  
8 of the import levels that actually come into the west  
9 coast of Canada.

10                  VICE CHAIRMAN ARANOFF: Okay. I don't want  
11 to belabor the point too much.

12                  MR. SCHAGRIN: And we'll supply the data,  
13 Vice Chairman Aranoff. Because I've already seen it,  
14 I can tell you here in the open that the Canadian  
15 industry now has less than half of the market in  
16 Canada.

17                  It's been an unbelievable change since the  
18 Tribunal sunset those orders. They've lost roughly  
19 about 17 percent market share points in just a two-  
20 year period since the Canadian Tribunal started  
21 sunsetting.

22                  You talk about things that keep you awake at  
23 night. I mean, I really worry that the same thing  
24 would happen in the United States that happened in  
25 Canada. The difference between the Canadian market

1 and the U.S. is just really that they're about a tenth  
2 our size. Other than that, there's a lot of  
3 similarities. In fact, they're just like us, only  
4 different, eh?

5 VICE CHAIRMAN ARANOFF: Okay. I take your  
6 point on that, and I'm looking forward to seeing the  
7 numbers.

8 I would just note that, you know, one story  
9 I heard here was Brazil. Okay. You know, Mexico,  
10 also close by to Canada. You know, Taiwan, the only  
11 country we're looking at today that's in Asia.  
12 Everybody else is in Europe.

13 I want to know whether what happened in  
14 Canada had anything to do with the European industry.  
15 There's a hand up way in the back.

16 MR. RUANE: Commissioner Aranoff, Frank  
17 Ruane with Olympic Steel.

18 One of the similarities between the Canadian  
19 marketplace and the United States marketplace is that  
20 the plate sales are on a spot price basis to  
21 distributors, so that is very equivalent.

22 Your question about is the volume a very big  
23 issue, it is because it only takes a very small  
24 amount, a very small percentage of the marketplace, to  
25 trigger a change in everyone's spot price.

1           While the quantities may not be as  
2 significant compared to the U.S. marketplace, the  
3 effect of that spot market change is extremely  
4 similar.

5           VICE CHAIRMAN ARANOFF: Okay. I appreciate  
6 that. Obviously there's a magnitude issue between the  
7 Canadian market and the U.S. market, so I need to see  
8 the tie between the amount coming in from subject  
9 countries, their prices and whether the volumes which  
10 may have been significant enough to affect prices in  
11 Canada would also be significant enough to affect  
12 prices in the United States. I think you guys all get  
13 the question now.

14           Let me turn to something different. This is  
15 a question that goes to cumulation. In looking back  
16 over what the Commission did in the first reviews in  
17 these cases, although a lot of arguments were made to  
18 the Commission about no discernable adverse impact for  
19 various of the countries, in looking at that the  
20 Commission asserted that because it considered the  
21 domestic industry to be in such a vulnerable condition  
22 that implied that what would be discernable in terms  
23 of adverse impact needed to only be relatively small.

24           I wanted to ask counsel who are here to  
25 comment. Do you think that the Commission should be

1 applying no discernable adverse impact on this kind of  
2 I don't want to say sliding scale, but a relative  
3 assessment that the amount of impact that's  
4 discernable changes with the general health and  
5 profitability of the domestic industry?

6 That's certainly what we said or what the  
7 Commission said -- I shouldn't say "we" because I  
8 wasn't here -- in the first review. Does anyone have  
9 thoughts on that?

10 MR. BRIGHTBILL: Tim Brightbill, Wiley, Rein  
11 & Fielding. I think certainly there is still an  
12 element of vulnerability here to this industry and  
13 it's not apparent in the last year or two of operating  
14 profits, but it's apparent in the comments that the  
15 panel has made about the volatility of this market,  
16 and so when you're approaching the question of  
17 discernable adverse impact we think you should look at  
18 the volatility of the market along with the other  
19 traditional factors that you've analyzed.

20 Capacity utilization in the 11 subject  
21 countries. Is there an export orientation? There  
22 clearly is in many of those countries. The ability to  
23 product shift. That's particularly true here in plate  
24 and presence in the U.S. market. As we laid out in  
25 our brief each of the subject countries has at least a

1 certain percentage of U.S. apparent domestic  
2 consumption, and so they each would have a discernable  
3 adverse impact on the U.S. industry.

4 Now, vulnerability is still an issue and  
5 it's reflected in the volatility that these witnesses  
6 have talked about.

7 VICE CHAIRMAN ARANOFF: Okay. Appreciate  
8 that answer. My light has turned red, but if any  
9 other counsel want to comment on that in their  
10 posthearing briefs please feel free.

11 Thanks, Mr. Chairman.

12 CHAIRMAN PEARSON: Commissioner Hillman?

13 COMMISSIONER HILLMAN: Thank you very much  
14 and I, too, would join my colleagues in welcoming I  
15 believe all of you back to the Commission. We  
16 appreciate very much your taking the time to be with  
17 us this morning. Let me take you back just a little  
18 bit on the question that Vice Chairman Aranoff was  
19 just asking with respect to Canada to ask for two  
20 other things to be factored into your analysis. One  
21 would be to make sure we understand exactly what  
22 happened on the price side.

23 I know, Mr. Tulloch, you commented that once  
24 the CITT revoked these orders that there was a price  
25 affect as well as a volume affect, so if there is

1 actual data that can be put on the record in terms of  
2 what happened in Canada connected with those imports  
3 coming in following the revocation I think that would  
4 be helpful.

5 The second thing that I would ask you to  
6 factor in is the issue of as I understand it Stelco  
7 closed their plate mill during this period of time.  
8 Again, I would ask you to add in anything that you can  
9 in terms of the implications of Stelco closing, again,  
10 whether those imports were drawn into the Canadian  
11 market as a result of Stelco's closing, whether or not  
12 the closure of Stelco had anything to do with the  
13 imports and any other things that should be put on the  
14 record with respect to that issue.

15 MR. TULLOCH: We'd be pleased to provide  
16 some assessment on that.

17 COMMISSIONER HILLMAN: Okay. The next thing  
18 I wanted to make sure I understand as clearly as I can  
19 because this strikes me as one of those issues where  
20 there appears to be a significant difference of view  
21 between what I'm hearing from this panel and what I've  
22 read in a number of the briefs concerns the issue of  
23 future demand.

24 Some of you have been very careful in the  
25 way that you have described whether you're going to

1 see an actual decline in demand or whether what you're  
2 going to see is a decline in the rate of growth of  
3 demand. Obviously from our perspective there's  
4 somewhat of a difference whether you're going to see  
5 an actual reduction in the consumption of the product  
6 or whether you're just not going to see the  
7 consumption rising at the same pace at which it has  
8 been growing.

9 I want to make sure I understand exactly  
10 what you all see and, again, it may be a little  
11 different from the mill perspective versus from the  
12 service center perspective, so if I can start first  
13 from the mill side of it, going forward for the next  
14 year what do you actually see in terms of consumption  
15 of cut to length product?

16 Maybe I can start with you, Mr. Tulloch?

17 MR. TULLOCH: Right. This you will find  
18 reflected in our public comments in various forms. We  
19 are expecting that the actual use, the end consumption  
20 of plate in the U.S., will continue to be at a strong  
21 level for some time here.

22 COMMISSIONER HILLMAN: Strong level meaning  
23 higher than it is right now, but not going --

24 MR. TULLOCH: No. No. We think it's at a  
25 high level now and will continue at that high level.

1 We're not expecting significant growth in that going  
2 forward. If anything perhaps a decline. When you  
3 look at where plate is used it's typically in the  
4 energy sector, which has been strong. It's typically  
5 in the off-road transportation sector, it's typically  
6 in equipment construction, and all of those markets  
7 have been at a pretty high level and we expect them to  
8 stay at that sort of a level for a while.

9 Now, this is the capital goods part of the  
10 economy, and so we have not seen what some of the  
11 sheet producers have seen as more the consumption of  
12 items, automobiles and appliances, we have not seen  
13 the residential construction impact, although we are  
14 starting to see it through a couple of our customers  
15 who supply equipment that are slowing down in that  
16 area and have reduced their orders accordingly.

17 We read as others do the public statements  
18 of those companies who are in the plate using business  
19 and they're typically strong. Our order book is  
20 strongest in the case of large diameter pipe, which is  
21 firm through the third quarter of 2007 with  
22 significant prospects beyond that that aren't yet  
23 orders, but provided those pipelines go ahead we would  
24 expect that to be strong.

25 In the case of barges and wind towers is

1 probably the next strongest and that we would see into  
2 the first quarter, maybe the second quarter of 2007.  
3 Virtually everything else is on a quarter by quarter  
4 basis. I'm talking now about end users as distinct  
5 from distribution. So we have seen in the fourth  
6 quarter some reduction from people who themselves are  
7 saying business is very strong.

8 We take that as being a bit of an inventory  
9 correction. We hope that's what it is. All of that  
10 is dependent on the economy continuing at the level  
11 that would support that capital investment in new  
12 infrastructure which is basically what we're talking  
13 about. So I think that probably gives you our view of  
14 what's going on there.

15 That is quite distinct from the distribution  
16 side of the business, which as you know is a  
17 significant part of the plate business, and what we  
18 see of shipments from distributors to their customers,  
19 who are many of the same people, we're expecting that  
20 to be fairly stable as well. It's what happens to the  
21 inventories around that that bothers us the most.

22 COMMISSIONER HILLMAN: All right. Others?

23 Mr. McFadden?

24 MR. MCFADDEN: Thank you. We have different  
25 perspectives in the market between some of the mills

1 because of the nature of the products that we make and  
2 the equipment that we have. Our mills at Nucor, we'd  
3 call them true commodity products that we're making.  
4 We're not adding value through heat treatment, or  
5 through any kind of processing, or things of that  
6 nature.

7 Our shipments are 90 percent through  
8 distribution, so we're very exposed to the spot  
9 markets, and inventories, et cetera. With all that  
10 said we still see the year of 2007 to consume less  
11 plate than was consumed in the year 2006. I think the  
12 market peaked in 2006.

13 We see that from the customers that we talk  
14 to who are telling us that their demand is going to be  
15 down next year five to 10 percent, particularly in  
16 heavy equipment, capital goods and machinery and those  
17 are really the largest parts of our customer base. So  
18 we are forecasting down both on volume and on price in  
19 2007.

20 COMMISSIONER HILLMAN: Okay. Mr. Montross?

21 MR. MONTROSS: From our perspective at  
22 Oregon we have some cross-over business, similar  
23 markets with IPSCO, and we see the large diameter pipe  
24 side of business as very strong over the next year and  
25 a half or so, but that's only a relatively small

1 section of our business.

2           Maybe a little different from IPSCO, our  
3 concentration, we focus more in doing business with  
4 the service center side of the industry which really  
5 the demand is going to be dependent on what their  
6 inventory levels are. The feeling is with increased  
7 imports obviously their inventory levels will have a  
8 tendency to rise and we feel that if their inventories  
9 are going to have a tendency to rise based on  
10 increased imports that our overall demand from service  
11 centers will be down in 2007.

12           COMMISSIONER HILLMAN: All right. Then you  
13 mentioned in your opening your focused on armored  
14 plate.

15           MR. MONTROSS: Yes.

16           COMMISSIONER HILLMAN: I'm trying to make  
17 sure I understand. It's hard for me to suggest that's  
18 likely to see a downward trend over the next year.

19           MR. MONTROSS: Well, armored plate product,  
20 it's not a carbon plate, it's more of an alloyed plate  
21 that really I don't believe that we're discussing in  
22 these reviews. Just to answer that question it's a  
23 relatively small part of our overall business. If  
24 you're talking in the area of maybe 10,000 total tons  
25 of armor plate in one year that's a pretty substantial

1 year in armor plate.

2 COMMISSIONER HILLMAN: Okay. Mr. Insetta?

3 MR. INSETTA: Yes, Commissioner. Just to  
4 add to what was already stated I think another way to  
5 look at it would be contracts and contracts that we  
6 have with OEMs or fabricators really turn out to be  
7 the most known quantity that we can identify. Now, in  
8 our business it's not a huge part of our business.

9 It may 20 to 25 percent overall including  
10 nonsubject. I don't know what that number would be  
11 for subject products, but in that percentage of our  
12 business we're pretty certain that next year will be a  
13 good year.

14 COMMISSIONER HILLMAN: Good. When you say  
15 good I just want to make sure I'm understanding it.  
16 At about 2006 levels, slightly less than 2006, but  
17 2006 was such a sky high level of consumption that you  
18 nonetheless are -- that's what I'm trying to  
19 understand.

20 MR. INSETTA: Okay. It will be about like  
21 2006.

22 COMMISSIONER HILLMAN: About like 2006.

23 MR. INSETTA: Yes. The rest of it we do see  
24 some risk. As an example the infrastructure side of  
25 the business with the bridge market. The bridge

1 market is a significant part of our business and  
2 there's been some pent up demand in that market for  
3 some time, but it hasn't materialized, so that's an  
4 area of risk that we would say has the potential for  
5 significant downs compared to this year rather than  
6 up.

7 COMMISSIONER HILLMAN: Okay.  
8 Notwithstanding the fact that a major highway bill has  
9 passed, some of that funding now actually coming  
10 online, you're still saying that will not result in  
11 increase in consumption in that highway bridge sector?

12 MR. INSETTA: I'm saying that's a risk area  
13 because we've seen that highway bill now in effect for  
14 a year and we still haven't seen the impact of it. So  
15 that's a risk area that we would see in consumption.

16 COMMISSIONER HILLMAN: Okay. All right.

17 MR. SCHAGRIN: Did you want to hear from the  
18 distributors, Commissioner Hillman, on their view?

19 COMMISSIONER HILLMAN: Well, unfortunately  
20 that yellow light has come on, and so I'm not sure  
21 that I can hear answer. I've obviously heard some of  
22 the mill responses. I will need to come back to that  
23 on the next round. Thank you.

24 Thanks, Mr. Chairman.

25 CHAIRMAN PEARSON: Commissioner Koplan?

1                   COMMISSIONER KOPLAN: Thank you, Mr.  
2 Chairman.

3                   I want to thank the witnesses for their  
4 testimony and their answers to our questions thus far.

5                   I'd like to come back to Mr. Gilmore if I  
6 could as a follow-up to the Vice Chairman's question.  
7 You discussed Brazil with respect to Canada, so let me  
8 ask you this. On page 9 of Corus' prehearing brief  
9 they state, "Corus' selling practices in Canada since  
10 the order was rescinded demonstrate that it will not  
11 direct any additional subject plate produced in the  
12 United Kingdom to the United States".

13                   Further down the page they add, "for five  
14 full years after the Canadian revocation a period much  
15 longer than the Commission's usual definition of  
16 reasonably foreseeable Corus' exports to Canada have  
17 been", and I have to leave that out because it's  
18 business proprietary, "have been consistent with  
19 Corus' overall strategy to sell limited quantities for  
20 export outside its home EU zone".

21                   On page 10 they make similar representations  
22 about their imports from the Netherlands. How do you  
23 respond to their claim with respect to their sales to  
24 Canada? Do you have numbers that are different?

25                   MR. GILMORE: I don't have any numbers with

1 the respect to the UK or Netherlands with me, but I  
2 can provide them in the posthearing brief.

3 COMMISSIONER KOPLAN: Okay. Fine. If  
4 you'll deal with that I would appreciate that.

5 Mr. Schagrin, I see you're nodding that you  
6 will do that as well.

7 MR. SCHAGRIN: We'll supply all the import  
8 data for UK. Of course it will be UK data, not Corus  
9 data, but I think it will serve your purposes.

10 COMMISSIONER KOPLAN: Right. As a follow-up  
11 for you, Mr. Stewart and Mr. Price, the reason I'm  
12 asking is and I'll say this, I'm going to make this  
13 request of the three of you for the posthearing,  
14 because in the first reviews I decumulated cut-to-  
15 length plate imports from the UK from the other  
16 subject countries and I voted to revoke the UK order.

17 So other than the fact that Corus sold  
18 Tuscaloosa to Nucor in 2004, and that's discussed in  
19 our staff report in Part 4 on page 79, it appears to  
20 me that nearly all of the major conditions of  
21 competition that existed in 2000 with respect to the  
22 UK still remain, so I'd like the three of you to  
23 address that for me in the posthearing if you would.

24 Mr. Stewart, you're nodding you will, Mr.  
25 Schagrin, you're nodding the same, and so is Mr. Price

1 and I'd appreciate that if you will.

2 MR. BRIGHTBILL: Tim Brightbill from Wiley,  
3 Rein. Just one point. I would note that one of the  
4 big stories in the steel world this week was Corus'  
5 proposed acquisition by Tata of India and what affect  
6 that might have on Corus' behavior in the reasonably  
7 foreseeable future.

8 COMMISSIONER KOPLAN: I appreciate that.  
9 I've read that story as well. I'm sure we all have.  
10 Thank you.

11 Mr. Conway, I have a request of you for the  
12 posthearing. In your direct testimony you said our  
13 union has worked with our employers to negotiate  
14 innovative bargaining agreements that require  
15 continued investments in the industry's future.

16 I take it from that we're talking about  
17 capital expenditures, so for the purposes of the  
18 posthearing could you provide or could you excerpt  
19 provisions from those collective bargaining agreements  
20 negotiated during the period of this review and submit  
21 them to us? I need your microphone.

22 MR. CONWAY: Yes. We'll get them submitted  
23 in.

24 COMMISSIONER KOPLAN: Thank you very much.  
25 I appreciate that. Let me come over now to an area of

1 questioning that my colleagues have already been  
2 inquiring about. I'd like to start with Mittal. On  
3 pages 79 to 80 of your brief you acknowledge that, "in  
4 2004 the domestic CTL industry finally began to  
5 generate the returns necessary to cover its costs".

6           You then recite its increases in capital  
7 expenditures for 2004 through the first half of 2006  
8 and state, "despite these increases however the  
9 industry's capital expenditures are still below its  
10 depreciation costs". Question is this. With  
11 operating profits for the domestic industry exceeding  
12 20 percent for that same period and cash flow amounts  
13 even higher than profits, and I'm referring to Table  
14 CTL3-9 in Part 3, page 16, why weren't capital  
15 expenditures significantly higher?

16           Who would like to start?

17           MR. FABINA: For us at Mittal Steel we  
18 acquired the -- I'm sorry. I'm Larry Fabina from  
19 Mittal Steel.

20           COMMISSIONER KOPLAN: Because of the number  
21 of witnesses if you can reidentify yourself each time  
22 you speak that would be helpful to the court reporter.

23           MR. FABINA: In Mittal Steel we acquired the  
24 Gary Works from U.S. Steel in 2003 and that was a  
25 pretty good size acquisition for us even though it

1 didn't cost money. It was an exchange of properties.  
2 They got a pickling line and we got a plate mill.  
3 Actually, though, with that we had to put a lot of  
4 expense into that operation at Burns Harbor with  
5 bringing what we believed that equipment up to  
6 standards, okay?

7           It's a piece for a piece, and so it really  
8 doesn't show as a capital expense, but it actually is  
9 a piece of equipment that we had to bring up so we can  
10 run that mill efficiently. So that was one aspect  
11 that wouldn't show on the books and we put a lot of  
12 time at Burns Harbor in doing that. The other one is  
13 in the plate business especially at Burns Harbor is  
14 that the capital that it takes to run that part of the  
15 business goes beyond the plate business.

16           It goes to the blast furnace, it goes to the  
17 capital that it uses through the continuous casters in  
18 the steel making operations. So it just goes beyond  
19 the plate business. So the monies that we pay our  
20 supplier, which is our partners at Burns Harbor for  
21 those slabs, actually there has been capital put in  
22 those operations and major capital is going to be  
23 spent in the near future on our blast furnace to get  
24 them rebuilt.

25           That actually becomes part of our plate

1 business, but it doesn't show as part of the plate  
2 business.

3 COMMISSIONER KOPLAN: Can you quantify this  
4 for purposes of the posthearing? I'm interested in  
5 what your wish list for capital expenditures would be  
6 between now and the foreseeable future through 2008,  
7 but I'm also interested in are you saying that you  
8 couldn't have done more once your profits reached the  
9 levels that they did in 2004 and have continued or are  
10 you saying that you've been able to accomplish up  
11 until now what you've wanted to?

12 MR. FABINA: You always like to do more. We  
13 have a lot of projects on the books that actually are  
14 in the works and we will present those to you in the  
15 post. A lot of our mills are, it's not like IPSCO's  
16 or Nucor's mills. They are relatively new mills that  
17 we compete day in and day out with. Our mills are 40,  
18 50, 60 years old, so all our money even though it  
19 doesn't go into capital and improvements we end up  
20 putting it into the maintaining and repairing of  
21 equipment.

22 That's where a lot of our monies do go and  
23 it's bringing us back up to where it ought to run  
24 efficiently, but we do have projects on the books that  
25 we can submit.

1           COMMISSIONER KOPLAN:  If the other domestic  
2 industry witnesses have that kind of information,  
3 counsel, will you make sure that they submit that  
4 information for the posthearing as well?

5           MR. SCHAGRIN:  Yes, we will.  Mr. Tulloch  
6 may have a comment.

7           MR. TULLOCH:  We have actually increased our  
8 capital spending.  We went through a freeze obviously  
9 when things were so difficult financially and I had  
10 mentioned we had substantial losses embedded.  Once we  
11 became profitable we've turned around and been  
12 investing and a lot of that has been value added  
13 equipment to the plate.

14           Some of it is incremental growth, but it's  
15 typically around increasing for example the heat  
16 treatment of plate that we already make or moving to  
17 higher grades and better capabilities, so we can  
18 document that.

19           CHAIRMAN PEARSON:  Thank you.

20           Mr. Price, if you would also submit that  
21 kind of information if it's available?

22           MR. PRICE:  Yes, we will.

23           COMMISSIONER KOPLAN:  Thank you.

24           Mr. Fabina, at page 67 of Mittal's brief it  
25 states -- no.  I won't do it because the yellow light

1 is on, so I'll come back.

2 Came close, though, Mr. Chairman.

3 CHAIRMAN PEARSON: Excellent use of  
4 discretion, Commissioner.

5 CHAIRMAN PEARSON: Commissioner Okun?

6 COMMISSIONER OKUN: Thank you, Mr. Chairman.

7 I join my colleagues in welcoming this panel  
8 here this morning. Very much appreciate you taking  
9 the time to be with us and answer our questions, and  
10 welcome back to all of you.

11 If I could as just a follow-up to  
12 Commissioner Koplan's question and that is to ask that  
13 in providing information on the capital expenditures  
14 that you may have in the works or what you're looking  
15 at the Commission has asked and I would just make a  
16 special plea here that to the extent that you can  
17 submit business plans that are forward looking that  
18 were not prepared in preparation of this case it would  
19 be extremely helpful.

20 I would note in the CORE case that Nucor was  
21 able to provide us with a business plan that was  
22 forward looking and I hope that they can do that for  
23 this line as well I think both in terms of what you're  
24 looking at and what you've had to say about demand  
25 this morning and capital expenditures and to the

1 extent that, it wasn't Mr. Scott, but one of the other  
2 economists, noted that whether or not they're  
3 investing or making future investments may be  
4 relevant, I'd like to see that from the businessman's  
5 plan as well.

6 I'll go with that. Then for the producers  
7 one of the issues that came up in the review last year  
8 and has been talked about here today and in the briefs  
9 is that this industry has now identified as one with  
10 high fixed costs and thus needs to operate at high  
11 levels of capacity utilization. I note the record  
12 shows that last year the industry reported a capacity  
13 utilization figure of about 71 percent and  
14 profitability of more than 25 percent.

15 In the first half of this year it's attained  
16 80 percent capacity utilization and a profitability of  
17 more than 25 percent. So I'd like the producers if  
18 you could tell me now what would the industry define  
19 as high capacity utilization and what they believe  
20 their capacity utilization used to be looking forward.

21 If you could help me out on whether that's  
22 changed over time. In other words one of the  
23 questions that we've been exploring in a number of  
24 these reviews is with the changes in the industry and  
25 the ability to lower fixed costs do some of these

1 numbers change from what we had looked at in the  
2 original investigation, even in the first review?

3 So let me start on the front row and if the  
4 producers could all respond on that, on capacity  
5 utilization rates. How they relate to profitability,  
6 too.

7 MR. MCFADDEN: Specific capacity rates, I'd  
8 like to submit those in posthearing, but I could talk  
9 about it in general terms. Now, our mills run best  
10 when they run full and our strategy and plan at Nucor  
11 is built around running our mills full. We compensate  
12 our workers based on productivity and it's in our  
13 interest to try to do that.

14 In the last two years we've not run full for  
15 different reasons, but most of them stem back to the  
16 same swings and market demands that we've had. In  
17 2005 we ran soft from the periods about April through  
18 October and during those times our workers were  
19 working at about 70 percent of what their normal hours  
20 would be.

21 As we come into this year many of the other  
22 mills at Nucor have already gone into pullback and our  
23 plate mills are looking at very serious issues in  
24 November and December. At Tuscaloosa particularly  
25 we're looking at a load right now of about 60 percent

1 of where it should be, so we're going to have a  
2 shortfall of production.

3 That creates other issues in our facilities,  
4 particularly at the temperature and the speeds at  
5 which we operate, so our furnaces are running. Our  
6 equipment is built to run at 3,000 degrees and we turn  
7 it on and turn it off it's a radical shock to the  
8 whole system of how we make steel.

9 So the general essence of what we'll supply  
10 to you is that we're not running at the level of  
11 capacity we want to, we're not at the capacities that  
12 our business is built around and enough said.

13 COMMISSIONER OKUN: Okay. Mr. Tulloch?

14 MR. TULLOCH: Yes. In our case likewise  
15 it's the format that we try and run at full capacity  
16 all the time and we actually spend a fair bit of time  
17 and effort trying to structure our business to be able  
18 to do that. In our case our plate mills are capable  
19 of making a range of products, not all of which ends  
20 up as cut-to-length plate, so we will adjust the mix  
21 we have on the mills and what we're buying and what  
22 products we're making.

23 A lot of our product ends up going down the  
24 stream into tubular products to try and keep the mills  
25 running at a high degree of utilization. Having said

1 that there are scheduled maintenance outages which  
2 reduce that number obviously depending on how you look  
3 at those. In the fourth quarter for the first time in  
4 a very long time we will actually be idling equipment.

5 We'll take advantage of what maintenance we  
6 can do by bringing it forward, but we will be idling  
7 equipment because we don't have orders to fill that  
8 and that is directly related to the inventory change  
9 at the distribution level and the change in orders.  
10 Rather than try and just jam stuff into the market  
11 which just creates a bigger problem in the first  
12 quarter we've elected to take some time out in those  
13 facilities and we can provide you with what our plan  
14 is to do that.

15 It's a fluid plan. If orders jump up and  
16 come back in we'll keep running, but we do have a plan  
17 around that.

18 COMMISSIONER OKUN: Mr. Montross?

19 MR. MONTROSS: We're very similar.  
20 Obviously we want to run our equipment as close to  
21 capacity as we can in order to spread the fixed costs  
22 across as many tons as we can. What I see going  
23 forward right now in the fourth quarter is that we're  
24 going to have a very difficult time specifically in  
25 November and December by doing that because the west

1 coast service centers, we've seen a precipitous fall  
2 off in their buying patterns in that point in time.

3 Like I said previously our concentration  
4 focuses on selling service centers and they're going  
5 through a period of destocking right now, so it's up  
6 in the air how we're going to be able to run the mill  
7 as far as number of days and what kind of capacity  
8 level we're going to be able to run at in November and  
9 December.

10 I can't really even tell you what that  
11 capacity level is right now until we get there because  
12 like I said our business is very much spot and  
13 dependent on the service centers placing orders with  
14 us.

15 COMMISSIONER OKUN: Okay. Mr. Insetta?  
16 Sure.

17 MR. FABINA: I'm sorry. Larry Fabina will  
18 answer that one for Mittal. Our present capacity as  
19 stated is only the capacity that we are presently  
20 manned for, so you need to take a look at two aspects,  
21 the manning capabilities that we presently have or the  
22 equipment capabilities for capacity that we have.

23 Presently the numbers that is in the report  
24 is what we can actually run with the people we have.  
25 The 160 inch plate mill at Burns Harbor, we are at

1       about 90 to 95 percent at capacity. However, the 110  
2       mill at Burns Harbor is really probably around 33 to  
3       40 percent of capacity. As I said in my testimony  
4       that we had a decision to make last year.

5                 Do we bring on the 110 inch plate mill or  
6       not? That's a difficult decision to make. I know we  
7       had it idled for five years. When you take on and  
8       bring on a mill like that you take on a lot of  
9       responsibility for getting the mill up and running, is  
10      the market going to be there, but also for the people  
11      that we had to hire.

12                We had to hire a sizeable number of people  
13      and make commitments to those people as it goes. The  
14      next step we would do is take a look is the market  
15      going to be there to take the next step? The next  
16      step is obviously if we have equipment to run more on  
17      we would have to hire more people. Again, that's a  
18      concern because back in 1998 I did the same thing.

19                We had a plate mill that we ran the same as  
20      we did today at 33 percent or so, I quickly hired a  
21      crew of people, brought it up to about 66 percent and  
22      by the time I hired those people on the Asian crisis  
23      happened, and guess what, I had to lay those same  
24      people off within probably a year time period. Two  
25      years later we shut down that mill.

1           The Conshohocken mill, it's probably about  
2           80 percent at capacity and same thing at the  
3           Conshohocken mill. The Coatesville mill is really  
4           held back by the heating capabilities at the mill.  
5           The mill has no capacity, but you cannot heat the  
6           steel quick enough to roll it, so there's an issue  
7           there.

8           The Gary plate mill has been idle since we  
9           acquired it. To bring it online first we would have  
10          to bring up the operations, the utilization of our  
11          present mills and we do have ability to do that. The  
12          Gary mill is a bigger item to take hold of. To bring  
13          that mill online we'd almost have to be assured of  
14          400,000 to 600,000 tons of additional steel in the  
15          United States for four to five years.

16          That commitment is hiring 400 to 500 people  
17          and you have to be running that at least 70 percent  
18          capacity to really take that option on.

19          COMMISSIONER OKUN: Okay. Well, my yellow  
20          light has come on and I understand that each company  
21          has a slightly different situation, so perhaps for  
22          counsel and the economists here, when they submit this  
23          information the reason I'm asking this is to try to  
24          determine obviously looking forward are the companies  
25          able to continue to make money, be profitable, at

1 slightly lower capacity utilization rates than we  
2 might have thought in the past based on what I see in  
3 this record with reduced costs?

4 So if you can help me understand whether  
5 there has been a change there and how we should  
6 evaluate it I'd appreciate that. Rather than getting  
7 into another line of questions, Mr. Chairman, I'll  
8 stop there.

9 CHAIRMAN PEARSON: Commissioner Lane?

10 COMMISSIONER LANE: Thank you. I'd like to  
11 go back to a remark that Mr. Tulloch made in his  
12 opening remarks and that is your \$400 million tax loss  
13 carry forward. Are you going to be able to use that  
14 up, or did you use that up in 2004 and 2005, or if not  
15 are you likely to be able to use that up in the near  
16 future?

17 MR. TULLOCH: We have used it all up and  
18 we're pleased to have done that.

19 COMMISSIONER LANE: So you have used it up?

20 MR. TULLOCH: It's gone. Yes.

21 COMMISSIONER LANE: What year did you use it  
22 up?

23 MR. TULLOCH: I think it was 2005, but I'll  
24 get you a date.

25 COMMISSIONER LANE: Okay. Thank you.

1 MR. TULLOCH: Great.

2 COMMISSIONER LANE: Now, several times today  
3 I've heard references to capital additions and  
4 increased capitalization. For each company  
5 represented here can you tell me what your historic  
6 capital structure has been and what current capital  
7 structures look like? I am guessing that you will  
8 want to provide this posthearing.

9 If in response to Commissioner Okun you  
10 provide business plans I would like you to include  
11 sources of capital for any future capital additions  
12 and how that might change your capital structure.  
13 Specifically I would like you to provide short-term  
14 and long-term debt and equity percentages of total  
15 capital.

16 Would you all want to respond to that now or  
17 provide it posthearing?

18 MR. SCHAGRIN: I think we'll do it in our  
19 posthearing brief, Commissioner Lane, for each  
20 company.

21 COMMISSIONER LANE: Okay. Thank you.

22 Now, Mr. Tulloch, you also said that IPSCO  
23 is going to idle production in the fourth quarter of  
24 this year. Has that already been announced, and how  
25 long do you expect that to continue?

1                   MR. TULLOCH: Yes, it has been announced.  
2                   We had put out a press release last Monday I believe  
3                   it was just stating that because it was an unusual  
4                   circumstance. It's been explained to our employees.  
5                   We are hopeful that this is a fourth quarter  
6                   phenomenon.

7                   We just don't have enough visibility of the  
8                   first quarter yet, but we think given that it is an  
9                   inventory correction and it is impacted through the  
10                  plate market and pipe market that it should be through  
11                  in the fourth quarter, so that's kind of perspective  
12                  right now. That's what we've planned for. We'll deal  
13                  with that when we see the first quarter, but we would  
14                  hope we'll be through that.

15                  COMMISSIONER LANE: Does that mean that you  
16                  are going to idle your plant completely and lay off  
17                  the workers or how exactly are you going to do this?

18                  MR. TULLOCH: Well, in the case of the steel  
19                  mills which is where we make the plate they will not  
20                  be making plate for a number of days. Did that answer  
21                  the question?

22                  COMMISSIONER LANE: Well, I'm not exactly  
23                  sure.

24                  MR. TULLOCH: Well, in terms of the  
25                  employees we will keep them on the payroll for that

1 period. It's just the way we treat our employees.

2 COMMISSIONER LANE: Okay. Thank you.

3 Mr. Montross, you suggested that Oregon  
4 might also be having to do a slow down or idle in the  
5 fourth quarter. When will you make that decision?

6 MR. MONTROSS: Well, since our business is a  
7 very high percentage of spot business I would see if  
8 we were going to have a problem it would be in the  
9 November and December timeframe and we would probably  
10 have to make that decision sometime later this month.

11 COMMISSIONER LANE: Okay. Any other?

12 MR. TULLOCH: Perhaps I could just round out  
13 a little bit about what IPSCO's doing. We did bring  
14 forward a six day outage that was scheduled for the  
15 second quarter of next year into the fourth quarter of  
16 this year, so that's part of that outage. In our mill  
17 in Iowa we are taking a day off a week out of the  
18 schedule rather than a block.

19 Certainly this is the high staff holiday  
20 quarter of course with Thanksgiving and Christmas, so  
21 as we get closer to those we'll decide about working  
22 those days or not.

23 COMMISSIONER LANE: Okay. Thank you.

24 MR. INSETTA: Commissioner? Bob Insetta,  
25 Mittal Steel.

1 COMMISSIONER LANE: Yes?

2 MR. INSETTA: Yes. I would just add that on  
3 our Conshohocken facility in eastern Pennsylvania our  
4 order intake for the fourth quarter is down  
5 dramatically and we will not be idling any facilities,  
6 but we are reducing the terms that we're running on  
7 that facility. We're reducing the number of hours  
8 that we're actually making plate.

9 COMMISSIONER LANE: Okay. Thank you.

10 MR. MCFADDEN: Excuse me. Commissioner?  
11 Pat McFadden at Nucor.

12 COMMISSIONER LANE: Yes?

13 MR. MCFADDEN: Is it possible to comment on  
14 that as well? We probably are working a little  
15 differently right now than that. The market is what  
16 it is and we'll see how we end up by the end of the  
17 year with our mill loads, but our intention is to  
18 compete aggressively, try and load our mills, keep  
19 steel moving through for our employees to make.

20 COMMISSIONER LANE: Okay. Thank you. Let  
21 me turn to another area now. There has been mention  
22 of increased natural gas and other energy costs. I  
23 would like to get some more detail on these energy  
24 costs. Could you provide the percentage of total cost  
25 of goods sold for each energy source, natural gas,

1 coal or coke and electricity, or if you would provide  
2 that breakdown on a dollar per ton basis that would be  
3 fine.

4 MR. TULLOCH: We can get that for you.

5 COMMISSIONER LANE: Okay.

6 MR. SCHAGRIN: We'll do that in our  
7 posthearing brief, Commissioner Lane.

8 COMMISSIONER LANE: Okay. Mr. Stewart? Mr.  
9 Price?

10 MR. PRICE: Same. The posthearing brief.

11 COMMISSIONER LANE: Okay. Thank you.

12 Mr. Ruane?

13 MR. RUANE: Ruane.

14 COMMISSIONER LANE: Okay. That's the way it  
15 looks, but I was afraid it had a different  
16 pronounciation. You mentioned 2005 price declines in  
17 the United States and even more significant price  
18 declines in the European Union. That leads me to the  
19 attractiveness of price in the United States compared  
20 to other markets. How do U.S. prices compare to  
21 prices in other markets, and are any price differences  
22 increasing, or decreasing, or are they staying the  
23 same?

24 MR. RUANE: From the offers that we're  
25 seeing today it appears that the price differences are

1 increasing. Prices today happen to be similar in  
2 Europe to the United States, but both sides of the  
3 ocean are extremely volatile. What we're finding is  
4 that China does not have to really take any actions to  
5 affect pricing around the world.

6 In fact on a passive basis they are  
7 importing less and simply by importing less the  
8 product that they were importing then flows to other  
9 markets around the world, and so that is really what's  
10 affecting the price spreads for us today.

11 COMMISSIONER LANE: Okay. Does anyone else  
12 want to comment on that question?

13 Mr. McFadden?

14 MR. MCFADDEN: This is Pat McFadden at  
15 Nucor. I think the price gap between Europe and the  
16 United States has been evident over the last 20  
17 months. Seventeen of the last 20 month prices have  
18 been higher in the United States than they have been  
19 in Europe. I don't think that the European prices and  
20 United States prices track evenly even if they might  
21 be that way in any given month overall. The trend is  
22 there's a gap.

23 COMMISSIONER LANE: Okay. Thank you.

24 MR. SCHAGRIN: The only thing I would add,  
25 Commissioner Lane --

1 COMMISSIONER LANE: Mr. Schagrin.

2 MR. SCHAGRIN: -- yes, that I think affects  
3 this issue of pricing worldwide, it's public  
4 information that there's been a huge surge of imports  
5 from China into Europe and into a number of markets  
6 around the world. I found it interesting in just Mr.  
7 Pierce's introduction that he said well, there may be  
8 big imports from China, but both the EU and I believe  
9 he mentioned Mexico are about to start trade actions  
10 against China. I found that very interesting.

11 Maybe he's preparing the cases, maybe  
12 they've been filed. I haven't heard of them. I do  
13 find a bit of contradiction in the position taken by  
14 the Respondents that say we're doing so well in our  
15 markets that we don't threaten the U.S. and we don't  
16 find the U.S. that attractive because their own  
17 markets are so attractive and then them saying, but  
18 we're really not doing so well, we're suffering injury  
19 and we're just about to file trade cases because we  
20 can demonstrate injury in the EU or Mexico.

21 I'm sure that's something that the  
22 Commission will explore this afternoon, but I found it  
23 to be a significant internal contradiction that go to  
24 this price differential issue among markets.

25 MR. PRICE: Alan Price, Wiley, Rein &

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1 Fielding.

2 COMMISSIONER LANE: Yes, Mr. Price?

3 MR. PRICE: I see the yellow light is on, so  
4 I won't take too long here. Ourselves and many of the  
5 participants in this room are very active in various  
6 OECD meetings where there is unanimity of the level of  
7 subsidies that exist in China are overwhelming.

8 Capacity growth going on in China is  
9 overwhelming the world market as we speak, so it's  
10 major fundamental shifts going on including affecting  
11 Europe quite dramatically where there are hundreds and  
12 hundreds of thousands of tons of steel plate sitting  
13 on Spanish docks, similar reports to Italian docks.  
14 We've heard some of the comments regarding the  
15 Mexicans, we've heard the Brazilians complaining about  
16 losing their export markets in Chile.

17 The distortions on the supply side,  
18 Commissioner Pearson, are enormous and growing and  
19 it's of a magnitude frankly that everyone is looking  
20 at and can't explain except for the fact that market  
21 forces are being overwhelmed by huge government  
22 subsidies in China. They're just building capacity  
23 out in rates that no one can fathom and no one can  
24 deal with. It's affecting the entire global market  
25 very quickly.

1           So everyone walked up from 2004 and said  
2 short-term there was a supply shift and China drove  
3 world market prices up and now we're seeing China come  
4 on with so much capacity, as Ambassador Schwab has  
5 just said, 117,000,000 tons of excess capacity and and  
6 excess production now affecting the world market.

7           Excess production of this market is very  
8 significant to the point where these same countries as  
9 Mr. Schagrin has just said are starting to talk about  
10 well, we may need to file trade cases and we are  
11 obviously being injured by that. So we see very  
12 significant supply side shocks here.

13           COMMISSIONER LANE: Okay. Thank you, Mr.  
14 Price.

15           Thank you, Mr. Chairman.

16           COMMISSIONER OKUN: If these orders are  
17 revoked and imports do rise in response would the  
18 reaction in the marketplace be the same as it was in  
19 the year 2000? The reason for asking this, I ask it  
20 in the context of the industry restructuring and  
21 consolidation that has occurred in the intervening  
22 years.

23           I mean, my observation has been that  
24 companies with strong balance sheets are in a whole  
25 lot better position to deal with adverse developments

1 in a marketplace than those with weak balance sheets.

2 The question perhaps is if we saw this  
3 increase in imports would we have a normal competitive  
4 situation in the marketplace relative to the downward  
5 spiral that we saw in the 2000/2004 timeframe, 2003  
6 timeframe, when we had firms in financial stress  
7 producing for cashflow and a very unfortunate set of  
8 market economics that came about because of that?

9 So after rambling let me go back to the  
10 question. If these orders are revoked and imports do  
11 rise would the reaction in the marketplace be the same  
12 as it was in 2000?

13 MR. TULLOCH: The first part obviously we're  
14 in a much better position to compete today than we  
15 were in 2000. I mean, financially we've got our  
16 balance sheet restructured and we're in good shape to  
17 do that. So the net affect of a surge of imports  
18 however affecting the price of the sort of orders that  
19 has been talked about here will very quickly start to  
20 erode that financial position, number one.

21 Secondly, what we saw in that period of 2000  
22 and that area was an exceptionally poor period. We  
23 don't have to go that deep to get into trouble, but I  
24 think the chances of going back to that situation we  
25 hope are pretty slim. It doesn't have to get that

1 bad.

2 CHAIRMAN PEARSON: Mr. McFadden?

3 MR. MCFADDEN: Pat McFadden at Nucor. Thank  
4 you. I think it's very difficult to try to pin down  
5 exactly one year to another will it be the same as in  
6 2000? I have no way to know that, but I would say it  
7 would be very damaging. If the orders are pulled  
8 imports will come in. We have rising imports for the  
9 last three years in the markets right now approaching,  
10 but not there, approaching record levels certainly in  
11 that high end of over the last 20 years what we've  
12 seen.

13 These are from nonsubject countries with  
14 orders in place already on the subject countries. So  
15 that will continue. There's new phenomenon now that  
16 were not on in place in 2000 such as a very dynamic  
17 and rapidly changing scrap price. That scrap price is  
18 a huge part of the risks of the business now. That  
19 element of risk, although there were many other risks  
20 in place in 2000, that piece of the risk was as  
21 significant. It was relatively stable.

22 It's not the case now. The swing on both  
23 pricing and scrap that swings both sides over \$100 a  
24 ton within a matter of weeks makes it a very dangerous  
25 situation going forward.

1           MR. SCHAGRIN: I don't know if one of the  
2 distributors would like to add to this, but in  
3 discussing it last night and I think this would  
4 accelerate the problems that increased imports would  
5 cause.

6           As bad as things were in 2000 distributors  
7 were looking at pricing of plate at amazingly low  
8 depressed price of maybe 15 cents a pound, \$300 a ton,  
9 and they probably thought well, I don't have to worry  
10 that much about where my inventory is because what's  
11 the chance that price is going to go from 15 cents to  
12 five cents?

13           Well, now with a product in their inventory  
14 at 40 cents a pound and now they have to think if the  
15 ITC revokes these orders and there's going to be a  
16 surge of imports and the prices of plate could go  
17 quickly from 40 cents to 30 cents I don't want to have  
18 plate inventory. I invite any distributors. So I  
19 actually see in some ways, yes, the balance sheets of  
20 this industry are much better than the balance sheet  
21 in 2000.

22           I know personally because when Gulf States  
23 and Geneva filed for bankruptcy they owed me lots of  
24 money, so that was very bad. IPSCO and Oregon are not  
25 in the same position and that's good for everyone,

1 myself included, but I invite the distributors.

2 In some ways I believe some of these present  
3 market conditions make the industry even more  
4 vulnerable than they were in 2000 and that's because  
5 the inventory evaluations have further to fall and the  
6 worry that they could fall quickly could really have a  
7 significant influence in the market.

8 I'd invite any distributors if you want to  
9 add to that.

10 MR. HELTZEL: Mr. Chairman, Bob Heltzel. I  
11 think in the late 1900s and the early 2000s I know for  
12 one had an extreme commitment to the domestic industry  
13 thinking that it was a temporary situation and that we  
14 could fall through it. We all sat and saw something  
15 happen to the industry that none of us thought would  
16 happen being located in Warren, Ohio, between  
17 Pittsburgh and Cleveland.

18 The steel workers, their families losing the  
19 pensions, losing the healthcare, well, losing their  
20 jobs first and then the tremendous amount of Korean  
21 builders and mill maintenance people, et cetera, et  
22 cetera, lost their jobs. We just never thought.

23 If the foreign stuff comes in and starts  
24 coming in again I'm not going to make the assumption  
25 that it's temporary, I'm going to buy it, I'm going to

1 lower the cost of my inventory, I'm going to compete  
2 and I'm going to ask the domestic suppliers to lower  
3 their price immediately. If they don't then I'll  
4 continue to buy the foreign material.

5 CHAIRMAN PEARSON: Okay. Thank you.  
6 Following up on this is there a part of the world  
7 that's not currently covered by an order that has a  
8 large enough plate industry so that it could supply a  
9 substantial quantity of plate to the United States  
10 market in the event of a financial crisis or some  
11 other shock to the marketplace?

12 I mean, and I ask this question with the  
13 sense that the plate industry with the existing orders  
14 has one of the more regulated environments for  
15 shipping product to the United States of any of the  
16 steel sectors. You might correct me on that, but it's  
17 a fairly heavily regulated sector.

18 So is there enough of the world not  
19 regulated so that in the event things go badly they  
20 could dump steel in here?

21 Mr. Insetta?

22 MR. INSETTA: Yes. Mr. Commissioner, we  
23 have testified and I would just re-emphasize that the  
24 subject countries right now are under control, but the  
25 rise in the imports that we've seen have been from

1 noncovered countries like Malaysia, Thailand, Korea  
2 and so forth and these have been dramatic increases.  
3 So we would answer that just from looking at the data,  
4 yes, there's plenty of capacity out there in  
5 noncovered countries that will replace covered  
6 imports.

7 MR. CHAIRMAN: I would just add, Chairman  
8 Pearson, that two countries really come to mind and  
9 those are Malaysia and Thailand. I think they're  
10 representative of a couple of different items in the  
11 marketplace. First, the mills in those countries are  
12 relatively new mills with relatively large capacity.

13 They are not making steel by either electric  
14 furnaces, nor blast furnaces, they are slap conversion  
15 mills. They are seeing lots of imports of Chinese  
16 plate into their own markets displacing them. We  
17 believe having done research on this that they are now  
18 largely converting Chinese slab into plate and then  
19 shipping to the United States.

20 The Chinese mills can't ship the plate to  
21 the United States because of orders, but they ship  
22 slab to mills in Malaysia and Thailand at incredibly  
23 low prices and then those mills convert the Chinese  
24 slabs into plate and ship them to the United States.  
25 The growth in those imports have been incredible from

1 very few tons to probably they'll be in the 250,000 to  
2 300,000 ton range this year between those two  
3 countries.

4 They seem to have the capability of soaring  
5 quite a bit into the future as well.

6 CHAIRMAN PEARSON: Mr. Riker?

7 MR. RIKER: Riker. Yes. Economist for the  
8 domestic industry. Just one quick point. In addition  
9 to the increase in nonsubject imports that we've seen  
10 in the last couple of years of course the subject  
11 countries can always -- in your scenario where there's  
12 a big steel crisis they can always send in subject  
13 imports at fair prices subject to the order.

14 So the order is not a zero ton quota, but it  
15 is intended to maintain fair trade.

16 CHAIRMAN PEARSON: Of course. I'm on my  
17 yellow light, but, Mr. Price, you had something to  
18 add?

19 MR. PRICE: I would add somewhat similar to  
20 your point there is a fairly comprehensive set of  
21 orders in this industry and I think that comprehensive  
22 set of orders has an impact through its  
23 comprehensiveness here. I would say that if you  
24 remove this set of orders here there will be a  
25 significant additional impact on top of any other

1 available volumes, so you'd end up with significantly  
2 lower prices than you would otherwise end up with.

3 CHAIRMAN PEARSON: Okay. Thank you.

4 Madam Vice Chairman?

5 VICE CHAIRMAN ARANOFF: Thank you, Mr.  
6 Chairman.

7 This morning both the witnesses from the  
8 Mexican government and Mr. Pierce in his opening  
9 remark mentioned what they said the likely beginning  
10 of production by Mittal in Mexico, so I wanted to ask  
11 Mr. Insetta or anyone else who wants to comment what  
12 can you tell us about Mittal's plans with respect to  
13 the Mexican market? What's the timeframe and what  
14 affects will that have on conditions of competition in  
15 the U.S.?

16 MR. INSETTA: Yes. Commissioner, we would  
17 submit something to you in posthearing on that, okay?

18 VICE CHAIRMAN ARANOFF: Okay.

19 MR. INSETTA: Thank you.

20 VICE CHAIRMAN ARANOFF: Well, then I'm going  
21 to give you a long list of other questions that I'd  
22 like you to answer posthearing, please. In addition  
23 to what the plans are with respect to Mexico and how  
24 that might affect conditions of competition in the  
25 U.S. market, also with respect to the recent merger

1 with Arcelor and that makes you related I think to  
2 some European producers, so how that changes the  
3 conditions of competition compared to what we looked  
4 at in the first reviews.

5 I don't know if that's something you want to  
6 comment on now or confidentially.

7 MR. INSETTA: Posthearing, please.

8 VICE CHAIRMAN ARANOFF: Okay.

9 MR. INSETTA: Thank you.

10 VICE CHAIRMAN ARANOFF: In particular one of  
11 the things that I'm getting at in addition to just  
12 wanting some factual information about how you think  
13 this is going to affect the way that you and your  
14 related companies compete in this market in a number  
15 of sunset reviews the Commission has looked at the  
16 question of relationships between a U.S. producer and  
17 a subject producer and respondents will often make the  
18 argument to us see, they're not going to ship imports  
19 into the U.S. from their related subject producer  
20 that's going to hurt our U.S. operation.

21 Frequently the Commission looks at that and  
22 says well, maybe that's true, but they could still  
23 ship imports that somehow didn't hurt their U.S.  
24 operation because they've rationalized their product  
25 mix, but it still might hurt other domestic producers.

1           So I want to assess how that type of an  
2 analysis would fit here, particularly in light of the  
3 testimony that I've heard from a number of you this  
4 morning that almost any ton of steel that comes into  
5 this market when it's not needed is going to drive  
6 prices down for everybody.

7           So it seems like either these related  
8 producers are not going to be a problem because you  
9 don't want to send any steel here from them at all,  
10 that's going to drive down the prices for everyone, or  
11 this logic that we have just doesn't hold anymore. So  
12 that's the kind of thing that I'm trying to understand  
13 about the dynamics here.

14           If any of the other domestic producers other  
15 than Mittal want to comment on how they see the affect  
16 on their U.S. operations from these new mergers that  
17 Mittal has just gone through I certainly welcome those  
18 comments either now or in your brief.

19           MR. MCFADDEN: Pat McFadden at Nucor. I  
20 would love to make a comment about that. First, I  
21 would just say we'd be much more comfortable with the  
22 Commission maintaining the orders in place than we  
23 would ever be with a promise from Mittal Steel that  
24 they're not going to do something with imports into  
25 the United States, so we believe in the orders and

1 want to see them be held.

2 I have a young salesman that I lost in the  
3 last two months who quit and went to work for Arcelor  
4 Mittal to sell foreign plate in the City of Houston.  
5 That's going to be a depot that's going to be put  
6 there specifically to sell this product. I spent a  
7 lot of time training him and he left, and so I'm  
8 concerned that there will be a lot of competition with  
9 foreign plate whether it comes in from Arcelor, or  
10 Mittal, or the subject countries, Romania.

11 Wherever it is it's an ongoing saga and  
12 enough said.

13 VICE CHAIRMAN ARANOFF: Okay. Appreciate  
14 that comment.

15 MR. SCHAGRIN: Vice Chairman, I would say as  
16 a legal point that I don't think this Commission  
17 should ever give overwhelming amount of weight to the  
18 fact that U.S. producers are affiliated with foreign  
19 producers subject to an order as shielding the U.S.  
20 industry from imports as a general proposition.

21 As to Mittal and Mittal Romania specifically  
22 in this review there is no question that Mittal  
23 Romania through their actions through the entire  
24 review period including the period when they've been  
25 part of Mittal or Mittal USA and their plate assets

1 has an overwhelming interest in the U.S. market.

2 While the Respondents point to a big decline  
3 in imports from Romania we did administrative reviews  
4 from Romania. In the 2003 administrative review it  
5 raised the cash deposit rate from zero to 35 percent.  
6 That's what caused imports from Romania to decline,  
7 not the relationship and that's under appeal now at  
8 the CIT, so Mittal is obviously fighting to reduce the  
9 rates.

10 The next review the rate went up to 75  
11 percent. Now, mind you last month in the 2005 review  
12 requested by Mittal the preliminary margin was one  
13 percent. So when they get their margins down as they  
14 had several years ago they were shipping 80,000 to  
15 100,000 tons to the U.S. which was very damaging. We  
16 got the numbers up.

17 People who ask for reviews, who go to Court  
18 litigation, who pay attorneys at Arent Fox very good  
19 -- John Gurley, I have a lot of respect for him --  
20 that's not the way people evidence no interest in the  
21 U.S. market, and so from the perspective of  
22 representing IPSCO and Oregon Steel Mills, and no  
23 affront to anybody from Mittal, I think Mr. McFadden  
24 just pointed out that they're hiring salespeople to  
25 sell imported plate into the U.S., to me here on this

1 record it's very clear that a relationship between  
2 Mittal and foreign plate producers will in no way  
3 shield the U.S. market if these orders are revoked.

4 I think the evidence in this case is very  
5 clear.

6 VICE CHAIRMAN ARANOFF: I take that  
7 argument. I would tend to say that the evidence on  
8 our record so far is a little more mixed than you  
9 describe it.

10 Some of it's confidential so I can't even go  
11 there, but I would say we've seen a number of cases  
12 before us recently where we've had the U.S. Mittal  
13 operations and foreign operations owned by the same  
14 company taking opposite sides in the same case and I  
15 know Mr. Mittal is a visionary and I don't begin to  
16 understand how he plans to run his business, but that  
17 seems like a transitional sort of issue that probably  
18 is not going to be a long-term part of his business  
19 plan, so not sure that we can continue to assume based  
20 on past behavior during this review period that these  
21 operations are going to be operating at cross purposes  
22 to each other.

23 MR. SCHAGRIN: We'll address it in our  
24 posthearing brief. I'll try and clean up in our  
25 posthearing brief any questions that might be raised

1 from the record, but I would also say I don't think it  
2 meets the criteria of reasonable foreseeable timeframe  
3 for the Commission to assume that Mr. Mittal will  
4 change those operational issues within a reasonably  
5 foreseeable timeframe.

6 Look, he's a very wealthy man. I have  
7 nothing but respect for him, but I don't think that's  
8 going to shield the U.S. industry from unfairly traded  
9 imports.

10 VICE CHAIRMAN ARANOFF: Okay. Fair enough.  
11 Let me turn to another issue. There's been some  
12 discussion of the fact that service centers are going  
13 into a destocking phase and yet there was also  
14 reference to the fact that domestic producers have in  
15 the most recent months, August, September, October of  
16 this year, announced price increases. How are those  
17 consistent or inconsistent?

18 MR. MCFADDEN: Pat McFadden at Nucor. We  
19 announced one price increase for the month of October  
20 and I can say that our prices in November will be  
21 lower than our prices are in October.

22 VICE CHAIRMAN ARANOFF: Okay.

23 MR. MCFADDEN: The point is that price  
24 increases are announced, price decreases are quietly  
25 discussed. Enough said.

1           VICE CHAIRMAN ARANOFF: Okay. Anybody else  
2 want to comment on --

3           MR. TULLOCH: Yes. The October announcement  
4 was a bit of a flash in the pan. It did not turn into  
5 additional pricing.

6           VICE CHAIRMAN ARANOFF: Okay. Well,  
7 anything that any of you can submit on the record to  
8 show us that these announced price increases over the  
9 last few months have in fact not been effective.  
10 Obviously we're looking at or past the end of the data  
11 that we have in our pricing data and our pricing data  
12 don't really show reversals in the price trend, so if  
13 there's anything you can submit to show us that your  
14 price increases are not sticking that would be very  
15 helpful.

16           Thank you, Mr. Chairman.

17           CHAIRMAN PEARSON: Commissioner Hillman?

18           COMMISSIONER HILLMAN: Thank you. One of  
19 the things that I'm trying to make sure I understand,  
20 I listened very carefully to your responses to  
21 Commissioner Okun with respect to this issue of  
22 capacity utilization and what you think you've been  
23 operating at and what might be optimal, I will say I  
24 am struggling with what I hear everybody saying which  
25 was we had a fair amount more capacity, we were at 70,

1 we would have loved to have been full, everybody would  
2 loved to have run full.

3 I'm struggling with contracting that with  
4 how high the prices went. If in fact you all had so  
5 much extra capacity that you would have loved to have  
6 sold more I'm struggling with then why did we see some  
7 products more than \$500 increases in prices and at  
8 least for the first time since I can recall sitting  
9 here plate prices being above the prices for high end  
10 corrosion product?

11 So we clearly saw something happening in  
12 plate where you all were able to get these enormous  
13 increases in prices at a time when at least you're  
14 telling me there could have been a lot more supply put  
15 onto the market because you were sitting on excess  
16 capacity that you weren't using. How is that  
17 possible? How did these huge, huge price increases  
18 come about?

19 MR. MCFADDEN: Pat McFadden at Nucor. For  
20 our business our prices were driven over the last two  
21 years really by scrap and the trend and following  
22 track with scrap. I could say our prices peaked in  
23 the very first part of the first quarter of 2005.  
24 We've never had prices as high since then, and I  
25 believe we could submit that to you in a posthearing

1 brief.

2 COMMISSIONER HILLMAN: Okay. Again, I  
3 understand the issue of tracking scrap and yet  
4 obviously the gap between the scrap prices and what  
5 you were able to sell for expanded very greatly over  
6 this period of time hence the reason that you're all  
7 showing such high profitability numbers, so that's  
8 what I'm struggling with is how is it possible that  
9 you were able to get the level of price increases that  
10 were achieved?

11 MR. MCFADDEN: I think in the year of 2006  
12 we didn't collect large amounts of price increases.  
13 Pricing moved in the year of 2005 and if I speak in  
14 general terms from a published basis of what you would  
15 see in a CRU index or something like that if the  
16 market price for plate in the first quarter of 2005  
17 was 41 cents a pound it dropped to the summertime of  
18 that same year of 2005 to 32 or 33 cents a pound.

19 Then in the third and fourth quarters as  
20 demand started to escalate we went into outage in  
21 October and we didn't take the orders or the tons that  
22 we could have taken October through the months of  
23 February and prices slowly crept back up as really,  
24 again, demand -- again, for us in our business,  
25 construction equipment, heavy industry, these are

1 industries that are fourth and first quarter loaded.

2 It starts like a roller coaster and it  
3 starts going. September, October, November we start  
4 getting a pull demand and then June, July, August it  
5 starts to drop off. That to me was more the cycle  
6 than to say in the year of 2006 everything just went  
7 rampant. I think -- I think, we can submit for sure,  
8 okay, in posthearing -- we published something in the  
9 month of June of which we would have collected maybe  
10 it was \$10 or \$20, but in October as I said our  
11 November price will be lower than our October.

12 COMMISSIONER HILLMAN: Others? Mr. Insetta?

13 MR. INSETTA: I would agree with that on the  
14 subject products. If you look at the CRU data the  
15 prices peaked in the middle of 2004 and then came down  
16 fairly steadily into the middle of 2005. They've  
17 risen a little bit, but the degree is really much  
18 smaller than the run up we had seen since 2003 to the  
19 middle of 2004.

20 As I think we've indicated earlier I believe  
21 that the downward price pressure at this moment in  
22 time for the fourth quarter and beyond is more  
23 significant than we've seen in a year and probably in  
24 my opinion more significant pressure down than we saw  
25 in the middle of 2005 when we did see some destocking.

1                   COMMISSIONER HILLMAN: Like I said I'm  
2 struggling just to put it in perspective downward  
3 price pressure, but from appears to me to be an  
4 extraordinarily high level. So yes, you're coming  
5 down, but you're coming down from, again, a very high  
6 level. I'm struggling how to put that into context as  
7 well as to try to understand how is it that prices  
8 went as high as they did if there was all of this  
9 supply out there available?

10                   I don't know whether any of the service  
11 centers have any sense of it?

12                   MR. HELTZEL: Commissioner, Bob Heltzel.  
13 Obviously we're part of the instrument used in getting  
14 the prices increased in the marketplace because that's  
15 what we have to pay on a speculative basis  
16 anticipating on what the market is going to have and  
17 where the pricing is going to be looking out.

18                   Initially when the prices started to go up  
19 in the marketplace I think the first realization with  
20 our customer base was the fact that the prices had  
21 been severely depressed anyway from the damage that  
22 was done in the early 2000s and that when the price  
23 went up \$200 a ton or \$100 a ton let's say initially  
24 the market understood it because the price was so  
25 depressed and the price went down so low of course

1 along with a lot of their orders and which followed  
2 with their bankruptcies, et cetera, et cetera -- I  
3 don't mean the mills specifically, but some of the  
4 crane makers and mill equipment makers that lost their  
5 companies because of the mill bankruptcies -- so I  
6 think that's part of it is the fact that the prices  
7 were so depressed at the very beginning.

8 COMMISSIONER HILLMAN: All right. No. I  
9 appreciate that response. One of the other things  
10 that we always struggle with in these cases is to  
11 understand the issue of the vulnerability to the  
12 industry and your condition and we've had a lot of  
13 discussion about the financial condition, the capital  
14 condition, of the industry at this point in time and  
15 what it means going forward.

16 One of the other things that's very striking  
17 on this record has been the change in labor  
18 productivity where you've seen a huge, huge increase  
19 in the amount of product produced per labor component  
20 to it. I want to make sure I understand from your  
21 perspective kind of how that came about and whether it  
22 is likely in the future that we would continue to see  
23 this very dramatic increase in the level of  
24 productivity in this plate sector.

25 MR. TULLOCH: Commissioner Hillman, if I

1 could come back very quickly to your prior question.  
2 Now, we did not have excess capacity through that  
3 period. We were running at full capacity through the  
4 period when prices went up at IPSCO.

5 Then secondly, just very quickly which may  
6 be more of a theory than a fact, but I think so many  
7 buyers of plate got badly short of plate in 2004 that  
8 they were scrambling to get up from wherever because  
9 the price of plate had been so low and so freely  
10 available that people didn't pay a lot of attention to  
11 that or as much attention.

12 Security of supply for people who use a lot  
13 of plate became a very big deal in 2004 and quite  
14 frankly I think carried through into 2005. Now, with  
15 some time to adjust to that people are now saying I've  
16 now got my supply base back in line, I can go further  
17 afield.

18 So I think there were some dynamics that  
19 went through that period and you'd have some people I  
20 think testifying later who can probably address that,  
21 but certainly there was a massive shift from not  
22 paying a lot of attention to supply to all of a sudden  
23 making sure first thing we've got to do is have plate  
24 and then we'll go forward from there.

25 Then on the labor productivity I think if

1 you're looking at it on an industry basis clearly the  
2 entrance of the mini mill plate makers like ourselves,  
3 and Nucor, Tuscaloosa's role, certainly Oregon are  
4 significantly more efficient than the integrated mills  
5 which went out of the business. So I think if it's an  
6 industry statistic you are looking at that could  
7 explain part of that.

8 The other one is that when you are running  
9 at a full degree of capacity for a while you get very  
10 good at it, and so your rates go up.

11 COMMISSIONER HILLMAN: Okay. Going forward  
12 would we expect continued improvements in  
13 productivity?

14 MR. TULLOCH: For our company clearly the  
15 mandate is to do that, but it will be incremental  
16 gains, not dramatic changes.

17 MR. MCFADDEN: Pat McFadden at Nucor. Our  
18 experience was there was a quantum change with the  
19 technology in the way we make steel. We would not see  
20 that happen again. We would strive for continuous  
21 improvement, but the kind of change you saw in the  
22 period between 2000 and 2003/2004, we would not see  
23 that happen again, not to that degree.

24 MR. FABINA: Lawrence Fabina from Mittal  
25 Steel. For Mittal Steel our product mix has a wide

1 variety from light gauge to heavy, from control rolled  
2 product which is time consuming on the mill to as  
3 rolled product as high productivity. Depending on a  
4 given month, or any given year, or any given day we  
5 can run our mill at running productivity levels of 50  
6 or 60 tons an hour up to 150 tons an hour, so it  
7 depends at the time on what mix we're rolling.

8 Back several years ago we had no line pipe  
9 on our mill and at times line pipe is a time consumer  
10 for running. The other one is that with the new labor  
11 agreements we have new work practices and with those  
12 new work practices also came new incentive rates.

13 Now, people working with people, management  
14 working with the union have improved that relationship  
15 and also the incentives where they are more related  
16 with tons and quality than they ever have been before,  
17 I believe the combination of those actually has  
18 improved our productivity over the last several years.

19 COMMISSIONER HILLMAN: All right. Thank you  
20 very much. Appreciate those answers.

21 Thank you, Mr. Chairman.

22 MR. CONWAY: Commissioner, are we --

23 COMMISSIONER HILLMAN: Unfortunately, Mr.  
24 Conway, that red light has come on, so I will come  
25 back. I would appreciate your comments on this issue

1 of whether on a going forward basis we're likely to  
2 continue to see these kind of improvements. Thanks.

3 CHAIRMAN PEARSON: Commissioner Koplan?

4 COMMISSIONER KOPLAN: Thank you, Mr.  
5 Chairman.

6 Dr. Riker, let me start with you. On page  
7 11 of the CRA economic submission of October 6 it  
8 states, "although plate prices in western Europe are  
9 not as low as prices in the Asian market and reported  
10 price differences with the U.S. market are much  
11 smaller the economic incentive to divert sales from  
12 the local market to the U.S. market is just as real".

13 Does your analysis take into account  
14 transportation differentials for shipping cut-to-  
15 length plate to the U.S. excluding an inland cost from  
16 the subject countries? If not I refer you to page 3  
17 of Part 5 of the CTL of the staff reports which  
18 contains such data for 2005.

19 MR. RIKER: This is David Riker for the  
20 record. I appreciate the question. Some of the  
21 description here is bracketed out, so I'll try to  
22 avoid that.

23 COMMISSIONER KOPLAN: I know that.

24 MR. RIKER: The point that I'm making there  
25 is not that there is a significant difference between

1 prices in Europe and the U.S. Whether you do it on a  
2 transportation adjusted basis, which I think you  
3 should, or not the point is that many of the subject  
4 producers are European producers and they're shipping  
5 significant quantities to the low priced Asian market.

6 COMMISSIONER KOPLAN: No, no. I appreciate  
7 what you're saying, but I'm wondering if in making  
8 that point you took those costs into affect?

9 MR. RIKER: No. My point is that I think  
10 it's very much consistent with the high prices that  
11 you see in Europe because it's the maintenance of  
12 those high home market prices that drives the  
13 countries to export. I think that's what the record  
14 shows. I mean, I think that it's important to  
15 distinguish between price differentials in the Asian  
16 market, between the Asian market and the U.S. and the  
17 Europeans.

18 There is quite close price parity I think as  
19 far as the published data that we've seen between  
20 Europe and the U.S., but that certainly doesn't  
21 preclude or dissuade the subject European producers  
22 from shipping significant quantities to the Asian  
23 market. With that price differential between Asia and  
24 the U.S. I expect a very significant diversion of  
25 those exports should the orders be sunsetted.

1                   COMMISSIONER KOPLAN: Well, you'd help me  
2 out if for purposes of the posthearing you could  
3 simply detail for me the incentive that European  
4 producers have to ship CTL plate to the U.S. at  
5 current prices giving the transportation differentials  
6 that I referred to in the staff report.

7                   I appreciate everything you're telling me,  
8 but if you'd do that as well I would appreciate that.

9                   MR. RIKER: Yes. I'd be happy to.

10                  COMMISSIONER KOPLAN: Thank you very much.

11                  This is for counsel. On page 96 of Part 4  
12 of our staff report it states that with regard to,  
13 "published monthly prices for steel plate U.S. prices  
14 were generally higher than non-U.S. prices", and this  
15 is not your quote, but I'm looking at our staff report  
16 still, but according to Table 69 in Part 4 of our CTL  
17 portion of the staff report at page 4-100 which  
18 contains confidential data the price gap with certain  
19 non-U.S. markets narrowed considerably in 2006.

20                  I consider the relative prices in export  
21 markets for CTL plate to be an important factor for  
22 me. For purposes of the posthearing will you document  
23 your independent estimates of prices for CTL plate in  
24 the U.S., European, Brazilian and Asian markets for  
25 the last four months of 2006 through 2008?

1 Mr. Brightbill, you were --

2 MR. BRIGHTBILL: Tim Brightbill, Wiley,  
3 Rein. We will do that.

4 COMMISSIONER KOPLAN: Thank you.

5 Mr. Schagrín?

6 MR. SCHAGRIN: We'll commiserate with our  
7 co-counsel and make sure it's addressed in the  
8 posthearing brief.

9 COMMISSIONER KOPLAN: Mr. Price, you're  
10 nodding that you'll do the same?

11 MR. PRICE: Well, Mr. Brightbill answered  
12 for me already.

13 COMMISSIONER KOPLAN: He answered for you  
14 already. Okay. Move on.

15 Mr. Stewart, you've been very quiet.

16 CHAIRMAN PEARSON: He hasn't recovered from  
17 Tuesday yet.

18 COMMISSIONER KOPLAN: Right.

19 MR. STEWART: Just that there was no  
20 microphone close to me, Commissioner.

21 COMMISSIONER KOPLAN: That's an oversight on  
22 our part.

23 MR. STEWART: I was not quite sure of the  
24 last part of your request. I understood that you  
25 wanted the last few months in 2006.

1                   COMMISSIONER KOPLAN: The last four months  
2 of 2006 through 2008. I'm looking for estimates here.

3                   MR. STEWART: Estimates of where prices will  
4 be?

5                   COMMISSIONER KOPLAN: Yes. Estimates of  
6 prices for CTL plate in the countries that I listed.

7                   MR. STEWART: Now, I understand. Thank you.

8                   COMMISSIONER KOPLAN: Thank you. Coming  
9 back to a question that Commissioner Hillman asked I  
10 think on her first round where she mentioned the  
11 highway bill. The staff report in Part 2, page 1,  
12 indicates that commodity grade CTL plate is used in  
13 part to produce, "general load bearing structures",  
14 and noncommodity grade is used in part to produce,  
15 "highway and railway bridges".

16                   Last year that highway bill totalling I  
17 think \$286.4 billion was enacted. What I'm interested  
18 in is what impact that's having now and what impact  
19 will it have in the foreseeable future on the demand  
20 for cut-to-length plate? I can either take the  
21 response now or in the posthearing, but if either Mr.  
22 Insetta, Mr. McFadden or Mr. Montross want to say  
23 something now I'm happy to take it.

24                   MR. MONTROSS: I can say on Oregon Steel and  
25 Hitton Mill's behalf that it's having no impact on our

1 plate at this point in time.

2 COMMISSIONER KOPLAN: Okay. Thank you. In  
3 the foreseeable future?

4 MR. MONTROSS: Nor in the foreseeable  
5 future. We have very little in the way of I would  
6 assume you're referring to bridge type business.

7 COMMISSIONER KOPLAN: Mr. McFadden?

8 MR. MCFADDEN: The same for Nucor.

9 COMMISSIONER KOPLAN: Okay. Mr. Insetta?

10 MR. INSETTA: Yes. Commissioner, I guess we  
11 can supply more information in the posthearing, but  
12 just a couple of quick comments. The monies that are  
13 provided for that are also required to have a  
14 component of state matching funds, so as I mentioned  
15 earlier I think this is an area of risk in terms of  
16 actual expenditures of the funding. That's number  
17 one.

18 Number two, there continue to be severe  
19 competitive issues with alternative materials and that  
20 in itself does not guarantee that the steel industry  
21 will be positively affected by the spending of any of  
22 the funds. I guess the third point to make would be  
23 even though the dollar amount is a big number the  
24 actual tonnage levels that are going to be consumed  
25 are not at all guaranteed to be anywhere near what

1 they've been in the past because of rising costs, and  
2 different design elements and everything else.

3 So those three points are just quick hits,  
4 but we can provide more in a posthearing submission.

5 COMMISSIONER KOPLAN: Thank you. I  
6 appreciate your response and I look forward to your  
7 additional response for the posthearing.

8 MR. PRICE: Excuse me. Alan Price. Can I  
9 add one quick comment on that? We've now seen the two  
10 biggest bridge projects in the United States go out to  
11 bid and bid has been rewarded on them. The San  
12 Francisco Bay Bridge span went to China in its  
13 entirety and it's actually being fabricated in China.

14 Just this month the Dallas Woodall Rogers  
15 Bridge, which is also a very major bridge, went to  
16 Offshore Plate for the bid to be fabricated and steel  
17 prices were significantly lower, so it shows that just  
18 because these projects are out there and people think  
19 that there's a buy America component to them in fact  
20 there often isn't because there are waiver authorities  
21 and much of them are growing offshore at this point.

22 COMMISSIONER KOPLAN: Thank you. Appreciate  
23 that.

24 Mr. Fabina, my yellow light came on, you  
25 were next. I was going to save you from my next

1 round, but I still have a question for you.

2 Go ahead, Mr. Chairman. Thank you.

3 CHAIRMAN PEARSON: Commissioner Okun?

4 COMMISSIONER OKUN: Mr. Tulloch, did you  
5 have a chance to comment on the transportation?

6 MR. TULLOCH: We have a modest amount on the  
7 bridge area and we're not expecting significant growth  
8 in that area.

9 COMMISSIONER OKUN: Okay. And, Mr. Fabina,  
10 was yours related to that or that was your comment?

11 No. Okay.

12 MR. FABINA: (Away from microphone).

13 COMMISSIONER OKUN: No, no. I was just  
14 wondering whether Commissioner Koplan, whether you'd  
15 not had a chance to respond to his question.

16 MR. FABINA: We're fine.

17 COMMISSIONER OKUN: Okay. Great. Okay.

18 Thank you.

19 Mr. Schagrín, in your comments you had  
20 reminded us of the time period of the collapse of the  
21 Soviet Union and its repercussions which led to some  
22 of the suspension agreements. One of the I guess  
23 differences between the review last year and the  
24 review this year in terms of the make up of the  
25 subject countries is this is a much more eurocentric

1 group of countries.

2 I wondered if you or others could discuss  
3 the current conditions in Russia and the implications  
4 that might have for plate and for the producers  
5 subject to this review. In particular because I'm not  
6 sure if I read this whether the EU maintains  
7 quantitative restrictions on Russian plate imports.  
8 If that's not on the record if you could let me know  
9 that as well?

10 MR. SCHAGRIN: Commissioner Okun, we can  
11 give you the updated information. It's hard to  
12 believe, given the integration of Europe and the  
13 number of years it has been since the collapse of the  
14 Soviet Union, but because neither Russia nor Ukraine  
15 are members of the WTO, it is my understanding that  
16 even though the EU has said a number of times in the  
17 past that they were going to phase out their quota  
18 regimes with Russia and Ukraine, which very much  
19 include plate products, over a period of time that  
20 passed many years ago. They are still in force, and  
21 we can give you the updated information on what those  
22 levels are in our posthearing submission.

23 It shows that the EU believes, and we also  
24 believe, that even with the growth of demand in  
25 Russia, as their economy has grown quite a bit from

1 the energy sector, from growth in Ukraine, those  
2 countries still have massive amounts of plate  
3 overcapacity. Getting back to Canada again, that's  
4 one of the countries that, when the orders were sunset  
5 in Canada, imports from the Ukraine into rather small  
6 Canadian market surged quite a bit, and we'll address  
7 that in our posthearing as well.

8 COMMISSIONER OKUN: Okay. If you could do  
9 that because I think, again, one of the arguments made  
10 by a number of the Respondents is that, to the extent,  
11 what we've seen in their market is they will be  
12 looking to Russia and the other region to continue  
13 place their imports because it's a good market. To  
14 the extent you have conflicting information, provide  
15 that.

16 I see a hand on the back row.

17 MR. RUANE: Yes, Commissioner. Thank you.  
18 I can speak a bit to the product that comes to the  
19 United States from the Black Sea today.

20 COMMISSIONER OKUN: Will you just re-  
21 identify yourself?

22 MR. RUANE: Frank Ruane from Olympic Steel.

23 COMMISSIONER OKUN: Thank you.

24 MR. RUANE: The product that would come  
25 here, as well as the rest of the world, but the

1 product that comes here is subject to a quota, so  
2 there is only a certain amount of volume that can  
3 come. What I find is that that volume materializes  
4 very much in relationship to the required floor price.

5 The way the floor price is calculated,  
6 basically, it becomes a trailing index. So they take  
7 pricing from several months that have passed, and that  
8 becomes the floor price for the next several months.  
9 What we find is that when that calculation is an  
10 advantaged calculation, we see very large imports  
11 against the allocation. When that trailing index does  
12 not leave the floor price to be below the domestic  
13 price, then there isn't imports from that area.

14 COMMISSIONER OKUN: Okay. I appreciate  
15 those further comments.

16 You had reminded me, Mr. Schagrin. On  
17 Canada, I just had a couple of other questions for the  
18 posthearing brief. This would be directed to you, Mr.  
19 Tulloch, because it goes into Canadian operations.  
20 When you're responding, if you could provide for us  
21 your company's Canadian operations' performance, both  
22 pre-order and post-order, that would be helpful as  
23 well.

24 And then also, and I'm sure this will be  
25 part of the response you're giving, Mr. Schagrin,

1 which is to discuss, to the extent that a large  
2 percentage of the imports into Canada, as I understand  
3 it, are from the United States, what that means for  
4 the arguments made here that prices went down after  
5 the order, what role the United States' exports play  
6 in the market. I would appreciate that.

7           Okay. This question probably goes to  
8 counsel and you, Mr. Scott, as well, although it could  
9 be that producers have a view on it. In looking at  
10 the capacity level of the subject countries in this  
11 review, in looking at their capacity level at the time  
12 of the original investigation and now, while  
13 individual countries may have added capacity or  
14 decreased capacity, if I look at it on a cumulated  
15 basis, the capacity level in these subject producer  
16 countries has declined by more than 20 percent between  
17 the original investigations and the current review.

18           Apparent consumption, as you know, though,  
19 has increased significantly since the original  
20 investigation, and even though, in the original  
21 investigation, we didn't include processors, even if  
22 you look at the processors since 1999, apparent  
23 consumption has increased by much more than the level  
24 of total subject import volume in the original  
25 investigation.

1           My question is a volume question. With  
2 these decreases in capacity in the subject producer  
3 countries, why would I expect likely volume to be  
4 significant if the orders are lifted in a much larger  
5 U.S. market?

6           MR. BRIGHTBILL: Tim Brightbill, Wiley Rein.  
7 First of all, I think it's an overstatement to say  
8 that there has been that much of a decline in  
9 capacity, and I think we've documented in our  
10 prehearing brief capacity that's going to be added by  
11 subject countries, as well as China and others, in the  
12 very near future.

13           Secondly, I would say --

14           COMMISSIONER OKUN: I understand that, but,  
15 again, I'm looking now at the subject countries, not  
16 China. I understand your arguments about China, but  
17 I'm saying, from these countries, because, again, I  
18 think they are competing against nonsubjects in the  
19 market as well.

20           MR. BRIGHTBILL: Sure. I think you have to  
21 look not only at capacity but also inventories and  
22 other factors, and I think those were shown,  
23 particularly by Dr. Riker in his submission, on how a  
24 small volume from the subject countries, even a small  
25 volume, half a million tons or one million tons, would

1 have a significant impact on the U.S. market and that  
2 it's reasonable to expect that level of tonnage if you  
3 look not only at capacity but capacity and inventories  
4 and sales to other markets that would likely be  
5 switched to the United States.

6 MR. RIKER: This is David Riker.

7 COMMISSIONER OKUN: Yes.

8 MR. RIKER: Hi. I guess I would just refer  
9 again to that economic submission, and what it does,  
10 and what you can do with your confidential data, is  
11 look at these statutory factors, which Mr. Brightbill  
12 identified -- excess capacity, excess inventories,  
13 exports to the low-priced Asian market, capacity  
14 additions -- for the subject countries and count the  
15 tons. Count the tons, and the tons are large relative  
16 to the U.S. market, and the question is just  
17 incentive.

18 Is there an economic incentive, and I think  
19 what the record shows is that there are a lot of these  
20 tons that are going to the Asian market, either start  
21 there or are currently being exported there, and that  
22 there is a strong economic incentive to divert them to  
23 the U.S. market if the orders are sunsetted.

24 You know, China does figure into that  
25 because the oversupply in China is kind of the

1 fundamental driver bringing down Asian prices below  
2 U.S. prices, but the fact that there is a capacity for  
3 the specific subject foreign producers to send to the  
4 U.S. is the fact that they are actually participating  
5 in that market now, that low-priced Asian market.

6 COMMISSIONER OKUN: Okay. Were there other  
7 comments on that? Mr. Schagrin?

8 MR. SCHAGRIN: I would just add,  
9 Commissioner Okun, that while capacity may have  
10 declined in these countries, the one factor that has  
11 remained quite constant is that, both in the original  
12 investigation, at the time of the first sunset review,  
13 and at the present time, that these producers still  
14 have a significant export orientation, and that export  
15 orientation was wonderful back in 2002, 2003, or 2004  
16 when demand in China was booming, but all of these new  
17 Chinese mills hadn't come onstream yet.

18 Now that much more Chinese capacity is  
19 coming on than demand warrants in China means that  
20 that export orientation towards Asia is a detriment  
21 for these mills. It does help them keep price levels  
22 up in their own country, instead of trying to pour it  
23 all into their own country, but it means that they are  
24 probably more likely to shift exports from Asia and  
25 the United States now than they would have been,

1 either at the time of the first review or at the time  
2 of the original investigation.

3 So I think that the Commission really has to  
4 take that into account, besides looking at just the  
5 capacity and present excess capacity numbers, has to  
6 look at the export orientation of the foreign  
7 producers.

8 COMMISSIONER OKUN: I take your point, but I  
9 also think that part of the reason I'm asking this  
10 question about the overall levels is just we also have  
11 to look at the U.S. industry today versus the U.S.  
12 industry then and to the extent it's in a better  
13 position to compete with whatever that volume is. I'm  
14 trying to evaluate the significance of that.

15 I had a China question, but I will, in light  
16 of the yellow light, I will wait for the next round,  
17 if it's not covered. Thank you very much.

18 CHAIRMAN PEARSON: Before turning to  
19 Commissioner Lane, let me just mention that the  
20 Commission likes nothing better than to have a  
21 unanimous vote because it means that we all see things  
22 the same.

23 In the current circumstances, we have six  
24 votes for holding lunch until the conclusion of  
25 questioning of this panel. We're making good

1 progress. We're now through two rounds. We perhaps  
2 can wrap it up after the third round or not too much  
3 thereafter. So make your plans accordingly, please.

4 MR. SCHAGRIN: We're unanimous in support.  
5 It's, of course, only the Commission's call, Chairman  
6 Pearson, but I'm sure this panel is as unanimous as  
7 the Commission on that issue.

8 CHAIRMAN PEARSON: We are so far ahead of  
9 where we were on Tuesday, that this just seemed  
10 sensible.

11 Commissioner Lane?

12 COMMISSIONER LANE: Yes. I guess it took  
13 us a whole day on Tuesday for us to realize that we  
14 are the cause of how long the hearing goes.

15 I have some questions about raw materials.  
16 The staff report, at V No. 2, states that domestic  
17 mills implemented raw material surcharges, starting in  
18 January 2004 but that recently U.S. producers have  
19 reportedly rolled surcharges into base prices. What  
20 impact do surcharges have on the domestic industry's  
21 ability to protect itself from the effects of higher  
22 raw material costs, and how has the implementation of  
23 surcharges changed over the period of review?

24 MR. INSETTA: Commissioner, this is Bob  
25 Insetta from Mittal Steel. I would just start off by

1 saying, in November of last year, we made an official  
2 announcement to roll our surcharges into our price,  
3 and we no longer have raw material surcharges in  
4 place.

5 COMMISSIONER LANE: Mr. Tulloch?

6 MR. TULLOCH: From IPSCO's point of view, we  
7 did implement surcharges when scrap prices were  
8 soaring. Generally, this is not a cost-plus industry;  
9 otherwise, it would never make a loss, I guess. But  
10 that was one component of cost that was just beyond  
11 any ability to manage, so that turned into surcharges.

12 Then as that settled out, the market, you're  
13 right, did absorb those surcharges into the pricing  
14 structure. So things like energy cost increases and  
15 ferro-alloy cost increases were taken as part of the  
16 normal cost structure, and scrap sort of adopted that,  
17 both because as time has passed, and people can  
18 adjust, but, secondly, because, competitively, that's  
19 where the market has gone.

20 In our case, we still report a surcharge  
21 primarily because we did enter into some contracts in  
22 the period when surcharges were in place, and those  
23 contracts require that we calculate what the surcharge  
24 would be. So that's where it does affect our  
25 business. It's a rather small amount of contracts.

1 COMMISSIONER LANE: Mr. Montross?

2 MR. MONTROSS: Commission Lane, because the  
3 majority of our business is spot business, we don't  
4 use surcharges on the vast majority of it. The pieces  
5 that we have contractual business on, it's just a  
6 surcharge, potential of a surcharge, to protect both  
7 parties due to the potential of sharp market  
8 variations. But over 90 percent of our business is  
9 the spot side of the business, and we have no  
10 surcharges.

11 COMMISSIONER LANE: Mr. McFadden?

12 MR. MCFADDEN: Yes. We do use surcharge;  
13 however, ultimately, it's the transaction price, even  
14 with the component as scrap surcharge involved. So we  
15 transact as we have to. The unfortunate thing about  
16 the raw material surcharge that we'll use, or many of  
17 us use, is that it's scrap based, but there are many  
18 areas outside of scrap that have elevated as well,  
19 particularly in energy, natural gas, and all of the  
20 other raw materials that we use, natural elements and  
21 things like that, and we're not able to reflect that  
22 in how we price, but, at the end of the day, however  
23 we build the price, it's still a transaction price. A  
24 decision is made, an order is placed, and we have to  
25 be competitive.

1           COMMISSIONER LANE:    Does anybody else want  
2   to respond to that question?

3           (No response.)

4           COMMISSIONER LANE:    Okay.  Thank you.  When  
5   surcharges are in place, are they used across the  
6   board for all customers, or are they used on a case-  
7   by-case basis or customer-by-customer basis?

8           MR. TULLOCH:  When we first implemented  
9   surcharges, they were across the board.  As I  
10  described, that isn't how it's evolved since.  A lot  
11  of the market has gone to the price covering all of  
12  those items, but there are some cases where remains  
13  because of a commitment made some time ago.

14           The one item I should mention additionally,  
15  and it's not a big factor, but with surcharges -- we  
16  have a number of people who are trying to look at  
17  business that may stretch over an extended period of  
18  time, and it is impossible to know what the price of  
19  scrap is going to be, so we do talk about if we are,  
20  in fact, going to commit a price at a period well out  
21  into the future, there is going to have to be some  
22  sort of component that recognizes the price of scrap  
23  because there is no market mechanism to hedge against  
24  scrap.

25           MR. McFADDEN:  Pat McFadden at Nucor.

1 Commissioner, we bill a surcharge on every invoice  
2 that we send out.

3 COMMISSIONER LANE: Okay. Does anybody  
4 else want to respond to that?

5 (No response.)

6 COMMISSIONER LANE: Okay. This next  
7 question; I'm sure that you all have responded to it,  
8 and maybe you need to tell me again so it will sink  
9 in, but, in looking at the period of review and  
10 looking at the amount of money that you were losing in  
11 the early part of the period and the amount of money  
12 that you are making now, and in looking at the cost of  
13 goods sold in the earlier period and what it costs now  
14 and what the average unit costs were in the early part  
15 and now, how on earth, in 2004, were you able to  
16 increase your average unit price almost by double and  
17 almost double what your costs went up. I'm just sort  
18 of amazed, and I would just sort of like an  
19 explanation of that.

20 MR. TULLOCH: It was a market-driven  
21 situation. Things turned around extremely quickly,  
22 and the demand levels were staggering. It wasn't  
23 related just to a use demand, but all of a sudden --

24 COMMISSIONER LANE: Well, now, it doesn't  
25 look to me that the demand went up that much.

1           MR. TULLOCH: Well, the demand that you're  
2 being asked for -- there is a limit to what you can  
3 ship because your equipment can only turn around so  
4 quickly. The requests for material, and,  
5 significantly, were coming obviously from the service  
6 center sector because there was a lot of money to be  
7 made in the chain. We also had other people who had  
8 not committed to buy steel for a period because it was  
9 generally available, and nobody saw this coming, who  
10 all of a sudden had to bring an order.

11           So the request to supply plate ballooned to  
12 a number that would not show up in the statistics,  
13 which created an environment where the ability to  
14 raise the price was there. I don't know if that helps  
15 explain it, but the environment in 2004, the speed at  
16 which it turned around, which I don't think anybody,  
17 including ourselves, had a clue, really created a  
18 situation where that price recovery was able to take  
19 place very quickly.

20           COMMISSIONER LANE: Mr. McFadden?

21           MR. McFADDEN: Thank you. Our experience  
22 was, in '04, global demand for all products, not just  
23 steel plate, not just steel, global demand for all  
24 products was strong, and scrap, our key raw material,  
25 just absolutely exploded in its cost structure, and

1 the movement of scrap got very complicated. Scrap was  
2 moving all over the world and responded to all kinds  
3 of demand.

4 That was the basis for what happened, and I  
5 believe all steel products, in 2004, doubled in price,  
6 whatever the parameters are, but exploded in price,  
7 and I think, for the plate product, the ability to  
8 recoup scrap costs and the change in scrap costs  
9 through the raw material surcharge was really the key  
10 ingredient where things started to change for at least  
11 our ability to sell our products based on what they  
12 cost.

13 Prior to that point, we were prone to  
14 strictly market fundamentals of supply and demand:  
15 Imports come in, inventory drives up, prices go down.  
16 Since that time period, the elements of scrap are  
17 still a part of what we do, but the reality is we've  
18 evolved back to transaction prices, and we've got to  
19 sell steel, and the demand is not the same as it was,  
20 and we have different types of parameters, and we're  
21 prone again to the same market dynamics of imports  
22 come in, and inventories build, and prices go down.  
23 We just seem to be doing it a different point.

24 COMMISSIONER LANE: Mr. Price?

25 MR. PRICE: Well, I'll give you the answer

1 that we all came up with at the OECD, which is China,  
2 China, China. It drove a spike-up in raw material  
3 costs. You saw that chart on Tuesday from Mittal  
4 Steel saying, oh, prices are up here, but iron ore  
5 costs also went up, which wasn't in that chart.

6 So you have substantial raw material cost  
7 changes driven by their consumption rates. You have  
8 added to that an inbound increase in their demand,  
9 which has then been offset more recently as they build  
10 up this capacity beyond anyone's capabilities of  
11 absorbing it and their own capabilities of absorbing  
12 it and world market capabilities of absorbing it  
13 coming back out on the market now on the flip side of  
14 all of this.

15 So there are some macro issues that play  
16 into '04 and as we see playing out in '07-'08.

17 COMMISSIONER LANE: Okay. Thank you. Yes,  
18 sir?

19 MR. BALLOU: Tom Ballou with O'Neal Steel.  
20 From our perspective, we saw '04 as what we termed  
21 internally kind of as the perfect storm. Inventories  
22 across the industry were very low. I won't get into  
23 why that was, but they were very low. Raw material  
24 costs at the mill levels spiked, and demand picked up;  
25 really literally, almost overnight, all three of these

1 things occurred. So it led to just a firestorm,  
2 frankly.

3 COMMISSIONER LANE: Okay. Thank you.

4 Thank you, Mr. Chairman.

5 CHAIRMAN PEARSON: Normally, I don't focus  
6 too heavily on data that we see in an interim period,  
7 but for this investigation, we've got half-year data  
8 for 2005 and for 2006, and I am struck by the strength  
9 of the market that we've seen in the first half of  
10 2006 relative to 2005. We've got apparent consumption  
11 up roughly 20 percent. We've got domestic production  
12 up roughly that same amount, and then because apparent  
13 consumption is a little larger than domestic  
14 production, we had imports rising to fill the  
15 difference.

16 What's the difference in the market between  
17 last year and this year? Why has it been so strong in  
18 2006?

19 MR. McFADDEN: Pat McFadden at Nucor.  
20 Again, it's a perspective issue. In my mind, the  
21 issue in 2005 is that it tanked. The first half of  
22 2005, the market went down. I believe all steel  
23 products eroded. I believe sheet prices went from 30  
24 cents to 20 cents a pound in the first six months of  
25 2005. The plate prices, as I said earlier, went down

1 as well, not to the same extreme but nearly to the  
2 same extreme.

3 So the issue is really, I think, in the  
4 comparison of that time period, it's extreme what you  
5 saw in '05, which was a full inventory, a large amount  
6 of imports, overstocking, and eroded prices, and  
7 that's really the same point in time we're at right  
8 now. So we're at the very beginning of that same kind  
9 of pattern that we saw in the first half of '05.

10 MR. HELTZEL: Chairman, Bob Heltzel,  
11 Kenilworth. We had quite a few customers, but some of  
12 our larger customers attributed it to, specifically, a  
13 tremendous demand of their product relative to,  
14 unfortunately, the disaster that Katrina put on this  
15 country.

16 Quite a few of the rental companies --  
17 Hertz, United, et cetera, et cetera -- in the  
18 Northeast, in the Midwest sent a lot of their goods  
19 down there immediately to help in the assistance, and  
20 a lot of the construction industry and our customer  
21 base was confronted immediately with building  
22 inventory to fulfill the responsibility they had to  
23 the distributorships in the Midwest and the Mideast.  
24 That's one thing that we noticed immediately.

25 CHAIRMAN PEARSON: Mr. Ruane?

1                   MR. RUANE: Yes, sir. The consumption  
2 numbers, I think, that you're making reference to are  
3 apparent consumption, and that would include some  
4 significant inventory builds at the service center  
5 level. So a great deal of that is in my inventory  
6 today.

7                   But I would also say that demand has been up  
8 in '06 over '05 for distributors on a year-to-date  
9 basis, so our shipments are higher. They are not 20  
10 percent higher; they are less than 10 percent higher.

11                   What we're finding, though, is, over the  
12 last couple of months, that degree of positive  
13 improvement over '05 has been deteriorating. The  
14 point is that as we enter the fourth quarter here, our  
15 shipments are forecasted to be less than the fourth  
16 quarter of '05, and it's very possible that '06  
17 actually is a declining shipment year for service  
18 centers.

19                   Now, as we look at the economic conditions  
20 going into '07, we definitely suspect that '07 will be  
21 less than '06, from a distributor shipment level.

22                   CHAIRMAN PEARSON: Perhaps closer to the  
23 2005 level?

24                   MR. RUANE: I think that it's possible that  
25 they could be less than that.

1 COMMISSIONER LANE: Okay. Thank you.

2 Mr. Riker?

3 MR. RIKER: Thank you. This is David Riker.  
4 I just wanted to point out, if you are making this  
5 interim period-to-interim period comparison, that  
6 operating margins went down, gross profit margins went  
7 down, I think, as you'll see in the public staff  
8 report. So to the extent that you follow the trends,  
9 I think perhaps it's not much of an improvement.

10 CHAIRMAN PEARSON: Well, then, in capital-  
11 intensive businesses like this, I prefer to look at  
12 whole years when possible rather than interim. I'm  
13 always a little suspicious. This struck me as  
14 sufficiently unusual that it deserved a question, and  
15 I appreciate those answers.

16 Mr. Ruane, if I could, let me go back to you  
17 on a somewhat related question. There was a lot of  
18 inventory accumulation during the period of review.  
19 Can you discuss the several years and what was going  
20 on with your inventories and why?

21 MR. RUANE: Right. Our inventories are a  
22 function of really two things, and they are what our  
23 expected demand is, and what are the lead times at our  
24 producers? Those combinations have offset certain  
25 inventory targets, as well as the amount of orders

1 that are open.

2 So through this period, we were seeing  
3 continuous expansion of our demand view. At the same  
4 time, as you can imagine, the order rates were much  
5 more on the steel mills, and, hence, their lead times  
6 were moving out to a degree that they were actually  
7 trying to place reservations on orders so as we could  
8 have a realistic horizon as far as placing new orders.

9 If lead times are two to three months,  
10 that's about the longest that I can possibly have an  
11 idea of what particular items I would like to order,  
12 and so the steel mills cooperate by allowing a  
13 reservation system that allows me to have some time to  
14 understand exactly what I want to put on order.

15 What's happened now, recently, as supply has  
16 increased further, largely with a lot of imports that  
17 have been arriving that have not been able to be  
18 absorbed by shipments, is that, combined with our  
19 expectations of lower demand, we are seeing shorter  
20 mill lead times, which kind of changes our entire  
21 order mathematics, and that's what the steel mills  
22 have been referring to as "destocking."

23 So as our view of the future demand  
24 diminishes, as well as the lead times of the steel  
25 mills diminish, it has a doubling effect on the amount

1 of new orders that we're able to place and still  
2 maintain an inventory target.

3 CHAIRMAN PEARSON: Okay. Thank you. Could  
4 I follow up with one more question?

5 I think you indicated earlier that you have  
6 in the range of a couple of hundred thousand tons of  
7 inventory.

8 MR. RUANE: Yes, sir.

9 CHAIRMAN PEARSON: Do you have any financial  
10 hedging opportunities for that, or are you sitting on  
11 that much flat price risk? By my math, you have a lot  
12 of flat price risk if you're sitting on all of that  
13 unhedged.

14 MR. RUANE: We absolutely do. From a  
15 commodity standpoint, if there is not a terminal  
16 marketplace that will allow us to hedge the steel nor  
17 the component of scrap that is within it; so both the  
18 steel price and the scrap price are very volatile.  
19 So, yes, we do have a great deal of risk.

20 The way that we manage that risk is in a  
21 number of fashions. The first is, is to try to  
22 maintain a level of inventory that represents a  
23 certain amount of ship days by which we think we can  
24 move our inventory to the correct position.

25 The other way that we manage risk, and kind

1 of goes to a question of kind of purchasing imports,  
2 is that we look to manage risk by having the  
3 appropriate cost of goods sold at all times in our  
4 inventory. One of the ways that we do that is that we  
5 try to balance the amount of inventory that we have,  
6 that is, domestic versus foreign, the foreign  
7 typically lower placed, based on the percentages that  
8 the United States is receiving.

9 So if the U.S. marketplace has a 20-percent  
10 foreign component, I'm looking to manage my position  
11 in inventory to also have a 20-percent foreign  
12 component to try to balance my cost of goods sold so I  
13 don't get very far out of line with where the cost of  
14 goods sold are. But other than kind of being very  
15 good speculators, we are wearing that risk. So at  
16 Olympic Steel today, I wear a risk of 270,000 tons of  
17 inventory.

18 CHAIRMAN PEARSON: Have there been any  
19 efforts to develop a futures market or other financial  
20 risk-management devices, options, or derivatives of  
21 one sort or another that would allow some of that risk  
22 to be fobbed off to others?

23 MR. RUANE: Yes, sir. In fact, the work on  
24 that is actually accelerating, and there are several  
25 exchanges that are looking to do a steel component.

1 The LME is looking at a steel component. NYMEX is  
2 also looking at a steel component. So the marketplace  
3 is moving in that direction. It is an enormous market  
4 around the world, as you can imagine, and so the  
5 financial community is very much looking forward to  
6 trying to find an index and a methodology to trade  
7 that.

8 MR. BALLOU: Commissioner, Tom Ballou of  
9 O'Neal. I would just say that the first one who tried  
10 this was Enron, and they worked very hard at trying to  
11 sell it to the industry, with little success or no  
12 success, and the industry -- that subject came up at a  
13 steel strategy session in New York in June, and I  
14 would say -- I won't speak for the mills, but from a  
15 producing level, from just about every CEO in  
16 attendance at that session, they were, let's say,  
17 anti-index. They didn't see that being very  
18 successful, but there are still a lot of people  
19 working on it.

20 CHAIRMAN PEARSON: Thank you for those  
21 comments. I would just note that there might be more  
22 steel price volatility now than there had been when  
23 Enron still was in business, so I don't know exactly  
24 what timeframe. If they were trying to institute some  
25 type of options or swap market at a time when prices

1 were relatively stable, they probably wouldn't find as  
2 many takers as they might today.

3 Mr. Ruane, I'm on my yellow light.

4 MR. RUANE: Just to follow is that, in the  
5 Enron vein, there is a small, over-the-counter  
6 marketplace that is developing, and the folks from  
7 Coke, which do a lot of commodity trading out in the  
8 Midwest, are instituting that. So it's very minor  
9 today, but they do report kind of a consistent growth  
10 pattern in over-the-counter trading.

11 CHAIRMAN PEARSON: Thank you.

12 MR. HELTZEL: One quick comment, and that's  
13 the issue of risk, Mr. Chairman, that Frank was  
14 dealing with. Our customers perceive that risk as  
15 well, and I think that's one reason why, to support  
16 the earlier testimony of one of the gentlemen from the  
17 domestic mills, is why the service centers are now  
18 buying 60 percent as opposed to 48 percent before, is  
19 that our customer base is also perceiving that risk  
20 and saying, "Hey, gentlemen, you take it."

21 CHAIRMAN PEARSON: Okay. Thank you, and I  
22 thank my colleagues for your indulgence. I don't  
23 think I have any further questions. Madam Vice  
24 Chairman?

25 VICE CHAIRMAN ARANOFF: Thank you, Mr.

1 Chairman. Hopefully, I'm just about through my  
2 questions as well.

3 I don't think any of my colleagues has  
4 directly addressed this, although some have gotten  
5 close. All of the briefs of the domestic producers  
6 and all of the conversation that we've heard this  
7 morning makes the generalized statement that the  
8 subject producers are, as a group, very export  
9 oriented. I'm not sure, looking at their track  
10 record, that I would necessarily agree with respect to  
11 most or all of them.

12 I took a look at it, and I have a chart that  
13 I put together, but it contains some confidential  
14 data, so I can't share it, but if you look, both at  
15 the amount that these exporters in these countries  
16 send to the home market, in the case of the European  
17 producers, the amount they send within the European  
18 Union and then other, you come up with basically three  
19 tiers of countries within this group.

20 There are two countries, by my calculations,  
21 Belgium and Romania, which have what I would view as a  
22 fairly substantial amount of their production that  
23 they export outside their home market and outside of  
24 the European Union. Germany and Brazil, a little  
25 less, but maybe you could say they are sort of export

1 oriented, and then the rest of them, leaving aside the  
2 two that we don't know as much about, Spain and  
3 Sweden, are really shipping very small amounts outside  
4 their home market or outside the European Union, where  
5 that's relevant.

6           And with respect to the two that I  
7 mentioned, who are sort of the first tier, maybe the  
8 highest, you've got Romania that's about to join the  
9 European Union and Belgium, which maybe a share of  
10 what they do is exporting a lot, but it's not a very  
11 big producing country.

12           Do any of you want to comment on a sort of a  
13 more disaggregated basis, to the extent that it's not  
14 confidential? I'm not sure that I see this, that you  
15 can make generation that these are very export-  
16 oriented producers.

17           MR. RIKER: This is David Riker. I don't  
18 know if I have much to say about on a disaggregated  
19 basis, but, clearly, the comparison is your export-  
20 oriented -- I think the numbers that you're looking at  
21 is their exports relative to their total shipments,  
22 and if you look at simply the tons shipped, the  
23 question is, what is their impact? What could their  
24 impact be should the orders be sunsetted, should they  
25 come into the U.S. market?

1           So I deal with that in my economic  
2 submission. I think we briefed it. It is BPI, every  
3 which way I can imagine. But I think that what you'll  
4 see, even in the public version, is that there's a lot  
5 of exports, counting the tons, especially going to  
6 low-priced markets, that they have an incentive to  
7 come to the market, and you can quantify the financial  
8 impact that will come from this.

9           One other point that we heard on Tuesday,  
10 and probably will hear this afternoon, is this notion  
11 of export oriented versus trade in the EU and how it  
12 should be viewed differently. I think that if you  
13 look at the record, and there is only one country that  
14 we can do this with on the public record, but we see  
15 Germany actually increasing its exports out of the EU,  
16 from 189,000 tons in 2000 to 264,000 tons in 2005.

17           So I'm not sure that the record is  
18 necessarily consistent with Respondent's argument that  
19 they are becoming just reclusive and sticking to the  
20 EU market. I think that the volumes are there, and  
21 the incentives are there.

22           MR. SCHAGRIN: Commissioner Aranoff, I would  
23 just add, as the economist just pointed out, the only  
24 public information is as to Germany on Table CTL-4-25,  
25 but that demonstrates that, in the interim period, the

1 exports from Germany to other Asia and all other  
2 markets as a percentage of their total shipments was  
3 the highest of any time period, and putting them  
4 together at 13.2 percent of what is given as a  
5 production in the first half of '06 is a million, 269.  
6 You know, we're talking just in the first half of 2006  
7 about in excess of 150,000 tons.

8           So you categorized that in your question as,  
9 I don't see that as very significant. Send just from  
10 one of the 11 countries something in the order of 150  
11 to 300,000 tons potentially shifting from other Asia  
12 and other markets towards the U.S., and we're in real  
13 trouble.

14           So it's just a question, you know, of  
15 subjectivity, characterization. We see that as very  
16 high, and we have to convince the Commission that it  
17 is significant.

18           The other information, we'll have to  
19 address, I think, confidentially in our posthearing  
20 brief, if that would be okay with you, because it's  
21 all BPI.

22           VICE CHAIRMAN ARANOFF: Okay. I invite you  
23 to address that confidentially. I'm, obviously,  
24 interested just, in country-by-country, looking at  
25 export orientation, and while I understand that, you

1 know, exports within the European Union are exports in  
2 some sense of the word, I think it's also true that it  
3 takes a higher level of -- I'm not quite sure what the  
4 word is -- to push those exports outside of Europe  
5 than it might for a country that wasn't within the  
6 European Union.

7           So if there is anything that you want to add  
8 about demand conditions in Europe that might suggest  
9 that the business plan that I think all of these  
10 producers have, that Europe is going to be their  
11 primary market, are not going to pan out for them, I  
12 would certainly be interested in seeing that, but let  
13 me move on.

14           One final question: If you look at Table 1-  
15 20 in our staff report, which is the one that lists  
16 all of the domestic producers and their market shares,  
17 you might get the impression that this is a very  
18 disaggregated, fragmented industry, which, I think, is  
19 somewhat deceptive, and perhaps that's because of the  
20 way that our data have put the mills and the  
21 processors together and also perhaps because we've  
22 gotten a better response, I think, from processors  
23 than we did in last year's case, or perhaps in the  
24 past.

25           But I guess I would ask the producers who

1 are here today, do you view your industry, at this  
2 point, as being more fragmented and less consolidated  
3 than some of the other major segments of the steel  
4 market, or do you think that's just an anomaly of the  
5 way we've presented the data?

6 MR. TULLOCH: I haven't looked at the table  
7 in question, but, at the producing-mill level, we see  
8 it as more consolidated than it was some years ago.  
9 Once you get to the processors of plate, it becomes  
10 very fragmented very quickly, but at the mill-  
11 producing level, those people actually making plate,  
12 clearly it's more consolidated than it has been.

13 VICE CHAIRMAN ARANOFF: I don't know if I  
14 could ask you to speculate on whether you think  
15 consolidation has gone about as far as it's going to  
16 go.

17 MR. TULLOCH: We speculate on that every  
18 day, but I don't have an answer.

19 VICE CHAIRMAN ARANOFF: Do any of the other  
20 producers want to comment?

21 (No response.)

22 VICE CHAIRMAN ARANOFF: Not a popular  
23 question. Okay. Well, if there is anything that  
24 anyone wants to comment on in the posthearing brief,  
25 especially those of you who can look at the

1 confidential information in that table, please do.  
2 And with that, Mr. Chairman, I have no further  
3 questions.

4 CHAIRMAN PEARSON: Commissioner Hillman?

5 COMMISSIONER HILLMAN: Thank you. Mr.  
6 Conway, I did want to give you an opportunity to  
7 respond to the question that I was asking at the end.  
8 Again, I was noting that if we look at our staff  
9 report, we are seeing this tremendous increase in  
10 labor productivity. I realize, we measure it a little  
11 bit differently than you all do in terms of man hours  
12 per ton. We're looking more at tons produced per  
13 thousand hours worked, but, nonetheless, the number is  
14 going from in the 460 range all the way up to over 700  
15 at the end of the period of review, a remarkable  
16 increase in productivity.

17 I'm just curious, from your perspective, do  
18 you think that trend is going to continue?

19 MR. CONWAY: I think, incrementally, there  
20 will be more, but there won't be another quantum like  
21 that. We will never be able to make that. We did it  
22 by inducing a lot of people to leave the mills and  
23 reincented [sic] the way they work inside the shop and  
24 restructured what they do. So I think we will  
25 continue to seek opportunities, but it will now be on

1 the increment.

2 COMMISSIONER HILLMAN: Okay. I appreciate  
3 that. If I can, then, go to some of the product mix  
4 issues. The Respondents have raised a number of  
5 issues around a couple of things that I wanted your  
6 response to. One is whether the product is made on a  
7 reversing mill versus a steckle mill, and the other is  
8 whether it is made with steel from a blast-oxygen  
9 process versus an electric arc process.

10 I just want to make sure I understand how  
11 much difference it makes in the market, and maybe it  
12 would be helpful for me to understand, from your  
13 perspective, how large a market segment is there for  
14 products that can only be made on a reversing mill or  
15 only be made with steel that starts from a blast-  
16 oxygen process. How big a market segment is there?

17 MR. McFADDEN: Pat McFadden at Nucor.  
18 That's a tough question because it covers a lot of  
19 issues that we would really have to spend time talking  
20 to. I think, in posthearing, we could organize it and  
21 make it very simple, and you could read it. It would  
22 be easier than discussing it.

23 I would say a couple of things, though. The  
24 language is an issue in how we communicate about  
25 equipment and the markets because steckle mills are

1 actually reversing mills. They just have coil boxes  
2 that allow you to produce light-gauge plate in coil  
3 form.

4 So amongst ourselves in our business, we've  
5 tried to communicate about the market with plate from  
6 coil versus discreet plate, regardless of what kind of  
7 facility it was actually produced on, and from a melt  
8 standpoint, whether it's a BOF furnace or an electric  
9 furnace, you can make plate from either one. It's  
10 more an issue of the function of whether it comes from  
11 coil, or it's produced discreet. I think we could  
12 submit to you very clear discreet versus plate from  
13 coil and try to surmise the market that way.

14 COMMISSIONER HILLMAN: It would be helpful  
15 to understand. Obviously, some of this is the  
16 thickness, some of this is the chemical, some of this  
17 is the heat treating, some of this is width. I'm just  
18 trying to make sure I understand how much to make of  
19 the arguments that the Respondents are making in terms  
20 of where there may or may not be specific overlaps  
21 with domestic production and whether there are  
22 limitations in the U.S. market because of the way in  
23 which we are currently producing the majority of our  
24 plate product.

25 MR. McFADDEN: We can do that. Just one

1 last thing. The mills are very flexible now. That's  
2 another issue that's come with the technologies, and  
3 that's something that we'll expand on in the  
4 posthearing. Mills can do a lot of different things  
5 than they could do before.

6 COMMISSIONER HILLMAN: One of the things,  
7 for example, that I would ask you in general is to  
8 respond very specifically to the cumulation arguments  
9 that are made in the individual briefs. I realize you  
10 briefed in general the issue of cumulation, but now we  
11 have very specific arguments from a number of the  
12 Respondents.

13 The Germans, for example, argued that they  
14 are unique among the subject countries because the  
15 substantial majority of their product is thick plate  
16 greater than an inch in thickness, and a relatively  
17 small share of it is of structural plate.

18 Again, I'm trying to make sure I understand  
19 the context into which I should be reading those  
20 arguments. I would ask you very specifically to  
21 respond to that in light of this understanding of  
22 where the U.S. market sees itself, where the U.S.  
23 producers see themselves on this issue of thick,  
24 extra-wide, all of those other factors.

25 MR. SCHAGRIN: I'll just say, in general,

1 Commissioner, most of the arguments made by the  
2 Respondents' individual briefs don't actually hold a  
3 lot of water, but I believe it would make most sense  
4 for us to respond to those in our posthearing briefs,  
5 and based on the public information in those briefs,  
6 we can get technical information and help from our  
7 clients, but we are aware, individually, through  
8 counsel, of our clients' capabilities in terms of size  
9 ranges, technical, et cetera. So I think we can  
10 certainly address those in posthearing.

11 COMMISSIONER HILLMAN: I would appreciate  
12 that.

13 On the issue of Mexico, I would ask you,  
14 because we have looked very carefully in some  
15 instances, on this issue of the degree to which the  
16 country is a net importer of product, and, obviously,  
17 that's one of the central arguments that the Mexicans  
18 are making, that that creates a very different dynamic  
19 for them, that they such a significant net importer  
20 and largely a net importer from the United States,  
21 that that places them in a very different mix in terms  
22 of how we should look on them vis-à-vis some of the  
23 other countries that are subject to this review. So,  
24 again, if that issue could be --

25 MR. SCHAGRIN: We'll address that, but I'll

1 address that partially here, Commissioner. I may, at  
2 times, be known for my frankness. You know, if it  
3 wasn't public, and there is public information -- we  
4 put it into our brief, a Spanish article from Mexican  
5 press within the last few weeks -- that AHMSA was  
6 going to double their plate capacity. I think it's an  
7 \$800 million investment, U.S. dollar. It may have  
8 been put in that article in terms of pesos, I believe  
9 it was, and this is in our brief. Then Mexico would  
10 probably be out of this case in a minute, based on,  
11 you know, their present capacity compared to the  
12 amount of imports in the market.

13 What makes them different from other cases  
14 in which the Commission has let people out because  
15 they were large importers, couldn't satisfy their  
16 market, is the massive capacity expansion in the  
17 reasonably foreseeable timeframe.

18 COMMISSIONER HILLMAN: That would be the  
19 other issue there that you really do need to address,  
20 is whether this project is likely to come online and  
21 be producing in what we would fairly describe as a  
22 reasonably foreseeable timeframe.

23 MR. SCHAGRIN: I'm sure you will be asking  
24 them about it. We can only go by what we read in the  
25 press other than other information. Thank you.

1                   COMMISSIONER HILLMAN: Two other issues.  
2           You all have spoken at length about the issue of China  
3           and where it fits into all of this and the capacity  
4           that's coming onboard. I would ask you, in the brief,  
5           to look very specifically at the data that is in the  
6           staff report, forecasts from a particular source --  
7           the source is confidential, and the individual numbers  
8           are confidential, but it is forecasting production, as  
9           well as consumption, in a series of markets around the  
10          world, including, very specifically -- I think they  
11          describe it as the east and southeast Asian market,  
12          which would include China.

13                   Yes, they are showing production growth in  
14          relationship to outstrip consumption growth but at  
15          nowhere near the kind of levels that you are  
16          suggesting to us from China. I'm only asking you to  
17          please square your sense of what is going on in China  
18          with the data that came out of a very reputable  
19          forecasting study and is reported in our staff report  
20          because I don't think it suggests anywhere near the  
21          level of production excesses over consumption. It's  
22          over the increases in consumption that have been  
23          suggested in this testimony.

24                   MR. SCHAGRIN: I think we'll address it  
25          specifically in posthearings, but one comment now,

1 without referring to that confidential report. Any  
2 respected forecaster who uses any information that  
3 comes out of the Chinese government automatically  
4 makes the information completely suspect. We have  
5 seen, at every international steel exhibition in the  
6 last two or three years, every intergovernmental, the  
7 Chinese government always say that the differences  
8 between demand and supply are very narrow for our  
9 steel industry. We're forcing a lot of mills to shut  
10 down. You all don't have things to worry about.

11 I had to listen to a lot of garbage from  
12 people from the Chinese government there in our 421  
13 case, and people at USTR actually believe them, and  
14 maybe even the president of our country and --

15 COMMISSIONER HILLMAN: Okay. This is not --  
16 the other thing I would say, it's my understanding  
17 that some of the data from this particular source  
18 would be available specifically for China. It is not  
19 currently available to us.

20 So if some of you all that get this data  
21 would want to put that on the record specifically from  
22 China for us, it would be much appreciated,  
23 particularly if you are trying to make these arguments  
24 about China. Again, we don't currently have access to  
25 the particular pages of these studies that would show

1 us the individual China data. I believe some of you  
2 do. That would be helpful.

3 MR. SCHAGRIN: We'll do that.

4 COMMISSIONER HILLMAN: If I can focus,  
5 lastly, on one like-product issue. Respondents have  
6 raised the issue of wide, flat bar, and so I do want  
7 to ask you to address, in your posthearing briefs,  
8 what is your position on whether wide, flat bar should  
9 be kept together with cut-to-length plate as a single  
10 like product, or whether we should be treating it as a  
11 separate like product.

12 Does the domestic industry produce wide,  
13 flat bar to the extent that it's produced? Do you  
14 think it should be considered a commodity-type product  
15 like cut to length, or is it more of a specialty  
16 product more like SPQ bar that we have seen in other  
17 cases? How interchangeable is wide, flat bar from CTL  
18 plate? Do you think we currently have domestic  
19 capacity on wide, flat bar to meet current demand?

20 I don't know whether anybody wants to say  
21 anything in this setting about wide, flat bar. You  
22 don't care about it at all, it's all confidential, or  
23 -- Mr. Price.

24 MR. PRICE: I think we'll respond in the  
25 post-conference brief. It's a very complicated series

1 of questions in there, and we'll address them all.

2 COMMISSIONER HILLMAN: Okay.

3 MR. INSETTA: This is Bob Insetta from  
4 Mittal. We would say, on the interchangeability  
5 question, yes, flat bar is interchangeable with plate  
6 for many applications, and we do make flat bar.

7 COMMISSIONER HILLMAN: Okay. Do you make it  
8 in your plate mills, or do you make it in a bar mill?

9 MR. INSETTA: We make it in a bar mill.

10 COMMISSIONER HILLMAN: Okay. And to the  
11 extent that you are adding this information, I do  
12 think we should understand whether it's made in your  
13 plate mills or whether it's made in your bar mills,  
14 just so we understand, from a supply standpoint,  
15 whether they are considered like, in that we are  
16 typically looking at whether it's the same facility,  
17 same workers, same all of those factors.

18 Given that the yellow light is on, Mr.  
19 Chairman, I will stop there. Thank you.

20 CHAIRMAN PEARSON: Thank you, Commissioner.  
21 Commissioner Koplan?

22 COMMISSIONER KOPLAN: Thank you, Mr.  
23 Chairman.

24 Mr. Fabina, this is the time. At page 67 of  
25 your brief, you note, and I'm quoting, "As the

1 Commission has found in previous sunset reviews  
2 regarding CTL plate, producers of carbon flat-steel  
3 products can easily switch production between subject  
4 and non subject products. My question is, can you  
5 tell me how costly is it to switch? That's the first  
6 part.

7 MR. FABINA: Most of our product, we can  
8 switch with no cost at all. If we are switching or  
9 making a radical change where we may be going to a  
10 line-type product, we would have to change the work  
11 rolls, and they would take 30 minutes.

12 COMMISSIONER KOPLAN: Okay. Could the three  
13 other domestic producers tell me whether their  
14 facilities have switched production between subject  
15 and nonsubject products in any significant way during  
16 the period of review? Have any of you done that?

17 MR. TULLOCH: In our case, on the same  
18 facility, we can move material between nonsubject  
19 goods into the micro-alloyed and higher grades of  
20 material, and that would be not a difficult change to  
21 make.

22 COMMISSIONER KOPLAN: Okay. Can I hear from  
23 the others?

24 MR. McFADDEN: Pat McFadden, Nucor. We are  
25 not flexible to be able to switch products that

1 easily. Our product mix is low-end, commodity carbon,  
2 and that's where we exist.

3 COMMISSIONER KOPLAN: And Oregon?

4 MR. MONTROSS: We have somewhat of a larger  
5 load of line pipe that we're running on our plate mill  
6 right now for internal consumption than we actually  
7 were during the last briefing. But, overall, we're  
8 still in a position now where we're still looking for  
9 trade orders because the line pipe still only fills a  
10 relatively small section of our order book.

11 COMMISSIONER KOPLAN: Thank you for that.

12 Just for purposes of the posthearing, if you  
13 could add what relative prices between subject and  
14 nonsubject products would need to be to be as an  
15 incentive to switch? And I would ask Respondents to  
16 provide that information in their posthearing briefs  
17 as well.

18 MR. TULLOCH: The other component, of  
19 course, is the market for the nonsubject goods as  
20 well. There needs to be an outlet for it.

21 COMMISSIONER KOPLAN: Mr. Brightbill?

22 MR. BRIGHTBILL: Tim Brightbill. We'll do  
23 that. You're talking about subject and nonsubject  
24 plate only. Correct?

25 COMMISSIONER KOPLAN: Yes.

1 MR. BRIGHTBILL: All right.

2 COMMISSIONER KOPLAN: All right. Can you  
3 discuss -- this is for the industry witnesses -- in  
4 some detail the nature of the business cycle in the  
5 CTL plate market, including the typical length of an  
6 entire cycle in the U.S., and where in that cycle are  
7 we now? Mr. Tulloch?

8 MR. TULLOCH: I'm not sure it would be in  
9 some detail. Certainly, the plate, it's -- on the  
10 capital goods spending. The demand tends to be a  
11 capital-goods-spending cycle, and that varies,  
12 depending on the parts of that product.

13 We, in our experience, have certainly seen  
14 what we thought was an extended down period leading up  
15 until 2004. We have heard others say that this  
16 capital spending cycle will typically run for five to  
17 seven years. Certainly, we're three years into it  
18 now. But there's been a lot of changes globally in  
19 the steel industry, that I think it's very difficult  
20 to look at an historical analysis and be sure about  
21 what's going forward.

22 We came through a period, from really the  
23 seventies through to the turn of the century, where  
24 there was very little difference in the world steel  
25 market in terms of new capacity coming and very

1 slowly. That's changed overnight, and so we now have  
2 a totally different supply picture in the global steel  
3 industry and in the global plate industry.

4 I started off as an economist at New Zealand  
5 Steel forecasting demand, and I learned very quickly  
6 that that's fine, as long as the underlying structure  
7 stays the same, but when that changes, now you're in  
8 trouble, and I think we're in that situation where the  
9 underlying structure in the steel market has shifted  
10 from the last several decades to where we are today.

11 COMMISSIONER KOPLAN: Thank you for that.

12 Do any of the other producers want to  
13 comment? Mr. McFadden?

14 MR. MCFADDEN: Thank you. It's hard to  
15 guess the timing of these cycles, how long they last,  
16 et cetera, but I do think we are at the beginning of a  
17 downward trend from where we've been over the last two  
18 and a half years to where we're at right now, and I  
19 base that on what the customers tell us about demand  
20 for product for their end users as they go forward.  
21 It's going to be down next year.

22 COMMISSIONER KOPLAN: Thank you. Anyone  
23 else? No? All right. I'm moving to my last  
24 question.

25 Mr. Insetta or Mr. McFadden, are there any

1 CTL plate products imported because either the  
2 domestic industry does not produce them or cannot  
3 produce enough of them? Mr. Insetta?

4 MR. INSETTA: Yes. I would say there are  
5 small niche areas where there are imports that either  
6 are very unusual in specification and product  
7 characteristics, and some because there has been a  
8 need for more supply.

9 COMMISSIONER KOPLAN: Could you identify  
10 those for purposes of the posthearing, or do you want  
11 to do it now?

12 MR. INSETTA: We can do that in the  
13 posthearing.

14 COMMISSIONER KOPLAN: Okay. Mr. McFadden?

15 MR. MCFADDEN: I just think that the areas  
16 where that's the case; they are very small. The vast  
17 majority of imports that come in, you know, the Asian,  
18 the non countries right now that's coming in, it's 84  
19 wide and one inch, half-inch 84, just in a glut in the  
20 market.

21 COMMISSIONER KOPLAN: Thank you. With that,  
22 I think you all for your answers to my questions. I  
23 have nothing further.

24 CHAIRMAN PEARSON: Commissioner Okun?

25 COMMISSIONER OKUN: Thank you, Mr. Chairman.

1 Hopefully, just a few brief things to close out here.

2 Mr. Schagrín, I noted with interest  
3 Commissioner Aranoff's question to you about how much  
4 weight we should place on corporate relationships and  
5 what they mean. In listening to Mr. Tulloch, it  
6 always reminds me of what I feel like, sitting here in  
7 the last couple of years, which is it's not your  
8 father's steel mill anymore, not your father's steel  
9 company. We need help in understanding how we should  
10 evaluate what these changes mean in a number of ways,  
11 and you've helped us do that today.

12 For posthearing, Mr. Insetta, I wanted to  
13 make sure that you will also respond to the Mittal  
14 relationship with Romania and what it means, both, if  
15 you could, for purposes of posthearing, talk about the  
16 imports from Romania, why they came in, and then,  
17 looking forward, what that means in how we evaluate  
18 imports from Romania. I would appreciate looking at  
19 that as well.

20 MR. INSETTA: Okay, Commissioner. We'll do.

21 COMMISSIONER OKUN: Okay.

22 MR. SCHAGRIN: Commission Okun, I can't help  
23 myself. I just have to say, unfortunately, it was  
24 never my father's steel mill.

25 COMMISSIONER OKUN: All right. I thought we

1 would get someone on that one.

2           Okay. Then, on the second follow-up -- I  
3 guess, just one point with respect to the questions  
4 about China and the forecasts, perhaps to note that,  
5 in looking at what we should rely on with respect to  
6 China in the last reviews, in the '05 reviews, I rely  
7 on the information in the staff report for purposes of  
8 looking at the reasonably foreseeable future and  
9 predicting what the impact of China would be. I think  
10 those forecasts have turned out to be more accurate  
11 than the forecasts that were on the record from the  
12 domestic industry.

13           So, to the extent things have changed, if  
14 you can point that out to me, I would appreciate that.

15           And, finally, just a question familiar, I  
16 hope, now to all counsel, which is, to the extent the  
17 Federal Circuit made a decision in Bratsk Aluminum  
18 regarding how we evaluate nonsubjects causation, if  
19 you would discuss for me whether it has any  
20 implications in a sunset analysis of how we look at  
21 nonsubject imports and their competitiveness and  
22 prices, and I think, in particular, in this case, when  
23 there was such a focus on what has happened with  
24 nonsubjects and what might happen with subject  
25 imports, help me understand whether you think there

1 are any implications in that analysis.

2 I would note there that three commissioners  
3 applied Bratsk in the Lined Paper Products case in a  
4 threat context. So if you could go through that as  
5 well, I would appreciate that from all counsel. They  
6 are all shaking their heads. They knew that one was  
7 coming.

8 I think, with that, Mr. Chairman, I think  
9 everything else was covered by my colleagues, so thank  
10 you very much.

11 CHAIRMAN PEARSON: Commissioner Lane?

12 COMMISSIONER LANE: I just have two  
13 questions.

14 Mr. Conway, I would like to start -- oh, he  
15 left. Okay. Well, then I'll go to the second  
16 question.

17 In the first sunset reviews in these  
18 investigations, the Commission did not include micro-  
19 alloys in the domestic like product. However, in last  
20 year's Cut-to-length Pipe case, the Commission adopted  
21 a single domestic like-product definition, which  
22 included Grade X-70 plate micro-alloy, steel plate,  
23 and plate cut from coils, finding that these products  
24 are part of a continuum of cut-to-length plate  
25 products.

1           How should the Commission define the  
2 domestic like products in these current reviews? I'm  
3 especially interested to learn why we should or should  
4 not include micro-alloy, steel plate in the like-  
5 product definition. Would including micro-alloy in  
6 the domestic like product substantially change the  
7 Commission's analysis?

8           Mr. Schagrin, if you talk long enough, maybe  
9 Mr. Conway will be back.

10           MR. SCHAGRIN: I'll just answer the last  
11 question first, which is, we don't believe including  
12 micro-alloy in the domestic industry like product  
13 would change the Commission's analysis.

14           COMMISSIONER LANE: And do you take a  
15 position as to whether or not we should include it in  
16 the domestic like product?

17           MR. SCHAGRIN: I think we'll do that in the  
18 posthearing brief. My gut feeling is that it should  
19 be included and has been included in all of the recent  
20 cases, and I think we would probably want to stay  
21 consistent instead of look like we're cherry picking  
22 like product, depending on the case.

23           COMMISSIONER LANE: Okay. Thank you.

24           Mr. Conway?

25           MR. SCHAGRIN: Was that long enough? I

1 talked long enough until Mr. Conway made it back.

2 COMMISSIONER LANE: That was perfect.

3 MR. SCHAGRIN: I hate when I have to do  
4 that.

5 COMMISSIONER LANE: Mr. Conway, I'm  
6 interested in the present condition of the workers in  
7 this industry and the likely impact on those workers  
8 if these orders are lifted. There has been a lot of  
9 discussion of the current health of the domestic  
10 industry in view of the relatively healthy profit  
11 margins in 2004 and 2005.

12 Looking at the production workers, I don't  
13 see any such upward trends in 2004 and 2005. Levels  
14 of employees have continued to decline in 2004 and  
15 2005, and average hourly wages don't reflect any  
16 significant increases, even though productivity is  
17 continually climbing.

18 Do you believe that we should consider the  
19 impact of lifting or retaining these orders on the  
20 domestic workers, and, if so, what impacts do you see  
21 occurring if these orders are lifted?

22 MR. CONWAY: If the orders are lifted, then  
23 the imports flood back in. We expect we're going to  
24 find ourselves where we were when this crisis began,  
25 and we did the restructuring in the industry.

1           We also note, with some anticipation, the  
2 amount of productivity and the steady state of the  
3 wages and intend to try and deal with it as soon as we  
4 have an opportunity, when our labor agreements come  
5 about, but, right now, this is the deal we have, and  
6 it's a deal that we needed to do, so we're living with  
7 it, and we don't want to return or find ourselves in a  
8 situation where we face the imports again and have a  
9 constant situation where wages are stagnant, and we  
10 can't have an effect on them.

11           These are crucial to us. They are crucial  
12 to us, both in the profit stream for our retirees, and  
13 we are completely committed to trying to do what we  
14 can to keep that benefit. But in terms of increasing  
15 productivity, our people are working a lot harder, we  
16 have a lot fewer of them, and we recognize it and know  
17 it, and we'll get to it.

18           COMMISSIONER LANE: Okay. Thank you.

19           Thank you, Mr. Chairman. That's all I have.

20           MR. CONWAY: I appreciate you noting it for  
21 the record as well so the rest of my colleagues here  
22 understand it.

23           COMMISSIONER LANE: Thank you.

24           CHAIRMAN PEARSON: Madam Vice Chairman,  
25 anything further? Commissioner Hillman?

1 No further questions from the dais?

2 COMMISSIONER KOPLAN: Are you looking for  
3 some?

4 CHAIRMAN PEARSON: If you wish. I'm  
5 accommodating the interests of every commissioner.

6 Do members of the staff have questions for  
7 this panel?

8 MR. CORKRAN: Douglas Corkran, Office of  
9 Investigations. Thank you, Chairman Pearson. I do  
10 have one question, and that involves much of the  
11 discussion this morning that was in response, I think,  
12 primarily to questions by Commissioners Okun and Lane.

13 The discussion centered around idling of  
14 capacity that was to take place in the fourth quarter  
15 of this year, and to the extent that you're providing  
16 additional information on your operations, please do  
17 refer to page III-4 of the staff report from last year  
18 discussing maintenance and outages.

19 To summarize very briefly, it essentially  
20 indicated that planned maintenance shutdowns are part  
21 of the production cycle, that such shutdowns are  
22 typically coordinated with customers, including  
23 production and inventory adjustments so as to minimize  
24 the impact, and, generally, that planned maintenance  
25 outages typically last one week and are taken annually

1 or on a semi-annual basis.

2 The real question would be, then, are these  
3 additional outages that you've been discussing, or are  
4 they simply part of the regular annual planned outages  
5 that are typical in producing plate?

6 MR. TULLOCH: We'll certainly respond. I  
7 can tell you that what we're planning in Q-4 is quite  
8 separate and distinct from scheduled maintenance  
9 outage.

10 MR. SCHAGRIN: Just for the record, we'll  
11 respond further in the posthearing brief, Mr. Corkran.

12 MR. CORKRAN: Thank you very much. The  
13 staff has no further questions.

14 CHAIRMAN PEARSON: Do parties in opposition  
15 to the continuation of the order have any questions  
16 for this panel?

17 MR. PIERCE: No, Mr. Chairman.

18 CHAIRMAN PEARSON: Okay. Well, then we're  
19 getting to where we wanted to be.

20 Let's break for lunch until five minutes  
21 before three, which will give a little extra time than  
22 my colleagues had anticipated. Be mindful that the  
23 room is not secure, so please take any confidential  
24 information with you. We stand in recess.

25 //

1                   (Whereupon, at 2:08 p.m., a luncheon recess  
2    was taken.)  
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1           CHAIRMAN PEARSON: Okay. Very well. Let's  
2 begin. Mr. Cunningham, are you --

3           MR. CUNNINGHAM: Mr. Pierce will be the  
4 master of ceremonies.

5           CHAIRMAN PEARSON: Wonderful. Please  
6 proceed.

7           MR. PIERCE: Thank you, Mr. Chairman. Good  
8 afternoon. Good afternoon, Commissioners. I'm Ken  
9 Pierce, counsel for the Mexican producer, AHMSA, and  
10 this is Respondents' panel presenting cumulated  
11 arguments and noncumulated arguments for Mexico, the  
12 United Kingdom, and Germany.

13           The first witness will be Dennis Kunka of  
14 Caterpillar to discuss how this major purchaser of  
15 cut-to-length plate sees market supply today.

16           Next will be Jim Dougan of Economic  
17 Consulting Services to discuss the state of the  
18 domestic industry and demand.

19           Mr. Dougan is followed by Dr. Thomas Prusa  
20 of Rutgers University. He will address China and  
21 Petitioners' economic models.

22           Richard Cunningham of Steptoe & Johnson,  
23 with witnesses from the Corus Group, will discuss the  
24 United Kingdom on a decumulated basis.

25           Dr. Prusa and I will then present the case

1 for Mexico's decumulation and revocation.

2 Chris Dunn, also of Willkie Farr, will  
3 address Petitioners' arguments specific to Brazil.

4 Finally, Marc Montalbine of deKieffer &  
5 Horgan, counsel to the German mills, will explain why  
6 Germany should be decumulated.

7 All of those presenting direct testimony and  
8 others appearing on the Commission's calendar for  
9 Respondents are available to answer questions from the  
10 commissioners or staff. Thank you.

11 MR. KUNKA: Good afternoon. My name is  
12 Dennis Kunka. I am the North American steel plate  
13 purchasing manager for Caterpillar, Inc., with  
14 commercial responsibility for steel plate, sheet, and  
15 special sections consumed in the United States.

16 I have been involved with steel procurement  
17 at Caterpillar for eight years and an employee of CAT  
18 for 16 years. I would like to briefly review CAT's  
19 role in the cut-to-length plate market and then  
20 explain the major changes that we have seen in the  
21 cut-to-length plate market in recent years in the U.S.

22 Because of those changes in the market, CAT  
23 believes that the antidumping orders no longer serve  
24 their purpose and should be revoked. CAT is the  
25 world's leading manufacturer of construction and

1 mining equipment, diesel and natural gas engines, and  
2 industrial gas turbines. It employs almost 44,000  
3 people in the United States. CAT purchases millions  
4 of dollars of cut-to-length plate every year from a  
5 number of major producers primarily in the United  
6 States.

7 CAT uses that plate to manufacture its  
8 mining and construction equipment, and demand for that  
9 plate is driven by consumers' demand for the product  
10 it manufactures.

11 I work with CAT product and design groups  
12 and plate suppliers to manage CAT's purchasers of cut-  
13 to-length plate. CAT imposes stringent quality  
14 standards on the equipment that it manufactures.  
15 These standards extend to its suppliers, including  
16 suppliers of plate.

17 Consequently, CAT bases its purchasing  
18 decisions for cut-to-length plate and all other inputs  
19 primarily on quality. In addition to meeting quality  
20 requirements, suppliers must meet CAT's delivery,  
21 logistics, and supply chain cost criteria.

22 One of CAT's biggest purchasing problems  
23 with plate is the tight supply situation. While CAT's  
24 demand for plate has grown in recent years, the supply  
25 has not kept pace, and, on occasion, CAT has been

1 placed on allocation. Such conditions have placed CAT  
2 in the untenable position of not being able to produce  
3 its products in a timely manner, as its customers  
4 require.

5 CAT is concerned that continued tight supply  
6 conditions may lead to extended lead times in the near  
7 future. For example, recent press reports indicate  
8 that U.S. producers are going to cut production soon,  
9 worsening tight supply conditions. In addition,  
10 Caterpillar faced unprecedented price increases for  
11 cut-to-length plate. The U.S. suppliers of plate have  
12 dramatically raised prices since 2002. Despite  
13 Petitioners' claims that prices are currently falling.  
14 Caterpillar's fabrication suppliers have faced price  
15 increases throughout 2006, which they have sought to  
16 pass on to Caterpillar.

17 Despite these supply and price issues,  
18 Caterpillar continues to purchase cut-to-length plate  
19 from U.S. suppliers because of the consistent high  
20 quality that these producers provide, because of its  
21 commitment to establishing and maintaining long-term  
22 supplier relationships, and because of other nonprice  
23 factors.

24 These practices will not change on  
25 revocation of the antidumping orders because they are

1 an integral part of Caterpillar's business strategy.  
2 Revocation would simply provide Caterpillar with  
3 greater flexibility to relieve some of the current  
4 tight-supply issues it faces by importing small  
5 amounts of cut-to-length plate without the burden and  
6 uncertainty created by duties.

7 In the case of Mexico, for example,  
8 revocation could provide Caterpillar with a more  
9 convenient, cut-to-length plate supply for its U.S.  
10 southwestern facilities and fabrication suppliers,  
11 thus helping Caterpillar to attain improved  
12 efficiencies with respect to logistics.

13 Let me also say a few words about the  
14 conditions in the U.S. cut-to-length plate industry.  
15 We have seen a trend of consolidation among the  
16 producers in the industry over the past few years.  
17 Caterpillar welcomes this consolidation trend because  
18 it is making the industry more financially secure and  
19 providing more stable suppliers for CAT.

20 This consolidation is also occurring on a  
21 global scale. For example, Mittal Steel, a company  
22 headquartered in The Netherlands, acquired ISG in  
23 2005, which itself had acquired Bethlehem Steel in  
24 2002.

25 Thus, the domestic industry is far different

1 and stronger than it was at the time of the original  
2 investigations many years ago. And in this position  
3 of strength, which is likely to continue for the  
4 foreseeable future, the industry needs no further  
5 government protection. Instead, the antidumping  
6 orders on cut-to-length plate from subject countries  
7 should be revoked to ease supply limitations and  
8 provide much needed flexibility to domestic consumers,  
9 such as Caterpillar.

10 Thank you for your time this afternoon.

11 MR. DOUGAN: Good afternoon. I'm Jim Dougan  
12 from ECS.

13 In the time since this case was last before  
14 the Commission, a remarkable transformation has taken  
15 place in the U.S. CTL plate industry. Today, the  
16 domestic plate industry is a model of efficiency,  
17 having reinvented itself and, in the past two years  
18 alone, more than offset by billions of dollars every  
19 penny of operating loss incurred during the early  
20 years of the POR.

21 Let me turn now to the critical issues  
22 confronting the Commission today. Domestic producers  
23 place a great deal of emphasis on the antidumping  
24 orders as an essential factor in their restructuring  
25 and financial improvement. The fact is, there was no

1 correlation between the volume of imports and the  
2 health of the domestic industry during the POR. See  
3 the left-hand side of Slide 1.

4 During periods of substantial import relief,  
5 including as many as 18 antidumping orders and the  
6 Section 201 remedy, the industry still lost money and  
7 faced declining prices. However, since the 201 relief  
8 was lifted in December 2003, the U.S. CTL plate  
9 industry has enjoyed a period of financial success  
10 unparalleled for decades, as you can see to the right-  
11 hand side of the chart. Indeed, a rise in imports,  
12 entirely driven, by the way, by nonsubject imports  
13 since the 201 relief was lifted, coincided with the  
14 record-breaking profits for the domestic industry.

15 In sum, the domestic industry's improvement  
16 and continued success is driven not by any import  
17 relief but by two primary factors: one, strong  
18 demonstrate, with concurrent and continuing growth in  
19 each of the major end-use segments; and, two, the  
20 restructuring of the domestic industry, with the  
21 resulting improvements in its efficiency.

22 The various trade press articles and  
23 government publications attached at Exhibits 2 and 5  
24 to our joint brief are just a sample of the public  
25 record data that demand is expected to grow

1 simultaneously in all of the key end-use markets for  
2 CTL plate. This sustained growth includes booming  
3 demand in the energy industry, increased demand for  
4 rail cars and industrial equipment, and substantial  
5 increases in nonresidential construction activity  
6 enhanced by the Federal Highway Bill and hurricane  
7 reconstruction in the Gulf Coast region.

8 As a matter of fact, it appears that the  
9 four major domestic mills themselves -- IPSCO, Mittal,  
10 Nucor, and Oregon -- recently prepared a group  
11 forecast for the carbon and alloy plate industry that  
12 confirms this outlook. That forecast was presented in  
13 September of this year at the Mittal Service Center  
14 Institute's Economic Forecast Conference in Schaumburg,  
15 Illinois.

16 While the Commission and Respondents did not  
17 have access to the report, nor was it provided in  
18 Petitioners' prehearing brief, key facts were cited in  
19 recent American Metal Market and Steel Business  
20 Briefing articles, and all point to an extremely  
21 strong demand outlook for the reasonably foreseeable  
22 future in the same key, end-use segments identified in  
23 the staff report.

24 Nothing has changed since the September 2006  
25 release of the domestic industry group forecast. Just

1 last week, David Sutherland, the CEO of IPSCO, was  
2 quoted in Steel Business Briefing discussing the  
3 booming plate market and said, "Clearly, our  
4 customers, both in plate as well as pipe, believe next  
5 year will be quite strong, certainly through the  
6 middle part of the year. Plate consumers don't think  
7 much beyond a quarter or two, but they are feeling  
8 quite good about 2007."

9 Thus, outside of these proceedings, the  
10 domestic mills paint a very different picture of plate  
11 demand than they presented in their prehearing briefs  
12 and in their testimony earlier today. Despite all  
13 evidence to the contrary, even from their own mouths,  
14 the domestic industry still claims that future demand  
15 growth for CTL plate will be undermined by, one, an  
16 impending recessing; and, two, a potential and  
17 temporary inventory adjustment.

18 At Exhibit 3 to IPSCO's prehearing brief,  
19 Schagrin Associates presents an economic submission  
20 that forecasts a coming recession in the U.S. economy.  
21 While we plan to provide a more detailed critique and  
22 rebuttal of this analysis in our posthearing brief, a  
23 few points are worth noting here.

24 The first, and most significant, point is  
25 that the Schagrin forecast, while an interesting

1 theoretical construct, is at odds completely with the  
2 domestic producers' own forecasts based on their own  
3 order books, customer relations, and other firsthand  
4 market intelligence.

5 Second, the Schagrin analysis explicitly  
6 recognizes that demand for plate responds to  
7 developments in certain key economic sectors, and I  
8 quote, "mainly nonresidential construction, industrial  
9 equipment, and transportation equipment." It then  
10 ignores measures of demand in these key economic  
11 sectors and forecasts plate demand on the much broader  
12 estimates of GDP and industrial production growth.

13 It concedes that residential construction is  
14 not a major demand driver for CTL but that if the  
15 decline in the housing sector causes an overall  
16 downturn in the economy, which has not happened,  
17 nonresidential construction "will inevitably decline  
18 with the lag." Since nonresidential construction  
19 projects usually take more than a year to complete,  
20 this decline would not occur until 12 to 24 months  
21 later.

22 In short, a cooling in the residential  
23 housing market might lead to a slowdown in the general  
24 economy sometime next year, which might be followed by  
25 a decline in nonresidential construction one to two

1 years after that.

2           Given all of the other variables at play,  
3 this stretches the definition of "reasonably  
4 foreseeable future." And even if such a slowdown in  
5 nonresidential construction were to occur, its effect  
6 on plate demand likely would be offset by strong  
7 demand in the energy and transportation sectors.

8           Third, to accept the arguments in the  
9 Schagrin submission and the stated implications for  
10 the CTL market, the Commission must find that a  
11 recession, usually defined as a decline in GDP for two  
12 consecutive quarters, is likely in the near term and  
13 that the negative effects thereof would occur within  
14 the reasonable foreseeable future. That would be pure  
15 speculation.

16           Fourth, the Schagrin analysis only evidence  
17 of this supposed slowing demand is actually occurring  
18 in the market for CTL plate are data points referring  
19 to recent price declines in hot-rolled band and flat-  
20 rolled steel, in general. These points ignore the  
21 domestic industry's price increases for CTL plate in  
22 August, September, and October of this year.  
23 Respondents provided ample evidence of the tightness  
24 in the plate market and how its market differs from  
25 that for other steel products at Exhibit 6 to the

1 joint brief.

2           With regard to the inventory adjustment, we  
3 remind the Commission that the domestic industry made  
4 virtually the same arguments in this room last year,  
5 stating that the demand improvements in 2004 were a  
6 one-time boom, driven by panic buying on the part of  
7 customers and that demand was already declining  
8 exacerbated by an inventory correction. This  
9 testimony came at the same time that these companies  
10 were a full nine months into accruing operating  
11 profits at an annual rate of 25 percent sales.  
12 Moreover, any possible upcoming inventory adjustment  
13 is a natural function of increasing plate prices.  
14 Distributors desire to increase their stocks is  
15 reflective of their view that prices are increasing,  
16 which, in turn, is a consequence of high and  
17 continuing strong demand. The Commission should not  
18 be persuaded by these forecasts of recession or an  
19 inventory adjustment. We are seeing increases in real  
20 fundamental demand in the market, not so-called  
21 apparent consumption. Any possible inventory  
22 adjustment in the coming months, which has yet to  
23 materialize, will represent only a decline in apparent  
24 consumption at the service center level and not actual  
25 demand. The actual demand by the domestic producers'

1 own forecast and backed by actual advanced orders from  
2 their customers in key end-use markets through at  
3 least 2007 is extremely positive into the reasonably  
4 foreseeable future.

5 But increase in demand is hardly the whole  
6 story. The domestic CTL plate industry has made  
7 significant improvements in its productivity and  
8 efficiency. It is literally not the same industry  
9 that existed at the time of the previous sunset review  
10 in 2000. Production has increased by 30 percent from  
11 2000 to 2006. Over the full review period, labor  
12 productivity is up by 56 percent and unit labor costs  
13 have declined by over 30 percent. The increases in  
14 demand and improved efficiency has driven the domestic  
15 industry to new heights of market power and economic  
16 success, earning profits unprecedented in recent  
17 memory. Any rise in raw material costs witnessed over  
18 the review period has been completely passed on to  
19 customers. In 2005 and through at least June 2006,  
20 the domestic producers enjoyed a 40 percent markup  
21 over cost of goods sold. This is an improvement from  
22 the 33 percent markup of what Mr. Ballou described  
23 this morning as the perfect storm of 2004. Within the  
24 past few months, the industry has increased prices by  
25 \$70 a ton.

1                   Now, in 2004, the domestic industry earned  
2                   \$794 million in operating profits, nearly equal to the  
3                   total profits earned by the industry in the preceding  
4                   13 years. In 2005, the industry's profitability  
5                   actually improved from this level, to a total profit  
6                   of \$1.1 billion. Operating profit through June 2006  
7                   was \$634 million, even higher than 2005 on an  
8                   annualized basis, and bringing total operating profits  
9                   since 2004 to approximately \$2.5 billion. With these  
10                  operating results, the domestic CTL plate industry is  
11                  not vulnerable to injury by region of subject imports.  
12                  The fact is the domestic CTL industry has been a wash  
13                  in cash for the last two-and-a-half years. They  
14                  merely have chosen not to spend it on their plate  
15                  assets in the U.S. Please refer to slide 10 on the  
16                  screen above. This exhibit shows that during the POR,  
17                  domestic producers' capital expenditure were below  
18                  their depreciation expense. This is the story  
19                  domestic producers want you to see.

20                  What they prefer you didn't see is on the  
21                  next page at slide 11. Cash flow is a metric that  
22                  represents a reasonable proxy for the funds available  
23                  to domestic producers for investment without having to  
24                  resort to borrowing. This chart shows that the  
25                  domestic industry's cash flow in 2004 alone was

1 sufficient to cover all depreciation expenses incurred  
2 from 2000 to 2004, which is represented by the orange  
3 box, with enough left over from that one year to  
4 recover the negative cash flows from 2000 to 2003,  
5 represented by the yellow box, and still cover the  
6 capital expenditures for 2004. That's the blue box.  
7 When one adds cash flow from 2005 and 2006 to the mix,  
8 the point is even more striking. Please look at slide  
9 12. Domestic industry cash flow exceeds depreciation,  
10 the orange box, plus capital expenditures for the  
11 entire POR, the blue box, plus a repayment, if you  
12 will, of the negative cash flows of the 2000 to 2003  
13 period, the yellow box, by nearly \$1.5 billion.  
14 That's the green box.

15 Thus, the domestic industry's argument that  
16 the orders must remain in place until it earns capital  
17 required for future investments is specious. It has  
18 had the capital and it has chosen to spend it  
19 elsewhere.

20 Despite the strong demand forecasts, the  
21 industry's demonstrated pricing power and their  
22 excellent financial results, the domestic mills  
23 continue to argue that they are vulnerable to injury,  
24 because the U.S. market will attract huge volumes of  
25 subject plate in the absence of the orders. Domestic

1 producers claim that the U.S. is the prime market for  
2 plate across the globe and that its size and high  
3 prices make it a magnet for imports from all over the  
4 world. If this picture of the U.S. market was true in  
5 the past, it is certainly not true today. According  
6 to data in the staff report, the U.S. market's current  
7 share of global consumption is small and has been on a  
8 declining trend since the time of the original  
9 investigation. While the data, themselves, are  
10 confidential, I refer the Commissioners to Exhibits 12  
11 and 13 of the joint Respondents' pre-hearing brief and  
12 ask if these data support the claim that the U.S. is  
13 the prime market in the global plate industry now or  
14 into the foreseeable future.

15 But beyond mere size, arguments regarding  
16 the price differentials between the U.S. and other  
17 markets are grossly oversimplified and misleading.  
18 For one, the data relied upon by U.S. producers to  
19 develop these arguments is subject to the following  
20 caveats, as noted in the staff report, on page CTL-IV-  
21 93. These data are collected based on different  
22 product categories, timing, and commercial  
23 considerations and, thereby, may not be directly  
24 comparable with one another. Moreover, such data are  
25 distinct from the pricing data purported in the staff

1 report, which are collected directly from U.S.  
2 producers and U.S. importers via the Commissioner's  
3 questionnaires. While the exact data used in the  
4 analysis are confidential, I refer the Commission to  
5 pages 72 to 75 of the joint Respondents' pre-hearing  
6 brief and the corresponding exhibits at 20 to 23.  
7 This analysis shows, using data from the staff report  
8 and questionnaires, that the price differentials  
9 between markets do not exist to the degree claimed by  
10 the domestic industry, if they exist at all.

11 Finally, the questionnaire data indicate  
12 that U.S. producers with the lowest prices do not gain  
13 market share at the expense of those with higher  
14 prices, suggesting that other non-price factors, such  
15 as lead times, are at play in determining market  
16 share. There is no reason to believe that the market  
17 dynamics would be any different for plate imports.  
18 This is particularly true, given the much more  
19 significant lead times and transportation costs  
20 associated with bringing imported plate to the U.S.  
21 market. This concludes my remarks. Thank you.

22 MR. PRUSA: Good afternoon. My name is Tom  
23 Prusa and I'm a professor of economics at Rutgers  
24 University. Let me begin by discussing the question  
25 of subject foreign capacity. Capacity utilization

1 rates of foreign producers in subject countries  
2 indicate little ability to export significant volumes  
3 to the United States. Due to confidentiality  
4 concerns, let me just say that the Respondents are  
5 operating at very high capacity utilization rates.  
6 This indicates little ability to direct or redirect  
7 shipments of cut-to-length plate to the United States.  
8 Accordingly, there is no basis to believe that the  
9 absence of the orders will likely cause significant  
10 volumes to be shipped to the United States.

11 The pre-hearing report indicates that high  
12 subject supplier capacity utilization rates are not  
13 simply found in the interim period, but have  
14 characterized subject countries for several years.  
15 The inability of subject suppliers to shift supply  
16 from other markets to the United States is not just a  
17 passing phenomenon. Rather, it has been the condition  
18 in the market for a long time. Simply put, the cut-  
19 to-length plate market is tight, very tight. Let me  
20 mention two independent sources that confirm the  
21 tightness in the market.

22 First, there are numerous trust articles  
23 confirming the findings in the pre-hearing report.  
24 Plate buyers are struggling to get their product into  
25 the United States. The number and the tone of these

1 articles suggest that domestic capacity utilization  
2 rates are notional, rather than practical. On October  
3 5<sup>th</sup>, Purchasing Magazine reported a survey of  
4 purchasers that cited plate among those products  
5 currently in short supply in the market. Plate buyers  
6 are also struggling to get their product abroad. As  
7 discussed in the pre-hearing brief, their reports of  
8 foreign plate buyers having order backlogs as long as  
9 a year.

10 Second, the pre-hearing report indicates  
11 that capacity utilization in subject countries is  
12 higher than U.S. capacity utilization. This is  
13 noteworthy, because the economic study in Exhibit 1 of  
14 the Nucor brief notes that U.S. producers have little  
15 ability to increase their supply. But, if U.S.  
16 producers have little ability to increase their supply  
17 and if foreign producers are running their mills at  
18 higher capacity utilization, then surely foreign  
19 producers should not have the ability to ship  
20 significant quantities.

21 Market shifting is a related issue. The  
22 Petitioners claim that the majority of subject  
23 countries' production is destined for export markets  
24 and that these exports would be diverted to the U.S.  
25 market. This claim is false. The Petitioners are

1       deceiving the Commission to the true nature of most  
2       subject country sales. Seven of the subject countries  
3       are EU member states and Petitioners note that EU  
4       countries are subject suppliers with large export  
5       shares. However, the EU is a single common market.  
6       This means that intra-EU trade is properly viewed as  
7       home market trade. Once this is recognized, the  
8       Petitioners' export orientation argument falls apart.  
9       While intra-EU trade may technically be classified as  
10      exports, it does not reflect export orientation in the  
11      sense that Petitioners suggest. The market reality is  
12      that in order for subject countries to increase export  
13      shipments to the United States, they would have to  
14      terminate lucrative long-term relationships with  
15      current European or, more generally, home market  
16      customers.

17                The second issue stems from Petitioners'  
18      suggestion that subject producers would or could  
19      resort to product shifting, in order to ship more cut-  
20      to-length plate to the United States, if the orders  
21      are revoked. Such allegations are unsubstantiated and  
22      are belied by the record in the proceeding. To begin  
23      with, Petitioners focus on phantom capacity among  
24      subject countries to produce more cut-to-length plate  
25      on hot-strip mills. No support is offered for this

1 claim, other than noting that it is possible to  
2 produce plate on a hot-strip mill. No effort is made  
3 to identify those subject producers that, in fact,  
4 operate hot-strip mills or what capacities such mills  
5 are currently operating.

6 The Commission has previously found that  
7 hot-strip mills can only produce a narrow range of  
8 plate products. The Commission has also collected  
9 data on the percent of plate produced by subject  
10 producers on their hot-strip mills, which is roughly  
11 10 to 11 percent of total cut-to-length plate  
12 production. That information is quite compelling, in  
13 light of the strong demand in prices in global markets  
14 for cut-to-length plate. Suffice it to say that if  
15 any product shifting would or could occur on hot-strip  
16 mills, it would have already happened. But the record  
17 data collected by the Commission reveals that it is  
18 not. The percentage of cut-to-length plate produced  
19 by subject producers on hot-strip mills is low, when  
20 one would have expected a much higher percentage if  
21 the Petitioners' claims regarding production shifting  
22 were, in fact, true.

23 Petitioners, also, suggest that subject  
24 countries would shift from non-subject cut-to-length  
25 plate to subject plate. Again, there's no

1       substantiation for this claim. To the extent subject  
2       producers can produce both subject and non-subject  
3       cut-to-length plate on the same equipment, non-subject  
4       cut-to-length plate serves a much smaller segment in  
5       the market and tends to be more specialized. Non-  
6       subject cut-to-length plate is serving particular  
7       specialized demand and that is unlikely to be  
8       abandoned simply to sell more carbon cut-to-length  
9       plate. Again, if there was an incentive to abandon  
10      such specialized accounts, it would have already  
11      happened in today's global plate market. It has not.

12                I would now like to briefly discuss the  
13      economic study contained in Exhibit 1 of the Nucor  
14      brief. The study is so badly flawed, its results tell  
15      us nothing about the actual workings of the cut-to-  
16      length plate market. Their analysis is based on two  
17      findings. First, subject countries have ample excess  
18      and divertable capacity and, two, that world pricing  
19      for plate is far below current U.S. prices.

20                With respect to the first finding, the study  
21      goes to great pains to argue that subject suppliers  
22      have millions of tons of cut-to-length plate just  
23      waiting to be shipped to the United States. This  
24      finding will surely come as a surprise to cut-to-  
25      length plate buyers in the subject countries, who are

1 on allocation right now. To get this inflated figure,  
2 the Petitioners assume that subject countries can run  
3 their mills indefinitely at 100 percent capacity  
4 utilization. Moreover, they fail to note that cut-to-  
5 length plate production in Romania, the subject  
6 country responsible for the majority of export to the  
7 United States, is fully controlled by Mittal.  
8 Moreover, Romania cut-to-length plate is predominantly  
9 engages that bring it into direct competition with the  
10 bulk of domestic product. This is not true for most  
11 subject suppliers. As I have already mentioned, the  
12 study acknowledges that U.S. mills cannot supply much  
13 additional cut-to-length plate due to capacity  
14 constraints. Nevertheless, the study asserts that  
15 subject mills can supply millions of tons of plate,  
16 notwithstanding that U.S. capacity utilization rates  
17 are less than subject countries. Their conclusion  
18 that there are millions of tons of divertable capacity  
19 is fictitious.

20 The study's second major contention is that  
21 price differences across markets mean subject  
22 countries will divert supply. Their assertion ignores  
23 transportation costs. As was discussed this morning,  
24 the pre-hearing report detail significant  
25 transportation costs. In fact, the pre-hearing report

1 indicates that transportation costs account for most  
2 of the differences in the prices across markets.  
3 Thus, the so-called findings that underlie their  
4 analysis are both imaginary and rejected by the data  
5 in the pre-hearing report.

6 Further, the study is full of internal  
7 contradictions. For instance, the study begins by  
8 arguing that plate from all suppliers is wholly  
9 interchangeable. Yet, a few pages later, the study  
10 assumes that non-subject supply would not react to any  
11 increase in subject supply. Well, the only way this  
12 could happen is if plate from non-subject suppliers is  
13 somehow different from plate from subject suppliers,  
14 which according to their own words is not true. Said  
15 differently, the model is rigged and rigged in a way  
16 that contradicts their own assumptions.

17 Let me, also, stress that the Petitioners'  
18 model is not the same as COMPAS. COMPAS allows import  
19 volumes to be determined by the market. But since  
20 COMPAS gives too small impact in this case, the  
21 Petitioners, instead, assume that subject country  
22 import volume will increase by a truly unrealistic  
23 amount. According to the Petitioners' theory, the  
24 volume of subject imports is not the result of supply  
25 and demand interaction, rather they prefer to pull a

1 number out of thin air. Ironically, at the end of the  
2 day, their simulation model highlights not the  
3 domestic industry's vulnerability, but its remarkable  
4 health. After all the convoluted effort and argument,  
5 one would have thought that the study would conclude  
6 that there is a dramatic impact of the contrived  
7 massive surge of subject imports. In an industry that  
8 has made an excess of 20 percent profit for three  
9 years running and is currently making over 25 percent  
10 operating margin, I would argue their rigged  
11 conclusion, in particular, the amount by which the  
12 operating margin is predicted to fall is not  
13 meaningful.

14           The last topic I will address is China. Let  
15 me begin by reminding the Commission that China is not  
16 part of this investigation and is subject to  
17 antidumping orders for at least three more years. As  
18 a result, the domestic industry's belief that China's  
19 emergence justifies the Commission maintaining orders  
20 on cut-to-length plate from all suppliers requires a  
21 rather remarkable set of events to occur. We begin by  
22 noting that most subject countries do not ship  
23 significant tonnage of cut-to-length plate to China.  
24 Of subject countries' sales to China, two-thirds of  
25 from Taiwan. Most other subject countries ship no

1 more than a few thousand tons or less per year to  
2 China. In addition, subject countries account for  
3 only about 20 percent of China's cut-to-length plate  
4 exports in the most recent period. Most of China's  
5 cut-to-length plate exports are destined for other  
6 markets.

7           The Petitioners' argument also requires  
8 demand in subject countries grow sufficiently slowly,  
9 so Chinese exports create excess capacity for subject  
10 producers. Data in the pre-hearing report cast doubt  
11 on this argument, as demand projections that indicate  
12 demand growth would be quite strong for the reasonably  
13 foreseeable future. Moreover, the pre-hearing report  
14 indicates that demand growth in other markets will  
15 likely outpace demand growth in the United States.  
16 This last point is very important. As domestic  
17 industry's story that China requires a continuation of  
18 orders on subject countries, assumes that countries  
19 will chose to ship to the United States over other  
20 markets that are also growing and also have high  
21 prices.

22           Subject countries have long-standing  
23 relationships with existing plate customers in other  
24 markets. These other relationships dominate the  
25 potential prospect of additional U.S. sales. The

1 domestic industry's view about the need for subject  
2 suppliers to ship to the United States market is  
3 rejected by record data. The domestic industry also  
4 assumes that the United States is the only country in  
5 the world concerned about the potential injurious  
6 effects of Chinese cut-to-length plate. This  
7 assumption is incorrect. The subject countries rank  
8 among the world's leading antidumping users. Seven  
9 subject countries are EU members, a long time heavy  
10 antidumping user. Two other subject countries, Mexico  
11 and Brazil, are also major users of antidumping laws.  
12 There have been several press reports that Mexico is  
13 considering an antidumping investigation against cut-  
14 to-length plate against China -- from China.  
15 According a press release provided in the Nucor brief,  
16 the EU is also considering an antidumping  
17 investigation against China. In fact, just two days  
18 ago, Steel Business Briefing reported that the threat  
19 of EU trade actions is leading the Chinese to restrict  
20 their plate exports.

21           The bottom line is that in light of the  
22 industry's current performance, in light of the  
23 current and projected robust demand, and in light of  
24 the many strained assumptions required for the  
25 Petitioners' China argument to be valid, the

1 Commissioner can and should disregard the China  
2 causation story as speculative and unsubstantiated.  
3 Thank you.

4 MR. CUNNINGHAM: Good afternoon. I'm Dick  
5 Cunningham, counsel for the Corus Group. The Corus  
6 Group witnesses today will persuade the Commission,  
7 first, that termination of the order, as to the United  
8 Kingdom, poses no threat whatsoever to the domestic  
9 industry; and, second, that it is not appropriate to  
10 cumulate UK imports with those of other countries.  
11 But, at the outset, I want to emphasize to the  
12 Commission that if it is possible to prevail on this  
13 argument entirely by presenting witnesses from the  
14 British Isles with really charming accents, then we  
15 win hands down. In that regard, let me turn first to  
16 Mr. Richard White.

17 MR. WHITE: That's the nicest thing that  
18 he's ever said to me.

19 (Laughter.)

20 MR. WHITE: Good afternoon. My name is  
21 Richard White. I've been with Corus for 29 years, but  
22 for the last six years I've been general manager  
23 responsible for the sales and marketing of plate.  
24 Corus UK no longer employs its formal strategy of  
25 selling largely commodity plate products. Starting

1 informally in 2001 and more formally in 2003, Corus UK  
2 adopted a new strategy, touted the Corus Way, premised  
3 on greatly increasing the percentage of sales of  
4 specialized steel products and providing the most  
5 comprehensive service possible. As a result, our  
6 adoption and implementation of the Corus Way within  
7 the plate's business, Corus now sells plates, products  
8 in one of three models, depending on the market.  
9 Inside the United Kingdom, Corus continues to sell  
10 both commodity and specialized plate products largely  
11 to end-users, its own distribution business, and to  
12 specialized stockholders. In the rest of the European  
13 Union, which we consider to be our home market, Corus  
14 sells specialized plate products and some commodity  
15 plate. However, the EU commodity plate sales are  
16 mostly to long-term end users or customers and the  
17 shipbuilding and yellow goods industries that involve  
18 very specialized services. For example, one of  
19 Corus's principle commodity plate customers in the EU  
20 has been a customer for over 60 years. This customer  
21 recently renewed their long-term contract, which will  
22 account for a very large percentage of all Corus EU  
23 sales of commodity plate products.

24 In exports to the rest of the world, Corus  
25 only sells small quantities of specialized plate,

1 plate products. Consistent with their strategy, Corus  
2 will only sell small quantities of specialized plate  
3 products in the United States, if the antidumping  
4 order on the UK plate is revoked. Thank you for  
5 allowing me to speak to you today. I will be happy to  
6 answer any questions.

7 MR. CUNNINGHAM: We next turn to Mr. Paul  
8 Parkins.

9 MR. PARKINS: Good afternoon. My name is  
10 Paul Parkins. For the past nine years, I've worked  
11 for Corus UK Limited, the sales manager, energy  
12 engineering, principally involving plate products.  
13 Prior to this position, I worked for Corus UK, British  
14 Steel Corus's predecessor, in primarily metallurgical  
15 roles, such as in product and process development.  
16 Total, I've worked in the British steel industry for  
17 over 23 years.

18 Corus UK is the largest steel producer in  
19 the United Kingdom. It manufactures a variety of cut-  
20 to-length plate products, principally using reversing  
21 mill technology. Corus restrict sales outside the  
22 European Union to limited volumes, specialized cut-to-  
23 length plate products, to meet very exacting physical  
24 or chemical specifications, in which in the main part,  
25 is heat-treated plate, produced at Corus's extensive

1 heat treatment facilities.

2 Corus UK has made significant investment  
3 over the last 10 years in areas such as ladle  
4 metallurgy and vacuum degassing. These investments  
5 have not increased capacity, because they are to  
6 improve product quality and value to the customer.  
7 Additionally, Corus UK is able to make plate thicker  
8 than many steel producers supplying plates up to eight  
9 inches thick. Corus spends more than \$240 million per  
10 year on research and development activities, to  
11 further refine its process capability, develop new  
12 products application, to meet ever more stringent  
13 customer requirements.

14 In addition to the benefits provided by the  
15 physical capability of each process equipment, Corus  
16 provides specialized services to its customers. For  
17 example, by developing a full understanding of its  
18 customers' businesses, Corus is able to provide  
19 maximum flexibility in the dimensions applied to  
20 customary order and is able to deliver plate to much  
21 closely customer's manufacturing schedules.

22 If the antidumping order on cut-to-length  
23 plate from the United Kingdom were revoked, Corus UK  
24 would only sell small quantities of these kinds of  
25 specialized plate products, with these specialized

1 services to the customers in the United States. Thank  
2 you for allowing me to speak to you and I will be  
3 happy to answer any questions you may have later.

4 MR. CUNNINGHAM: As we proceed with this  
5 testimony, I trust the Commission is noticing that  
6 there is no resemblance whatsoever to the type of  
7 imports that the domestic industry complains of. Let  
8 me turn now to Pete Joyce of Corus UK.

9 MR. JOYCE: Good afternoon. My name is  
10 Peter Joyce. I work at Corus, as a sales manager.  
11 Corus America Inc. sells a variety of steel products  
12 in the United States, including cut-to-length plate  
13 not subject to antidumping or countervailing duties.  
14 If the antidumping order is lifted, I expect Corus  
15 would sell modest quantities of specialized plate  
16 products in the United States, primarily to three  
17 market segments: (1) the offshore and energy sector;  
18 (2) the construction and mining sector; and three, the  
19 original equipment manufacturing sector. These  
20 sectors are experiencing exceptional prosperity. My  
21 customers and contacts consistently report that the  
22 cut-to-length plate market is expected to remain very  
23 strong for the foreseeable future and also that there  
24 is insufficient domestic cut-to-length plate supply to  
25 satisfy demand. In this regard, the Commission should

1 note that current military needs and government work  
2 projects, such as the recently passed \$280 billion  
3 highway transportation bill almost always requires the  
4 use of large amounts of domestically-produced steel,  
5 because of Buy American conditions. As a result,  
6 other market segments, such as energy or construction  
7 must wait.

8 I understand that cut-to-length plate  
9 customers are being forced to wait at least three or  
10 four months and as long as 12 months for certain  
11 specialized non-commodity products. Those specialized  
12 products are what we would offer in the United States,  
13 if this order is terminated. Thank you.

14 MR. CUNNINGHAM: Now for a customer's  
15 viewpoint on these issues, let me turn to Patrick  
16 Boyle.

17 MR. BOYLE: Good afternoon. My name is Pat  
18 Boyle and I'm the president of the Houston Office of  
19 Murray International Metals, a division of Edgen  
20 Carbon Products Group. I've been with the company for  
21 over 30 years. Murray supplies carbon structural  
22 steel shapes, plates, and tubulars to the offshore oil  
23 and gas construction industry. Murray has a long  
24 standing relationship with Corus Murray offices in the  
25 U.K., Dubai and Singapore all buy from Corus's plate

1 mills in the U.K. If our Houston office could  
2 purchase from Corus in the U.K., I believe we could  
3 expand our business in the United States, which, in  
4 turn, would provide benefits for our customers. This  
5 would not displace purchases from U.S. producers. We  
6 do not purchase significant quantities of plates from  
7 U.S. producers. Our experience with U.S. producers is  
8 they do not have the specialized products that our  
9 customers seek from us. Moreover, my customers and  
10 other end users tell us that U.S. producers often have  
11 significant service and delivery issues with these  
12 specialized products.

13 If the antidumping order were lifted, I  
14 would expect our Houston office to purchase limited  
15 volumes of specialized products from Corus. We would  
16 not expect that Corus would switch significant volumes  
17 from our other offices, in order to supply the United  
18 States. For example, my colleagues in the Murray  
19 offices in the U.K., Dubai and Singapore simply are  
20 not going to allow the Houston office to utilize their  
21 tonnage. They need their tonnage to satisfy their  
22 customers.

23 I think Corus view us as a long-term  
24 strategic customer, to switch to the United States  
25 would not be a positive part of the relationship we

1       enjoy. Thank you for allowing me to speak to you. I  
2       will be happy to answer any questions.

3               MR. CUNNINGHAM: Finally for some economic  
4       views, but alas no accent whatsoever, I'll turn to  
5       Bruce Malashevich. I would like to ask that the  
6       extended version of those remarks, which have been  
7       distributed, be incorporated in the record.

8               MR. MALASHEVICH: Good afternoon, Mr.  
9       Chairman, members of the Commission. My oral  
10      testimony just briefly addresses the major economic  
11      contentions made by Petitioners, which simply do not  
12      apply at all to Corus's circumstances.

13              First, U.K. exports were small in volume and  
14      declining in trend during the original investigation  
15      in this proceeding. Corus's plate capacity has been  
16      significantly reduced by physically dismantling major  
17      production facilities. Corus did not, as it could  
18      have done, bring in plate from affiliated plate mills  
19      in the Netherlands not subject to any order to  
20      maintain its position in the U.S. market, if it wanted  
21      to. It didn't. When Canada lifted its plate  
22      antidumping order, Corus's exports to Canada remained  
23      negligible and still are negligible. Finally, Corus's  
24      plate exports simply do not fit the producer's market  
25      profile, comprised of spot sales of commodity plate

1 sold through distributors.

2 Since the order was entered in this case,  
3 Corus has adopted a corporate strategy of  
4 concentrating export sales outside the EU on specialty  
5 plate products produced only to order and only for  
6 sales directly to end users. It couldn't be any more  
7 different than what the domestic industry described  
8 this morning.

9 IPSCO, in its brief, paints a dire picture  
10 of increases in subject countries' capacity and  
11 softening global demand. The capacity increase  
12 argument, like I said, does not apply at all to Corus.  
13 As to the claim of softening demand, I urge the  
14 Commission to look at the forecast, more specifically  
15 at the confidential figures at page 44 of Mittal's  
16 brief. If softening means anything more than some  
17 slowing in the rate of growth, Petitioners' own  
18 figures don't show it. In short, the domestic  
19 industry's import concerns do not relate at all to the  
20 circumstances of U.K. plate, and please see my  
21 prepared statement for more details. Thank you.

22 MR. CUNNINGHAM: That concludes the U.K.  
23 testimony.

24 MR. PIERCE: For the record, I'm Tim Ken  
25 Pierce, counsel to Altos Hornos de Mexico, the sole

1 Mexican mill, AHMSA. With me today to answer the  
2 Commission's questions is Luis Landois, AHMSA's  
3 director of sales, and Federico Reyes of AHMSA  
4 Corporate Finance.

5 Mexico should not be cumulated, because its  
6 revocation would not be likely to have any discernible  
7 adverse impact on the domestic industry. Mexico's  
8 decumulation is, also, warranted in the Commission's  
9 discretion, because Mexico's condition of competition  
10 are so decidedly different from the other subject  
11 countries. Either way, a separate negative  
12 determination should be rendered on Mexico.

13 Under NAFTA, Mexico and the domestic  
14 industry have closely aligned interest. Just as the  
15 order on Canada was revoked by the Commission in 2000,  
16 so should be Mexico's today. Mexico's shipments to  
17 Canada were small to nonexistent following Canada's  
18 2003 revocation of its order on Mexico and so will be  
19 Mexico's shipments to the U.S., if the Commission  
20 revokes. For example, there was no surge of imports  
21 in Mexico when it was exempted from the 201 measures,  
22 just as there was none to Canada when Mexico was  
23 exempted from the Canadian safeguards. Running at  
24 full capacity, AHMSA cannot begin to meet growing  
25 demand in Mexico. It can supply only about half of

1 home market consumption. This is why AHMSA makes  
2 virtually no exports, whether to China or anywhere  
3 else. This is why nearly a quarter of total Mexican  
4 demand is met by U.S. imports into Mexico.

5 The fact is that the Mexican and U.S. cut-  
6 to-length markets are closely integrated. AHMSA  
7 sources millions of dollars of coal and iron ore to  
8 make steel for sale in Mexico from the United States.  
9 The domestic mills ship millions of dollars worth of  
10 cut-to-length plate to Mexico. Indeed, as shown on  
11 page 36 of Mexico's brief, AHMSA's prices in Mexico  
12 closely track U.S. market prices. And indeed in the  
13 1999 review of Mexico's antidumping order on cut-to-  
14 length plate from the United States, AHMSA withdrew  
15 the petition to allow termination of that order and  
16 opened this NAFTA trade channel.

17 Integration is also found in the fact that  
18 AHMSA will soon be filing an antidumping petition  
19 against cut-to-length plate in ports from China, so  
20 that all three NAFTA members will have orders against  
21 China in place in the foreseeable future. Given that  
22 Mexico is a net importer and that the U.S. is the  
23 largest import source, the U.S. mills will be the main  
24 beneficiary of an antidumping action limited to China.

25 AHMSA's major home market customers are U.S.

1 multinational corporations with operations on both  
2 sides of the border. Because AHMSA is a qualified  
3 supplier and have improved the logistical efficiencies  
4 of their production, these American OEMs need the  
5 flexibility to source from AHMSA NAFTA-wide, even  
6 though AHMSA has no affiliated U.S. importer. Only  
7 revocation by the Commission will allow this. This is  
8 why AHMSA is seeking revocation. There is no other  
9 logical reason to do so, given its home market demand  
10 and orientation. Thank you. Dr. Prusa?

11 MR. PRUSA: Once again, good afternoon. I'm  
12 Tom Prusa of Rutgers University. I now want to talk  
13 to you about issues specific to Mexico. When the  
14 Commission takes a close look at Mexico-U.S. cut-to-  
15 length plate trade, there is only one conclusion that  
16 can be drawn. Upon revocation of the Mexican orders  
17 individually, subject imports from Mexico will have no  
18 discernible adverse impact on the domestic industry.

19 Mexico poses no risk to the United States  
20 cut-to-length plate industry. To begin with, subject  
21 imports from Mexico have been minuscule over the  
22 period of review. In fact, in almost all years,  
23 AHMSA, which is the only integrated steel mill that  
24 produces cut-to-length plate in Mexico, has shipped  
25 zero tons to the United States. The reason is quite

1 simple. Even operating at 100 percent capacity, AHMSA  
2 cannot come close to satisfying Mexican home market  
3 demand. The truth is that Mexico must import hundreds  
4 of thousands of cut-to-length plate. And despite what  
5 Petitioners might have you believe, this is not a  
6 recent phenomenon. During the POR, Mexico never  
7 imported less than 180,000 tons of cut-to-length  
8 plate. Furthermore, Mexican's dependence on foreign  
9 cut-to-length plate supply is growing over time.  
10 Mexico's tiny exports and its large imports mean that  
11 Mexico is a large net importer of cut-to-length plate.

12 It should be noted that the United States  
13 has been the largest supplier of cut-to-length plate  
14 to the Mexican market. That's right. The firms that  
15 were here this morning actually sell hundreds of  
16 thousands of tons of cut-to-length plate to Mexico  
17 each and every year. What kinds of magnitudes are we  
18 talking about? Well, in 2005, the U.S. cut-to-length  
19 plate exports to Mexico were more than 450, 450 times  
20 larger than the U.S.'s imports from Mexico. The U.S.-  
21 Mexico trade pattern totally contradicts the notion  
22 that Mexico would have a discernible impact on the  
23 United States.

24 What has changed since the order was  
25 imposed? In a nutshell, Mexico's home market demand

1 for cut-to-length plate has grown dramatically and a  
2 lot of this growth is related to NAFTA. Cross border  
3 investments have transformed the Mexican economy and  
4 deepened the ties between Mexico and the United  
5 States. Investments have spurred growth in all key  
6 sectors that consume plate, including bridge building,  
7 pipelines, offshore platforms, residential and  
8 nonresidential construction, and other infrastructure  
9 development sectors.

10 Here are some specifics. Construction  
11 activity in Mexico have grown at more than twice the  
12 rate in the last five years than during the 1993-2000  
13 period. Housing construction is estimated to have  
14 grown 15 percent in 2004 and by another 13 percent in  
15 2005. More broad measures of building and  
16 construction industry reveal that every year since  
17 2002, the Mexican construction industry has grown  
18 faster than Mexican GDP and that that growth is  
19 increasing. The Mexican oil and natural gas  
20 industries are also booming and generating increased  
21 demand for cut-to-length plate. PEMEX, Mexico's  
22 state-owned oil company, is committed to expanding and  
23 modernizing its oil and gas production facilities for  
24 the remainder of the decade. As discussed in the  
25 brief, virtually all aspects of PEMEX reconstruction

1 for laying about 9,000 kilometers of pipeline, to the  
2 construction of 45 new oil well platforms will involve  
3 large quantities of cut-to-length plate.

4 It seems that every day, there's another  
5 story about demand growth in Mexico. Just this week,  
6 Greenbrier, a U.S. company, announced a large new  
7 railcar facility in the same town as AHMSA's cut-to-  
8 length plate mill. This new facility is literally in  
9 AHMSA's backyard. This new facility, by itself, will  
10 consume about four percent of AHMSA's capacity. Note  
11 that this railcar facility should not be confused with  
12 the Trinity railcar expansion mentioned on page 16 of  
13 the Mexico brief.

14 Looking forward, Mexico will continue to  
15 import huge quantities of cut-to-length for the  
16 reasonably foreseeable future, much of that plate from  
17 the United States. This reality is not contingent on  
18 some improbable growth projections, but will be the  
19 case even if there were no growth in Mexico's home  
20 market. Of course, no growth is more than  
21 pessimistic. It's unreasonable. The simple truth is  
22 that for the foreseeable future, AHMSA cannot produce  
23 any more cut-to-length plate than it already is.  
24 Mexico must import large quantities of cut-to-length  
25 plate.

1           Petitioners' brief attempt to deceive the  
2 Commission about the effect of AHMSA's planned  
3 capacity expansion. Let's set the record straight.  
4 First of all, AHMSA's expansion is still at the  
5 planning stage and will be on line in the first  
6 quarter 2009 at the earliest.

7           Second, the expansion will increase AHMSA's  
8 subject cut-to-length plate capacity by less than  
9 350,000 tons, not the 500,000 tons the Petitioners  
10 suggest.

11           Third, Petitioners' brief suggests that  
12 AHMSA's expansion will threaten the U.S. industry  
13 within the reasonably foreseeable future. This is  
14 false. Given the uncertainty surrounding the new  
15 facility, any impact it might have on the market is  
16 surely beyond the reasonably foreseeable future. As  
17 shown on the chart, even with no or modest demand  
18 growth, Mexico will be importing large quantities of  
19 cut-to-length plate for the foreseeable future.  
20 However, we reject IPSCO's assertion that AHMSA's  
21 expansion is driven by export interest. Given  
22 projected growth in cut-to-length plate in Mexico,  
23 even after the AHMSA expansion, Mexico will still need  
24 to import over 270,000 tons of cut-to-length plate in  
25 2009. The Petitioners suggest that one must project

1 out to 2016 to justify AHMSA's expansion. This is  
2 wrong. Given its huge shortfall in cut-to-length  
3 plate capacity, Mexico is nowhere near self-  
4 sufficiency now and will not be for the foreseeable  
5 future. Mexico will continue to import cut-to-length  
6 plate even if the planned capacity expansion comes to  
7 fruition. Thank you.

8 MR. DUNN: Good afternoon. I'm Chris Dunn,  
9 counsel to Brazilian plate producers, USIMINAS and  
10 COSIPA. I'm appearing here today to set the record  
11 straight concerning certain allegations U.S. mills  
12 have made about Brazil's ability to export to the  
13 United States, if the order on plate is revoked.

14 First, despite Petitioners' claims, the  
15 record in this case shows that Brazilian mills do not  
16 have available capacity to export significant  
17 quantities of plate to the U.S. Brazilians mills are  
18 operating at or near their practical capacity. The  
19 U.S. mills have conjured up phantom capacity by  
20 assuming that Brazilian mills could ship at 100  
21 percent of their rated capacity levels or more  
22 immediately and indefinitely and that all this so-  
23 called unused capacity would come to the United  
24 States. It's just not true. At the high capacity  
25 utilization rates at which Brazilian mills are now

1 operating, exporting to the U.S. would require them to  
2 postpone or forego necessary maintenance, increase  
3 overtime, and delay deliveries to existing customers.  
4 This, they are not likely to do.

5 Brazilian producers have shown that the  
6 Brazilian market demand for plate is strong and  
7 growing rapidly, as Brazil moves to ensure energy  
8 self-sufficiency through the construction of large gas  
9 pipelines, new offshore drilling platforms, and the  
10 establishment of new fleet of jumbo ocean tankers.  
11 These projects require huge amounts of plate and will  
12 continue to do so over the foreseeable future. At the  
13 same time, Brazilian producers have developed  
14 substantial customers in other export markets, filling  
15 their order books. Brazil is not going to abandon  
16 existing domestic and export customers just to sell to  
17 the United States.

18 Second, U.S. mills claim that because  
19 Brazilian mills increased their exports to Canada  
20 following the end of the Canadian dumping order, they  
21 will do so to the United States, if this order is  
22 revoked. However, the Canadian and U.S. examples are  
23 completely different. The major reason that the  
24 Canadian dumping order on plate was lifted is that  
25 there has been an acute shortage of plate in Canada

1 since the closure of Stelco's plate mill in April of  
2 2003. That closure removed some 900,000 tons of  
3 Canadian plate production from the market. The  
4 remaining Canadian plate producers have been unable to  
5 fulfill this vacuum. U.S. mills are acutely aware of  
6 the Canadian shortage, or they should be, because they  
7 vastly increased their exports to Canada, dwarfing  
8 anything the Brazilian mills shipped. Indeed, imports  
9 into Canada from U.S. mills alone were more than 25  
10 times the level of imports from Brazil in 2005.  
11 Between 2005 and 2006, just the increase in imports  
12 from the United States alone is three-and-a-half times  
13 the total imports from Brazil this year. For U.S.  
14 mills to suggest that Brazil will increase its  
15 exports to the U.S. under these circumstances is just  
16 plain silly.

17 MR. MONTALBINE: Good afternoon. My name is  
18 Marc Montalbine of the law firm deKieffer & Horgan.  
19 We represent the German plate producers in this five-  
20 year review. It is a pleasure to be back before the  
21 Commission. The last time I was here was in November  
22 of last year for the five-year review of cut-to-length  
23 plate from France, India, Indonesia, Italy, Japan, and  
24 Korea. In that proceeding, we represented the major  
25 French producer GTS Industries. As the Commission

1 will remember, you found that France should not be  
2 cumulated with the other countries in that case and  
3 that revoking the antidumping duty order against  
4 France would not be likely to lead to continuation or  
5 recurrence of material injury within the reasonably  
6 foreseeable time, and the Commission was correct.

7           Since revocation of the French order, the  
8 quantities of imports have actually declined and the  
9 unit values have increased. The Commission will  
10 notice that the German industry in this case is very  
11 similar to the French industry in the 2005 review.  
12 Like the French industry, the German industry  
13 concentrates its production upon special grade  
14 products, such as line pipe plate that are not  
15 produced in sufficient quantities in the United  
16 States. In fact, the major French producer GTS is  
17 owned by the major German producer Dillinger and the  
18 two companies have a very similar product mix.

19           The German industry has undergone a major  
20 restructuring since the original investigations in the  
21 early 1990s. Of the six producers in 1992, only three  
22 remain and total German production capacity has fallen  
23 by some 40 percent. Moreover, as the U.S. Department  
24 of Commerce found in the last five-year reviews, the  
25 German industry no longer benefits from any

1       countervailable subsidies. Accordingly, as it did in  
2       the French proceeding, we ask the Commission to  
3       consider the German industry on its own without  
4       cumulation and determine that revocation of the  
5       antidumping duty order against German will not be  
6       likely to lead to the continuation or recurrence of  
7       material injury within a reasonable foreseeable time.  
8       Thank you, very much.

9               MR. DUNN: That concludes Respondents'  
10       panel. If we could reserve the balance of our time  
11       for rebuttal, I would appreciate it.

12              CHAIRMAN PEARSON: Of course. Thank you  
13       all, very much. Welcome to this afternoon session.  
14       We are in good shape. We are going to get out of here  
15       before 11:00, I'm quite sure. Let's see, I get to  
16       start the afternoon questioning. Let me start by  
17       going back to one of the issues that we had discussed  
18       with the domestic industry. That involved the  
19       increase in apparent consumption that we saw during  
20       the interim period, from the first five months of 2005  
21       to the first five months of 2006. Do you have any  
22       sense of how much of that increase in apparent  
23       consumption was attributable to inventory building by  
24       service centers, as compared to consumption that was  
25       actually effective demand in the marketplace? That

1 would probably be a question for those, who have  
2 access to the confidential data, and maybe something  
3 to address in posthearing.

4 MR. MALASHEVICH: I will take an initial  
5 stab at it, Mr. Chairman. Bruce Malashevich. I think  
6 the answer is a good bit of both. I cannot, at this  
7 time, offer a quantification, but we'll try to do so,  
8 as the best of our ability, posthearing.

9 CHAIRMAN PEARSON: Would you agree with the  
10 characterization of the domestic industry, that the  
11 service center inventories are higher now than at  
12 anytime since the first half of 2001?

13 MR. PRUSA: I do know in terms of -- the  
14 market is a lot bigger here, so to quote things in  
15 terms of just tonnage without taking into account that  
16 the market is two million tons bigger now than then,  
17 it's a little bit deceptive. I think that in terms of  
18 number of days of inventory, it's up a little bit, but  
19 not a huge amount.

20 MR. MCCULLOUGH: Matt McCullough with Wilkie  
21 Farr. One thing that I think is a good indication of  
22 what service centers are looking at is if you look at  
23 the processor industry, because that data is public,  
24 that operator of service centers that are processors,  
25 I think it's a function of real demand and what they

1 think demand will be in the future. If you look at  
2 their performance, they increased shipments by over 13  
3 percent between first half of 2005, which is record  
4 performance, to first half of 2006. And on top of  
5 that rather significant increase in shipments over  
6 record levels, they added additional inventory of  
7 about three percent during the same period, I think,  
8 which indicates they think there will be more demand  
9 out there.

10 CHAIRMAN PEARSON: Okay.

11 MR. CUNNINGHAM: Might I?

12 CHAIRMAN PEARSON: Please.

13 MR. CUNNINGHAM: To put this in context, if  
14 you would look at the table to which Mr. Malashevich  
15 referred, at page 44 of the Mittal brief, and look at  
16 the increases in demand that they have set forth in  
17 that table, what you see is a quite substantial  
18 increase in the year you're talking about, consistent  
19 with what you're saying, consistent to what he said.  
20 Part of it would be inventory building and part of it  
21 would be the increase in end-use demand. But if it  
22 were substantially or a major part due to inventory  
23 building, then one would expect to see the forecast  
24 consumption fall off in the next periods in that  
25 table. And as you can see, it doesn't.

1           CHAIRMAN PEARSON: Okay. The firms  
2 represented here operate in quite a number of  
3 countries. Have we seen this same sort of inventory  
4 building either in distribution systems or held by  
5 producers in other countries? Is this a global  
6 phenomenon rather than a U.S. phenomenon?

7           MR. CUNNINGHAM: By that you mean a  
8 coordinated global phenomenon at the same time or just  
9 that this happens from time to time in all markets?

10          CHAIRMAN PEARSON: I'm not looking for  
11 conspiracies. I'm just wondering if that's the way  
12 the marketplace is operating, if --

13          MR. CUNNINGHAM: You're not asking whether  
14 it was happening -- it was, in fact, happening at the  
15 same time, just does this happen?

16          CHAIRMAN PEARSON: Are we seeing a global  
17 buildup in inventory --

18          MR. CUNNINGHAM: Oh, I see.

19          CHAIRMAN PEARSON: -- or simply a buildup in  
20 this country?

21          MR. LANDOIS: Luis Landois from AHMSA,  
22 Mexico. In Mexico, also in the service centers, we  
23 have seen a little bit of inventory building.

24          CHAIRMAN PEARSON: In the U.K.?

25          MR. WHITE: In the U.K., there's been no

1 significant stock build. If you want to look at  
2 Europe and get the most reliable data is Germany. The  
3 German statistics there was a continuing stock draw  
4 even into this year and there's been reversed a  
5 little. It's gone up slightly. I think it peaked at  
6 580,000 tons, I think it dropped to 470,000 tons, and  
7 I think it's now at 500,000 tons. There's no cause of  
8 concern on the stock levels. The other thing that's  
9 worth noting, in terms of Germany, is the stock ton  
10 has remained constant. The same number of weeks stock  
11 relative to sales have remained constant over the last  
12 three or four months. So, even though the stock has  
13 risen from the very bottom level, the stock tonnage  
14 remained the same. So, it's kept in pace with  
15 increased sales.

16 CHAIRMAN PEARSON: Okay. Mr. Parkins, did  
17 you have a comment?

18 MR. PARKINS: No.

19 MR. CUNNINGHAM: I would like to underline  
20 that these are temporary cyclical phenomena, that  
21 inventory buildups tend to occur as a consequence of  
22 significant price rises and then they are a corrective  
23 measure that lasts for a while, and then the  
24 inventories are worked off and prices go back up  
25 again. And I would commend to your attention the

1 charts at Tab 7 to Corus's pre-hearing brief, where  
2 you see, from a price standpoint, precisely that  
3 phenomenon and not only its downward part, but its  
4 corrective back upwards again when the inventory is  
5 worked off. What's important for a case like this is  
6 whether end-use demand is continuing to rise and  
7 that's why the table at page 44 of Mittal's brief is  
8 so crucial.

9 CHAIRMAN PEARSON: Right. And, of course,  
10 the purpose for asking the question is to try to  
11 understand what might the effect be in the U.S.  
12 market, if, indeed, we do have a larger than average  
13 inventory right now and if it is worked off in the  
14 reasonably foreseeable future, is it going to be  
15 having some effects that might be causing problems.  
16 So, based on past experience, what is your expectation  
17 for how the current inventory held in the United  
18 States might be absorbed by the market? Dr. Prusa?

19 MR. PRUSA: Well, all the demand  
20 projections, even this morning, were indicating that  
21 the market is very strong, pressure ports, buyers  
22 unable to get plate. So, the idea that this is going  
23 to cause some grave collapse in domestic plate prices,  
24 it seems -- the demand in -- the service centers have  
25 built up and my own guess is anticipation of further

1 price increases. So, they're trying to build up  
2 inventory in anticipation of end of the year. And,  
3 again, we had three straight months of announced price  
4 increases by the cut-to-length plate producers in the  
5 United States. How would you react if you know that  
6 three months from now that my prices are going to be  
7 \$70 a ton higher? I think I'll buy some plate today,  
8 if I can get it. I'll hold it inventory, because come  
9 November, they've already announced I will be paying  
10 \$70 a ton more. And it seems a natural reaction is to  
11 try to build up a little bit of inventory against  
12 already announced price increases. But, if you pin up  
13 demand and future demand is quite strong, it doesn't  
14 seem at all reasonable to think that you'll see prices  
15 fall significantly at all; actually, I would say  
16 prices fall at all.

17 CHAIRMAN PEARSON: Other comments on U.S.  
18 inventory and how it might affect the market in the  
19 year or two ahead?

20 MR. WHITE: If I can just refer back to some  
21 discussion this morning, which seemed to be of  
22 significant interest, and that was the effect on the  
23 U.S. stockholders of inventory, reduction of stock --  
24 windfall losses, when the price falls. In the U.K.  
25 and Europe, most stockholders have enjoyed significant

1 profit growth, because they've been holding stocks in  
2 a rising market. Most stockholders make provisions,  
3 internal provisions for paying when the market is  
4 going to fall. So, in terms of hedging, although it  
5 may seem strange to people, who are not in the  
6 industry, that is usually the mechanism in Europe for  
7 mitigating against any future falls at some point.

8 CHAIRMAN PEARSON: And for benefit of the  
9 court reporter, that was a comment by Mr. White.

10 MR. CUNNINGHAM: Might I add just one quick  
11 comment on that, I wanted to add on to that. Dick  
12 Cunningham. This is a phenomenon of commodity plate  
13 in a spot market, sales that through inventory held by  
14 distributors. It doesn't effect nor would it be  
15 affected by those imports that go to the specialized  
16 part of the market and which go particularly direct to  
17 end users, which would not contribute to this nor  
18 would it be affected by this in any significant way.

19 CHAIRMAN PEARSON: Okay. Well, I appreciate  
20 all of those comments. If there are further things  
21 that we should know for purposes of the posthearing  
22 about the current inventory levels in the United  
23 States and what they might mean for the market in the  
24 reasonably foreseeable future, by all means summarize  
25 that for us in the posthearing. Madam Vice Chairman?

1                   VICE CHAIRMAN ARANOFF: Thank you, Mr.  
2 Chairman, and I join the Chairman in welcoming this  
3 afternoon's panel. Thank you, particularly those of  
4 you, who have traveled significant distances to be  
5 with us and answer our questions this afternoon.

6                   Let me begin with some questions for -- I  
7 believe that was Mr. White and Mr. -- is it Parkins --  
8 Mr. Parkins from Corus. In your brief and in your  
9 testimony, you've told us that Corus has a business  
10 plan to restrict sales outside the home market to  
11 mostly more specialized higher value added products,  
12 and I can see why any producer in a relatively high  
13 cost country would want to move up the value chain  
14 like that. But what one plans to do and what one  
15 actually does are not always the same thing. The  
16 staff report definitely indicates that much of the  
17 production of your company continues to be in carbon  
18 structural steel plate less than an inch in thickness.  
19 So, to the extent that your business still is oriented  
20 towards more commodity-grade products, how does that  
21 effect your argument that, well, we have these, but we  
22 wouldn't send them here to the U.S.?

23                   MR. WHITE: Richard White, Corus. If I can  
24 explain to that. We've effectively transformed the  
25 business over the last three or four years. At one

1 point, we were very heavily dependent on European --  
2 our European business was heavily dependent in sales  
3 of stockholders, distributors. This year, if we look  
4 at those distributors that we don't own, are not part  
5 of the company, our sales will be less than 14 percent  
6 to distributors in Europe. In fact, that's the whole  
7 distributors in total, non-Corus owned. And even  
8 within those -- that tonnage, we have segmented the  
9 tonnage and it's not commodity, as we would describe  
10 or think what is being feared by American producers.  
11 Within the European sales, there's a very high  
12 percentage of shipping plate, which although it could  
13 be termed commodity, it's associated with high service  
14 levels, very big plates. It's sometimes shop blasted.  
15 There are service levels that go with that, that are  
16 contractual terms. So, we wouldn't actually view that  
17 as commodity plate, as this group would understand  
18 commodity plate. But in our numbers that have been  
19 submitted, technically, it's still commodity plate  
20 from a chemistry perspective.

21 VICE CHAIRMAN ARANOFF: Okay. And you do  
22 make a fair point there. And I guess I would ask all  
23 the parties when addressing this issue to be more  
24 precise than I perhaps was in asking the question.  
25 Nobody really does agree on precisely what's a

1 specialty and not a specialty product here. And so,  
2 if you're talking about something that you view as  
3 specialized in one way or another, just the more  
4 specific you can be about why, that would be helpful  
5 in evaluating your argument. Mr. Cunningham, you want  
6 to respond?

7 MR. CUNNINGHAM: Yes. This is Dick  
8 Cunningham. I might add a quick bit of history on  
9 this that may be helpful to the Commission.  
10 Commissioners, some of you have been here for a while  
11 and seen some of these other cases that involve plate  
12 from the U.K., know that Corus, until a few years ago,  
13 owned Tuscaloosa Steel and served -- additionally,  
14 Corus served the U.S. plate market primarily as a  
15 commodity plate supplier of various imports and then  
16 shipped it to serve the U.S. market for commodity  
17 plate by Tuscaloosa Steel. Its disposition of  
18 Tuscaloosa Steel and, frankly, substantially all of  
19 its other U.S. production facilities with a very few  
20 exceptions, is part of the plan and a tangible part of  
21 the plan of moving away from the commodity products to  
22 the specialized products. It's also away from dealing  
23 with the type of market that the U.S. industry says  
24 that it's having such trouble in, that is the market  
25 of sales on the spot market to distributors into their

1 inventory for subsequent resale. None, none of  
2 Corus's exports fit that category. We will show that  
3 in a table we'll give you afterwards and will show you  
4 what the products are that we sell and export outside  
5 the EU and I think it will be pretty clear to you that  
6 we don't -- whether you can define them all with a  
7 bright line between commodity and non-commodity, there  
8 is a clear bright line between what type of market we  
9 sell into and what general type of stuff we sell  
10 versus the stuff that the U.S. industry is concerned  
11 about and the stuff that some of the Respondents are  
12 selling.

13 MR. MALASHEVICH: And one other point,  
14 Commissioner, if I may is to draw your attention to  
15 the existence of Corus's 100 percent owned facilities  
16 in the Netherlands, not a subject company, never was.  
17 And those facilities are quite major. There are two  
18 of them that produce plate. The product mix is nearly  
19 identical to the product mix in the U.K. and the staff  
20 report shows zero, not negligible or small or modest,  
21 zero from the Netherlands. So, I think that's a  
22 single most compelling fact, quite frankly,  
23 demonstrating that the U.K.'s business strategy, in  
24 fact, has been implemented.

25 MR. PIERCE: Ken Pierce, if I may. I want

1 to just underscore that with respect to Mexico, it's  
2 not a specialty product per se, but it does turn on  
3 the customer base; in other words, who we're looking  
4 to sell to are the OEMs that are operating on both  
5 sides of the border. And the Caterpillar, the  
6 Trinity, the John Deere, who are already are major  
7 customers in Mexico, they want the flexibility to also  
8 source for their southwestern United States  
9 operations. So, when you start looking at it in terms  
10 of separate countries, as Dick was alluding to, it's  
11 not just the specialty product, but it's also what  
12 channel, what types of customers is a country looking  
13 for.

14 VICE CHAIRMAN ARANOFF: Right. Well,  
15 actually, I did have a follow-up question that I was  
16 coming to you on that. But, let me just ask all of  
17 you, obviously, you were asked in the questionnaire to  
18 report channels of distribution, as distributors or  
19 end users, and if I'm not much mistaken the percentage  
20 of subject imports going to distributors is pretty  
21 high. So, if what you're telling me is, yes, we send  
22 them to distributors, but it's not the same  
23 distributors that the domestic industry is talking  
24 about, I think that requires some --

25 MR. PRUSA: You, also, need to look at the

1 source of most of subject imports and I think you can  
2 reconcile the fact that many of the people here on the  
3 panel are saying that is not us. And, in fact, the  
4 single biggest supplier of subject imports is Mittal.  
5 I think you can reconcile the two issues.

6 MR. PIERCE: Exactly, because what you're --  
7 Ken Pierce, sorry, what you're dealing with in  
8 Mexico's case is no imports virtually during the POR.  
9 So, who are you going to sell to? What are you doing  
10 here? And if you haven't shipped to the United  
11 States, why are you defending this case? And I'm  
12 trying to explain to you what our customers would be,  
13 but you won't see that in the record, in the sense of  
14 -- because there's been no imports in that  
15 distribution between distributors and OEMs.

16 VICE CHAIRMAN ARANOFF: Okay. Well, Mr.  
17 Pierce, then, I mean, if your argument is, and  
18 certainly what you've said so far, you want to have  
19 the ability to sell to the U.S. facilities of the same  
20 customers that you already sell to in Mexico, can you  
21 give us a sense of the relative size of the U.S.  
22 versus Mexican operations of these customers, so that  
23 we can get a sense of this sort of -- how much you  
24 might be able to sell them?

25 MR. PIERCE: Yes, I would be happy to in the

1 posthearing brief. I don't have those numbers here  
2 with me, but I would be happy to.

3 VICE CHAIRMAN ARANOFF: Okay.

4 MR. CUNNINGHAM: And Mr. Joyce has one  
5 clarification, too.

6 MR. JOYCE: Yes. I just want to touch on  
7 the distributor comment.

8 VICE CHAIRMAN ARANOFF: Okay.

9 MR. JOYCE: There are certainly distributors  
10 that just move the plate, but the type of distributors  
11 that Corus might work with in the United States  
12 certainly have added value and very specific  
13 processing capabilities for end-use applications.

14 VICE CHAIRMAN ARANOFF: Okay. I'm not sure  
15 that's different from the processor distributors, who  
16 were testifying this morning at the panel.

17 MR. CUNNINGHAM: But, if the end-use  
18 application that's already sold before Corus sends to  
19 the distributor, that's the idea.

20 VICE CHAIRMAN ARANOFF: Okay.

21 MR. CUNNINGHAM: In other words, we don't  
22 sell on the spot market or into somebody's inventory.  
23 We sell to the end users. Whether it goes through a  
24 distributor for further processing may be something.  
25 But, it's a sale that's already arranged for. We

1 produce the stuff.

2 VICE CHAIRMAN ARANOFF: Okay. I appreciate  
3 that clarification. And since my yellow light is on,  
4 I'll have to get back to my next question.

5 CHAIRMAN PEARSON: Commissioner Hillman?

6 COMMISSIONER HILLMAN: Thank you and I, too,  
7 would welcome all of you here this afternoon and  
8 appreciate your taking the time and for many of you a  
9 lot of time to travel a long way to be with us this  
10 afternoon. We very much appreciate it.

11 Mr. Kunka, if I could start with you on the  
12 Caterpillar side, just to make sure I understand the  
13 details of your testimony. You were comment on that  
14 both in your brief and in your testimony, that to the  
15 extent that Caterpillar would increase its imports if  
16 these orders were to be revoked, it would be to  
17 supplement U.S. purchasers, in light of tight supply  
18 and allocations. I just want to make sure I  
19 understand whether your testimony is, are you  
20 currently under an allocation?

21 MR. KUNKA: No, not at this time, other than  
22 varying lead times throughout the year.

23 COMMISSIONER HILLMAN: Okay. And to the  
24 extent that you have found supply to be restricted, I  
25 want to make sure I understand, is it with respect to

1 general products or would you say it's more on the  
2 specialized products, where you were seeing supply  
3 tight?

4 MR. KUNKA: In 2004, it was on almost all  
5 products. So, at this time now, it would be more  
6 specialized. By specialized, I mean plate that would  
7 be covered under this hearing, which would be like  
8 very heavy plate that can only be procured from one  
9 manufacturer in the U.S.

10 COMMISSIONER HILLMAN: Okay. And you're  
11 saying currently, the supply situation is you are not  
12 under any allocations and for the more general  
13 product, you're not finding supply to be particularly  
14 tight. But with respect to these thicker  
15 applications, thicker requirements, still a relatively  
16 tight market?

17 MR. KUNKA: Yes, yes.

18 COMMISSIONER HILLMAN: Okay. Just so I  
19 understand it, do you purchase all of your product  
20 directly or do you purchase through any of the service  
21 center distributors?

22 MR. KUNKA: The majority of the steel plate  
23 that Caterpillar buys in the U.S. is direct. We  
24 purchase from service centers only when we have  
25 shortfalls.

1                   COMMISSIONER HILLMAN: Okay. And would you  
2 say that percentage has changed over this period of  
3 time?

4                   MR. KUNKA: Define period of time, meaning  
5 since the last --

6                   COMMISSIONER HILLMAN: 2000 through 2006.

7                   MR. KUNKA: Yes. There were periods of time  
8 in 2004, when we had to procure material from service  
9 centers to help keep our factories running. And at  
10 times, even in this year, we have had to do that a  
11 couple of times, but not as often.

12                  COMMISSIONER HILLMAN: In 2006?

13                  MR. KUNKA: Yes.

14                  COMMISSIONER HILLMAN: Okay. It was  
15 available from the service centers, but it was outside  
16 of your normal process of going direct to the mills?

17                  MR. KUNKA: Correct.

18                  COMMISSIONER HILLMAN: Okay. All right, I  
19 appreciate that. Have you had to shift production  
20 from the United States to any production in any other  
21 countries, as a result of either high plate prices  
22 here or limited supply here?

23                  MR. KUNKA: On the heavy plate that I  
24 indicated, we have placed trial orders to examine that  
25 supply chain for that specialty plate in 2006.

1                   COMMISSIONER HILLMAN: Okay, but only for  
2 the thick product?

3                   MR. KUNKA: Correct.

4                   COMMISSIONER HILLMAN: Okay. To the extent  
5 that you're buying direct from the mills, is that on a  
6 contract basis?

7                   MR. KUNKA: Correct.

8                   COMMISSIONER HILLMAN: How long of a  
9 contract, typically?

10                  MR. KUNKA: It varies. I would prefer to  
11 answer that in the posthearing brief.

12                  COMMISSIONER HILLMAN: Fair enough. And I  
13 apologize. Any of these issues, if it involves  
14 confidential information and you would prefer to do so  
15 in the posthearing brief, that's fine. And then I'm  
16 just trying to make sure I understand, for the  
17 products for which Caterpillar uses this cut-to-length  
18 plate, if you could give me any sense of what share of  
19 the material cost the plate constitutes.

20                  MR. KUNKA: You're asking the material cost  
21 of the products that uses the plate?

22                  COMMISSIONER HILLMAN: Yes, how much -- what  
23 percentage of the cost of your mining thing, whatever  
24 that particular machine is, would plate be?

25                  MR. KUNKA: Again --

1                   COMMISSIONER HILLMAN: I mean, whatever the  
2 large Cat product is that's using this plate, what  
3 portion of the total cost is plate.

4                   MR. KUNKA: It varies quite a bit. I'd have  
5 to review some numbers and get you that in a  
6 posthearing brief.

7                   COMMISSIONER HILLMAN: Okay. If you could -  
8 - again, I'm not looking for an exact number, I'm just  
9 trying to get a sense of relative to the other things  
10 that you're procuring, where plate falls into that.

11                  MR. KUNKA: Considering like a dump truck or  
12 a bulldozer, they're primarily made of steel, it's  
13 going to be fairly high. Now, there are other steel  
14 components in there, such as forgings and castings and  
15 things like that. But, we'll get you a number in the  
16 posthearing brief for plate.

17                  COMMISSIONER HILLMAN: Okay. Thank you,  
18 very much. I appreciate it. If I could come, I guess  
19 to counsel, one of the issues that was talked about  
20 this morning was the fact that the percentage of  
21 product that is being sold through service centers  
22 appears from our data to have increased over this  
23 period of review. Petitioners are arguing that that  
24 means that it's more likely that imports will come  
25 into the market, since it is the service centers that

1 are more out there in the market for product from a  
2 variety of sources. They're not the ones that tend  
3 to be purchasing directly from a single mill, as an  
4 end user might. I wondered if I could hear any  
5 response, as to how the Commission should consider  
6 this shift to a larger portion through the service  
7 centers and whether it says anything about their  
8 willingness to seek out additional sources of supply.  
9 Mr. Pierce?

10 MR. PIERCE: Well, there's two ways to look  
11 at it. There's the individual country basis, of  
12 course, which we've already discussed, which country  
13 is going to be shifting to a distributor, to an OEM.  
14 But, secondly, as -- it's an interesting claim that  
15 they're making, because the sales -- shipments to  
16 service centers, distributors have increased over the  
17 last three years, the record shows. Imports, non-  
18 subject imports have increased over the last three  
19 years, the record shows. It, also, shows unbelievable  
20 record profits by the domestic industry. So, this  
21 process has been playing out the last three years that  
22 they claim it's going to injure them. You have the  
23 test case. You've seen it operating for the last  
24 three years and, yet, they're scoring profit ratios of  
25 25 percent. I think it's a mountain out of a

1 molehill, frankly.

2 COMMISSIONER HILLMAN: Okay. Mr.  
3 Montalbine?

4 MR. MONTALBINE: I think you, also, have to  
5 make distinction between the commodity grades and the  
6 higher grades. As you saw in the French case, the  
7 service centers are not handling the special quality  
8 grades, such as line pipe. So, this whole activity  
9 that we're talking about is in commodity products that  
10 wouldn't be, for example, the types of things that are  
11 coming from Germany.

12 COMMISSIONER HILLMAN: Okay. Actually, on  
13 the German side, the data would show a larger of the  
14 German producer shipments in the category of just  
15 other. I didn't know whether there was anything that  
16 you could tell us on the record about what that other  
17 is, again, trying to understand where this fits in the  
18 mix of product that's coming in.

19 MR. MONTALBINE: We tried to address that a  
20 little bit in our pre-hearing brief; but, in that  
21 category is mainly clinched and tempered abrasion  
22 resistant type products that don't fit neatly into any  
23 of the other categories.

24 COMMISSIONER HILLMAN: Okay, all right. I  
25 appreciate that. Okay, thank you. Again, going back

1 to this issue of product shifting, the Commission  
2 collected a lot of data on foreign capacity to produce  
3 subject plate, as well as to produce other products on  
4 the same equipment. And I'm just wanting to make sure  
5 I understand whether there is anything you want to say  
6 on the appropriateness of the Commission considering  
7 all of that capacity, in assessing available foreign  
8 capacity. Again, I'm trying to make sure I understand  
9 whether you think, again, for this industry -- again,  
10 we've had some recent court cases, Siderca comes to  
11 mind, where the court has made it very clear that we  
12 have to have certain criteria met, if we are to  
13 honestly say that we think product shifting is likely  
14 to occur or, alternatively, is not going to occur,  
15 that we need to make sure that we're not looking at  
16 just the theoretical possibility, but in practical  
17 terms, whether for a lot of the foreign producers out  
18 there, who can produce both subject cut-to-length  
19 plate and other plate or other even flat products on  
20 those facilities, whether, in fact, there is a real  
21 ability to shift into the production of cut-to-length  
22 plate.

23 MR. PRUSA: Commissioner Hillman, Tom Prusa.  
24 I mean, the cut-to-length plate market, by everyone's  
25 admission, for the last two-and-a-half years worldwide

1 has been gang busters, worldwide. Whether they want  
2 to say it was 2004, that was special, because it was  
3 China, but 2005 was not wired, oh, God, 2006 was  
4 whatever, worldwide cut-to-length plate market is hot.  
5 So to the extent -- whether or not you want to say  
6 they want to product shift to the United States, if  
7 these orders were off, the subject suppliers here are  
8 not product shifting in other markets they currently  
9 could sell to that are also in extremely tight demand  
10 right now. So, as I had in my affirmative testimony,  
11 you would have thought you had already seen product  
12 shifting from non-subject cut-to-length plate to the  
13 extent that they could, because there are -- this is a  
14 very -- globally, very, very desirable market to be  
15 in. But, you don't see it.

16 COMMISSIONER HILLMAN: Do any of the  
17 producers want to comment from a practical standpoint  
18 how easy it is to shift in and out of subject product  
19 to non-subject product?

20 MR. CUNNINGHAM: I suspect the producers are  
21 not exactly clear what non-subject product would be.

22 COMMISSIONER HILLMAN: Okay, I'm sorry. The  
23 micro alloy, the X-70, any of the products that would  
24 be considered out of the scope. I'm just trying to  
25 understand from an absolute practical standpoint how

1 readily done that is today.

2 MR. PARKINS: It's Paul Parkins. If you  
3 want to know how readily could you shift from subject  
4 to non-subject product or even more specialized  
5 product --

6 COMMISSIONER HILLMAN: Right.

7 MR. PARKINS: -- it's very difficult,  
8 because you have process constraints on very much in  
9 the steel-making aspects of it, rather than actually  
10 at the rolling mills, because all the steel that you  
11 need to actually produce those products is  
12 manufactured using different equipment than that used  
13 for subject products, just basic commodity steels.  
14 And most steel producers have that equipment  
15 available, but the volumes it can be produced are  
16 restricted by the amount of equipment they've got.  
17 There are people, who are producing non-subject  
18 product, generally producing it at a level, which is  
19 as much of their capability at the steel-making plant,  
20 rather than at the rolling mills. It's not a physical  
21 constraint of rolling. It's an all-through process  
22 that has to be looked at.

23 COMMISSIONER HILLMAN: Okay. I appreciate  
24 those responses. Unfortunately, the red light has  
25 come on, so I will come back. Mr. Pierce, thank you.

1                   CHAIRMAN PEARSON: Commissioner Koplan?

2                   COMMISSIONER KOPLAN: Thank you, Mr.

3 Chairman. Thank you for your answers to our questions  
4 thus far and for your direct testimony. I want to  
5 start with a series of questions that I'm requesting  
6 counsel for each of the five subject countries  
7 participating in today's hearing to respond to for  
8 purposes of the posthearing. If I ask each of the  
9 five of you to respond to each of these questions, we  
10 will be here past 11:00, I guess, tonight.

11                   So, first, this first one goes to whether I  
12 should make a finding of no discernible adverse  
13 impact. It bears on that issue for me. In the staff  
14 report, at CTL part two, page five, and I'm coming  
15 back to the allocation control order entry issue that  
16 Commissioner Hillman has touched on, but purchasers  
17 were asked if any suppliers refused, declined, or were  
18 unable to supply CTL plate since 2000. Twenty-four  
19 purchasers reported that there had been problems with  
20 supply, with most reporting that domestic mills had  
21 placed them on allocation or controlled order entry  
22 from early 2004, to early to mid 2005; and four  
23 purchasers reported that domestic mills had placed  
24 them on allocation in 2006, with another purchaser  
25 reporting that the supply has been tight in 2006.

1 There's much more here, but I can't get into it,  
2 because it's BPI. If you would keep in mind that I am  
3 looking at this point with this question as to the  
4 issue of no discernible adverse impact and if each of  
5 you would respond to me on that issue, taking into  
6 account what I just read from the staff report, I  
7 would appreciate that. I'm referring to Mr. Campbell,  
8 Mr. Dunn, Mr. Montalbine, Mr. Cunningham, and Mr.  
9 Pierce. I don't think I've left anybody out of that  
10 group. So do I take it --

11 MR. CUNNINGHAM: We will do it.

12 COMMISSIONER KOPLAN: Thank you. Are you  
13 speaking for the group? Whatever he says goes. All  
14 right.

15 Next, for those Respondents, who reported  
16 capacity utilization during the period and either read  
17 at about 100 percent or in excess of 100 percent, for  
18 the posthearing, please document how you allocated  
19 your production and capacity to arrive at that number.  
20 Again, I would ask counsel to do that for me. And  
21 you're speaking for the group again, Mr. Cunningham?

22 MR. PIERCE: Whatever he says.

23 COMMISSIONER KOPLAN: Whatever he says --

24 MR. CUNNINGHAM: But that's not us, but --

25 COMMISSIONER KOPLAN: I hear you.

1 MR. PIERCE: Yes, Commissioner Koplan.

2 COMMISSIONER KOPLAN: Thank you. I didn't  
3 want to single anybody out, that's why I'm making this  
4 a group question.

5 Next, earlier I asked the domestic industry  
6 this question. On page CTL 4-96, the staff report  
7 states that with regard to 'published monthly prices  
8 for steel plate, U.S. prices were generally higher  
9 than non-U.S. prices.' But, according to Table CTL 4-  
10 69, at page 4-100, which contains confidential data,  
11 the price gap with certain non-U.S. markets narrowed  
12 considerably in 2006. I consider the relative prices  
13 in export markets for CTL plate an important factor.  
14 Will you document your independent estimates of prices  
15 for CTL plate in the U.S., European, Brazilian, and  
16 Asian markets for the last four months of 2006 through  
17 2008 for me in the posthearing?

18 MR. CUNNINGHAM: Could I ask for a  
19 clarification on that? When you say let's say we're  
20 doing this for Corus, when you refer to the Asian  
21 market, do you mean for Corus' exports to Asia, or do  
22 you mean for the Asian market as a whole?

23 COMMISSIONER KOPLAN: For your exports to  
24 Asia.

25 MR. CUNNINGHAM: Thank you. We'll be happy

1 to do that.

2 MR. PIERCE: Ken Pierce. If I may clarify  
3 or get a clarification as well? You didn't mention  
4 Mexico. We don't export hardly anywhere, but we'll  
5 get you the home market prices, if that would be  
6 helpful.

7 COMMISSIONER KOPLAN: Okay. All right.

8 Can I expect this, then, from counsel?

9 Mr. Montalbine, you're saying yes?

10 MR. MONTALBINE: Yes, sir.

11 COMMISSIONER KOPLAN: Thank you.

12 Mr. White, on page 1 of your brief, you  
13 state that, "Corus, the only significant U.K. CTL  
14 plate producer for the issues in this review, has no  
15 significant capacity available for export to the  
16 United States and longstanding customer relationships  
17 preclude any significant shifting to the U.S. market  
18 of its present shipment patterns."

19 Can you document the nature of those  
20 relationships for me for purposes of the post-hearing?  
21 Are we talking about spot or long-term? For example,  
22 does Corus have long-term contracts which guarantee  
23 sales volume at set prices?

24 MR. WHITE: Yes, we have.

25 COMMISSIONER KOPLAN: Okay. And so could

1 you document those things for me for purposes of the  
2 post-hearing?

3 MR. WHITE: Yes. Yes, we can do that.

4 COMMISSIONER KOPLAN: Thank you very much.

5 Mr. Cunningham, in the first reviews when  
6 I declined to exercise my discretion to cumulate CTL  
7 plate imports from the U.K. with imports from the  
8 other subject countries, I did that largely on the  
9 basis of Corus' relationship to domestic producer  
10 Tuscaloosa Steel. I stated, and I quote, "Corus'  
11 participation in the domestic market is likely to be  
12 altered by its relationship and significant investment  
13 in Tuscaloosa Steel." But, as you've mentioned, in  
14 2004, Corus sold Tuscaloosa to Nucor.

15 Could you comment on how that should impact  
16 on my decision to cumulate the U.K. again? You could  
17 do that either now or in the post-hearing.

18 MR. CUNNINGHAM: I can do it briefly now and  
19 will expand in the post-hearing brief.

20 COMMISSIONER KOPLAN: Okay.

21 MR. CUNNINGHAM: That reinforces your  
22 decision and let me tell you why. Corus' setting up  
23 Tuscaloosa was its decision not to serve the U.S.  
24 market on commodity plate by selling from the U.K. but  
25 instead to serve it by domestic U.S. producer. Corus'

1 sale of Tuscaloosa demonstrably does not represent a  
2 determination to go back to selling commodity plate  
3 into the U.S. from the U.K. but rather simply to stop  
4 participating in the commodity plate market.

5 Why do I say demonstrably? I say  
6 demonstrably first because Corus could have throughout  
7 this period shipped commodity plate to the United  
8 States from the Netherlands where it has ample  
9 commodity plate production and did not do so.

10 Secondly, in the analogous situation in  
11 Canada, where Corus was under an antidumping order  
12 there, in 1998, that dumping order was lifted and  
13 Corus did not return to selling significant quantities  
14 of commodity plate. We sell the same specialized  
15 stuff there as we do here and sold it only in  
16 quantities which by the commission's calculation  
17 standards were de minimis for all the years after that  
18 and, indeed, were substantially zero for several years  
19 after that.

20 COMMISSIONER KOPLAN: Thank you. That's  
21 helpful. If you want to add more to that  
22 post-hearing, of course, that would be fine, too.  
23 Thank you very much for that.

24 Mr. Dunn, your principal arguments for why  
25 Brazilian exports of CTL plate will not enter the U.S.

1 market to any material degree if the order is revoked  
2 are that Brazilian producers have no available  
3 capacity and that Brazilian demand is strong and  
4 growing for the foreseeable future, but for purposes  
5 of the post-hearing, I refer you to CTL part 2, page  
6 9, footnote 10 of the staff reporter, which is BPI,  
7 but contains information about competition in the  
8 Brazilian home market.

9 In your post-hearing brief, could you  
10 reconcile your argument with the reference I just  
11 cited?

12 MR. DUNN: Absolutely. We'll be happy to do  
13 that.

14 COMMISSIONER KOPLAN: Thank you.

15 I see my yellow light is on. Thank you,  
16 Mr. Chairman.

17 CHAIRMAN PEARSON: I must say that was a  
18 very efficient use of your time. Congratulations.

19 Commissioner Okun?

20 COMMISSIONER OKUN: Thank you, Mr. Chairman.

21 I join my colleagues in thanking this panel  
22 for being here, particularly those who have traveled  
23 from other countries to be with us. I very much  
24 appreciate your willingness to be here to answer our  
25 questions.

1                   If I could turn to the representatives here  
2                   from AHMSA and to you, Mr. Pierce, I appreciate the  
3                   further explanation or the further statistics that you  
4                   gave with regard to the proposed expansion in Mexico  
5                   and I'm not sure if there's further backup information  
6                   you could provide the commission in post-hearing to  
7                   back up the information that's in your presentation,  
8                   any documents prepared for the expansion that would  
9                   indicate the time table?

10                   MR. PIERCE: We would be happy to do that.  
11                   We have put in pretty extensive information. Much of  
12                   it is reflected in the staff report. We did bring  
13                   this up to the commission's attention right in our  
14                   questionnaire response. This isn't something  
15                   Petitioners raised that they found in a Spanish  
16                   newspaper that Mr. Schagrín alluded to. We also  
17                   addressed it in our brief.

18                   I think it's something important and I'd  
19                   like you to hear from Mr. Reyes about it. One of the  
20                   things that we're talking about is this is planned,  
21                   but it's uncertain. We don't have financing in place,  
22                   we don't have vendors hired and, indeed, this company  
23                   is under the equivalent of Chapter 11 bankruptcy  
24                   supervision. So I thought with Mr. Reyes here he  
25                   could talk with you a little bit about some of the

1 problems they've been having getting financing because  
2 until you get the money, nothing gets started. At the  
3 earliest date, if we got the money quickly, we think  
4 we can get started by early 2009.

5 COMMISSIONER OKUN: Mr. Reyes?

6 MR. VILLARREAL: Good evening. Well, as Ken  
7 was saying, we're in the process of evaluating the  
8 project, receiving bids, and making evaluations on the  
9 cash flows to see if it's profitable. Besides that,  
10 we're also searching for financing which we haven't  
11 been very lucky on that. So it's not a done deal  
12 right now.

13 MR. PIERCE: What we'll be able to document  
14 for you is that under this type of bankruptcy law, you  
15 have to have court approval before you can incur debt  
16 of this sort for financing and we don't have that  
17 court approval yet. We'll lay out the efforts that  
18 we've been attempting over the last six months to get  
19 financing, both from banks and trying to convince some  
20 of the vendors to handle some of the financing for us,  
21 with the backup documentation that you requested.

22 COMMISSIONER OKUN: Okay. I very much  
23 appreciate that. I'll look forward to seeing that.

24 Now, let's see. Mr. Cunningham, I think,  
25 has just switched places back there.

1           You don't need to come back up, but this may  
2 be -- sorry.

3           Actually, the question may be better put to  
4 the representatives but, again --

5           MR. CUNNINGHAM: I don't want to miss my  
6 chance.

7           COMMISSIONER OKUN: Continuing on the theme  
8 of this is not your father's steel company, of course,  
9 it's been in the press that Tata has offered to  
10 purchase Corus. For post-hearing, if there is  
11 anything that can be put on the record, to the extent  
12 that is going to take place, what impact that should  
13 have on our deliberations with regard to where imports  
14 would come from or if there's anything you want to say  
15 now?

16           MR. CUNNINGHAM: It may not surprise you to  
17 know that I have a certain interest in how that comes  
18 out myself.

19           COMMISSIONER OKUN: I assume Mr. White does  
20 and Mr. Parkins, too.

21           MR. CUNNINGHAM: I've been trying to find  
22 out and as yet I haven't, but we'll do our best to try  
23 and find out. As transactions like this go, people  
24 are not anxious to make all the details public until  
25 something is really solidly established, so whatever

1 we can get for you, we'll get for you.

2 COMMISSIONER OKUN: I understand that there  
3 happened to be something that came over the wire when  
4 we were back at lunch, so I thought that --

5 MR. CUNNINGHAM: And what was it?

6 COMMISSIONER OKUN: We believe that -- well,  
7 I will get the actual document.

8 So for Mr. White and Mr. Parkins, I don't  
9 know if there's anything -- you probably don't want to  
10 add anything here, but if you did --

11 MR. WHITE: Richard White. I don't mind  
12 speculating that any potential new owners of Corus, as  
13 they examine the plate business, they'll be pleased to  
14 find the performance and the results and how we've  
15 restructured the business over the last few years.  
16 Thank you.

17 COMMISSIONER OKUN: I wanted to confirm that  
18 the board of directors of Corus had approved the  
19 offer, is what was over the wire, but, again, whether  
20 that's true or accurate is beyond -- I don't want to  
21 speculate on that.

22 MR. CUNNINGHAM: Eek. For the reporter,  
23 that's E-E-K.

24 COMMISSIONER OKUN: Okay. Let's see. Let's  
25 talk about China since I have producers from other

1 countries here and it was mentioned, I believe, at  
2 least by the Mexicans and maybe others that there may  
3 be possible trade actions being contemplated against  
4 China's imports into those countries.

5 How do you view China? It's come up in  
6 every case I've been in for a while and one of the big  
7 issues is we have some data on the record indicating  
8 how much their production is going to exceed capacity  
9 and what impact that's going to have on the market, so  
10 I'd love to hear from the producers here on how they  
11 see China.

12 Who would like to start?

13 The Mexicans? Or Mr. White?

14 MR. PIERCE: Well, I can start, if I could?

15 COMMISSIONER OKUN: Okay.

16 MR. PIERCE: China is a huge market with  
17 tremendous demand and that's sucked in a lot of the  
18 steel of the world over the last couple of years and  
19 definitely affects market.

20 China is also subject to a U.S. antidumping  
21 order. This isn't corrosion resistant, this isn't a  
22 case where any plate could be exported, CTL plate from  
23 China, to the United States without being subject to  
24 an antidumping order. Therefore, Petitioners have  
25 concocted this causal analysis, well, first thing,

1 subject country exports to China are going to be  
2 pushed out of China and therefore put pressure on them  
3 by cutting off that market. The fact is the subject  
4 countries in this case don't export much to China and  
5 haven't for quite some time.

6 Their next argument is, well, China's going  
7 to ship a lot into these other countries' market, the  
8 subject countries' home markets and that's going to  
9 put pressure on and force those countries to export to  
10 the United States. In the case at least of Mexico,  
11 I would expect by the end of this month, if not  
12 shortly thereafter, there will be an antidumping  
13 petition filed against China by AHMSA and with that  
14 you will have, once that order goes into place and  
15 we're confident that it will, you will have  
16 essentially an antidumping wall around North America  
17 vis-a-vis China in cut-to-length plate. So in  
18 Mexico's case, exports from China have increased to  
19 Mexico. Frankly, Mexico is a net importer, mostly  
20 from the United States. Nevertheless, that increase  
21 in imports from China is going to be dealt with in an  
22 antidumping petition which will be filed well before  
23 you vote.

24 MR. CUNNINGHAM: Could I ask Richard White  
25 to address that from the standpoint of the U.K. market

1 and China's access or lack of it to the U.K. market?

2 COMMISSIONER OKUN: Yes.

3 MR. WHITE: If I can just say that in terms  
4 of our sales to China, they've been negligible. In  
5 terms of China's sales to the U.K., last year it was  
6 around 6000 tons. This year, it's around 13,000 tons.  
7 The Chinese plate enters the U.K., it's traders who  
8 sell to stockholders, to distributors. What we've  
9 found is that any increase -- the trade volumes are  
10 quite fixed. The whole of the U.K. market is quite a  
11 stable market. The trader volumes are fixed and if  
12 there's an increase in Chinese, there will be a  
13 decrease in Ukrainian. For example, there's more  
14 Ukrainian plate around now because demand is so high  
15 in their own market. So we tend to see what we call  
16 traded imports which I think is what the U.S.  
17 producers are most concerned about, but what we tend  
18 to find is one source substitutes for another and  
19 overall the level remains fairly constant.

20 MR. CUNNINGHAM: How's that for a Bratsk  
21 argument?

22 COMMISSIONER OKUN: What's that?

23 MR. CUNNINGHAM: How's that for a Bratsk  
24 argument?

25 COMMISSIONER OKUN: You're ready for the

1 question.

2 MR. WHITE: The other fact is that I would  
3 just like to point out again we sell commodity plate  
4 in the U.K., in our home state, if you like. We have  
5 reduced, as I said earlier, dramatically our  
6 vulnerability in Europe, so we see China, yes, it's a  
7 threat, anything that's unknown is a threat, but let's  
8 get it into perspective and I think this morning it  
9 was just way out of perspective, if I can say that  
10 respectfully.

11 The other thing that was missing is, yes,  
12 there's new capacities coming on stream, but there is  
13 old redundant capacity being taken out and that  
14 doesn't seem to be getting any place at all. And  
15 then, of course, the other factor we have is Chinese  
16 local demand and this is where these factors, we  
17 haven't really seen them come together yet in a  
18 realistic set of numbers and until we see that it's  
19 very difficult to assess just how much of a threat  
20 this is going to be.

21 COMMISSIONER OKUN: Okay. I appreciate  
22 those comments.

23 My red light has come on, so I'll have a  
24 follow-up on that when I come back. Thank you.

25 CHAIRMAN PEARSON: Commissioner Lane?

1 COMMISSIONER LANE: Good afternoon.

2 Mr. Malashevich and Mr. Prusa, maybe I'll  
3 start with you. You all heard my question earlier to  
4 the Petitioners in looking at the current pricing from  
5 2002 to 2003 and 2004 in relation to the increase in  
6 the cost of goods sold, that it occurred to me that it  
7 was a pretty incredible jump that didn't bear much  
8 relation to the size of the increase in the cost of  
9 goods sold. The answer was China or supply and  
10 demand. I would just like to give you an opportunity  
11 to give me your take on how the domestic industry was  
12 able to achieve these increased prices and how long do  
13 you think it would last, whether or not the orders  
14 stay on.

15 MR. MALASHEVICH: I'd be happy to address  
16 that, but I also defer to Dr. Prusa and Jim Dougan  
17 because in our division of labor they focused on the  
18 joint defense, so to speak, and I focused on U.K.  
19 specific issues. So if I may, I'd like to defer to  
20 them.

21 COMMISSIONER LANE: I recognize that, but  
22 I also know that you probably have an opinion on the  
23 matter and would love to tell us, so let's go with Dr.  
24 Prusa and Mr. Dougan and then we'll finish up with  
25 you. How would that be?

1                   MR. MALASHEVICH: Okay. I do have two kids  
2 in college that I have to educate, so I'll be happy to  
3 follow up.

4                   COMMISSIONER LANE: Okay.

5                   MR. DOUGAN: This is Jim Dougan from ECS.  
6 One of the slides that I showed -- you were given the  
7 impression, I think, this morning from the domestic  
8 producers that there was something anomalous about  
9 2004 and while indeed it was the beginning of the  
10 current boom in demand in the U.S. for CTL plate, it  
11 wasn't a one-time thing. While there may have been a  
12 number of factors that contributed to the increase in  
13 prices and tightness of supply, it wasn't this perfect  
14 storm because, as you can see, the prices continued to  
15 remain high in 2005 and thus far in 2006, even while  
16 the raw material price increases did not accompany  
17 that. I think that is a function, to a large degree,  
18 of strong and continuing demand, again, in all of the  
19 key end use segments and a tightness of supply here.  
20 I think the market will bear the prices and so that's  
21 what they charge.

22                   MR. PRUSA: I want to follow up a little bit  
23 on that, slightly different. I agree completely.  
24 What's really interesting about what happened to  
25 cut-to-length plate is it all happened after the

1 safeguard duties came off, so any idea that but for  
2 imports we lost money in 2003, it's clearly not the  
3 case. What happened in 2004, at the end of 2003, this  
4 industry has gone under just a complete restructuring.  
5 We had the entrance of two mills with large amounts  
6 of capacity who did not exist who were entering this  
7 industry early in this POR, they were not there. They  
8 changed the cost structure. How else can you get such  
9 high priced cost markups? These guys COGs are way  
10 more efficient than the industry in 2000. The firms  
11 that they put out of business are no longer here.

12 The existing U.S. mills have shed billions  
13 of dollars of cost and they now have lower COGs and  
14 the question this morning about the labor productivity  
15 numbers, which are one reflection of how great this  
16 industry has restructured, so I do think a big part of  
17 it's demand.

18 If you only say demand, you're not giving  
19 this industrial transformation that happened during  
20 the POR any credit for changing the industry. The  
21 industry is fundamentally different. When that  
22 finished, when the shake-up finished, demand did pick  
23 up and they were able to take advantage of very, very  
24 efficient operations. The industry deserves credit.  
25 They are way, way more efficient now than they were in

1 2000. Let's acknowledge that. That's how you can  
2 have -- what might have previously only been a price  
3 cost markup of 12 percent, say the industry circa  
4 1999, same circumstances, is now a price cost markup  
5 of 40 percent, that's stable. And part of that is  
6 this is not your father's steel industry, all right?

7 COMMISSIONER LANE: Okay. Mr. Malashevich?

8 MR. MALASHEVICH: I do have two things to  
9 add, although I concur entirely with my colleagues.  
10 There's been a lot of debate in the steel cases  
11 generally recently in the reviews especially  
12 concerning illustrations of what we call market power,  
13 the ability to move the price in a particular  
14 direction, which is how I would define it in basic  
15 terms. A lot of times it's difficult to measure it,  
16 how much the concentration -- not just the  
17 restructuring, but the concentration -- of U.S.  
18 production in just basically less than a handful of  
19 mills can do to the price. And I think the percent  
20 markup per ton illustrated in one of the exhibits  
21 earlier is an excellent way of illustrating the change  
22 in market power shifting in the favor of the domestic  
23 industry and away from purchasers.

24 The other thing is the steel industry has  
25 argued consistently that, well, the problem is not

1       only earning a particular rate of profit but  
2       sustaining that rate of profit over a succession of  
3       years rather than having it go up and down in boom and  
4       bust cycle. So the sustenance of that high margin  
5       over a period of years in addition to the magnitude of  
6       the margin I find extremely compelling evidence of  
7       true market power.

8                   COMMISSIONER LANE: Okay. Thank you.

9                   That leads me to the next question relating  
10       to what is the business cycle for this industry and  
11       where do you see that we are in that business cycle?

12                   I would like the same three suspects to  
13       answer that.

14                   MR. DOUGAN: I believe we heard from one of  
15       the market participants this morning that we were at  
16       the third year of a five to seven year business cycle,  
17       so I think we can expect to continue to grow in the  
18       reasonably foreseeable future.

19                   MR. CUNNINGHAM: That was Mr. Tulloch who  
20       voiced that opinion.

21                   MR. PRUSA: Tom Prusa. I'm not quite sure.  
22       There is, I'm sure, a cut-to-length plate business  
23       cycle. I think one of the things that stood out to me  
24       when you look at the data is the argument that this is  
25       simply the reflection of a cycle of GDP, which I'm not

1 trying to discount that GDP is related to  
2 cut-to-length plate demand. I do think that there was  
3 a lot of pent up demand for downstream products that  
4 use it. Now, for why the downstream products, say  
5 some of the bridge building, some of the oil rigs, why  
6 they were not being built in 2000 and 1999 and 2001,  
7 I'm not quite sure I know why but it's clear that for  
8 the last several years all the downstream demand for  
9 cut-to-length plate is growing significantly faster  
10 than GDP and all the projections for those products.  
11 So even notwithstanding GDP perhaps slowing down, it's  
12 that those downstream demand industries are growing  
13 faster, are continuing to grow. We're not seeing a  
14 slowdown in those products. So I don't see for the  
15 reasonably foreseeable future any sense that we're  
16 going to have a decrease in demand and I thought that  
17 the domestic industry made it clear that they actually  
18 are booked out quite far into the future and they see  
19 a very strong demand.

20 MR. DOUGAN: If I may add to that, it was  
21 Mr. Southerland who is the CEO of IPSCO who in his  
22 quote from the steel business briefing referred  
23 specifically to certain items in the transportation  
24 sector, rail cars and barges, that for some reason  
25 were being used far beyond what is normally considered

1 their useful life and now those things are kind of  
2 wearing out and there's this pent up demand, as well  
3 as the booming energy sector which I think all here  
4 would agree --

5 MR. CUNNINGHAM: And highway construction.

6 MR. DOUGAN: And highway construction.

7 COMMISSIONER LANE: Mr. Malashevich?

8 MR. MALASHEVICH: What I would add is simply  
9 that the plate follows, as everyone, I think, agrees,  
10 the capital goods cycle. The capital goods cycle is  
11 very distinct from GDP or consumer goods cycle for  
12 sure and it is steeper in terms of its movements.

13 So for a given change in GDP, I would go a  
14 little further than Dr. Prusa to say there is an order  
15 of magnitude change greater in the capital goods cycle  
16 at the same time. This cycle, in general, the capital  
17 goods cycle that I've studied for other purposes,  
18 tends to be five to seven years, I would agree, but  
19 that's historically. I think what's different about  
20 this cycle is the confluence of every thing that's  
21 being replaced.

22 When energy prices were low, there was no  
23 investment at all in transit lines for oil and gas  
24 that use this kind of plate and part. Now, there is  
25 booming investment, not only associated with expanding

1 demand for energy, but making up for all the  
2 investment that was never made in earlier years  
3 because oil in real terms was priced very low for  
4 about ten years. No one was building any pipelines.  
5 The same is true of rail cars. The same is true of  
6 barge traffic.

7           What I would like to emphasize is the  
8 confluence of all these segments growing sharply at  
9 the same time. Unprecedented, I believe, certainly in  
10 recent history of 20 or 30 years. It's an extremely  
11 unusual cycle that will make it longer than has been  
12 true historically and profoundly more profitable for  
13 everybody who is involved from steel on downstream.

14           COMMISSIONER LANE: Okay. Thank you.

15           Thank you, Mr. Chairman.

16           CHAIRMAN PEARSON: My colleagues have done a  
17 really good job of asking some of the question that  
18 I had in mind, so I'm left here with a couple, but one  
19 of them is an issue on which I generally am hesitant  
20 to tread. It's accumulation.

21           That's not really an issue for economists.  
22 That's more an issue for counsel, I think, but let me  
23 give it a try.

24           We, of course, have the discretion to  
25 decumulate in sunset cases but if we set aside the

1 issue of no discernable adverse impact and the  
2 reasonable overlap of competition, we have at times in  
3 the past declined to cumulate based on likely  
4 differences in conditions of competition.

5 For those of you who are urging us to engage  
6 in a decumulated analysis, can you identify any such  
7 differences and, in particular, whether these  
8 differences existed prior to the imposition of the  
9 duties?

10 Part of the issue here is if the differences  
11 have developed since the orders went into effect, then  
12 how do you counter the argument that the differences  
13 are the result of the orders?

14 Have I done an adequate job of throwing the  
15 issue out there?

16 MR. CUNNINGHAM: This is Dick Cunningham  
17 again. I'm not going to take a lot of time with this,  
18 I've already said a lot of the things that I would say  
19 responsive to this about Corus' change in selling  
20 policy, about Corus no longer being in the commodities  
21 market, Corus not selling to the spot market, Corus  
22 selling different types of merchandise, the things  
23 like that. But it is also clear that that for Corus  
24 is a change since the original investigation and  
25 that's what makes it a particularly compelling

1 argument for decumulation here.

2 I'm not going to talk about no discernable  
3 impact now because you asked me not to, but I will  
4 point out what Commissioner Aranoff pointed out, which  
5 was the reason for not touching no discernable impact  
6 last time which was vulnerability, last year, I must  
7 say I find that hard to be a justification for staying  
8 away from the issue now.

9 MR. MALASHEVICH: One further point in the  
10 context strictly of the U.K. is I think the most  
11 compelling evidence already in the record on why  
12 what's happened in the case of the U.K. was not as a  
13 consequence of the order is that it's not -- the new  
14 policy is not specific to the United States, it's  
15 globally outside of the E.U. and it's evidenced  
16 already in the behavior of U.K. exports to Canada and  
17 also you've been given fairly weighty documentation,  
18 weighty in terms of the corporate authority behind it,  
19 that the policy is institutionalized, it's not an ad  
20 hoc reaction to the order in the U.S.

21 CHAIRMAN PEARSON: Okay. So in terms of the  
22 U.K., even though a number of the differences took  
23 place after the imposition of the order, it's  
24 sufficiently documented that they were done for  
25 reasons that had nothing to do with the order.

1 MR. CUNNINGHAM: That's correct.

2 MR. MALASHEVICH: Absolutely.

3 CHAIRMAN PEARSON: How about counsel from  
4 some other countries?

5 Mr. Pierce?

6 MR. PIERCE: Well, with respect to Mexico  
7 and then we'll be able to submit this for the record,  
8 you're going to see a tremendous growth in demand to  
9 Mexico since imposition of the antidumping order such  
10 that you see a dramatic shortfall in the ability of  
11 domestic production in Mexico to meet demand, leading  
12 it to be a very large net importer such that it  
13 exports virtually nothing from Mexico today.

14 MR. MALASHEVICH: I would add one more  
15 thing. I don't even think the Petitioners would argue  
16 that NAFTA was caused by the antidumping order. To  
17 the extent that what has happened in Mexico is related  
18 to NAFTA, that is a change in the conditions of  
19 official competition and the way businesses think  
20 about U.S. and Mexico.

21 CHAIRMAN PEARSON: Mr. Montalbine?

22 MR. MONTALBINE: In Germany, you have a real  
23 restructuring and reorganization of the industry that  
24 obviously had nothing to do with the antidumping duty  
25 order, it had to do with the economics in Germany, the

1 German reunification, and you have the six producers  
2 being shrunk down to three producers. You have  
3 capacity being closed. At the same time, you had  
4 legal changes within the European Union that  
5 prohibited any more state aid to steel companies. So  
6 you have the German industry being reorganized but  
7 also not receiving any more subsidies and Commerce has  
8 confirmed that and revoked a countervailing duty order  
9 on Germany.

10 CHAIRMAN PEARSON: Others? Yes?

11 MR. CAMPBELL: Chairman Pearson, this is Jay  
12 Campbell in the back. I'm with White & Case, here  
13 today on behalf of Duferco Quebec, the Belgium  
14 producer. Just to confirm, we do make a decumulation  
15 argument for Belgium and we submitted a prehearing  
16 brief on this issue. Just to confirm, our argument is  
17 based on no likely discernable adverse impact and we  
18 do not make an argument based on significant  
19 differences in the trends of competition for Belgium.

20 MR. CUNNINGHAM: Might I just add one more  
21 point? The commission should note that one other  
22 change has occurred and that is that the  
23 countervailing duty order has been revoked as to the  
24 U.K.

25 MR. PIERCE: With respect to NAFTA, just to

1 take it one step further, it's not just the existence  
2 of NAFTA, it's the integration of the two markets that  
3 we've seen. The cross border trade has picked up  
4 tremendously, whether it be the raw materials coming  
5 into Mexico or the cut-to-length plate coming into  
6 Mexico or where the customer base is. This  
7 integration in the market in 2000 vis-a-vis NAFTA,  
8 U.S. and Canada, was the reason that Canada was  
9 decumulated by the commission the last time around in  
10 that sunset review. We've seen the Mexican economy  
11 develop over that time significantly in the last six  
12 years, greater integration between Mexico and the  
13 United States such that I would say that Mexico has  
14 now advanced to a position where the exact same  
15 rationale on which you decumulated Canada in 2000  
16 certainly applies today vis-a-vis Mexico.

17 CHAIRMAN PEARSON: Anything else on  
18 cumulation or have we pretty well exhausted that?

19 MR. CUNNINGHAM: I would just say one thing.  
20 When you look at what you did with respect to France  
21 in the last case and when you talked about the other  
22 aspects, that is, the other things, not under the  
23 heading of no discernable impact, in your conditions  
24 of competition you talked at that point about two  
25 factors that are certainly relevant to both Germany

1 and to the U.K. which is the decline in volume during  
2 the original investigation period and the substantial  
3 reduction in capacity of the two industries.

4 CHAIRMAN PEARSON: Okay. Thank you.  
5 I appreciate those comments. I may stay here long  
6 enough at the commission so that I fully understand  
7 all the cumulation considerations, but --

8 MR. CUNNINGHAM: And I will call you for a  
9 lesson at that point, if I may, sir.

10 CHAIRMAN PEARSON: If there are any other  
11 things that we should know for purposes of the  
12 post-hearing, by all means go ahead and clarify, add  
13 to what you might have already said, make sure that we  
14 have this outlined to the extent that even I can  
15 understand it.

16 I have one last question. Have any of the  
17 foreign producers implemented accounting systems or  
18 other type of control systems that would allow them to  
19 know in advance of making an export sale whether it  
20 would be priced at a level that the Department of  
21 Commerce might deem to be dumped? I understand that's  
22 a little bit tricky because it's not entirely possible  
23 to predict, there's a bit of art and science there  
24 together, but first of all, do you know what I'm  
25 talking about when I raise this issue and has there

1       been progress in this direction?

2                   MR. CUNNINGHAM: We conduct seminars for  
3       Corus every year on this, both in the U.K. and in the  
4       Netherlands and included in that are the plate people.

5                   CHAIRMAN PEARSON: And do you know whether  
6       Corus has adopted any measures, any accounting system  
7       or any way to monitor closely what sales prices are in  
8       response to your seminars?

9                   MR. CUNNINGHAM: They vary from product  
10      group to product group, but in general all the product  
11      groups have some degree of price monitoring in both  
12      markets with the knowledge that we give them as to how  
13      the dumping price computations are made so they can do  
14      more, not just raw price analysis.

15                  MR. PIERCE: With respect to Mexico, Mexico  
16      currently has a zero antidumping rate as a result of a  
17      review. Reviews take time, thinking, so that will  
18      tell you something about their planning. Other than  
19      that, they haven't been selling to the United States.  
20      As we move towards selling to the United States  
21      following revocation, all of our information and the  
22      information we've provided to the commission is that  
23      the prices track extremely closely between the United  
24      States and Mexico. It really is an integrated market  
25      with the United States selling into Mexico. So

1 I think you're at a price equivalency in the market  
2 between the U.S. and Mexico now.

3 CHAIRMAN PEARSON: Okay. My yellow light  
4 has come on.

5 Mr. Montalbine, do you have something to add  
6 quickly or would it be best to address it in the  
7 post-hearing?

8 MR. MONTALBINE: I can say very quickly  
9 ThyssenKrupp has never imported its product to the  
10 United States, but they testified at the corrosion  
11 resistant hearing that they do have that sort of price  
12 monitoring system in place and so they would be  
13 available if they chose in the future to import this  
14 product.

15 CHAIRMAN PEARSON: Okay. Thank you.

16 If there are other comments, if we could  
17 have them for the post-hearing, that would be great.  
18 I thank you very much.

19 Madam Vice Chairman?

20 VICE CHAIRMAN ARANOFF: Thanks,  
21 Mr. Chairman.

22 The chairman did an admirable job of asking  
23 questions about cumulation, but I actually still have  
24 another one.

25 This takes me to something of an existential

1 dilemma. The U.K. and German producers have in each  
2 case argued that the country should be decumulated, we  
3 should exercise our discretion not to cumulate because  
4 the subject volume from both countries were declining  
5 prior to the orders, production capacity has fallen  
6 and each would export mostly specialized, higher value  
7 plate. While that may distinguish them from some of  
8 the other subject countries, it doesn't distinguish  
9 them from each other. We always have to ask ourselves  
10 that existential question, if we have 11 countries and  
11 two of them differ from the others in some respects  
12 but not from each other do we then cumulate those two  
13 and then consider the other nine in a separate pot. I  
14 have considered doing a very large spreadsheet with  
15 the 11 countries down one side and 14 or 15 factors  
16 along the other side and see if I can get checkmarks  
17 in all the different columns and different places so  
18 that then maybe I could say that each one of them has  
19 different conditions of competition, but that's a  
20 pretty hard place to go.

21 I guess I'll start with counsel for the  
22 German and U.K. producers, since that's the easiest  
23 question to answer.

24 MR. CUNNINGHAM: I didn't bring my volume of  
25 Kierkegaard with me. First of all, it's never been

1 done in the commission one way or the other and so you  
2 have the rich prospect of being able to roll it your  
3 own way, but it seems to me the logic is that if you  
4 were to find that two of the respondent countries are  
5 unlike all the other respondent countries but are like  
6 each other then one would cumulate the two of them  
7 together and I think it would be obvious -- if you  
8 cumulated Germany and the U.K., the answer would be  
9 obvious, two nothings is a nothing. The whole point  
10 of cumulation is you don't cumulate unlike  
11 competitors.

12 VICE CHAIRMAN ARANOFF: Okay.

13 MR. MONTALBINE: Marc Montalbine on behalf  
14 of the Germans. I agree with that and I think  
15 especially when you're talking about the U.K. and  
16 Germany, both E.U. countries, that could make a lot of  
17 sense.

18 VICE CHAIRMAN ARANOFF: Okay. I appreciate  
19 your answers. You're right, the commission has never  
20 answered this question. We've thought about it a lot  
21 and always found a way to avoid having to answer it.

22 MR. CUNNINGHAM: So did Kierkegaard on a  
23 whole lot of questions.

24 VICE CHAIRMAN ARANOFF: I think I understand  
25 this better.

1           All right. Totally different question on  
2 transportation costs. The domestic industry, I think  
3 it's in the IPSCO brief, asserts that once you put  
4 plate on the water, it pretty much doesn't matter  
5 where you're sending it, it's just as cheap to move it  
6 anywhere. The joint Respondents' brief takes the  
7 opposite view, that transportation costs are very high  
8 and have to be factored into any comparisons that we  
9 make between prices in different markets. Can those  
10 both be right?

11           MR. DOUGAN: I would say the staff report  
12 itself sort of puts the light on that and has observed  
13 differences in shipping costs among the different  
14 countries or rather from the different subject  
15 countries to the U.S. It only stands to reason that  
16 you have to take into consideration transportation  
17 costs and other factors like that when you compare  
18 prices across markets.

19           In the analysis in the joint Respondents'  
20 brief to which I alluded earlier, we actually tried to  
21 look at these things on a real market basis as  
22 possible. What if you were to take a ton of plate and  
23 take it from Germany and put it on a boat and bring it  
24 to the United States? Once you accounted for  
25 transportation costs, would the price differential or

1 the alleged price differential really exist? I think  
2 the data on which it's based are confidential, but  
3 more or less once you take these things into  
4 consideration the differences do not exist to the  
5 degree that are claimed by the domestics.

6 CHAIRMAN PEARSON: Let me ask the witnesses  
7 from Corus, first of all, when you ship your product,  
8 either within the U.K. or to continental Europe, how  
9 do you do that and how does the cost of doing that  
10 differ from the cost of shipping your product to the  
11 United States?

12 MR. PARKINS: Paul Parkins. Shipping in the  
13 U.K. is primarily done by truck. It's quite simple.  
14 From the mills to a domestic customer, we throw it on  
15 a truck and we deliver it. On average, that costs us  
16 about \$22 a ton. If we're shipping to mainland  
17 Europe, we have to go across the English Channel by  
18 one means or another. We can either use coasters and  
19 go straight up the Rhine, if we move them into  
20 Germany, or we can deliver by truck from the U.K. The  
21 cost therefore is considerably higher, a factor of  
22 about another 50 to 60 percent more delivering to near  
23 Western European markets as opposed to the U.K.

24 Conversely, if you're delivering to the  
25 United States, there's a much longer transit time and

1 a much longer transit distance and you're talking  
2 about a considerably larger factor of transport costs.  
3 Steel pricing for the carriage is very much dependent  
4 on the volume that you move. If you're looking to  
5 move a lot of volume in a big boat, its unit cost is  
6 cheaper. Certainly from Corus' perspective, we don't  
7 do that globally. As a business, we don't believe in  
8 steel tourism.

9 VICE CHAIRMAN ARANOFF: I appreciate that  
10 answer. I guess while we're talking about  
11 transportation costs, that also goes to the sort of  
12 China domino effect argument that we've been  
13 discussing today, this idea that because China is  
14 exporting more and because it can't send so much of  
15 that directly to the U.S. because it's under order it  
16 might send it to some of the markets that are  
17 represented here today and then that would mean there  
18 would be displaced volume from those markets that  
19 would be shipped to the U.S. How do transportation  
20 costs play into the way that we evaluate the  
21 likelihood of that scenario?

22 If you want to think about it and answer it  
23 post-hearing, that's okay, too.

24 MR. PRUSA: I'll address it in post-hearing,  
25 but it certainly makes you question, again, the whole

1 sequence of dominoes that has to happen. I hadn't  
2 heard that term before, about steel tourism, but the  
3 idea of all this stuff, it is not free to ship and the  
4 staff report clearly indicates that. Their measure of  
5 transportation costs is exactly the standard measure  
6 that economists use. It would be nice if you could  
7 actually get it, but this measure they use is the  
8 proxy that everybody uses for transportation costs and  
9 if you're on a \$700, \$800 product, these  
10 transportation costs map into significant difference  
11 that have to make you wonder whether Europe or Mexico  
12 certainly it makes sense to send it.

13 MR. CUNNINGHAM: I'm not quite sure  
14 I understand the question here and I really do want to  
15 give you the best answer. Are you saying that you  
16 want to know from us whether transportation costs from  
17 China to any of these various European or Brazilian or  
18 Mexican markets would be an inhibition to China  
19 exporting to them? Is that it?

20 VICE CHAIRMAN ARANOFF: Well, if the  
21 argument that's being made China has an imperative to  
22 export to whatever markets are open to it, which may  
23 not include the U.S. market because there's an order,  
24 therefore China may export to some or all of the  
25 subject countries, resulting in displacement of

1 domestically produced tonnage, which will look for a  
2 market which will come to the U.S. because whatever,  
3 we're a desirable or large or high priced market.  
4 That's sort of the way that argument goes. To what  
5 extent do transportation costs provide an explanation  
6 for why that is perhaps not likely to happen?

7 MR. CUNNINGHAM: Okay. Let's think about  
8 that and give you something in the post-hearing brief.  
9 Corus will at any rate.

10 MR. PIERCE: On that particular issue, as  
11 you articulate it, there is, of course, even in a  
12 sunset review still a causation requirement, a likely  
13 causal requirement, and when you get down this domino  
14 effect, you're really back to first year law school  
15 and proximate cause. How strung out is this causal  
16 effect going to be that you're still going to be  
17 buying these arguments because every time there's  
18 another link in the causal chain it gets less and less  
19 likely and more and more uncertain. And so as they've  
20 strung out their argument, one wonders -- I don't know  
21 what the kids' riddle is, the mouse run up the house  
22 and that's what caused the barn to burn down. But  
23 just the way you articulate it, it's showing how  
24 strung out this whole causal argument is.

25 VICE CHAIRMAN ARANOFF: That's the Palzgraf

1 case, right?

2 MR. PIERCE: Yes, exactly. Exactly.

3 MR. MALASHEVICH: I'd like to make one  
4 comment, please, specific to the U.K. on that issue.

5 VICE CHAIRMAN ARANOFF: Okay.

6 MR. MALASHEVICH: And by the way, it's "The  
7 House That Jack Built."

8 If you look at my prepared statement which  
9 goes into considerably more detail than my oral  
10 testimony, you'll see the U.K., as you heard earlier,  
11 penetration is only 2 percent today and also the  
12 structure of the U.K. is generally dominated by  
13 affiliated service centers, if you will, or  
14 distributors, to Corus. So it's very, very difficult  
15 for the Chinese, whatever the incentives may be. The  
16 Chinese stuff is not going to go to the U.K.

17 VICE CHAIRMAN ARANOFF: My apologies to Mr.  
18 Montalbine and whoever else was raising their hand in  
19 the back, but the light has turned red.

20 CHAIRMAN PEARSON: Madam Vice Chairman,  
21 I don't know whether you're planning another round,  
22 but if you wanted to go to those people now, I think  
23 we could probably accommodate that.

24 VICE CHAIRMAN ARANOFF: I still might have  
25 one more question for another round.

1                   CHAIRMAN PEARSON: Fine. Save your  
2 responses, please.

3                   Commissioner Hillman?

4                   COMMISSIONER HILLMAN: Thank you.

5                   I hope a couple of quick follow-ups.

6                   Mr. Dunn, you heard, I think, this morning  
7 this notion that we should look at what happened when  
8 Canada revoked its antidumping order as a proxy for  
9 what will happen in the United States and allegations  
10 about the tremendous increase of Brazilian product  
11 going into Canada after that order was revoked.

12 I just wanted to get your response to that. Do you  
13 think that is what happened? What was the  
14 relationship between the revocation of the order and  
15 the Brazilian product going into Canada?

16                   MR. DUNN: I'd be happy to expand on my  
17 comments earlier about that. The increase in Canada,  
18 I think it needs to be put in perspective. As I said  
19 in my testimony, you're talking about a country where  
20 900,000 tons of capacity came out of domestic product,  
21 stopped. Stelco closed its mill. That left a huge  
22 gap. If you look at the CITT opinion in that case,  
23 they said this is a vacuum which the other two  
24 Canadian producers have not been able to fill.

25                   Now, the market in Canada is about -- I'm

1 trying to recollect because I represented Stelco in  
2 the 2000 sunset review. My recollection, the market  
3 in Canada is about 2 to 2.5 million tons. The United  
4 States so far in 2006 exported over 500,000 tons of  
5 steel to Canada. Now, we have Canadian exports of  
6 41,000 tons. In 2005, it was 16,000 tons. You're  
7 talking about a drop in the bucket.

8 Now, let me just say one other thing about  
9 these huge, massive exports of 41,000 tons. In  
10 Canada, those interim, you can't just take those  
11 interim imports -- I can't remember how many months  
12 they were. If they were six months, you can't take  
13 them and double them; if they were seven months, you  
14 can't take them and multiply by them by 12 over seven  
15 because the St. Lawrence seaway closes in late  
16 October, November, December, so what comes in by  
17 September is pretty much what's going to be in for the  
18 year. So my point is that you don't have a massive  
19 increase in shipments the way they would characterize  
20 it. There was an increase in shipments, undeniably,  
21 but it is peanuts compared to what the U.S. mills have  
22 done.

23 COMMISSIONER HILLMAN: All right.  
24 I appreciate that. If there is anything further that  
25 you or any others want to comment on this issue of the

1 situation in terms of what happened in Canada is or is  
2 not representative of what would or would not happen  
3 in the United States if these orders are revoked,  
4 I would invite you to do so.

5 MR. CUNNINGHAM: For your convenience,  
6 Commissioner Hillman, the Canadian tribunal decision  
7 in that case appears at Tab 6 of Corus' pre-hearing  
8 brief.

9 COMMISSIONER HILLMAN: No, it's more the  
10 what happened since then.

11 MR. CUNNINGHAM: I understand.

12 COMMISSIONER HILLMAN: And the take on that.  
13 And I guess as part of that, to the extent that  
14 anything connected to the Stelco closure itself is in  
15 any way linked to imports, again, I would just ask you  
16 to help us understand how you would urge U.S. Steel to  
17 think about this whole issue of Canada, if indeed the  
18 argument is being made that the Stelco closure was  
19 also connected to an increase.

20 MR. DUNN: I can just add to that briefly,  
21 Commissioner Hillman. The Stelco closure was due to  
22 the fact that they made the questionable decision to  
23 try to install a steckle mill, a new steckle mill into  
24 their operations, without closing down their existing  
25 plate mill and they never were able to get it running

1       efficiently. They ended basically wrecking their  
2       plate mill operation and they were never able to get  
3       it to run efficiently and they just couldn't perform  
4       in the market with what they ended up with.

5                COMMISSIONER HILLMAN: I appreciate those  
6       comments. Again, anything further in the  
7       post-hearing.

8                A lot of what we heard in terms of testimony  
9       from the domestic industry concerns very recent  
10      timeframes. In essence, post when a lot of the data  
11      was collected. It particularly concerned a lot of  
12      testimony of recent months, that people's order books  
13      are no longer as full, that they're all out there  
14      seeking further orders and, as the Nucor folks kept  
15      saying, that the November prices will be below the  
16      October prices.

17               I'm just curious for the Corus  
18      representatives and on the Mexican side, if you could  
19      help me understand in your home market, are you seeing  
20      any softening of demand very recently and/or any  
21      downturn in prices?

22               MR. WHITE: Richard White from Corus. U.K.  
23      demand is still strong. European demand is strong and  
24      strengthening. If you look at European shipbuilding,  
25      typically the shipbuilders have ordered two to three

1 years ahead. Construction is also improving in Europe  
2 from the current levels. Our order book in quarter 4  
3 is filled, has been filled for some time. We're  
4 turning away business. In quarter 1, we are fully  
5 committed. I'm not saying we've got all the orders  
6 yet, but we're fully committed in quarter 1 and 2007  
7 is looking very strong.

8 COMMISSIONER HILLMAN: Okay. On the Mexican  
9 side?

10 MR. GARZA: This Luis Garza of AHMSA. On  
11 the Mexican side, the prices on the OEM side of the  
12 business have been high and steady and on the service  
13 center side, we have experienced a small decline but  
14 still at the high records at this moment.

15 COMMISSIONER HILLMAN: Okay. And on the  
16 demand side?

17 MR. GARZA: The demand side, on the OEMs or  
18 industrial customers, strong. On the service center  
19 side, it's soft.

20 COMMISSIONER HILLMAN: Okay. All right.  
21 I appreciate those answers.

22 We've heard in essence nothing from two of  
23 the European producers, the Spanish and the Swedes.  
24 I didn't know whether any of the producers or counsel  
25 here have anything you would want to put on the record

1 that's not already there in terms of any changes in  
2 production, capacity, product mix, anything with  
3 respect to either the Spanish producers or the Swedish  
4 producers.

5 MR. WHITE: Richard White from Corus. I can  
6 say that our understanding of the Swedish mills is  
7 that they have been heavily geared towards quench and  
8 tempered products. They have over the last 18 months  
9 or so gone even further down the quench and tempered  
10 route, which is out of consideration here. So I would  
11 suspect that the availability of commodity plate from  
12 them will be even less than it has been over the last  
13 few years.

14 COMMISSIONER HILLMAN: Okay. I appreciate  
15 that.

16 One of the arguments I think we hear at  
17 least with respect to some of the countries and this  
18 issue of cumulation concerns the product mix issues.  
19 I just want to make sure I understand the degree to  
20 which you're arguing that what you would be shipping  
21 here or could be shipping here in the absence of the  
22 order are specialty products that are not made in the  
23 United States, either from a thickness, a width, heat  
24 treatment, to the extent that you think what you're  
25 shipping is something that in your perception is not

1 made here. I'm wondering if you could at least make  
2 sure we understand what those products are that you  
3 believe you would be shipping, again, not against U.S.  
4 competition.

5 MR. PIERCE: For Mexico, that's not part of  
6 our argument.

7 MR. CUNNINGHAM: Nor is it in general part  
8 of the Corus argument, although I can't say there's no  
9 product that's so specialized that it's not made.  
10 It's more the situation that's like -- I believe it  
11 was Mr. -- well, I can't find it right now. Probably  
12 Mr. Tulloch, I think. One of the domestic industry  
13 witnesses said late in the day that there are some  
14 products that aren't made, a few, there are others  
15 that aren't made in sufficient quantity. It's more  
16 that situation.

17 Our point really is that these are going to  
18 be small quantity products, not big volume products,  
19 that are sold in attenuated competition with the U.S.  
20 producers.

21 CHAIRMAN PEARSON: Okay.

22 Mr. Montalbine?

23 MR. MONTALBINE: I'd just quickly say that  
24 would be the same for Germany. For example, lined  
25 pipe plate, you heard a lot of testimony in the French

1 case from Bergsteel Pipe Corporation that it's very  
2 tight and very difficult to get. Though they do try  
3 to source that in the United States, you can't always  
4 get that.

5 COMMISSIONER HILLMAN: Okay. I appreciate  
6 that. I guess I heard it a little bit differently,  
7 that it was not made here and I now understand it  
8 slightly differently. Thank you.

9 The last question is on this issue of the  
10 use of surcharges. You heard discussion this morning  
11 again that surcharges are out there and in place, when  
12 they occur. I just want to make sure I understand  
13 whether that is also the case in either the European  
14 markets or in Mexico. Again, surcharges for increases  
15 in any of the raw material costs, energy surcharges.

16 Mr. White?

17 MR. WHITE: In terms of Corus, we have  
18 constantly moved prices up as iron ore and coal have  
19 moved. In terms of surcharges, we introduced a  
20 surcharge way back in 2004 that proved to be extremely  
21 unpopular. The market preferred steady movements and  
22 published list prices and that's the practice we've  
23 adopted.

24 COMMISSIONER HILLMAN: Okay. So you have  
25 not had any surcharges since then, you just move up

1 the base price?

2 MR. WHITE: We just move the base price.

3 COMMISSIONER HILLMAN: Mr. Montalbine?

4 MR. MONTALBINE: Similar in Germany, they do  
5 it on a transaction price basis and I think surcharges  
6 are mainly for mini mills that are based on scrap  
7 input. In the basic oxygen furnace production, they  
8 don't use surcharges because the scrap is not such an  
9 important factor.

10 COMMISSIONER HILLMAN: Okay. All right.

11 MR. GARZA: In the case of Mexico, in 2004,  
12 on the industrial side or the OEMs, we implemented  
13 surcharges. On the service center side, they are on  
14 the spot basis, we just keep changing or adjusting the  
15 price.

16 COMMISSIONER HILLMAN: Okay. All right.

17 I appreciate those responses. Thank you very much.

18 MR. CUNNINGHAM: And just for completeness,  
19 the testimony that I cited to from the domestic  
20 industry about products that are produced in  
21 sufficient volume was by Mr. Insetta and Mr. McFadden  
22 in responses to question from Commissioner Koplan.

23 COMMISSIONER HILLMAN: Thank you very much.

24 CHAIRMAN PEARSON: Commissioner Koplan?

25 COMMISSIONER KOPLAN: Thank you,

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1 Mr. Chairman.

2 When you say moved rather efficiently,  
3 I moved a little too efficiently on my first round.

4 Mr. Malashevich, hearing you straighten out  
5 counsel, Mr. Pierce, about the fact that he meant "The  
6 House That Jack Built," I don't feel quite as badly to  
7 have to sit here and acknowledge that my economist,  
8 John Fry, just straightened me out on a question that  
9 I asked on my first round that I'm going to come back  
10 to and see if I can get it right this time with you  
11 all. That was that was request that I made of counsel  
12 for estimates of future prices for the last four  
13 months of 2006 through 2008.

14 I was not asking for company-specific  
15 contract pricing, although it might have sounded that  
16 way when you asked me, Mr. Cunningham.

17 I am requesting each of you to give me your  
18 independent estimates of what cut-to-length prices  
19 will be in the markets I listed, the U.S., European,  
20 Brazilian and Asian markets and, of course, I welcome  
21 your offer on behalf of the Mexicans to give me the  
22 home market prices.

23 When I refer to Asia, I'm referring to China  
24 and Taiwan.

25 That's what I'm asking from counsel, is to

1 give me your best estimates of what you foresee will  
2 be happening in those markets during that period of  
3 time.

4 Does that clarify it?

5 MR. CUNNINGHAM: Do you have any  
6 clarification as to grade or type or anything like  
7 that?

8 COMMISSIONER KOPLAN: No.

9 MR. CUNNINGHAM: We'll just wing it with  
10 that.

11 COMMISSIONER KOPLAN: Cut-to-length plate.

12 MR. CUNNINGHAM: Cut-to-length plate? Got  
13 it.

14 COMMISSIONER KOPLAN: If that's what you  
15 would like to do, you can certainly do that, but I'm  
16 just asking for cut-to-length plate.

17 MR. CUNNINGHAM: I hear you. We'll do our  
18 best.

19 COMMISSIONER KOPLAN: Thank you very much.  
20 That's what I asked this morning, actually, of the  
21 domestic side.

22 Now, then, again for counsel, on page 4 of  
23 U.K. Steel's brief, it's stated, "The bar industry is  
24 therefore fundamentally different from the plate  
25 industry. This is also reflected in the fact that

1       only two of the U.S. Petitioners produce flat bars and  
2       these are produced on different facilities from their  
3       plate production. In the U.K., none of the plate  
4       producers manufactures flat bars and vice versa.  
5       Therefore, if the commission were to decide against  
6       revocation of the antidumping duty order on  
7       cut-to-length plate, U.K. Steel submits that the  
8       definition of the like product should be amended by  
9       excluding wide flat bars rolled on a bar mill from  
10      plate so that wide flat bars would be a separate and  
11      distinct like product."

12               For the Respondents' post-hearing briefs,  
13      could you please provide a like product analysis for  
14      flat bar that addresses for me the six traditional  
15      factors?

16               MR. CUNNINGHAM: We'll be happy to do that.

17               COMMISSIONER KOPLAN: Thank you very much.

18               (Pause.)

19               CHAIRMAN PEARSON: The chair will entertain  
20      some more nursery rhymes while the commissioner is --

21               COMMISSIONER KOPLAN: No, actually, I'm  
22      ready. Thank you, though, for that offer.

23               I notice that the cash deposit rate for one  
24      of Romania's exporters, MEI, became zero on January  
25      12, 2001, down from 75.04 percent, that's at table CTL

1 1-10 and CTL 111. On March 15, 2005, the rate for  
2 MEI was raised to 13.50 percent and on March 10, 2006,  
3 the cash deposit rate was increased back to 75.04  
4 percent. Subject imports from Romania over that  
5 period increased from 6 short tons in 2000 to 109,969  
6 short tons in 2004 and 49,813 short tons in 2005. I'm  
7 referring to Table 1-23 in the CTL portion at page  
8 1-41. With a cash deposit rate of 75.04 percent back  
9 in place, imports of cut-to-length plate from Romania  
10 declined to zero in the first half of 2006.

11 When I look at that, it indicates to me that  
12 if this order comes off I would expect to see Romania  
13 resume their past practice upon revocation. I'd like  
14 to know if anybody disagrees with the way I'm  
15 evaluating that. I'd be happy to hear from anyone on  
16 that with respect to Romania.

17 MR. PIERCE: If I may, Ken Pierce. There's  
18 two aspects. I think I heard you say, if I'm correct,  
19 that the increase to the 75 rate happened in March  
20 '06?

21 COMMISSIONER KOPLAN: March 10th.

22 MR. PIERCE: '06?

23 COMMISSIONER KOPLAN: Yes.

24 MR. PIERCE: And imports for the whole first  
25 half of '06 were zero, so before that increase to 75

1 percent, for the first quarter of '06, they'd already  
2 stopped shipping to the United States, if I'm  
3 understanding your dates and times correctly.

4 COMMISSIONER KOPLAN: It's right in the  
5 staff report.

6 MR. PIERCE: Okay.

7 COMMISSIONER KOPLAN: I gave you the page  
8 references.

9 MR. PIERCE: But if I'm understanding this,  
10 you went up to 75 percent in the first quarter of '06,  
11 right? It was still at a 13 percent deposit rate  
12 during the first quarter of '06, right?

13 COMMISSIONER KOPLAN: With a cash deposit  
14 rate of 75.04 percent back in place, their imports  
15 declined to zero in the first half of '06.

16 MR. PIERCE: It went into place in March of  
17 '06, so the first quarter of '06, it wasn't in place  
18 and already they weren't shipping to the United  
19 States.

20 COMMISSIONER KOPLAN: But on March 15th of  
21 2005, I was raised to 13.50, so they were on their  
22 way.

23 MR. PIERCE: Right.

24 COMMISSIONER KOPLAN: They were on their  
25 way.

1           MR. PIERCE: Well, they were at 13 percent  
2 during the first quarter. That's correct. But it's  
3 different than 75 percent.

4           COMMISSIONER KOPLAN: Right.

5           MR. PIERCE: The second thing, as mentioned  
6 in the opening remarks and that you had attempted to  
7 ask some questions about but you didn't get answers to  
8 and I assume you will in Petitioners' post-hearing  
9 brief, Mittal is Mittal and Mittal is a Petitioner, so  
10 Mittal's intentions, what they're going to do  
11 vis-a-vis Romania, what their plans are, what their  
12 intentions are, I assume they'll be telling you in  
13 their post-hearing brief as they committed to do and  
14 I can't tell you anything better about them than what  
15 they can tell you themselves.

16           COMMISSIONER KOPLAN: Okay. Anyone else?

17           Mr. Cunningham?

18           MR. CUNNINGHAM: It's hard to evaluate  
19 numbers like that about the cash deposits unless you  
20 have a little bit more information on what's going on  
21 at the Commerce Department. A cash deposit is, of  
22 course, a cash deposit. It's not your ultimate duty  
23 liability, there are circumstances where one has a  
24 cash deposit, let's say, for example, it was  
25 calculated on a facts available basis but one knows

1 that one can present the facts for the duty assessment  
2 that will get that down to zero or something very  
3 small. That still takes a certain amount of strength  
4 of character to say I'm going to put up a 75 percent  
5 cash deposit.

6 I suspect it's also true that some of that,  
7 of course, just gets recycled because after all Mittal  
8 gets bird money and Mittal pays the duty. While they  
9 may not get all of it back -- I don't know. All of  
10 this is pure speculation unless you know what's going  
11 on at Commerce.

12 COMMISSIONER KOPLAN: Thank you for that.

13 I have nothing further.

14 CHAIRMAN PEARSON: Commissioner Okun?

15 COMMISSIONER OKUN: Thank you, Mr. Chairman.

16 Again, thank you for all the answers you've  
17 provided so far.

18 If I can just go back on the Romania  
19 question just for one moment, this question will be  
20 for counsel, although I understand that I'm going to  
21 ask your indulgence here and raise something that may  
22 not be immediately in your interests and that is the  
23 question that Commissioner Aranoff put to Mr. Schagrin  
24 this morning, which is how much weight the commission  
25 should place on these corporate relationships.

1           Actually, Mr. Cunningham might a much a  
2 greater interest in this by the time he goes home  
3 tonight, but if you could help us evaluate that.

4           I understand your point, Mr. Pierce, which  
5 is we hope that we will have information from Mittal  
6 indicating their intentions, but even if we have that,  
7 what the representative from Nucor said, we don't  
8 really care what Mittal says, we'd like an order in  
9 place to make sure it doesn't really happen.

10           I wondered if you had any comments on,  
11 again, how things have changed in this industry, how  
12 much weight we should place on the changing corporate  
13 relationships and determining what the trade flows  
14 will be into the United States.

15           MR. PIERCE: We'll be happy to address it in  
16 greater detail in the post-hearing brief, but it's  
17 always been part of the commission practice, there's a  
18 lot of cases on this and that should continue today,  
19 that a related party, a foreign related party related  
20 to a member of the domestic industry, is likely to be  
21 controlled in such a way as that it does not cause  
22 injury to its domestic parent or domestic related  
23 party and I think that carries over here. Unless you  
24 see some major distinction between Mittal's  
25 production, IPSCO's, Nucor's and Oregon's from

1 Mittal's, then one has to presume if Mittal is  
2 bringing in product from Romania in such a way that it  
3 is not hurting Mittal, then it's not hurting anybody  
4 else unless they can show that there is some reason  
5 why it's not hurting Mittal but it would be hurting  
6 the others. I haven't heard anything from the  
7 domestic mills, from Mr. Schagrin or others, why the  
8 imports from Romania planned, if they are, by Mittal  
9 in the United States to be non-injurious to Mittal  
10 would then turn around and be injurious to other  
11 members of the domestic industry that are in the same  
12 markets, the same products, the same channels of  
13 distribution.

14 COMMISSIONER OKUN: I appreciate those  
15 comments.

16 Mr. Cunningham, did you have anything you  
17 wanted to add to that?

18 MR. CUNNINGHAM: I don't have a view on this  
19 issue, believe it or not.

20 COMMISSIONER OKUN: You will soon.

21 MR. CUNNINGHAM: Well, maybe. Yes,  
22 I probably will. Yes.

23 COMMISSIONER OKUN: Okay. Mr. Kunka, if  
24 I could go back to you for a moment, just with respect  
25 to pricing and the market and you've had a chance to

1 respond to a number of things, but one question I had  
2 was in the period of review when we saw these very  
3 large price increases, one of the arguments made by  
4 the dual use is because you've had a comprehensive  
5 order in place against a lot of countries that by  
6 lifting that order you would not have -- without the  
7 comprehensive orders in place, you would have a lot  
8 more price pressure. I guess my question for you  
9 would be during this period when you saw price  
10 increases, when you had allocation issues, there were  
11 non-subjects. Non-subjects increased over our period  
12 of review. Did you use that as leverage in your  
13 negotiations on these prices? Why were you forced to  
14 accept these price increases if you did?

15 MR. KUNKA: I'd like to refrain from  
16 answering questions about pricing and respond to that  
17 in the post-hearing review, if that's okay.

18 COMMISSIONER OKUN: That's perfectly fine.  
19 I appreciate that and understand the sensitivity on  
20 that.

21 Mr. Cunningham, you already anticipated the  
22 question that I will put to all counsel, which is with  
23 respect to Bratsk and to the extent that they talked  
24 about future replacement and parts of that decision  
25 whether it has a place in sunset analysis and in

1 particular for this case, where we had increasing  
2 non-subject imports, how we should evaluate it. And  
3 that's for post-hearing.

4 MR. CUNNINGHAM: We'll do that in  
5 post-hearing.

6 COMMISSIONER OKUN: Thank you.

7 I think with that and my colleagues'  
8 questions, I've covered everything I would like to  
9 this afternoon, but I did again want to thank you very  
10 much for all the answers you've provided and I will  
11 look forward to the post-hearing briefs.

12 CHAIRMAN PEARSON: Commissioner Lane?

13 COMMISSIONER LANE: I just have one final  
14 question. This morning, Dr. Scott in predicting the  
15 future and economic indicators presented a picture  
16 that was pretty gloomy, so much so that I almost  
17 wanted to fold my tent and go home and wait until  
18 maybe things were going to get better, but listening  
19 to the three economists this afternoon, things aren't  
20 as bad apparently as Dr. Scott said. So tell me what  
21 indicators you all are looking at that are different  
22 than what Dr. Scott looked at that make you come to a  
23 totally different conclusion than what he did as to  
24 the future of the economy and this particular market.

25 MR. DOUGAN: This is Jim Dougan from ECS.

1 As I pointed out in my critique of Dr. Scott's  
2 analysis, and we can do more on this in the  
3 post-hearing, he was broadcasting on very broad  
4 measures of economic activity, but there are key end  
5 use segments for CTL plate that are quite  
6 determinative of what demand will be for these  
7 products. In Exhibit 5 to the joint brief that we  
8 presented, there are a number of documentation that  
9 supports how demand is growing simultaneously in all  
10 of the key end use segments and you see that echoed in  
11 the presentation that we haven't actually seen but is  
12 quoted in AMM and Steel Business Briefing from the  
13 domestic producers themselves about booming demand in  
14 the key end use markets. So I think that's somewhat  
15 of a confirmation and a corroboration of this  
16 documentation that we have here at Exhibit 5, but if  
17 it's pipelines that are quote in the pipeline, if it's  
18 the replacement of rail stock or barges that are well  
19 beyond their useful life, if it's non-residential  
20 construction that the head of the AIA expects to be  
21 the best that it's been, '06 and '07 will be the best  
22 periods for the past decade, and the highway build  
23 which was sort of characterized this morning as a risk  
24 for the domestic producers and yet it seems to me like  
25 that would be a source of additional demand for them

1 and those participating in the U.S. plate market.

2 So if you look at those indicators and the  
3 things that actually drive demand for CTL plate rather  
4 than the larger sort of macro variables, it seems to  
5 me -- and also to the domestic producers themselves  
6 and their own forecasts that they present elsewhere  
7 that things are looking pretty good for the reasonably  
8 foreseeable future.

9 MR. PRUSA: One thing that struck me with  
10 their analysis beyond other issues with it but just  
11 the sense that it was like flying an airplane at  
12 30,000 feet and saying, well, I'm looking at GDP.  
13 They took no time or chose not to actually look at the  
14 actual industries that demand cut-to-length plate. So  
15 I instead am going to focus on something that is  
16 broadly potentially related to the product in  
17 question. Instead, we present page after page of  
18 documented industry press reports, company reports  
19 that say our oil and rig demand is going up,  
20 construction is going up, energy use is going up,  
21 which means we need more pipelines.

22 You have to decide which approach do you  
23 want: an approach that actually looked at demand for  
24 the product and documents case after case after case  
25 of actually people saying we are buying the product

1 and will be increasing our buys for the future years  
2 versus a discussion in general terms of what we think  
3 might be a slowdown in GDP. That's how you get a  
4 difference of opinion. One is actually based on fact  
5 of relevant demand in the case and the other one is a  
6 broad discussion of potential GDP trends.

7 MR. MALASHEVICH: I might add that in  
8 addition to all that's been said you also have to make  
9 an assessment of quality and by quality I don't mean  
10 at all to suggest the skills of economic experts on  
11 the other side. That's not what I mean. But if any  
12 of us did a model of this industry and forecasting the  
13 future, it wouldn't be nearly as good as all the work  
14 that's been done by those in the end using segments  
15 actually consuming the stuff. I'd much rather rely on  
16 the trade association for rail cars to come up with  
17 what they forecast to be the future than anybody's  
18 model, however brilliant. I think this is a case  
19 where the commission is blessed by an industry that  
20 sells into a handful of individual segments and you  
21 have extensive documentation for what people in those  
22 segments think is going to happen. I think it's a no  
23 brainer as to which is the higher quality in terms of  
24 its relationship to the product at issue in this case.

25 COMMISSIONER LANE: Thank you.

1           One final question. In this particular  
2 industry, how would you define the reasonably  
3 foreseeable future?

4           MR. PIERCE: Well, your database allows you  
5 to go out to 2000. Once you start getting past a year  
6 out, a year and a quarter out, a year and a half  
7 out --

8           COMMISSIONER LANE: Wait a minute. Allows  
9 me to go to the year 2000?

10          MR. PIERCE: I'm sorry, 2007. I'm sorry.  
11 I'm sorry.

12          COMMISSIONER LANE: You were just checking  
13 to see if we were awake.

14          MR. PIERCE: If somebody was listening, yes.  
15 And you are. Out to 2007. Even if you pushed it out  
16 to 2008, which is a pretty long time out in the  
17 distance. Of course, the further you push something  
18 out the more unlikely or uncertain it becomes. We'll  
19 address this specifically in the post-hearing brief,  
20 but I would think if you go anywhere past 2008 you're  
21 just out in guess land.

22          MR. MALASHEVICH: I'd like to add I think  
23 that's supported by all the documentation I just  
24 referred to. The people actually in the segments  
25 being served with plate have produced certain

1 forecasts about the future and I think when time runs  
2 out on that forecast that's what they regard as the  
3 reasonably foreseeable future or else they wouldn't  
4 have forecast it.

5 COMMISSIONER LANE: Okay. Thank you.

6 MR. CUNNINGHAM: Could I add one thing to  
7 that?

8 COMMISSIONER LANE: Yes, Mr. Cunningham.

9 MR. CUNNINGHAM: I do think there is a  
10 factor that you should think about as you decide in a  
11 particular case, not just for a particular industry,  
12 what the reasonably foreseeable future is.

13 You're being asked here by the U.S. industry  
14 to speculate on certain types of things that they say  
15 they think are going to happen in the future and it  
16 boils down to really two specific things. One is  
17 whether certain things are going to happen with China  
18 and then China's exports to other countries and then  
19 the displacement from those other countries to the  
20 United States. The other thing is basically an  
21 inventory correction of prices. Those are the two  
22 things that this industry really has pinned its entire  
23 case on here.

24 As to the inventory correction, an inventory  
25 correction is a fairly short-term phenomena and you're

1 looking, I think, a year is fine to think about that.  
2 The problem with the China thing is as everybody said  
3 here is it's a bunch of hypotheticals on  
4 hypotheticals. It's a bunch of imponderables on  
5 imponderables. Will this happen? There's no evidence  
6 of it happening yet, but maybe it will happen and  
7 maybe this will happen, maybe that will happen. The  
8 farther you go out in time on that the more uncertain  
9 your speculation, and it's inherently speculation, is  
10 going to become.

11 I really think there's a good case here --  
12 ordinarily in a steel case I probably would have said  
13 two years is not a bad timeframe, but in this case  
14 I think because of what the U.S. industry is asking  
15 you to pin the decision on, you really shouldn't go  
16 out two years. If you go out two years and speculate  
17 on those sorts of things, you're really into Never  
18 Never Land.

19 COMMISSIONER LANE: So if we don't go two  
20 years, then what should we go?

21 MR. CUNNINGHAM: One year. If it's not  
22 going to happen in one year, I think you shouldn't  
23 speculate it's going to happen after that.

24 COMMISSIONER LANE: Thank you.

25 Mr. McCullough?

1                   MR. McCULLOUGH: I think on that point, I  
2 think what is very certain was the testimony you heard  
3 this morning from Mr. Tulloch at IPSCO who saw that  
4 2007 was going to be a very strong year. He admitted  
5 as much. Nucor, despite projections they've had  
6 earlier, Mr. McFadden said at best what he saw, maybe  
7 a ten percent decline in shipments next year which by  
8 the way, would still be higher than their record  
9 shipments in 2005 when they made 25 percent profits.

10                   COMMISSIONER LANE: Thank you.

11                   Thank you, Mr. Chairman.

12                   CHAIRMAN PEARSON: I have no further  
13 questions.

14                   Madame Vice Chairman?

15                   VICE CHAIRMAN ARANOFF: A few quick follow-  
16 ups.

17                   I know that Commissioner Koplan has asked  
18 the UK producers and anyone else who is interested to  
19 brief the like product factors on the wide flat bar  
20 issue. I would just add to that if you look all the  
21 way back to the Commission's preliminary determination  
22 in the original investigation, which is where I found  
23 that issue addressed in a couple of paragraphs in the  
24 opinion.

25                   I guess I'd just add, he asked you to

1 address the like product factors, and my additional  
2 question is the Commission did address the like  
3 product factors in the preliminary determination and  
4 it said basically, well, the fact that the  
5 manufacturing process is very different weighs one  
6 way, and the fact that there are overlaps in end uses  
7 weighs the other way and we go with that one.

8 So the question would be, well we can change  
9 our like product determinations in a sunset review,  
10 but we usually like to know has something changed  
11 about those six like product factors in the  
12 intervening time. So as you address them it's not  
13 just did we weigh them wrong the first time, or did  
14 that Commission weigh them wrong, but has anything  
15 changed in the underlying facts that might influence  
16 our decision on whether or not to reconsider.

17 Just one other quick follow-up question. In  
18 the last chart in the Willkie Farr Mexico questions  
19 where it talks about how under any scenario the  
20 projected increase in capacity for the current Mexican  
21 producer would not get rid of the supply deficit in  
22 the Mexican market, that I assume did not take into  
23 consideration whatever it is that Mittals is planning  
24 to do in the Mexican market.

25 MR. PRUSA: That is correct. That is with

1 AHMSA right now as the sole producer, it's focused on  
2 AHMSA and demand projections on top of that. Correct.

3 VICE CHAIRMAN ARANOFF: Okay. So feel free  
4 in your posthearing to address whether the fact that  
5 Mittal may be preparing to enter that market makes a  
6 difference to the analysis that you offered.

7 MR. PIERCE: We'd be happy to. We don't  
8 know much about Mittal's plans. There's a press  
9 report about it. As far as the details beyond that,  
10 we'll see what we can find.

11 VICE CHAIRMAN ARANOFF: I'm assuming they're  
12 not buying your client, they're actually talking about  
13 building another producer in Mexico. But --

14 MR. PIERCE: I'm assuming that too.  
15 (Laughter).

16 VICE CHAIRMAN ARANOFF: There's only two  
17 ways to enter the Mexican market, right? You've  
18 either got to buy the mill that's there or you have to  
19 build one.

20 MR. CUNNINGHAM: If you see Mr. Pierce and  
21 me drinking heavily in a bar together --

22 (Laughter).

23 VICE CHAIRMAN ARANOFF: I don't hang out in  
24 bars so I probably wouldn't see you.

25 (Laughter).

1                   Thank you very much to all of the witnesses  
2 this afternoon. I have no further questions.

3                   CHAIRMAN PEARSON: Madame Vice Chairman, at  
4 the end of your previous round both Mr. Kunka and Mr.  
5 Montalbine had wanted to comment on the question then  
6 pending. Do you recall what it was, and would you be  
7 willing to allow them to answer now?

8                   VICE CHAIRMAN ARANOFF: the question was  
9 transportation costs to China and how much we can move  
10 big, heavy plates around the world. I don't know if  
11 there's anything you want to add now. You're welcome  
12 to do so.

13                   MR. KUNKA: This is Mr. Kunka from  
14 Caterpillar.

15                   We look at total supply chain costs which  
16 include transportation. But there was a question  
17 about is transportation equal no matter where it's  
18 coming from. The answer is no.

19                   We also look at how it affects our other  
20 criteria such as delivery and the risk of the product  
21 being damaged when it gets there. There are things we  
22 have to consider that do add cost to the total supply  
23 chain when considering long transportation, so again,  
24 if the material gets damaged, rusts, the boat sinks, a  
25 number of different things. So I just wanted to say

1 that we do look at that from a purchaser's  
2 perspective.

3 Thank you.

4 MR. MONTALBINE: Marc Montalbine on behalf  
5 of Germany.

6 If I could add one thing. If we're talking  
7 about the so-called steel tourism, that is only  
8 something that happens with commodity products. When  
9 you're talking about special grade products, those are  
10 ordered by a specific client with specific  
11 specifications for a specific project. You can't just  
12 put it on a boat that's supposed to go to a pipeline  
13 in Iran and say oh, the order's gone in America,  
14 please turn the boat around and ship it to America.  
15 It's tied to a very specific project.

16 That gets back to an earlier presentation by  
17 the Petitioners. I believe there was a question that  
18 you had about German exports outside of the EU and how  
19 there was an increase. Those are exports to a  
20 pipeline project in Iran. What the Germans are  
21 exporting outside the EU is project specific. So it's  
22 not anything that could easily be diverted to the  
23 United States.

24 Thank you.

25 VICE CHAIRMAN ARANOFF: Actually, I

1 appreciate those answers very much and thank you, Mr.  
2 Chairman for reminding me to give you the time. And  
3 anything that you can add in your briefs to document  
4 that that's where the Germany extra EU exports are  
5 going, although Commissioner Okun is suggesting that  
6 perhaps you don't want to advertise that too broadly  
7 in Washington. In any event, thanks very much for  
8 those comments.

9 MR. MONTALBINE: I'm a little naive. I live  
10 in Germany, I work out of our German office, so I'm  
11 not as savvy in the Washington politics as maybe the  
12 others. So thank you for the comment. I'll try to be  
13 careful.

14 (Laughter).

15 VICE CHAIRMAN ARANOFF: I believe the  
16 correct term is "axis of evil."

17 (Laughter).

18 CHAIRMAN PEARSON: Madame Vice Chairman, I  
19 too am surprised I remembered that at 6:00 in the  
20 evening but I'm glad we got those responses. So thank  
21 you.

22 Commissioner Hillman?

23 COMMISSIONER HILLMAN: Thank you. I hope  
24 just a couple of quick follow-ups.

25 This exchange, Mr. Kunka, has just prompted

1 me to make sure I know whether we have on the record,  
2 does Caterpillar purchaser cut-to-length plate from  
3 China? If you have to do that posthearing if it's  
4 confidential, fair enough.

5 MR. KUNKA: You mean for U.S. consumption?

6 COMMISSIONER HILLMAN: Either way. Are you  
7 purchasing it for U.S. consumption?

8 MR. KUNKA: Not for U.S. consumption. We  
9 have facilities that manufacture product in China that  
10 consumes Chinese cut-to-length plate.

11 COMMISSIONER HILLMAN: Okay. I appreciate  
12 that answer.

13 The last question on this issue of what is  
14 reasonably foreseeable, et cetera, et cetera. We  
15 heard a lot, Mr. Reyes, from you and others about how  
16 likely or near term any additions to capacity are in  
17 Mexico. But I noted in your slides you've also noted  
18 there's going to be this new rail car facility right  
19 near your plant. Can you give me a sense of what is  
20 the reasonably foreseeable timeframe in which this  
21 rail car facility would be actually up and running and  
22 demanding product?

23 MR. GARZA: This is a joint venture between  
24 Greenbrier Group of Oregon with already existing  
25 company, Monclova Cuavila. They are going to use the

1 facilities that already exist, so they are planning on  
2 start operation in four months.

3 COMMISSIONER HILLMAN: Four months from now.

4 MR. GARZA: Yes.

5 COMMISSIONER HILLMAN: Do you have a sense  
6 of how long it would take them to ramp up in terms of  
7 needing --

8 MR. GARZA: The first order they have is for  
9 500 railroad cars.

10 COMMISSIONER HILLMAN: Beginning in four  
11 months.

12 MR. GARZA: Yes.

13 COMMISSIONER HILLMAN: I appreciate that.  
14 With that, I have no further questions.

15 MR. PRUSA: There is a press article we can  
16 submit posthearing that actually documents the  
17 specifics.

18 COMMISSIONER HILLMAN: I appreciate that.  
19 I would join my colleagues in thanking all  
20 of you for your testimony and for taking the time to  
21 be with us. We very very much appreciate it. Thank  
22 you.

23 CHAIRMAN PEARSON: Commissioner Okun?

24 Any further questions from the dais?

25 Mr. Corkran, do members of the staff have

1 any questions?

2 MR. CORKRAN: Douglas Corkran, Office of  
3 Investigation.

4 Thank you, Chairman Pearson. Staff have no  
5 further questions.

6 CHAIRMAN PEARSON: Do parties in support of  
7 the continuation of the orders have any questions for  
8 this panel?

9 MR. SCHAGRIN: Thank you, Chairman Pearson.  
10 Roger Schagrin speaking. On behalf of all counsel we  
11 have no questions of this panel.

12 CHAIRMAN PEARSON: Okay. Let me review the  
13 time remaining.

14 Those in support of continuation have 11  
15 minutes left from the direct presentation plus five  
16 minutes for closing.

17 In opposition to continuation, three minutes  
18 from direct plus the five.

19 How would you like to proceed? Do you want  
20 to offer rebuttal or would you like to go directly to  
21 closing?

22 MR. SCHAGRIN: It's so early, we would like  
23 to offer rebuttal.

24 CHAIRMAN PEARSON: Very well. Go ahead and  
25 rebut.

1           We should excuse the panel.

2           MR. CUNNINGHAM: Let me defer until after I  
3 hear what they rebut, but I'm pretty sure all I want  
4 to do is close, but let's see what they rebut with  
5 first.

6           CHAIRMAN PEARSON: Would you like the  
7 opportunity to rebut after their rebuttal or --

8           MR. CUNNINGHAM: I've got to -- We've  
9 already rebutted everything they did in their original  
10 presentation. So if they have something new on  
11 rebuttal I might want to rebut that, but I'm going to  
12 try to avoid it if possible.

13          CHAIRMAN PEARSON: You have no objection in  
14 allowing me to let them go directly to closing?

15          MR. CUNNINGHAM: Absolutely.

16          (Pause).

17          CHAIRMAN PEARSON: Please proceed. Mr.  
18 Schagrín, you're starting?

19          MR. SCHAGRIN: Thank you, Chairman Pearson,  
20 members of the Commission. I will begin.

21                 It's interesting that Respondents started  
22 out with charts and their economic presentation trying  
23 to demonstrate to the Commission that between 1990 and  
24 2005 there was no correlation between import volumes  
25 and industry profitability, which came as quite a

1 shock to me since the Commission's done three cases on  
2 cut-to-length plates since that time, as well as three  
3 sunset reviews and you found correlation in all  
4 between imports and the injury suffered by the  
5 industry. Why did you do that? Because it was  
6 obvious, of course.

7 I think there's a misunderstanding of the  
8 Petitioners' argument and what is called the Schagrin  
9 economic paper, although to be honest we did put the  
10 names of our two PhD economists on it, not myself. I  
11 am not an economist and I am one of the few people who  
12 is actually proud of that.

13 But the misunderstanding is that there is a  
14 sense from respondents that in order for there to be a  
15 recurrence of injury you had to believe the U.S. was  
16 going into recession. That is not the case.

17 There is, I think, little chance that the  
18 first quarter of 2007 is going to experience the  
19 incredible growth which happened in the first quarter  
20 of 2006, 5.6 percent GDP growth, tremendous growth as  
21 was pointed out at the hearing this morning, in plate  
22 consumption. If we have that kind of growth in the  
23 first quarter of 2007 I'll jump for joy. I love  
24 economic growth. It's good for everybody. It's just  
25 so unlikely.

1           Listening to the financial news every day,  
2           reading the financial press, it seems to me that the  
3           entire debate going on in this country after 17 Fed  
4           rate increases is whether we're going to have a hard  
5           landing, a soft landing, or a bumpy landing. I never  
6           hear anybody of the financial gurus or the economic  
7           press talking about a no landing scenario. So I think  
8           there's little doubt, it's the economic cycle, that we  
9           are going to have a slowing economy, and it's because  
10          we're going to have the slowing economy that the plate  
11          producers now I think, two or three of the major plate  
12          producers told you this morning that they are planning  
13          some capacity shutdowns or production shutdowns in the  
14          fourth quarter. Strong market, tight supply, tight  
15          demand conditions don't make companies tell their  
16          workers to come home, don't come to work today, we're  
17          not producing plate today.

18                 Let's be realistic here, and I don't think  
19          the Respondents were ever realistic this afternoon.

20                 It was very interesting to me that the  
21          purchasing manager of Caterpillar said gee, it's a  
22          pity we heard about these fourth quarter industry  
23          shutdowns because we're afraid it's going to add to  
24          tightness.

25                 The industry wouldn't be planning shutdowns

1 during the fourth quarter, which we'll get to in our  
2 posthearing brief, if it wasn't for the fact that  
3 their order books are so weak.

4 If Caterpillar wants to make sure that the  
5 industry doesn't have a shutdown, let them order more  
6 plate from the domestic producers and we'll talk about  
7 that in our posthearing brief confidentially.

8 I wasn't here on Tuesday, but I presume that  
9 the Caterpillar arguments are very similar to that of  
10 auto producers. They really want to buy domestic  
11 product but they don't want there to be orders against  
12 unfairly traded product because they'd love to use the  
13 price offers of unfairly traded products in order to  
14 force down domestic pricing.

15 That's essentially what I heard the  
16 Caterpillar witness saying today. That demonstrates  
17 that if you get rid of these orders there's going to  
18 be a price effect. But the fact is the largest  
19 segment of demand for the domestic industry isn't in  
20 fact any of the segments discussed this afternoon.  
21 The vast majority of sales are to service centers.  
22 That is what drives orders for the domestic industry.  
23 And unlike Caterpillar, the service centers don't want  
24 to use import prices to force down domestic prices.  
25 They're going to buy imports as soon as they're

1 offered at lower prices. That's why we had these huge  
2 import surges from the former Soviet countries back in  
3 '96, why we had them after the Asian crisis in '98,  
4 '99, is because service centers bought imports at  
5 lower prices than domestic products in droves.

6 Let me just talk about the Brazilian exports  
7 to Canada. I don't think there's a dire shortage of  
8 plate in Canada, but there are a lot of exports to  
9 Canada. A lot of those exports are just from Oregon  
10 Steel Mills right to their Camrose Pipe Facility.  
11 They're not really "in" the Canadian market. But if  
12 there are such shortages in Canada that caused  
13 Brazilians to ship 45,000 tons in the first half of  
14 this year you would think that Brazilian export prices  
15 to Canada would be at least as high as U.S. prices,  
16 and I think you'll see in our posthearing brief that  
17 that's not the case. It's because they're buying  
18 share in Canada and having an adverse affect on the  
19 two remaining Canadian producers.

20 The China issue. China is the next Asian  
21 crisis. The difference is that the Asian crisis was a  
22 meltdown in demand. This time it's a supply explosion  
23 in China. It's not speculation about where China is  
24 going and a bunch of domino theories and how do we  
25 connect the dominoes, and it's so complicated. China

1 is exporting massive amounts of plate around the world  
2 right now. It's going to increase in the future, but  
3 they're doing it right now. All the data is in the  
4 Stewart and Stewart brief and we'll highlight it in  
5 ours.

6 In fact there was an article in AMM just  
7 yesterday where a representative course was  
8 complaining about the fact that there's so much flat  
9 rolled imports coming to the EU from China that it's  
10 causing problems. Why would there be a potential EU  
11 pate case against China if there weren't already a lot  
12 of plate imports from China into the EU?

13 The penultimate issue, the cumulation issue.  
14 I think this Commission has done an extraordinary job  
15 over the first six years of sunset in deciding when  
16 not to cumulate and to let countries out or to find no  
17 discernible impact. I know just as the plate where  
18 I've done the first, the last two reviews you let  
19 South Africa out, you let France out. We haven't had  
20 an increase in imports from those countries. You  
21 didn't hear the domestic industry complaining about  
22 that. The Commission got it right.

23 I know that if you end the orders against  
24 all 11 of these countries, we're going to have import  
25 surges and we're going to have damage to this

1 industry. I've got enough clients laying people off  
2 and piping tubes. I'm tired of seeing good, efficient  
3 producers damaged by imports. Those are all China  
4 issues. I won't get into that.

5 So we're really depending on you to use your  
6 wisdom in this case to decide which of these 11  
7 countries, if you sunset the order, won't provide  
8 larger quantities of low priced imports to the United  
9 States. If that's the case, let them out.

10 It's clear from the record that doesn't  
11 apply to all 11 countries.

12 Last night I just need to get on the record,  
13 looking at my calendar, my next time coming to this  
14 Commission isn't until April 12th. That may be the  
15 longest time span of my career.

16 I know that the two successors to  
17 Commissioner Koplan are not here, and Commissioner  
18 Hillman, have already been named by the President. I  
19 presume if the Senate does their job there's at least  
20 a reasonable chance I won't see you again on April  
21 12th. I just want you to know you have been a credit  
22 to the professionalism of the Commission and I have  
23 enjoyed practicing before you, including all the 201  
24 cases. Unfortunately 9/11, but at least the Red Sox  
25 won the World Series during that time. Thank you.

1                   MR. RIKER: I'm David Riker with some  
2                   rebuttal points.

3                   Dr. Prusa listed a number of concerns with  
4                   my economic analysis. I disagree with his comments.  
5                   I'll have to review the transcript to address them  
6                   point-by-point, but as I understand his comments, they  
7                   are not only difference of opinion, but refutable  
8                   misrepresentations of fact on Dr. Prusa's part. The  
9                   study's on the record. It speaks for itself. Some  
10                  people have even told me that it's readable, as  
11                  economics go.

12                  My first example is those staples of  
13                  economics, supply and demand. As I understand his  
14                  testimony, Dr. Prusa claimed that my economic analysis  
15                  is not a model of supply and demand, yet the last few  
16                  pages of the submission show the equations for supply  
17                  and demand for the model. You can look it up.

18                  My second example involves international  
19                  price differences. As I understand his testimony, Dr.  
20                  Prusa claimed that my analysis assumes that prices are  
21                  higher in the U.S. than anywhere else in the world.  
22                  That's not true. As I testified earlier today, the  
23                  evidence that I reviewed does not indicate significant  
24                  differences between EU and U.S. prices at the current  
25                  time. The economic model does not assume that there

1 are. The model is driven by large differences between  
2 prices in Asia and the U.S. The model is driven by  
3 the magnitude of existing unused capacity, by  
4 divertible exports, and by excess inventory of foreign  
5 subject producers.

6 My third and last example involves foreign  
7 excess capacity. As I understand his testimony, Dr.  
8 Prusa claimed that my model assumes that 100 percent  
9 of the foreign subject producers reported excess  
10 capacity will be shipped to the U.S. market. In fact  
11 the economic submission explicitly states that there  
12 is likely a strong economic incentive to shift only a  
13 portion of these volumes if the orders are revoked.

14 As I understand one of Commissioner Okun's  
15 questions earlier today, she was looking for a  
16 framework to gauge the significance of foreign subject  
17 tons to the reoccurrence of injury. In fact, the  
18 purpose of my economic model is to integrate these  
19 economic data in order to quantify the economic impact  
20 of revoking the orders. Whether you embrace an  
21 economic model or not, I think the Commission staff's  
22 own variance analysis shows just how sensitive the  
23 industry's financial performance has been to  
24 fluctuations in prices.

25 MR. BRIGHTBILL: Let me continue with a

1 couple of rebuttal points.

2 China capacity. We did put on the record 70  
3 million tons of capacity that's going to come on-line.  
4 We believe two years is the appropriate timeframe for  
5 looking at what is reasonably foreseeable. That's  
6 precedent which the Commission has established and  
7 which is appropriate.

8 We've compiled all that capacity. The  
9 reason why Ambassador Schwab has elevated the China  
10 capacity problem to the level that she has is because  
11 of the dire situation that is faced today.

12 I'd just underscore what Mr. Schagrín said,  
13 that the China domino effect story is not speculative,  
14 it's not overly complex. It's happening today.  
15 Brazil says, the President of the Brazilian Steel  
16 Institute recently described China's growing capacity  
17 as "a threat to Brazilian producers." So it's a  
18 threat to subject imports and the world.

19 CHAIRMAN PEARSON: Now you're prepared for  
20 closing.

21 MR. BRIGHTBILL: Would you like me to move  
22 directly to closing at this point?

23 CHAIRMAN PEARSON: Yes. Unless you prefer  
24 to wait until after Respondents, but if you're ready -  
25 - Mr. Cunningham?

1           MR. CUNNINGHAM: I don't intend to rebut  
2 anything other than some things I may say in my  
3 closing, so why doesn't he just go ahead with his  
4 closing and I'll take all my eight minutes and take  
5 part of it or whatever to do the closing.

6           CHAIRMAN PEARSON: If you have no objection,  
7 Mr. Brightbill, go ahead.

8           MR. BRIGHTBILL: Chairman Pearson, members  
9 of the Commission. Thank you for your attention  
10 during this long -- not as long day. As confirmed by  
11 this weeks' hearings no one can doubt the seriousness  
12 and the thoroughness of the Commission and we greatly  
13 appreciate the opportunity.

14           Since 2004 the domestic cut-to-length plate  
15 industry has been doing well. Very well. Let's not  
16 forget, this is two years following many many more  
17 years of losses and decades of dumping, subsidies, and  
18 affirmative material injury determinations by this  
19 Commission.

20           The AD and CVD orders on these and other  
21 subject countries are a very important reason why the  
22 domestic industry has recovered. The orders on these  
23 21 countries have worked as intended, by eliminating  
24 dumped and subsidized merchandise from the market.

25           Moreover, you know that the domestic

1 industry's two years of profits are not the whole  
2 story of this sunset review. So what has this  
3 investigation revealed? Many of the same facts that  
4 you found a year ago in the sunset review of plate.  
5 Massive addition to Chinese capacity resulting in  
6 China becoming a net plate exporter with resulting  
7 impacts immediately throughout the rest of the world.  
8 Not speculative, not domino. True a year ago, still  
9 true today.

10           Planned cut-to-length plate capacity  
11 additions of about 70 million short tons worldwide,  
12 including China, including many of the subject  
13 countries. Current prices that have already started  
14 to decline and are projected to decline by very  
15 substantial amounts. Global demand growth that is  
16 currently strong but which will slow significantly in  
17 2007 and 2008. And a significant price gap between  
18 the United States and the rest of the world, several  
19 hundred dollars between the United States and Asia.  
20 Also, let's not forget, a domestic industry that lost  
21 money for four years of the period of review.

22           So with these conditions as backdrop, what  
23 will happen if these orders are revoked?

24           There will be a volume effect. Subject  
25 imports will return. These 11 countries will surge

1 back. This is particularly true because subsidized,  
2 uncontrollable growth of China leaves them no choice.  
3 Everyone in this room on both sides of the aisle knows  
4 that China is poised to take their markets and their  
5 customers. This is not speculation. Many of them  
6 have or are seeking trade protection against Chinese  
7 plate imports. While these foreign antidumping orders  
8 are going up or being considered, perhaps now is not  
9 the best time to get rid of ours.

10           There will be price effects. These products  
11 are sold on the basis of price, as the investigation  
12 has established, and small volumes of imports can have  
13 immediate, large price affects. This is a commodity  
14 product with bigger price swings than on corrosion  
15 resistant products. It's a much different industry  
16 than what you talked about on Tuesday. There would be  
17 substantial price declines no later than 2007 and  
18 2008.

19           You've heard testimony today of \$100 a ton  
20 or more being likely. We've seen such rapid,  
21 destabilizing price swings in the past.

22           What would be the impact on the industry?  
23 An increase in subject imports would have substantial  
24 impact on the domestic industry. And we don't have to  
25 show a death spiral to show that material injury would

1 recur. A price drop in this industry goes straight to  
2 the bottom line and the financial performance of these  
3 domestic producers, their production levels, their  
4 substantial capacity and capital investments are all  
5 linked to whether or not these orders remain in place.

6 I'd like to rebut just a couple of points.  
7 One, market power.

8 It is true as Respondents say that the  
9 domestic industry is today more efficient and  
10 productive and competitive than it was five years ago,  
11 but it is not true that the domestic industry has  
12 substantial pricing power or is insulated in any way.  
13 Not when imports consistently undercut pricing levels,  
14 not when the slightest uptick in import levels causes  
15 plate prices to drop \$50 a ton or more.

16 Cumulation. We've heard a lot today from  
17 individual countries and producers saying how they're  
18 special, how they're not like the rest of Respondents.  
19 But plate is a commodity product by and large with  
20 imports that are highly substitutable for domestic  
21 product and competition based on price. We've shown  
22 today why there really aren't that many situations  
23 where you can let someone off the hook because their  
24 situation is that much different. All of them have  
25 capacity, all of them export to varying degrees, all

1 of them undersell, and all of them will seek high-  
2 priced markets.

3 It's been a good two years, we don't  
4 apologize for that, but your question is where we will  
5 be in the next one to two years if these orders are  
6 removed. As the domestic industry has told you, we're  
7 at the top of the price cycle, we're at the top of the  
8 demand cycle, inventory is very high, the roller  
9 coaster is headed one way, down. And removing these  
10 orders now will likely cause the bottom to drop out.

11 For all these reasons, on behalf of the  
12 domestic industry and its workers, we ask you to reach  
13 the same conclusion as you did in 2003 and 2005, and  
14 leave these orders in place. Thank you.

15 CHAIRMAN PEARSON: Thank you, Mr.  
16 Brightbill.

17 Mr. Cunningham?

18 Please turn the microphone on before  
19 thanking us.

20 MR. CUNNINGHAM: Is that not on? Okay.

21 Thanks again for your patience on this long  
22 day.

23 (Laughter).

24 The Commission has two fundamental tasks in  
25 this proceeding, two fundamental issues you face.

1 There is the overall yay or nay issues. Should you  
2 simply say this order is to be revoked entirely.

3 The second question is, are there countries  
4 that should be decumulated from your analysis.

5 On the first question, I have to confess to  
6 the Commission that I can't point you to any case  
7 where the Commission has ever said simply because the  
8 industry is doing so fabulously well, that alone  
9 requires revocation of the order. But I must say this  
10 case pushes the envelope on that. It pushes it right  
11 to the limit. That's a spectacular chart. This is a  
12 spectacular earnings performance, a spectacular level  
13 of prices, and an industry that in all the years I've  
14 been doing steel, and I've been doing it since '74,  
15 I've never seen a performance this strong by a steel  
16 industry.

17 But let's not stop there. Even if we'll say  
18 that alone doesn't do it, it does do a couple of  
19 things. One is it colors how you analyze all of the  
20 other issues. It colors how you analyze the extent to  
21 which the industry is vulnerable. I think it's  
22 preposterous to say this industry is vulnerable given  
23 this financial situation and these operating results.

24 It colors how much threat of how much impact  
25 you have to find to say that it's going to have a

1 material adverse impact on that industry. I submit  
2 you have to have something awfully tangible, awfully  
3 sure, and awfully substantial, and the U.S. industry  
4 hasn't offered that to you.

5 I said before, a few minutes ago, they have  
6 two arguments. I'll give them a little credit. Let's  
7 say they have three arguments. One, let me just sort  
8 of tell you I don't think you ought to go with.  
9 That's the argument that yes, everything's fine now  
10 but we're going to have a recession here in the United  
11 States. I don't think the Commission's ever based a  
12 decision on its forecasts of what the U.S. economy as  
13 a whole is going to do as opposed to what you always  
14 do which is a very specific analysis of this market,  
15 this industry, this demand prospect, this supply  
16 prospect, these price prospects. That's what we've  
17 been giving you data on here today. The U.S. industry  
18 hasn't given you much of that.

19 Don't just say oh, my gosh, we're going to  
20 have a recession. Economists all over the world will  
21 disagree on that, what's going to come, when there's  
22 going to be a recession. Some day we'll have a  
23 recession but whether it's in your foreseeability  
24 period, I think it's a hard call for you to make and  
25 not a sound basis for your decision.

1           The second point they say is China. The  
2 China bomb is going to go off. It hasn't yet. You  
3 don't have substantial exports to the degree of  
4 forcing out the Respondent countries' sales, either  
5 from the domestic markets or from their other export  
6 markets now. You don't have any trends that show  
7 that. You have to have something a lot more  
8 substantial than that to say well, China's going to be  
9 a big problem in the future. I guess we ought to keep  
10 the order in effect.

11           Then they say well, this increase -- That's  
12 really the only thing they have for you that says  
13 there's going to be an overall increase in imports in  
14 any significant way. That's their whole argument.

15           They also say look, we've got a price  
16 decline coming. What kind of price decline coming is  
17 it? It's not a decline coming from end use demand  
18 shrinking. Very important that you look at the  
19 figures they present. Look at page 44 of Mittal's  
20 brief. Demand's going to go up. Steadily.  
21 Throughout the period they look at. And it's at a  
22 massively high level now.

23           What they're saying is there will be an  
24 inventory correction. These happen in the steel  
25 industry. We had that last year. They talked about

1 it in the last hearing. We're going to have an  
2 inventory correction. We had it. It's over. It was  
3 over before we got very far into this year and prices  
4 have gone, in just that period of time, up to new high  
5 levels. So it's not a very persuasive argument for  
6 you.

7 I will say this, there are all the arguments  
8 you've heard before. The industry is very clearly  
9 adopting what I call the Alan Greenspan axiom which is  
10 the secret to successful economic forecasting is to  
11 forecast frequently. If your forecast is wrong, make  
12 it again a little later. Maybe it will be right. If  
13 it's not right then, make it again. It hasn't been  
14 right yet. There's no indication they're going to be  
15 right that is tangible enough for you to rely on.

16 Let's turn now to the decumulation issues.  
17 I want to apologize because I know the Belgians are  
18 here and they've said they've got a decumulation  
19 argument. I'm sorry I just can't address it because I  
20 don't know it. I hope you'll consider theirs on their  
21 brief.

22 You've got two kinds of decumulation  
23 arguments today. You have the argument that's  
24 presented by the Mexicans, and I think you should  
25 listen to Mr. Schagrín on that. Mr. Schagrín said if

1 it weren't for the fact that they've got a capacity  
2 increase coming they should be out of this case in a  
3 minute. I agree. They should be out of this case in  
4 a minute. I think they've effectively rebutted for  
5 you the idea that there's any substantial capacity  
6 increase coming within the foreseeability parameters  
7 that you normally would use or that you should use  
8 here.

9 The other sort of argument is what is  
10 presented by the two European producers that appeared  
11 here. The British and the Germans.

12 You consider a number of factors in  
13 determining whether to decumulate or not, and in  
14 different cases you give different weight to different  
15 factors.

16 Let me give you a rule of thumb as to how  
17 you ought to choose which factors are significant in  
18 decumulation. I suggest to you you ought to listen to  
19 what it is that the U.S. industry tells you they're  
20 threatened with. And you should look as to cumulation  
21 as to whether a particular country fits those concerns  
22 of the U.S. industry. You know they don't here.  
23 Neither the British nor the Germans.

24 Listen to Mr. Schagrin in his closing. He  
25 said the largest segments, the vast majority of our

1 problem is in the service center sector, in the spot  
2 market, in the commodity plate that's plugged into the  
3 service center spot market. That's not the Germans,  
4 it's not the Brits. Both of them have declines of  
5 significant amounts during the original investigation  
6 period. Both of them have substantial declines in  
7 their capacity and the Brits in addition have shown  
8 you what they would not do. That is they would not  
9 come into a market when the order is lifted both  
10 because they didn't use their Dutch production to come  
11 in here when they could have done so, no duties; and  
12 they didn't increase their Canadian sales when the  
13 Canadian order was lifted.

14 You should decumulate these countries. But  
15 maybe you don't have to get to that if you just  
16 terminate the whole order.

17 (Laughter).

18 CHAIRMAN PEARSON: Thank you, Mr.  
19 Cunningham.

20 Mr. Schagrin, permit me to offer an  
21 extemporaneous comment. Commissioner Koplan got an  
22 excused absence from us to receive an honor this  
23 evening from his alma mater. I will be pleased to  
24 tell him that you also have honored him tonight with  
25 your comments.

1           Now the closing statement.

2           Posthearing briefs, statements responsive to  
3 questions and requests of the Commission, and  
4 corrections to the transcript are to be filed by  
5 October 30, 2006; closing of the record and final  
6 release of data to parties, December 5, 2006; final  
7 comments, December 8, 2006.

8           A final word, sincere thanks to the staff,  
9 particularly those who have been here both on Tuesday  
10 and Thursday. I don't envy your task of putting  
11 together the final --

12           (Applause).

13           CHAIRMAN PEARSON: I don't envy your task of  
14 putting together the final staff report, but that's  
15 something you can handle and you don't have to do it  
16 in the midnight hours.

17           I think there is no further business and no  
18 further rambling comments. I'm getting my rambling  
19 comments out of order the closing. But at any rate,  
20 now at not much after 6:30, I am going to adjourn this  
21 hearing.

22           (Whereupon, at 6:33 p.m. the hearing was  
23 adjourned.)

24        //

25        //

**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Certain Carbon Steel Products from Australia, Belgium, Brazil, Canada, Finland, France, Germany, Japan, Korea, Mexico, Poland, Romania, Spain, Sweden, Taiwan and the United Kingdom (Corrosion-Resistant Steel)

**INVESTIGATION NO.:** AA1921-197; 701-TA-319, 320, 325-327, 348 and 350; and 731-TA-573, 574, 576, 578, 582-587, 612 and 614-618 (Second Review)

**HEARING DATE:** October 19, 2006

**LOCATION:** Washington, D.C.

**NATURE OF HEARING:** Second Review

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

**DATE:** 10/19/06

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

**SIGNED:** Carlos Gamez  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

**SIGNED:** Christina Chesley  
Signature of Court Reporter