

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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HOT-ROLLED STEEL PRODUCTS )  
FROM ARGENTINA, CHINA, ) Docket Nos. 701-TA-404-408  
INDIA, INDONESIA, ) 701-TA-898-903  
KAZAKHSTAN, ROMANIA, ) 904-908 (Review)  
SOUTH AFRICA, TAIWAN, )  
THAILAND AND UKRAINE. )

Pages: 1 through 398  
Place: Washington, D.C.  
Date: July 31, 2007

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 THAILAND AND UKRAINE. )

Room 101  
 500 E Street, S.W.  
 Washington, D.C.

Tuesday,  
 July 31, 2007

The hearing commenced, pursuant to notice, at 9:31 a.m., before the Commissioners of the United States International Trade Commission, the Honorable DANIEL R. PEARSON, Chairman, presiding.

## APPEARANCES:

Commissioners Present:

DANIEL R. PEARSON, CHAIRMAN (presiding)  
 SHARA L. ARANOFF, VICE CHAIRMAN  
 DEANNA TANNER OKUN, COMMISSIONER  
 CHARLOTTE R. LANE, COMMISSIONER  
 IRVING A. WILLIAMSON, COMMISSIONER  
 DEAN A. PINKERT, COMMISSIONER

Staff Present:

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 BILL BISHOP, HEARINGS AND MEETINGS COORDINATOR  
 SHARON D. BELLAMY, HEARINGS AND MEETINGS ASSISTANT  
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 KAREN TAYLOR, INDUSTRY ANALYST  
 NANCY BRYAN, ECONOMIST  
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THE HONORABLE JEFF SESSIONS, UNITED STATES  
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THE HONORABLE EVAN BAYH, UNITED STATES SENATOR,  
UNITED STATES SENATE, STATE OF INDIANA

THE HONORABLE MARK PRYOR, UNITED STATES  
SENATOR, UNITED STATES SENATE, STATE OF  
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P R O C E E D I N G S

(9:31 a.m.)

CHAIRMAN PEARSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to day one of hearings on Investigation No. 701-TA-404-408, and 731-TA-898-903 and 904-908 (Review) involving hot-rolled steel products from Argentina, China, India, Indonesia, Kazakhstan, Romania, South Africa, Taiwan, Thailand and Ukraine.

The purpose of these five year review investigations is to determine whether revocation of the antidumping and countervailing duty orders covering hot-rolled steel products from those countries would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

The witness list, notice of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the secretary. Please do not place testimony directly on the public distribution table. All witnesses must be sworn in by the secretary before presenting testimony.

I understand that parties are aware of the time allocations. Any questions regarding the time

1 allocations should be directed to the secretary.  
2 Finally, if you will be submitting documents that  
3 contain information you wish classified as business  
4 confidential your request should comply with  
5 Commission Rule 201.6.

6 Madam Secretary, as a preliminary matter I'd  
7 like to extend a special welcome to our visitors in  
8 Courtroom A. I regret that our main hearing room is  
9 simply not large enough to accommodate everyone but  
10 trust that you will be able to see and hear these  
11 proceedings quite well. If there are any problems  
12 with either the audio or visual connections please  
13 contact the secretary.

14 Madam Secretary, are there any other  
15 preliminary matters?

16 MS. ABBOTT: Mr. Chairman, the most recent  
17 update of the witness list is being copied at the  
18 moment and will be distributed as soon as it's  
19 available.

20 CHAIRMAN PEARSON: You're not suggesting  
21 there's been another change?

22 MS. ABBOTT: I believe there may have been  
23 one or two, yes.

24 CHAIRMAN PEARSON: Okay. Very well. Would  
25 you please announce our first Congressional witness?

1 MS. ABBOTT: Our first speaker is the  
2 Honorable Arlen Specter, United States Senator, United  
3 States Senate, Commonwealth of Pennsylvania.

4 CHAIRMAN PEARSON: Good morning, Senator  
5 Specter, and welcome back to the Commission.

6 MR. SPECTER: Honorable and very  
7 distinguished Commission, thank you for welcoming me  
8 back. It's always a pleasure to be here. I miss my  
9 days practicing law. I have a fair opportunity to  
10 question witnesses as you may see from time to time on  
11 C-SPAN, but I don't get a chance to make what is the  
12 equivalent of an appellate argument very often, so I  
13 like being here.

14 I was just talking to some of the other  
15 counsel in the room and comparing hourly rates, and  
16 I've noted mine is substantially less than the  
17 prevailing rate here this morning. Can't get any  
18 lower than zero, but that does not in any way diminish  
19 the concern, interest and intensity of what I feel  
20 when we take a look at the issues which are facing  
21 this distinguished Commission today.

22 The focus of attention is whether there will  
23 be a five year sunset on antidumping and  
24 countervailing duties with respect to the orders on  
25 hot-rolled carbon steel products on imports from

1 China, India, Argentina, Indonesia, Kazakhstan,  
2 Romania, South Africa, Taiwan, Thailand and the  
3 Ukraine.

4 I note at the outset the tremendous  
5 importance there is for my home state of Pennsylvania  
6 which has 20,000 steel workers and the nation as a  
7 whole with some 150,000 steel workers, so it is a very  
8 big issue for the entire country.

9 Now, I speak more broadly than as the United  
10 States Senator from Pennsylvania but as the United  
11 States Senator representing the entire country. We  
12 are looking as you well know at a critical industry in  
13 terms of producing steel for domestic consumption and  
14 in terms of producing steel for national defense.

15 Without a vibrant steel industry in the  
16 United States our country is in peril as to our  
17 security internationally facing enormous threats,  
18 which I will not detail, and enormous problems in  
19 terms of our ability to produce domestically. The  
20 issue on the sunset on the standard are well-known to  
21 this distinguished Commission but worth repeating.

22 The Commission has to determine whether  
23 revoking the orders, "would be likely to lead to  
24 continuation or recurrence of material injury within a  
25 reasonably foreseeable time," and it breaks down into

1 three questions: Are the imports likely to increase  
2 in volume in the reasonably foreseeable future if the  
3 orders are revoked?

4 The answer to that is categorically yes,  
5 backed by statistics of the Commerce department. Are  
6 the imports likely to have significant depressing  
7 effects on domestic prices if the orders are revoked?  
8 Unquestionably so based upon extensive experience.  
9 Are the imports likely to have an adverse impact on  
10 the domestic industry if the orders are revoked?  
11 Again, no question about it the answer is yes.

12 The Department of Commerce has already  
13 passed on the matter and has taken the position that  
14 the orders ought not to be subject to sunset. The  
15 Commerce Department found that the likely dumping  
16 margins would range up to as much as 243 percent and  
17 the likely subsidy margins could range up to as high  
18 as more than 41 percent, so we are looking at a very,  
19 very difficult situation.

20 We know that in the period from 1998 to 2000  
21 where there were not these orders in effect that the  
22 imports rose from 125 million to 415 million metric  
23 tons. That caused havoc in the steel industry, it  
24 caused the demise and bankruptcy of Bethlehem Steel.  
25 Who would have thought in a bygone era that powerful

1 Bethlehem Steel would no longer be in existence?

2           It's a national tragedy but especially a  
3 Pennsylvania tragedy with Bethlehem, Pennsylvania,  
4 suffering irreparable harm. That's the prognosis if I  
5 may say so to you, distinguished Commissioners, as to  
6 what would happen if there is a sunset on these items.  
7 China has increased its capacity on hot-rolled steel  
8 from 12.7 million in 2000 to 74.6 million in 2007 so  
9 that China is just poised to take advantage of the  
10 situation if they were free to dump and if they were  
11 not faced with countervailing duties.

12           From April to November of the year 2000 the  
13 price of hot-rolled steel dropped in the United States  
14 from \$340 a ton to \$240 a ton, and we could expect the  
15 same thing to happen. Last year China was able to  
16 import only 7,000 net tons of hot-rolled steel when  
17 they're faced with countervailing duties and faced  
18 with prohibitions against dumping.

19           If you take a look at what China has done on  
20 other products in the two years, in the year 2005 they  
21 imported 86,000 on cold-rolled steel and a year later  
22 up to 450,000. Corrosion-resistant steel went from  
23 154,000 to 803,000. So we know that these countries  
24 are waiting in the wings to take advantage if they can  
25 on our markets, and it's an all too common practice

1 that our markets are too readily available to foreign  
2 imports and their markets are closed to us.

3 We're in my opinion just a little too  
4 civilized as we formulate domestic policy. Couldn't  
5 imagine a proceeding in China before impartial  
6 judicial officials and a commission listening to  
7 anybody make an argument. They make their judgments  
8 in an authoritarian dictatorial manner to get away  
9 with as much as they can.

10 The same thing goes for the other countries  
11 where we pride ourselves on due process and pride  
12 ourselves on adherence to international trade laws.  
13 It's a very complex and a very delicate weave. When I  
14 first came to the Senate in 1980, the 1980 election, I  
15 looked at my experience as a trial lawyer, thought of  
16 equity actions and introduced legislation to give  
17 injured parties the right to go to Court to get  
18 injunctive relief.

19 That has never been the policy of our  
20 government. The interests of foreign policy and  
21 defense policy play a very, very heavy role in what  
22 has happened. We have to be very careful not to  
23 sacrifice American industry and American jobs on the  
24 altar of defense policy or foreign policy. This  
25 Commission has been very judicious and appropriate in

1 the renewal of these orders.

2 We face a very critical time. I don't think  
3 the United States has ever been beset with more  
4 problems with the war on terrorism which we're facing,  
5 and what's happening in Iraq, and the unrest between  
6 Israel and Hezbollah, and Hamas and Fatah and what's  
7 going on with our relationships with Russia, and North  
8 Korea and Iran. This is a time when we have to be  
9 very, very careful about our strength as a nation.

10 Nothing is more important to the strength of  
11 this country than the steel industry in terms of  
12 overall public policy. I do speak and I think  
13 understandably as a partisan on a state which has  
14 20,000 steel workers. I travel the state. I know  
15 what's happening in the Monongahela Valley and what's  
16 happening in Farilous, and I also know what's  
17 happening across the face of America.

18 So I urge this Commission to not sunset  
19 these orders, but give us a realistic opportunity to  
20 maintain a strong steel industry which has gone back  
21 to the drawing boards with very, very heavy  
22 investments to protect American interests abroad, and  
23 of course to protect the workers whose livelihood  
24 depends upon a strong industry.

25 I'd be glad to respond to questions, and as

1 I always add to that I'd be glad not to respond to  
2 questions.

3 CHAIRMAN PEARSON: Thank you, Senator.

4 Does any Commissioner have a question for  
5 Senator Specter?

6 (No response.)

7 CHAIRMAN PEARSON: We very much appreciate  
8 that you've come here to get our hearing started  
9 today.

10 MR. SPECTER: Thank you.

11 MS. ABBOTT: The Honorable Jim Folsom, Jr.,  
12 Lieutenant Governor, State of Alabama.

13 CHAIRMAN PEARSON: Welcome, Mr. Lieutenant  
14 Governor. Please proceed.

15 MR. FOLSOM: Thank you very much, Chairman.  
16 Chairman Pearson and members of the Commission I  
17 appreciate the opportunity to be here today and  
18 testify on the question of whether the current  
19 antidumping and countervailing duty orders should be  
20 maintained on the imports of hot-rolled steel products  
21 from Argentina, China, Indonesia, Netherlands,  
22 Romania, South Africa, Taiwan, Thailand and Ukraine.

23 From my perspective there is no doubt that  
24 these orders should be continued. They have I think  
25 been absolutely critical to the domestic industry's

1 recent recovery efforts from the effects of unfairly  
2 traded steel imports. I think to revoke these orders  
3 now would effectively strangle the emerging recovery  
4 in this country before it has really had a chance to  
5 stabilize.

6 For most people Alabama is not the first  
7 state that comes to mind when steel is mentioned, but  
8 we have a long history of steel production in our  
9 state as I note you are aware because many of you have  
10 visited some of our facilities just recently. From  
11 its founding 1871 Birmingham grew to become the New  
12 South's leading industrial center propelled by major  
13 investments in pig iron furnaces, coal mines and steel  
14 production.

15 Today, Alabama is home to the facilities of  
16 U.S. Steel, IPSCO, Nucor and many other producers. To  
17 be clear, the State of Alabama is fully committed to  
18 creating international trade opportunities. I think  
19 that is very evident, and we are encouraging  
20 investment in the state by both foreign and domestic  
21 firms.

22 When I was Governor I personally helped and  
23 led in the efforts to bring Mercedes-Benz  
24 manufacturing to Alabama over 10 years. Some 150,000  
25 jobs have been created over the last 12 years due to

1 the fact that Mercedes and many other internationally  
2 recognized automobile manufacturing firms are now  
3 located in our state.

4 With regard to the steel industry, just last  
5 month Tyson Krupp announced that it will build a new  
6 \$3.7 billion facility just 25 miles north of Mobile.  
7 Again, this move followed by very intense efforts by  
8 current Governor, Bob Riley, and many other state  
9 officials make Alabama an active and open participant  
10 in our global economy, so we are supporters of  
11 international trade and we understand the importance  
12 of international trade in an above board manner.

13 Just as we know the benefits of the global  
14 economy when the rules are observed I think we also  
15 know firsthand what it means to have the rules flouted  
16 and the world subsidized and dumped steel lands on our  
17 shore. We have seen our share of consolidations, and  
18 downsizing and bankruptcies in the steel industry with  
19 the concurring job losses and pain for many of our  
20 families back in Alabama.

21 Many of our communities because of this have  
22 at times been very hard hit. The inevitable  
23 consequences are that when our trade laws are ignored  
24 and violated. I am here today to ask of your time to  
25 say I think it is past time to send a message to the

1 countries and steel producers of the world that we  
2 will no longer serve as their safety net market.

3 I think if they produce more steel than  
4 their home markets can absorb and they can export  
5 without resorting to unfair trade practices I think  
6 that they should pay the price and basically not the  
7 workers and families here in the United States of  
8 America and in my home state of Alabama. You know,  
9 it's really no secret I think that there's massive  
10 overcapacity in world steel production.

11 You Commissioners I think know that better  
12 than probably anyone in the United States of America.  
13 They do this, but some countries continue to expand  
14 production beyond any reasonable expectation of  
15 domestic consumption. I believe they do this in the  
16 belief that they can always ship the excess to the  
17 United States where our dynamic open markets are easy  
18 to access and unfair trade remedies are slow to  
19 respond.

20 Unfortunately, history has more often than  
21 not justified their beliefs. These are not innocent  
22 mistakes made by overoptimistic producers. I believe  
23 this persistent gaming of our trade laws is a critical  
24 part of a business model that has been adopted by many  
25 countries and firms. The Ukraine, which exports more

1 than three-quarters of its local hot-rolled  
2 production, I think they will be back if these orders  
3 are lifted.

4           Unfortunately, the United States has made it  
5 far too easy for this business model to work and keep  
6 on working, and why do I say that? Here we are today  
7 trying to decide whether or not the current orders on  
8 hot-rolled steel should be lifted, yet the Commerce  
9 Department has already determined that if given the  
10 chance these countries would do it all over again  
11 shipping more subsidized and dumped steel here.

12           The Department has found that the dumping  
13 margins would reach 243.46 percent and the subsidy  
14 margins would reach 41.69 percent. The countries  
15 currently under order have more than 70 million net  
16 tons of hot-rolled steel making capacity, and that's  
17 not counting China. Even a fraction of that output  
18 shipped to the United States would be enough to  
19 inundate our market with unfairly traded steel.

20           Mr. Chairman, with the present orders in  
21 place the domestic steel industry I think is remaking  
22 itself, and after years of bankruptcies and  
23 dislocations caused in large measure by unfairly  
24 traded imports I think personally that there's no time  
25 to let our guard down and give these violators of our

1 trade laws another chance to land a knockout punch on  
2 our industry.

3 After what they have been through the  
4 workers, and families and communities in Alabama and  
5 the other great states of this country I think deserve  
6 better than that. I urge the Commission to continue  
7 these trade orders and let the violators know that  
8 we're onto their game until the time has expired. I  
9 thank you for allowing me to appear here today.

10 This is a very important industry in my  
11 state. The decisions of this body and this Honorable  
12 Commission I think will have a definite impact upon  
13 the steel workers in Alabama and their families, and  
14 it will have an effect upon the industry in total in  
15 our state. So I am here to urge you to continue the  
16 trade orders in place, and I deeply appreciate this  
17 honor to appear before you. Thank you.

18 CHAIRMAN PEARSON: Thank you. Does any  
19 Commissioner have a question for Lieutenant Governor  
20 Folsom?

21 (No response.)

22 CHAIRMAN PEARSON: Okay. Seeing none, thank  
23 you very much.

24 MR. FOLSOM: Thank you, Commissioner.

25 CHAIRMAN PEARSON: Have a good flight back

1 to Alabama.

2 MR. FOLSOM: Thank you, sir.

3 MS. ABBOTT: The Honorable Jeff Sessions,  
4 United States Senator, United States Senate, State of  
5 Alabama.

6 CHAIRMAN PEARSON: Welcome, Senator  
7 Sessions.

8 MR. SESSIONS: Thank you. It's an honor to  
9 be with you. I will submit my formal remarks for the  
10 record. Just briefly, because I know you have a  
11 number of guests, and you've heard from Governor  
12 Folsom about the importance of the Alabama steel  
13 industry to the state, it really is, I remember before  
14 President Bush took action against the unfair dumping  
15 that was occurring Gulf State Steel in Gadsden, my  
16 wife's hometown, I visited three times, it closed,  
17 about 1,700 employees.

18 Also, a new miter mini mill was opened in  
19 Decatur, and it struggled throughout and could not  
20 really get that operation up and going and closed.  
21 Subsequent to that, Nucor bought that mill and is now  
22 being very successful. I think it has about 400  
23 employees. So I can see directly that action to  
24 protect American industries, and particularly steel,  
25 from the competition that I believe in many instances

1 is unfair from around the world has positive impacts.

2 I think had the President's action occurred  
3 sooner perhaps Gulf State Steel would still be with us  
4 today. So I believe in free trade, but I do not  
5 believe our country can be a patsy, as I said to  
6 President Bush on one occasion. I do believe we have  
7 an interest and a legitimate interest in defending our  
8 industry.

9 It strikes me that if our industry can be  
10 subdued by foreign competition, unfair competition,  
11 then the low prices those foreign competitors are  
12 selling to us will quickly end and we'll see rises in  
13 our prices that will hurt the consumer in the long  
14 run. So I just want to thank you for your interest in  
15 this matter, your willingness to take action.

16 I believe that it is appropriate in this  
17 case we continue these duties, and I urge you to do so  
18 and believe that in the long run we'll continue the  
19 vibrant steel industry that our state has. Thank you.

20 CHAIRMAN PEARSON: Thank you, Senator.

21 Does any Commissioner have a question for  
22 Senator Sessions?

23 (No response.)

24 CHAIRMAN PEARSON: Okay. Thank you very  
25 much for coming.

1 MR. SESSIONS: Thank you.

2 MS. ABBOTT: The Honorable Mark Pryor,  
3 United States Senator, United States Senate, State of  
4 Arkansas.

5 CHAIRMAN PEARSON: Welcome, Senator Pryor.

6 MR. PRYOR: Thank you. Thank you for having  
7 me back. Appreciate your alls hard work and try to  
8 look at this very important issue. Chairman Pearson  
9 and members of the Commission, it's a pleasure to  
10 appear before you today. Thank you for this  
11 opportunity to tell you why I believe that you should  
12 maintain the antidumping and countervailing duty  
13 orders on hot-rolled steel from the 10 countries under  
14 review.

15 I would like to focus on three reasons why  
16 these orders should be maintained. First, the unfair  
17 competitive advantage that many foreign producers  
18 enjoy because of government subsidies and other unfair  
19 trade practices. Second, the enhanced vulnerability  
20 of the domestic hot-rolled steel industry to injury  
21 from dumped and subsidized imports and the threat  
22 posed by the overcapacity in the foreign markets.

23 Third, the significant environmental  
24 consequences of revoking these orders. Hundreds of  
25 Arkansans work in hot-rolled steel mills like Nucor's

1 plant in Hickman, Arkansas, and they certainly know  
2 how to compete. They operate one of the most  
3 productive steel mills in the world and provide high-  
4 quality steel to the most demanding of customers.

5 They're hard working, innovative and  
6 determined workers, and they can stand up to any  
7 competitor in the world if the playing field is level.  
8 However, it's unfair and damaging when the workers  
9 from my state are forced to compete against foreign  
10 governments providing massive subsidies to their steel  
11 industry and against foreign producers engaging in  
12 dumping and other unfair trade practices.

13 Such subsidies have helped create steel  
14 capacity far greater than any market would have  
15 dictated. The result, especially in the case of  
16 China, is growing oversupply of steel and a rapid rise  
17 in exports into the world markets including the United  
18 States. Dumping and subsidies prevent the operation  
19 of the free market and such practices have been  
20 universally condemned by the international trading  
21 community.

22 Unfair trade practices harm the domestic  
23 steel industry including the workers in Arkansas steel  
24 mills. To me it makes no sense to take an industry  
25 that has invested hundreds of millions of dollars in

1 new facilities and technology and expose it to imports  
2 that the Commerce Department has determined will be  
3 dumped or subsidized if orders are revoked.

4 The result of removing these orders will  
5 likely be a surge of imports from China and other  
6 subject countries and the loss of additional  
7 manufacturing jobs here in the United States.

8 Finally, I would like to talk about the environmental  
9 consequences of removing these orders. The U.S. steel  
10 industry is one of the most energy efficient in the  
11 world.

12 It is subject to some of the most stringent  
13 environmental laws and well it should be as continued  
14 economic prosperity demands a healthy environment.  
15 Since 1990 the U.S. steel industry has voluntarily  
16 decreased its direct process related emissions of  
17 carbon dioxide and other greenhouse gases by a  
18 staggering 47 percent. This is seven times what would  
19 have been required by the KYOTO protocol.

20 The result of these efforts is an energy  
21 efficient and environmentally sound domestic fuel  
22 industry, and the industry has committed to further  
23 improvements. One notable improvement is CASTRIP, a  
24 revolutionary fuel making technology which is more  
25 energy efficient and environmentally friendly.

1           As John Ferriola of Nucor will testify  
2 today, the stability provided by these orders allowed  
3 Nucor to earn its cost of capital and undertake the  
4 subsequent investment. I am proud that Nucor has  
5 started construction of a second CASTRIP plant in  
6 Arkansas to come on line in the fourth quarter of  
7 2008.

8           Without fair trade policies this would not  
9 be possible. The American hot-rolled steel industry  
10 is at a distinct disadvantage to its foreign  
11 competitors who incur little or no environmental costs  
12 and are far less energy efficient. Steel mills in  
13 some of the foreign countries release as much as 2.5  
14 tons of carbon dioxide for every ton of steel  
15 produced. By contrast, the plant in Hickman,  
16 Arkansas, emits only about a fifth of that amount.

17           Because of this disparity the domestic  
18 industry's efforts and our environment will be  
19 seriously undermined if dumped and subsidized imports  
20 return to the United States. If the most energy  
21 efficient and environmentally sound steel mills in the  
22 world are put out of business because of unfair trade  
23 practices we'll be left with only high polluting  
24 foreign producers who face little environmental  
25 regulation or enforcement.

1           Let's not go backward in advancing the  
2 investment in technology breakthroughs that are good  
3 for our economy and for our environment. For each of  
4 these reasons I urge you to vote to maintain the  
5 antidumping and countervailing duty orders on hot-  
6 rolled steel. Thank you very, very much.

7           CHAIRMAN PEARSON: Thank you, Senator.

8           Does any Commissioner have a question for  
9 Senator Pryor?

10           (No response.)

11           CHAIRMAN PEARSON: No? Okay. We'll let you  
12 go. Thank you.

13           MR. PRYOR: Thank you.

14           MS. ABBOTT: The Honorable Sherrod Brown,  
15 United States Senator, United States Senate, State of  
16 Ohio.

17           CHAIRMAN PEARSON: Welcome, Senator Brown.

18           MR. BROWN: Thank you very much, Mr.  
19 Chairman. Thank you, and members of the Commission, I  
20 am pleased to testify again today on behalf of a  
21 number of hot-rolled steel producers in Ohio including  
22 A.K. Steel and Mittal Steel, U.S.A. I'm also here to  
23 speak on behalf of the workers at those mills who have  
24 overcome years of unfair trade to become the most  
25 efficient and competitive producers in the world.

1           The orders on hot-rolled steel have  
2 prevented producers in the covered countries from  
3 undermining the ability of our hot-rolled companies to  
4 remain competitive. If the orders are revoked I'm  
5 worried that many of the foreign producers will again  
6 be in a position to gain market share and U.S.  
7 customers via unfair trade practices of dumping and  
8 government subsidies.

9           I've testified before this Commission  
10 several times in the past and have previously  
11 expressed my deep concern about the need to preserve  
12 the manufacturing base in our nation. As you know,  
13 the production of hot-rolled steel is one of the  
14 pillars of that industrial base. Hot-rolled steel is  
15 used to produce a variety of flat products as well as  
16 pipe and a host of other products.

17           It is imperative that this country continue  
18 to produce the building block materials that are the  
19 basis for much of the rest of our manufacturing  
20 sector. U.S. producers of hot-rolled steel have  
21 undergone tremendous transition over the past several  
22 years. There has been significant consolidation,  
23 there has been significant rationalization, and today  
24 with continued investments in capital upgrades and new  
25 products the industry is highly competitive.

1           New work rules and job descriptions have  
2 reduced the number of employees required per ton of  
3 steel. However, as you know enormous challenges  
4 remain including escalating raw material and energy  
5 costs and increasing environmental regulations. It is  
6 imperative that our companies be able to compete in  
7 our own market without the threat of renewed dumping  
8 and subsidization of hot-rolled imports.

9           I, like many of my other colleagues here  
10 today, am deeply concerned about the threat to  
11 domestic hot-rolled producers if the antidumping and  
12 countervailing duty orders are removed. The  
13 Department of Commerce has found that 10 of the 11  
14 countries at issue in this review were likely to again  
15 engage in unfair trade if the orders are lifted.

16           In fact, the threat from increases in  
17 unfairly traded imports from covered countries is in  
18 some sense even more significant than it was in the  
19 original investigations. China has increased its hot-  
20 rolled capacity by an astonishing 90 percent since  
21 2001 from 28.8 million short tons to 54.5 million  
22 short tons last year.

23           A significant concern is that the Peoples  
24 Republic of China has become a net exporter and is  
25 building up production capacity far faster than the

1 increase in demand in China. Imports from China  
2 across all steel categories not covered by antidumping  
3 orders such as hot-rolled sheet are exploding.

4 Moreover, there's no end in sight to these  
5 increases as the state-owned steel hot-rolled  
6 producers in China continue to benefit from a host of  
7 government subsidies that provide them with a huge  
8 unfair advantage. We've also seen troubling events in  
9 India where the government has committed itself to  
10 becoming one of the largest steel producers in the  
11 world and is providing significant government support  
12 to make this a reality.

13 Similar evidence exists for other exporting  
14 countries. The steel industry is incredibly important  
15 to my state of Ohio where nearly 97,000 Ohio jobs are  
16 tied to steel according to the Ohio Steel Council's  
17 2006 annual report. Mittal Steel currently employs  
18 about 2,000 people in my state, more than half of whom  
19 work at the steel mill in Cleveland.

20 Just six years ago following successive  
21 waves of unfair imports that plant was shut down  
22 completely. Today, that plant is one of the most  
23 efficient in the world, shipping some 2,000 tons of  
24 steel per employee annually. It is imperative that we  
25 enforce our trade laws to create and maintain a fair

1 environment for our domestic manufacturers.

2 We owe it to the companies, we owe it to the  
3 workers who have sacrificed so much, to ensure that  
4 the unfair competition does not wreak havoc on the  
5 social and economic fiber of our steel states. Thank  
6 you for the opportunity again this year to be here.  
7 Thank you.

8 CHAIRMAN PEARSON: Thank you, Senator.

9 Does any Commissioner have a question for  
10 Senator Brown?

11 (No response.)

12 CHAIRMAN PEARSON: No? Okay.

13 MR. BROWN: Thank you.

14 CHAIRMAN PEARSON: Thank you.

15 MS. ABBOTT: The Honorable Alan B. Mollohan,  
16 United States Congressman, United States House of  
17 Representatives, 1st District, State of West Virginia.

18 CHAIRMAN PEARSON: Welcome, Congressman  
19 Mollohan. It's good to see you again, good to have  
20 you in front of us again.

21 MR. MOLLOHAN: Yes. Thank you, Chairman  
22 Pearson. Commissioner Lane, and members of the  
23 Commission, thank you for the opportunity to testify  
24 here today before your body as you consider  
25 antidumping and countervailing duty orders on hot-

1 rolled carbon steel flat products from Argentina,  
2 China, India, Indonesia, Kazakhstan, Netherlands,  
3 Romania, South Africa, Taiwan, Thailand and the  
4 Ukraine.

5 When the International Steel Group, ISG,  
6 later acquired by Mittal Steel bought Weirton Steel in  
7 my district out of bankruptcy in 2004 the company had  
8 over 3,000 employees and was operating two out of its  
9 three blast furnaces. The company could produce over  
10 three million tons of hot-rolled sheet annually. In  
11 late 2005 due to a lack of demand Mittal Steel shut  
12 down the hot end of Weirton Steel.

13 Today, the company has approximately 1,200  
14 employees and is no longer producing hot-rolled sheet.  
15 It still has the capability to produce world-class  
16 hot-rolled product, however. The City of Weirton,  
17 West Virginia, has been devastated by the massive loss  
18 of employment at Mittal Steel. The city is struggling  
19 to find the funds to maintain basic services for such  
20 things as police, fire and health services.

21 Since 1909 Weirton Steel has produced  
22 quality and has provided high wage, high skilled jobs  
23 to the people of the community. My district is also  
24 home to Wheeling-Pittsburgh Steel, and I am pleased  
25 that you will be hearing from the new President and

1 CEO of the company, Jim Bouchard, later in this  
2 hearing about the impact of revoking these orders.

3 While Wheeling-Pitt's headquarters and  
4 principal plant are in my district it operates four  
5 different plants in the High Valley and is a key  
6 economic driver in the region. Generations of  
7 employees from Mittal, Weirton Steel and Wheeling-  
8 Pittsburgh Steel live in my district. They're strong,  
9 loyal, and they're patriotic citizens.

10 They have a work ethic second to none. I'm  
11 proud of their endurance and their ability to continue  
12 to produce a quality product at a competitive price  
13 while the domestic steel industry has gone a complete  
14 transformation in the past decade. I'm proud to stand  
15 up today in their behalf and alongside the United  
16 Steel Workers of America.

17 As you all know, hot-rolled steel is one of  
18 the most important products made by domestic steel  
19 companies. Domestic producers sell more hot-rolled  
20 steel than any other flat-rolled product. They also  
21 use hot-rolled steel to make all the other flat-rolled  
22 products including cold-rolled steel and corrosion-  
23 resistant steel.

24 You might say hot-rolled steel is the bread  
25 and butter of our domestic steel industry. Hot-rolled

1 products are key to other steel companies as well  
2 including domestic pipe and tube manufacturers who  
3 serve as a significant customer base. Maintaining the  
4 orders at issue is absolutely essential to preserving  
5 our domestic steel industry.

6           The last time these countries had  
7 unrestricted access to the U.S. market, which was the  
8 year 2000, their shipments soared. They went from  
9 1.25 million net tons in 1998 to 4.15 million net tons  
10 in 2000, an increase of 232 percent in only two years.  
11 This occurred in the midst of another surge of  
12 documented unfair trade in hot-rolled steel from  
13 Brazil, Japan and from Russia.

14           The combination of these two surges  
15 triggered a massive crisis among American hot-rolled  
16 steel producers that ultimately forced many of the  
17 nation's oldest and largest producers of hot-rolled  
18 steel into bankruptcy and liquidation. Further, the  
19 Commerce Department has already determined that 10 out  
20 of the 11 countries at issue would again trade  
21 unfairly if given the chance.

22           Review of the eleventh country is still  
23 pending. The likely dumping margins found by the  
24 Department of Commerce range from 4.44 percent to 243  
25 percent while likely subsidy margins range from 2.38

1 percent to 41.69 percent. Thus, it seems only logical  
2 that material injury would most certainly recur if the  
3 antidumping and countervailing duty orders are lifted.

4 Keeping these orders in place could not be  
5 more critical. The threat today from dumping is even  
6 greater than it was in 2000. Let's consider China's  
7 record, for example. China has built large amounts of  
8 hot-rolled capacity since the orders were imposed.  
9 Furthermore, China's record with regard to other flat-  
10 rolled products indicates it will flood our market if  
11 given the chance.

12 U.S. imports of cold-rolled steel from China  
13 went from 86,000 net tons in 2005 to 450,000 net tons  
14 in 2006, a huge increase. During the same period U.S.  
15 imports of corrosion-resistant steel from China went  
16 from 154,000 net tons to 803,000 net tons. The  
17 increased capacity that China now has to produce hot-  
18 rolled steel ensures that there will be a dramatic  
19 surge of hot-rolled imports from China the second  
20 these orders are lifted.

21 Mr. Chairman and members of the Commission,  
22 I believe in fair trade. I've been particularly  
23 troubled by the failure of this Administration to  
24 vigorously enforce trade laws and believe that such  
25 failures have directly led to significantly decreased

1 employment rates in my district. In December of 2005,  
2 for example, the President refused to give relief to  
3 the steel pipe industry in a Section 421 case after an  
4 affirmative vote by this Commission.

5 Numerous pipe facilities in the Ohio Valley  
6 either shut down or decreased production. Both  
7 Weirton and Wheeling-Pitt were dependent on these pipe  
8 producers as customers of their hot-rolled sheet. You  
9 have an important decision before you, one that  
10 impacts the heart and the soul of the domestic steel  
11 industry. It goes without saying that survival of our  
12 steel industry is also critical to our national  
13 security.

14 It's time to stop being lenient on foreign  
15 producers and importers. I am hopeful that the  
16 Commission will carefully review the facts and will  
17 conclude that lifting these orders will result in a  
18 flood of hot-rolled sheet imports into the United  
19 States and thus a recurrence of injury to our domestic  
20 steel industry. I appreciate very much the  
21 opportunity to appear before you here today.

22 CHAIRMAN PEARSON: Thank you very much,  
23 Congressman.

24 Does any Commissioner have a question or  
25 comment for Representative Mollohan? I recognize

1 Commissioner Lane.

2 COMMISSIONER LANE: I just want to say thank  
3 you, Congressman, for coming. We understand how busy  
4 Congress is this week, and we appreciate your interest  
5 in our proceedings, and we certainly appreciate your  
6 giving us the perspective of the workers of West  
7 Virginia. Thank you for your service to the state.

8 MR. MOLLOHAN: Thank you, Commissioner Lane.  
9 We very much appreciate your service to the nation and  
10 credit to the state.

11 Thank you, Mr. Chairman.

12 CHAIRMAN PEARSON: Thank you.

13 MS. ABBOTT: The Honorable Peter J.  
14 Visclosky, United States Congressman, United States  
15 House of Representatives, 1st District, State of  
16 Indiana.

17 CHAIRMAN PEARSON: Good morning, Congressman  
18 Visclosky.

19 MR. VISCLOSKY: Chairman, thank you very  
20 much.

21 CHAIRMAN PEARSON: Welcome back to the  
22 Commission.

23 MR. VISCLOSKY: Thank you very much, and  
24 thank you and all the members of the Commission for  
25 allowing me to be here again today. Do understand

1 that my entire statement will be entered into the  
2 record. I do appreciate the opportunity for you  
3 allowing me to testify again with respect to this  
4 critical review of antidumping and countervailing duty  
5 orders on hot-rolled steel.

6 I have been testifying before the Commission  
7 for the past 22 years, and I have always appreciated  
8 the Commission's serious consideration of my position.  
9 Some things have changed since the last time I  
10 testified on October 19 of last year. I had a little  
11 bit more hair, my son was only a sophomore at the  
12 University of Southern California and Lindsay Lohan  
13 had yet to be arrested twice.

14 Since October some things have not changed.  
15 Notre Dame will not win the national championship in  
16 football this year, and the 11 countries under  
17 discussion today are still increasing their steel  
18 production capabilities and demonstrating their  
19 willingness to illegally dump their steel products at  
20 unfair prices.

21 I am confident in saying that if it wasn't  
22 for the Commission's decision in 1998 to initiate  
23 hearings on the current antidumping and countervailing  
24 duty orders on hot-rolled steel those imports would  
25 have improperly and dramatically increased and the

1 economic dislocation for the nation would have been  
2 very, very crippling.

3 Imports from the countries under  
4 consideration today surged from less than one million  
5 tons in 1998 to more than three and a half million  
6 tons in the year 2000. Even worse, this surge came on  
7 the heels of an earlier surge in imports from Brazil,  
8 Japan and Russia that had already caused substantial  
9 harm to the domestic industry.

10 Today's hearings hold the same sense of  
11 urgency as those initiated in 1998. As you know, the  
12 Department of Commerce has already determined that 10  
13 of the 11 countries under discussion today would again  
14 trade unfairly if they had the chance. The Department  
15 of Commerce estimates that the likely dumping margins  
16 could range from 4.44 percent to 243.46 percent while  
17 the likely subsidy margins could range from 2.38  
18 percent to 41.69 percent.

19 Material injury is harm which is not  
20 inconsequential, immaterial or unimportant. I believe  
21 that the facts are clear. If these duties are  
22 abandoned material injury will be incurred by our  
23 steel industry as a surge of steel imports will flood  
24 our markets from the countries that are willing and  
25 capable to do so.

1                   Please focus on the history of this product  
2                   in relation to other steel products and consider the  
3                   production capabilities that have increased worldwide  
4                   and the trading habits of those who have increased  
5                   their capability. If you do, I am certain that you  
6                   will see that these duties must be retained. Again, I  
7                   would want to thank the Commission for this  
8                   opportunity to testify.

9                   CHAIRMAN PEARSON: Thank you, Congressman.

10                  Does any Commissioner have a question for  
11                  Congressman Visclosky?

12                  (No response.)

13                  CHAIRMAN PEARSON: Seeing none, we  
14                  appreciate your appearance, and we'll let you go.

15                  MR. VISCLOSKY: Thank you very much.

16                  MS. ABBOTT: The Honorable Robert E. (Bud)  
17                  Cramer, United States Congressman, United States House  
18                  of Representatives, 5th District, State of Alabama.

19                  CHAIRMAN PEARSON: Good morning, Congressman  
20                  Cramer.

21                  MR. CRAMER: Good morning. Thank you for  
22                  having me here this morning. Chairman Pearson and  
23                  members of the Commission it's a pleasure to appear  
24                  before you today on what seems to be members of the  
25                  House and the Senate are doing. My Lieutenant

1 Governor was here earlier this morning, Jim Folsom,  
2 and spoke about the situation that I want to bring to  
3 your attention as well.

4 I've been in the United States Congress, I'm  
5 now in my ninth term. I represent the top of Alabama,  
6 that would be north Alabama. I come in support of the  
7 current U.S. antidumping and countervailing policy for  
8 duty orders on imports of hot-rolled steel from 10  
9 different countries. This policy is vital for the  
10 U.S. steel industry and to the working men and women  
11 in my district, that's the 5th District of Alabama.

12 The decisions you make affect the lives of  
13 ordinary people including those in Decatur, Alabama,  
14 which is the second largest city in the 5th District  
15 of Alabama. Nucor Corporation produces hot-rolled  
16 steel at its mill there. The Decatur mill first  
17 opened in 1997, it was then Trico Steel, and we all  
18 celebrated.

19 That county, our area was going through a  
20 transition from the textile industry that had been  
21 shut down over the years, and we had regrouped  
22 together as a region and said we wanted to put a  
23 different kind of face on our production, our  
24 industry, our manufacturing there in north Alabama,  
25 and even as a statewide and regional team we worked

1 hard at that.

2 Trico Steel selected our community to build  
3 this new plant back in 1997. They were going to use  
4 new technology, it was going to be a new model for the  
5 American steel industry and we were going to be a part  
6 of that. We were all excited. Our media celebrated  
7 it, the state celebrated it as well. Trico was the  
8 shape of things to come, and yet within four years  
9 Trico shut down its operations completely, filed for  
10 bankruptcy. That was in 2001, and that was at the  
11 height of the steel import crisis.

12 This devastated our area, this devastated  
13 Decatur, Alabama. Manufacturers and suppliers that  
14 were coming along laid off hundreds of workers, and  
15 then lucky for us because our team was in place and we  
16 were alert to what other possibilities might be at  
17 that particular plant in the same year, 2001, just  
18 before Thanksgiving in that tough year Nucor announced  
19 plans to purchase the Trico mill there.

20 Using timely and appropriate trade remedies  
21 established by this Commission and the President Nucor  
22 was able to get the plant up and running again in  
23 record time. They actually hardly missed a beat  
24 there. They hired a combination of employees that  
25 were former Trico workers, former textile workers in

1 the area as well, taking advantage of the then very  
2 high unemployment rate.

3 With Nucor ramping up its activity local  
4 suppliers and businesses came back. That cycle  
5 repeated itself. Restaurants reopened, support retail  
6 businesses in the area did as well. There's nothing  
7 like a good paying job to restore hope and faith in  
8 the future. Since it opened Nucor Steel has expanded  
9 its workforce and acquired a cold-rolling mill nearby.

10 It's a great success story for our area. It  
11 also began construction of a galvanizing facility to  
12 service the booming auto industry in the south, the  
13 industry that's emerging around us there in the  
14 southeastern United States. This expansion was  
15 possible not only due to the commitment, the  
16 dedication and the hard work of Nucor's workers in  
17 Decatur, but also because of the fair trade  
18 environment fostered by the remedy in place on hot-  
19 rolled steel imports.

20 The actions of this Commission have  
21 contributed directly to Decatur's revitalization.  
22 Nucor could invest in and operate with the knowledge  
23 that it would not have to compete against illegally  
24 dumped and subsidized imports. If the trade remedy in  
25 effect is revoked it's my understanding that imports

1 from the 10 countries under review will flood back  
2 into the U.S. market.

3 The Department of Commerce has already  
4 concluded that all 10 countries would resume their  
5 unfair trade practices. This will hurt Nucor's  
6 workers. Constituents in my Congressional district  
7 will benefit adversely immediately. Most of Nucor's  
8 workers are paid according to production.

9 For someone trying to pay a mortgage, taking  
10 care of aging parents, trying to face the financial  
11 issues that we all have to face, they need to know  
12 that their salaries are stable and that their level of  
13 production where they work is a stable level of  
14 production as well. So I'm happy to be here on behalf  
15 of the good Nucor employees and behalf of the economic  
16 folks in my region, the local leaders, the state  
17 leaders as well, to tell you the adverse consequences  
18 of this.

19 Thank you very much for allowing me to be  
20 here today.

21 CHAIRMAN PEARSON: Thank you, Congressman  
22 Cramer.

23 Does anyone have a question for the  
24 Congressman?

25 (No response.)

1                   CHAIRMAN PEARSON: Seeing none, thank you  
2 again, and we'll let you go.

3                   MR. CRAMER: Thank you.

4                   MS. ABBOTT: The Honorable Steve Buyer,  
5 United States Congressman, United States House of  
6 Representatives, 4th District, State of Indiana.

7                   CHAIRMAN PEARSON: Welcome, Congressman  
8 Buyer. Please proceed.

9                   MR. BUYER: Yes. Thank you very much. I  
10 associate myself with the comments from my colleague,  
11 Pete Visclosky of Indiana.

12                   Pete, honestly, I think northwest Indiana  
13 has the dominance of the steel making capability for  
14 our country there along the Great Lakes. I appear  
15 before you today in support of a fair and stable  
16 global steel market and with concerns about the  
17 preservation of our national security.

18                   A robust steel industry I believe is  
19 fundamental to the security and economic viability of  
20 this nation. If you were to contemplate 10 resources  
21 considered essential for the successful establishment  
22 of a nation you would think on your list you need  
23 potable water, you need food, you need medical. I  
24 would submit you need steel would be one of the 10.

25                   A fruitful domestic steel industry maintains

1 its viability I believe by being adaptive,  
2 technologically savvy and flexible so it can maintain  
3 its competitive edge in the world market. That  
4 competitive edge lends itself to economic security and  
5 stability here at home. Both of those elements are  
6 vital ingredients to our nation's ability to develop  
7 and maintain an adequate defense.

8 I believe we must remain vigilant to protect  
9 ourselves from a future without steel making  
10 infrastructure sufficient to meet our national defense  
11 needs. In the years that have followed the tragic  
12 events of September 11, national defense has dominated  
13 public attention. When contemplating the tumultuous  
14 nature of this global war against terror we must think  
15 about should we be reliant upon the kindness of  
16 others, especially when it comes to meeting our steel  
17 needs?

18 The Congress, in the past we've contemplated  
19 this issue. We say that we're not going to permit  
20 others to build the hulls of our ships. We'd even  
21 protect the manufacturing of propellers. There's a  
22 long list of things under the national security  
23 requirements that we've said no, we are going to  
24 ensure that they are made here in the United States.

25 There are certain types of steel that we

1 have to be very careful, protective plating, and armor  
2 and things like that, that we have to be very, very  
3 cognizant about where we're going. A hyper dependence  
4 upon trusted friends and allies may not be wise since  
5 they also have requirements for their own steel.

6 So we have our treaties, and we have our  
7 agreements, and we have to be interoperable and will  
8 trade among each other, but there are certain things  
9 that we have to be cognizant of in our steel making  
10 capability. Simply put, the defense of our nation  
11 depends on steel. Our aircraft carriers, cruisers,  
12 tanks, humvees, et cetera, are all made of steel. We  
13 cannot become dependent on foreign sources for this  
14 material.

15 The United States being the only super power  
16 of the world, we cannot project our force by our air  
17 train or sea train without this ingredient called  
18 steel. The whole world relies on us, so it is in our  
19 national interest to maintain this vigorous steel  
20 industry. The economic stability of the steel  
21 industry here at home and our ability to remain  
22 competitive abroad as I said directly impacts our  
23 national security.

24 The efficient low cost producers that  
25 comprise the membership of our domestic steel market

1 can compete effectively against any foreign producer  
2 in a fair global economy. You have given the steel  
3 industry some breathing room. It has invested  
4 billions of dollars to modernize itself while  
5 stimulating an environment to be competitive and  
6 compliant.

7 It has learned the hard way the benefit of  
8 cutting edge technology. These producers are heavily  
9 concentrated in northwest Indiana, and at the end of  
10 2006 they employed over 19,000 in that region.  
11 Companies like Nucor and Steel Dynamics are located  
12 within my Congressional district in Crawfordsville and  
13 Pittsboro, Indiana.

14 They contribute substantially to ensure a  
15 healthy local economy, and they also contribute I  
16 believe to our stable and healthy national economy.  
17 The nation's annual production, over 100 million tons  
18 of steel, which Indiana is the second largest producer  
19 among the states, keeps this country at the top of the  
20 worldwide steel industry.

21 However, if the competitive nature of this  
22 market is unfairly influenced by steel dumping or  
23 illegal subsidies given to foreign producers by their  
24 governments or other entities the integrity of the  
25 domestic and global market is jeopardized. In those

1 instances, the domestic market loses its ability to  
2 effectively compete with the global rivals.

3           When that occurs it negatively impacts the  
4 economic stability of our steel industry which in turn  
5 threatens our national security. We need to ensure  
6 that companies have the opportunity to modernize and  
7 grow to adequately meet the demands of the global  
8 market without the fear of substantial financial  
9 damage from unfair or illegal trade practices.

10           To ensure that our nation's defense remains  
11 adequate and capable we must continue to enable  
12 mechanisms that will influence other countries to play  
13 by the rules. Simultaneously, we must be cognizant  
14 and take appropriate action to recognize those  
15 instances in which antidumping and countervailing  
16 duties are no longer required to safeguard our  
17 economic and security interests.

18           In either instance we cannot allow to go  
19 unchallenged the continuous violations of  
20 international and U.S. trade laws that tend to skew  
21 the market and undercut our ability to compete fairly  
22 and have our economy grow and flourish. The  
23 preservation of the economic integrity of our domestic  
24 steel industry is fundamental to our ability to  
25 protect the very existence of a nation.

1           So please take under consideration while  
2           contemplating your decision in this matter the vital  
3           instrument to our national security which lies in your  
4           hands. Thank you very much.

5           CHAIRMAN PEARSON: Thank you, Congressman  
6           Buyer.

7           Does any Commissioner have a question for  
8           the Congressman?

9           (No response.)

10          CHAIRMAN PEARSON: Okay. No. Great.

11          MS. ABBOTT: The Honorable Michael A.  
12          Arcuri, United States Congressman, United States House  
13          of Representatives, 24th District, State of New York.

14          MR. ARCURI: Chairman Pearson and members of  
15          the Commission, thank you for the opportunity and  
16          honor to appear here before you today to talk about  
17          U.S. hot-rolled steel industry. My name is Michael  
18          Arcuri, and I am a first-term freshman Congressman  
19          from upstate New York, the 24th District.

20          First, I would like to thank you for your  
21          recent decision to maintain the trade remedy on dumped  
22          subsidized imports of steel rebar. We make a lot of  
23          rebar at Nucor in my upstate New York district, and  
24          your decision will have a direct impact on many of my  
25          constituents. We do not produce hot-rolled steel in

1 my district, but it is the backbone of the U.S. steel  
2 industry and critical to American manufacturing.

3 Hot-rolled steel is sold in a wide range of  
4 consuming industries including automotive,  
5 construction, appliance, transportation, machinery and  
6 equipment. A healthy hot-rolled steel industry is  
7 essential to our economic and our national security.  
8 The vital industry will be threatened with injury if  
9 the trade remedy against unfairly traded imports is  
10 eliminated.

11 I believe our nation's trade laws are the  
12 last line of defense for U.S. companies and workers  
13 competing against unfair foreign trade practices.  
14 These laws are based on principles that the  
15 international community has long agreed on. If we do  
16 not enforce these trade laws vigorously we will be  
17 sending the world a signal that the rules do not  
18 matter and that they can violate them at will without  
19 any repercussions whatsoever.

20 In the long run I can think of few things  
21 that would undermine support for international trade  
22 more. I believe vigorous enforcement of trade laws  
23 and agreements is critical to building public support  
24 for expanded international trade. Trade agreements  
25 should live up to their billing in creating new jobs

1 for American workers and opening overseas markets for  
2 our exports, yet that doesn't always seem to be the  
3 case.

4 Since 2001, our country has lost over three  
5 million manufacturing jobs and the trade deficit has  
6 grown to \$759 billion. In New York alone we have lost  
7 nearly 200,000 manufacturing jobs. I refuse to accept  
8 that the loss of manufacturing jobs is inevitable as  
9 some have suggested. That defeatist and wholly wrong  
10 approach for the U.S. to take.

11 A significant cause of this job hemorrhaging  
12 is due to currency manipulation, foreign government  
13 subsidies, theft of intellectual property and dumping  
14 of goods in our market at below cost. It's time we  
15 address these concerns with urgency. Congress and the  
16 Commission each have a role to play to ensure that the  
17 trade laws work for working men and women of America.

18 Congress is currently reviewing our trade  
19 laws to assess whether they are effective in  
20 addressing unfair trade practices or whether new tools  
21 are needed. Personally, in light of the increasing  
22 unfair trade from China and other foreign competitors  
23 and the danger that poses to industries in my district  
24 I believe our laws need to be updated and  
25 strengthened.

1           It is for Congress to make these needed  
2 changes, but it is the Commission that has the  
3 important role of seeing to it that our trade laws are  
4 enforced. As a member of Congress I will do my part,  
5 and I have confidence that together we can restore  
6 faith in the world trade system, defend the integrity  
7 of the U.S. trade laws and agreements and deliver the  
8 fairness and international trade that our citizens  
9 have a right to expect.

10           I appreciate your consideration of my views  
11 and allowing me the opportunity to testify today.  
12 Thank you very much.

13           CHAIRMAN PEARSON: Thank you, Congressman.

14           Does any Commissioner have a question for  
15 Congressman Arcuri?

16           (No response.)

17           CHAIRMAN PEARSON: Okay. Seeing none, we  
18 appreciate you coming. Thank you.

19           MS. ABBOTT: The Honorable John D.  
20 Rockefeller IV, United States Senator, United States  
21 Senate, State of West Virginia.

22           CHAIRMAN PEARSON: Welcome, Senator  
23 Rockefeller. It's always a pleasure to have you here  
24 at the Commission.

25           MR. ROCKEFELLER: Well, I'm not sure that

1 you mean that, but I'm grateful for --

2 CHAIRMAN PEARSON: You have more experience  
3 in these issues than I do, and I appreciate your  
4 perspective.

5 MR. ROCKEFELLER: You've just had me here  
6 too many times. Mr. Chairman, let me just get right  
7 at this. Members of the Commission, I'm glad to  
8 appear before you once again. I'd like to welcome the  
9 two new members, Irv Williamson and Dean Pinkert. I'm  
10 sure you both have done work either with Charlie  
11 Rangel or Senator Byrd and that has probably been, I  
12 hope that's been helpful.

13 Commissioners, I'm here today to urge you to  
14 maintain the antidumping and the countervailing duty  
15 orders on hot-rolled carbon steel flat products from  
16 Argentina, China, Indonesia, Kazakhstan, Netherlands,  
17 Romania, South Africa, Taiwan, Thailand and Ukraine.

18 In urging you to do so I want to reemphasize  
19 the point that I tried to communicate when I was here  
20 last October to testify in the corrosion-resistant  
21 steel case, and that is to let the U.S. International  
22 Trade Commission to enforce the United States trade  
23 laws. As you know perhaps all too well by now my  
24 interest lies in the preservation of steel making in  
25 the Ohio Valley.

1           That may not last very long since less and  
2           less steel is getting made there and partly as a  
3           result of some of the events that have transpired.  
4           You can talk about devastating effects on families,  
5           and people and economies from Washington, D.C., or you  
6           can go and be a part of them and see them in Weirton,  
7           West Virginia and other places, and it's a whole  
8           different emotional reaction.

9           The effect that illegal trade can have on  
10          our families and workers is a devastating one which is  
11          personally taken by all of us in our community. We've  
12          also from time to time been granted relief by this  
13          body for which I am grateful. I understand the  
14          enormous value and efficacy of our trade laws when  
15          promptly and properly enforced.

16          As I'm one of the first witnesses today, I  
17          don't know, I want to take a step back from the  
18          detailed facts that you're going to hear over the next  
19          two days. Hopefully this will be helpful, and urge  
20          you in broad terms to keep in mind that what all of us  
21          are saying each from the perspective of his own state,  
22          district or whatever is fundamentally the same thing,  
23          one thing and one thing only.

24          Commissioners, we need the trade laws of the  
25          United States of America to mean something. They

1 don't anymore. They don't. They don't, they don't.  
2 Up on the Hill they're kind of a joke. That's an  
3 unfortunate thing to say, but it's true. In this case  
4 it is up to you alone to give them meaning. This is  
5 more important now than ever before. As you know I've  
6 been paying close attention to the international trade  
7 issues for a long time, and I've never seen as much  
8 skepticism on trade as there is now.

9           It's the subject which you discuss and then  
10 you say well, nothing is going to happen anyway, it's  
11 all one world, the law doesn't mean the law because of  
12 nature somehow changed the law which is the law.  
13 People are very discouraged about it. There will be  
14 probably some bad reaction about it. People in West  
15 Virginia are at their collective wits end with many of  
16 us see as a lack of enforcement of our trade laws.

17           We see it, we know it. They feel like they  
18 have played by the rules in West Virginia and other  
19 places. For many years worked very hard and very hard  
20 in dangerous industries and our own laws have at times  
21 been ignored to the detriment of them, these are  
22 people, at the risk of nearly eliminating an entire  
23 industry which is our case in West Virginia.

24           For our domestic economy to function  
25 properly and for the international trading system to

1 work people, and workers and companies who are  
2 constituent parts of that system must have faith in  
3 the fairness of it. They do not. They have lost  
4 faith, faith that may never actually be regained  
5 because things have to be done over an aggregated  
6 amount of time on a constant basis for people to  
7 believe.

8           They must believe that rules are not being  
9 broken, that laws mean something. They do not believe  
10 that now. Commissioners, you yourselves play a  
11 critical role in establishing the credibility of the  
12 law that can guarantee fair trade and give our people  
13 confidence in the system again. You can do that. The  
14 stronger enforcement of our trade laws is something I  
15 have focused on intently in the new 110th Congress.

16           In January I introduced a very comprehensive  
17 trade bill that will strengthen our trade laws across  
18 the board. I'd like to see it get somewhere, but with  
19 the rules that run the Senate it probably won't, so  
20 that adds to my frustration and puts more pressure in  
21 a sense on all of you, not my frustration but the  
22 situation.

23           The bill that I introduced as I said was  
24 comprehensive. It will strengthen our trade laws, and  
25 particularly with regard to the ITC, in removing

1       judicially added requirements for finding material  
2       injury and in strengthening the force of ITC  
3       recommendations in Section 421 cases. That's not the  
4       specific subject at hand I admit.

5                Much, though, I would be delighted to  
6       discuss it with you, but generally what I'm trying to  
7       do with my trade bill is indeed closely related to  
8       what I'm asking of you today, to take great care in  
9       guarding the laws that govern our trade system.

10               As I suggested in my testimony last October  
11       in the corrosion-resistant steel case I believe that  
12       it's very important that the Commission does not stray  
13       away from its duty, which all of you understand far  
14       better than I do, which is to focus exclusively on the  
15       law. Exclusively on the law.

16               The Department of Commerce has already  
17       determined that dumped and subsidized trade is likely  
18       to recur if these orders are revoked, and now your  
19       legal responsibility is to determine whether or not  
20       that unfair trade is likely to materially injure this  
21       industry. If you will indulge me. It is not your  
22       responsibility to evaluate how well the steel industry  
23       is doing now compared to how it was doing a few years  
24       ago.

25               That's irrelevant. It is not your duty, I

1 say respectfully, to speculate as to how the  
2 maintenance of the subject orders is likely to affect  
3 other industries but rather to apply the specific  
4 legal standards that we in Congress have provided the  
5 ITC to determine the threat of material injury, and  
6 that is threefold.

7 The legal standards are one, what is the  
8 likely volume of subject imports, what are the likely  
9 price affects of subject imports, and what are the  
10 likely impact of subject imports? So it doesn't  
11 really matter how a company is doing. Are they doing  
12 a little bit better than they were? Well, Lord knows  
13 one hopes. This is a responsibility to protect from  
14 damage, from injury, from unfair trade law.

15 That's your responsibility. I again remind  
16 you respectfully that it is your responsibility  
17 legally to apply these standards to the voluminous  
18 facts that you will hear over the next two days.  
19 Focus on this question, please. Would the hot-rolled  
20 steel industry be materially injured by a return of  
21 dumped and subsidized trade which Commerce has already  
22 told us will occur if these orders are lifted?

23 It seems fairly clear to me, and how it will  
24 occur to you, I don't know. I don't know. That is  
25 the question you are charged with answering in these

1 proceedings, and I urge you not to lose sight of it.  
2 You will hear from Respondents that the steel industry  
3 is doing better and that the orders have to this point  
4 had their intended effect.

5 Again, that is true, and we're grateful for  
6 it, but that does not mean that positive development,  
7 which was after all the intent of the law in the first  
8 place, would therefore lead you to accept the argument  
9 that the effectiveness of the relief to this point  
10 means that the industry is no longer entitled to  
11 relief.

12 If I had a cold, and I got over the cold it  
13 doesn't mean if I got the cold back that my doctor  
14 would turn his back on me because I had gotten well  
15 once or twice. I don't mean to be so direct, but I  
16 have no choice. The question that the statute  
17 requires you to answer is not whether the industry has  
18 recovered from the unfair trade that occurred before  
19 the orders were in place but rather whether it remains  
20 vulnerable to material injury from further unfair  
21 trade, which will happen unless the law is enforced.

22 I can tell you unequivocally what the answer  
23 to that question is in West Virginia. As you know,  
24 Commerce has already said that further dumped and  
25 subsidized trade will be forthcoming if the orders are

1 lifted, and they're careful about that because I've  
2 spent lots of time with them over the years. You will  
3 hear in great detail over the next two days why this  
4 unfair trade is likely to materially injure this  
5 crucial industry.

6 The issue is the exclusive subject of your  
7 judgment in this Senator's view. Commissioners, I  
8 urge you to apply the law as it is written and  
9 consistent with your own duty and responsibility. I  
10 believe that if you do so you will find that extending  
11 this relief is what the law requires. I thank you.

12 CHAIRMAN PEARSON: Thank you, Senator.

13 Does any Commissioner have a question for  
14 Senator Rockefeller? I recognize Commissioner  
15 Pinkert.

16 COMMISSIONER PINKERT: I would just like to  
17 thank you once again, Senator Rockefeller, for your  
18 kind greeting and for your testimony today.

19 MR. ROCKEFELLER: You're very kind, sir. I  
20 thank you. I thank all of you.

21 CHAIRMAN PEARSON: May I recognize  
22 Commissioner Lane?

23 COMMISSIONER LANE: Senator Rockefeller, I,  
24 too, want to thank you for coming. I sort of feel  
25 like we wouldn't be having a real steel hearing unless

1 we had your input, and I appreciate your bringing us  
2 the perspective of West Virginia. Once again, I want  
3 to thank you for your service to our state.

4 MR. ROCKEFELLER: Thank you very much,  
5 Commissioner. This is not the perspective just of  
6 West Virginia. Thank you.

7 CHAIRMAN PEARSON: Thank you very much.

8 MS. ABBOTT: The Honorable Evan Bayh, United  
9 States Senator, United States Senate, State of  
10 Indiana.

11 CHAIRMAN PEARSON: Welcome, Senator Bayh.  
12 The floor is yours.

13 MR. BAYH: Thank you very much, Mr.  
14 Chairman. I would like to thank the Commission for  
15 its courtesy. It's good to be back with you again,  
16 although I can't help but think that in a perfect  
17 world none of us would have to be here.

18 If we had a global marketplace characterized  
19 by truly free competition and open markets none of  
20 this would be necessary, but all too often as you're  
21 fully aware we have countries that pursue their own  
22 interests through industrial policies designed to give  
23 themselves an artificial advantage that otherwise they  
24 could not accrue through the free and fair functioning  
25 of the global marketplace.

1           I am sometimes struck by the arguments that  
2           are made. Perhaps you've heard some today or will  
3           hear some over the course of the next day that these  
4           discussions are about free trade. I think in fact  
5           they're about the opposite. They're about what do we  
6           do when we embrace global competition, the functioning  
7           of open and free markets, but some of our trading  
8           partners do not.

9           Instead, they seek an artificial advantage  
10          through subsidies or through selling excess production  
11          at below the cost of production in the global  
12          marketplace and that kind of thing seeking to  
13          advantage their own producers at the expense of ours,  
14          or seeking to advantage some American producers at the  
15          expense of others, or seeking to benefit American  
16          consumers at the expense of American producers.

17          It's a rather unusual situation when we have  
18          other nations as a matter of national policy choosing  
19          winners or losers here in the United States as opposed  
20          to letting the marketplace do that. So the question  
21          for us is what do we do when we choose free and open  
22          competition, free trade, but other countries don't?

23          Should the answer to that question be that  
24          we do nothing as all too often has been the case in  
25          the past, but not by this Commission? So I want to

1 begin today by thanking you for the order that you  
2 issued five years ago involving antidumping and  
3 countervailing duties for hot-rolled steel.

4 I know it wasn't easy, I know it took a  
5 matter of some deliberation, but it was the right  
6 decision then and extending that order is the right  
7 decision today. You've heard from two of my very  
8 learned colleagues, Senator Specter and Senator  
9 Rockefeller. You're soon to hear from a fine  
10 Congressman, Congressman Souder, from my state.

11 You'll hear from lawyers who are experts in  
12 the trade area, probably economists, maybe lobbyists  
13 who are well-versed in these issues. I won't get into  
14 all of that. I think it's pretty clear that with the  
15 current excess capacity in terms of the production of  
16 hot-rolled steel in the global marketplace that the  
17 activities that led to your issuing the order in the  
18 first place are highly likely to recur.

19 It's a matter of some interest for me that  
20 other countries, they seem to view the production of  
21 steel as a strategic resource, or asset, or perhaps  
22 they view it as a trophy asset giving them greater  
23 prestige, or perhaps there are domestic political  
24 forces that lead them to pursue greater capacity at a  
25 time of global glut, but whatever the reason for that

1 the result is the same, a substantial excess of  
2 capacity, and the United States market has always been  
3 the marketplace of last resort.

4 Always has been, and is highly likely to be  
5 once again should you lift your order. With regard to  
6 the material injury that would occur from that almost  
7 certain behavior all you have to do is go to some of  
8 the communities that have been affected by this sort  
9 of thing in the past, in my own home state. Now, some  
10 of this would have happened anyway, but some of it  
11 wouldn't have happened.

12 Lake County, Indiana, used to have tens of  
13 thousands of steel workers. Now, it's probably a  
14 little less than 10,000. You can talk to businesses  
15 about how it's affected their bottom line. It's  
16 pretty clear just as a matter of simple accounting  
17 what the impacts are going to be, but walk through the  
18 communities, go to the coffee shops, visit people in  
19 their homes, go to the union halls. There's no doubt  
20 about the material impact that this has on thousands  
21 of American lives.

22 So I won't get into all of the statistics,  
23 and the legal arguments and that kind of thing.  
24 Instead, I'd like to take just four or five minutes  
25 and maybe give some voice to the people who would like

1 to be here today but can't. They don't have the  
2 resources to join us here today. They don't have the  
3 ability to hire the economists, or the lawyers, or the  
4 lobbyists, but it's them who will probably be impacted  
5 by your decision more than anything else.

6 It's the thousands of people who drive their  
7 livelihoods, the tens of thousands of retirees who can  
8 count on their healthcare and their pensions on the  
9 vitality of this industry. It's them who need to be  
10 heard today because they've got more at risk than  
11 anybody else. These are people that I know very well.

12 I've had the privilege of representing the  
13 State of Indiana and now for, it's almost hard for me  
14 to believe, almost 20 years. Actually, more than 20  
15 years, 21 years. We produce more steel in the State  
16 of Indiana than any state in the United States of  
17 America. In places like Gary, and Crawfordsville, and  
18 Butler, Indiana Harbor, Burns Harbor, we've got  
19 thousands and thousands of individuals currently  
20 working in the industry.

21 We have tens of thousands just in my state  
22 who are retired from the industry when it was  
23 something more than the shadow that it has become of  
24 its former self. A lot has changed for them over the  
25 last several decades. As I mentioned, some of it was

1 inevitable. The globalization of the global economy  
2 is inexorable, the increasing integration of the  
3 global economy.

4 This will continue a pace, there's nothing  
5 we can do about that, but when it comes to the  
6 intentional policies of governments designed to affect  
7 the functioning of the marketplace to their own  
8 advantage to give themselves an artificial result that  
9 they favor because of whatever their reasoning, that's  
10 something else, and that's had a material impact, too.

11 It's up to us and these people who work in  
12 the industry to work harder, to think smarter, to  
13 innovate, to make the investments and put the capital  
14 at risk that will allow us to be globally competitive.  
15 That's what we need to do. It's my strong impression  
16 that's what we've done. We've got companies  
17 represented here today, U.S. Steel, and Steel  
18 Dynamics, and Nucor, Mittal Steel, they've invested  
19 hundreds of millions.

20 If you aggregate it all together well over  
21 \$1 billion in new plant, new equipment, the latest  
22 technology just in the State of Indiana. The workers  
23 are working harder than ever before. They're willing  
24 to make some concessions to make the industry more  
25 competitive even though that kind of hurts them in the

1 pocketbook a little bit, and maybe they're not to  
2 blame for all these things that have happened.

3           They're willing to do their part, but what  
4 I'd like to tell you today, and I remember visiting a  
5 foundry a couple of years ago. It was the summertime,  
6 it was hot and they suspended production so the  
7 workers could come hear from their senator. They had  
8 their work clothes on. It was sweaty. It was dirty.  
9 They were looking up at me, and I could just look into  
10 their faces and tell you, these people, they get up in  
11 the morning, and before they get dressed to go to  
12 work, they start off behind in the global economic  
13 competition, and it's not because of their work ethic,  
14 it's not because they are not smart enough, and it's  
15 not because their company didn't make the investment.

16           It's solely because of the practices that  
17 other countries pursue in terms of subsidies or below-  
18 cost selling in the global market because of the glut  
19 of capacity that they themselves have helped to  
20 foster, and to stand by and do nothing and to allow  
21 these people to suffer, through no fault of their own,  
22 and no result of the fair and free functioning of the  
23 global marketplace, I find to be just unconscionable.

24           So we're gathered here today to do something  
25 about that, and you're one of the few entities that

1 actually has done something about that, and I  
2 congratulate you for that.

3           There has been a reduction in the support,  
4 if you believe the public opinion polls, on the part  
5 of the American people for free trade, and I think  
6 that part of that is because they cannot perceive what  
7 has been happening. They embrace competition, even if  
8 it's a little bit tough.

9           They know we've got to do our part, but too  
10 often they look at their own government, those of us  
11 who are hired to insist that they get a fair shake,  
12 and too often they don't see anything happening. As a  
13 result of that, they have concluded that the global  
14 marketplace is just rigged, and, from time to time,  
15 they have got a point.

16           So for those of us who do believe in free  
17 trade, who do believe in global competition, who think  
18 that we have to do our part, but part of that has to  
19 be insisting upon a level playing field, it is  
20 incumbent upon us to see that something is done to  
21 rectify the situation when other countries seek that  
22 artificial advantage.

23           So I would like to just conclude my brief  
24 statement today by recounting a story from a few years  
25 ago, when I was up in northwest Indiana:

1 Crawfordsville and Butler and little bit different  
2 geographic areas. Northwest Indiana, along Lake  
3 Michigan, has historically tended to be where the  
4 industry has been concentrated and still, to a large  
5 degree, is.

6 I remember up there one year I was going  
7 through -- I think it was a Labor Day picnic -- and  
8 shaking hands, and I walked up to one fellow, and I  
9 said, How are you doing? And he kind of looked at me,  
10 and I couldn't exactly read the look on his face, but  
11 it wasn't one of joy. I'll put it that way. He said,  
12 Do you really want to know how I'm doing? And I said,  
13 Yeah. I wouldn't ask if I didn't really want to know.

14 He said, Let me tell you what it's like for  
15 me. Every day, I have grown men and women coming into  
16 my office with tears in their eyes, tears because  
17 their home has been foreclosed on, tears because their  
18 car has been repossessed, tears because they have lost  
19 their job, and more than that, they have lost their  
20 dignity, and they have lost their hope, and, frankly,  
21 they don't think, and I don't think, that anybody like  
22 you gives a damn about them or their problems. That's  
23 how it's going for me.

24 Well, I told him, and I'll tell you,  
25 Unfortunately, we don't have a magic wand, and we

1 can't make all of their problems go away. Some of  
2 that involves the great sweep of history, that no man  
3 or woman can control. But we can do our part. We can  
4 affect those injustices about which we do have some  
5 control. We can try and rectify the things that have  
6 happened that weren't the function of competition or  
7 free markets but the result of other countries taking  
8 an advantage at the expense of our citizens. That's  
9 something that we can do something about.

10 In the course of so doing, maybe we can  
11 convince those people that there are at least a few  
12 here in Washington that do give a damn about them and,  
13 from time to time, are willing to stand up and do  
14 something about it.

15 This Commission did just that. I think it's  
16 important we do that again. I have great confidence  
17 in your wisdom and your judgment. I know you'll do  
18 the right thing, and I'm very grateful to you for  
19 giving me a few moments to represent the people of my  
20 state here today. Thank you.

21 CHAIRMAN PEARSON: Thank you, Senator. Does  
22 any commissioner have a question for Senator Bayh? I  
23 recognize Commissioner Okun.

24 COMMISSIONER OKUN: Thank you, Mr. Chairman,  
25 and not a question for you, Senator Bayh, but your

1 statement did recall for me, and I wanted to thank you  
2 again for the hospitality that you showed and that  
3 many in your state showed when the Commission went to  
4 Maryville, Indiana, for our field hearing in October  
5 of 2001. We did have the opportunity to hear from  
6 many of your constituents who otherwise couldn't be  
7 here. I do want to thank you for that.

8 CONGRESSMAN BAYH: I was deeply grateful to  
9 the Commission for doing that. It's not often the  
10 decision-makers in Washington actually get outside the  
11 Beltway and see what's going on, and so I was  
12 grateful. As you recall, we had a couple of thousand  
13 people there that day, so thank you for that.

14 COMMISSIONER OKUN: Thank you for being here  
15 again today.

16 CHAIRMAN PEARSON: Senator, if I could  
17 clarify, of course, it was only Commissioner Okun who  
18 was serving at the time that these orders were put in  
19 place. Given the normal rotation of Commission terms,  
20 all of the rest of us are in this one for the first  
21 time. Thank you very much.

22 CONGRESSMAN BAYH: Well, I appreciate that,  
23 and perhaps the judicial principle of stare decisis  
24 will apply here for the Commission, but that's for you  
25 to decide. Thank you all very much.

1 MS. ABBOTT: The Honorable James L.  
2 Oberstar, United States Congressman, U.S. House of  
3 Representatives, Eighth District, State of Minnesota.

4 CHAIRMAN PEARSON: Welcome, Congressman  
5 Oberstar.

6 CONGRESSMAN OBERSTAR: Thank you for the  
7 opportunity. Once again, I've been coming to this  
8 Commission for over 20-plus years, and I have a little  
9 show-and-tell I want to put on your desks. That's the  
10 final product.

11 CHAIRMAN PEARSON: We have guests in one of  
12 our other courtrooms here, and they won't be able to  
13 hear without the microphone.

14 CONGRESSMAN OBERSTAR: These packets, you  
15 can pass around. This represents the last of the  
16 pellets produced at LTV Steel Iron Ore Mining Company  
17 at Hoyt Lakes. This is from the last car that moved  
18 out of the plant.

19 This is what we used to mine, direct-  
20 shipping ore. All of those mines are mined out. We  
21 now have lower-grade ore. This is 22 to 24 percent  
22 iron. It's crushed, ground, pulverized, pelletized  
23 and fired in furnaces into these pellets that are a  
24 direct feed for the blast furnace.

25 Now, you have the history, the evolution of

1 iron ore mining. The iron ore from the great Wasabi  
2 Range -- there are a million -- and Cayuna Range, and  
3 in the upper peninsula, the Gogebick Iron Range; these  
4 are processed into steel. There is nothing we can do  
5 with it, and there is very little else of livelihood  
6 in northern Minnesota and in the upper peninsula of  
7 Michigan. I speak for my colleague, Mr. Stupak.

8 I said, for 20-plus years, I've been coming  
9 to the Commission seeking relief from one or another  
10 type of unfair practice by foreign steel manufacturers  
11 dumping their products at below competitive, below  
12 market, and oftentimes below cost of production in the  
13 U.S. marketplace, the world's most open, free market.  
14 Over time, you have listened to our appeals and those  
15 of my colleagues from the lower lake steel mills, and  
16 you have seen through the practices of our foreign  
17 competitors that are, in many ways, subsidizing  
18 through government, protecting the industries and the  
19 jobs in their respective countries.

20 I did my graduate studies at the College of  
21 Europe in Belgium at the time of the formation of the  
22 European economic community. For a long period of  
23 time, Europe, despite its protestations to the  
24 opposite, was heavily subsidizing their steel  
25 production in Germany, in Belgium, in France, in the

1 United Kingdom, so much that they had a huge surplus  
2 of steel that then they were forced to dump on the  
3 international marketplace. The ITC saw through their  
4 protestations and supported us.

5 A few years ago, six years ago, the  
6 secretary of commerce came to northern Minnesota and  
7 held a hearing, pursuant to the 232 proceeding, July  
8 2001. You can see what a great reception he got: "A  
9 Home Run for Steel," a front-page color photo.  
10 "Passion Please for Relief from Imports Impress  
11 Federal Investigators." ITC also came to northern  
12 Minnesota, and, as Senator Bayh just said, I thanked  
13 the secretary, and I also later thanked President Bush  
14 for sending him to northern Minnesota.

15 At that hearing, the Catholic Bishop of the  
16 Archdioceses of Duluth, said, "You have come to where  
17 steel begins, the iron ore-mining country. Small  
18 communities," he said, "have a value far beyond iron  
19 ore. I am a pastor who sees the consequences of  
20 global steel trade upon small communities. Catholic  
21 social teaching on the international economic order  
22 says that the economy exists to serve the people, not  
23 the people to serve the economy."

24 He went back to Pope Leo XIV, saying, "The  
25 state must include them in its program of caring." I

1 observed later that he probably never had a standing  
2 applause to a homily before in his life.

3           What we see is the long-term consequences of  
4 state subsidy and state protective measures on steel  
5 that affect us in the iron ore-mining arena. It was  
6 said, if steel catches cold, we, in northern  
7 Minnesota, get pneumonia. We once had 21,000 jobs in  
8 iron ore mining. We're now somewhere in the range of  
9 4,000 jobs, as the steel industry has cut back, and  
10 our shipments of iron ore have, consequently,  
11 declined.

12           You continue to see, despite the efforts  
13 made, and, I think, effective efforts, against China,  
14 India, Indonesia, Kazakhstan, Romania, South Africa,  
15 Taiwan, Thailand, Ukraine, unfairly traded, hot-  
16 rolled, carbon steel imports, including from  
17 Argentina, that are continuing to disrupt the domestic  
18 economy, and it all results from their deliberate  
19 fostering of overproduction and overcapacity in their  
20 domestic industry. Where are they going to go with  
21 it? To the world's largest open, free market, the  
22 United States.

23           Now, there is a new surge of dumped steel  
24 imports that is causing further injury to an industry  
25 that has already suffered for decades but,

1       nonetheless, each time you've given them respite, they  
2       have turned their revenues back into modernization of  
3       the steel industry, upgrading their operations, which,  
4       in turn, results in some loss of jobs, but it keeps  
5       that industry fundamentally productive.

6                    You know these numbers, I'm sure, but India  
7       and Taiwan produced 32 million net tons of hot-rolled  
8       capacity in 2006. China produced an astonishing 186  
9       million tons of hot-rolled steel last year. That's  
10      just hot rolled. Their total steel production was 432  
11      million tons of raw steel.

12                   Never in the history of the industrial  
13      revolution has any country produced more than 129  
14      million tons. That was the United States in 1979.  
15      China, for 95 percent of that production, is consuming  
16      it internally. They have doubled the capacity of  
17      airports, ports, railways, highways into the interior  
18      of the country. The time is coming when they are  
19      going to run out of the super production and super  
20      development in the interior of China and will start  
21      discharging that excess on the world marketplace.

22                   But they are just one of numbers of  
23      countries that are discharging their excess on our  
24      doorstep, causing unemployment, layoffs, and local  
25      disruption.

1           That taconite, those iron ore pellets that I  
2 passed around, principally go to Mittal Steel in east  
3 Chicago and Burns Harbor and to U.S. Steel. The six  
4 iron ore mines in northern Minnesota represent two-  
5 thirds of the total ore produced in the United States  
6 for a billion dollar capital investment, roughly 4,000  
7 jobs, and a billion and a half dollars in our state's  
8 economy, and yet foreign steel can be laid down, as it  
9 was in 1982, from Japan to build a bridge between  
10 Duluth and Superior, a hundred dollars a ton less than  
11 it could be produced 500 miles away in Chicago by  
12 American Bridge and Steel.

13           That situation exists today. The actions  
14 that you've taken under the 201 safeguards have given  
15 relief, given the industry an opportunity to reinvest,  
16 but just as it's reaching a healthy condition, we're  
17 seeing a new surge of steel exports and dumping into  
18 the U.S. marketplace.

19           There is one device that we have in the  
20 Congress, which I have used: In 1982, an amendment to  
21 the Federal Highway program to require all steel used  
22 in the domestic highway and bridge program to be  
23 American steel. That has protected 60 million tons of  
24 steel over these 25 years. Every guard rail, every  
25 fence post, every rebar, every I-beam in our Federal

1 Highway program is American steel, but that's not  
2 enough. We need protection against the other  
3 commodities into which steel is made.

4 Steel remains the industrial society's most  
5 versatile building material. There is no country  
6 entering its industrialized phase that does not want  
7 to build a steel mill. When they do it with  
8 government support, government protection, it hurts  
9 our industry, our economy here in the United States.  
10 Your support in the past on the 232 has benefited this  
11 industry, the iron ore-mining industry, and the  
12 domestic economy, and I urge you to continue to keep  
13 in place protections that we have, that we need, that  
14 this industry requires to compete in a world economy  
15 that otherwise is unfair. Thank you.

16 CHAIRMAN PEARSON: Thank you, Congressman.

17 Does any commissioner have a question or  
18 comment for Congressman Oberstar? I certainly do.

19 I seldom have the pleasure of welcoming  
20 someone to the Commission who was born, raised, and  
21 worked in Minnesota's Eighth District prior to coming  
22 to Washington. You and I may be the only two such  
23 people in this room. It's a rare --

24 CONGRESSMAN OBERSTAR: Where is your home?

25 CHAIRMAN PEARSON: I understand absolutely

1 what you're saying about the economic importance of  
2 the iron-mining and taconite industries to northern  
3 Minnesota. If you had wanted, you could have even  
4 said a bit more about how the iron-mining industry  
5 absolutely shaped the cultural landscape of that part  
6 of the state. People from so many different countries  
7 came to the mines, drawn by the economic opportunity,  
8 made their livings, made those small towns, and still  
9 are there today. Without iron mining, northeastern  
10 Minnesota would be an entirely different place.

11 With just a bit of luck, I'll have the  
12 opportunity again in September to drive south to north  
13 across the Eighth District to go up to Eley to do a  
14 bit of canoeing, and if I can do that, I will be  
15 thinking of you and your contribution on this issue.

16 CONGRESSMAN OBERSTAR: Thank you very much,  
17 Commissioner Pearson, and when you go up to Eley, try  
18 to get there for the blueberry festival. They still  
19 do it every year.

20 CHAIRMAN PEARSON: We've missed it this  
21 year. It must have been last weekend, wasn't it?

22 CONGRESSMAN OBERSTAR: Well, I know I missed  
23 it.

24 CHAIRMAN PEARSON: I did make it two years  
25 ago. We got off the water and, Sunday morning, we

1       went to the blueberry festival.

2                   CONGRESSMAN OBERSTAR:  So they had it  
3       earlier than I expected.  Okay.  That's good.

4                   CHAIRMAN PEARSON:  I had lunch there,  
5       including blueberry pancakes and blueberry pie, which  
6       is a lot for one lunch.

7                   CONGRESSMAN OBERSTAR:  Wonderful.  God bless  
8       you.  My father worked 26 years in the Godfrey  
9       underground mine.  I worked in the Sherman mine and  
10      the Frasier and several others, all the way through  
11      college and, just recently was able to get photographs  
12      from the Iron World Historical Center, the head frame  
13      taken in 1935 of the Godfrey underground mine and  
14      pictures of drifts where the men were working three to  
15      600 feet below the surface drilling the dynamite holes  
16      and blasting.  I didn't know those photos previously  
17      existed.

18                   My father would never let me work in the  
19      underground.  He said, If you're going to work in the  
20      mines, you work in the open pit and only for the  
21      summer.

22                   Taconite has dramatically, as you know,  
23      changed the face of mining in Minnesota.  Those 240-  
24      ton trucks now travel seven to eight miles from the  
25      end of the pit to the crusher.  They operate with

1 globally positioning satellite guidance systems and e-  
2 mail in the cab. It's a vastly different mining  
3 picture.

4 We have at least another hundred years of  
5 iron ore in the ground and job opportunities for the  
6 future if we just have a chance to do it. I thank you  
7 for your reference to the cultural crossroads of  
8 America that we have in our iron ore-mining country.

9 CHAIRMAN PEARSON: Let me put in a plug,  
10 too, for tourism because anyone who comes to the  
11 Eighth District can not only visit the Mining Museum  
12 but see some of the open-pit operations and still go  
13 underground up at Tower. Is that correct?

14 CONGRESSMAN OBERSTAR: You can go 2,000 feet  
15 down into the Tower Sedan Mine, where miners extract  
16 the richest ore in the hemisphere, 68 to 70 percent  
17 iron, and where the oldest mineral on earth and where,  
18 today, physicists are studying the oldest matter of  
19 the universe with highly sophisticated scientific  
20 equipment discerning that black matter that somehow  
21 disappeared, and now they are finding again, called  
22 "neutrinos."

23 CHAIRMAN PEARSON: Well, the only other  
24 thing I have to say is, please keep Northwest flying,  
25 and we probably should wrap up this colloquy here and

1 get on to other things.

2 CONGRESSMAN OBERSTAR: Thank you. I'll do  
3 that in spite of themselves.

4 CHAIRMAN PEARSON: They may need the help.  
5 Thank you very much.

6 CONGRESSMAN OBERSTAR: Thank you. Thank you  
7 very much.

8 MS. ABBOTT: The Honorable Phil English,  
9 United States Congressman, United States House of  
10 Representatives, Third District, Commonwealth of  
11 Pennsylvania.

12 CHAIRMAN PEARSON: Welcome, Congressman  
13 English.

14 CONGRESSMAN ENGLISH: Thank you, Mr.  
15 Chairman. It's a real privilege to be back here.

16 Chairman Pearson, Vice Chairman Aranoff,  
17 Members of the Commission, I want to thank you for the  
18 opportunity to appear before you today. It has been a  
19 privilege to work with you and your staff on trade  
20 issues of interest to my constituents and to also the  
21 Committee on Ways and Means.

22 Over the past few years, the issue of the  
23 domestic steel industry utilizing trade remedy laws to  
24 level the playing field has come under some  
25 controversy and some scrutiny. Due to the often

1 heated debate surrounding antidumping and  
2 countervailing duty orders placed on steel imports,  
3 the underlying problems which necessitated these  
4 actions in the first place and justified them are  
5 often lost by those outside of the industry during  
6 reviews such as this one.

7           It is critical that the reasons these orders  
8 were initiated remain a fundamental consideration in  
9 the review of these deliberations before you today  
10 because, unfortunately, in my view, all of those  
11 reasons still exist today.

12           The underlying factors which make the global  
13 steel market the most distorted in the world are not  
14 new, and the domestic steel industry is frequently  
15 reminded just how dangerous it is to a rules-based  
16 trading system, particularly if only one side plays by  
17 the rules.

18           Foreign producers and governments did, and  
19 continue to produce, far more steel than the global  
20 market needs, maintain import barriers in their home  
21 markets, illegally subsidize their domestic  
22 industries, and dump their excess steel on the U.S.  
23 market.

24           U.S. steelmakers have industriously  
25 restructured, reorganized, invested billions of

1 dollars of their own hard-earned capital to modernize  
2 their technology and become the cleanest, most  
3 efficient producers of steel in the world. The  
4 industry has laid off workers, voluntarily closed down  
5 mills, and cut back on production in order to reduce  
6 excess capacity in the global market.

7 American companies made the difficult but  
8 necessary changes in order to remain competitive, but  
9 because foreign firms and governments have failed to  
10 make similar sacrifices, the cycle of illegally traded  
11 imports to the U.S. will not cease.

12 As a strong believer in the antidumping and  
13 countervailing duty laws and, indeed, all of our trade  
14 remedy laws, I cannot impress upon this Commission  
15 enough the underlying factors leading to dumping  
16 and/or subsidies in the subject countries that they  
17 have not adequately abated.

18 In my view, in order to avoid a recurrence  
19 of material injury to domestic steel producers, as  
20 well as further job losses, these orders must remain  
21 in place. Our trade remedy laws are an important tool  
22 of last resort. The cases before you today  
23 demonstrate the intended function of these laws and  
24 our domestic producers' only option.

25 Despite strong leadership by the domestic

1 industry and the U.S. government to eradicate global  
2 steel subsidies and excess capacity, no agreement has  
3 yet been reached with other market participants. As a  
4 result, the factors that necessitated these trade  
5 remedies, when first put into place, continue to  
6 present a compelling case to retain them.

7           The potential of a recurrence of injury  
8 remains unacceptably high. Indeed, the Department of  
9 Commerce, in its evaluation, has already found that  
10 all 10 countries would continue to resume injurious  
11 trade practices with dumping margins ranging from 4.44  
12 percent to 243.46 percent and with subsidy margins  
13 ranging from 2.38 percent to 41.69 percent. Those are  
14 extraordinary numbers in a business where very thin  
15 differences in pricing make all the difference.

16           Unless and until a global solution is  
17 reached to adequately remove the distortions which  
18 make these orders necessary to level the playing  
19 field, the U.S. market, by virtue of it being the most  
20 open market in the world, will continue to be a  
21 desirable and likely sole destination for dumped and  
22 subsidized steel. The unfair hardships placed on the  
23 domestic industry by these illegal imports will  
24 continue unless this relief is maintained.

25           As a result, the domestic steel industry

1 simply will not be able to continue the ongoing  
2 modernization necessary to remain globally competitive  
3 if our market is attacked by unpredictable and illegal  
4 predatory imports.

5 I would hope the Commission would join me in  
6 supporting the continuation of these current remedies,  
7 and I thank you for the opportunity to testify.

8 CHAIRMAN PEARSON: Thank you, Congressman.  
9 Good to have you here again.

10 Does anyone have a question for Congressman  
11 English? Okay. Thank you.

12 CONGRESSMAN ENGLISH: Thank you so much.

13 MS. ABBOTT: Mr. Chairman, the next group of  
14 speakers will be the Honorable Sue Myrick, U.S. House  
15 of Representatives, Ninth District, State of North  
16 Carolina; the Honorable Michael H. Michaud, United  
17 States Congressman, United States House of  
18 Representatives, Second District, State of Maine; the  
19 Honorable Marion Barry, United States Congressman,  
20 United States House of Representatives, First  
21 District, State of Arkansas; the Honorable Allyson Y.  
22 Schwartz; U.S. Congresswoman, the United States House  
23 of Representatives, Thirteenth District, Commonwealth  
24 of Pennsylvania; the Honorable Patrick J. Murphy,  
25 United States Congressman, United States House of

1 Representatives, Eighth District, Commonwealth of  
2 Pennsylvania; and the Honorable Jason Altmire, United  
3 States Congressman, United States House of  
4 Representatives, Fourth District, Commonwealth of  
5 Pennsylvania.

6 CHAIRMAN PEARSON: Welcome to all of you.  
7 Let me explain to the audience that there will be a  
8 vote starting in the House at eleven-thirty, and so,  
9 in the spirit of flexibility that we always try to  
10 bring to these proceedings, we're going to accommodate  
11 everyone at once, so please proceed.

12 CHAIRMAN PEARSON: Mr. Chairman -- I'm sorry  
13 -- and the Honorable Arthur Davis, United States  
14 Congressman, United States House of Representatives,  
15 Seventh District, State of North Carolina.

16 CHAIRMAN PEARSON: Excellent. Congresswoman  
17 Myrick, would you begin, please?

18 CONGRESSWOMAN MYRICK: Thank you very much.  
19 We really appreciate the opportunity just to submit  
20 our remarks for the record, and we do hope that you  
21 will take time to look at them because all of us have  
22 different aspects of this to present to you, but  
23 because we do have a series of votes, we do need to  
24 get back. So, with that, I will close to say thank  
25 you very much for your consideration of having us

1 today. We appreciate your consideration on what we're  
2 suggesting.

3 CHAIRMAN PEARSON: Thank you. Congressman  
4 Michaud?

5 CONGRESSMAN MICHAUD: Thank you very much.  
6 I, too, want to thank the Commission for having this  
7 hearing today, and I hope that you'll accept my  
8 written comments for the record. We all have  
9 different backgrounds, different perspectives.

10 I worked at a mill for over 30 years; my  
11 grandfather, 43; and my father, 40 years. We've seen  
12 what devastating trade deals have done to our region,  
13 with over a 33-percent unemployment rate in different  
14 labor market areas. So this is a very important  
15 issue, and, hopefully, you'll act accordingly. Thank  
16 you.

17 CHAIRMAN PEARSON: I could clarify: All  
18 statements will be included in the record in full.

19 Congressman Barry?

20 CONGRESSMAN BARRY: Thank you, Mr. Chairman.  
21 I thank you for having this hearing, and I also thank  
22 you for indulging us, and I encourage the Commission  
23 to take action that would recognize the fact that the  
24 American people and the American investor are losing  
25 faith in the way we handle our trade laws and our

1 international trade agreements, and I think it's time  
2 that we restore some integrity to that process, and we  
3 trust the Commission to do just that. Thank you, sir.

4 CHAIRMAN PEARSON: Thank you, Congressman.  
5 Congresswoman Schwartz?

6 CONGRESSWOMAN SCHWARTZ: Thank you, Mr.  
7 Chairman, and I, too, will submit my remarks for the  
8 record. Let me just say, as a Member of the Ways and  
9 Means Committee, which is responsible for trade  
10 policy, I do support the fact that we should have  
11 trade laws that are fair, that recognize that we're in  
12 global marketplace. There is no question that we need  
13 to make sure that those trade laws do work to make  
14 sure that we have a level playing field and that  
15 American businesses and American workers, I believe,  
16 can compete successfully if we actually create a more  
17 level playing field.

18 So I just want to say that I also believe  
19 very strongly that we need to continue to have these  
20 countervailing duties and antidumping laws and that we  
21 need to make sure that we enforce them.

22 Good law only goes so far as the enforcement  
23 of that law, and I'm asking the Committee, of course,  
24 to look at my full testimony and to move ahead with  
25 making sure that this law continues and that it is

1 really vigorously enforced so our American businesses,  
2 the steel industry, can compete and compete  
3 successfully in this global marketplace. Thank you  
4 very much, and I will submit the length of my remarks  
5 for the Committee's consideration. Thank you.

6 CHAIRMAN PEARSON: Thank you.

7 Turning now to Congressman Murphy.

8 CONGRESSMAN MURPHY: Thank you, Mr. Chairman  
9 and Members of the Commission. Thank you for the  
10 opportunity today.

11 I'm Congressman Patrick Murphy from the  
12 Eighth District of Pennsylvania, and I represent the  
13 U.S. Steel plant in my district, which went from 8,000  
14 employees to now less than 100 employees. So that  
15 means that there were 8,000 families that were  
16 affected by these unfair trade practices.

17 I appreciate the opportunity to give you my  
18 testimony today on an issue that obviously is vitally  
19 important to all of us that are here, the fact that  
20 the renewal of the antidumping and countervailing duty  
21 orders and my specific matter on the hot-rolled,  
22 carbon steel flat products that are imported from  
23 Argentina, China, India, Indonesia, Kazakhstan,  
24 Netherlands, Romania, South Africa, Taiwan, Thailand,  
25 and the Ukraine.

1           So I appreciate you taking this testimony  
2           and doing your due diligence, and if I could ever be  
3           of further assistance, please do not hesitate to call  
4           upon me. Thank you very much.

5           CHAIRMAN PEARSON: Thank you.

6           Congressman Altmire.

7           CONGRESSMAN ALTMIRE: Thank you, Mr.  
8           Chairman, and thank you, Members of the Commission,  
9           for allowing us to come before you today. I apologize  
10          for the vote being called, and we're going to have to  
11          submit the statement for the record.

12          I would say only I come from a six-county  
13          district just north of Pittsburgh. We have seen  
14          firsthand the impact and the devastation that can  
15          come to communities when these trade agreements and  
16          the steel laws do not benefit the families who are  
17          working in the steel industry, and I would hate to see  
18          that continue. So I would ask you to closely review  
19          the testimony that I'm going to provide and please  
20          take that into consideration. Thank you.

21          CHAIRMAN PEARSON: Thank you. No apologies  
22          required. Several of us here at the dais have worked  
23          on the Hill and understand well the disciplines  
24          imposed by the vote clock, so don't be late.

25          Chairman -- Congressman Davis.

1                   CONGRESSMAN DAVIS: Thank you for the  
2 promotion, Mr. Chairman. Mr. Chairman, I have to  
3 compliment you. I have never seen, in the five years  
4 I've been in Washington, anyone move seven members of  
5 the House in five minutes.

6                   So having pointed that out, I will submit my  
7 statement for the record and just ask the Committee to  
8 keep two numbers in your mind as you think about this  
9 process. You had a chance, or, I think, most of you  
10 had a chance, to go to Fairfield, Alabama, to the U.S.  
11 Steelworks facility that is there. Jefferson County  
12 is the biggest county in my district and the biggest  
13 county in the State of Alabama.

14                   Twenty-seven years ago, there were 19,000  
15 jobs in the steel industry in Jefferson County.  
16 Today, the number is 4,700. You can't lose 14,000  
17 jobs over a period of time without a community feeling  
18 the impact.

19                   The second, and last, number I would ask you  
20 to take into account is this one: Over the last six  
21 years, \$52 billion worth of subsidies from the Chinese  
22 steel industry and the government that has subsidized  
23 that industry so generously is contemplating a  
24 fivefold increase in production. It is impossible for  
25 the U.S. to compete on an unlevel playing field, and I

1 ask this Commission to take that into account. Thank  
2 you all for being so generous with us today.

3 CHAIRMAN PEARSON: Thank you, Congressman.

4 MS. ABBOTT: The Honorable Mark Souder,  
5 United States Congressman, United States House of  
6 Representatives, Third District, State of Indiana.

7 CHAIRMAN PEARSON: Welcome, Congressman  
8 Souder.

9 MR. SOUDER: Thank you. I haven't had the  
10 opportunity to address you before, so I wanted to take  
11 a few more minutes. Also, my statement is a little  
12 different than my printed statement. Ready?

13 CHAIRMAN PEARSON: Please proceed, yes.

14 MR. SOUDER: Let me just tell you a little  
15 bit about my district. I represent Fort Wayne over to  
16 basically South Bend in the northeast side of Indiana,  
17 not as much of a historic steel district as the  
18 northwest part of Indiana over by U.S. Steel. I am a  
19 very conservative, free-market Republican who has had  
20 deep concerns about what's happening in the world  
21 marketing relating to steel.

22 In our area, we are either second or third  
23 in the number of foundries for a congressional  
24 district, which are kind of the traditional type of  
25 making a lot of the steel, but many of them have

1 modernized. I also have an Italian plant, Valbruna,  
2 that bought a Canadian plant that originally was an  
3 American plant, and it's an old-fashioned steel mill  
4 that has been gradually updated.

5           What we're best known for having Steel  
6 Dynamics, two major plants and the headquarters of  
7 Steel Dynamics, the minimill company, as well as two  
8 facilities from Nucor. So we have been very involved  
9 in the minimills.

10           Basically, and what I've come to the  
11 conclusion, in watching this issue since I've been a  
12 Member of Congress, is that if you can cut the prices  
13 from Steel Dynamics, you're probably cheating because  
14 they have eliminated most of the labor costs, so we're  
15 basically down to whether you're subsidizing energy or  
16 subsidizing transportation or doing something to  
17 manipulate because there is not much else you can do  
18 to cut the prices of steel from where they are in the  
19 new minimill process.

20           So, as I've worked with this, one of the  
21 challenges I've had, because my district is still the  
22 highest-percent manufacturing in America -- we have  
23 the biggest pickup plant. So, for example, GM wants  
24 cheap steel. We make axles. We make pistons. We  
25 make all sorts of parts. In one of my counties, in

1 Elkhart, 57 percent of the people are still engaged in  
2 manufacturing.

3           So I've got a lot of manufacturers who have  
4 come to me and said, We don't like the so-called  
5 tariffs and the equalization things. We want the  
6 cheap Chinese steel. We want the cheap foreign steel,  
7 and, quite frankly, they have pointed out to me, I  
8 have more parts manufacturers and people working in  
9 parts than I do in steel, but that's not the question.  
10 The question is, are they following the law?

11           As I pointed out to them, when they have had  
12 dumping questions and currency questions, that even  
13 though they now come to me and tell me they want the  
14 cheaper steel so they can compete in the international  
15 market with people who are buying cheaper steel, the  
16 fact is that every time a company comes in and dumps  
17 in their market or manipulates, they come to me and  
18 other Members of Congress and want protection.

19           So the fundamental question here is, is  
20 there a level playing field, and is this fair, not who  
21 is the majority in your district arguing for a  
22 particular thing.

23           I also, in one of our trips over when we met  
24 with the Russian Duma and argued about steel, they  
25 were complaining that we were doing tax incentives and

1 things to our steel companies, and I was over there to  
2 claim they were dumping. They said, Oh, we don't  
3 dump. We don't have any costs of energy.

4 Well, if your country subsidizes the cost of  
5 energy, of course, you're, by definition, dumping  
6 because we have two types of the traditional arguments  
7 here. One is kind of what I would call the "classic  
8 historical dumping," which is that you sell the  
9 products in your country for one price, and you sell  
10 it for a higher price overseas. That was the  
11 classical model.

12 What is more the current model is by  
13 manipulating different financial things in your  
14 country, one way or another, to give you an  
15 international competitive advantage, regardless of  
16 what you do domestically because many of these  
17 countries don't treat their domestic people very well  
18 either. Their idea of improving their domestic  
19 economy is to subsidize foreign trade, basically get  
20 the American market to subsidize a higher standard of  
21 living, even if the product costs more in their  
22 country.

23 So that's been one of the challenges, and  
24 we've seen kind of the classic with the new variation  
25 with Russia.

1           Another challenge we've had, as I've tracked  
2 this issue since I've been in Congress, is what I  
3 would call "rolling dumping," or "tag team  
4 dumping," and that is that because of the process that  
5 we have for appeals, that every time there is a  
6 challenge on a particular type of thing from Brazil or  
7 from Korea or from here, because of the nature of the  
8 appeals process, it takes a long time to make the  
9 appeal, that by the time you get the appeal resolved,  
10 there may or may not be enough of a penalty to  
11 actually give a disincentive, and so that country is  
12 gone, but another one now has taken their place.

13           We go from Korea to Brazil to Kazakhstan,  
14 whoever is the latest person, and the bottom line is  
15 that they are all ganged up. It's tag team wrestling  
16 where they get a whole team, and we get one, and they  
17 keep piling on, so eventually they knock out different  
18 people in our market.

19           We also have another challenge, and that is,  
20 as I got into the complexities -- I used to be a  
21 staffer, so I get little bit more than most members,  
22 but even for me, that means we have a 30-minute  
23 attention span or maybe a 20-minute instead of a five-  
24 minute attention span.

25           But in trying to go through the details of

1 different companies coming in and saying, "Well, this  
2 product actually isn't available," well, what does  
3 that mean? As you sort through this, what does, "This  
4 product isn't available," mean? Does that mean,  
5 through the tag team dumping and through different  
6 things, they have, in effect, obliterated the current  
7 market, or does that mean an American company can't  
8 make it at market?

9 "Currently available" should not just be a  
10 question, is it currently available at a price in the  
11 market, but is it currently available in the capacity,  
12 and are companies willing to meet it if they, in fact,  
13 can get a level playing field? If you remove the  
14 current standards that we have and all of a sudden go  
15 back to where we were, you'll never get those  
16 available products, and you'll see a number of  
17 products that are currently available disappear again  
18 because they will go back to tag team or other, which  
19 then brings us to the 1,000-pound gorilla in the room,  
20 which is the Chinese currency.

21 This is a huge dilemma. I think it was  
22 Commerce Bank in Germany; their international head,  
23 who had been over in China, told me, I don't know why  
24 you American congressmen beat on China so much. They  
25 are basically propping up your currency, and if you're

1 not careful, if you hammer them to float the currency  
2 too much, you'll collapse your bond market, and you'll  
3 collapse your stock market. They are covering you for  
4 a lot of the Arab investments. So all of us who are  
5 criticizing China on currency understand there is some  
6 complexity to this issue and that moving them to a  
7 float is not necessarily going to happen overnight.

8           The bottom line is that if you manipulate  
9 your currency in an international market and do not  
10 allow it to float -- I know my friend, John Nolan from  
11 SDI, will use a high number. Some people use a lower  
12 number, as low as 20. It's difficult to establish  
13 when somebody won't let it float. We don't know how  
14 much they are manipulating their currency. We don't  
15 know how much they are manipulating it, but we know  
16 it's significant, and, if nothing else, you can tell  
17 by the number of steel mills they are building versus  
18 their domestic consumption that, in fact, they are  
19 manipulating their currency.

20           So as long as the primary player and the  
21 primary expansion in the international market is  
22 manipulating the currency, we leave, without some  
23 protection in place, a joke of a free market because  
24 it is not a free market unless we, in fact, put some  
25 different process of appeals on the dumping process to

1 stop the tag team and deal with the currency questions  
2 and some of the energy subsidization in these  
3 different countries because my companies, no matter  
4 how efficient they are, no matter how flexible they  
5 are, cannot compete when people cheat. Thank you very  
6 much.

7 CHAIRMAN PEARSON: Thank you, Congressman.  
8 Does anyone have a question for Congressman  
9 Souder?

10 I appreciate your statement. Please go make  
11 the vote.

12 MS. ABBOTT: Our next speaker will be on  
13 behalf of the Iron and Steel Institute of Thailand,  
14 Ministry of Industry in Thailand, Mr. Ramet  
15 Opatumphun.

16 CHAIRMAN PEARSON: Welcome, Mr. Opatumphun.  
17 Please proceed.

18 MR. OPATUMPHUN: Good morning. I am Ramet  
19 Opatumphun, deputy managing director of the Iron and  
20 Steel Institute of Thailand, Ministry of Industry.

21 The Iron and Steel Institute of Thailand  
22 provides research, trading, consulting, and testing  
23 services to its members. It does not provide any  
24 funding or financial support to the Thai steel  
25 industry.

1           I have come to Washington to help the  
2 Commission better understand Thailand's distinct hot-  
3 rolled steel industry and market. For both production  
4 and consumption, Thailand is heavily dependent on  
5 imports. Thailand has a small, hot-rolled-steel-  
6 producing country.

7           In 2006, Thailand's hot-rolled steel  
8 production totaled just 3.7 million tons, about half  
9 rolled from imported slab and the remainder melted  
10 from scrap, about 80 percent of which is imported.

11           The Thai mills' main focus is the home  
12 market, where they sell three out of every four tons  
13 produced, yet Thailand is a net importer, with imports  
14 holding 40 percent market share in 2006. In other  
15 words, Thailand imported 1.3 million tons into a  
16 market that consumed a total of 5.2 million tons.

17           These two unique conditions of competition -  
18 - Thailand's import dependency for hot-rolled  
19 production and consumption -- are the fundamental  
20 reasons why revocation of the Thai orders will cause  
21 no harm to the U.S. industry.

22           The Thai industry is made up of three mills:  
23 G Steel; Nakornthai Strip Mill, or NSM; and Sahaviriya  
24 Steel, or SSI. The Thai market has great demand for  
25 hot-rolled steel, and the three mills focus on

1 supplying the home market. With that strong demand  
2 comes high prices, which brings imports.

3 Average prices in Thailand in 2006 were \$456  
4 from the Thai mills and \$503 for imports. All exports  
5 were \$490, and U.S. exports were \$463. These exports  
6 include freight, which increased a lot over the POR,  
7 and to the United States has remained well over \$60  
8 per ton.

9 Competition with imports in the home market  
10 defines the Thai mills' experience. Import market  
11 share has dropped 20 points over the last six years  
12 but remained at a huge 40 percent. Displacing these  
13 imports in the home market is the Thailand industry's  
14 core strategy. The evidence of it is recent capacity  
15 expansions so that the Thai mills could meet demand;  
16 producing upgrades to displace automotive quality  
17 imports, especially from Japan; 14 Thai antidumping  
18 duty orders; and a new equity tie-up between SSI and  
19 the largest cold-rolling mill to displace Japanese  
20 imports.

21 Thailand's hot-rolled steel consumption has  
22 increased 41 percent since 2001. The Thai mills' home  
23 market orientation is not about to change. Following  
24 a temporary contraction in 2006 due to political  
25 instability, hot-rolled steel demand in Thailand

1 remains strong and about to boom.

2 Like in the United States, Thailand's hot-  
3 rolled steel consumption is a derived demand primarily  
4 based on the auto, construction, and downstream cold-  
5 rolled and galvanized industries. Thailand's auto  
6 industry, known as the "Detroit of Asia," is growing  
7 at a great pace. Auto production has increased from  
8 460,000 units in 2001 to over 1.1 million units in  
9 2005. It is expected to reach two million units per  
10 year by 2010.

11 Motorcycle production is following an even  
12 more dramatic trend, from 1.2 million units in 2001 to  
13 over 3.5 million units in 2005, and soon to reach four  
14 million units per year.

15 Thailand's construction industry also is  
16 growing, particularly around Bangkok. Recent growth  
17 rates ranged from 8.9 percent in 2003 to 10.8 percent  
18 in 2006. Steel-driven projects include a major new  
19 international airport that was just completed. The  
20 Thai government will soon commence a "mega project"  
21 for a new mass-transit system. Residential and  
22 business construction also is on the upswing. All of  
23 this construction activity consumes hot-rolled steel.

24 Demand also is increasing in other  
25 downstream industries that consume cold-rolled and

1 galvanized steel, such as appliances. Overall, steel  
2 consumption is expected to outpace a healthy GDP  
3 growth of four to five percent over the next few  
4 years. All of this supports the 41 percent growth in  
5 hot-rolled demand from 2001 to 2006.

6 Much of this demand requires high-grade,  
7 hot-rolled steel that Thai producers could not always  
8 make. Thailand has had to import high-quality, skin-  
9 passed and P&O hot-rolled steel because there was  
10 limited ability in Thailand to make it.

11 These imports come mostly from Japan.  
12 Thailand has only recently been able to compete with  
13 these imports. In 2004, SSI commenced commercial  
14 operations of a P&O line, and NSM and G Steel recently  
15 expanded their value-added capabilities as well. NSM  
16 commissioned a skin-pass line in 2004 and a P&O line  
17 in 2005. G Steel began skin-pass operations in 2006.

18 As a result, the Thai mills' home market  
19 share increased and displaced imports. Import market  
20 share fell from 62 percent in 2001 to 40 percent in  
21 2006. This trend is certain to continue as Thai mill  
22 production increases. In fact, this is the central  
23 reason for recent capacity expansions by the Thai  
24 mills.

25 This is precisely why Thailand is a net

1 importer of hot-rolled steel. Even with the import  
2 displacement, Thailand's hot-rolled imports still  
3 exceeded exports by 1.3 million tons in 2006.

4 To the extent that the Thai mills are  
5 increasing exports, the primary markets naturally are  
6 those closest to us. Thailand is a member of the  
7 Association of Southeast Asian Nations, or ASEAN,  
8 where economic growth also is strong. The duty rates  
9 for hot-rolled steel to ASEAN members range from zero  
10 to five percent while the duty rates for nonmembers  
11 reach up to 50 percent. ASEAN steel demand is  
12 expected to rise above six percent per year, or by 40  
13 million tons by 2015. This will be met largely by  
14 Thai production because only three Asian countries  
15 produce hot-rolled steel.

16 Thailand's shipments to Asia (other than  
17 China) experienced significant growth from 2001 to  
18 2006, increasing from 2,257 tons in 2001 to 257,991  
19 tons in 2006. Just in the first half of 2007, Thai  
20 shipments were 366,650 tons, higher than all of 2006.  
21 Certainly, exports to ASEAN countries have quickly  
22 replaced the drop in Thailand's exports to China.

23 In contrast, Thailand's U.S. shipments have  
24 been stable and responsible. They have remained at  
25 consistently high AUVS, even while transportation

1 costs to the United States have increased.

2 Finally, the other side of Thailand's hot-  
3 rolled steel import dependency concerns the Thai  
4 mills' complete reliance on imported slab and scrap.  
5 This dependency makes Thailand a world market price  
6 taker in both the home and export markets. The Thai  
7 mills must always cover metal margin spreads, while  
8 relying on world-provided costs.

9 Thai import slab prices increased sharply in  
10 2003 and 2004, and Thai hot-rolled prices followed.  
11 For scrap, Thai import prices increased a lot from  
12 2003 to 2004, and as the Commission staff report  
13 states, prices peaked in April 2007. Again,  
14 Thailand's hot-rolled prices followed. Thailand poses  
15 no threat of underselling in the U.S. market since it  
16 must always be a world price taker.

17 Thai exports must, of course, also cover  
18 freight costs. Freight rates to the United States  
19 have increased a lot since 2001, giving Thailand  
20 little incentive to ship beyond its nearby markets.

21 I hope the Commission can understand why  
22 these Thai market fundamentals prove why Thai mills'  
23 strategy is to serve the home market first, then  
24 nearby regional markets, and only then other export  
25 markets in a responsible manner.

1           For these reasons, Thailand's hot-rolled  
2 steel industry poses no threat to the U.S. industry.  
3 I hope the Commission concludes the same and revokes  
4 the antidumping and countervailing duty orders against  
5 Thailand.

6           I would be pleased to answer any questions  
7 at this time, and I will also be available to answer  
8 any of the Commission's questions tomorrow during  
9 Respondent's question-and-answer session. Thank you.

10           CHAIRMAN PEARSON: Thank you. Does any  
11 commissioner have a question for Mr. Opatumphun?

12           I guess we will hold our questions until  
13 tomorrow. Thank you.

14           MR. OPATUMPHUN: Thank you.

15           MS. ABBOTT: Opening remarks in support of  
16 continuation of orders will be by Terence P. Stewart,  
17 Stewart & Stewart.

18           CHAIRMAN PEARSON: I would just advise that,  
19 based on what we know now, we do expect additional  
20 congressional representatives coming sometime at or  
21 near 12 o'clock. So it's my intention to go through  
22 opening statements now, and then we'll see what  
23 happens next.

24           Mr. Stewart, please proceed.

25           MR. STEWART: Good morning, Chairman

1 Pearson, Commissioners, and Commission Staff. Since  
2 the issuance of the orders in late 2001, the hot-  
3 rolled steel industry has seen apparent consumption,  
4 in terms of tons, that has been at or below levels  
5 achieved in the 1998-to-2000 period. So the size of  
6 the domestic market has remained largely unchanged,  
7 subject, as always, to cyclical movements.

8 The orders have resulted in drastically  
9 reduced imports from the countries covered since 2000.  
10 At the same time, the countries covered by the orders  
11 have sharply increased their exports to the rest of  
12 the world of various flat-rolled products, including  
13 hot-rolled steel.

14 The public staff report shows that exports  
15 of hot-rolled steel from these countries to the world  
16 increased by more than 12 and a half million tons from  
17 2001 to 2006, more than doubling their total volume of  
18 exports.

19 So the countries covered have shown the  
20 ability to rapidly grow exports of hot-rolled steel  
21 during the last five years.

22 While strong demand growth in China changed  
23 availability of raw materials and, for a period of  
24 time, absorbed other countries' excess capacity,  
25 massive capacity expansions in China and in many of

1 the other covered countries over the last five years  
2 has resulted in rapidly growing excess capacity in  
3 hot-rolled steel products.

4 The amount of excess capacity in China's  
5 hot-rolled sector alone is estimated to be 24 million  
6 tons this year and to be up to 37 million tons next  
7 year, and the country has become a major net exporter  
8 of hot-rolled products.

9 China has displaced imports into China for  
10 many of the other countries covered by the orders  
11 under review, has captured part of their home markets,  
12 and displaced such countries in various third-country  
13 markets, leaving these countries with large amounts of  
14 capacity looking for an export home.

15 At the same time, prices throughout Asia,  
16 the locus of substantial current home market or export  
17 markets for countries covered by the orders, have  
18 declined markedly and are far below prices in the  
19 United States.

20 Since 2001, a number of countries, including  
21 China, have dramatically expanded their exports to the  
22 U.S. of other products made from hot-rolled sheet,  
23 such as cold-rolled steel, corrosion-resistant steel,  
24 pipe and tubes and other products.

25 Thus, conditions in the marketplace all

1 point to a rapid expansion of imports from the  
2 countries subject to existing orders, should those  
3 orders be revoked.

4 At the same time, domestic steel producers,  
5 like producers in other industries, must be able to  
6 make their cost of capital over the course of a  
7 business cycle to justify reinvesting in plant and  
8 equipment, yet over the period, 1998 to 2006, covered  
9 in the staff report, the domestic hot-rolled industry  
10 generated operating income as a percent of sales of  
11 only 4.16 percent on average, even valuing internal  
12 transfers at market price. Such rates have returned,  
13 which are roughly two-thirds of all manufacturing, do  
14 not cover the cost of capital over the cycle for this  
15 industry.

16 Because of the low returns, investment in  
17 capital expenditures declined by more than 70 percent  
18 from peak levels in 2000 to the trough from 2002 to  
19 2003 are only now starting to return to more normal  
20 levels and are at risk if profit margins erode.

21 At the same time, spot prices in the United  
22 States have declined sharply in the last year, falling  
23 by \$100 a short ton since October 2006. While prices  
24 have fallen, costs have remained high, or even  
25 increased, creating pressures on industry

1       profitability this year.

2                 Indeed, as spot prices have fallen as much  
3       as \$70 a short ton since April in this year to \$520 a  
4       ton, and with the staff report showing average cost of  
5       goods sold, and the SG&A expenses for domestic  
6       producers being \$477 a ton in 2006, operating income,  
7       by the third quarter of this year, could be as little  
8       as \$40 a ton for domestic producers.

9                 Demand has remained relatively weak within  
10       the last half of 2007 to prevent a rapid buildup in  
11       inventories but at the cost of increasing the per-ton  
12       manufacturing cost, further squeezing profit margins.  
13       While some consolidation has occurred amongst domestic  
14       producers, the global industry remains highly  
15       fragmented, and there are many sources of product in  
16       the U.S. from both domestic and foreign sources.

17                 With high degrees of interchangeability of  
18       domestic and imported product, with common channels of  
19       distribution, with many products having commodity-type  
20       characteristics, with trading companies potentially  
21       buying and selling for many of the subject countries'  
22       suppliers, and with the existing orders or  
23       arrangements restricting access to a number of other  
24       important markets, the record before the Commission  
25       confirms that revocation of the orders will have

1 significant adverse effects on domestic producers over  
2 the reasonably foreseeable future. Accordingly, the  
3 Commission should continue the orders in these  
4 reviews. Thank you very much.

5 CHAIRMAN PEARSON: Thank you, Mr. Stewart.

6 MS. ABBOTT: Opening remarks in opposition  
7 to continuation of orders will be by Kenneth J.  
8 Pierce, Vinson & Elkins.

9 CHAIRMAN PEARSON: Good morning, Mr. Pierce.  
10 I note that I can just say that yet barely. Please  
11 proceed.

12 MR. PIERCE: Good morning, Mr. Chairman,  
13 Commissioners. I'm Ken Pierce of Vinson & Elkins,  
14 counsel for Thailand.

15 Thailand's antidumping order has been  
16 revoked for the dominant exporter, SSI, for lack of  
17 dumping, and only a 2.38 percent CVD order remains.  
18 Uniquely, the inconsequential impact on the domestic  
19 industry from Thailand's sunset revocation has already  
20 been proven by SSI's revocation.

21 The law and facts also dictate what  
22 revocation is required overall. Despite the political  
23 pressure Petitioners seek to exert, the Respondents  
24 have faith that their merits will control the outcome  
25 of this sunset review.

1           Antidumping and countervailing duty taxes  
2           are the exceptions to trade rules and are intended to  
3           be narrowly imposed. Why? Because they cause net  
4           economic harm to the U.S. economy, as the ITC has  
5           found repeatedly. They are not supposed to last  
6           forever.

7           Sunset law favors revocation. Under the  
8           "likely-to-lead-to standard," all things being equal,  
9           revocation is required. Petitioners have the burden  
10          to prove likely causation.

11          Sunset decumulation is allowed for any  
12          reason or no reason, freeing commissioners to make  
13          reasoned, intelligent, country-specific determinations  
14          with various groupings, as different countries pose  
15          different questions.

16          Likely causation of material injury must be  
17          found to prevent revocation. The plain words  
18          "material injury" have obvious meaning. The statute  
19          specifies that it is not inconsequential, immaterial,  
20          or unimportant harm, meaning that it is not small.  
21          Nix the double negatives, and the statute defines  
22          material injury to be harm that is consequential and  
23          important. It is a high-energy standard, the same  
24          that applies in a final investigation.

25          Petitioners are clamoring for adverse facts

1 available against noncooperative countries, and that  
2 may have some merit, frankly, but these countries must  
3 then be disqualified from cumulation with the  
4 cooperative countries since adverse facts may only  
5 punish the transgressing country, as the inference may  
6 only be "adverse to the interests of that party" from  
7 the statute.

8 On the facts, revocation is clearly required  
9 for a domestic industry with an average return on  
10 investment of 21.9 percent over the past three years.  
11 The domestic industry holds 91 percent market share;  
12 the subject imports, just one percent; Canada and  
13 Europe, the rest.

14 Most of the domestic industry's sales are  
15 insulated from competition due to captive consumption  
16 and long-term contracts. Imports from Japan, Brazil,  
17 and Russia are constrained, no matter what the outcome  
18 of this review.

19 These import taxes have been in place since  
20 2001, and still the domestic industry had losses in  
21 '01, '02, and '03, long after most of these imports  
22 had virtually ceased. Domestic performance had  
23 nothing to do with these imports or their restraint.  
24 Their wounds were self-inflicted and homegrown. The  
25 domestic industry turned fabulously profitable in

1 2004, only after receiving \$14 billion of massive  
2 subsidies, which allowed the consolidations and forced  
3 adoption of rational labor agreements.

4 Today, 70 percent of the flat-rolled steel  
5 in this country is made by just three giants, two with  
6 foreign operations they are here trying to favor.  
7 With this market power, the domestic industry's profit  
8 rates were an incredible 24 percent in '04, 14 percent  
9 in '05, and 15 percent in '06. For the last two  
10 quarters, prices are considerably higher elsewhere,  
11 especially in Europe. The ever-weakening dollar makes  
12 the U.S. market even less attractive.

13 All objective market observers are  
14 predicting price increases in the second half of 2007,  
15 from the already high levels far above cost. World  
16 Steel Dynamics, a neutral observer, predicts on less  
17 than a "pricing volcano" in the months ahead.

18 Hot-rolled imports, in the first half of  
19 2007, are down 50 percent from the first half of 2006.  
20 Inexorable market dynamics are moving the steel to  
21 non-U.S. markets.

22 Big steel's boogey man of the day: China.  
23 China, in June, by fiat, increased export costs by 16  
24 percent, with elimination of duty drawback and  
25 imposition of an export tax. That, coupled with the

1       astounding growth in China's steel consumption, makes  
2       it no serious threat.

3               There is no rational basis to deny  
4       revocation. Petitioners' 2005 fear mongering about  
5       Japan, Brazil, and Russia have proven false, just as  
6       it was false with regard to plate and cord. Today, as  
7       yesterday, Petitioners' claims are untrue.

8               Of course, the countries participating in  
9       this sunset review want their orders revoked, but so  
10      do American manufacturers with far more jobs than big  
11      steel, the ones that Washington is always saying it  
12      wants to help, like Ford, GM, and Chrysler. The auto  
13      producers' brief was filed in this case supporting  
14      revocation.

15              You will hear from several auto parts  
16      companies tomorrow, with Respondents' panel, who will  
17      explain how Petitioners use concentrated market  
18      dominance to throttle supply and cripple domestic auto  
19      parts makers' global competitiveness.

20              The U.S. mills do not need the orders to  
21      maintain their incredible market power and  
22      profitability. The Commission should revoke these  
23      orders. Thank you.

24              CHAIRMAN PEARSON: Thank you, Mr. Pierce.

25              MS. ABBOTT: Will members of the first panel

1 in support of continuation of orders please come  
2 forward? Mr. Chairman, all members have been sworn.

3 (Pause.)

4 CHAIRMAN PEARSON: Madam Secretary, is the  
5 computer now happy?

6 MS. ABBOTT: The computer is now happy.

7 CHAIRMAN PEARSON: Okay. Let's proceed.  
8 Who is in charge of this show? Mr. Lighthizer,  
9 welcome. Please proceed.

10 MR. LIGHTHIZER: Thank you, Mr. Chairman,  
11 and good afternoon. I'm Bob Lighthizer, counsel to  
12 United States Steel Corporation, and I would like to  
13 begin with a brief overview of our case.

14 There are five key points in these reviews:

15 First, you lack significant questionnaire  
16 data on four of the subject countries, including  
17 China.

18 Second, China's steel industry threatens to  
19 disrupt steel markets everywhere.

20 Third, you must cumulate all subject  
21 imports.

22 Fourth, subject producers have more than  
23 enough excess capacity to flood this market.

24 And, fifth, they have a strong incentive to  
25 divert exports from other markets to the United

1 States.

2 The subject producers will try to convince  
3 you that they left this market voluntarily. This  
4 slide, however, shows that they were forced out by the  
5 orders.

6 Whenever you hear that China doesn't care  
7 about this market, please remember Slide No. 3. But  
8 for these orders, Chinese mills would have flooded the  
9 hot-rolled market, just like all of the other markets.  
10 The Chinese producers who have responded to your  
11 questionnaire said that they had about 54 million tons  
12 of hot-rolled capacity in '06. World Steel Dynamics  
13 recently estimated that China had 187 million tons of  
14 hot-rolled capacity, total, last year. If WSD is even  
15 remotely correct, you have no data for more than two-  
16 thirds of the Chinese capacity over 130 million tons.

17 How big is 130 million tons? Almost twice  
18 the size of the entire U.S. hot-rolled industry, and,  
19 remember, you have no questionnaire data on any of it.

20 The Chinese producers claim that China is a  
21 net importer of hot-rolled steel. This is totally  
22 untrue. No expert in the world believes this. In  
23 fact, China is one of the world's biggest net  
24 exporters. Here, you see that, in '06, Chinese hot-  
25 rolled exports exceeded imports by approximately eight

1 million tons.

2           The other side likes to talk about growing  
3 Chinese demand, but the difference between Chinese  
4 demand and Chinese capacity is large and getting  
5 larger. Indeed, last year, China's oversupply, the  
6 difference between its capacity and its demand, was  
7 seven times the total injurious imports of 2000.

8           Moreover, you have no questionnaire data for  
9 Indonesia, the Ukraine, and very little for India. By  
10 using a small percentage of their capacity, these  
11 countries alone could match the total imports that  
12 caused devastating injury.

13           Between '07 and '09, India will build almost  
14 seven million tons of new hot-rolled capacity. Once  
15 again, this figure far exceeds the volume of imports  
16 that helped to bankrupt more than half of our  
17 industry. Please don't just focus on China, India,  
18 Indonesia, and the Ukraine.

19           The staff report properly recognizes that  
20 all of the subject countries will combine to ship a  
21 large volume of hot-rolled steel if the orders are  
22 revoked. The staff is correct. On this slide, we  
23 took the excess capacity in inventories reported by  
24 the producers who responded to your questionnaire, and  
25 then we assumed that those who did not respond would

1 have reported roughly the same percentage of excess  
2 capacity and inventory. Even this conservative  
3 estimate indicates that subject producers have  
4 approximately 21 million tons of excess capacity in  
5 inventory.

6 They would also like to divert exports from  
7 other markets. Nine of the subject countries combined  
8 for over 20 million tons of exports last year. Even a  
9 small percentage of those exports would seriously harm  
10 U.S. producers.

11 To avoid cumulation, subject producers  
12 insist that they would compete in this market under  
13 different so-called "conditions of competition."  
14 Foreign producers apparently see this as a black box  
15 that means whatever they want it to mean.

16 Consider the following arguments that have  
17 been made, either here or in other recent cases, as to  
18 why particular countries should be decumulated.

19 We are affiliated with a U.S. company. We  
20 are not affiliated with a U.S. company. We export  
21 significant volumes to non-U.S. markets. We have very  
22 few exports. We focus on the high end. We focus on  
23 the low end. We're building new capacity. Our  
24 capacity is stable. We left the market. We remained  
25 in the market. We don't have good relations with U.S.

1 customers. We have close relations with U.S.  
2 customers.

3 Obviously, cumulation is critical in this  
4 case, and we hope to have a dialogue on it. It is  
5 essential that a majority of commissioners not allow  
6 subject producers to evade relief because of  
7 differences that are not related to the combined  
8 hammering effect of the imports. Please believe that  
9 you are just as dead from 10 slashes as from one big  
10 one.

11 Here are the types of factors you should  
12 consider in your cumulation analysis. As you can see  
13 here, the similarities among the subject countries are  
14 much more significant than any differences. Further,  
15 the foreign producers should not be decumulated solely  
16 because it has a U.S. affiliate. Such a rule would  
17 effectively exempt these companies from our trade  
18 laws.

19 Moreover, by allowing one U.S. producer to  
20 bring in dumped imports from its affiliate, you place  
21 other U.S. producers at a severe, unfair disadvantage.  
22 Foreign producers with U.S. affiliates routinely ship  
23 foreign steel in here, and they do it to increase  
24 their profits.

25 Consider this example: A producer with both

1 a U.S. facility and a low-cost plant overseas. By  
2 bringing in foreign steel in addition to his U.S.  
3 production, that producer makes more money, but other  
4 domestic producers and all of the U.S. workers are  
5 hurt. Clearly, producers with U.S. affiliates should  
6 not be decumulated solely because of this connection.

7 In addition to the enormous unused capacity,  
8 subject producers have a clear incentive to divert  
9 sales from other markets to the United States. This  
10 is a large, open, and relatively high-priced market.  
11 Subject producers insist that they have no interest in  
12 our market because prices here are currently here  
13 below prices in some other markets, such as the EU.

14 But just by way of example, in 12 of the  
15 last 15 years, U.S. prices have been higher than those  
16 in Germany, the strongest EU market.

17 The appeal of this market is also shown by  
18 the fact that, over the period of review, nonsubject  
19 producers dramatically increased shipments to the  
20 United States. Shipments to our market literally come  
21 from all over the world. This slide shows those  
22 countries that shipped over 90,000 tons of hot-rolled  
23 here last year.

24 When you take into account the countries  
25 that previously surged into this market and caused

1 injury, you can come to only one conclusion: Every  
2 significant producer in the world wants to be here.  
3 When the other side says they have no interest in this  
4 market, please remember this slide.

5 Respondents argue that domestic producers  
6 now have pricing power that will protect them from  
7 significant price declines. The facts show otherwise.  
8 Such a significant increase during the first half of  
9 '04, spot prices for hot-rolled steel have tended  
10 downward, despite increasing costs. In fact, as you  
11 can see here, since '04, spot prices for hot-rolled  
12 steel have fallen while costs have risen.

13 The other side makes a big point of  
14 consolidation, but, once again, the facts contradict  
15 them. For this slide, we took public capacity data  
16 for domestic producers and used their share of  
17 capacity to estimate share of the merchant market. We  
18 took the imports' share from the staff report. As you  
19 can see, these data show that this market is highly  
20 fragmented. You should utterly reject the notion that  
21 consolidation will prevent domestic producers from  
22 suffering material injury.

23 In conclusion, please remember these four  
24 points: You don't have critical data for huge amounts  
25 of capacity.

1           Second, China is an enormous, historic  
2     problem.

3           Third, the evidence overwhelmingly supports  
4     cumulation of all countries.

5           And, fourth, we don't believe that there has  
6     ever been a case where there has been so vast a  
7     quantity of excess divertable and new capacity poised  
8     to attack our market.

9           For all of these reasons, you should not  
10    revoke any of the orders.

11           MS. ABBOTT: Mr. Chairman, the Honorable  
12    Lindsay O. Graham, United States Senator, United  
13    States Senate, State of South Carolina, will be our  
14    next speaker.

15           CHAIRMAN PEARSON: Mr. Lighthizer, in the  
16    spirit of the Senate, are you prepared to yield time?

17           MR. LIGHTHIZER: I would yield unlimited  
18    time to Senator Graham.

19           CHAIRMAN PEARSON: We had probably better  
20    yield it off my account. Madam Secretary, please  
21    don't stop the clock for this panel. Thank you.

22           CHAIRMAN PEARSON: Welcome, Commissioner.  
23    I'm doing it again.

24           SENATOR GRAHAM: I have been called worse,  
25    so thank you. I wish I could obtain the title of

1 commissioner and the knowledge you have. Thank you,  
2 Robert, for letting me work in here.

3           Number one, these hearings are very  
4 important, as you've got Members of Congress taking  
5 time out from their schedule to come over here and  
6 talk to this most important body. You've got very  
7 smart people here in the panel, people in the  
8 industry, people who are observing the steel industry  
9 and the trends that exist in the international  
10 community.

11           I'm here sort of as a political figure  
12 talking to you from a perspective that I think is  
13 important for this Commission to hear from, and that  
14 is how it affects the economy in real terms. People  
15 depend on these jobs. These are great paying jobs,  
16 steel industry jobs in South Carolina and throughout  
17 the country, and I just want to preface my remarks by  
18 saying that no one that I know of is advocating  
19 building a wall around our country made of steel or  
20 anything else. We're trying to find our proper place  
21 in the global economy to make it a win-win for  
22 everyone.

23           Globalization is real. It's going to  
24 require some pain and adjustment, but the payoffs are  
25 enormous if we can trade with each other and have

1 global business interactions that lift all boats. One  
2 of the premises of a strong, fair, global economy is  
3 that the major players in whatever industry you're  
4 talking about, that they don't cheat, and when they do  
5 cheat, something happens to them.

6 Now, that's not an overly academic response  
7 to the steel dumping problem, but I think it's a  
8 response that the people in South Carolina can relate  
9 to.

10 Where you lose jobs in a global economy, let  
11 it be said that you lost jobs because someone  
12 outworked you, they were smarter, they invested more  
13 wisely; you lost jobs for a reason that people can  
14 understand. The idea of losing a job in a global  
15 economy because we allow countries to do things that  
16 our country won't do is just unacceptable.

17 So, Mr. Chairman, Chairman Pearson, and  
18 Members of the Commission, it really is a pleasure to  
19 be before you to testify again, and what I would like  
20 to just stress to you, this whole consideration you  
21 have as to whether to revoke the antidumping and  
22 countervailing duty remedy on imports of hot-rolled  
23 from 10 countries, including China, I strongly urge  
24 you not to eliminate this remedy because of the  
25 behavior of the countries in question.

1           Keeping it in place is essential to the  
2 continued prosperity of the United States steel  
3 industry and to the economic well-being and national  
4 security of the United States.

5           In my state, growing up, the steel industry  
6 was a far away concept that was business done in other  
7 states, something we really couldn't relate to. We  
8 were a textile-dominated industry where I grew up.  
9 Well, that's changed. The steel industry in South  
10 Carolina has a very strong presence, and they are  
11 welcome. It has been a great addition to our economy.

12           We have some real major players in our  
13 state. South Carolina is one of the leading steel  
14 producers in the country. I would never have thought  
15 that as a young man growing up in South Carolina, but  
16 it's true now. Nucor's mill in Berkeley County, which  
17 produces hot-rolled steel, is widely considered to be  
18 one of the best, most efficient steel mills in the  
19 world. In South Carolina, we do not just produce  
20 steel; we produce steel using less energy, less labor,  
21 and fewer raw materials than just about anywhere else  
22 in the world.

23           The South Carolina steel industry is a  
24 creation of the market, pure and simple. Various  
25 steel producers, including Nucor and CMC, decided to

1 locate plants in our state because of our workforce  
2 and the relatively low energy costs, our location and  
3 our state government, which actively encourages and  
4 supports but does not subsidize manufacturing.

5 We try to make you successful in South  
6 Carolina by creating tax and regulatory policies  
7 around your business that will allow you to flourish.  
8 We don't produce winners and losers by government  
9 action.

10 No government ever decided that South  
11 Carolina needed the steel industry. The steel  
12 industry decided to choose South Carolina. And no  
13 government ever paid for us to build one. The private  
14 sector built the steel industry. This is not true of  
15 the countries that are the subject of this review.

16 The hot-rolled steel industries in China,  
17 Kazakhstan, and Romania, in their current forms, are  
18 largely the creation of government. While the  
19 industries in some of these countries have privatized,  
20 the Chinese industry remains largely state owned.  
21 Indeed, while the trend in the rest of the world has  
22 been for government to get out of the steel business,  
23 the Chinese government continues to pump billions of  
24 dollars in subsidies into the Chinese steel industry.

25 A recent report indicated that the Chinese

1 government has poured at least \$52 billion into its  
2 steel industry in the last decade. I believe that  
3 this is just the tip of the iceberg. The Chinese  
4 government has also manipulated the value of its  
5 currency to keep it artificially low, giving Chinese  
6 exporters a tremendous advantage in international  
7 trade.

8           Simply put, China cheats, and the United  
9 States must use every tool in its arsenal to provide  
10 an atmosphere in which our manufacturers can compete  
11 fairly.

12           The bottom line of all of this is that the  
13 Chinese steel industry has never operated according to  
14 market principles. China has capacity to produce over  
15 50 million tons of hot-rolled steel per year. This is  
16 about half of the U.S. capacity for all types of  
17 steel. The market never would have built this much  
18 capacity in China, yet thanks to subsidies and  
19 government encouragement, the Chinese industry is  
20 actually adding more hot-rolled capacity.

21           China is not the only country which  
22 threatens the health of the U.S. hot-rolled industry,  
23 but the effects of Chinese overcapacity are pervasive.

24           Several other countries under review,  
25 including Kazakhstan and Ukraine, are heavily

1 dependent on exports because their home markets are so  
2 small, they have to export to keep their mills  
3 functioning. When China exports its surplus steel at  
4 dumped prices, these countries have no choice but to  
5 follow suit. This behavior is dangerous to the United  
6 States. The American steel industry is central to our  
7 national security.

8           When the industry is harmed by dumped and  
9 subsidized imports, our national security is harmed as  
10 well. It is incomprehensible to me that we would  
11 allow such harm, particularly when it comes from  
12 industries that are the product of intervention by  
13 foreign governments. Maintaining this trade remedy  
14 will not punish the steel industries in China,  
15 Kazakhstan, Romania, Ukraine, or any other country  
16 covered by this review. It will simply ensure that  
17 the U.S. steel industry and the United States national  
18 security will not be harmed if the producers in these  
19 countries violate international rules by selling  
20 dumped or subsidized products here.

21           You have a very important decide to make.  
22 You're all capable individuals who possess a wealth of  
23 knowledge, and, again, the reason I'm here today is  
24 not to reject globalization or to advocate  
25 protectionism. I'm here today to advocate keeping on

1 the table remedies against competitors at the  
2 governmental level who are cheating us out of our  
3 market share. Thank you very much.

4 CHAIRMAN PEARSON: Thank you, Senator. Does  
5 any commissioner have a question for Senator Graham?  
6 Okay. Thank you for coming.

7 We have more Members of Congress, I believe.

8 MS. ABBOTT: Our next speaker is the  
9 Honorable Stephanie Tubbs Jones, United States  
10 Congresswoman, United States House of Representatives,  
11 Eleventh District, State of Ohio.

12 CHAIRMAN PEARSON: Welcome, Congresswoman.

13 CONGRESSWOMAN JONES: Good afternoon. Thank  
14 you very much. Glad to be here. Some new faces I  
15 haven't seen since the last time I was here.

16 I would like to thank the Commission for  
17 allowing me to present testimony on this important  
18 topic for all of America and for particularly my state  
19 of Ohio.

20 The world is at a critical junction as new  
21 economies are entering the world of global trade, and  
22 the economies of more mature countries begin to  
23 function independently of their governments. While  
24 it's important to recognize that many of these newer  
25 economies are in their embryonic stages, it's also

1 clear that these economies will only grow if they are  
2 allowed to crawl, walk, and then run as an independent  
3 outgrowth of free and functioning sovereigns.

4 Sometimes they may fail.

5 As has been lightly outlined by previous  
6 testimony, the purpose of these reviews is to  
7 determine whether revocation of the antidumping and  
8 countervailing orders at issue would likely lead to  
9 continuation or recurrence of material injury within a  
10 reasonably foreseeable time. If the ITC finds that  
11 the revocation would likely lead to material injury,  
12 the orders will stay in place for another five years.  
13 Conversely, if the ITC makes a negative finding with  
14 respect to material injury, the orders will be  
15 revoked.

16 I am of the mind -- that's what my testimony  
17 says, but I am truly convinced that with regard to  
18 hot-rolled steel, without contravening evidence, these  
19 orders must stay in place. If a new surge of dumped  
20 and subsidized imports enters this market, those  
21 imports will certainly depress U.S. prices.

22 History shows that if the orders are  
23 revoked, the subject producers will undersell domestic  
24 prices in order to obtain market share. At that  
25 point, American mills will be faced with a classic

1 Hobson's choice -- you know this must be one of my  
2 staffers writing this: either cut their own prices or  
3 lose sales because domestic producers generally need  
4 to operate at high levels of capacity utilization,  
5 they will face enormous pressure to reduce prices, an  
6 outcome that would be particularly dangerous, even the  
7 higher raw material, the other costs currently faced  
8 by domestic producers.

9 I also need to say at this point -- this is  
10 an ad lib that's not in my statement -- that I'm so  
11 happy to see all of my friends from the United  
12 Steelworkers here in the room and to say to you that  
13 if we don't keep these orders in place, the loss of  
14 jobs in my community and across this country will  
15 continue to be significant, and there will never be  
16 enough TAA money to take care of all of these folks.

17 The Department of Commerce has already found  
18 that 10 of the 11 countries at issue will again trade  
19 unfairly if given the chance. The likely dumping  
20 margins found by the DOC range from 4.4 to 243.46,  
21 while the likely subsidy margins range from 2.38  
22 percent to 41.69.

23 The only issue before you this morning is  
24 whether material injury would reoccur as a result of  
25 this unfair trade. There is no question that this is

1 precisely what would happen.

2 I will give to you the rest of my testimony  
3 which talks about Chinese steel and on and on and on.  
4 Just because there are loads of my colleagues seated  
5 in the back of the room, and, hopefully, they will  
6 remember that I did this when I was standing in front  
7 of them.

8 You've done a great job in the work that you  
9 do. You recognize the fact that the loss of the steel  
10 industry in this country has been devastating, and it  
11 continues to roll and roll, and I'm going to even  
12 bring in something else that I probably should not  
13 have talked about, which is the impact it is having on  
14 the home housing network in this country.

15 The housing network is suffering, and people  
16 are losing their homes as a result of the loss of jobs  
17 and inopportunity to pay their bills. So, Commission,  
18 keep doing your job. You know what to do. Thank you  
19 very much.

20 CHAIRMAN PEARSON: Thank you, Congresswoman.  
21 Let me just say, give my compliments to your staff  
22 person for preparing a fine statement, and you were  
23 much smoother at the microphone than I have been so  
24 far today, so good work.

25 CONGRESSWOMAN JONES: Thanks. See you.

1 MS. ABBOTT: The Honorable Zack Space,  
2 United States Congressman, United States House of  
3 Representatives, Eighteenth District, State of Ohio.

4 CHAIRMAN PEARSON: Welcome, Congressman  
5 Space. Please proceed.

6 CONGRESSMAN SPACE: Thank you. Thank you so  
7 much. I would like to thank the Commission for giving  
8 me the opportunity to be here today and to testify on  
9 this issue.

10 I understand that this hearing is mandatory  
11 under the regulations of the WTO, and regardless as to  
12 whether this is mandated, this is an important  
13 discussion that is part of a much needed debate about  
14 our nation's policies pertaining to the steel  
15 industry.

16 I understand I'm one of the last members to  
17 testify today. I'm not sure about that, but I  
18 understand you've heard from a lot of my colleagues.  
19 You may have heard from senators and representatives  
20 alike about the need to place our nation's steel  
21 industry on a level playing field with the rest of the  
22 world. I appreciate your willingness to hear my  
23 perspective on the issue, which I hope will shed some  
24 light onto the plight of Appalachian Ohio.

25 Steel production is a critical link of the

1 economy of southeastern Ohio, as it has been for  
2 generations. Presently, A.K. Steel operates two  
3 facilities in my district: in Cosghocton and in  
4 Zanesville, and, additionally, the Timken Company  
5 operates another facility in New Philadelphia. These  
6 plants employ thousands of my constituents in a region  
7 where industry is growing increasingly sparse. This  
8 dependent relationship is ingrained in our culture and  
9 is a part of who we are.

10 The people I represent have a long and  
11 storied history with steel, as its fate has been  
12 intertwined with theirs. They have grown up on the  
13 fruits that steel has borne and suffered the bitter  
14 taste of its losses.

15 My own history bears insight into how steel  
16 has changed the lives of many in Ohio. My grandfather  
17 emigrated to this country from Greece approximately 90  
18 years ago, and, as a new citizen of this country, he  
19 was anxious to find steady employment that would help  
20 him establish permanent roots in this country. He  
21 found this welcome opportunity in the steel mills of  
22 Dover, Ohio. With the benefits of this employment, he  
23 was able to raise a family, a large family.

24 His employment at the steel mill afforded my  
25 father's family with important educational

1 opportunities. He worked hard, and our family is very  
2 proud of his success. In many ways, he embodies the  
3 American Dream. That plant that employed my  
4 grandfather, my "Papu," as we called him, is now  
5 closed, lying dormant and ghost-like, like so many of  
6 the other steel-manufacturing facilities throughout my  
7 large congressional district in southeastern Ohio.

8           What was once a bustling center of activity  
9 and source of livelihood for hundreds of Ohioans just  
10 in Dover, Ohio, is now a distant memory to people like  
11 my grandfather and a chapter in the history books for  
12 his family.

13           I hear this story is but one example of a  
14 growing trend with the steel industry in Ohio. It's  
15 no secret that Ohio's manufacturing sector has faced  
16 the brutal realities of globalization and so-called  
17 "free trade agreements" over the past several  
18 generations. I'm here today to ask for your help to  
19 fight this trend.

20           America is losing steel jobs at an alarming  
21 rate. The American steel industry has been forced to  
22 close facility after facility, taking with them the  
23 promise of steady employment that my grandfather used  
24 to pursue, his American Dream.

25           It's wrong that these good businesses with

1 good workers are being forced to close. We must bring  
2 this trend to its own close. Make no mistake about  
3 it: These losses are not caused by the inability of  
4 the American worker to compete with the productivity  
5 of foreign workers, nor are these losses caused by  
6 poor management of American industry.

7 American industry can compete with any  
8 industry around the world when operating on a fair and  
9 even playing field. American industry is being pitted  
10 against foreign industry that has the unfair and  
11 inappropriate support of their governments. That's  
12 wrong. They engage in tactics that are against the  
13 rules of the treaties we have signed, and while I do  
14 not agree with many of these trade agreements the  
15 United States has entered, I almost certainly will  
16 never tolerate a failure to enforce these provisions.

17 As I'm sure you've heard before, the  
18 Department of Commerce has already found that 10 of  
19 the 11 countries whose policies are under review today  
20 would again engage in the unfair dumping practices  
21 that prompted the initial actions taken by our  
22 government. These dumping margins range from 4.44  
23 percent to 243.46 percent while subsidy margins range  
24 from 2.3 percent to 41.69 percent.

25 There is no greater perpetrator of this

1 practice than China. A comparison between cold-rolled  
2 steel imported into this country with hot-rolled steel  
3 demonstrates that China has great difficulty competing  
4 in our marketplace without the ability to engage in  
5 dumping. Cold-rolled steel imports from China went  
6 from 86,000 net tonnage in 2005 to 450,000 in 2006,  
7 yet, last year, under proper trade protections, the  
8 United States imported only 7,000 net tonnage from  
9 China. China's production capacity for hot-rolled  
10 steel is far greater than that for cold-rolled steel.

11 Without question, China cannot penetrate the  
12 American market without the benefit of dumping  
13 practices, a tribute to the work ethic and innovation  
14 of our steel industry. I'm confident that you have  
15 heard from those who preceded me about countless other  
16 instances of American superiority in production of  
17 steel when operating on a level playing field. Rather  
18 than continue with more examples, let me leave you  
19 with a couple of concluding points.

20 It is my understanding that the purpose of  
21 today's hearing is to determine whether or not the  
22 United States would suffer material harm if  
23 antidumping and countervailing duty measures were  
24 repealed. I ask you, what more evidence do you need  
25 that the American steel industry is under assault from

1       abroad?

2                   Our government, before, saw the need for  
3       implementing these measures. We saw foreign  
4       governments taking advantage of the trade agreements  
5       we entered into. We saw the violation of our trust  
6       and broken promises not to unfairly target American  
7       industry, and we saw these problems, and we acted.

8                   The situation has not changed to merit a  
9       change in current policy. If anything, the threat of  
10      foreign intrusion is even more apparent and more  
11      glaring. I ask that you carefully weigh the evidence  
12      that has been presented to you today by my colleagues.  
13      Americans across the country face the peril of a  
14      closing steel facility and the loss of their  
15      livelihood. It is their fate that you are deciding  
16      today. Thank you again for the opportunity to  
17      testify, and I look forward to receiving your  
18      response.

19                   CHAIRMAN PEARSON: Thank you, Congressman.

20                   Are there any questions for Congressman  
21      Space? Thank you.

22                   CONGRESSMAN SPACE: Thank you very much.

23                   MS. ABBOTT: Our next speaker is the  
24      Honorable Charles A. Wilson, United States  
25      Congressman, United States House of Representatives,

1 Sixth District, State of Ohio.

2 CHAIRMAN PEARSON: Welcome, Congressman  
3 Wilson. Please proceed.

4 CONGRESSMAN WILSON: Thank you. Thank you  
5 all, ladies and gentlemen, for the opportunity to come  
6 before you and speak. I represent the Ohio Sixth  
7 Congressional District that runs in the middle of  
8 steel-making country all the way from Youngstown down  
9 through Steubenville, Mingo Junction, and certainly on  
10 down into the Wheeling-Pittsburgh steel companies that  
11 we have all along the Ohio River.

12 Mr. Chairman and Members of the Commission,  
13 I am pleased to be able to testify before you today on  
14 the question of keeping antidumping and countervailing  
15 duty orders on hot-rolled, carbon-steel, flat products  
16 imported from Argentina, China, India, Indonesia,  
17 Pakistan, Netherlands, Romania, South Africa, Taiwan,  
18 Thailand, and the Ukraine.

19 I believe that retaining these orders is  
20 crucial to achieving an international trading system  
21 based on the rule of the law and to allowing the  
22 domestic steel industry a chance to fully recover from  
23 the harm that has been done by unfairly traded  
24 imports.

25 This is an issue that is fundamental to the

1 long-term future of the steel industry in this country  
2 and one which I and many working families in the Sixth  
3 District of Ohio care deeply about.

4 In the 10 years that I served in the Ohio  
5 House and the Ohio Senate, I fought to stimulate and  
6 preserve jobs in Ohio for Ohio's working families. As  
7 a member of Congress, I continue that effort.

8 Among other things, I am proud of being part  
9 of the effort that acquired federal funding for  
10 entrepreneurship development initiatives in Ohio and  
11 proud to have participated in the successful  
12 initiative to raise the federal minimum wage.

13 As a member of the House Committee on  
14 Financial Services, the Subcommittee on Domestic and  
15 International Monetary Policy, Trade, and Technology,  
16 I have had the opportunity to push for trade  
17 agreements that are fair to American workers. But all  
18 of this effort and success will be meaningless if we  
19 allow unfair trade to undermine industries like this  
20 one that provides good-paying jobs for our citizens.

21 Ohio has been home to generations of  
22 American steel workers. It has been a difficult  
23 struggle for these workers and their families as the  
24 steel industry has downsized and consolidated in the  
25 face of a prolonged assault by imports earlier in this

1 decade. But with the orders against the unfairly  
2 traded imports in place, the steel industry has  
3 finally managed to get back on track.

4 Although greatly reduced in size, there are  
5 still some 22,000 steelworkers in the State of Ohio,  
6 with an annual payroll of \$1.34 billion and shipments  
7 of about \$6 billion in steel products each year.

8 It would defy all common sense to abandon  
9 this industry at this point. It would also be  
10 inconsistent with our trade laws. The Commerce  
11 Department has reported that the countries subject to  
12 these orders, if given an opportunity, would ship  
13 unfairly traded steel to our shores again, and,  
14 indeed, they would. The Department found that once  
15 the doors to our steel markets are reopened, we can  
16 expect dumping margins ranging from four percent to  
17 240 percent to continue and subsidize these products.

18 With margin rankings from four percent to 41  
19 percent, in the face of such a surge of dumped and  
20 subsidized imports, U.S. products will have to choose  
21 between losing sales or cutting prices to the point  
22 where continued investment and recovery is out of the  
23 question, and the survival will once again be put in  
24 jeopardy.

25 Either way, the effect will be the same:

1 Another shrinking of the industry and another round of  
2 job losses. Without these orders in place, it is all  
3 but inevitable that a new surge of unfairly traded  
4 imports will materialize.

5 The dynamics of a world steel market  
6 characterized by rampant and chronic oversupply  
7 guarantee it. With countries like China and India  
8 dramatically expanding their steel-making capacity,  
9 and countries like the Ukraine exporting more than  
10 three-quarters of their steel production, the excess  
11 has to go somewhere.

12 Historically, because the United States  
13 market is the most open in the world, the world's  
14 surplus steel comes here, and it comes in vast  
15 quantities. There is no reason to think that things  
16 will be any different this time.

17 In the television detective shows, the  
18 investigators trying to identify a criminal seek to  
19 establish two factors: the motive and the  
20 opportunity. If a suspect has both, he or she is  
21 likely to be the perpetrator.

22 In the case before you today, there is a  
23 list of 11 suspects. Each of them has a motive:  
24 overcapacity, more steel production than their home  
25 markets can possibly absorb; and, in total, more than

1 the world markets can absorb. So they not only have a  
2 motive to trade unfairly; they also have an  
3 imperative.

4 It's up to the Commission to decide whether  
5 to present them with the opportunity to again violate  
6 our trade laws. Unfortunately, it's not much of a  
7 mystery as to what they will do. We won't be on the  
8 edge of our seats very long before we are, once again,  
9 awash in unfairly traded steel.

10 With the domestic steel producers reeling  
11 and the descent of jobs disappearing, I have eight  
12 grandchildren, ladies and gentlemen, and I don't want  
13 to have to explain to them one day that the reason  
14 that we have so few decent-paying jobs is because  
15 America let other countries get away with breaking the  
16 rules of unfair trade and that we stood by silently  
17 while foreign steel companies, with the support of  
18 their governments, systematically reduced our steel  
19 industry to a shadow of its former self.

20 The steel industry can only take advantage  
21 of the many opportunities available in the economy  
22 when it is not beset by imports tainted by unfair  
23 trade. This can happen only if our trade policies are  
24 upheld, and the rule of the law, rather than the law  
25 of the jungle, prevails. American workers and their

1 families export and deserve no less.

2 That's why, today, I strongly urge you to  
3 renew the orders on hot-rolled, carbon-steel, flat  
4 products. I thank you for this opportunity to testify  
5 before you, and I'm happy to answer any questions that  
6 the panel may have.

7 CHAIRMAN PEARSON: Thank you, Congressman.

8 Does any commissioner have a question for  
9 Congressman Wilson?

10 Thanks so much for coming up.

11 CONGRESSMAN WILSON: Thank you.

12 MS. ABBOTT: Mr. Chairman, we can resume the  
13 first panel's presentation.

14 CHAIRMAN PEARSON: Do we anticipate further  
15 congressmen coming during the course of these  
16 proceedings?

17 MS. ABBOTT: I will have to check on that for  
18 you. I'm not sure, but I will let you know.

19 CHAIRMAN PEARSON: Regardless, we may  
20 proceed once again with the panel. Okay. Wonderful.

21 MR. SCHORSCH: Good afternoon, Chairman  
22 Pearson and Commissioners and Staff. My name is Lou  
23 Schorsch, and I am the chief executive officer of Flat  
24 Carbon-Americas for Arcelor Mittal. I appreciate the  
25 opportunity to testify before you today regarding the

1 importance of continuing the trade relief on hot-  
2 rolled steel products.

3 My background in the steel industry dates  
4 back almost three decades. From 1985 until 2000, I  
5 was a principal at McKenzie & Company, where I co-  
6 led the firm's metals practice and worked directly with  
7 senior steel executives at companies around the world.  
8 More recently, I had the honor of holding the position  
9 of president and CEO of Ispat Inland and then Mittal  
10 Steel USA, companies that are now part of Arcelor  
11 Mittal.

12 In my current position, which I've held  
13 since August of last year, I oversee the integration  
14 and executive management of flat-rolled operations in  
15 the Americas, which includes oversight  
16 responsibilities for Mittal Steel USA, as well as our  
17 companies in Brazil, Mexico, and Canada.

18 Arcelor Mittal prides itself on having a  
19 competitive cost structure and on serving customers  
20 around the world with high-quality steel products.  
21 Mittal Steel USA shares that vision and commitment,  
22 and its operations are a vital component of our  
23 company's global footprint.

24 Mittal Steel USA has seven locations  
25 dedicated to the production of hot-rolled steel, in

1 particular, which is sold both on the commercial  
2 market and used internally to produce downstream  
3 products such as coated steel. We serve a broad  
4 customer base, including the distribution,  
5 construction, automotive, and appliance sectors.

6 To ensure that our products compete on  
7 rational terms and in response to market forces, our  
8 company is committed to the enforcement of trade laws  
9 not only in the United States but in all of the  
10 markets in which we compete around the globe.

11 Mittal Steel USA was born out of the  
12 consolidation and restructuring that has occurred in  
13 the U.S. steel industry over the last several years.  
14 Our predecessor companies, many of which were acquired  
15 out of bankruptcy, include Ispat Inland and the  
16 International Steel Group, which itself had been  
17 formed from consolidating the purchased assets of  
18 Bethlehem, LTV, Weirton, Acme, and Georgetown. The  
19 events that precipitated the industry's restructuring  
20 and consolidation were largely the result of surges of  
21 unfairly traded imports, including those under review  
22 today.

23 These surges led to price collapses in the  
24 U.S. market that forced numerous companies into  
25 bankruptcy or closure, with severe, adverse effects on

1       profitability and employment.

2                 Fortunately, the orders under review today  
3       introduce much needed import relief and market-based  
4       pricing in the U.S., which aided the domestic  
5       industry's restructuring and consolidation efforts.  
6       As you'll hear from Leo Gerard, president of the  
7       United Steelworkers, the union also played a key role  
8       in lifting the industry out of crisis and helping  
9       domestic producers and workers become more globally  
10      competitive.

11                These have been positive achievements for  
12      the U.S. steel industry generally, as well as the hot-  
13      rolled steel sector. It is important to recognize,  
14      however, that U.S. producers compete in a global  
15      market that remains fragmented and continues to be  
16      plagued by overcapacity. Since significant progress  
17      is needed in many markets to eliminate government  
18      intervention and to close obsolete and inefficient  
19      capacity, a streamlined and efficient global industry  
20      is not likely to emerge in the foreseeable future.

21                In 2006, I had the privilege of serving as  
22      the chairman of the American Iron and Steel Institute.  
23      For AISI, the elimination of the subsidies and  
24      predatory behavior that perpetuate global excess steel  
25      capacity was then, and, indeed, remains, a key

1 initiative.

2 Overcapacity is not a new phenomenon. At  
3 the time these orders went into effect, the OECD  
4 estimated that world steel-making capacity had  
5 substantially exceeded production for the better part  
6 of the 1980s and 1990s. This structural problem is  
7 driven primarily by government intervention, which  
8 breeds uneconomic capacity and production.

9 At the same time, because the production of  
10 steel also involves high fixed costs, producers need  
11 to operate at high levels of capacity utilization to  
12 cover those costs. I know from experience that this  
13 combination leads foreign producers to export low-  
14 priced excess supply in order to maintain their  
15 production levels, with price destabilizing effects  
16 felt on markets around the world.

17 In fact, it was exactly this scenario that  
18 fueled the flood of subject imports in the late 1990s.  
19 Public articles and reports indicate that countries in  
20 this review, such as Thailand, Taiwan, and China, are  
21 adding substantial amounts of hot-rolled steel  
22 capacity. China alone is estimated to add almost 30  
23 million tons of hot-rolled steel capacity in 2007,  
24 with more planned for 2008 and beyond.

25 Industry Analyst Peter Marcus estimates

1 Chinese excess hot-rolled capacity at 24 million tons  
2 in 2007, increasing to 37 million tons in 2008.

3 At the same time, numerous other countries  
4 are also expanding hot-rolled steel capacity.  
5 Forecasts for global steel demand in the coming years  
6 are positive, but growth is projected to moderate from  
7 2005 and 2006 levels. The result: growing  
8 overcapacity and supply.

9 Opening the U.S. market, at a time when  
10 producers in the subject countries will be seeking to  
11 unload excess supply, will have injurious  
12 consequences, just as was the case in the original  
13 investigations.

14 Equally important is the fact that the  
15 countries in this review are among the largest  
16 producers and exporters of hot-rolled steel in the  
17 world. They have a demonstrated interest in shipping  
18 into the U.S. market and a proven track record of  
19 rapidly increasing export volumes in order to maintain  
20 high operating rates.

21 In the last five years, subject countries  
22 have fortified their ability to respond to revocation  
23 of the orders, with large volumes of low-priced, hot-  
24 rolled steel that will undercut U.S. prices.

25 In addition to expanding capacity, they have

1 also more than doubled their worldwide exports of hot-  
2 rolled steel to levels equal to roughly two-thirds of  
3 U.S. open-market consumption in 2006. This is a  
4 critical and ominous change in circumstances since the  
5 original orders were effected five years ago.

6 China's role in changing global trade flows  
7 cannot be ignored. According to International Iron  
8 and Steel Institute, for example, China's production  
9 of crude steel in 2006 was essentially the same as  
10 production in North America, the EU 25, and Japan  
11 combined. The enormous, unprecedented growth in  
12 Chinese production is being driven by government  
13 subsidization.

14 The forces shaping China's economic  
15 development are complex. Central government  
16 authorities have sometimes recognized problems that  
17 structural imbalances can cause globally and have  
18 attempted to provide some assistance, for example, the  
19 recent changes in the tax rates provided to exporters  
20 and the imposition of export taxes.

21 However, the sad fact remains that the  
22 expansion of Chinese capacity beyond domestic  
23 requirements, fueled by provincial government  
24 subsidies and ownership, continues unabated.

25 Moreover, we must recognize that Chinese

1 commitments to close inefficient, highly polluting,  
2 governmentally owned capacity have, to date, not been  
3 met. It is not surprising that with so much  
4 subsidized growth in its capacity, China has become  
5 increasingly less dependent on imports of steel,  
6 including hot-rolled products, and, in fact, emerged  
7 as a substantial net exporter of hot-rolled steel in  
8 2006.

9 This has not only greatly diminished China's  
10 absorption of exports from the other countries in this  
11 review, but it has contributed to increased low-priced  
12 supply in their home markets and in other export  
13 markets. As a result, there is, and will continue to  
14 be, a growing need for other countries in this review  
15 to seek out alternative sales outlets where additional  
16 capacity can be unloaded. Without the orders, the  
17 large, open, and attractive U.S. market will certainly  
18 be a magnet for this displaced volume.

19 I know this to be true because Mittal Steel  
20 USA is facing increased competition from China and  
21 from other countries in this review in other of its  
22 product lines, such as coated products, wire rod, and  
23 cold-rolled steel.

24 Over the last 12 months, through May of this  
25 year, the last month for which we have data, China has

1 emerged as the single largest steel exporter to the  
2 United States, even with the restraints on hot-rolled  
3 exports in place. This is an ominous portent of what  
4 is at stake in these reviews.

5 Unrestrained, there can be no doubt that  
6 these countries will follow the same pattern by  
7 increasing exports of hot-rolled steel to the U.S.

8 An examination of domestic industry  
9 performance in current market conditions in the U.S.  
10 further supports continuation of the trade relief.  
11 Your public report shows that the domestic hot-rolled  
12 industry has cooled since 2004, with many traditional  
13 indicators of performance having declined.

14 Since last October, the domestic industry's  
15 average price for hot-rolled steel has fallen more  
16 than \$100 per short ton, according to the American  
17 Metal Market. At the same time, raw material and  
18 energy costs have persisted at high levels.

19 When I testified before you last fall in a  
20 sunset review covering corrosion-resistant steel  
21 products, I told you that demand growth was weakening  
22 in key sectors, such as automotive and construction.  
23 This trend continued into 2007 and persists today. In  
24 fact, Mittal Steel USA just announced that it will be  
25 idling part of its Cleveland operations. This

1 response to continued weak market conditions increases  
2 the amount of fixed costs needed to be absorbed by a  
3 smaller volume of production and shipments at a time  
4 of declining prices.

5           These are all signs that the industry has  
6 passed the peak of the business cycle and is  
7 vulnerable to material injury if the orders are  
8 revoked. Years, and even decades, of subpar  
9 performance mean that our facilities need continued  
10 substantial investment, and surges in unfairly traded  
11 imports put the required capital expenditures at risk.

12           This is a particular concern for me and for  
13 our operations in the United States, since, as part of  
14 a global company, we must compete for capital dollars  
15 with sister operations in other parts of the world.

16           Let me close by touching on an issue in this  
17 review that I believe is important to the Commission's  
18 understanding of the industry's financial health.

19           More than half of the hot-rolled steel  
20 produced in the U.S. is consumed internally to produce  
21 downstream products. How these internal shipments are  
22 valued informs the accuracy of the data before the  
23 Commission.

24           Dr. Kothari from MIT is here today to  
25 explain why cost valuation is critical in this review,

1 from an accounting and economic perspective, and I  
2 hope you'll ask him questions about that issue, but  
3 allow me to provide a businessman's perspective.

4 In 2006, your report indicates that the  
5 domestic industry's operating margin on hot-rolled  
6 steel was 15.6 percent when internal shipments are  
7 valued at market. When valued at cost, the operating  
8 margin was 7.7 percent. I sincerely wish the former  
9 was an accurate portrayal of the profits earned on  
10 hot-rolled steel, but the latter is closer to the  
11 mark.

12 What I can say publicly is that a market  
13 valuation of hot-rolled steel for Mittal Steel USA  
14 would result in more than 100 percent of our total  
15 profits for all operations being attributed to hot-  
16 rolled steel; obviously, an irrational outcome.

17 Further, in last year's sunset review of  
18 corrosion-resistant steel, the same hot-rolled steel  
19 shipments were valued at cost. In other words, in  
20 that review, the Commission already took into account  
21 the profits made on hot-rolled products that were  
22 transformed into coated steel. Valuing those  
23 shipments at market in this review results in a double  
24 counting of as much as \$2.8 billion.

25 As a business matter, it is important for

1 the Commission to understand that these profits are  
2 not additive. Indeed, the structure of the ITC  
3 questionnaire, which values input from internal  
4 operations at cost and internal transfers at market  
5 value, ensures double-counting problems.

6 In closing, let me reiterate that the orders  
7 have been effective and that consolidation is helping  
8 the industry to operate better during the down side as  
9 well as the up side of the business cycle so that our  
10 returns increasingly approximate those realized by a  
11 normal, healthy industry. However, this industry's  
12 consolidation does not repeal fundamental laws of  
13 supply and demand.

14 In the current environment of growing global  
15 excess capacity, continuation of the trade relief is  
16 essential for this company's and this industry's  
17 continued recovery and viability. Thank you.

18 MR. GOODISH: I'm John Goodish, Executive  
19 Vice President and Chief Operating Officer of United  
20 States Steel Corporation.

21 The trade orders at issue here have a  
22 history here that is very much relevant to you today.  
23 In the late 1990s and into 2000, demand for hot-rolled  
24 steel was reasonably healthy, roughly at the same  
25 level as it is now. Nevertheless, dumped and

1 subsidized imports from the countries now under order  
2 caused devastating injury to the domestic industry.  
3 In the first quarter of 2001 alone, the industry lost  
4 \$1 billion.

5 Even with this history of injurious trade,  
6 we have seen a highly significant change in the last  
7 five years that only heightens the risk of unfair  
8 imports from these countries. China, which was at the  
9 time of your original investigation a net importer of  
10 hot-rolled steel, is now a major net exporter of hot-  
11 rolled steel. In fact, last year, China's exports of  
12 hot-rolled steel exceeded its imports by over 8  
13 million net tons.

14 These exports reflect an explosion in the  
15 capacity of the Chinese industry that has taken place  
16 with massive financial support from the Chinese  
17 central and provincial governments. In the short  
18 period between 2004 and 2007, China will have added  
19 more than 130 million net tons of hot-rolled steel  
20 capacity, a figure that exceeds total capacity in this  
21 country to make all steel products.

22 This year, China's hot-rolled capacity will  
23 exceed its hot-rolled demand by almost 31 million net  
24 tons, almost equivalent to the entire US commercial  
25 market for hot-rolled steel. Next year, that excess

1 capacity is projected to reach 45 million net tons.  
2 These are uncharted waters with potentially profound  
3 implications for world steel markets.

4           If these orders are lifted, the impact from  
5 China will be felt in two very concrete and severe  
6 ways. First, direct Chinese shipments to the United  
7 States will undoubtedly skyrocket, just as they have  
8 with respect to almost every other steel product not  
9 under trade order. Second, China is currently  
10 displacing massive amounts of third country shipments  
11 in other markets, which will provide an enormous  
12 incentive for other subject producers to redirect  
13 their shipments here.

14           Now, when you consider the impact of the  
15 subject countries other than China, keep in mind that  
16 they accounted for more than 85% of the import surge  
17 that devastated this industry during the steel crisis.  
18 There is no question that they have the means and  
19 incentive to return to this market in force. Just a  
20 few examples: India, which exported almost 900,000  
21 tons of steel to this market in 2000, has designs to  
22 create the second largest steel industry in the world,  
23 supported by large-scale subsidies and a government-  
24 directed steel plan similar to China's in its overt  
25 aim to support Indian producers.

1           Ukraine maintains a very large hot-rolled  
2 industry, one of its legacies as part of the former  
3 Soviet Union, as well as significant excess capacity  
4 and a very small home market. With a quota on EU  
5 shipments and shrinking export outlets, the US market  
6 would reflect a huge opportunity. Kazakhstan exported  
7 nearly 200,000 net tons of hot-rolled steel to this  
8 country in 2000, was one of the lowest price shippers  
9 to this market, and is rapidly expanding capacity.

10           While some might suggest the multinational  
11 ownership of this mill would somehow limit the effect  
12 of unfair trade, it is important to remember that this  
13 Kazakh facility was under joint ownership with a major  
14 US producer during the original case when the last  
15 import surge from Kazakhstan occurred. In fact, there  
16 is no basis to conclude that multinational ownership  
17 will prevent unfair trade from any of the subject  
18 countries.

19           Similar considerations apply to every one of  
20 these countries, each of which has producers that are  
21 well known and would be well accepted in this market.  
22 Purchasers overwhelmingly view hot-rolled steel as a  
23 commodity product, to be bought at the lowest possible  
24 price. Thus, if you maintain relief on some countries  
25 but not others, you will simply encourage trading

1 companies to bring in more hot-rolled steel from the  
2 countries where relief is revoked.

3 That, too, is one of the lessons we have  
4 learned from the sore history of unfair trade in this  
5 industry. Even with the orders in place, this is  
6 already an extremely competitive market with numerous  
7 import sources. Last year, 11 different non-subject  
8 countries from every corner of the globe each shipped  
9 over 100,000 tons of hot-rolled steel to the United  
10 States. In such a crowded market, there is certainly  
11 no need for additional unfairly traded supply, and the  
12 effects of unfair trade could be devastating.

13 This industry is certainly doing its part to  
14 cut costs and maintain world-class competitiveness.  
15 Between 2001 and 2006, the domestic industry's  
16 productivity rose by 40.4%, and it reduced its labor  
17 cost, in cooperation with the United Steel Workers of  
18 America, by almost 10%, but the fact is that no  
19 industry, no matter how efficient, can be expected to  
20 compete with foreign governments and with competitors  
21 propped up by market distortions and government  
22 handouts.

23 What we ask, and what our laws promise, is  
24 the chance to compete on fair terms in our own market.  
25 If you ensure that the rules of the game operate that

1 way, I am confident that the American steel industry  
2 can be and will be a great American success story.  
3 This is a unique moment in the history of industry.  
4 After years of low prices due to unfair trade, more  
5 companies are trusting the market, leading to  
6 increased hope everywhere.

7           Unfortunately, however, these development  
8 could easily be reversed. Other countries, including  
9 India and others, are clearly looking at China's model  
10 in which key decisions are made by government  
11 bureaucrats rather than market forces. They are  
12 seeing the dramatic growth in jobs and considering  
13 whether that is the model for successful industries in  
14 the future, and perhaps the only model that could  
15 survive if the global industry is dominated by market  
16 distortions.

17           You have a fundamental choice. We can  
18 seriously enforce our trade laws and thereby encourage  
19 more producers worldwide to trust the market, or we  
20 can reward unfair behavior by giving subject producers  
21 unlimited access to the market, and thereby  
22 encouraging more such behavior. I urge the Commission  
23 to enforce our trade laws and let the market work.  
24 Thank you.

25           MR. GERARD: Hi, my name is Leo Gerard. I'm

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1 the International President of the Steelworkers Union  
2 and, Mr. Chairman, members of the panel, I'm wrestling  
3 with my word; I'm not really happy to be here again,  
4 but I am pleased to be here. I'm here to be the voice  
5 of tens of thousands of steel workers who actively  
6 work in the steel industry, but also hundreds of  
7 thousands of our retirees who got forced into  
8 retirement over a decade-long series of bankruptcies,  
9 over a decade-long series of trade fights trying to  
10 get our government to enforce our trade laws.

11 Although I am the face sitting at the table,  
12 we have many dozens of our members and our retirees  
13 who know how important your work is, and they, along  
14 with Vice President Tom Conway, who is responsible for  
15 coordinating our steel industry bargaining, traveled  
16 here today so that you could see them and know that  
17 your decisions have real human consequences. Many of  
18 them are in the back of the room. Many of them are  
19 doing what I do very well, they are in the other room  
20 eating, but I would like those that are in the back to  
21 stand up and be acknowledged.

22 These are the people that created the most  
23 productive and efficient steel industry in the world.  
24 It was the most productive and efficient steel  
25 industry in the world through every last crisis we

1 have been through over the last 20 years, and in fact,  
2 I recognize what Chairman Pearson said to one of the  
3 congressional delegation, that there is only one  
4 Commissioner who was here when these orders were put  
5 in place.

6 So for that Commissioner, I apologize that  
7 some of what I may say you've heard before, once,  
8 twice, three times, or maybe four, but for those that  
9 it's your first time, I want to review some of the  
10 history, and without question, the hot-rolled industry  
11 is one of the most vital parts of the steel industry.  
12 It's used in almost every application. It's processed  
13 internally to make corrosion-resistant steel, cold-  
14 rolled steel, tin plate, steel pipe, tube, and others.

15 As I said, this means that tens of thousands  
16 of our members and hundreds of thousands of our  
17 retirees count on this, and I will talk about why it's  
18 so important to our retirees in a few minutes. But  
19 let me say to you that our nation's steelworkers have  
20 borne the brunt of close to 30 years of unprecedented  
21 predatory unfair trade and attack on this industry. A  
22 report by the then Commerce Department on the eve of  
23 the departure of President Clinton outlined 30 years  
24 of predatory practices, on the eve of the collapse of  
25 the steel industry in '99, 2000 and 2001.

1           But I take you back to the 80s and 90s when  
2 those predatory practices decimated the industry and  
3 close to 300,000 of our members, who later became our  
4 retirees, lost their jobs as dozens of mills were  
5 closed, many of them closed not out of bankruptcy, but  
6 many of them closed as a result of the industry,  
7 rather than investing in those mills, decided to close  
8 them and be left with their most productive mills.

9           As a result of that and the work that our  
10 remaining members did, as we came into the 90s, the  
11 American steel industry then, in the early 90s, was  
12 amongst the most productive and efficient steel  
13 industry in the world, in the early 90s. We emerged  
14 as a low-cost innovator and a formidable global  
15 competitor, and yet no one would have dared or could  
16 have predicted that after so much sacrifice and  
17 billions of dollars of investments by the industry  
18 again, so much improvement, we'd have still been  
19 brought to our knees by unfairly traded subsidized and  
20 dumped steel by the end of the 90s and into the new  
21 century.

22           The surges in hot-rolled steel were amongst  
23 the largest in any product category during that time.  
24 Steelworker-represented workers and plants were hit  
25 hard in that crisis. Close to 50 plants went into

1 bankruptcy. Dozens of steel mills were wiped out  
2 completely. We lost 20 to 25 million tons of  
3 capacity, much of it never to return, but to be  
4 replaced by imports. We drove tens of thousands of  
5 workers into unemployment, and we ripped the primary  
6 tax base out of dozens of communities.

7 I'm impressed by the parade of elected  
8 officials, but they are here because they know the  
9 effect of inaction, because many of them are from  
10 communities that have already been damaged and wiped  
11 out. I remember seeing in Maryville -- I wish that  
12 all of you could have been there, but Commissioner  
13 Okun was there -- how our people passionately wanted  
14 you to help them save their livelihoods.

15 But I'll tell you what, if you want to come  
16 with me to Cleveland and see what's happened in  
17 Cleveland, and if it wasn't for Mittal Steel stepping  
18 up, and before that, ISG, and helping us save the  
19 mills in Cleveland, Cleveland would be a ghost town.  
20 It didn't happen because steelworkers were not  
21 productive. It didn't happen because the industry  
22 didn't invest. It didn't happen because we asked for  
23 handouts.

24 It happened because nobody enforced the damn  
25 trade laws until this Commission did, until this

1 Commission did, and if you had not done that on this  
2 set of orders, many of these would be wiped out. Now  
3 we come back again, and I am not going to regurgitate  
4 the great presentation so far on stats and facts of  
5 what's happening, but I'll remind you that just China  
6 alone in the last four to five years has subsidized  
7 their industry to the tune of 50 billion to 52  
8 billion, rough estimate, 170% increase in steel  
9 capacity in four years, an additional 20% increase in  
10 steel capacity in one year.

11 I may not be the sharpest pencil in the box,  
12 but you don't do that using traditional business  
13 practices. You can't generate enough profit. You  
14 can't generate enough revenue to have that kind of  
15 investment capacity. Those mills were built and  
16 subsidized by their government. Now, you can go  
17 through that with the other countries. Today, the  
18 industry is more productive. Is it stronger than 201?  
19 Yes.

20 I don't want to give away a negotiating  
21 position with the employers, but they are not as  
22 strong as I would have liked and would have presumed,  
23 and I look at the import levels, I look at the  
24 downturn, the capacity that's not shut but idled right  
25 now. Is the industry more productive? You're damn

1 right it is. It's more productive because of us.  
2 It's more productive, with all due respect to  
3 management, we took a position in bargaining that they  
4 had to invest in these mills before they could invest  
5 off-shore, as a condition of working to bring them out  
6 of bankruptcy or as a condition of helping them  
7 acquire other companies.

8           So we've made them more productive. We've  
9 created a partnership. We work closer together than  
10 we ever have, because we recognize that if we don't  
11 find a way to work together then we are going to die  
12 together. That's the reality, and for those of you  
13 that are new to the Commission since those collective  
14 agreements, let me tell you what we've done. We've  
15 reduced job classifications from 35 to 5 or 6.

16           We have taken out 200 different incentive  
17 plans and put them into rational incentive plans.  
18 We've negotiated voluntary employee benefit  
19 associations for those 200,000 retirees that lost  
20 their benefits out of those close to 50 bankruptcies.  
21 Those 200,000 retirees get a slice of these companies'  
22 profits before the tax man does, and a chunk of the  
23 profits, depending on the profitability of the  
24 company.

25           The more profitable they are, a bigger slice

1 goes into these voluntary benefit associations, and  
2 what do the benefit associations do? They buy some  
3 health care for 200,000 workers who had their health  
4 care wiped out while they were the most productive  
5 steel industry in the world. So anybody who parades  
6 up here from the other side to say everything's okay,  
7 don't worry, that the industry has turned around, I  
8 won't use the word I'd use on the shop floor. I'll  
9 just tell you not to believe it.

10 In fact, my daughter would give me hell if I  
11 said what I would really like to say. The reality is  
12 that the revoking of these orders, in light of the  
13 statistics that you've heard, that are real, will  
14 cause an additional round of irreparable damage to  
15 this industry, and the damage will first be felt --  
16 remember this -- it'll be first felt by those people  
17 back there, not by some New York investor who is  
18 worried about what's going to happen to US Steel or  
19 Mittal's share price.

20 It's going to happen to these people back  
21 here, and what will happen to them is they will start  
22 losing commitments to their VEBAs, which means their  
23 retiree health care is going to start to erode and  
24 disappear again, for the third time. Our people who  
25 have changed the way they work will again be the most

1 productive steelworkers in the world, and they will  
2 again get put to their knees by unfair trade,  
3 subsidies and dumping, and government commitment in  
4 those countries to help their industry create more  
5 capacity than they can consume so that they can come  
6 to America and bring home American dollars, which, by  
7 the way, aren't so hot right now, but they are still  
8 better than most of the rest of the currency in these  
9 countries. We don't get to manipulate it.

10 So I want to make sure that you understand  
11 that the industry never did anything wrong. We can  
12 fight about whether we divided up the profits  
13 properly. That's separate. They invested and they  
14 modernized. They were the most productive steel  
15 industry in the 80s, they were the most productive  
16 steel industry in the 90s, and they are the most  
17 productive steel industry now, but three times we have  
18 taken it on the chin.

19 I don't mean this to be in any mean-spirited  
20 way, so don't misinterpret what I am going to say,  
21 because I mean this from the bottom of my heart from  
22 the experience I have had now, being a member of this  
23 International Executive Board for 22 years. I have  
24 been on this International Executive Board through all  
25 these steel crises.

1                   What I am going to tell you now is that if  
2                   you revoke these orders, you have a good possibility  
3                   that your name will be on the headstone of the death  
4                   of the steel industry as we know it, and there is  
5                   every reason in the world, as Senator Rockefeller  
6                   said, for you to simply enforce the law, and if you do  
7                   that, you won't revoke these orders, and these people  
8                   will still be the most productive steelworkers in the  
9                   world, and these retirees will still get their health  
10                  care.

11                  Thank you very much.

12                  (Applause.)

13                  MR. FERRIOLA: Good afternoon. I am John  
14                  Ferriola, Executive Vice President of Nucor  
15                  Corporation, and I am responsible for all flat-rolled  
16                  products. I appreciate the opportunity to speak with  
17                  you today to discuss why the orders for hot-rolled  
18                  steel are critical for future success of the domestic  
19                  industry. By way of background, I first began in the  
20                  industry in 1974. I joined Nucor in 1990. In 1998, I  
21                  became the general manager for a flat-rolled mill in  
22                  Crawfordsville, Indiana, and I assumed my current  
23                  position in 2002.

24                  I have firsthand painful experience with  
25                  regard to the effects of these specific hot-rolled

1 imports on the domestic industry. As I mentioned, in  
2 1998, I was the general manager of Crawfordsville. I  
3 witnessed the original onslaught of these imports, and  
4 it was horrible. It was horrible for Nucor, it was  
5 horrible for our employees, it was horrible for our  
6 industry. Due to imports, we lost critical volume.  
7 It's the reason we shut down one of our two furnaces.

8 Yes, we could manage our production, but at  
9 a tremendous cost. I remember spouses coming up to me  
10 during our annual employee dinner and asking me when  
11 the market was going to turn around, because their  
12 husbands or wives were working only three days a week  
13 and they were struggling to pay their bills. All of  
14 this was happening even though we were, still are, one  
15 of the most efficient steel producers in the world.

16 My point is that last time these dumped,  
17 subsidized imports had unfettered access to our  
18 market, they were the dark days for our industry. I  
19 have also witnessed firsthand the benefits of the  
20 orders. The orders created stability in the market  
21 and allowed the domestic industry to start to earn the  
22 cost of their capital, something they were unable to  
23 do for a very, very long time.

24 Workers felt secure in their jobs. We at  
25 Nucor began to explore radical new technologies like

1       Castrip. We invested capital to develop new products  
2       for our customers, including the automotive industry,  
3       and made other significant capital expenditures.  
4       However, as an industry, three years of investment is  
5       not enough to offset 20-plus years of inadequate  
6       investment. If you withdraw the trade remedy relief,  
7       we have more at risk today than ever before.

8                 There are substantial new investments and  
9       new companies starting hot-rolled production in the  
10       United States. This makes us more vulnerable to  
11       imports, not less. Moreover, cutting edge technology  
12       can take 10 years or more before it is perfected. We  
13       recently approved and started construction on the  
14       second Castrip facility in Arkansas, which will come  
15       on line in the fourth quarter of 2008.

16                Castrip is a revolutionary new technology  
17       which is dramatically more energy efficient and  
18       environmentally friendly than current technology for  
19       producing hot-rolled steel, but it comes with a  
20       significant price tag, investment and research and  
21       development. If dumped and subsidized imports are  
22       again allowed into our country, this investment and  
23       future investments will be threatened.

24                The global steel market is plagued with  
25       massive excessive capacity. While global hot-rolled

1 supply and demand balance proved for a while, it is  
2 now deteriorating. Subject producers are bringing on  
3 line an overwhelming amount of capacity. It is  
4 important to remember that the newest capacity in the  
5 world is in China. These are state-of-the-art mills,  
6 and they are not being built inland, but rather, by  
7 the ports.

8           That fact in itself should tell us  
9 something. I have been to China, India, Ukraine, and  
10 many other of the subject countries. I can tell you,  
11 the story is largely the same: massive capacity  
12 increases that will far exceed their domestic demand,  
13 which are export-dependent in nature. I would like to  
14 make one additional observation in regard to the Thai  
15 producers. They are heavily dependent on Chinese  
16 slabs. Consequently, we view them as just an export  
17 platform for China.

18           As I said in Nucor's second quarter  
19 conference call, there is deteriorating demand for  
20 flat-rolled product. This makes the global increase  
21 in supply all the more dangerous. I see nothing in  
22 the foreseeable future that is going to change that  
23 deteriorating demand. There will be minor ups and  
24 downs. Fundamentals will remain the same. Contrary  
25 to what others might tell you, this is a fundamental

1 demand shift that is not just an inventory adjustment.

2 I see this every day. Currently, more and  
3 more customers are playing the spot market, counting  
4 on an influx of imported steel to lower pricing.  
5 Customers are again beginning to test the integrity of  
6 their contracts. Ladies and gentlemen, it's economics  
7 101. If the orders are removed and there is a large  
8 increase in supply at a time of decreasing demand, US  
9 prices and profits plummet. There is not a single  
10 doubt in my mind that if the orders are revoked, that  
11 the imports will come rushing in.

12 We own a trading company and we test the  
13 international market. Today, I can tell you that the  
14 United States is sufficiently attractive to draw in  
15 subject imports if the orders are revoked. The United  
16 States is an attractive market, not just because it  
17 has historically had higher prices than elsewhere in  
18 the world. It is also the most open market in the  
19 world. Imports from all of the countries in this  
20 investigation would come here and they would compete  
21 against US hot-rolled, and all in the same basic  
22 manner.

23 Unfortunately, the reverse is not true.  
24 Many foreign markets are not open to US steel exports.  
25 We have tried exporting to China, and I have

1 personally witnessed the arbitrary denial of required  
2 import licenses. It is well known that the major  
3 steel producers in Europe control the distribution  
4 system, reducing the avenues for imports to enter.

5           They just don't have as many significant,  
6 independent distributors as we do here in the United  
7 States, and if there is any doubt about how attractive  
8 the US market is, please consider that today, steel  
9 imports are still arriving to the United States at an  
10 annual rate of more than 30 million tons. I know  
11 there is a question in this investigation concerning  
12 whether a foreign producer would import into the  
13 United States and possibly injure its US operation.

14           First off, corporations function to maximize  
15 profits for the entire enterprise. You do not achieve  
16 that by protecting one business unit at the cost of  
17 total corporate profits. Second, a global producer  
18 may want to bring in imports in order to give their  
19 customers a blended offer, half US, half foreign, in  
20 order to lower the sales price. Third, it just makes  
21 sense to bring imports into areas where the producer  
22 does not have a manufacturing presence.

23           The bottom line is that subject imports from  
24 a global producer are not different from other subject  
25 imports, and all should be cumulated. If the orders

1 are removed, we will see excess imports into this  
2 country, and that supply will harm what Nucor views as  
3 an already weak market. The domestic industry's  
4 profits, we'll find, will disappear. Most  
5 importantly, the employees will be hurt.

6 I had a recent dinner with my sales team and  
7 we agreed that there were tough times ahead. We cut  
8 our teeth on the tough times. We do not fear fair  
9 competition, but if dumped, subsidized imports are  
10 allowed to flood back into the US market, then the  
11 dark times will return for our industry. On behalf of  
12 Nucor, our employees, and their families, I urge the  
13 Commission to leave these orders in place. Thank you.

14 MR. GANT: I'm Douglas Gant, Vice President  
15 of Sales and Customer Service at AK Steel. AK Steel  
16 is headquartered in southwestern Ohio, home to  
17 Middletown Works, our largest plant and the company's  
18 only carbon hot-strip rolling mill. Hot-rolled steel  
19 is the foundation of our carbon steel-making  
20 capabilities. Not only do we sell hot-rolled steel,  
21 we use it internally to make our other carbon flat-  
22 rolled products.

23 Since we have only two blast furnaces, we  
24 cannot easily cut back production. We must run our  
25 two furnaces full-time. Thus, we are very susceptible

1 to injury from lost sales due to increased imports.  
2 Prior to the imposition of the orders on the 10  
3 countries at issue in this review, AK Steel had no  
4 economic motivation to sell hot-rolled steel. The US  
5 market was a dumping ground for this product.  
6 Therefore, AK Steel needed to consume its hot-rolled  
7 to make cold-rolled and coated products.

8 That all changed with the imposition of the  
9 orders at issue. In recent years, we've committed to  
10 selling hot-rolled to anyone who wants it. In fact,  
11 our sales of hot-rolled steel for the first half of  
12 2007 were over 548,000 tons representing 21% of our  
13 total carbon steel shipments. Today, however, we see  
14 enormous and growing excess hot-rolled capacity around  
15 the world. While considered a commodity-type product,  
16 no one makes better hot-rolled steel or serves  
17 customers better than AK Steel and its domestic  
18 competitors.

19 The only way these foreign producers can get  
20 back into this market is to offer lower prices.  
21 Unrestrained by these orders, the subject producers  
22 will have a strong economic motivation to export their  
23 excess capacity to the United States, which remains  
24 the most attractive market in the world for hot-rolled  
25 steel. The prehearing briefs of the foreign producers

1 claim that they have no intention of increasing  
2 exports to the United States.

3           Given the past record of foreign producers,  
4 the Commission should be highly skeptical of such  
5 claims. For example, in the original investigation,  
6 the Chinese respondents projected their hot-rolled  
7 capacity would decrease. In fact, China has been  
8 adding capacity at furious rates. The Chinese  
9 domestic market cannot possibly absorb all of that  
10 capacity. Much of that excess will come here if these  
11 orders are revoked.

12           China's exports to other markets will also  
13 force other subject countries to export to the United  
14 States. In addition, it has been reported that the  
15 European steel industry is contemplating an  
16 antidumping petition against imports of hot-rolled  
17 steel from China. The bankruptcies, consolidations  
18 and purchases of assets during the last decade have  
19 resulted in substantial hardships for domestic  
20 steelworkers and retirees, and have shifted  
21 substantial obligations to the PBGC.

22           AK Steel, however, avoided bankruptcy. We  
23 have made difficult choices and have continued to  
24 honor our pension and health care obligations to  
25 retirees. Since the beginning of 2005, AK Steel has

1 contributed \$609 million into our pension trust fund.  
2 We anticipate that we will have to contribute as much  
3 as \$150 million per year in each of the next three  
4 years just for pension funding.

5           These obligations represent a significant  
6 cost that many of our competitors do not have to bear.  
7 If these orders are revoked, it is likely that imports  
8 from the subject countries would increase  
9 significantly at prices that would undercut our  
10 prices, forcing us to lower our prices to meet this  
11 unfair competition. That scenario would jeopardize  
12 the hard work and the great progress we have made, and  
13 our ability to pay benefits to our 7000 employees and  
14 32,000 pensioners.

15           When we appeared before the Commission in  
16 the review of corrosion-resistant steel, we were in  
17 labor negotiations at Middletown Works where we make  
18 our hot-rolled product. We now have a new labor  
19 agreement that runs through September of 2011. This  
20 new-era labor agreement, covering about 1,500 union  
21 employees, contains a number of provisions that will  
22 make AK Steel more competitive, while continuing to  
23 provide good wages and benefits to our employees.

24           Despite these measures, AK Steel remains  
25 vulnerable to dumped and subsidized imports. Raw

1 material and energy costs have increased significantly  
2 during the period of review. Since 2001, the cost of  
3 scrap steel has more than quadrupled. The cost of  
4 iron ore has more than doubled. Energy and other  
5 costs have increased as well. Given the strong  
6 likelihood that cheap imports from the subject  
7 countries will flood back into the United States if  
8 the orders are revoked, AK Steel's ability to maintain  
9 prices in the future cannot be taken for granted.

10 We have already seen significant erosion in  
11 our hot-rolled prices since the third quarter of 2006.  
12 These orders have clearly benefitted AK Steel and the  
13 domestic industry. We see no reason to believe that  
14 these foreign competitors that were found to be  
15 trading unfairly in the original investigation have  
16 changed their ways. Thus, we ask that you keep these  
17 orders in place. Thank you.

18 MR. SCHAGRIN: Mr. Chairman, this is Roger  
19 Schagrin. Commissioner Okun, as was discussed in the  
20 hearing on large diameter line pipe on July 25, I'd  
21 like to borrow 4 minutes of your first question period  
22 so that Mr. Bouchard, the CEO of Wheeling Pitt, can  
23 testify. Because Wheeling Pitt was not a party to  
24 this review, he was not allocated any time on this  
25 panel, but I believe his testimony would be beneficial

1 to the Commission. Is that all right?

2 CHAIRMAN PEARSON: Mr. Schagrin, given the  
3 time constraints, I think it might be best to hold  
4 those 4 minutes for Commissioner Okun's questioning  
5 time, when she is quite pleased to let you have it.

6 MR. SCHAGRIN: That would be fine. Then Mr.  
7 Bouchard can present his testimony during that time?  
8 That would be fine. Thank you very much.

9 CHAIRMAN PEARSON: Thank you.

10 MR. BUSSE: Good afternoon, Chairman Pearson  
11 and members of the Commission. For the record, my  
12 name is Keith Busse and I am the Chairman and CEO of  
13 Steel Dynamics. I am accompanied by John Nolan, who  
14 until recently was responsible for all Steel Dynamics  
15 marketing activities. Dick Teets, Mark Millet and I  
16 cofounded SDI as a greenfield flat-rolled minimill in  
17 Butler, Indiana in 1995.

18 After the initial startup of our single  
19 electric furnace operation, we doubled capacity in the  
20 late 90s by adding a second furnace. In 2005 and 6,  
21 we again increased capacity slightly through  
22 investment in a four-point hydraulic oscillator by  
23 increasing the metallurgical length of our caster.  
24 Overall, SDI has diversified into long products,  
25 including structure shapes and rails, merchant bars,

1 and SBQ steels.

2 We have also, though, made considerable  
3 investments downstream in flat-rolled operations,  
4 primarily galvanizing and Galvalume capacity. These  
5 have been conscious decisions, in that we have long  
6 been concerned with world overcapacity for hot-rolled  
7 sheet steels. An old colleague of mine from my Nucor  
8 days, John Correnti, is just starting up a new  
9 greenfield electric furnace facility in Mississippi  
10 called SeverCorr.

11 Within a year or two, ThyssenKrupp will open  
12 a gigantic new facility in Alabama. I wish these new  
13 competitors well. As an American, I think it is a  
14 good thing that relief from unfair foreign trade  
15 practices is giving the United States an opportunity  
16 for self-sufficiency in steel. However, the  
17 Commission must recognize that the addition of 5  
18 million tons of hot-rolled capacity in the United  
19 States will make it much more difficult for the entire  
20 industry to survive and operate properly if, in  
21 addition, you allow millions of tons of unfairly  
22 traded, subsidized and currency-manipulated steel  
23 imports back into the US market.

24 When we were a startup company, Steel  
25 Dynamics survived two successive waves of dumping of

1 hot-rolled steels, first in 1998 and again in 2000.  
2 It was the relief from this unfairly traded  
3 competition that has allowed our company to prosper  
4 and grow, within reason, in line with strong market  
5 conditions. On behalf of our employees and  
6 shareholders, I ask you to continue relief against  
7 these proven unfairly traded imports from China and  
8 the rest of the countries subject to this order.

9 Thank you.

10 MR. POSPISIL: Good afternoon, Mr. Chairman  
11 and members of the Commission. For the record, my  
12 name is Tobin Pospisil. I am the CFO at Gallatin  
13 Steel. I have been in that position for four years,  
14 and I have been in the steel industry for eighteen.

15 Gallatin Steel is a state-of-the-art mini-  
16 mill located in Ghent, Kentucky and the only product  
17 we make is hot-rolled sheet. Although we are a 50-50  
18 partnership, owned by Arcelor Mittal and Gerdau  
19 Ameristeel, we operate as an independent company.

20 Gallatin Steel experienced a significant  
21 decline in the strength of the hot-rolled market  
22 beginning in the fourth quarter of last year, and has  
23 suffered a 15% cut-back in production that has lasted  
24 through the second quarter. From a profitability  
25 standpoint, the second quarter of 2007 was Gallatin's

1 second worst quarter in the previous thirteen, and the  
2 first half of 2000 was the worst since any year since  
3 2003.

4 Hot-rolled sheet prices have been tending  
5 downward for the past several months, and are now at  
6 levels not seen since the last drop in steel prices in  
7 mid-2005. They are still well above 2003 prices, but  
8 costs for raw materials, energy, freight and just  
9 about every commodity we use to produce steel has  
10 increased significantly above 2003 levels, causing our  
11 margins to be the lowest since the middle of 2005.

12 It should also be mentioned that this  
13 decline in production and profitability has occurred  
14 during a time of comparatively low levels of imports  
15 of hot-rolled sheets. Unfortunately, I don't foresee  
16 a particularly quick rebound in the near future. Our  
17 order book remains relatively weak over the next four-  
18 to-eight weeks, despite the fact that we have taken a  
19 significant amount of down time due to lack of orders,  
20 and had planned a four-day maintenance shutdown in  
21 July.

22 Let me explain to you why I think this  
23 market contraction has occurred. It's really about  
24 demand, and, in my opinion, real demand not inventory  
25 corrections at service centers. First, residential

1 construction is very depressed. This reduces demand  
2 for washers, dryers, HBAC, garage doors, a wide  
3 variety of steel-containing goods.

4 Second, domestic automotive and truck  
5 production has slowed down quite significantly. When  
6 our domestic competitors around the industry are  
7 selling less cold-rolled and coated products under  
8 their automotive contracts, they have more hot-rolled  
9 sheet to sell, competing with mills like ours in a  
10 market that is already depressed in terms of volume  
11 and price.

12 Third, the pipe- and tube industry, which is  
13 a large consumer of hot-rolled sheet, is being  
14 hammered by imports from China, reducing their demand  
15 for domestically produced hot-rolled sheets.

16 On the face of our current problems, any  
17 large volumes in new unfairly traded supply to the  
18 market will reek havoc. I firmly believe that  
19 Gallatin can compete favorably with any producer in  
20 the world. And the U. S. industry, as a whole, is in  
21 that same position, but that belief is grounded in the  
22 concept of fair trade.

23 It would be beyond disappointing, for the  
24 strengthening of the industry over the past four  
25 years, to be wiped out by the readmission of unfairly

1 traded steel. We ask the Commission to continue these  
2 orders in order to spare Gallatin the type of  
3 devastation that we suffered from these unfairly  
4 traded imports.

5 Thank you.

6 MR. LAWWILL: My name is Dan Lawwill. I am  
7 the President and direct business representative of  
8 Local 1943 of the International Association of  
9 Machinists and Air Space Workers. Our Local  
10 represents most of the nearly 2,000 workers at the  
11 Middletown Works at AK Steel.

12 Our international union, the IAM, continues  
13 to fight hard for fair-trade policies that will result  
14 in good jobs here at home. With roughly three million  
15 jobs lost in the manufacturing sector in the past few  
16 years, we must do everything that we can to insure  
17 that the steel industry does not lose more jobs to  
18 unfair trade.

19 Middletown Works' hot-sheet mill is one of  
20 the most productive in the world. As good as our mill  
21 is, and as good as the operators we have at IAM Local  
22 1943, there is one thing I guarantee you we cannot do.  
23 We cannot compete with foreign steel companies, and  
24 foreign governments who have no respect for our trade  
25 laws.

1           We cannot compete against companies that  
2 sent their hot-rolled steel to the United States  
3 priced below their actual costs and subsidized by  
4 their governments. We simply cannot compete with  
5 foreign governments.

6           Unlike a number of steel companies in this  
7 country, AK Steel has avoided the pain of  
8 restructuring through bankruptcy. This is not to say  
9 that our members have not felt the affects of  
10 globalization. We certainly have. We have a smaller  
11 work force, we have fewer job classes, and we are  
12 sharing in the cost of our health care.

13           But with the existing trade remedies in  
14 place, we're still making hot-rolled steel. We know  
15 full well that if the existing trade remedies are  
16 revoked, all the countries at issue will lower prices  
17 to grab a share of the U. S. market just as they did  
18 before the remedies were imposed.

19           They know that the United States is the most  
20 open and attractive steel market in the world.  
21 Because their steel is no better than our steel, they  
22 will use cheaper prices to buy their way back into our  
23 market. That can only mean that fewer workers will be  
24 making hot-rolled steel in this country if the trade  
25 remedies are revoked.

1           The United States cannot afford to lose any  
2 more jobs in the steel industry to unfair trade  
3 practices. On behalf of the IAM Local 1943 and  
4 workers at the Middletown Works, I ask the Commission  
5 to keep the remedies in place. This is about keeping  
6 good jobs, jobs with good wages and benefits here at  
7 home.

8           Thank you.

9           MR. LIGHTHIZER: Mr. Chairman, we reserve  
10 the rest of our time for rebuttal.

11           CHAIRMAN PEARSON: In that case, we probably  
12 should take a break for lunch.

13           Let's reconvene in less than an hour at a  
14 quarter to three. This hearing stands in recess,  
15 thank you.

16           WHEREUPON, a short recess was taken.

17           CHAIRMAN PEARSON: Good afternoon. This  
18 hearing will come back to order.

19           The questioning is decided by rotation, and,  
20 by luck of the draw, I get to start today.

21           I thought I would begin, Mr. Gerard, with  
22 you. I found myself, during your statement, thinking  
23 about all of the changes that you have seen in the U.  
24 S. steel industry during your career. I was impressed  
25 with just how much change there has been.

1            Obviously, you know it far better than I,  
2            but, just from the things you've touched on and things  
3            that I've learned in other hearings, I have a sense  
4            that there really has been a tremendous amount of  
5            change for the companies themselves, and certainly for  
6            the workers.

7            My question for you is: Do you foresee  
8            further change coming? In working with your members  
9            and their companies, are you preparing for further  
10           change, or is most of the change behind you?

11           MR. GERARD: No, I don't think that most of  
12           the change is behind us. I envision a lot more on-  
13           going capital investment.

14           I am really pleased that some of the  
15           companies have now been able to not only put some  
16           money back into their mills, but are also putting some  
17           money now into R&D. In fact, we have some new R&D  
18           centers that are up that are literally six, seven,  
19           five years ago, were virtually non-existent.

20           We work at that actively. We've created,  
21           with all of the companies, an Institute for Career  
22           Development. So all of our members are actively,  
23           continuously getting life-long learning if they want  
24           it. We have teams in every work place that continue  
25           to evaluate all the work that gets done, and how to do

1 it more efficiently.

2 We've got provisions in the collective  
3 agreements with all of the major companies that they  
4 have to make before they can invest offshore: they  
5 have got to invest here at home. So I envision an on-  
6 going amount of change subject to you keeping these  
7 orders on.

8 I can tell you that if I go through our work  
9 places and talk to our members, who are fairly well  
10 informed about their industry, I think both Lou and  
11 John, as well as others behind me, could talk about  
12 how we have actively educated the work force about the  
13 business.

14 There are regular business meetings in  
15 almost every facility. So our people know the  
16 business inside out, not just how to make steel but  
17 the economics of the business.

18 There is close to panic amongst our active  
19 membership, and in particular our retirees, about what  
20 it will mean if these orders were to come off, in  
21 particular the points that were made by some of the  
22 previous speakers of the onslaught we'd see from the  
23 rest of the world.

24 So I envision a lot of on-going change.

25 CHAIRMAN PEARSON: Do you have some idea

1 what percentage of USW's members take advantage of the  
2 training opportunities that you've mentioned?

3 MR. GERARD: About 75%, at one point or  
4 another. In addition to that, the Institute for  
5 Career Development, the way we've restructured the  
6 work place from 35, 36, 37 job classifications down to  
7 five or six; and we've created what we'll call  
8 employment blocks. We have training committees inside  
9 every facility, and the union and the management have  
10 training schedules.

11 So if I'm in one of these blocks, I get  
12 trained for all the jobs within that block. I can  
13 speak more directly to retail facilities. In a lot of  
14 retail facilities, our members schedule their own  
15 work. There are no bosses left. I always thought  
16 that that was a good thing.

17 CHAIRMAN PEARSON: It requires a certain  
18 amount of collaboration, but I agree it can be a good  
19 thing. Thank you for those comments. I appreciate  
20 it.

21 Mr. Schorsch, towards the end of your  
22 statement, you raised a question about accounting  
23 methodology for internally consumed hot-rolled  
24 shipments. Perhaps this should have been raised  
25 twenty years ago because I don't think we've changed

1 anything in terms of our methodology.

2 I don't think that we can sort out the  
3 details of this today. It's the type of issue that  
4 doesn't lend itself well to public discussion here at  
5 the Commission.

6 But I would like to recognize Mr. John  
7 Ascienzo from the Commission's staff who has some  
8 knowledge of this. He might want to issue a  
9 clarification of the methodology, and then I would  
10 encourage you to work with him and others in the post-  
11 hearing process to make sure that we get on the same  
12 page here. If there is concern that we understand it,  
13 and if there is an adjustment we should make, we know  
14 what to do.

15 But, like I said, I think we've been doing  
16 it this way for a while. Mr. Ascienzo, can you offer  
17 a comment?

18 MR. ASCIENZO: Good afternoon, John  
19 Ascienzo, Office of Investigations. Is the microphone  
20 on? I'm not close enough, okay.

21 As the Chairman said, I don't know how much  
22 detail we can get into now.

23 CHAIRMAN PEARSON: You're still too far from  
24 the microphone. It must be turned down low.

25 MR. ASCIENZO: I don't know how much detail

1 we can get into now. But assuming the Commission  
2 wanted to gather information, which assigned  
3 profitability to the hot-rolled steel that is either  
4 internally consumed, or transferred, based on the  
5 profitability of the downstream product, is there time  
6 to gather that? Today is July 30th, I think. Is  
7 there a workable way to do that?

8 I'm sorry. Let me back up. It seems like  
9 your arguments, is it Dr. Kathari, is that it? Is  
10 that correct?

11 MR. KATHARI: Yes.

12 MR. ASCIENZO: Thank you, sir. It seems  
13 like your arguments that the way we have done it  
14 traditionally are incorrect are based on the fact that  
15 we do not account for profitability of downstream  
16 products.

17 Is that essentially correct, or am I missing  
18 something?

19 MR. KATHARI: Yes, that I think captures the  
20 sense of the point that is being made here: that use  
21 of market values overstates, and use of costs perhaps  
22 understates the profitability.

23 But I think the reality is a little more  
24 complicated than that. What I hear you say is that to  
25 calculate some profitability, we should look at,

1 assign, or allocate a portion of the profitability of  
2 the downstream products.

3 That would help get an accurate estimate of  
4 the profitability; that will obviously entail use of  
5 some estimates, use of more confidential data. So we  
6 obviously cannot discuss that here. So, yes, in  
7 principle, that is exactly what I have in mind.

8 MR. ASCIENZO: Okay. If anyone has any  
9 ideas, without getting too technical about how to do  
10 it, you can discuss them right now, or we can talk  
11 about it in the post-hearing brief.

12 But before the post-hearing brief, I'd like  
13 to talk with everybody about this tomorrow, or the day  
14 after tomorrow, as soon as possible, if you have any  
15 further thoughts on this. That is directed to counsel  
16 on both sides, on the domestic industry and the  
17 foreign industry, I'm sorry.

18 CHAIRMAN PEARSON: Mr. Schorsch, do you have  
19 any response?

20 MR. SCHORSCH: Yes, just a comment. Our  
21 concern is that using the market-valuation approach  
22 does overstate significantly the profitability there.

23 I think certainly to give some  
24 representative data, and some representative  
25 information, that's something that probably could be

1 turned around in a relatively brief period of time.  
2 But I'd say: Let's let the experts work through that  
3 over the next couple of days to see what's feasible  
4 and what's not.

5 CHAIRMAN PEARSON: For the benefit of the  
6 court reporter, the early response was from Mr.  
7 Kathari. I'm not sure if I have the pronunciation  
8 correct, but thank you.

9 Onto the next: I have a really basic  
10 question about hot-rolled steel. Has anything much  
11 about it changed in the past five years? Are the coil  
12 widths wider than before, are they heavier, has there  
13 been anything different now than in the original  
14 investigation, just in the product itself?

15 MR. BUSSE: This is Keith Busse with Steel  
16 Dynamics. I think today's tools, and the automation  
17 that controls the mechanical tools themselves, are  
18 state-of-the art through reinvestment.

19 I think the gauge control and profile shape  
20 control of today's hot-rolled products are much  
21 improved over what they were in the 1970s and 1980s.

22 CHAIRMAN PEARSON: Okay. So going back a  
23 couple of decades, we've seen a lot of technical  
24 change, not so much in the past five years, or some in  
25 that time frame?

1 MR. BUSSE: Yes.

2 CHAIRMAN PEARSON: Okay. Just to go on in  
3 the same line. Has there been much change in  
4 chemistry in hot-rolled? Have we seen a shift one way  
5 or another in average chemistries?

6 MR. BUSSE: I think we're using alloyed  
7 steels to a much greater degree. The consumers are  
8 using more micro-alloyed steel today than they ever  
9 have before, and I think the world is for that matter,  
10 which has put some pressure on the resources that are  
11 used to garner those kind of strengths.

12 CHAIRMAN PEARSON: Mr. Schorsch, you were  
13 about to say something.

14 MR. SCHORSCH: I think also that we've had  
15 sort of an evolution in some of the customer segments  
16 lets say, certainly the oil-country sector, the pipe-  
17 and tube sector, particularly for large line pipe and  
18 so on.

19 That's grown in importance over the last few  
20 years and increasingly those customers are demanding  
21 very high-end steels, high-strength grades so you can  
22 make large pipe lines with smaller amounts of steel,  
23 X70 grades, X80, people are talking about our X100  
24 grades in terms of strength. That's growing quite a  
25 bit, in part, because that segment of the market has

1       been growing.

2                   CHAIRMAN PEARSON:   Okay.  If we don't  
3       already have it on the record, if, for purposes of the  
4       post-hearing, you could tell us a little more about  
5       some of these changes in the product itself, obviously  
6       within the continuum, but how has the product mix  
7       changed?

8                   My red light has come one.  Madame Vice  
9       Chairman.

10                   VICE CHAIRMAN ARANOFF:  Thank you, Mr.  
11       Chairman.  I want to add my welcome to everyone on  
12       this panel, and I want to thank you for spending all  
13       of this time with us today.

14                   I want to pick up and just touch a little  
15       bit more on the accounting issue that the Chairman and  
16       Mr. Ascienzo were raising with you.  Because I am  
17       trying to understand, given that we haven't changed  
18       our methodology for looking at profitability for  
19       product that is internally consumed in the many years  
20       that we've been looking at this industry, and other  
21       industries outside the steel sector, is there  
22       something unique about this industry at this time  
23       which has caused this argument to be made?

24                   Is it your argument that we've been doing it  
25       wrong all along?  What brought this up now, Mr.

1 Lighthizer?

2 MR. LIGHTHIZER: Commissioner, I'm not sure  
3 whether that was a lawyer's question or an economist's  
4 question.

5 As you know, we have been arguing about  
6 various parts of this whole captive-production  
7 business since well before Commissioner Okun got on  
8 the Commission. We have gone back and forth, and  
9 we've gone back and forth to Congress.

10 Just to put it in some layman terms: People  
11 think of this as being sort of two products. The  
12 commercial product, the stuff we sell; and then the  
13 stuff that we actually use ourself that goes  
14 downstream.

15 It is easy to determine what the value of  
16 the commercial stuff is. It's just dollars times  
17 tons. You've got that.

18 And then you have this question of what do  
19 you do with the other part of it? We have had a  
20 debate about it. The Respondents take the position  
21 that you have to use fair-market value.

22 When you sort of go through their statutory  
23 analysis, there really isn't very much there. The  
24 fact of the matter is that there is one place in the  
25 statute that talks about profit. There really isn't

1 much by way of explanation about what profit is. It's  
2 just a word. It's something you have to consider.

3 Obviously, in a case like that, you think  
4 about Chevron and you think what does the Commission  
5 do? It's clearly not laid out in the statute, so you  
6 have to do something that's reasonable. This is kind  
7 of like how presumably all of your thought processes  
8 are going.

9 In our view, there is kind of a spectrum of  
10 things that you could do. You could put it at cost,  
11 or you could put it at fair-market value. If you put  
12 it at fair-market value, what you're really saying is  
13 that you are totally moving all the profit around.

14 So when you put it at fair-market value, we  
15 find ourselves in a position where, in the corrosion-  
16 resistant case, you found against us by saying: all  
17 the profit from hot-rolled went to corrosion-  
18 resistant. Therefore, you made x profit and we  
19 decided that you're not going to be injured, all  
20 right.

21 Then, when you come to this case, you come  
22 and take the same profit again, whatever profit there  
23 was, and now you move it back downstream and you say:  
24 Gee, you guys are doing pretty well.

25 I guess what I'm saying, in a long-winded

1 way, is: What I think you're required to do is to be  
2 reasonable.

3 There are a spectrum of things that are  
4 probably reasonable. But one of them is not, in my  
5 view, to say: We're going to take whatever profit  
6 there was here, and we're going to put it on  
7 corrosion-resistant when you have that case; and,  
8 then, when you have a hot-rolled case, we're going to  
9 take the same darn profit that we've already got and  
10 we're going to put that profit again on hot-rolled and  
11 say: Now, you're making more money in hot-rolled.

12 The final analysis is: As -- says: We're  
13 making billions of dollars. It makes Enron look like  
14 they didn't have any accounting problems.

15 When you start looking at the whole point of  
16 view, from the body of the Commission's work, so my  
17 advice to the Commission is: with all due respect to  
18 the accountants, and after you sort your way through  
19 all that, you have to think about something that's  
20 basically reasonable.

21 That is probably somewhere in the middle. I  
22 think a good case can be made for cost, but certainly  
23 you can't make a good case, in my judgment, for fair-  
24 market value. What you have to do is find yourself  
25 comfortable with the fact that you're sort of acting

1 in a reasonable way.

2 The other thing I would say is that the  
3 standard is really one of change. Whatever the  
4 standard is, if we're making 15%, or we're making 7%,  
5 whatever it is, and I think the Commission actually  
6 said it in OCTG, that they accept that it is not how  
7 much we are making, but whether or not all this  
8 unfair trade coming in is going to lower it before  
9 that.

10 So I guess I would say, to some extent, this  
11 whole argument is not as important as the one that you  
12 understand. The question is whether you're going to  
13 make it worse. That's the most important thing.

14 The second thing I think is you have to act  
15 in a reasonable way. And, from our point of view,  
16 counting all this profit twice is not a reasonable  
17 approach.

18 VICE CHAIRMAN ARANOFF: Okay. I take all of  
19 the points. I hope that you all will work with our  
20 staff over the next few days to figure out where the  
21 middle ground is because I think we all do want to be  
22 reasonable here.

23 In fact, I think it is my understanding,  
24 from talking to staff, that our questionnaires never  
25 required that it be fair-market value. It always

1 would have permitted this kind of allocation approach,  
2 but apparently nobody asked about it; hopefully, we  
3 have time to work that out.

4 But let me move on to a different subject.  
5 We've heard a good deal of testimony this morning and  
6 this afternoon about the extent to which there is now  
7 a significant investment taking place in the domestic  
8 industry, and new capacity coming on-line, a  
9 significant amount.

10 But we have also read that the domestic  
11 industry has currently taken several furnaces, four I  
12 believe, off-line, and the fifth one may be idled  
13 shortly.

14 Can someone explain to me the relationship  
15 between the furnaces that are being idled and the  
16 capacity that is being brought on line, in terms of  
17 whether there is newer capacity replacing old; or what  
18 other dynamic is at work where we see both suggestions  
19 that the domestic industry needs less capacity than it  
20 has, and that it needs more?

21 I don't know who might want to take a start  
22 at that?

23 MR. GOODISH: John Goodish from U. S. Steel.  
24 I guess the capacity that is being taken off is being  
25 taken off in relationship to exactly what the market

1 is today, and what's going on in the country.

2 I think Nucor's testimony talked about what  
3 was happening in the housing industry, and the impact  
4 that it has that falls over into the appliance  
5 industry, the HVAC business. It all kind of ties  
6 together.

7 In some cases, that can also roll over to  
8 the automotive industry. It's really related to  
9 consumer confidence in the marketplace.

10 The facilities that you hear coming on-line,  
11 the primary one I believe is the Servercor. It's  
12 already under construction. That's a matter, at the  
13 time that facility was talked about being built, it  
14 was what was going to be the market expectation?

15 I can't speak for Servercor. Those  
16 economics probably look a little bit different today  
17 than what they may have looked two years ago. My  
18 expectation would be that, in the future, they may  
19 look a little bit different again.

20 The facility that was talked about coming in  
21 from Alabama, the Pearson Crupp facility, is actually  
22 a two-fold facility. A portion of that facility will  
23 be used for stainless. But a portion is going to be  
24 used to bring imported slabs in from their facility  
25 that they have under construction in Brazil, and they

1 are going to finish those slabs in the U. S.

2 They are trying to harvest what they believe  
3 is going to be a low-cost facility in Brazil, and take  
4 the opportunity to harvest the market in the states.  
5 Undoubtedly, they may take share off of one of us.

6 VICE CHAIRMAN ARANOFF: Okay. Did anyone  
7 else want to comment?

8 MR. SCHAGRIN: Vice Chairman Aranoff, this  
9 is Roger Schagrin.

10 Just to clarify so that the Commission is  
11 aware, and we will add more details in our post-  
12 hearing brief, so that you understand the timing of  
13 some of this new capacity.

14 The Servercor facility is supposed to start  
15 melting in September, just two months from now. That  
16 capacity, as Mr. Goodish was saying, is under  
17 construction, but the construction is virtually  
18 finished.

19 We're talking about, within six to eight  
20 weeks from now, the beginning of production, and the  
21 construction continues to double the capacity of that  
22 mill. Having spent \$500 or \$600 million to put what  
23 will be three million tons of hot-roll capacity, I  
24 think the Commission can be assured, regardless of  
25 market demand conditions, that capacity will be

1 producing hot-rolled sheet and other further finished  
2 flat-rolled in a very short, reasonably foreseeable  
3 time frame.

4 Thank you.

5 VICE CHAIRMAN ARANOFF: Okay, thank you. My  
6 light is on, so I'll wait until the next round.

7 Thanks, Mr. Chairman.

8 CHAIRMAN PEARSON: Commissioner Okun?

9 COMMISSIONER OKUN: Thank you, Mr. Chairman.

10 As indicated this morning, and not to go  
11 through the long history of this, but I have agreed to  
12 yield to Mr. Schagrin four minutes of my questioning  
13 time in order that his witness can present his  
14 testimony.

15 MR. BOUCHARD: Thank you, Commissioner Okun.

16 Good afternoon, Chairman Pearson, and  
17 members of the Commission.

18 For the record, my name is Jim Bouchard. I  
19 am Chairman and CEO of Wheeling Pittsburgh Steel  
20 Corporation. I have spent twenty-five years in the  
21 steel industry, including fifteen years with U. S.  
22 Steel.

23 Prior to joining Wheeling Pitt, I have been  
24 and still am Chairman and CEO of Ezmark, a large  
25 independent mid-west based steel service center that

1 purchases over 750,000 tons of flat-rolled product per  
2 year.

3 I represent approximately 4,000 employees,  
4 and 7,000 retirees and their families. Wheeling  
5 Pittsburgh Steel existed bankruptcy in 2005 with a new  
6 just completed electric art furnace. It also has one  
7 remaining blast furnace of the original three.

8 We have the capacity to produce  
9 approximately three million tons of hot-rolled sheet  
10 product. During the first half of 2007, our company  
11 has reported two quarters of losses. We have  
12 certainly seen declining demand, increased raw  
13 material costs, and significant pricing pressures on  
14 hot-rolled product that have severely affected our  
15 bottom line.

16 Clearly, our focus is centered on reducing  
17 our costs. To that end, shortly after arriving at  
18 Wheeling Pitt, I implemented a significant capital  
19 expenditure program to reduce our costs.  
20 Unfortunately, we have already cut this cap-ex program  
21 for 2007 in half from \$60 million to approximately \$30  
22 million because of our present losses.

23 Given my international experience with U. S.  
24 Steel and my service center background, I know that  
25 foreign mills routinely seek large volume commodity

1 hot-roll orders, and sell those to trading companies.  
2 When these large volumes arrive on U. S. shores, they  
3 depress pricing throughout the steel industry, which  
4 translates into service centers pressuring domestic  
5 mills like Wheeling Pitt to lower their steel prices.

6 Wheeling Pitt still needs breathing space  
7 from unfairly traded imports in order to implement our  
8 reorganization plans that the new management and the  
9 United Steel Workers Union had jointly worked out to  
10 make Wheeling Pitt a long-term competitive steel  
11 company.

12 Exposing us to unfairly traded hot-roll  
13 imports by "Sunsetting" these orders will have dour  
14 consequences for the Ohio Valley and Wheeling  
15 Pittsburgh Steel, and the states of West Virginia,  
16 Ohio and Pennsylvania. Our employees need you to step  
17 up once again and enforce our trade laws.

18 CHAIRMAN PEARSON: Thank you again,  
19 Commissioner Okun?

20 COMMISSIONER OKUN: Thank you. I appreciate  
21 hearing your testimony, Mr. Bouchard.

22 Mr. Schagrin, let me start with you. Not  
23 just in this particular proceeding, but in several of  
24 the recent proceedings, there certainly has been a lot  
25 of attention to our submittal and what the company's

1 consolidation means both for conditions in the United  
2 States, and for conditions abroad in those countries  
3 where Lashin Mittal has production facilities.

4 In several of the Respondents' briefs, I am  
5 sure that you probably had an opportunity to see this,  
6 the Wall Street Journal article of July 16th, the  
7 quote by Lashin Mittal, and I'm sure you are familiar,  
8 but I'll repeat it, he says: "I am predicting the  
9 death of the cyclical volatility that caused prices to  
10 spiral down to unsustainable levels."

11 Mr. Mittal has been a major player in the  
12 industry's consolidation and its vulcanization in  
13 buying smaller, weaker mills and turning them into  
14 into regional powerhouses. You had talked, in your  
15 testimony, that you now have the Americas region, and  
16 talked about that.

17 I wonder if you can help me think about how  
18 we should think about the other facilities, including  
19 those for subject imports where Accelor Mittal now  
20 operates facilities, what effect those imports would  
21 have on the U. S. market?

22 MR. SCHORSCH: Let me make sure I  
23 understand. The question is: Since we have a global  
24 footprint, we're unique in that. If other operations  
25 of Accelor Mittal are shipping material into the U.

1 S., what the impact of that is likely to be?

2 I can say, with a great deal of confidence,  
3 because of the processes that we have internally, how  
4 we manage our imports. Our flow is across the globe,  
5 if you will. It affects our operations in Europe as  
6 well as in the states, and anywhere we operate.

7 I think that other Accelor Mittal operations  
8 would not injure our domestic business, or disrupt the  
9 market.

10 We have a very substantial stake in the U.  
11 S. industry. We're grown through acquisition, first  
12 of Inland in 1998, then of ISG in 2005. In those two  
13 acquisitions alone, we spent over \$6 billion in  
14 acquiring those companies, leaving aside the hundreds  
15 of millions we've spent on investment since then.

16 So we have a very substantial stake in our  
17 business here in the states, and also we think a good  
18 cost position, competitive facilities, those are the  
19 best suited facilities to supply those markets.

20 Now, we do import some material into the  
21 states in a variety of products. The way that is done  
22 is: Nothing comes into this market or, for that  
23 matter, any other market where we operate, where we  
24 bring material in from another part of the world  
25 without, let's say, the approval and management of the

1 marketing, or commercial organization, in that home  
2 country. So the interest of the home country takes  
3 precedence.

4 In addition, we don't work with third-party  
5 trading companies. We have our own internal, you  
6 could call it a trading company, but really it's more  
7 of a logistics' provider. Again, all the commercial  
8 decisions are made by the people in the home market,  
9 whether that's importing material from the Ukraine  
10 into Europe, or from Europe into the states.

11 Whatever the decisions on: Will this be  
12 disruptive? What's the appropriate price level?  
13 What's the appropriate volume level? is done in such a  
14 way that it doesn't disrupt or injure our operations  
15 here.

16 It may affect competitors in this market who  
17 are in different geographies or serve different market  
18 segments, and so on. But it is managed in such a way  
19 and controlled, if you will, by the domestic marketing  
20 organization, which obviously has the interest of  
21 protecting, let's say, that production base in that  
22 domestic market.

23 COMMISSIONER OKUN: Okay. Yes, Mr.  
24 Lighthizer? I was going to turn to the other  
25 producers to see if they wanted to comment, but you

1 have a comment as well?

2 MR. LIGHTHIZER: I do have a comment. It  
3 will not surprise you, after seeing the slide show,  
4 that we do not agree with Mr. Schorsch.

5 Well, first of all, we do agree that Mittal  
6 won't do anything here that will hurt Mittal. So, on  
7 that, we're in total agreement.

8 The question we suggest to you to think  
9 about is: Whether they will do something that will  
10 hurt us, or that will hurt President Gerard's workers?  
11 We think on that that they will.

12 First of all, the idea that by buying a U.  
13 S. company you are now exempt from the United States  
14 trade laws is, in my judgement at least, crazy. We  
15 tried to put up a chart so that you could see: If it's  
16 in Mittal's interest, they will make more money if  
17 they bring in low-cost material just like anybody  
18 else, ship it to the United States, and supplement  
19 what they already have going in the U. S.

20 Clearly, we agreed, they're not going to  
21 hurt their U. S. investment. But they can take market  
22 share from us, when they can bring in low-cost hot-  
23 rolled from other places, and take volume away from us  
24 and maybe even price.

25 COMMISSIONER OKUN: Mr. Lighthizer, let me

1 just ask Mr. Goodish, and the other producers as well,  
2 which is: On Mr. Lighthizer's point, what I'm trying  
3 to understand about that argument is: If Mittal is  
4 shipping, and let's saying it's shipping in not to  
5 injure its U. S. operation, but you're saying it is  
6 shipping in low-priced product, and it's competing  
7 with you, Mr. Goodich, or the Nucor facilities, if  
8 it's at low prices, doesn't that hurt Mittal?

9 I mean how does it not hurt Mittal, if it  
10 lowers prices for everyone?

11 Was the incentive to bring it in -- maybe  
12 it's just Mittal bringing it in at the same price, the  
13 market share --

14 MR. LIGHTHIZER: They could bring it in,  
15 Commissioner, at the same price and make more money  
16 because their cost is -- what I'm saying is not  
17 theoretical.

18 The fact is that Kazakhstan was affiliated  
19 with Inland when these cases were brought. And you  
20 determined that they did exactly what we think that  
21 they may do here.

22 This same argument was made by the South  
23 African company that connected with Mittal in Canada,  
24 and the Canadians, specifically, did not buy it.

25 The fact is that they would like to take

1 market share from us, either at the same price, by 50  
2 in my example, or they could lower the whole price a  
3 slight bit and make up so much more because of the  
4 cost difference of bringing in very low-cost product  
5 from South African or Kazakhstan.

6 The fact is: If you look at them as a unit,  
7 which is how they're looking at it, if they want to  
8 help their own bottom line the most, that involves  
9 taking volume away from us even --

10 COMMISSIONER OKUN: There is a hand behind  
11 you, so let me turn back here and see what --

12 MR. BUSSE: This is Keith Busse.

13 COMMISSIONER OKUN: Okay.

14 MR. BUSSE: Mittal will do what's good for  
15 Mittal globally. But just what's good for Mittal  
16 domestically, I want to point out that input cost,  
17 generally speaking, at least my assessment of it, is  
18 that the input costs for Kazakhstan are artificial.

19 They are not real market prices, and their  
20 production costs tend to be artificially low, which  
21 tends to anchor bigger profits if that product is  
22 distributed into an attractive global marketplace  
23 other than Kazakhstan, where the demand is not.

24 COMMISSIONER OKUN: Okay. Mr. Ferriola, you  
25 had looked like you had wanted to say something.

1           MR. FERRIOLA: Yes, I agree with what Keith  
2           said. I do need to point out, though, he said that he  
3           believes he will do what's best for the entire Mittal  
4           Corporation.

5           I'm saying: He has to, he has a fiduciary  
6           responsibility to his shareholders to optimize the  
7           profitability for the entire enterprise. So he will  
8           always do what's best for the entire enterprise.

9           COMMISSIONER OKUN: Okay.

10          MR. FERRIOLA: My other point that I would  
11          like to make is that you asked how could he bring it  
12          in without hurting or impacting his own facilities?

13          Well, they don't have production facilities  
14          in all regions of this country. The simple answer  
15          would be that they would import their product into  
16          those regions at a low price where they do not  
17          currently have manufacturing operations, or where  
18          their competitors do.

19          COMMISSIONER OKUN: Okay. My red light has  
20          come on and I have some more questions about that.

21          I will come back, Mr. Schorsch, and let you  
22          respond as well on my next round.

23          Thank you, Mr. Chairman.

24          CHAIRMAN PEARSON: Commissioner Lane?

25          COMMISSIONER LANE: Good afternoon, and

1       thank all of you for coming. I guess we will be  
2       seeing a lot of you all day because I'm sure that this  
3       hearing is going to go late.

4               I want to return to some questions about  
5       this issue about costs versus market share, or market  
6       value. The first question is for Mittal. Reading  
7       your pre-hearing brief, it looks like you were arguing  
8       that our previous valuation of other in-puts into  
9       downstream products, such as tin plate and corrosion  
10      resistance steel, at cost requires that we value the  
11      intermediate product like hot-rolled steel at cost in  
12      this case.

13              However, based upon your responses to Vice  
14      Chairman Aranoff, it now sounds like you're saying  
15      that the valuation method we used in this case should  
16      simply make sense, and it is likely something in  
17      between cost and fair-market value.

18              Is that what you are now saying?

19              MR. SCHORSCH: Let me ask Terry Stewart to  
20      comment on that before I explain.

21              MR. STEWART: Commissioner Lane, the  
22      comments in the pre-hearing brief --

23              COMMISSIONER LANE: Can you speak a little  
24      bit louder into your microphone.

25              MR. STEWART: Yes, the comments in the pre-

1 hearing brief go to the fact that because you have a  
2 practice, and because the practice has collected  
3 profits in the corrosion resistance case that are now  
4 being done here, you can't avoid double counting in  
5 this case unless you go to a cost basis.

6 From an accounting perspective, one can go  
7 in either direction. But your questionnaire, as it is  
8 structured, has an inconsistency. While one can  
9 justify valuing imports at cost, and one can  
10 separately value transfers at market, you can't  
11 justify doing both of those on the same questionnaire  
12 because you have inherent conflicts.

13 The question that Vice Chairman Aranoff  
14 asked was: How did this arise, and why wasn't it  
15 raised before? I think because, by and large, when  
16 you do investigations, industries are in trouble and,  
17 as the Staff Report shows, you wouldn't see that this  
18 was a problem when an industry is in trouble because,  
19 if anything, it magnifies the downside, just as it  
20 magnifies the upside, all right, the way it is done.

21 But you have an inherent conflict in the  
22 structure of the questionnaire. I think it was the  
23 closeness between the core Sunset review and this in  
24 looking at how could it make any sense to have the  
25 same tons valued at cost in one, and valued at market

1 in the other, where there was a repetition, if you  
2 will, of the same profits.

3 So while, intellectually, Mr. Schorsch and  
4 we would agree, that you can set up a system that  
5 allocates some portion of the profit of downstream  
6 products to hot rolled for the internal transfers, and  
7 you may choose to do that, it leaves you with the  
8 situation where you have an inconsistency in terms of  
9 cases that have already been decided.

10 MR. SCHORSCH: If I could weigh in, too.  
11 I'm new to the process so this is only my second  
12 hearing, and it is, as Terry said, in the core  
13 hearing. It was done a different way, as Bob  
14 describes it.

15 COMMISSIONER LANE: My follow-up question  
16 is, did anybody in the domestic industry raise this  
17 issue during the hearing that we had on corrosive  
18 resistant steel?

19 MR. STEWART: The answer is no, not that I'm  
20 aware of; possibly in the confidential record, but  
21 certainly not in the public record.

22 COMMISSIONER LANE: Okay, I'm sorry, go  
23 ahead, Mr. Schorsch.

24 MR. SCHORSCH: If I could comment to just  
25 maybe the way we do it internally, and other companies

1 may have a different way of doing it. I would say  
2 it's a relatively evergreen debate about should be  
3 transferring at market. I think the theory would say,  
4 you should be.

5 On the other hand, the way our facilities  
6 operate, there's so many different process steps;  
7 it's so complex that traditionally at an integrated  
8 facility, you're transferring product at cost. You're  
9 trying to optimize as the margins are higher in one  
10 product than another.

11 You might be making more of the more  
12 attractive product. But in principle, you can only do  
13 that within limits. Because obviously, as this  
14 suggests, if we're making that much money in hot  
15 rolled, we should be making only hot rolled. We  
16 should close everything else down. Obviously, you're  
17 going to then be destroying that hot rolled market.

18 So the reality of how we do it is, at least  
19 in the vast majority of cases, we do transfer  
20 internally at cost, and we optimize across markets  
21 kind of after the product is produced, if you will.

22 COMMISSIONER LANE: Okay, I have a follow-  
23 up, but I'd like have Mittal and anyone else that  
24 wishes to answer. If we followed your recommendations  
25 to value internal transfers of hot rolled steel at

1 cost, wouldn't that result in a constructed financial  
2 statement for hot rolled steel that showed profits on  
3 internal consumption as zero in all cases?

4 MR. SCHORSCH: I think that would be the  
5 case, yes.

6 MR. LIGHTHIZER: Absolutely.

7 COMMISSIONER LANE: This question is for  
8 anyone else that wants to answer it, including Dr  
9 Kothari. I can sort of see you back there, thank you.

10 Considering the controversy surrounding the  
11 valuation of internal transfers in the debate that we  
12 could evolve regarding the reasonableness of any  
13 transfer valuation methodology, if there are  
14 significant quantities of the domestic like product  
15 being sold in the commercial market, would we be  
16 better off simply focusing on the industry results  
17 related to its arms-length sales into the commercial  
18 market?

19 MR. KOTHARI: Well, you're interested in  
20 calculation of profit, and profit is the difference  
21 between sales price and the cost that you incur to  
22 generate those sales.

23 If you use market values, then you are  
24 getting the sale price approximately right. But you  
25 are not including all the costs then and, therefore,

1 your profit estimate would be exaggerated. That's the  
2 point that is being made here.

3 On the other hand, the other extreme is to  
4 use cost as the sale price, and as you correctly point  
5 out. Then the profit would be identically equal to  
6 zero, and that would be generally speaking an overly  
7 conservative estimate of profit.

8 So the reality lies somewhere in between;  
9 meaning thereby that a firm that is transferring large  
10 quantities of products internally will realize net  
11 proceeds from that activity that are somewhat greater  
12 than cost, but they are unlikely to be equal to the  
13 commercial bonds-linked market value, the price at  
14 which the product is selling.

15 The reason is that when you are making those  
16 internal transfers, you are not entering all the costs  
17 that you typically incur when you are selling to a  
18 third party. Those costs include costs such as  
19 marketing, cost of shipping, cost of maintaining an  
20 inventory, cost of over or under producing the  
21 product, and anticipation that you would sell.

22 COMMISSIONER LANE: Just a moment; what I  
23 asked specifically was, would we be better off  
24 focusing then on the arm length sales into the  
25 commercial market??

1           MR. KOTHARI: Yes, except that you still  
2 need the cost of selling those; because what you're  
3 interested in, is the industry making profit; and  
4 profit is the difference between arms length sale  
5 price and the cost that would be incurred to generate  
6 those arms length sales.

7           MR. GOODISH: Commissioner Lane?

8           COMMISSIONER LANE: Yes, sir, in the back  
9 there -- we're going to give equal opportunity to the  
10 people in the back as in the front. Yes, I'm sorry, I  
11 can't see your name.

12           MR. BUSSE: Commissioner Lane, this is Keith  
13 Busse. I think I can help you a little bit with this  
14 dilemma.

15           COMMISSIONER LANE: Okay, thank you.

16           MR. BUSSE: I think in a perfect world, we'd  
17 want to measure everything on the basis of marginal  
18 revenue and marginal cost. By example, you could sell  
19 hot rolled as a product, and you could use the price  
20 in the example of \$500 being its selling value. If  
21 it's cost of production is \$450, then you're making  
22 \$50 on that product.

23           If you move to the next step, and if you  
24 aggregated all the next steps going clear through  
25 coded products, and the marginal revenue again was

1       \$100 marginal revenue and the marginal cost was \$75,  
2       then by coding the product or finishing the product  
3       you would have only made \$25. In the aggregate, if  
4       the markets are perfectly aligned relative revenue,  
5       you're only going to make \$75.

6                   COMMISSIONER LANE: Okay, thank you.

7                   MR. GOODISH: Commissioner?

8                   COMMISSIONER LANE: Mr. Goodish?

9                   MR. GOODISH: Yes.

10                  COMMISSIONER LANE: Go right ahead.

11                  MR. GOODISH: I think the point that's  
12       trying to be made here, if I'm a producer of six  
13       million tons, three million is hot rolled, and I'm  
14       making \$100 a ton on hot rolled, if I put all six  
15       million tons into hot rolled, which I think is what  
16       you're advocating, I wouldn't be making \$100 a ton on  
17       it. Because that other three million tons going into  
18       the hot rolled market would have an adverse impact on  
19       the base three million tons that I was selling. So it  
20       would bring down the sales price.

21                  So that's why we're advocating to go  
22       downstream. You go downstream manufacturing cost.  
23       It's a more accurate way to evaluate downstream  
24       products. Because if I took that extra hot roll --  
25       three million tons of added hot roll -- and put it

1 into the hot roll market, I would significantly  
2 deteriorate pricing on the hot roll market.

3 COMMISSIONER LANE: Okay, thank you; thank  
4 you, Mr. Chairman.

5 CHAIRMAN PEARSON: Commissioner Williamson?

6 COMMISSIONER WILLIAMSON: Thank you, Mr.  
7 Chairman; I do want to express my appreciation to the  
8 witnesses for the time they spent with us today.

9 I would like to start with Mr. Gerard with a  
10 question regarding the VEBA, the Voluntary Employee  
11 Benefit Association agreements. My question is, you  
12 say that these are for, I guess, retirees who really  
13 lost their benefits earlier. But what they get all  
14 depends on the profits of the companies.

15 So could you explain a little bit more how  
16 this works? This sort of would seem to imply to me  
17 that the retirees or the ones who are getting the  
18 benefits from this are much more vulnerable. In a  
19 sense, you could say the whole industry is much more  
20 vulnerable to slight changes in profits.

21 MR. GERARD: Sure, let me ask my colleague,  
22 Vice President Conway, who's back there somewhere who,  
23 in fact, helped negotiate the VEBA structure to give  
24 you the segmentation. But before I do that, let me  
25 just say that your question is absolutely right, and I

1 said that while folks are in the room.

2 The first victims of removing these orders  
3 will be our retirees, again. Because as you remove  
4 the orders, profitability will fall, and as  
5 profitability falls, the percentage piece that goes to  
6 the retirees VEBA will not only fall but be  
7 eliminated. Because the higher the profit on a per-  
8 ton basis, the bigger the slice that the retiree VEBA  
9 gets; Tom?

10 MR. CONWAY: I think that's the key to it.  
11 As Leo said, we have these structured in such a way  
12 that, for example, on the first \$10 of profit per ton,  
13 there's a percentage that we take and apply towards  
14 the VEBA. That increases as the return on tons  
15 increases.

16 So we have essentially three segments  
17 through which we fund these VEBAS, and the more profit  
18 that's in the industry, the more that we can put into  
19 the account and potentially buy health care with.

20 I think it's important for people to  
21 understand that we have come, in many instances, no  
22 where near replacing anything like the level of health  
23 care that was lost during the bankruptcies and during  
24 the subsequent restructuring.

25 In most cases, the best we've done is, we've

1 put a prescription drug benefit card into the pockets  
2 of these retirees. In some cases, we're helping to  
3 offset a little bit of Medicare premium and some other  
4 slight additional benefits; and maybe in some cases,  
5 have been able to replace what has been a not very  
6 expensive death benefit.

7 So the VEBA has sort of stepped up and taken  
8 this over. But it's very tenuous, and we watch it  
9 closely. We're now in the business of hiring our own  
10 actuaries and running essentially insurance companies  
11 off of this profit stream that comes out of this  
12 domestic industry. So it's crucial to whether these  
13 people will have health care going forward.

14 COMMISSIONER WILLIAMSON: Okay, thank you;  
15 how large a body of people are covered by this, the  
16 retirees?

17 MR. GERARD: If you take all of the VEBAS  
18 that we've put together in the steel industry, it's  
19 pretty close to a quarter million lives are covered by  
20 the VEBAS.

21 COMMISSIONER WILLIAMSON: Okay.

22 MR. GERARD: There were 50 bankruptcies. A  
23 lot of the companies -- in particular, Mittal -- they  
24 picked up, under ISG, a lot of these bankrupt  
25 companies. In fairness to ISG, then Mittal, these

1       retirees had never ever worked for these companies.  
2       It was only through the collective bargaining that  
3       we're enable to put money into these funds for these  
4       retirees.

5               As I said, I actually believe that at this  
6       point in time in the global over-supply of hot roll  
7       and the growing global over-supply of hot roll,  
8       removal of the orders will be signing the death  
9       certificate for more steel companies. But before the  
10      steel companies die, there's going to be a lot of  
11      retirees die, because we won't be able to give them  
12      health care.

13              COMMISSIONER WILLIAMSON: Okay, so in other  
14      words, in looking at the state of an industry, in this  
15      case you have to take into account this program and  
16      the impact that it has.

17              MR. GERARD: Yes, and the other part I  
18      haven't touched on really is, in the restructuring of  
19      the industry, a large part of our active members'  
20      income also is structured the same way. If my memory  
21      is right, John, and correct me if I'm wrong, but the  
22      last quarter our members at U.S. Steel got about \$4 an  
23      hour.

24              We completely changed the way workers get  
25      paid in the industry. They get a certain base rate, a

1 certain incentive, and then a certain chunk on a  
2 quarterly basis of profits.

3 So as I keep saying, without these orders  
4 coming on, the industry starts in a death spiral. But  
5 the first people that die are going to be the retirees  
6 and the active workers. Because first, the retirees  
7 will have less and possibly up to nothing going into  
8 VEBA; secondly, our active members lose a big chunk of  
9 their income. If you're not producing, it's hard to  
10 make incentive, as well.

11 So we took a hell of a risk in working with  
12 the industry to restructure the work place so the  
13 industry would have a chance at survival. Even those  
14 that say that they didn't trash their pension, they  
15 teetered on the death of extinction. Without the  
16 labor movement's commitment and the help we got from  
17 the ITC, most of them wouldn't be at this table.

18 COMMISSIONER WILLIAMSON: Okay, thank you, I  
19 appreciate that. Is it possible to provide us maybe  
20 some indication of how, in post-hearing, the flows of  
21 the VEBAs and how it's been going?

22 MR. GERARD: Sure, we'll give you the  
23 collective agreement language, and we'll give you some  
24 of the inputs that we've had over the last year or so,  
25 by quarter, into the various VEBAs.

1                   COMMISSIONER WILLIAMSON: Okay, thank you;  
2 going to the recent developments, I think the staff  
3 report goes through March of 2007. I wonder what has  
4 been happening to the hot roll prices since then, and  
5 what is the forecast for the foreseeable future? I  
6 think there was some testimony this morning, but if  
7 someone could review that for me.

8                   MR. SCHORSCH: I think in my remarks,  
9 Commissioner, I've commented that since October of  
10 last year, we're down over \$100 a ton in published  
11 reports from the American metal market.

12                   I think most people would say in the market  
13 clearing price today, you see prices below the \$500  
14 level. For some large volume customers, you know,  
15 \$530 would be the other high end of that range.  
16 Again, less than a year ago October, we were around  
17 \$625/\$630, something like that.

18                   I think we've seen that downward pressure on  
19 prices continuing even today, so I don't recall  
20 exactly where the public price would have been in  
21 March. But we're probably \$30 to \$40 below where that  
22 level had been.

23                   I think looking forward, frankly, certainly  
24 in our company and I expect a lot of other companies,  
25 had thought that this was an inventory correction;

1 that we just had to deal with this; that this would be  
2 behind us, come second quarter or something like that.

3 I think it has persisted. We do see  
4 inventory levels at around the three month level,  
5 which is normally considered a stable level in the  
6 distribution segment. But I don't think we're seeing  
7 the orders pick up.

8 We're not seeing upward pressure on prices.  
9 I think, frankly, we're booking now typically in hot  
10 rolled for September orders. Maybe there's a little  
11 bit of open time for August, but we're still getting  
12 very close downstream products into September.

13 November and December are always slow months  
14 for seasonal reasons, and I think a lot of us would  
15 probably be concerned that now we're so close to those  
16 seasonally weak periods that if we don't see some  
17 recovery reflecting that inventory improvement, you  
18 know, within the next several weeks even, that  
19 probably we're going to see weak market conditions  
20 through the rest of this year.

21 COMMISSIONER WILLIAMSON: Okay, thank you;  
22 the staff report on page two and three indicates that  
23 a high percentage of purchasers reported being refused  
24 supply of hot rolled steel in 2000 and early 2005. I  
25 was just wondering, what is the current situation?

1                   MR. GOODISH: John Goodish from U.S. Steel -  
2                   - I would contend, even in 2005, there wasn't a  
3                   problem with hot roll. There may be a problem with  
4                   hot roll if you call me up today and tell me you want  
5                   it tomorrow. But if you had an orderly way to order  
6                   your products, the producers could make it.

7                   In 2007, I believe we all have furnaces off  
8                   or have reduced production, and can make just about  
9                   anything that they want today. We have a furnace off  
10                  in Gary, Indiana, and we have excess hot rolling  
11                  capability in our hot mills. So if somebody has an  
12                  order, we'll meet you in the back of the room and take  
13                  it.

14                 COMMISSIONER WILLIAMSON: Okay, thank you,  
15                  and my time has expired.

16                 CHAIRMAN PEARSON: Commissioner Pinkart?

17                 COMMISSIONER PINKART: Thank you, Mr.  
18                  Chairman; I'd like to join my colleagues in thanking  
19                  this panel for appearing before us today.

20                 I'd like to begin with an economic question.  
21                  I don't know who on the panel would like to take this  
22                  one up. But there's been a lot of discussion in the  
23                  briefs about the impact of industry consolidation on  
24                  the pricing power of the domestic industry.

25                 I'd like somebody to comment on those

1 arguments, and also on whether the major purchasers of  
2 the hot rolled product in the United States are,  
3 themselves, highly concentrated.

4 MR. SCHORSCH: I think if you recall the  
5 chart that Mr. Lighthizer showed, you know, prices are  
6 actually well below what they were in 2004.

7 We face, as a industry, a tremendous surge  
8 in raw materials' costs. Iron ore prices, for  
9 example, since 2003 are probably up 250 to 300  
10 percent. The coke that we buy at an integrated plant  
11 is probably up 150 percent. So our prices have gone  
12 up, certainly. But I think our costs have gone up  
13 very substantially, as well.

14 You know, our industry, on a global basis,  
15 the largest player, which is my company -- and it's  
16 largest by a factor of three -- we represent 10  
17 percent of global production; which, I think, if you  
18 look at any other major industry, to say the largest  
19 player is 10 percent of production is a relatively  
20 small share to have.

21 So I think the industry is still fragmented.  
22 We're certainly, on a global basis, much more  
23 fragmented than a lot of competing materials --  
24 aluminum, for example -- and certainly more so than  
25 major consuming industries like iron. Upstream,

1       there's about three players that supply that. But  
2       also the automotive industry is more concentrated.  
3       The appliance industry is more concentrated, et  
4       cetera.

5                   I think the key, if you ask the question  
6       about, you know, is there market power that somehow  
7       we're able to leverage; then we should be, as an  
8       industry, making above normal profits.

9                   I think, in this year, if the scenario I  
10      just described for no price recovery goes through the  
11      rest of the year, our U.S. operations will be hard  
12      pressed to even make our cost to capital.

13                  So I think if you look at the industry as a  
14      whole, and obviously, there's a spread there. There's  
15      some companies that perform better and some that  
16      perform worse. But as a whole, there's no above  
17      normal profits in our sector; and I think, to me,  
18      that's the single best indicator of, do you have real  
19      pricing power.

20                  Relative to where we were years ago, when  
21      you had many more desperate players that were really  
22      kind of living hand to mouth, trying to manage for  
23      cash and so on, certainly we were, to use the phrase  
24      and maybe I shouldn't -- but it was very easy for  
25      customers to beat us up, let's say. I think it's more

1 difficult now, but I don't think that means that  
2 suddenly we've got pricing power. It means that we  
3 were in desperate conditions, and that's reflected in  
4 the bankruptcy numbers that Leo talked about in the  
5 early part of this.

6 COMMISSIONER PINKERT: Mr. Ferriola?

7 MR. FERRIOLA: Yes, I'd like to make a  
8 comment on this. In the last four weeks, I visited a  
9 multitude of our customers. I can tell you, sitting  
10 in those meetings, I did not feel very powerful. So  
11 to say that we have a market power all of sudden, I  
12 just can't agree with that.

13 I would also point out to you that today,  
14 our auto-books are not full. Today, those are not  
15 operating at full capacity. Today, our prices are not  
16 where they need to be, given the increases in energy  
17 and raw materials.

18 If we had the market power being suggested,  
19 I guarantee that this is not the type of picture that  
20 we would paint. I suspect that many of my colleagues  
21 in this room echo those thoughts. Today, sitting in  
22 front of a customer, we certainly are not in a  
23 position of power.

24 COMMISSIONER PINKERT: In the back?

25 MR. BUSSE: Yes, Keith Busse, Steel Dynamics

1 -- I would agree with my colleagues. The industry is  
2 still fragmented. It's not as fragmented as it used  
3 to be. But I think all that means is, we're having to  
4 deal less with the desperate acts of dying men. There  
5 are fewer dying men out there, if you will.

6 And the industry may be able to exhibit more  
7 supply side constraint. But if we're having to  
8 exhibit supply side constraint, that means we're  
9 suffering. That means there just aren't enough  
10 orders, and the profitability is not there.

11 MR. NOLAN: Commissioner Pinkert, John  
12 Nolan, Steel Dynamics -- I have one complimentary  
13 comment Mr. Busse's remarks. We experienced a flood  
14 of imports in the second half of last year. We have  
15 an expression, "The market is the market." When the  
16 market is over-supplied, price drops. As Mr. Schorsch  
17 pointed out, and I concur, prices are declined in our  
18 market by about \$100 a ton.

19 So you know, again, the market behaves as it  
20 will. If it's over-supplied, prices fall. When it's  
21 tight, prices rise.

22 MR. SCHAGRIN: Commissioner Pinkert, this is  
23 Roger Schagrin. I just want to add one thing.  
24 Obviously, I wouldn't be up here today if this wasn't  
25 a non-consolidated industry. If the Big Three

1 controlled things, you wouldn't need me here. They  
2 probably wouldn't hire me.

3 But in addition to the smaller producers of  
4 hot rolled that I'm representing, the Commission is  
5 obviously aware that there's North Star Blue Scope.  
6 There's Wheeling Pitt on the panel today; WCI, CSI,  
7 and OSM on the West Coast.

8 But another thing the Commission can take  
9 into account is that while it was for tin mill  
10 reasons, not hot rolled, it's a matter of public  
11 record that the Department of Justice has ordered  
12 Mittal, as part of the Arcelor Mittal merger, to sell  
13 one of their major facilities that also produced a lot  
14 of hot rolled, Sparrow's Point.

15 So, in fact, in a matter of time, whenever  
16 the Department of Justice has ordered that to be  
17 completed, and I think Mr. Schorsch will probably know  
18 all the timing, you will have court-ordered further  
19 de-consolidation of this industry.

20 It's a matter of public record that one  
21 major hot rolled facility of Arcelor Mittal is going  
22 to have to be sold to another party. That was because  
23 of too much consolidation in tin mill, not in hot  
24 rolled. But it will result in another player of hot  
25 roll production being taken out of Arcelor Mittal, and

1 being put somewhere else.

2 COMMISSIONER PINKERT: Mr. Gant?

3 MR. GANT: Yes, I just wanted to echo some  
4 of the comments of not feeling very powerful with some  
5 of our customers.

6 But even beyond the fact that it is a very  
7 free and open market, and we face losses of business  
8 and conquests of business every day, we also see a  
9 tremendous amount of competition from distributor and  
10 service centers, who bring product in from foreign  
11 sources, and who compete directly with us as mill  
12 producers, at our end user customers. So I reject the  
13 notion that the market is controlled in that way.

14 COMMISSIONER PINKERT: Mr. Gerard, did you  
15 have a comment?

16 MR. GERARD: Just as my friend, Terry  
17 Stewart, reminded me, from the non-subject countries,  
18 hot rolled imports are up 200 percent. So you don't  
19 have to be a rocket scientist to figure out what would  
20 happen if we took the protections off hot rolled from  
21 the subject countries. The industry is not in the  
22 best of shape once again.

23 CHAIRMAN PEARSON: A little closer to the  
24 microphone, please, Mr. Gerard.

25 MR. GERARD: I say that as my friend, Terry

1 Stewart, reminded me, that hot rolled imports from  
2 non-subject countries are up 200 percent. So you  
3 don't have to be a rocket scientist to figure out what  
4 would happen if the protections came off the subject  
5 countries.

6 At a point where you hear the industry and  
7 the union can vouch for it, in all these facilities,  
8 our people are very nervous about the next downturn.  
9 So there isn't a lot of pricing power going on.

10 We also represent a lot of the workers in  
11 the supplier base, that the steel industry sells to.  
12 They're not getting hammered by the steel industry,  
13 regardless of what some of the "cry babies" may say  
14 tomorrow.

15 COMMISSIONER PINKERT: Mr. Kaplan, way in  
16 the back?

17 MR. KAPLAN: Yes, when the steel industry  
18 was suffering through its bankruptcies back at the  
19 turn of the century, the Justice Department had a  
20 steel industry task force, knowing that there was  
21 going to be consolidation.

22 So they explicitly looked at the mergers, to  
23 see whether or not market power would be gained by  
24 members of the industry post-merger, and they were  
25 there to make sure it didn't happen.

1           So all of the mergers that have taken place  
2           have been reviewed by the Justice Department. They  
3           would not have been allowed if they believed that  
4           there would be market power. The calculations done  
5           also in the Respondents' brief did not take into  
6           account, as Mr. Stewart and Mr. Gerard said, of the  
7           imports. If you do that appropriately, the technical  
8           calculations of market power and the indexes all show  
9           that there is not market power in the industry.

10           So this has been raised in case after case;  
11           and it surprises me, given the thorough and massive  
12           review in every single steel merger that's taken place  
13           of all the major flat rolled products.

14           COMMISSIONER PINKERT: Thank you; I can see  
15           that my time is up.

16           CHAIRMAN PEARSON: What are your thoughts on  
17           the prospects for apparent consumption of hot rolled  
18           steel in the U.S. market over the next two to three  
19           years, Mr. Goodish?

20           MR. GOODISH: We are expecting consumption  
21           of hot rolled product to grow, but at a rate less than  
22           what capacity is going to come on or capacity that we  
23           currently have to deliver that product to the market  
24           place.

25           You know, every one of us, if we go back and

1 we look at the fourth quarter of last year, every  
2 facility we own in the U.S. had at least one blast  
3 furnace off. Our Gary, Indiana facility has four  
4 blast furnaces. It actually had three off.

5 We saw prices fall from about \$700 a ton,  
6 down to \$425 a ton, give or take. Slowly, in the  
7 first quarter, we brought most of those facilities  
8 back on, with the exception of a blast furnace in  
9 Gary, Indiana.

10 But even when we say we have a blast furnace  
11 on, that does not mean we're operating that furnace at  
12 full production. Our Great Lakes facility has the  
13 capability of making what we call 41 heats a day; 41  
14 cakes, so to speak, of 230 tons or so of heat. We  
15 have it cut back to about 35 to 36 heats a day,  
16 depending upon what month we happen to be in.

17 So even though we have furnaces on, we're  
18 operating at lower capacity. There is capacity in  
19 this country today to meet the demand that our  
20 customers come up with.

21 Indications that have been made in the past  
22 on shortages that may have occurred on a spot basis,  
23 referring back to the 2005 time period -- a lot of  
24 that was the fact that demand picked up, or customers  
25 demanded deliveries in time periods where it was

1 impractical to deliver steel at short notice.

2           You can't call us up today and tell me, I  
3 want a hot rolled coil tomorrow. It's not going to  
4 happen; and oh, by the way, they don't do it from  
5 offshore, either. The offshore lead times are three  
6 to six months, unless you go to the docks, whether it  
7 be in Houston or Baltimore or New Orleans, and you see  
8 the steel that's been shipped into this country from  
9 those who are not governed by the tariffs; and you see  
10 the steel that they ship in down there on speculation  
11 that a customer is going to come in and buy that  
12 material, which has a disruptive impact on pricing.

13           CHAIRMAN PEARSON: Mr. Platz?

14           MR. PLATZ: This is Roy Platz, Mittal Steel,  
15 USA. Our forecast for next year, 2008, is an increase  
16 in hot roll consumption of about one and-a-half  
17 percent. We see very small growth -- you know, in hot  
18 roll consumption, small economic growth next year.

19           I will tell you that we're in the sixth year  
20 of an economic recovery. So during the entire period  
21 of this review, the U.S. economy has been growing  
22 every one of those six years. As we all know, the  
23 economy doesn't continue to grow forever. In fact,  
24 this economy is starting to look a little long in the  
25 tooth.

1           So I would expect that before too long, we  
2 will see a downturn. I would say that the  
3 restructured steel industry has not seen a downturn  
4 since it has restructured. So it's a little difficult  
5 to say that when that downturn does indeed occur, how  
6 the industry will fair as we move through it.

7           CHAIRMAN PEARSON: Okay, do you have any  
8 thoughts on apparent consumption out into 2009, or is  
9 that a little bit beyond what one would want to do?

10          MR. PLATZ: Our long-term trend growth would  
11 be around one and-a-half, two percent, if the economy  
12 grows at or slightly below the long-term trend. But  
13 long-term trends obviously are something that don't  
14 take into account downturns and recessions. We know  
15 will occur.

16          MR. SCHORSCH: If I could comment,  
17 Commissioner? Could I comment?

18          CHAIRMAN PEARSON: Let me recognize Mr.  
19 Busse first, and then we'll come to you, okay?

20          MR. BUSSE: Yes, I don't know that any of us  
21 who have auto-banned, which has been rather lack lust,  
22 or flat, is going to pick up; and housing, I'd like to  
23 tell you has been weak. We use a lot of steel in  
24 housing. A lot of people think of homes as a lot of  
25 concrete and a lot of wood; but a lot of steel is used

1 in housing.

2 I think the one market that's held up for  
3 us, that could put us all in tremendous peril, is non-  
4 residential. You can say, well, you know, if non-  
5 residential falls apart, that really won't affect flat  
6 rolled. It will affect the guys who sell wide flange  
7 beams, et cetera, et cetera.

8 That's just not true. Because about 20  
9 percent of the hot rolled output, I think, goes into  
10 the construction marketplace. So if non-risk comes  
11 apart, we're really going to have a mess on our hands.

12 CHAIRMAN PEARSON: Do you have a view on the  
13 prospects for non-residential consumption or other  
14 main components of apparent consumption through 2008  
15 into 2009?

16 MR. BUSSE: I think non-residential, to put  
17 it in Mr. Platz's view, is getting a little long in  
18 the tooth, and you can see that start to shrink away  
19 from us with a year.

20 CHAIRMAN PEARSON: Okay, Mr. Schorsch?

21 MR. SCHORSCH: Yes, I was going to comment  
22 more on the supply side of that equation, if you will.  
23 I think that low modest growth rate, less GPD, you  
24 know, one and-a-half percent per year -- all of our  
25 companies, I'm sure, are working hard to improve

1 processes. We're making modest investments. We're  
2 de-bottlenecking facilities.

3 One and-a-half percent is about what we  
4 expect to be able to increase our capacity on an  
5 annual basis, just through those better practices and  
6 so on. I can give you examples, if you want. But I  
7 think we're very capable, out of the asset base that  
8 we have, through those operating improvements, to meet  
9 that kind of modest growth rate.

10 CHAIRMAN PEARSON: Right, so de-  
11 bottlenecking would pretty well take care of the  
12 expected increase in consumption?

13 MR. SCHORSCH: Right.

14 CHAIRMAN PEARSON: I'm sorry, the gentleman  
15 behind, Mr.?

16 MR. SCHERRBAUM: Joe Scherrbaum with U.S.  
17 Steel.

18 CHAIRMAN PEARSON: Okay, you first, and then  
19 Mr. Alvarado.

20 MR. SCHERRBAUM: I just wanted to add a  
21 comment. One of the party forecasting companies, CRU,  
22 is basically forecasting U.S. hot roll consumption to  
23 the merchant market not to return to the levels that  
24 we saw in the year 2000 again until the year 2010.

25 CHAIRMAN PEARSON: Okay, Mr. Alvarado?

1 MR. MYERS: Actually, it's Mr. Myers with  
2 U.S. Steel.

3 CHAIRMAN PEARSON: I'm sorry, I'm having a  
4 hard time following my chart here. It's difficult.  
5 Thank you for the clarification.

6 MR. MYERS: That's fine. I just wanted to  
7 add some additional thoughts on the non-residential  
8 market that Mr. Busse just commented on.

9 A number of highly publicized headlines  
10 cover non-residential, and they usually speak in terms  
11 of dollars, value put in place. We tend, within U.S.  
12 Steel, to look at some of the Dodge reports that  
13 actually look at square footage, because we feel  
14 that's a more direct reflection of what we will see,  
15 from a volume standpoint. Their forecasts, most  
16 recently updated, for 2008 and 2009, are actually  
17 negative growth in the 2008/2009 timeframe.

18 CHAIRMAN PEARSON: I'm sorry, and whose  
19 projection was this?

20 MR. MYERS: F.W. Dodge.

21 CHAIRMAN PEARSON: Okay, thank you; Mr.?

22 MR. FERRIOLA: John Ferriola with Nucor.

23 CHAIRMAN PEARSON: Yes, thank you.

24 MR. FERRIOLA: I'll make it easy for you. I  
25 just want to make one additional comment to support

1 Lou's position on supply. As we talk about de-  
2 bottlenecking to add to capacity, please remember that  
3 there is a one and-a-half million ton facility coming  
4 on line in the next couple of months, that's already  
5 been announced that it will go to three million tons.

6 So if you do the math on three million tons,  
7 the hot rolled market today will cover the one and-a-  
8 half percent increase in consumption in one facility  
9 alone.

10 CHAIRMAN PEARSON: And you're arguing that  
11 that's not just de-bottlenecking; that's pulling the  
12 cork out?

13 MR. FERRIOLA: My point is that in addition  
14 to what will be added through the normal process of  
15 de-bottlenecking investment to improve productivity,  
16 there will be massive slugs coming on line that have  
17 been announced already. If we have a slug of imports  
18 on top of the domestic capacity increases that are  
19 coming on line, it could be devastating.

20 CHAIRMAN PEARSON: Okay, I would think it  
21 likely that the Respondents tomorrow will raise  
22 questions about global apparent consumption. What's  
23 your perspective on that question? Is global demand  
24 growing faster than U.S. demand, and would we expect  
25 that for the next several years?

1 MR. FERRIOLA: Are you directing that at me?

2 CHAIRMAN PEARSON: To anyone who would care  
3 to comment, but I would be delighted to hear from you,  
4 Mr. Ferriola.

5 MR. FERRIOLA: I'll start it off, okay, and  
6 I'm sure there will be a lot of other comments. I  
7 look at it this way. What I'm looking at is the  
8 amount of capacity that's coming on line. The amount  
9 of capacity is so overwhelming, that even if you take  
10 the most aggressive estimates on consumption increase  
11 on a global basis, it's not nearly enough and it  
12 doesn't come close to covering the amount of capacity.

13 CHAIRMAN PEARSON: All right, then how do  
14 you respond then to the argument that a significant  
15 amount of that capacity may be in China, and that the  
16 quality of product that could be produced on that  
17 capacity is really quite suspect; and whether it can  
18 find any type of reasonable use is not clear?

19 MR. FERRIOLA: I have to comment on this.

20 CHAIRMAN PEARSON: Please.

21 MR. FERRIOLA: I've been to China twice. I  
22 have visited many of their large mills. The state-of-  
23 the-art equipment in Baosteel is mind boggling. It's  
24 like Disney World to steelmakers, okay?

25 There is no way that they can argue that

1 those mills in China cannot produce the quality of  
2 product that could be consumed here in the United  
3 States.

4 CHAIRMAN PEARSON: Right, but when you  
5 reference Baosteel, that may be the most sophisticated  
6 of the Chinese companies. We hear often enough in  
7 front of this Commission that quality of various steel  
8 products coming out of China is suspect. We heard  
9 that just last week in some detail regarded pipe.

10 So, you know, I hear what you're saying.  
11 But elsewhere, we get indications that there are real  
12 concerns about whether that product can fill the  
13 demand.

14 MR. FERRIOLA: I can only comment that I  
15 visited three facilities -- I'm sorry, three companies  
16 total, Baosteel and two other companies.

17 CHAIRMAN PEARSON: Okay.

18 MR. FERRIOLA: And in all three cases, they  
19 had state-of-the-art equipment and their quality was  
20 excellent.

21 CHAIRMAN PEARSON: My red light is on, and  
22 so I will come back to some demand questions later,  
23 unless my colleagues polish them off; Vice Chairman  
24 Okun -- Vice Chairman Aranoff? I knew it's a long  
25 day.

1                   VICE CHAIRMAN ARANOFF:  She's the blonde  
2                   one.

3                   (Laughter.)

4                   VICE CHAIRMAN ARANOFF:  Thanks, Mr.  
5                   Chairman.

6                   In discussing demand and what's happening  
7                   with demand, there's been a lot of discussion about  
8                   demand for the product that you sell into the  
9                   commercial market, in the auto sector and the  
10                  construction sector and such.  But I wanted to ask  
11                  about demand in the sectors where the product is  
12                  internally consumed.

13                  For example, we learned last week I think it  
14                  was, in a recent hearing, that the domestic line pipe  
15                  industry is slated to bring on line, in the very near  
16                  future, one million tons of new spiral weld capacity  
17                  that's going to use hot rolled steel as the input.

18                  How does this million tons of additional  
19                  demand affect the domestic hot rolled industry, and  
20                  are there other downstream steel products where there  
21                  are capacity expansions going that are going to affect  
22                  your demand; Mr. Goodish?

23                  MR. GOODISH:  John Goodish, U.S. Steel --  
24                  the point I would make there is, I'm aware of, I  
25                  believe, four facilities that have been announced.

1 But I think there's only three of them that have  
2 actually ordered equipment at this point. There is  
3 some concern over the size of what the spiral weld  
4 market is -- what the market is versus the capacity  
5 that's coming on line.

6 I will also point out that today, U.S. Steel  
7 has a million tons of excess hot roll capacity that is  
8 currently idle. So we don't really look at that as,  
9 that's tightening up the market. It's just taking  
10 advantage of equipment that's already here.

11 As Mr. Ferriola points out, with roughly  
12 three million tons coming on at Servedor, and Mr.  
13 Schorsch points out, the efficiencies we get out of  
14 our operations every year based both on what we do and  
15 what our employees do, it's more than adequate to take  
16 care of any increases in demand that take place in the  
17 marketplace.

18 The other thing you need to understand is,  
19 because there is currently a demand out in the  
20 marketplace for line pipe, there's not currently the  
21 same demand out in the marketplace for oil country  
22 tubular goods. So in some cases, you're displacing  
23 one product for another.

24 So I mean, it's kind of a market balancing.  
25 You can never take the position that, I know I have

1 this million tons of line pipe. So now something else  
2 picks up, and I have additional tons. In most cases,  
3 you're displacing one product with the other.

4 VICE CHAIRMAN ARANOFF: Go ahead.

5 MR. SCHERRBAUM: Yes, Joe Scherrbaum with  
6 U.S. Steel -- I'd like also to comment on a couple of  
7 our other markets that our downstream products go to.  
8 One is our tin market, which is the tin-coated sheets  
9 that go to the food cans, aerosol cans. The markets  
10 are forecasted to continue to shrink by a couple  
11 percent per year for the coming years. Primarily,  
12 it's a face competition from alternative products such  
13 as plastics.

14 Another market is the appliance market,  
15 which is primarily for our cold roll and galvanized  
16 products. Those markets are extremely off this year;  
17 tied one, to housing starts. Also, they're facing  
18 much more difficult competition from imported finished  
19 products from like Korea, with LG and Samsung starting  
20 to make an impact on the domestic appliance business  
21 in the United States.

22 VICE CHAIRMAN ARANOFF: Okay, in the second  
23 row here?

24 MR. GANT: This is Doug Gant with AK Steel.  
25 I would just comment that the ripple effect through to

1 hot roll from appliance and construction and  
2 automotive is that there is unused capacity in the  
3 downstream finishing, both internal customers and  
4 external customers, as we do sell hot roll to  
5 companies that either re-roll it, or companies that  
6 buy it and galvanize it. A number of those customers  
7 of ours have under-utilized capacity at this time, as  
8 a result of those end markets.

9 VICE CHAIRMAN ARANOFF: In the third row?

10 MR. BOUCHARD: Yes, Jim Bouchard with  
11 Wheeling Pittsburgh and Osmark -- on the Osmark side,  
12 which is the service center side of the business, you  
13 know, we're one of the largest customers in the U.S.  
14 for the mills.

15 Service centers traditionally between March  
16 and June have their best portion of the year; and  
17 we've just experienced one of the worst service center  
18 markets in recent memory. Our shipments are down  
19 approximately in the industry about five to seven  
20 percent. We ship no automotive. We ship no  
21 appliance.

22 We ship to the small customers. We have  
23 thousands of small customers in the Midwest, through  
24 the Ohio Valley. Across the board, you see demand  
25 off. You see customers not consuming much steel. You

1 see the OEMs have drained up their inventory. So it's  
2 not that they're working off inventory. The supply  
3 chain is lean. The demand is just down.

4 They are on constant attack from the Chinese  
5 for products in their markets. They're seeing their  
6 products go down with other imported products coming  
7 in. So I'd have to echo some of these statements  
8 earlier.

9 We don't see out there any demand increases  
10 for hot rolled products. We see them constantly under  
11 attack. We see more tubular products that are going  
12 to be shipped into this country from overseas and  
13 finished products that are going to take our tubing  
14 customers away from us.

15 We see demand on the hot roll side as very  
16 weak today; and we see it continued weak on the  
17 production side and on the service side, which is  
18 really the closet element to the customer base. It is  
19 off five percent this year across the board on all  
20 industry segments during what should have been an  
21 excellent market time for us.

22 VICE CHAIRMAN ARANOFF: Okay, I appreciate  
23 all those answers. Let me follow up that by saying  
24 that there are some materials from World Steel  
25 Dynamics that are quoted, I think, in the Tai

1 Respondents' brief.

2 Now the domestic producers have testified to  
3 demand issues and sagging prices in the first half of  
4 2007. But World Steel Dynamics is predicting surging  
5 hot rolled prices in the second half of 2007 and in  
6 early 2008.

7 Can both those things be right? Can there  
8 be something short-term, going on now and the  
9 fundamentals are strong; or did World Steel Dynamics  
10 just really ate something weird for breakfast? Can  
11 someone explain what's going on? Go ahead.

12 MR. GANT: I've followed Peter Marcus'  
13 reports for a number of years, and they are colorful  
14 and exciting at times. But much like a weather  
15 forecast, he'll give a percentage with those; and with  
16 each subsequent report, he'll change the percentages.

17 So he may talk about volcanic pricing being  
18 a 40 percent odds or 30 percent odds. I've not seen  
19 his latest report, but I think the reality would  
20 probably have him tone that down. Like the  
21 weatherman, he can always claim that he was right,  
22 since he bet on all the numbers.

23 VICE CHAIRMAN ARANOFF: Okay, who is that  
24 with his hand up in the third row?

25 MR. BUSSE: This Keith Busse. Peter Marcus,

Heritage Reporting Corporation  
(202) 628-4888

1 I've known him for 25 years, and he's a  
2 sensationalist. He makes his money by  
3 sensationalizing. Generally speaking, his directional  
4 tone is perhaps in the right direction, but not nearly  
5 to the volcanic extent that he prognosticates.

6 VICE CHAIRMAN ARANOFF: Okay; go ahead.

7 MR. FERRIOLA: If I could just add one more  
8 comment -- John Ferriola -- I've also followed Peter  
9 for about 25 years. I can say confidently, he's right  
10 50 percent of the time.

11 (Laughter.)

12 MR. POSPISIL: Yes, Tobin Popisil, Gallatton  
13 Steel -- it reminds me of the predictions that were  
14 made as late as March, that we'd be seeing \$600 steel  
15 prices now. Clearly, those predictions were wrong.  
16 So that's kind of the view I have of predictions.

17 VICE CHAIRMAN ARANOFF: Okay, I appreciate  
18 all those comments. Volcanic was such an exciting  
19 word though. I got very excited when I read it.

20 Mr. Schorsch, let me ask you a question; and  
21 I'll probably end up having to come back around to  
22 more of this in my next round, because I know I'm  
23 going to run out of time. But I wanted to follow up  
24 with a couple of questions about Arcelor Mittal -- how  
25 your international structure affects the U.S. market.

1           One question, you had said in your testimony  
2           that the company does not use any outside unaffiliated  
3           trading companies any more. Is that true on a global  
4           basis; that you've completely eliminated the use of  
5           outside trading companies?

6           MR. SCHORSCH: I would say, to my knowledge,  
7           that's true. Now certainly in the parts of the  
8           business that I oversee, there's no third party  
9           trading that goes on. I'm just not close enough to  
10          that part of the business; some of the more far away  
11          places. But certainly the policy of the company,  
12          let's say, is that we should not be using third party  
13          traders.

14          The former Arcelor had its own trading  
15          network. Actually, some of the predecessor companies  
16          had their own, and they were consolidating and  
17          combined. So there's no need to use the outsiders.  
18          Plus, again, there's a lot more discipline there for  
19          us if we use the internal groups.

20          So that's certainly the policy. We send  
21          internally across oceans something like 10 million  
22          tons to 15 million tons a year. So, you know, I can't  
23          say that that policy is never violated, if you will.  
24          But that's certainly the direction.

25          VICE CHAIRMAN ARANOFF: Okay, if you can

1 find out, for post-hearing, I'm obviously particularly  
2 interested with respect to facilities in the subject  
3 countries. But just in general, I'm trying to get a  
4 handle on whether that's still work in progress, or  
5 whether that's been completely achieved.

6 MR. SCHORSCH: Yes.

7 VICE CHAIRMAN ARANOFF: Because I know that  
8 the merger is not completely finalized.

9 MR. SCHORSCH: Yes, I mean, I can say into  
10 the U.S., 100 percent, there are no trading companies  
11 used. But I'll check in terms of more broadly  
12 speaking, can we say we've beaten that beast into the  
13 ground? Yet, there are still a couple of cases where  
14 that might be used.

15 VICE CHAIRMAN ARANOFF: Okay, I appreciate  
16 that. Thank you very much; thanks, Mr. Chairman.

17 CHAIRMAN PEARSON: Being mindful of both my  
18 left and right, very admirable people, I'll make sure  
19 that I say, it's time for Commissioner Okun to speak.  
20 To clarify, Commissioner Lane, all Commissioners are  
21 very admirable.

22 (Laughter.)

23 CHAIRMAN PEARSON: But these two are quite  
24 close to me, and either could whack me if I get too  
25 much out of line.

1                   COMMISSIONER OKUN: Thank you, Mr. Chairman  
2                   -- let me just continue and perhaps go to the other  
3                   producers on the panel for some more questions with  
4                   regard to the impact of subject imports from the three  
5                   countries that have Arcelor Mittal affiliations.

6                   You had talked, Mr. Ferriola, about, you  
7                   know, Mittal will do what's good for Mittal; but that  
8                   that could affect the rest of the market. The one  
9                   thing I just wanted to explore from the producers is,  
10                  again, as I understand this market and the cases we've  
11                  had before us, we're talking about World Steel  
12                  Dynamics. There are price lists. There's a lot of  
13                  pricing information. The Commission has found in a  
14                  number of its decisions that pricing information moves  
15                  quickly.

16                  So I guess I'm still struggling with the  
17                  idea, if you have what looks like a different  
18                  structure -- in other words if, what Mr. Schorsch is  
19                  saying, is true, for those particular countries or  
20                  those particular regions where Arcelor Mittal controls  
21                  the vast majority, and you don't have these multiple  
22                  traders bringing stuff into the market. You will have  
23                  one trader. Mr. Schorsch testified that the U.S.  
24                  facility -- and I hope I'm not putting words in his  
25                  mouth -- essentially has veto power over whether they

1 should import from a foreign sister facility.

2 If caustic materials are coming in, in  
3 another region as you said, and it's coming in at a  
4 low price, doesn't the rest of the market know that  
5 and wouldn't the rest of the market go down; and  
6 therefore, wouldn't that hurt Mr. Schorsch's  
7 facilities in Mittal?

8 That's the part I'm trying to understand; if  
9 they're really going to bring stuff in at low prices  
10 in other regions that Mittal USA doesn't serve, why  
11 that wouldn't injure every body and, therefore,  
12 doesn't that impose discipline on the market that  
13 wasn't there in the original investigation?

14 MR. FERRIOLA: Again, there's a multitude of  
15 possible scenarios; but let me just give you one. One  
16 of the overseas operations is operating in an under-  
17 capacity. It decides to come on to full capacity for  
18 whatever reason, to optimized their fixed costs, for  
19 example. They bring that product into a region where  
20 they do not have a manufacturing presence.

21 They will come in at a lower price. They  
22 will come in at a lower price to attack market share.  
23 The first impact, whenever that happens, is regional.  
24 Now ultimately, if it continues and they spread that  
25 product, it will become national and would harm their

1 total enterprise.

2 But if they bring it in on a regional basis  
3 and keep it on a regional basis in areas whether there  
4 are other producers, for example, in the Southeast,  
5 where Nucore has three hot rolled operations, they can  
6 reek havoc in that region. So for that reason, you  
7 know, I feel very strongly that we need to consider  
8 all 11 countries and do it on a cumulative basis.

9 COMMISSIONER OKUN: Okay, Mr. Goodish or  
10 other U.S. Steel, or Mr. Busse, Mr. Bouchard?

11 MR. BUSSE: I think, as I said before, if I  
12 were going to rationalize which facility I'd use, I'd  
13 do it on the basis of the margin that I had in the  
14 product.

15 Having been to Russia, I can't tell you how  
16 many times, their input costs are artificial. I mean,  
17 their coal is not at a market price. The ore is not  
18 at a market price. Natural gas is not at a market  
19 price, and so on and so forth.

20 So you end up with a cost structure that's  
21 an artificial cost structure; which, if you're selling  
22 into a global marketplace and the prices are  
23 consistent everywhere, then you're going to make more  
24 money selling out of the facility where your costs are  
25 perceptively low and you have greater margins. So

1       there would be a reason to fully utilize that  
2       facility, if you could.

3               COMMISSIONER OKUN: Mr. Hecht, do you want  
4       to add something?

5               MR. HECHT: Yes, I have just a quick point  
6       on two things. First of all, depending on your cost  
7       structure, I think we can show you concrete examples  
8       where it will make sense, even if you do see some drop  
9       in the market price where you will still make more  
10      money. Again, it all depends, I think, on the cost  
11      and what you're dealing with.

12              Secondly, I think you suggested this would  
13      be a change from the time of the original  
14      investigation. Again, just for the record, at the  
15      time of the original investigation, that Kosac mill  
16      was under joint ownership within Inland. So you  
17      really did have a very comparable situation at that  
18      time, when they did surge into the market and cause  
19      injury.

20              COMMISSIONER OKUN: I guess the only point  
21      on that, there was certainly a lot of information on  
22      the record, both from Respondents and even in the  
23      reports we did in the steel industry in 2004, that the  
24      consolidations on a global nature have mattered, and  
25      that some of the improvement we've seen in the U.S.

1 market over this time has been a result of that.

2 So the market may have different incentives  
3 than it did before, and that's what I'm trying to get  
4 information on, as opposed to whether it's the exact  
5 same situation that we had in the original  
6 investigation with Inland. I invite you to comment on  
7 that in post-hearing, and we'll certainly take a look  
8 at that to see if I think there's a change there.

9 Let's see, Mr. Ferriola, let me go back to  
10 you. I think this is probably a follow-up to one of  
11 the questions about the additional capacity coming on  
12 in the United States and how we should evaluate that,  
13 both from the standpoint of vulnerability and also  
14 what it means for market conditions in the reasonably  
15 foreseeable future.

16 You had talked about the Castrip process,  
17 and we've had mention of the Crawfordsville facility.  
18 I am interested in the technology. But I guess I'd  
19 spend this time on saying, is there something in  
20 particular that that facility is being brought on line  
21 to serve, or that we should be thinking about, in  
22 terms of the additional capacity in the market?

23 MR. FERRIOLA: The Castrip facility is built  
24 specifically to produce ultra-light gauge product. So  
25 it's a very targeted market. I've got to just touch

1 upon the technology for a minute, because it does have  
2 a unique microstructure, which differentiates it from  
3 most hot band that's out on the market today.

4 So we view it as a different product coming  
5 onto the market, to provide a different need.  
6 Frankly, again, it's another new product that we offer  
7 to our customers through technology and investment.

8 COMMISSIONER OKUN: Remind me, the targeted  
9 customers for that product would be?

10 MR. FERRIOLA: I would be happy to supply  
11 that in our post-hearing brief.

12 COMMISSIONER OKUN: Post hearing, okay,  
13 that's fine, and I hope I get the opportunity to see  
14 that facility and that technology in the future.

15 Let me return to the pricing question and,  
16 Mr. Schorsch, go back to you, because I think I didn't  
17 actually let you continue what you were saying.

18 MR. SCHORSCH: You were going to let me  
19 respond.

20 COMMISSIONER OKUN: Yes, go ahead.

21 MR. SCHORSCH: Okay, maybe I'll make a  
22 couple points, and I'll probably try to be brief. But  
23 just to be clear, our position on these three  
24 countries is no position. In effect, we are not  
25 trying, as I think was implied here, to kind of get

1 these orders revoked.

2 The reason for that no position, and I'll be  
3 as explicit as I can as I expect to be in front of  
4 this Commission in the future, I want to be credible  
5 in front of the Commission. I don't think I'm  
6 credible in trying to suggest or convey that these  
7 sister operations are a threat to our business in the  
8 United States.

9 So, therefore, we are taking no position.  
10 We're not trying to get the orders revoked, and the  
11 Commission can decide how they want to decide on that  
12 issue.

13 I think secondly, certainly there was a hint  
14 in what Bob was describing that, you know, there's  
15 going to be this flood of material from these three  
16 countries if these orders are lifted. The future is  
17 unknown. I don't know what the right decision would  
18 be for our country, et cetera.

19 But certainly, those operations have their  
20 own target markets today. Again, we have our own  
21 processes in place. I would take a look at Romania,  
22 for example, where I think the duties over the past  
23 three years have been less than one percent on  
24 average.

25 The amount of hot roll material coming in is

1 zero. What will happen in the future; who knows? But  
2 this idea that, you know, the heavy breathing and, oh,  
3 they're going to come in with all this volume or are  
4 just waiting to do it, I think that's very unfair.

5 The final point I'd make is in terms of the  
6 theoretical or hypothetical example of, you know,  
7 here's how we maximize our profits by bring this  
8 material in. I used to be a consultant. I can make  
9 any point you want to make with hypothetical and  
10 theoretical examples.

11 I think the reality is, if you look at our  
12 operations in this country, you know, any time we've  
13 acquired or found sister operations, the imports from  
14 those sister operations go down, if you will.

15 So again, we're not trying to get those  
16 orders lifted. We've taken no position, largely to be  
17 credible in front of you in saying, we can't convey  
18 that these operations will hurt business here. But  
19 again, that's the reason for the no position. We're  
20 not trying to get those orders lifted.

21 COMMISSIONER OKUN: Okay, I appreciate those  
22 comments. As producers know, the Commission had  
23 requested business plans, and I appreciate those  
24 producers, both U.S. producers and from the foreign  
25 producers, that did provide business plans.

1 I've always seen them when they are a  
2 business plan that was produced, not for the purposes  
3 of this investigation, to be relevant to what the  
4 industry thinks and what it's making its decision on.

5 So without calling on individual producers,  
6 I would ask, if you did not supply a business plan and  
7 you have capacity that's coming on line or new  
8 investment coming on line, if there's anything else  
9 you can provide the Commission post-hearing to help us  
10 understand what the conditions you see or your  
11 business sees in making these investments, I think  
12 it's extremely helpful to our analysis in what's going  
13 to happen in the reasonably foreseeable future. So I  
14 will just reiterate that call, and thank those who  
15 have already provided them.

16 Now let me ask about Argentina. And I know  
17 Mr. Lighthizer wants to have a dialogue about  
18 cumulation, but I'm not going to have that one yet.  
19 What I do want to ask, because my yellow light is on,  
20 is if we look at -- if one were to look at Argentina  
21 by itself and just look at it in the original  
22 investigation and in the current -- and what it looks  
23 like currently, does it look -- I mean, aren't there  
24 many -- I can name differences. I mean, it's not,  
25 without going over this confidential information, I

1 mean, who they're shipping to, who they're not  
2 shipping to, whether China effects them. To me, they  
3 look very different. Yes? Mr. Vaughn, you've got  
4 your hand up.

5 MR. VAUGHN: Yes. Commissioner Okun, I  
6 think when you look at Argentina and you may see what  
7 appear to be certain differences, but I would suggest  
8 that a lot of those differences don't necessarily have  
9 to do with the factor that you should look at for  
10 purposes of cumulation, because what you do see is, is  
11 that the hot-rolled steel that they sell is going to  
12 have the exact same impact on this market as the hot-  
13 rolled steel that would come in from anyone else.  
14 Now, there may be factors that go to how much hot-  
15 rolled steel they would ship in, what size of the  
16 market they might take, but that hot-rolled steel that  
17 came in from Argentina, the evidence is overwhelming  
18 that it would have the same hammering effect as the  
19 hot-rolled steel from the other countries. It would  
20 be the same type of product. It would be sold in the  
21 same channels of distribution. It would be sold in  
22 the same parts of the country. It would just be added  
23 on, on top of the rest of this market. And so, I  
24 think for purposes of cumulation, it should be treated  
25 exactly the same.

1           COMMISSIONER OKUN: Okay. My red light has  
2           come on. I will have an opportunity to come back to  
3           this issue. Thank you.

4           CHAIRMAN PEARSON: Let me now recognize my  
5           admirable and distinguished colleague, Commissioner  
6           Lane.

7           COMMISSIONER LANE: Thank you. I want to  
8           return to the questions about the way that we value  
9           the internal transfers. The final question on the  
10          alternate data that purports to show non-commercial  
11          transfers or sales at costs, while not shown as a  
12          separate schedule in the pre-hearing report, you can  
13          subtract commercial sales data from total hot-rolled  
14          data to arrive at a financial statement that should be  
15          only non-commercial transfers or sales at cost.  
16          Except for one company, the net operating income vary  
17          significantly from year to year, showing some profits,  
18          but mostly losses. I would like an explanation why  
19          when revenues are set at cost, the result is not zero  
20          income. And -- I will give you my second question, so  
21          you can think about it, too. And I would like a  
22          specific reconciliation from Mittal and U.S. Steel,  
23          because Mittal and U.S. Steel appear to show some  
24          revenues equal to costs in some of the years, but not  
25          others.

1 MR. KOTHARI: For your first question --

2 COMMISSIONER LANE: Do you want to identify  
3 yourself for the court reporter, please?

4 MR. KOTHARI: I am S.P. Kothari. And to  
5 answer your question why the profits are not  
6 identically equate to zero, what has been done is we  
7 have taken the original financial numbers and  
8 subtracted from the profit the difference between the  
9 sale price and cost of hot-rolled products. So, we  
10 have turned only one time. We have taken the original  
11 financial statement and suppose that firm had reported  
12 \$10,000 of profit. Now, we have -- the only  
13 adjustment we have made is the one that corrects the  
14 difference between the commercial sale price and the  
15 cost. And as a result, the profit is lower, but not  
16 equal to -- identically equal to zero. So, in other  
17 words, the profit would be zero, if the firm was  
18 engaged in only one business and that is hot-rolled  
19 products and nothing else. There was no other effect  
20 that was taking place by that firm.

21 COMMISSIONER LANE: Okay, thank you. Now,  
22 the second part of my question, Mr. Lighthizer, would  
23 you want to try to answer that or at least in maybe  
24 post-hearing and Mittal, to show why the revenues  
25 equal cost in some of the years and not other years?

1                   MR. HECHT: Commissioner, this is Jim Hecht.  
2 I think we would be happy to do that post-hearing, but  
3 are going to have to take a detailed look at your  
4 question.

5                   COMMISSIONER LANE: Okay. Mr. Schorsch?

6                   MR. SCHORSCH: I think the same thing for  
7 us.

8                   COMMISSIONER LANE: Okay, thank you. The  
9 domestic industry has argued that domestic producers  
10 would experience significant price and volume effects  
11 in the event of revocation of these orders. Can you,  
12 please, provide, either today or post-hearing,  
13 projections regarding the effects of revocation on the  
14 domestic industry based on subject imports pre-order  
15 volume and pricing behavior? I just need somebody to  
16 say yes.

17                   MR. PRICE: We would be happy to do that,  
18 Commissioner.

19                   COMMISSIONER LANE: Okay, thank you. My  
20 next questions are for AK Steel, Mr. Gant, I believe.  
21 In your pre-hearing brief, you state that you continue  
22 to have substantial pension and benefit costs that  
23 some of your competitors do not have. You go on to  
24 state that in your most recent labor contract, you  
25 have locked and frozen your traditional defined

1 benefits pension plan. Do you mean that you have  
2 closed the plan to new participants and frozen current  
3 participants, who have not yet retired to a benefit  
4 level based on their current wages and years of  
5 service?

6 MR. GANT: We have a number of different  
7 agreements, but I think that statement references the  
8 fact that --

9 COMMISSIONER LANE: Can you get a little bit  
10 closer to your mic?

11 MR. GANT: In a number of our labor  
12 agreements now, the benefits are frozen, in that  
13 they'll continue to be paid for future retirees, but  
14 the cost of them will not go up and that will happen  
15 by means of sharing of the benefit cost.

16 COMMISSIONER LANE: Okay. Do you project  
17 significant cost savings from your new defined  
18 contribution benefit plan?

19 MR. GANT: What we expect is to have that  
20 cost more under control. And, ideally, it would be  
21 flat, although it's substantial today. I think our  
22 healthcare benefits that we pay today are some \$280  
23 million a year, again, a result of the legacy of 109  
24 years in business and the fact that we have 55,000  
25 people drawing benefits current and retired.

1                   COMMISSIONER LANE: In your pre-hearing  
2 brief, you, also, mention cost reductions relating to  
3 OPRBs, or other post retirement benefits. Are all of  
4 those reductions due to healthcare cost sharing or  
5 have you changed your OPRBs packages for new or future  
6 employees?

7                   MR. GANT: I think the answer to that is  
8 both. We have changed healthcare for new employees  
9 with new agreements and we have capped those cost in  
10 the future. So, when there's an actuarial accounting  
11 of those, it does reduce the overall OPRBs expense,  
12 which is a prediction of the future costs.

13                   COMMISSIONER LANE: Okay. Now, Mr. Lawwill?

14                   MR. LAWWILL: Yes, back here.

15                   COMMISSIONER LANE: Okay. I note that in  
16 your prepared remarks, you mentioned that you have a  
17 smaller workforce at Middletown and you are now  
18 bearing a larger share of your health benefits. You  
19 don't mention pensions. Have the older workers at  
20 Middletown been able to reasonably preserve their  
21 defined benefit plans and have already retired  
22 employees continued to receive their benefits from AK  
23 Steel?

24                   MR. LAWWILL: Yes. The people that have  
25 already retired continue to receive their benefits,

1 both health and insurance and their pension payments.  
2 As far as -- what we've done is we've locked and froze  
3 our current pension fund and we're now in the IAM  
4 pension fund. And we're totally vested in that. So,  
5 if someone was to retire in three years, they would  
6 receive three year service from the IAM and 27 year  
7 service from AK Steel.

8 COMMISSIONER LANE: Do you have any  
9 additional comments on the potential effects of  
10 removing the orders from the perspective of employees  
11 and retirees?

12 MR. LAWWILL: No.

13 COMMISSIONER LANE: Okay, thank you. Mr.  
14 Gerard, would you like to make some comments?

15 MR. GERARD: Just some brief point that --

16 COMMISSIONER LANE: Could you speak into  
17 your microphone?

18 MR. GERARD: Sure. Just a brief point, that  
19 the arrangements with AK aren't necessarily the same  
20 for the steelworkers, as they are with the brother at  
21 the back from Machinist. And, also, to make the point  
22 that U.S. Steel has not altered their pension  
23 benefits. We have a fully-funded pension plan at U.S.  
24 Steel that hasn't had a lock and freeze.

25 COMMISSIONER LANE: Mr. Gant, did you want

1 to say something?

2 MR. GANT: If I may just add that my concern  
3 about the orders being revoked and the continuation of  
4 these benefits, and while we're obligated to pay these  
5 benefits, if we don't have the money to do so, we  
6 simply cannot. And as I mentioned, we have  
7 contributed hundreds of millions of dollars to fund  
8 our pension fund, which, again, we're required to do  
9 by law, but it's only done when we have the money to  
10 do that. And so, I think in terms of the question  
11 about the risk to retirees and future retirees if the  
12 orders are revoked is that I think there is a very  
13 severe risk.

14 COMMISSIONER LANE: Okay, thank you. Mr.  
15 Goudish?

16 MR. GOUDISH: I would like to make one  
17 comment. Mr. Gerard made a comment about U.S. Steel's  
18 plan being fully funded and we, also, bought a company  
19 out of bankruptcy, the old National facilities, and  
20 earlier, both Leo and Tom were talking about the  
21 profit sharing portion of that, that we contribute to  
22 a steelworker trust based on profitability. Those  
23 National workers are dependent upon us and  
24 profitability contributing to that fund. So, that's  
25 where our benefits to our employees become at risk, if

1 there's a flood of imports into the country and we no  
2 longer make money and cannot fund those plans.

3 COMMISSIONER LANE: I thought I saw another  
4 hand up. Yes, sir?

5 MR. FERRIOLA: John Ferriola with Nucor.  
6 There's been a lot of discussion about pensions and  
7 what happens and how it ties back into profitability.  
8 I just wanted to make sure that the Commission  
9 understood that in many companies, such as Nucor, we  
10 have a pension like plan. We contribute a certain  
11 portion of our profits. To be exact, 10 percent of  
12 our pre-tax earnings are contributed to 401K plans in  
13 our employees' names, so that those future retirees  
14 have a good income to depend upon. So, it's not just  
15 in the integrated world, that the profitability will  
16 impact future retirees.

17 COMMISSIONER LANE: Okay, thank you. Thank  
18 you, Mr. Chairman.

19 CHAIRMAN PEARSON: Commissioner Williamson?

20 COMMISSIONER WILLIAMSON: Thank you, Mr.  
21 Chairman. I would like to turn just for a moment to  
22 the question of internal consumption in the subject  
23 foreign countries. Please discuss the meaning of a  
24 subject country having strong internal consumption;  
25 describe how easily a country, or for that matter, a

1 hot-rolled steel producer, could divert shipments away  
2 from internal consumption to commercial sales in its  
3 home market or to export markets; and would such a  
4 diversion be common or rare in this industry and what  
5 factors, such as price, profit margins, would induce a  
6 producer to divert its internal consumption to either  
7 exports or commercial sales?

8 MR. GOUDISH: Commissioner, I would like to  
9 address that. John Goudish from U.S. Steel. I think  
10 probably the terminology 'divert' is probably not the  
11 right exact terminology. The issue that I think that  
12 we're attempting to address is in countries like China  
13 and countries like India, where their capacity to  
14 produce hot-rolled product is growing at a rate faster  
15 than their consumption of those products go, that  
16 material is now available, that product is now  
17 available out in the international marketplace. If  
18 you go back and you take a look of China, and there  
19 have been a couple of numbers offered here today,  
20 where the last year's production was 422 million tons  
21 or where there was 432 million tons is kind of  
22 immaterial. They're increasing their capability by  
23 about 25 percent a year, but their consumption of  
24 steel products is only increasing at the rate of 15 to  
25 18 percent per year. So, that differential of seven

1 to eight percent is now available to the international  
2 marketplace.

3 China has some of the lowest prices in the  
4 world, because of the fact that they do have excess  
5 production capability and they're running their  
6 facilities full. You will also hear some discussions  
7 about, oh, they've committed to take production out of  
8 operation. But when they're committing to produce or  
9 they actually build facilities at 20 to 25 percent and  
10 you're at 400 -- let's just use the number 422 million  
11 tons, you're putting 65 million tons of raw steel  
12 capability into production and they're commitment is  
13 to take 30 million tons out. So, they've still  
14 produced -- they've still generated 35 million more  
15 tons of added production and their consumption is only  
16 growing at a rate of 18 percent. So, that's how you  
17 get in.

18 In the case of India, India has an announced  
19 five-year steel program, where they're more -- they're  
20 going to double the capacity of their industry with  
21 the sole purpose of the excess production capability  
22 or the added production capability going into the  
23 export market. People will look at India and they  
24 say, India has the same capability as China. It's the  
25 next China. It may be, but there is a lot of

1 democracy in India and they can't -- the economy just  
2 doesn't move the same way the Chinese does. The  
3 Premier gets up in the morning, he says what the  
4 country is going to do. You will hear a lot of stuff  
5 about provincial governments. But, if the Premier  
6 says, we're going to turn white in the morning, we're  
7 going to turn white in the morning. We've seen that  
8 happen in the last couple of months with taxes.  
9 They're on; they're off; they can't keep track of who  
10 the exporters are until they wanted to and then they  
11 manage to do it.

12 So, it's issues like that. Production  
13 capability is expanding in the Ukraine. There are new  
14 facilities coming on. And while their economies are  
15 growing and steel consumption is increasing, it is not  
16 increasing at the rate that added production  
17 capability comes on. So, your terminology of 'divert'  
18 may be accurate based on the documents that were  
19 provided, but it's actually excess capacity that's  
20 being built and those tons are now going to be  
21 available in the marketplace.

22 COMMISSIONER WILLIAMSON: Yes?

23 MR. PRICE: There are certainly situations  
24 where a country may be a net importer and still will  
25 send substantial amounts of volume out onto the world

1 export market and those can relate to a variety of  
2 factors. For example, you can find imports to supply  
3 Japanese automotive producers in certain countries,  
4 which are not really readily available, which make an  
5 appearance that a company is a net importers, but  
6 those are really not volumes that frankly the local  
7 markets suppliers are ever going to be offered. Those  
8 countries will readily divert volume out onto the  
9 export market, because it is attractive or because  
10 they really need to fill the mill. They have  
11 substantial excess capacities, in terms of what the  
12 real market they can serve will be. And we, also, see  
13 in a lot of situations where there are countries where  
14 there are net exporters -- excuse me, net importers  
15 will sell substantial volumes out on the export  
16 market, because it makes sense.

17 For example, besides Thailand, which we saw  
18 and they're selling substantial exports out there and  
19 that volume will divert to the U.S., if this order is  
20 lifted, we see, for example, on another product, Hong  
21 Kong rebar. Believe it or not, there's a rebar mill.  
22 They're a huge net importer. They sell substantial  
23 volumes of rebar to the United States, because it's  
24 Chinese volume diverting through to the U.S., because  
25 it makes sense economically to essentially toll the

1 volume and send it to the U.S. So, I think that there  
2 are obviously other situations that Mr. Goudish is  
3 rightly talking about, these massive capacities coming  
4 on line and then these other folks, who are working  
5 with the Chinese, to divert capacity over to the U.S.  
6 in volume here.

7 COMMISSIONER WILLIAMSON: But in that case  
8 of the Chinese, is that product actually made in Hong  
9 Kong that's really coming in?

10 MR. PRICE: In other words, it's a Hong Kong  
11 -- it's a Chinese semi-finished billet or a Chinese  
12 slab that's going to Thailand being rolled and sent  
13 over here. But, it's essentially what I call a  
14 circumvention route. Perhaps a legal circumvention  
15 route. I'm not getting into the technical issues of  
16 circumvention, but that's what the Thais are basically  
17 asking to open up here.

18 COMMISSIONER WILLIAMSON: Does someone else  
19 wish to add anything?

20 MR. HECHT: Commissioner Williamson, just to  
21 get back to your original question. I'm not sure --  
22 because these words are used a little bit overlapping  
23 at times, I'm not sure if part of your question was  
24 whether internally consumed hot-rolled, in the sense  
25 of something sent downstream to make cold-rolled or

1 corrosion resistant, whether that could be diverted  
2 into the hot-rolled market. To the extent that is  
3 part of your question, we would be happy to address  
4 that, as well. It certainly could be. It would  
5 depend on the economics of running the cold mill  
6 versus your opportunities in a hot-rolled market.  
7 Aside from that, obviously, you have divertible sales  
8 of hot-rolled directly into the commercial market and  
9 your home market or divertible sales -- you know, your  
10 exports of hot-rolled would, also, be divertible. So,  
11 I think it's a question of the economics and the  
12 relative price attractiveness of those products.

13 Here, you have substantial record evidence  
14 that the large volume of exports that these countries  
15 are shipping, the subject countries, on the  
16 international markets are being made at prices well  
17 below the prices they could receive in the U.S., and  
18 that is one of the real indicia we see of potential  
19 harm from revoking these orders.

20 COMMISSIONER WILLIAMSON: In those cases,  
21 you're really talking about, and I take it what Mr.  
22 Goudish said, it's a strong -- it's not so much the  
23 question of strong internal consumption, it's the fact  
24 that there's excess capacity, they can produce a lot  
25 more, and that seems to be the greater concern.

1           MR. KAPLAN: Seth Kaplan. I think there are  
2 four levels you should look at. The first is  
3 divertible capacity they send to third markets right  
4 now. And in our study that's attached to, I believe  
5 Exhibit A of the Skadden brief, there's 25 million  
6 tons out there that's lower priced than the U.S. So,  
7 first, take a look at what they're already making and  
8 sending other places.

9           The second part is excess capacity that's  
10 currently available in the subject markets. So,  
11 there's excess capacity in China, India, that's  
12 available, if it could be produced at a lower cost  
13 than the price in the United States, and I think  
14 there's evidence that it can.

15           The third part is what you're referring to  
16 are shipments that are entering their current home  
17 market, either directly as hot-rolled or as downstream  
18 into cold-rolled and corrosion. And if the prices are  
19 high enough in the United States, that's a third  
20 source of product from the subject countries that can  
21 get here.

22           And then the fourth, which is in the  
23 foreseeable future, that Mr. Goudish talked about, is  
24 the enormous amount of planned capacity that is coming  
25 on line in the next several years at a rate much

1 higher than their home market demand is.

2 So, there's four sources that are here and  
3 will be here, that are being sold at a cost at a lower  
4 price in the United States, in quantities that just  
5 swamp the U.S. market. So, I tried to categorized all  
6 the sources for you.

7 COMMISSIONER WILLIAMSON: Could you sort of  
8 rank order the threat, which represents the biggest  
9 threat and which may represent the last?

10 MR. KAPLAN: Sure. I think immediately,  
11 it's diversion from third-market countries, because  
12 that's already produced. And if there's 25 million  
13 tons that's being sold at a lower price that's  
14 entering the United States, if the relative  
15 transportation cost between those third markets and  
16 the United States is less than the relative price  
17 differential, which it has been for -- is demonstrated  
18 by the chart shown by Germany, by Mr. Lighthizer  
19 earlier, that 25 million is at risk right away.

20 Second is the current excess capacity.

21 Third is the capacity that's used to make  
22 products in their home market. But, that's current.  
23 The real threat and the real overhang are these tens  
24 of millions of tons of new capacity coming on board,  
25 in excess of what they're demand is being predicted,

1 that Mr. Goudish spoke of.

2 So, I would say the divertible one, the new  
3 capacity coming on that's going to be so massive, the  
4 home market export capacity, and then taking internal  
5 consumption and sending it here. But, it's enormous.  
6 You have the numbers up and its tens and tens of  
7 millions of tons relative to the small amount that  
8 caused injury in the original investigation.

9 COMMISSIONER WILLIAMSON: Thank you. My  
10 time is up. Thank you for that answer.

11 CHAIRMAN PEARSON: Commissioner Pinkert?

12 COMMISSIONER PINKERT: Thank you, Mr.  
13 Chairman. I want to go back to Mr. Gant and his  
14 testimony about the change in corporate strategy after  
15 the imposition of the orders in 2001. I note that in  
16 2002, there were steel safeguards that were imposed on  
17 hot-rolled. So, my question is, what impact did those  
18 -- did that relief have on the corporate strategy that  
19 you testified to earlier?

20 MR. GANT: Well, I think the effect was not  
21 immediate, as the economy was not performing very well  
22 at that time. But once the economic growth in the  
23 U.S. started again, really at the end of 2003 and into  
24 2004, then we're able to enter the hot-rolled market  
25 again after essentially not quite exiting it, but

1 reducing it greatly in the early part of the decade.

2 COMMISSIONER PINKERT: So, are you saying  
3 that there was a combined impact of the orders that  
4 we're talking about today and the safeguards that were  
5 imposed in 2002?

6 MR. GANT: Yes, it's combined, because,  
7 again, if you don't have an economy that's driving the  
8 demand there, that's one fact. But, I think without  
9 the orders, when the economy did improve, we perhaps  
10 would not have been able to participate in the market  
11 because of the amount of steel that that economic  
12 growth would attract.

13 COMMISSIONER PINKERT: Is anybody else  
14 wishing to comment?

15 MR. KAPLAN: John Ferriola with Nucor. I  
16 would like to make a comment about the impact that the  
17 decision to put the remedies in place in 2001, how it  
18 effected Nucor's decision on our business plan, our  
19 corporate strategy, and very particularly one  
20 decision, in particular, and that was the decision you  
21 heard Congressman Cramer refer to this morning, when  
22 we decided to purchase and reopen the shuttered Tricor  
23 facility in Decatur, Alabama. I can tell you, I was  
24 intimately involved in that decision and the fact that  
25 the remedies were being applied to these 10 countries

1 was a cornerstone in that decision for us. I can tell  
2 you, categorically, we would not have made that  
3 decision. We did not have confidence with the fact  
4 that these remedies would bring some stability to our  
5 industry and allow us to earn the return on capital  
6 that we expected from our investment. So, had those  
7 remedies not have been put into place, we would not  
8 have made that investment, would not have brought back  
9 400 jobs to that area.

10 I can just add a little bit of color to it,  
11 if I may, because, again, being involved in it, I went  
12 to Decatur and met with the city council and the mayor  
13 to inform them that Nucor was purchasing and reopening  
14 that facility. And I got to meet the mayor of  
15 Decatur, a wonderful young man of 76 years of age,  
16 okay, who went on to tell me about how excited the  
17 town was when Tricor first announced that they were  
18 opening the facility and then the devastation that  
19 occurred when they shut it down. He looked at me and  
20 he said, okay, now, you're telling me Nucor is going  
21 to open it up. He looked at me and he said, I'm  
22 telling you, we can't go through that again. Please  
23 do not do that to us again. If you're not going to  
24 keep this place open, do not open it now. Please do  
25 not do that to us again. So, I'm here today, saying

1 for those -- the people of the town of Huntsville and  
2 Decatur, Alabama, please don't do that to them again.

3 COMMISSIONER PINKERT: Thank you. I'd like  
4 to turn to a question that I'm hoping I can get some  
5 comments on publically, but it may be a question  
6 that's more appropriate for the post-hearing and  
7 treating the answers as proprietary. But, I'm  
8 wondering whether you can discuss any product  
9 differences, including product specifications, between  
10 the subject merchandise and the domestic like product,  
11 and whether there are any significant differences  
12 between the two that I referenced that might preclude  
13 selling imports from certain countries into the United  
14 States; for example, the subject countries that are  
15 represented here today. Would anybody like to take a  
16 whack at that or perhaps post-hearing submission?

17 MR. SCHORSCH: Just to take a whack, as you  
18 put it -- Lou Schorsch with Arcelor Mittal, I think  
19 the vast majority of hot-rolled products, as Leo said,  
20 this really could be viewed as a commodity product.  
21 There certainly are some specialties. I mentioned  
22 kind of the X70, X80, thick product, wide product that  
23 would go into line pipe applications and so on. But,  
24 I think those are a relatively small portion of the  
25 product. I think for the vast bulk of product here,

1 this is the most commodity like, let's say, of any of  
2 the products that we make.

3 COMMISSIONER PINKERT: I believe somebody in  
4 the back?

5 MR. MEYERS: Yes, Mike Meyers with U.S.  
6 Steel. Again, across the various countries involved  
7 here, I was thinking to the testimony earlier of  
8 Thailand, when they shipped -- or at least applied for  
9 licenses of over 100,000 tons in August of last year,  
10 I would have to think that that 100,000 tons of  
11 product in such a short period of time would basically  
12 compete with any ton produced in this country. Hot-  
13 rolled does tend to be more of a commodity product  
14 across most of the product line. And, again, the  
15 fungibility of the product is extremely strong.

16 COMMISSIONER PINKERT: If anybody would, I  
17 would like to hear some comment about the product  
18 specifications issue, as well as quality.

19 MR. LIGHTHIZER: Yes. Commissioner, I  
20 should say that we will address it in the post-hearing  
21 brief. I think it's difficult to talk about without  
22 giving away something that's in the Respondent's brief  
23 and getting too close to the line about what we want  
24 to talk about. So, we will address that specifically  
25 in our post-hearing brief.

1                   COMMISSIONER PINKERT: Thank you. In the  
2 back?

3                   MR. BLUME: Yes, Rick Blume, Nucor. I would  
4 like to make the comment that, as Mr. Schorsch pointed  
5 out, a good bit of the product in hot-rolled is at the  
6 commodity level. In fact, what we find in the  
7 marketplace and what we hear from our customers, at  
8 that level, it's clearly price, price, price. So, in  
9 terms of differentiating yourself on the commodity  
10 level, it's very difficult to do. Frankly, it's not  
11 achievable at the commodity level. There are grades  
12 of steel, as you move into automotive, into other  
13 advanced steels. But, clearly, that's not the bulk of  
14 the market that we're talking about. So, it's very  
15 important that we cumulate all of these countries, as  
16 we address this issue. Thank you.

17                   COMMISSIONER PINKERT: Thank you. If I  
18 don't have any other comments on that issue, I'll turn  
19 to an issue that I believe the lawyers would be in a  
20 good position to comment on and that is on whether we  
21 ought to consider the domestic industry to be  
22 vulnerable in the technical sense of vulnerability.  
23 And my question is not only should we consider it to  
24 be vulnerable, but does the vulnerability issue hinge,  
25 in any way, on how we measure the profitability of the

1 industry? As you recall, we've had extensive  
2 discussions today about how you measure the  
3 profitability. And so, I'm wondering whether your  
4 answer is affected at all by how we measure the  
5 profitability of the industry?

6 MR. HECHT: Commissioner, Jim Hecht. I'll  
7 get things rolling on that, and we've talked about  
8 this issue a little bit in past cases. I think there  
9 may have been times in past Commission decisions where  
10 they did look at profitability, in terms of a relevant  
11 factor for vulnerability. I think from our  
12 standpoint, if you look at how vulnerability is really  
13 defined in the statute and the legislative history, it  
14 goes to the concept of susceptibility to material  
15 injury. And since material injury is a change in  
16 position, it really, in a sense, is susceptibility to  
17 a material change. So, from our standpoint, we  
18 certainly think that that is the case here. You know,  
19 whatever starting point you're looking at, in terms of  
20 profitability, that when you look at some of the risk  
21 factors, obviously just enormous global excess  
22 capacity, what's going with China, we think there are  
23 many, many risk factors that do put the industry in a  
24 vulnerable position, in terms of the risk of material  
25 injury.

1 COMMISSIONER PINKERT: Go ahead.

2 MR. PRICE: Yes, Alan Price, Wiley Rein. I  
3 just want to be clear that the accounting issue we've  
4 talked about is, I think, a serious substantive issue  
5 that I think we want -- that we all view as important  
6 just from an intellectual exercise, is that there's a  
7 real problem the way things have been done in the  
8 past. But, regardless of those results, this case  
9 does not turn any way, shape, or means by what you  
10 decide in those accounting results. At the end of the  
11 day, are imports going to come in? We say, yes. Are  
12 they going to have substantial negative price and  
13 volume effects? Yes. The industry is susceptible to  
14 injury. In our view, the industry is vulnerable.

15 Having said that, even if the industry is  
16 not vulnerable, this Commission has also still made  
17 affirmative sunset findings, given the different  
18 natures of some of the approaches used by the  
19 Commission over the years. But, clearly, there will  
20 be overwhelming and significant effects that warrant  
21 affirmative determination.

22 MR. SCHAGRIN: Commissioner Pinkert, this is  
23 Roger Schagrin. I agree with Mr. Price's comment. I  
24 mean, this industry was quite healthy in the mid-1990s  
25 and then with very strong demand. And then when you

1 had big import surges in both 1998 and then later  
2 again in 2000 with the subject imports, you saw an  
3 industry that suffered material injury and that can  
4 recur based on high levels of imports. But in  
5 addition, in terms of looking at current vulnerability  
6 of the industry, certainly, taking into account  
7 information on falling demand or lowering demand,  
8 recent information on decrease in prices, and  
9 information on falling profits are all indications of  
10 more current vulnerability, which may mean injury  
11 would recur even with lower volumes of imports.

12 And I would point out something in today's  
13 steel business briefing with the announcement of  
14 California Steel Industry's quarterly profits,  
15 probably the largest seller of these products in the  
16 west coast market, the company said, and I quote, 'our  
17 market is faced with lower than usual demand, which is  
18 placing downward pressure on flat-rolled sales  
19 prices.' The company reported a 77 percent decline in  
20 second quarter profits after it had reported a 96  
21 percent decline in first quarter of products. That's  
22 an indication, when the largest seller of these  
23 subject products on the west coast is reporting  
24 falling profits in the range of 77 and 96 percent,  
25 compared to the same time periods in 2006 and, of

1 course, a lot of these mills in the Midwest sell out  
2 to the west coast, where demand is really hurting  
3 because of the housing market on the west coast is  
4 collapsing, that's an indication of current  
5 information on more vulnerability. I just wanted to  
6 add that. Thank you.

7 COMMISSIONER PINKERT: If there are any  
8 other commentors on this issue, we'll come back to it  
9 in the next round.

10 CHAIRMAN PEARSON: I have a question about  
11 the material injury standard. If we were to conclude  
12 that there likely would be a single lost sale due to  
13 subject imports following revocation of the order,  
14 would that lost sale constitute material injury in the  
15 context of this investigation?

16 MR. STEWART: You didn't say how big the  
17 sale was. It depends on how large the sale is. If  
18 it's a ton, we'll concede no, I think in my guest.

19 MR. LIGHTHIZER: I think it's conceivable,  
20 you could have a sale. I mean, obviously, if it's a  
21 sale, it's going to effect one country. But, assuming  
22 you get over the fact that you have a discernible  
23 impact. I mean, is a one-ton sale a discernible  
24 impact? My guess is, it's something the Commission  
25 would find that not to be the case. But, if you have

1 a discernible impact, then the question is whether or  
2 not there is some material injury. Is it anything  
3 that's not immaterial, unimportant, or  
4 inconsequential? I mean, that's obviously a judgment  
5 call. I went through this before with you and I  
6 thought that the Commission had a reasonable reaction  
7 to it in their OCTG. I mean, the number one point is,  
8 is there a change? That's the first thing that you  
9 have to look at and if the Commission accepted that.  
10 And then the second question is how much does it take  
11 to move down? And I think that the United States  
12 Congress was trying to make the point very clearly  
13 that it's very little.

14 CHAIRMAN PEARSON: Okay.

15 MR. LIGHTHIZER: I mean, you could not -- I  
16 mean, I don't want to go through what we talked about  
17 before, there's no point in it. But, I sat there, I  
18 did it, I saw with the Senators and the Congressmen,  
19 the fact is they were trying to write the lowest you  
20 can write, because we're dealing with unfair trade.  
21 We're talking about people's jobs. We're talking  
22 about something that's having -- that shouldn't be  
23 going on in the market in the first place. So, they  
24 wanted a very, very low standard. If I was the  
25 Commissioner and it was one sale and it was one ton, I

1 don't know, I probably wouldn't vote for it. But, if  
2 it were anything more -- a lot more than that, in my  
3 judgment, I would probably go for it, depending on --  
4 assuming you meet all the other statutory standards.

5 CHAIRMAN PEARSON: So, if we have growing  
6 domestic consumption and we think that there might be  
7 some very modest level of sales lost to subject  
8 imports following revocation, do we evaluate the  
9 question of injury differently?

10 MR. LIGHTHIZER: I don't think, Mr.  
11 Chairman, that you can decide that you have a higher  
12 standard of material injury, because domestic  
13 consumption is growing. At least that's not the way I  
14 would analyze it, because that would suggest that  
15 whenever you have the economy doing well, for some  
16 reason, it's more difficult to prove injury. That is  
17 not, I believe, at all what Congress had in mind. So,  
18 I don't think that's a relevant factor. You should be  
19 able to prove injury whether the economy is doing well  
20 or not. Indeed, ironically, in the old days, what  
21 they would come in here and say is we shouldn't get  
22 relief, because the economy is not doing well. You  
23 lead with those arguments over and over and over again  
24 from all the responses. Fortunately, they were  
25 rejected by the Commission. But the idea there was,

1 oh, of course, you're all going out of business and,  
2 of course, everybody is losing their job, but it's for  
3 other reasons. It's because we're having a recession.  
4 I mean, that was an argument we heard over and over  
5 again, which is sort of the other side of what you're  
6 saying.

7 CHAIRMAN PEARSON: The question really was,  
8 if there's more demand for everybody, if everybody is  
9 getting more sales, then is it harder for us to see  
10 material injury or should we --

11 MR. LIGHTHIZER: Not in my judgment. If you  
12 have unfair trade and it is causing a material change,  
13 negative change, then I think you have to find injury.  
14 And I don't even honestly, Mr. Chairman, think it's a  
15 debate. I think that's clearly what the Congress had  
16 in mind and you look at the statute. That's what  
17 Senator Long was trying to do. That's what Mr. Watson  
18 and Casey were trying to do. That's what they were  
19 writing. That's what the word say.

20 CHAIRMAN PEARSON: Okay. Now, does your  
21 definition of material adverse change amount to an  
22 injury standard that approximates the minuscule level  
23 of impact that would trigger an outright prohibition  
24 on cumulation under no discernible adverse impact? In  
25 other words, how are you drawing a line between the

1 injury standard that you've just been discussing and  
2 no discernible adverse impact?

3 MR. LIGHTHIZER: Well, you have to make the  
4 decision that there is a discernible impact or you're  
5 not going to cumulate. And once you get to that, and  
6 assuming you have the overlapping competition, and  
7 then Commissioner Okun, I'll talk about some other  
8 things in a few minutes, as we kind of proceed, but in  
9 my judgment, at least, once you get to that, it is  
10 quite clear, you look at where the industry is. You  
11 say, if this unfair trade is going to come in, and you  
12 already know it's unfair trade, right? The Department  
13 of Commerce told you that and they told you how unfair  
14 it is. Even from Kasistan, Romania, and South Africa,  
15 it's going to be unfair. That's already been decided  
16 by somebody else. So, you decided that's going to  
17 come in, you see where we are, and you decide whether  
18 or not the negative change from these, we would say  
19 millions of tons of steel, the negative change is  
20 material. And then you say to yourself, what is  
21 material? It has to have a consequence, right. I  
22 mean, you just look at the reverse of the words,  
23 immaterial, insignificant, inconsequential. I mean,  
24 if it has that effect collectively, in my judgment,  
25 you have no question. That's what you're supposed to

1 do.

2 CHAIRMAN PEARSON: Okay.

3 MR. LIGHTHIZER: Now, we can argue about  
4 this other issue, about whether to cumulate.

5 CHAIRMAN PEARSON: No, I'm not arguing. I  
6 know you have clear views on this and I just wanted to  
7 see if there was a way to distinguish on some of these  
8 somewhat fine points. Does anyone else have --

9 MR. SCHAGRIN: Mr. Chairman, I thought I  
10 would never be the person to say this to the  
11 Commission, just so you can hear a different voice,  
12 and that it would actually be mine. How odd is that?  
13 But, just so you hear a different voice, Roger  
14 Schagrin, I think actually the answer to your  
15 question, Chairman Pearson, goes also to the question  
16 that Commissioner Okun asked earlier, and the answer  
17 really is in the statute, no discernible adverse  
18 impact. If Commissioner or the Commission finds that  
19 imports from single country would be so small, in  
20 terms of their increased exports to the United States,  
21 that they, alone, before you even think about  
22 cumulating them with anyone else, would have no  
23 discernible adverse impact on the U.S. industry and  
24 that would be just based on their size of their  
25 exports, then they would not be cumulated and it

1 amounts to an automatic negative.

2           And I have found, first, it's a much better  
3 way to determine cumulation than looking at conditions  
4 of competition, because it really gets to the brunt,  
5 let's take each of these countries and see if they,  
6 alone, in terms of their ability to increase exports,  
7 won't have a discernible adverse impact. And then,  
8 once we determine whether that will happen or not,  
9 let's get to the cumulation criteria. And, of course,  
10 knowing this room is going to say that hot-rolled  
11 market in the United States isn't a large market, it  
12 is 20 million tons. So, if one of these countries,  
13 the Commission or Commissioners were to decide that  
14 there would be a very, very low level of export, you  
15 can determine no discernible adverse impact, and on  
16 the other countries that you cumulated, find that  
17 there will be recurrence of injury. I think under the  
18 statute and under most of the Commission precedence,  
19 and to be honest with you, the Commission has done a  
20 good job, in cases where a country or multi-country  
21 case has been left out because of no discernible  
22 adverse impact, I think the Commission has a pretty  
23 good track record that we haven't seen large increased  
24 exports from the countries for whom the Commission has  
25 determined no discernible adverse impact. Thank you.

1                   CHAIRMAN PEARSON: It wouldn't surprise you  
2 to know that occasionally, Commissioners do discuss  
3 these issues here and outside of hearings. So, I  
4 appreciate your input. Sorry? Mr. Dorn?

5                   MR. DORN: I just wanted to add a comment,  
6 Mr. Chairman, with respect to your scenario of  
7 increasing consumption in the United States and  
8 whether that might be a reason to say that revocation  
9 of the orders would not adversely effect the domestic  
10 industry, because there's growth in the market and so  
11 I guess letting the unfairly traded imports come in  
12 assuring that growth. And I do not agree with that  
13 suggestion, because two of the factors the Commission  
14 is supposed to look at are the adverse effect of  
15 unfairly traded imports on the growth of the domestic  
16 industry and on the market share of the domestic  
17 industry. And clearly if you have a growing market  
18 and you allow the unfairly traded imports in and  
19 they're going to take away from the market share of  
20 the U.S. industry in that growing market and they're  
21 going to impede the ability of the U.S. industry to  
22 grow in tandem with that growing market.

23                   CHAIRMAN PEARSON: Okay. Shifting to  
24 conditions of competition regarding cumulation, and  
25 I'm particularly looking at Chart 16 from the Skadden

1 Arps presentation at the start of the panel, I find  
2 myself, in many respects, in agreement with a number  
3 of these points, because this goes to imports from all  
4 subject countries would compete under the same  
5 conditions of competition. That's a statement at the  
6 top. And then -- oh, my yellow light is on, rats. I  
7 think I had better just pass. I can come back to this  
8 before wading into it further. Madam Vice Chairman?

9 VICE CHAIRMAN ARANOFF: I told you, Mr.  
10 Chairman, that three rounds might not be enough. You  
11 thought I was wrong.

12 I want to ask some questions about pricing  
13 practices in the industry. In the corrosion review  
14 that we did a few months back, we talked about how  
15 there had been a historical practice of long-term  
16 contracts with respect to customers in the auto sector  
17 and how the duration of those contracts had been  
18 reduced over the course of the review, so that we were  
19 looking more at one year rather than multi-year  
20 contracts at fixed prices. Is there anything  
21 significantly different about either traditional or  
22 current contracting practices with respect to auto  
23 sector customers for the hot-rolled product?

24 MR. SCHORSCH: Lou Schorsch, Arcelor Mittal.  
25 I think these products are rolled into the same

1 contracts. I would have a different point of view of  
2 what the norm had been historically. I think the norm  
3 -- it was not the case that multi-year contract as the  
4 norm, at least at our company. There was one or two  
5 cases of automotive companies where that was the case,  
6 a two-year contract, a three-year contract. But, I  
7 would say the norm was still an annual contract round.  
8 But whatever that contract structure is in that  
9 particular sector, that covers the full range of  
10 products, including hot-rolled.

11 Now, there's less hot-rolled going into that  
12 market than there is coated products or some other  
13 downstream products. The market, as a whole, is more  
14 commodity oriented, more spot oriented, more the kind  
15 of three-month contract or even single sale, as  
16 opposed to the longer term contracts, which you do  
17 tend to see more of in the coated area.

18 MR. SCHERRBAUM: Commissioner?

19 VICE CHAIRMAN ARANOFF: Mr. Goudish and then  
20 is that Mr. Ferriola or is that -- no, that's Mr.  
21 Scherrbaum. Sorry.

22 MR. SCHERRBAUM: Joe Scherrbaum with U.S.  
23 Steel. Also, in the corrosion resistant, I think  
24 there was some comments that we, the producers, were  
25 suggesting that the contracts become shorter, because

1 we thought prices were going to go up in the future,  
2 and this -- I would just like to clarify that we said  
3 then and still say that at the time, we said we were  
4 willing to work to whatever our customer wanted, at a  
5 one-year agreement, or if there was a way to put  
6 together a multi-year deal that would serve both  
7 sides, that would -- we could do that, as well. I  
8 would also like to point out that as we're going into  
9 2008, that we already have a request from one of the  
10 major car companies that clearly request that they  
11 would only like to deal in a one-year contract for  
12 2008.

13 VICE CHAIRMAN ARANOFF: I think I recall  
14 that in the Commission's views in the corrosion case,  
15 we were very careful not to say whose idea we thought  
16 it was that the contract duration had gotten shorter,  
17 because that was clearly a disputed that we were  
18 unable to resolve. It was pretty clear that the  
19 duration had gotten shorter and people seemed to agree  
20 on that. So, I think we left it at that. Sorry,  
21 there are some hands in the back.

22 MR. POSPISIL: Tobin Pospisil from Gallatin  
23 Steel. As a company that all we do is make hot-band,  
24 you know, we don't have the issues of contracts like  
25 the corrosion resistant. Almost everything we sell is

1 on the spot basis. We have historically gone, our  
2 contracts as long as three months and we even shied  
3 away from that. Almost everything we do now is month-  
4 to-month.

5 VICE CHAIRMAN ARANOFF: You don't sell them  
6 to the auto sector then?

7 MR. POSPISIL: Indirectly, primarily into  
8 wheel rims for trucks is about as much as we do.

9 VICE CHAIRMAN ARANOFF: Okay. All the way  
10 in the back?

11 MR. BLUME: Rick Blume, Nucor. I would like  
12 to also echo Mr. Scherrbaum's comments. In many  
13 cases, and frankly in most cases, the customers really  
14 indicate what the term of the agreement they would  
15 like to have. And one of the things that we often  
16 talk about within our company with our sales team is  
17 that in reality, spot, in many cases, sets the context  
18 for the contracts. So, we hear a lot of discussion  
19 about, well, there should be insulation based on  
20 contract levels, but the reality is, is they're  
21 commingled. Spot market does set the context for  
22 contracts. And the reason I raise that point is  
23 today, in many cases, we're finding a lot of our  
24 customers, including automotive customers, are not  
25 interested at this point in time to talk about even an

1 annual contract, because they see the weakness in the  
2 current market. So, again, I think it's important to  
3 recognize that contract, in itself, it is, in many  
4 cases, dictated by the customers and we try to  
5 accommodate that.

6 VICE CHAIRMAN ARANOFF: Okay. In their  
7 briefs, the auto producers, who aren't going to be  
8 here, I don't think, tomorrow to answer questions,  
9 indicated that beginning in 2004, U.S. mills put  
10 something that they called a price in effect at time  
11 of shipment cost into contracts. Could someone  
12 explain to me what these contracts are and how  
13 prevalent they are in sales to auto makers or other  
14 customers? And you may want to differentiate your  
15 answer between maybe what was going on in 2004 and  
16 what's going on now. Mr. Scherrbaum?

17 MR. SCHERRBAUM: Joe Scherrbaum with U.S.  
18 Steel. We had heard that it was in there. Our  
19 comment is we have no idea what they're talking about,  
20 because we do not have price in effect with the  
21 automotive companies.

22 MR. SCHORSCH: Same thing for Arcelor  
23 Mittal. And I think between the two of us, our  
24 companies, I don't know exactly, but we're about 50 or  
25 60 percent of flat-rolled sales to automotives.

1 MR. LIGHTHIZER: I mean, nobody has even  
2 heard of it, Commissioner, is the answer.

3 MR. NOLAN: Madam Vice Chair, John Nolan,  
4 Steel Dynamics. If you recall from my testimony  
5 during the corrosion sunset, we had a long and storied  
6 conflict with General Motors over contracts. We  
7 prevailed. We did not engage in practices, as you've  
8 just described.

9 MR. LIGHTHIZER: Commissioner, if I can just  
10 add one thing, since you brought up that corrosion  
11 resistant case. You recall that the Japanese were not  
12 interested in selling here and the American automobile  
13 companies weren't interested in buying Japanese steel.  
14 You would be interested to know that they have now  
15 ordered -- Ford has now ordered four auto parts to the  
16 Japanese just in the last few weeks.

17 VICE CHAIRMAN ARANOFF: Interesting. Let me  
18 see here. Moving to a different question from  
19 contracting, in the past, and I think this is mostly  
20 before my time on the Commission, the Commission has  
21 sometimes looked at the capacity that foreign  
22 producers, that subject producers have that they're  
23 consuming internally as being divertible capacity that  
24 we can look at when we're looking at likely volume in  
25 the event of revocation. Can you comment on whether -

1 - given the condition of competition for this product  
2 globally, it would made economic sense for a subject  
3 producer to take hot-rolled steel, but it's currently  
4 consuming internally to make cold-rolled or pipe or  
5 some other downstream product and instead export the  
6 hot-rolled product to the U.S. market?

7 MR. SCHORSCH: If I could comment a bit on  
8 that, Commissioner.

9 VICE CHAIRMAN ARANOFF: Sure.

10 MR. SCHORSCH: I think not so much from the  
11 point of view from the foreign producer, but even in  
12 our markets, you do have in the flat-rolled sector,  
13 and obviously there are many sub-segments within that,  
14 but certainly three main product categories of hot-  
15 rolled, cold-rolled, and coated, and the variability,  
16 let's say, between -- the price differential between  
17 hot-rolled and cold-rolled in a tight market,  
18 particularly a strong market for cold-rolled, that can  
19 be \$90 a ton, even \$100 a ton. This year, it's been  
20 as low as \$70 a ton. At that kind of margin over hot-  
21 rolled, you know, you have to think hard about whether  
22 you're better off selling more hot-rolled, whether  
23 that would even include selling hot-rolled in export  
24 markets. I think it depends on too many other factors  
25 to make a general point. But, I think there's enough

1 movements within those sub-segments, let's say, of  
2 this chain of production, that it's certainly  
3 conceivable and certainly within our markets, while  
4 again you can't move wholesale, everything into hot-  
5 rolled, at the margin. I think you're always making  
6 those tradeoffs.

7 VICE CHAIRMAN ARANOFF: Go ahead.

8 MR. GANT: This is Doug Gant with AK. I  
9 would argue that because the greatest portion of fixed  
10 costs are associated with the hot end of the business  
11 with the coke plants and the blast furnaces and the  
12 hot strip mill, that that's the capacity that  
13 operations generally continue to keep running. And if  
14 the end markets for coated sheet or coal roll, as Lou  
15 indicated, the price squeezes between them, I think  
16 that's the case where you would see that from foreign  
17 producers. I know in our own case where we have seen  
18 that, it's been more economical to scale back some  
19 coating or cold-rolled finishing capacity, because it  
20 costs far less to idle those operations.

21 VICE CHAIRMAN ARANOFF: Okay. You know, I  
22 see what you're saying and maybe you can help me more  
23 in post-hearing, but it seems to me that if you're one  
24 of the subject producers and you've got captive  
25 consumption for these downstream products and there is

1 still demand there, even if there might be some short-  
2 term price fluctuations that might make it, at some  
3 point, more advantageous to export your hot-rolled to  
4 the U.S. market, would you really idle your downstream  
5 capacity? Or maybe it's not your own -- I mean, maybe  
6 it's -- well, I mean, if you could help me think  
7 through that, the extent to which that capacity really  
8 is divertible, that would be helpful.

9 MR. SCHORSCH: Just to comment on that. You  
10 don't have to idle to close down. You can run two  
11 shifts instead of four shifts, for example. And I  
12 think that's potentially a way to increase that  
13 spread, if you will, between the hot-rolled and the  
14 cold-rolled price, to take some of that volume out of  
15 that downstream market.

16 VICE CHAIRMAN ARANOFF: Okay. I appreciate  
17 those answers. And my light has turned red, but if  
18 folks want to add more in post-hearing, please feel  
19 free. Thanks.

20 CHAIRMAN PEARSON: Commissioner Okun?

21 COMMISSIONER OKUN: Thank you. In the  
22 original investigation, in which I participated, we  
23 had the situation where the Asian financial crisis had  
24 obviously struck and that was a large part of the  
25 original decision. What I saw in that record was a

1 large amount of product with no home. A lot of people  
2 had built up thinking Asia was growing. We have the  
3 currency devaluations and a lot of product moves here.  
4 There were other things going on, obviously, in the  
5 original investigation. When I look forward in the  
6 recent foreseeable future, I don't see the Asian  
7 financial crisis looming; but, obviously, one of the  
8 big changes and something you all have touched on is  
9 that if I were to look at the capacity, worldwide  
10 capacity at that point and U.S. has, as you've  
11 observed, not changed very much, apparent consumption  
12 in the U.S. market virtually the same as it was then,  
13 what has changed is China. And I think one of the  
14 points, which I think is a fair point to make, is that  
15 we heard then that China really wasn't moving in this  
16 market. And, of course, at that point, was a net  
17 importer, but has since changed and the sizes is  
18 enormous. And I think Mr. Lighthizer used 'huge,'  
19 'enormous,' many adjectives, and I think that's  
20 accurate. It's the one thing on this record that I  
21 see is very different than during the original  
22 investigation.

23 So, I guess my question is how to evaluate  
24 that, both recognizing the size of China and the  
25 points you've made of it becoming a net exporter and

1 what that means, that just the amount of capacity  
2 available to export. But, also, just the shift in  
3 global markets, themselves; in other words, the U.S.  
4 was, at that time, the original investigation, seen as  
5 the market to be in. It was a big market. Prices  
6 were high. If I look at the record now, the sizes  
7 have changed. You now have China bigger, just bigger,  
8 as a consumer of hot-rolled steel. And I think the  
9 prices worldwide look different, but I wanted to get  
10 your comments on that. In other words, we've  
11 collected data that's confidential from MAPS and CRU  
12 on European prices, Japanese prices, Asian prices.  
13 Can you help me think about that looking forward?  
14 Does it matter that the U.S. has moved from being a  
15 very big consumer of hot-rolled to a smaller consumer?  
16 Does that matter at all? Or does it just mean that  
17 it's more likely that subject imports have more -- Mr.  
18 Ferriola, you want to -- I'll quit talking and let you  
19 answer.

20 MR. FERRIOLA: I have to answer this  
21 question. You have to look at all of the factors that  
22 make the U.S. market so attractive: price. Again,  
23 over the cost, there's been ups and downs, but over  
24 the cost of time, it's still attractive from a price  
25 perspective. Mentioned from a consumption

1 perspective, China might be a larger consumer. China  
2 is not nearly as opened to imports as the United  
3 States. The United States is the most open market in  
4 the world.

5 My final point would be, once the imports  
6 come in, they have to have a way to reach the  
7 customers, the final customers. So, the distribution  
8 infrastructure that we have in the United States  
9 supports imports like none other anywhere else in the  
10 world. So, the attractiveness of the U.S. market has  
11 not changed at all, because of its pricing, because of  
12 its openness, and because of the infrastructure of its  
13 distribution system.

14 COMMISSIONER OKUN: Yes, Mr. Vaughn and then  
15 I'll move back.

16 MR. VAUGHN: Yes. I would just like to make  
17 two points. One is just kind of a data point, in  
18 support of what Mr. Ferriola said. The World Trade  
19 Atlas data indicate that last year, China imported  
20 about two million tons of steel, of hot-rolled steel.  
21 The U.S. imported over six million tons of hot-rolled  
22 steel. So, in terms of which is a better market, if  
23 you're an exporter, there's no question that right  
24 now, the U.S. is a better market than China.

25 And second of all, I think that when you

1 think about the Asian financial crisis, what that  
2 essentially was, was a situation where, for whatever  
3 reason, you had countries that had more capacity than  
4 they had demand. And what you're hearing from this  
5 record today is, is that once again, there are  
6 countries out there that have a lot more capacity than  
7 they have demand. So, I think that that's kind of a  
8 dominant similarity here between those two cases.

9 COMMISSIONER OKUN: Mr. Schagrín?

10 MR. SCHAGRIN: Yes, Commissioner, just to  
11 follow-up on Mr. Vaughn's comments. I think that  
12 connection between the Asian financial crisis from the  
13 original investigation and today is that the Asian  
14 financial crisis caused a steep drop in demand, which  
15 is what created this supply-demand imbalance at that  
16 time. Now, we've had instead, even though there is  
17 certainly growing demand in Asia, is we have as great  
18 an over supply from just China alone, something in the  
19 range of 60-80 million tons annually, which was about  
20 the drop in demand caused by the Asian financial  
21 crisis. And what is going to happen clearly is China  
22 is setting the stage for the next steel crisis  
23 worldwide. I mean, it is not just in the United  
24 States now, but in China, in Asia, it's beginning in  
25 Europe, prices are starting to fall around the world.

1 We realize they're not back to the levels they were in  
2 2000-2001, but costs worldwide are completely  
3 different than they were there. That's also because  
4 of China. China is consuming roughly two to three  
5 times as much as the world steel input resources, be  
6 they iron ore, coke and coal, coke, or scrap, as they  
7 were five or six years ago. So, they have moved up  
8 all the costs of raw materials for every steel  
9 producer in the world. And, yet, now they have this  
10 60-80 million tons of exports they're putting on the  
11 world market. They are going to cause a massive  
12 profit squeeze on the world steel industry.

13 It's a question of when the shoe drops. I  
14 don't want to seem like the pessimistic alter ego of  
15 Mr. Marcus, but there's just no question for people to  
16 look at the world that either China solves its problem  
17 or the rest of the world, you know, forces China  
18 revalue its currency. But, if we don't have some  
19 major structural steps, then this over supply from  
20 China of steel, and then, of course, it's happening to  
21 lots of other products, it's going to have serious  
22 repercussions and it's going to be kind of a reverse  
23 China crisis that mirrors, in some respects, the Asian  
24 financial crisis.

25 COMMISSIONER OKUN: Mr. Bouchard?

1                   MR. BOUCHARD: Yes. To follow-up a few of  
2 John's comments on the independent distribution system  
3 in the United States, one, it's very sophisticated.  
4 Two, we're surrounded by three bodies of water. So,  
5 clearly from the south, from the east, and from the  
6 west, you get hit very hard. But what most people,  
7 getting to your question, which jogged my memory a  
8 little bit, most people missed when you talk about the  
9 financial crisis in Asia, is the distribution network  
10 in the United States is the most liquid, financially  
11 liquid market. And so when you have imports or when a  
12 market slows down in the Ukraine, for example, okay,  
13 and they have a window, and instead of pulling  
14 capacity off, hot-rolled is the quickest product to  
15 produce, the most unsophisticated. It's a commodity.  
16 It's easily transportable and has very low rejection  
17 rates. And if it gets here, if it has rust on it, it  
18 can be pickled and cleaned very easily. Okay. So, it  
19 can get to market quickly.

20                   The second thing is, is then you have in  
21 Turkey, the Middle East, everything is done in letters  
22 of credit, standby letters of credit. Those markets  
23 are very restricted on liquidity. So when you want to  
24 move tons quick in large bulk volumes, you go to a  
25 trading company. They will pay you in advance. At

1 times, if you book an order with the Russian mills  
2 today, you actually have to prepay the order when it's  
3 placed almost three months before it's even rolls, let  
4 alone what the market price is going to do, okay.  
5 Those traders, then, have to go to a market that's  
6 open and is liquid, that they can move those products.  
7 They'll discount the price way down and move that  
8 product. But, they're going to get paid for their  
9 product.

10 That's why the American market and the  
11 independent network here is a huge target for hot-  
12 rolled imports. It's quick, it's easy, and all the  
13 service centers have money to go and purchase the  
14 product. And to do that, the service centers have to  
15 sit there, my service centers, any other service  
16 center that's competing out there, you factor in risk.  
17 Why would you buy a hot-rolled product at the same  
18 price from the Ukraine that you can buy from U.S.  
19 Steel that's going to deliver it to you and keep your  
20 inventories lean? It obviously makes no sense. That  
21 risk is then factored in. They have to cut the price  
22 to come under the market to get their product to  
23 market. And they just want to get paid. They want to  
24 get paid in dollars and they want to get paid very  
25 quickly. So that liquidity issue is a huge deal that

1 most people don't get. The American service center  
2 network has that liquidity, but it actually -- since  
3 they have the dollars to do it and they can buy big  
4 volumes, these guys will come in and discount their  
5 prices on their imports of their hot-rolled, very  
6 quickly.

7 COMMISSIONER OKUN: Okay. I saw a couple of  
8 other hands. My time is almost -- Mr. Price?

9 MR. PRICE: I just want to go back to a  
10 couple of points. You know, we see all of these  
11 prices out there from MAPS and CRU and all of those  
12 are interesting prices. But, they don't get to what  
13 the real world returns are to a lot of these mills.  
14 And when you get back to the attractiveness of the  
15 U.S. market and get back to real world returns, what  
16 your data set shows is the U.S. tends to be one of the  
17 most, if not the most, attractive market and  
18 sufficiently attractive compared to the below-average  
19 markets out there, which account for a substantial  
20 portion of the exports that are out there.

21 The other thing that's happening is this  
22 isn't just a China problem. China is out there,  
23 obviously, as an 800-pound gorilla, in some respects,  
24 but there are lost of two- and three- and four-hundred  
25 pound gorillas in this case. There's a lot of

1 capacity coming on in these other countries. Overall,  
2 the capacity situation is, in excess is substantial.  
3 And we're seeing capacity coming on-line that is also  
4 coming on-line in many of the markets that these  
5 countries are shipping to right now, such as Turkey  
6 and the ASEAN countries and so forth, so that this  
7 problem is well beyond China.

8 COMMISSIONER OKUN: Okay. My red light has  
9 come on, but I will have a chance to come back and  
10 talk to others about other countries, as well. Thank  
11 you.

12 CHAIRMAN PEARSON: Commissioner Lane?

13 COMMISSIONER LANE: Mr. Bouchard, I would  
14 like to ask you a question. It has been reported that  
15 Wheeling Pitt may be considering shutting down its  
16 blast furnace, but increasing its production of hot-  
17 rolled. Is that correct?

18 MR. BOUCHARD: First of all, Wheeling Pitt  
19 made a CAPEX program and a \$40 million CAPEX program  
20 in its hot-strip mill. We believe it's one of the --  
21 now one of the nicest hot-stripped mills in the United  
22 States. That did increase the capacity of Wheeling  
23 Pitt from about 2.6 or 2.7 million tons to about 3.4,  
24 3.5 million tons through the hot-stripped mill.

25 Our current -- getting to the blast furnace

1 issue, we are actually taking the blast furnace down  
2 in January for a mini realign. We will run the blast  
3 furnace. What we're going to do is run the blast  
4 furnace. We're going to hot charge our electric arc  
5 furnace, so the blast furnace will continue to run.  
6 We believe with a hot charge from the blast furnace  
7 with the electric arc, we can still run up at about  
8 2.8 million tons, which is where Wheeling Pitt is  
9 today and at a lower cost. So, that is -- with the  
10 new technology we have on our Comcast electric arc  
11 furnace, that we'll able to produce our production  
12 costs.

13 We are looking at a significant investment  
14 in excess of a billion dollars. It may be announced  
15 in the next few days and that would be with blast  
16 furnace technology. So, we are not running away from  
17 blast furnace technology. We will actually, I think  
18 you'll see in the next few days, be making a  
19 commitment to North America and the United States and  
20 blast furnace technology. And we are sticking with  
21 our blast furnace at Wheeling Pitt.

22 COMMISSIONER LANE: Okay. And when you make  
23 that announcement, can you submit it for the record?

24 MR. BOUCHARD: Yes, we will.

25 COMMISSIONER LANE: Okay, thank you. Mr.

1 Lighthizer, in your initial testimony and in U.S.  
2 Steel's brief, you argue that the Commission should be  
3 aware that the coverage of the Chinese responses that  
4 it has received to its questionnaire is not nearly as  
5 good as the staff report suggests. Can you explain  
6 why you make this argument and explain just how much  
7 of the Chinese industry is covered by our  
8 questionnaire responses?

9 MR. LIGHTHIZER: I'm sorry.

10 COMMISSIONER LANE: You have to talk into  
11 your microphone. I'm sorry.

12 MR. LIGHTHIZER: Thank you, Commissioner.  
13 Yes, I think with all this discussion about China,  
14 this is like the kind of forgotten point, and that is  
15 that the Chinese basically stiffed the Commission.  
16 They didn't really supply you with information.

17 The staff takes the position that you have  
18 about a 70 percent return from China, okay. That  
19 basically is production 52 million tons and then they  
20 compare that to a CRU production number, all right,  
21 and that gives you 70 percent. The problem is, number  
22 one, the CRU production number is not all production.  
23 It's just commercial production, all right. So, it's  
24 a wrong comparison.

25 The right comparison is capacity, and you

1 have questionnaires for about 54 million tons of  
2 capacity. Okay, that's the number, 54 million tons of  
3 capacity. What the staff did when they do 70 percent  
4 was wrong. The question then becomes what do you  
5 compare the 54 million tons to, all right, and this  
6 sort of underlines the great mystery that's China, all  
7 right. We say, in our material, you should compare it  
8 to World Steel Dynamics, which has the best number for  
9 what's the total Chinese market, and they say it's 187  
10 million tons, all right. So, you take 54 million tons  
11 of capacity, which you know of from your  
12 questionnaire, and you compare it to 187 million tons  
13 of capacity from World Steel Dynamics and you get  
14 about 29 percent. That's not enough information with  
15 this giant to make any decision other than to maintain  
16 the orders, all right, in my opinion.

17 Now, you say, well, why not take a CRU  
18 capacity number? Now, the staff didn't do that.  
19 Remember, I said the staff compared the production  
20 number from the people, who answered the  
21 questionnaire, to the CRU production number for  
22 commercial, all right, and that's how they got the 70  
23 percent. But, you can say, okay, you've got 54 for  
24 capacity and the questionnaire. Instead of comparing  
25 it to Peter Marcus, which was 187, why not compare it

1 to the CRU number. It turns out the CRU number is  
2 sort of a kind of a screwed up number in this case.  
3 And Stephen Vaughn talked to the people, who put it  
4 together, and he'll be happy to testify to this. The  
5 CRU number is about 87 million tons and they admit  
6 that it's not an accurate number, because of the way  
7 they compile their numbers, which is to say plant by  
8 plant by plant and they stack them up. And the fact  
9 is they can't get information from an awful lot of  
10 plants.

11 To prove that it's wrong, I would suggest,  
12 one, that Stephen Vaughn can testify to that, having  
13 talked to the people, but more importantly, you could  
14 also demonstrate it to be wrong, because if you take  
15 their sheet number, it adds up to 110 million tons.  
16 Well, even their sheet number doesn't -- their sheet  
17 capacity number doesn't equate with their overall  
18 capacity number. So, this is a long way of saying the  
19 best number out there seems to be 187 million tons.  
20 It's the World Steel Dynamics number. We don't agree  
21 with all of Peter Marcus's projections and everybody -  
22 - he's about as accurate, but he's pretty good at  
23 current numbers right now. I would cite as evidence  
24 to that fact that there's about 500 pages of his stuff  
25 in the Respondents' briefs. So, they must like him

1 pretty good, right, because they've got about 500  
2 pages of his stuff in there. If you assume he's  
3 accurate, then you have 187 million tons of capacity  
4 for hot-rolled right now and we have information on 54  
5 million tons of it. That's about 29 percent. That's  
6 not enough information for you to make any judgment  
7 other than keep the orders in place.

8 That's kind of the background of all that.  
9 It's kind of complicated. We would be happy to  
10 testify on this point of the problem with the overall  
11 CRU capacity number. It's a number that they admit,  
12 themselves, they're having trouble with.

13 COMMISSIONER LANE: Thank you. On page 100  
14 of your brief, your pre-hearing brief, U.S. Steel  
15 argues that it is likely that there will be a large  
16 increase in the price of iron ore in 2008. Why does  
17 U.S. Steel make this assertion and do the other  
18 parties agree?

19 MR. NARKIN: Commissioner Lane, this is  
20 Steve Narkin with Skadden Arps. That's what was  
21 reported by Credit Suisse. That's relatively recent  
22 information. Now, it would be useful, I think, to  
23 have the perspective of the domestic industry  
24 witnesses, as well, as to what they think will happen.

25 MR. GOUDISH: Commissioner, John Goudish

1 from U.S. Steel.

2 COMMISSIONER LANE: Yes, Mr. Goudish?

3 MR. GOUDISH: I think if you go back and you  
4 look at the last three or four years on what's  
5 happened with iron ore pricing, and I think it was Mr.  
6 Schorsch, who testified earlier that there is  
7 essentially three major ore producers, who are  
8 supplying ore into China, both out of Australia and  
9 out of Brazil, primarily. But, they have had price  
10 increases that have been in the range of 21 percent.  
11 I think last year, it was 18 percent. And generally  
12 what everybody is talking about in the marketplace  
13 today is another price increase that's roughly in the  
14 20-22 percent price range. And I think that what  
15 Credit Suisse is doing is picking up on those  
16 discussions that are taking place out in the  
17 marketplace. It's really driven by what is the demand  
18 for iron ore out of China. They're really driving  
19 what the market is.

20 MR. SCHORSCH: Yes. We would concur on  
21 that. I think, again, there's these three players  
22 that sets the world price. And if you go back after  
23 2004, I think in 2005, the price increase was 75  
24 percent, in that range, then about 24 percent, around  
25 20 last year, and I think they have the leverage to

1 continue at that rate. They claim it's also to  
2 generate the funds to be able to meet that growing  
3 demand and expand those mines. But, I think we'd  
4 expect certainly a double-digit increase for next year  
5 just based on the past three year's experience.

6 COMMISSIONER LANE: Yes, sir, in the back?

7 MR. BOUCHARD: Jim Bouchard. We currently  
8 are in a negotiation for iron ore for 2008 and I  
9 concur with Lou, that it will be double-digit  
10 increase.

11 COMMISSIONER LANE: Okay, thank you. Mr.  
12 Chairman, I will wait until my next round.

13 CHAIRMAN PEARSON: Commissioner Williamson?

14 COMMISSIONER WILLIAMSON: Thank you, Mr.  
15 Chairman. A couple of quick questions for Mittal.  
16 The tire respondents cited an April 2007 announcement  
17 that Mittal Steel was beginning to export steel. And  
18 I was just wondering, does this include hot-rolled  
19 steel, too?

20 MR. SCHORSCH: You're referring to Mittal  
21 Steel U.S.A. Exporting Material?

22 COMMISSIONER WILLIAMSON: Right.

23 MR. SCHORSCH: Yes, we've exported out of --  
24 and I think it's basically in the first-half of the  
25 year. We don't expect to do much more this year, but

1 something on the order of 180,000 tons total. That's  
2 roughly one percent of our flat-rolled production on  
3 an annualized basis. It did include, I think, even  
4 primarily was hot-rolled steel. Again, we view that,  
5 I think, maybe two factors driving it: opportunistic,  
6 based on, as people have said, the somewhat anomalous  
7 position that U.S. price levels were below price  
8 levels in some other major markets. Again, we don't  
9 expect that to be the norm. Secondly, as a company  
10 that does have this internal trading network, it's  
11 relatively easy for us to access that. So, it's about  
12 one percent and, frankly, it was to, without being  
13 real specific, into western Europe and into South  
14 America.

15 COMMISSIONER WILLIAMSON: Thank you. You've  
16 already discussed somewhat how Mittal, the global --  
17 the coordination that Mittal exercises over its  
18 companies. I was just wondering, can you describe the  
19 role of Mack Steel?

20 MR. SCHORSCH: That's an interesting kind of  
21 exception to the rule, if you will. When we acquired  
22 a majority ownership of Ipscor, which is probably  
23 three or four years ago now, along with that came a  
24 very ironclad arrangement that that company, which --  
25 and that company is about four percent or something of

1 our total production on a global basis, they had a  
2 very ironclad arrangement with Mack Steel. They owned  
3 50 percent of Mack Steel International. Mack Steel is  
4 a major distribution player, also, in the United  
5 States, but they have an international trading company  
6 with an exclusivity arrangement for selling the  
7 product of Ipscor outside of South Africa. So, that  
8 is an exception I thought of after we had had the  
9 conversation earlier about our principle, let's say,  
10 of using our internal arrangements. We've tried,  
11 frankly, to break that agreement, but it's a  
12 relatively ironclad contract. So for that operation,  
13 those sales are handled -- again, it's a single  
14 company, but handled by Mack Steel International, of  
15 which we own 50 percent.

16 COMMISSIONER WILLIAMSON: Thank you. One  
17 other question, can you sort of estimate what would be  
18 the likely volume of subject imports from the Mittal  
19 facilities in the three countries, the three subject  
20 countries, in the event of revocation?

21 MR. SCHORSCH: That's a tough one. You  
22 know, I'd like to say zero. I mean, I think, again,  
23 there's no -- those operations all have their own more  
24 natural markets. None of them are particularly well  
25 positioned geographically to supply the U.S. market.

1 Again, they had done in the past before they really  
2 were owned by our company. I mentioned the case of  
3 Romania, where an effective duty is diminimus. But,  
4 there's no hot-rolled material coming in. So,  
5 certainly, there's no aspirations, no plans. Our  
6 position is no position to bring any material in. I  
7 think to say what might the situation be two years  
8 from now or something like that, it's difficult for me  
9 to comment on that or make that projection. But,  
10 certainly no expectations or plans, if that were the  
11 path the Commission were to go down, that we're  
12 waiting to ramp up the volume from those operations.

13 COMMISSIONER WILLIAMSON: Thank you. I now  
14 would like to turn to a China question. All the  
15 domestic producers, of course, have focused a lot on  
16 China. And given China's arguably unique impact on the  
17 world steel market, is there a basis for considering  
18 China separately from the subject countries for  
19 determining likely injury?

20 MR. GANT: This is Doug Gant with AK Steel.  
21 I think you have to consider all the countries,  
22 because what we have seen is that hot-rolled steel, in  
23 particular, is fungible, is transferrable among  
24 countries, around the world. And what we have seen is  
25 that as China has displaced those traditional

1 importers to China, they are going elsewhere in the  
2 world to fill the capacity and the product is moving  
3 around the world. Once it gets on a ship, it can move  
4 in literally any direction. So, I think you have to  
5 look at the total world and certainly all of the  
6 subject countries.

7 MR. GOUDISH: Commissioner?

8 COMMISSIONER WILLIAMSON: Mr. Goudish?

9 MR. GOUDISH: I would have to echo the same  
10 comments -- John Goudish from U.S. Steel. In my  
11 brief, I make the comment that one of the major issues  
12 with China becoming such a major steel manufacturer  
13 and putting on additional hot-rolled capability beyond  
14 what their consumption level is going to be, that up  
15 until 2005 or so, there was a lot of hot-rolled steel  
16 going into that country. And what's happening now is  
17 that steel is not going there. It's being reallocated  
18 and there is more steel coming out of the country.  
19 So, there is going to be further reallocations that  
20 take place.

21 The other thing that I think you're going to  
22 see going on in the marketplace, both I think Mike  
23 Meyers addressed this issue, John Ferriola and Keith  
24 Busse addressed it, what was happening with  
25 inventories here in the U.S., what we have seen happen

1 since the fourth quarter of last year, where our  
2 service center inventories, in effect, flat-rolled  
3 inventories were in excess of 10 million tons, it's  
4 taken us through July -- or through June, where we've  
5 only pulled that number to about eight million tons or  
6 so. We're not seeing the service centers buy more  
7 steel. We're seeing, if they sell it this month, they  
8 buy it. We, also, saw record low shipments in June,  
9 the second lowest month in an 18-month period, out of  
10 service centers to customers.

11 If you watch the numbers in Europe, there  
12 have been some questions directed towards or at least  
13 my perception is they've been directed towards placing  
14 in Europe and what the demand in Europe is, and some  
15 of the opportunities that others have taken advantage  
16 of in Europe were driven by what -- the pricing was  
17 going on in Europe, but the service center inventories  
18 in Europe are now also growing and they're growing at  
19 a rapid rate. And what you're going to see there,  
20 what I believe you're going to see there, is you're  
21 going to see a market adjustment that's going to occur  
22 in Europe. You're in a vacation period in Europe now.  
23 Demand is backing off. Inventory is going to continue  
24 to grow, not just in what I would refer to as a hot-  
25 rolled product. We, also, have indications that the

1 same thing is going on in the construction market in  
2 galvanized product. You're going to see that market  
3 slow down, which is going to make this market, even if  
4 it stays the same, more attractive than what it is  
5 today.

6 MR. SCHAGRIN: Commissioner Williamson, from  
7 a legal perspective we think based on both the sunset  
8 statute and the congressional intent that it would be  
9 an incorrect conclusion to say that if you found that  
10 China was likely to export the most hot-rolled sheet  
11 to the United States, maybe five or ten million tons;  
12 and maybe the next largest country might only be a  
13 million tons, that you shouldn't cumulate other  
14 countries with China because China would be so large.  
15 That's the antithesis of the reason for cumulation.  
16 That's why we think you should begin with determining  
17 whether or not imports from any particular country  
18 would have no discernible impact.

19 After that whether a country is only  
20 exporting three or four or five hundred thousand tons,  
21 if it's in addition to the millions of tons from  
22 China, it will have an impact on the U.S. market, and  
23 that's exactly the whole reasoning behind cumulation.  
24 Even though it is discretionary for the Commission,  
25 you should at least have a reasonable basis when you

1 don't cumulate countries, and the fact that one will  
2 export more than others we don't think is analytically  
3 a really well grounded, reasonable basis to not  
4 cumulate countries.

5 So from a legal perspective, we would  
6 disagree with the hypothetical that you posited.

7 COMMISSIONER WILLIAMSON: Mr. Gerard?

8 MR. GERARD: I just want to make again  
9 another historical point and argue for total  
10 cumulation. I'm just mentally reviewing our  
11 experiences through the '90s. I may be off by a dozen  
12 or so cases, but I think we filed about 110 cases of  
13 which about 15 percent were on hot-rolled, and the  
14 comments that were made about it being completely  
15 fungible. We just kept chasing brokers around the  
16 world. We'd get a case against Country A; they'd cut  
17 back; all of a sudden that piece they cut back bumped  
18 over to Country B, and it came in. We'd file another  
19 case. We chased this stuff all over the world.

20 So I would argue, again, due to historical  
21 experience, strongly for total cumulation.

22 MR. PRICE: Just sort of let's bring this  
23 back to what -- this is Alan Price from Wiley Rein --  
24 what some other folks are doing here.

25 I found the Thai argument kind of curious.

1 We have 14 countries under order including a large  
2 number of the countries that we're looking at here, so  
3 it kind of tells you what the rest of the world is  
4 thinking about the risk factors as we look at it.

5 You see the Canadians just finished their  
6 expert review and they kept orders not only on China  
7 but also on South Africa and Kazakhstan, looking at  
8 that. You see the EU which is where Arcelor Mittal is  
9 located, is keeping Kazakhstan under a very tight  
10 quota.

11 So I think the reality is that this is a  
12 fungible product and everyone understands what those  
13 risk factors are.

14 MR. SCHAGRIN: And, by the way, the EU keeps  
15 Ukraine under a very tight quota as well.

16 COMMISSIONER WILLIAMSON: I appreciate all  
17 those answers and my time is up. Thank you.

18 CHAIRMAN PEARSON: Commissioner Pinkert?

19 COMMISSIONER PINKERT: Thank you, Mr.  
20 Chairman.

21 I want to give any of the other lawyers or  
22 non-lawyers on the panel an opportunity to comment on  
23 the vulnerability issue and in particular whether the  
24 way that we measure profitability has any impact on  
25 their analysis of vulnerability.

1                   MR. STEWART: Terry Stewart from Stewart &  
2 Stewart.

3                   I think that if you look at past decisions  
4 of the Commission that despite what many in the  
5 domestic bar believe is a correct approach on  
6 vulnerability that the Commission has looked at  
7 profitability. And it is certainly the case that  
8 depending on how you determine the issue of what is  
9 the correct measure of profitability since one number  
10 would be higher than the other, presumably that would  
11 be a factor for those who continue to look at  
12 profitability.

13                   Nonetheless in my opening statement this  
14 morning I indicated that you're also charged with  
15 looking at where the industry is in the context of a  
16 business cycle. If you look at the period of time  
17 that's in the staff report, even using market value,  
18 that you have a rate of return for the domestic  
19 industry from '98 to 2006 which as a percentage of  
20 sales operating income is only 4.1 percent versus all  
21 manufacturing during that same time period which is  
22 north of six percent. Obviously steel is a much more  
23 capital intensive basis, which means over that time  
24 period the industry has not made its cost of capital.

25                   So for those who consider profitability to

1 be a factor in vulnerability, one could look at the  
2 cyclical aspects that are in the record and come to  
3 the conclusion that it is vulnerable.

4 In my opening statement and the testimony  
5 you heard today also reviewed where prices have gone  
6 over the last year and over the last four months and  
7 the cost/price squeeze based on the staff report's  
8 cost of production, COGS plus GS&A, and it is clear  
9 that where prices have been in the testimony of  
10 various of the domestic industry witnesses, where  
11 prices have actually gotten down to \$500 or below in  
12 some cases, suggests that you are close to break-even  
13 at this point in time on many sales that are  
14 occurring.

15 When you add to that the fact that the  
16 countries are shuttering facilities on a temporary  
17 basis you're increasing the costs. All of those  
18 things from a Commissioner who thinks profitability is  
19 relevant to vulnerability analysis, all of those would  
20 suggest that as you make your decision this industry  
21 is particularly vulnerable from a financial  
22 perspective, whether or not those of us on the  
23 domestic bar think that that's an appropriate gauge  
24 for you to look at.

25 COMMISSIONER PINKERT: Any other comments?

1 MR. FERRIOLA: John Ferriola with Nucor.

2 I am not a lawyer. I'm not an accountant.

3 So I look at the vulnerability issue from a completely  
4 different perspective. I'm an operator. I look at it  
5 from the perspective of my people, my employees.

6 When we have this discussion about how  
7 vulnerable are they I think in terms of their  
8 employment, their wages, their retirement benefits.  
9 When we talk about a small amount of imports and only  
10 displacing a little bit of our market, I think about  
11 the impact that that little bit has on their pay  
12 check, on their bonuses, on their profit sharing. I  
13 don't know if that's a financial analysis of  
14 vulnerability or a legal analysis or definition of  
15 vulnerability, but I believe the Commission needs to  
16 consider vulnerability of employees and the impact of  
17 these remedies across all of the countries that they  
18 have on our employees and their families.

19 COMMISSIONER PINKERT: Mr. Gerard?

20 MR. GERARD: I think most of what I did in  
21 my presentation was about vulnerability. The most  
22 important asset in the mill are the people in it, not  
23 the machinery. The industry is vulnerable, whether  
24 you take it from the point that Mr. Stewart just  
25 raised or the point that Mr. Ferriola just made and

1 that I made earlier in the day.

2 I've lived through this now for 20 years,  
3 and I really mean what I said that from the  
4 experiences that I've seen across this industry, both  
5 in industry commitment to modernization, to the  
6 workers' commitment to survival, if these orders  
7 aren't extended the whole damn industry is vulnerable.  
8 And in particular those human beings that were here.  
9 Two hundred thousand retirees could once again get the  
10 little hope that they've got ripped out from them  
11 because we didn't enforce our trade laws.

12 COMMISSIONER PINKERT: I'd like to get a  
13 comment from a member of the panel about some of the  
14 non-subject imports. In particular we've heard this  
15 morning in the original testimony that there is a  
16 substantial presence of non-subject imports in the  
17 U.S. market.

18 I'm wondering if somebody could comment on  
19 the impact that it has on that presence in the U.S.  
20 market, that the Russian imports are subject to a  
21 suspension agreement rather than an order. Would  
22 anybody like to comment on that, perhaps now or in a  
23 post-hearing?

24 MR. MEYERS: Mike Meyers -- Sorry.

25 COMMISSIONER PINKERT: Mr. Hecht, go ahead

1 and we'll get to Mr. Meyers.

2 MR. HECHT: We've talked about this a little  
3 bit in the past too in the case involving them, and we  
4 will address this further post-hearing. But obviously  
5 they are subject to a suspension agreement as opposed  
6 to an antidumping order which does allow them to bring  
7 in certain volumes of merchandise. That's not  
8 something the industry was in favor of. We think that  
9 that does still allow them to trade essentially  
10 unfairly in the market, and we think that does have a  
11 significant market impact. You can see with the  
12 volume on it being as high as they are, they do allow  
13 in quite a bit of tonnage.

14 MR. MEYERS: Mike Meyers with US Steel.

15 Effectively the suspension agreement allows  
16 the Russians to bring in nearly a million tons of  
17 steel a year at prices that have proven to be well  
18 below market price since their inception.

19 In addition to the volumes, they tend to be  
20 very erratic. In given months they have brought in  
21 hundreds of thousands of tons of steel that have  
22 clearly been disruptive to the domestic market.

23 MR. SCHAGRIN: Commissioner, Roger Schagrin.

24 One comment on non-subject imports which of  
25 course were very high in 2006, in the six million ton

1 range. They're down somewhat this year.

2 You can definitely see, and this is a little  
3 in opposite to what the Respondents argue about a lack  
4 of correlation between high import levels and the way  
5 the industry is doing. A lot of those 2006 non-  
6 subject import surge is what built up those tremendous  
7 service center inventories in 2006. So the U.S.  
8 industry has been paying throughout the first six or  
9 seven months of 2007 for the 2006 import surge.

10 Because nothing has really changed with the  
11 capability of non-subject imports, if demand were to  
12 increase or improve or even if it stays forward, those  
13 non-subject imports at high levels are still having a  
14 negative impact on this industry and make the industry  
15 more vulnerable to an increase in subject imports. I  
16 think that's very clear from the record and it's clear  
17 that non-subject imports have had that impact.

18 MR. NARKIN: Commissioner Pinkert, this is  
19 Steve Narkin.

20 Just briefly while we're on the subject of  
21 non-subject imports, we do find it interesting that  
22 fairly large volumes are continuing to come into this  
23 country from France which was Arcelor's original home.

24 COMMISSIONER PINKERT: Mr. Ferriola?

25 MR. FERRIOLA: Tom Ferriola, Nucor.

1           Just one small comment. Just remember, they  
2 will be additive. Talk about the non-subject imports,  
3 if there's any changes to subject imports two will be  
4 added.

5           COMMISSIONER PINKERT: I see that I'm coming  
6 to the end of this round, but if somebody could give  
7 me a quick reaction to the argument that the  
8 elimination of VAT rebates in China will attenuate  
9 that issue for the U.S. industry. Mr. Price?

10           MR. PRICE: I think it's fair to say the  
11 Chinese government has issued a variety of edicts over  
12 the years trying to control, as they euphemistically  
13 call it, the market. Bottom line is we did a study  
14 released yesterday, Money for Metal, which we actually  
15 haven't put on the record. I'll be happy to do it.  
16 Which shows that the Chinese government basically is  
17 in control of the industry. They don't need VAT  
18 rebates and taxes to control the industry. At the end  
19 of the day it's overwhelmingly government owned in its  
20 structure.

21           They've had a variety of tax schemes over  
22 the years. They come, they go. They don't seem to  
23 have any actual, they don't seem to have the impact  
24 that China keeps on saying they're going to have.  
25 Bottom line, if the imports keep on flowing out, and

1 they may get disrupted for a month or two, but when  
2 you have that type of excess capacity that is built up  
3 in their system they have to produce it for social  
4 purposes. That's what the Chinese government goal is  
5 in part, is we're going to produce as much, employ as  
6 much people, the rest of the world be damned.

7 COMMISSIONER PINKERT: Thank you.

8 Thank you, Mr. Chairman.

9 CHAIRMAN PEARSON: Going back to Chart 16  
10 from the Skadden Arps presentation. I actually think  
11 that there may not be such large differences between  
12 the position that you've advocated, Mr. Lighthizer,  
13 and my position regarding cumulation. Look at the  
14 factors that are listed here on the bullet points.

15 All subject countries have large hot-rolled  
16 steel industries. I agree. I think that whether the  
17 industries are similar sized across countries is an  
18 issue that potentially is relevant to a cumulation  
19 decision.

20 All subject countries make commodity grade  
21 steel that competes on the basis of price. That  
22 raises the question of whether product mix is an  
23 appropriate consideration for cumulation.

24 All subject countries have a strong  
25 incentive to increase exports to the United States.

1 Well, raising the possibility that differing  
2 incentives among countries are appropriate to  
3 consider.

4 All subject countries are being affected by  
5 developments in China. Well, the issue of other  
6 export markets and practices, those might be  
7 appropriate to consider.

8 Then all subject countries have a history of  
9 gaining U.S. market share through low prices. Well,  
10 pricing policies and market behavior also may be  
11 appropriate to consider.

12 You may be taking a slightly different spin  
13 on those factors, but I look at them and I think we  
14 actually are talking about the same thing, just kind  
15 of on different sides of it.

16 Mr. Hecht?

17 MR. LIGHTHIZER: I was just going to say  
18 thank you very much. If we can just get two more  
19 people, we're going to win this case.

20 (Laughter).

21 CHAIRMAN PEARSON: Mr. Hecht?

22 MR. HECHT: I'm not sure how to follow that.

23 (Laughter).

24 The one point I would make, obviously the  
25 Commission has traditionally looked at conditions of

1 competition and its analysis. As you can imagine,  
2 trying to advocate in this case we are going to  
3 address issues that you have looked at traditionally  
4 in your analysis. That's not to say that we  
5 necessarily agree that all of these factors that you  
6 may be considering in other cases are appropriate or  
7 that they would appropriately counsel not to cumulate.

8 The fact is, we view many of these factors  
9 as having absolutely nothing to do with the combined  
10 effect of imports on the domestic industry which is  
11 what the cumulation provision is all about. Why are  
12 you considering differences that have nothing to do  
13 with the cumulated impact? That would be our concern.

14 But again, the fact that we address them  
15 either here or in our brief should not be taken as  
16 evidence that we agree that those are appropriate in  
17 any and all cases as valid differences.

18 CHAIRMAN PEARSON: I'm not trying to say I  
19 think we would interpret these the same. This is an  
20 issue for discussion and it should be discussed and I  
21 look forward to your follow-up briefs.

22 Mr. Vaughn?

23 MR. VAUGHN: Just to follow up on what Jim  
24 said. I think that what you should really be thinking  
25 about is, I mean cumulation is basically about if

1 these guys come in are they going to have a combined  
2 effect on us?

3 Okay, let's say that one country ships us a  
4 relatively small amount and one country ships a  
5 relatively large amount. That doesn't change the  
6 affect that they have on us. When you put them  
7 together they're going to have a combined affect.

8 I think in deciding what's appropriate  
9 that's sort of what you should be thinking about. How  
10 are they going to affect, do they contribute to a  
11 combined affect or not? A lot of the factors that  
12 have been talked about in the past and a lot of the  
13 factors that have been raised here, for example if one  
14 country's a net importer, how does that, if it's still  
15 exporting, its exports are competing in the same  
16 channels of distribution as everybody else, what  
17 difference does it make whether it's a net import? It  
18 doesn't take away from the combined affect that it has  
19 on us.

20 I just wanted to flesh that out a little bit  
21 more.

22 CHAIRMAN PEARSON: Given that you raised the  
23 net importer question, you're saying that never would  
24 be an appropriate issue for consideration? Or just in  
25 the instance in which, if we thought a significant, a

1 discernible amount imports would come from a net  
2 exporter to the United States then we should see it  
3 differently than if we thought there wouldn't be those  
4 imports coming.

5 MR. VAUGHN: Consider the position of a  
6 domestic sales person. They get a call from a sales  
7 guy. He says I'm being forced to compete against an  
8 offer from a foreign country. He can't say well, I'm  
9 not going to match that offer because that's from a  
10 country that's a net importer.

11 To him, once it comes into this market it's  
12 competing just the same as all the other stuff that's  
13 coming into this market.

14 The issue about are you a net importer, are  
15 you a net exporter, at most that would go to the  
16 question of how many imports would be coming into this  
17 country. Once you start taking stuff like that into  
18 effect then you have really started to confuse your  
19 cumulation analysis with your causation analysis and  
20 those are supposed to be kept, by law, those have to  
21 be kept separately.

22 The first question is are they all going to  
23 compete with each other or not? The next question is  
24 once you've decided whether or not to cumulate, are  
25 they going to cause injury?

1           But if it's just a question about this  
2 country's going to be small volume and this country's  
3 going to be large volume, then no. It really should  
4 not be taken into account.

5           CHAIRMAN PEARSON: As I'm sure you know, Mr.  
6 Vaughn, I've never claimed not at least occasionally  
7 to be confused by cumulation.

8           One other question that I would direct  
9 initially to Mr. Schorsch, and others might want to  
10 comment. That is whether a change in the  
11 transnational corporate relationships that firms might  
12 have between the original investigation and now,  
13 whether that's an issue that we should consider when  
14 we look at cumulation.

15           MR. SCHORSCH: Again, we've taken no  
16 position on that. Our official position is no  
17 position. I just dropped in to see what condition my  
18 condition is in.

19           (Laughter).

20           I think we're agnostic on that. I think  
21 whether you revoke or extend in the three countries,  
22 again, it makes no difference to us.

23           The cumulation issue as I see and it's been  
24 described to me as a very technical one, and I think  
25 we've just gone through the discussion with the

1 attorneys and so on, it gets more arcane and technical  
2 the more I hear about it so I don't think I'm in a  
3 position to weigh in on it.

4 CHAIRMAN PEARSON: It's very technical for  
5 me too. I'm not sure that I'm in a position to decide  
6 on it, but I have to occasionally.

7 Just to clarify, if a decision would be made  
8 to cumulate those countries in which Mittal has an  
9 operating presence, that would not pre-judge whether  
10 one would go affirmative or negative on those  
11 countries. So the cumulation question, as was just  
12 mentioned, is separate from causation. I do  
13 understand that, at least at a technical level.

14 Mr. Schagrín?

15 MR. SCHAGRIN: Just for the record, and I  
16 think it's been stated by some other counsel  
17 previously during this proceeding. We do not believe  
18 that a change in the ownership of a company to become  
19 part of a multi-national group that also has assets in  
20 the United States should change the Commission's  
21 cumulation analysis. We think you should still do  
22 your no discernible adverse impact analysis separately  
23 as to that country regardless of their ownership.

24 And in fact, now having heard from Mr. Schorsch  
25 that one of the biggest international trading

1 companies probably in the world, Mack Steel, is the  
2 one that has the right to export all of the South  
3 African production which takes it out of the direct  
4 control of Mittal, just demonstrates that hey, they're  
5 going to take to whatever market they can take, as I  
6 think Mr. Bouchard was talking about the way trading  
7 companies work with foreign producers, and as Mr.  
8 Gerard talked about how they shop around everywhere.  
9 They're going to sell as much South African material  
10 on the international market as they can. If they can  
11 do better selling it to the United States than they  
12 can in an ASEAN country or in South America, it's  
13 going to come here and it's going to have an impact on  
14 everybody, maybe because South Africa is closer to the  
15 West Coast, it will push CSI from no profits into  
16 massive losses. They're still part of the U.S.  
17 industry.

18 CHAIRMAN PEARSON: Mr. Schorsch, perhaps you  
19 could offer clarification. Maybe better in post-  
20 hearing than now. But could you let us know whether  
21 there are some limitations on what Mack Steel might do  
22 with product originating from South Africa?

23 MR. SCHORSCH: Yes, again, we own 50 percent  
24 of that trading company but I think you're right,  
25 we'll address it in the post-hearing brief what those

1 constraints are and how it actually --

2 CHAIRMAN PEARSON: Obviously if you had the  
3 possibility to put a limit on either the quantity or  
4 whether any would come in at all into the United  
5 States, that would potentially be relevant to this  
6 question.

7 My light is turning. Did anybody have an  
8 essential and quick comment?

9 Mr. Lighthizer?

10 MR. LIGHTHIZER: It's essential and quick,  
11 Mr. Chairman.

12 All I would say is this shows you the  
13 problems with this conditions of competition kind of  
14 analysis.

15 I would urge the Commissioners to be very  
16 careful to say you basically get a Get Out of Jail  
17 Free card if you buy a U.S. operation, and that's  
18 essentially what you're doing here. That's a very  
19 very serious decision to make. I hope that the  
20 majority of the Commissioners don't make it.

21 CHAIRMAN PEARSON: Okay, my light has turned  
22 red.

23 Madame Vice Chairman?

24 VICE CHAIRMAN ARANOFF: Thanks, Mr.  
25 Chairman.

1           one more follow-up on the Mittal family of  
2 companies. I understand from reading some of the  
3 briefs that Mr. Mittal himself has announced that he's  
4 planning, or maybe perhaps already building a facility  
5 in India.

6           We don't have a lot of information on the  
7 record about that, whether that's a plan, whether  
8 that's underway, how much capacity is involved. Is  
9 there any information you can provide to us either now  
10 or post-hearing?

11           MR. SCHORSCH: Let me make a brief comment  
12 now and then we can make sure the specifics are right  
13 in the post-hearing brief.

14           We've been exploring construction of two  
15 facilities in Western India. One in a province called  
16 Orissa, one in a province called Jarakhan, both of  
17 which are rich in raw materials and so on.

18           I think right now the assumption is we would  
19 go forward with both of those. They're quite far in  
20 the future, although I think there may be some initial  
21 engineering or site assessment work going on and so  
22 on.

23           I think the intention certainly is that  
24 these would be operations that would grow with the  
25 Indian market, but again, it's a long way from the

1 future before they'd be constructed, but I think we  
2 can fill you in on the exact status of those projects  
3 which have been up and down, and again, may not go  
4 forward fully, but we can fill you in on the exact  
5 status in the post-hearing brief.

6 VICE CHAIRMAN ARANOFF: That would be really  
7 helpful. And to steal Commissioner Okun's traditional  
8 question, if there are business plans that were  
9 written to justify investments that weren't put  
10 together for the purposes of this case that you're  
11 able to supply, those would be helpful.

12 Thank you.

13 Going back to a question that some of my  
14 colleagues raised with respect to vulnerability. In  
15 the 2005 sunset review the orders and suspension  
16 agreements concerning hot-rolled steel from Brazil,  
17 Japan and Russia, the Commission found that the  
18 domestic industry was not vulnerable and obviously  
19 that was based on a shorter period of profitable  
20 operation than is evidence in the current record.

21 Since you're arguing that the domestic  
22 industry is currently vulnerable, what are the points  
23 that you would point me to that would demonstrate that  
24 the domestic industry, despite its longer profitable  
25 period now, is nonetheless perhaps worse off than it

1 was in 2005?

2 MR. SCHAGRIN: I'll take a shot at that,  
3 Vice Chairman Aranoff.

4 That 2005 decision was largely based on data  
5 through full year 2004, and you can see from the  
6 present record before you that since 2004 industry  
7 profitability has fallen. Industry capacity  
8 utilization has fallen. Industry lead times for sales  
9 have fallen. Industry pricing has fallen. I think  
10 the pricing products clearly demonstrate that since  
11 the end of 2004, early 2005, while there was a dip and  
12 then an increase now, prices are much lower than the  
13 Commission had then, and I suspect when you get the  
14 second quarter data and when you get information on  
15 maybe some present pricing reported in AMM and what's  
16 going on in the third quarter, you're going to find  
17 pricing much lower.

18 So I would submit to you that the record on  
19 vulnerability in the present sunset review is much  
20 much stronger. It shouldn't be the number of years of  
21 profitability. Obviously levels of profitability have  
22 to be analyzed and the fact that all of the  
23 information on this record shows that this industry is  
24 in a period of, unfortunately in dissent as compared  
25 to the record in the previous sunset review, I think

1 we have a very different record that strongly supports  
2 vulnerability in this case.

3 VICE CHAIRMAN ARANOFF: In a second, Mr.  
4 Narkin, I will let you talk, but just to say obviously  
5 I wasn't actually here when the Commission did the  
6 2005 review, nor were two of my colleagues, so I don't  
7 consider myself bound by the Commission's  
8 vulnerability finding or lack thereof in that case, so  
9 I don't want to imply that I do. Nor do I want to  
10 imply that I would only look at profitability and  
11 number of years of profitability because I clearly  
12 wouldn't.

13 Mr. Narkin, go ahead.

14 MR. NARKIN: Vice Chairman Aranoff, I would  
15 just point out that in the '95 review it was only at  
16 the very tail end of that period that China shifted  
17 from being a net importer to a net exporter, and I  
18 think there was then probably some question as to how  
19 far that situation would go. Now you see where it's  
20 gone. China is now a massive net exporter.

21 VICE CHAIRMAN ARANOFF: Mr. Ferriola?

22 MR. FERRIOLA: I would just like to add to  
23 that that in the same time period other countries,  
24 most notably India, have announced massive capacity  
25 build plans. Ukraine, the same case. In the ensuing

1 three years there's been a tremendous amount of  
2 additional capacity by other countries that have come  
3 on-line and have been announced.

4 VICE CHAIRMAN ARANOFF: I appreciate all  
5 those answers. Actually that's a good lead-in to my  
6 next question.

7 In Exhibit 6 to Mittal's brief is a table  
8 that while it doesn't purport to be complete, shows a  
9 number of capacity and production expansions that have  
10 been announced or planned by subject producers. I  
11 wanted to ask for purposes of the post-hearing if  
12 either Mittal or any of the rest of you could go  
13 through those capacity additions and any others that  
14 you posited in your brief, and separate out for us the  
15 ones on which there is some indication that the plans  
16 are already going forward. Ground's been broken,  
17 equipment's been purchased, some other indication so  
18 that we can make a more reasoned assessment of how  
19 likely it is that some of this capacity will come on-  
20 line within the reasonably foreseeable period.

21 So without pre-judging exactly what we're  
22 going to find that reasonably foreseeable period to be  
23 in this case, I'd say at least if we could look at  
24 that issue of what's going to come on-line at least  
25 through 2009, that would be helpful, so that we can

1 separate out the things that have been announced from  
2 the things that are already underway and therefore  
3 perhaps more likely.

4 MR. STEWART: We'll do that.

5 VICE CHAIRMAN ARANOFF: Thank you very much.

6 What I think is my last question, you were  
7 having a conversation with the Chairman about the  
8 relevance, I think it was with the Chairman, about the  
9 relevance of someone's status as a net importer for  
10 purposes of cumulation. That conversation ended with  
11 someone saying it's really relevant to the likelihood  
12 that the volume of imports will be significant. I  
13 wanted to just go on with that a little bit more.

14 We have I think three subject countries in  
15 this case that are net importers of this product and  
16 what bearing does that status have on whether the  
17 volume of imports will be significant?

18 Mr. Vaughn?

19 MR. VAUGHN: I think, Commissioner Aranoff,  
20 I was one of the people involved in the colloquy with  
21 the Chairman. I think I said at most it would be  
22 relevant to that.

23 I think what you have to look at it is what  
24 is the export capacity or how much of this stuff is  
25 being exported?

1           For example, you could easily have a  
2 situation where there's a country where they happened  
3 to be importing maybe certain types of products but  
4 also exporting large volumes of products.

5           I know, for example, that if you look at the  
6 export data from Thailand you'll see that over this  
7 period of view they have consistently been a net  
8 importer, but their exports have grown enormously.  
9 Last year they exported over 700,000 tons. This was  
10 on the presentation they put up earlier today.

11           So I just have to say, I really don't see  
12 the relevance of the fact that they're a net importer.  
13 The evidence suggests that regardless of what's going  
14 on on the import side, they can and do export large  
15 volumes. They are increasing their exports. So I  
16 just don't see the relevance of that to the volume  
17 question.

18           MR. SCHAGRIN: Vice Chairman Aranoff, I  
19 would just also add that the no discernible adverse  
20 impact focus is on the export level and the increased  
21 exports to the United States. So if someone's a large  
22 exporter then I think you can assume those large  
23 exports will have a discernible adverse impact on the  
24 U.S. industry.

25           In the case, if hypothetically one of those

1 three countries was not exporting at all because they  
2 said our country is so short on supply compared to  
3 demand that we don't even think about exporting, we're  
4 only satisfying a third or half of our demand and we  
5 import large quantities and we don't export at all.  
6 Under that kind of hypothetical situation maybe the  
7 Commission could conclude well, if they're just going  
8 to only, when they increase production, going to serve  
9 their own market, they're not even going to export any  
10 more, things have changed since the original  
11 investigation, then you could use the fact that they  
12 were a net importer as the basis for a no discernible  
13 adverse impact. But if they're a large exporter and a  
14 net importer, there's probably reasons why they're  
15 exporting and importing.

16 In the case of Thailand it's pretty clear  
17 that the Japanese own a lot of flat-rolled finishing  
18 facilities in Thailand to make cold-rolled or  
19 galvanized sheet for Japanese automotive companies in  
20 Thailand. They're probably not going to use Thai  
21 sheet if they can use Japanese sheet into their own  
22 production facilities. So there you have an  
23 explanation.

24 But you don't really need an explanation if  
25 somebody's a large exporter which is the case with

1 Thailand. Obviously those large exports would have a  
2 discernible adverse impact in the U.S. market.

3 VICE CHAIRMAN ARANOFF: Mr. Chairman, with  
4 your indulgence can I let Mr. Salonen answer?

5 CHAIRMAN PEARSON: Please.

6 VICE CHAIRMAN ARANOFF: Mr. Salonen.

7 MR. SALONEN: Thank you, Vice Chairman  
8 Aranoff.

9 I would just point out that this morning we  
10 heard from, perhaps it was this afternoon, from the  
11 representative from the Thai embassy commenting about  
12 how Thailand is a net importer, and yet we had an  
13 interesting slide which shows that they are projecting  
14 more than doubling their exports of hot-rolled sheet  
15 in 2007 and 2008 to just the ASEAN countries. This is  
16 still in the context of and were those exports to be  
17 diverted elsewhere because of China or other factors,  
18 that would be a significant additional volume.

19 So the fact that they are a net importer for  
20 all the reasons that Mr. Schagrin discussed and so  
21 forth, really I don't think there's any relevance on  
22 the issue when you consider what they themselves are  
23 projecting as their exports in the imminent future.

24 VICE CHAIRMAN ARANOFF: I appreciate all  
25 those answers.

1           To the extent that you can add anything more  
2           in post-hearing, I'm still having trouble  
3           understanding what the various incentives are. I can  
4           see how in a case where someone, where a product that  
5           we're looking at includes a range of different things,  
6           that a country could be importing one part of the  
7           range and exporting another, I think we've seen that a  
8           lot in terms of high end, low end. We all have pretty  
9           much agreed that this is a commodity product, it  
10          doesn't have a whole lot of range that could support  
11          that kind of a pattern, so I'm still trying to  
12          understand what's going on here. So anything people  
13          can add post-hearing, I'd appreciate.

14                 Thanks for you indulgence, Mr. Chairman.

15                 MR. BOUCHARD: Vice Chairman, I can give you  
16          a clear example if you'd like.

17                 In a country, in Turkey I'll use an example.  
18          In Turkey they could have invested in their hot strip  
19          mills with about \$25 million to increase the motors on  
20          their hot strip mill to make higher strength grades.  
21          Instead, they imported X60, X70 material and built all  
22          the oil pipelines that run through Turkey into  
23          Kazakhstan, in that area.

24                 So instead of investing in their facilities,  
25          they said we're not going to make that investment,

1 there's no reason to it, we can make CQ hot-roll and  
2 export it.

3 So, for example, one line pipe project was  
4 600,000 tons of X60 and 70 that went into Turkey.  
5 They, instead of upgrading their facilities, the pipe  
6 and tube was produced there, the steel was imported,  
7 the pipe and tube producers produced it, and the  
8 Turkish steel producers did not invest in their  
9 facilities because they didn't need to, they can  
10 produce CQ hot-roll and ship it to the United States.

11 There's a clear example where they didn't  
12 make a commitment to their own industry, imports are  
13 coming in, they're a net importer, yet they're a huge  
14 exporter. That's why. That's the mentality that they  
15 have. It's basically a state controlled industry.

16 So there's a clear example when you see this  
17 net import, net importers and why are they exporting.  
18 Those type of things happen all the time with these  
19 state-run institutions.

20 VICE CHAIRMAN ARANOFF: I appreciate that  
21 answer. It does seem to go to product  
22 differentiation, in a way.

23 I'm way over my time. Thank you very much.

24 MR. SALONEN: Mr. Chairman, Eric Salonen.

25 Dr. Kothari has a train to catch at 7:00

1 o'clock. If I could ask if there are any more  
2 questions for him, or if not whether he could be  
3 dismissed at this time?

4 CHAIRMAN PEARSON: Even before getting to  
5 Dr. Kothari I'm advised that Mr. Gerard needs to leave  
6 at 6:40. So my first question was going to be if any  
7 Commissioner has a question they would like to direct  
8 to Mr. Gerard, would you please feel free to do so  
9 now?

10 No?

11 You're off the hook. Thanks so much.

12 Now the same for Dr. Kothari. Anyone with  
13 an additional question for Dr. Kothari?

14 Okay. Thank you very much. You may be  
15 excused.

16 Commissioner Okun, your turn.

17 COMMISSIONER OKUN: Thank you, Mr. Chairman.

18 I think this might be a follow-up to the  
19 Vice Chairman's request with regard to trying to put  
20 on the record not just whether projects have been  
21 announced in these foreign countries, but if there's  
22 any further information to indicate where they are in  
23 gearing up to produce, I think that would be helpful.

24 A follow-up to that would be, Mr.  
25 Lighthizer, in your exchange I think with Commissioner

1 Lane you talked about why you thought one particular  
2 set of data, the data we were looking at with regard  
3 to China wasn't accurate and that Mr. Vaughn will be  
4 providing I think the reasons why.

5 I wondered with respect to the other  
6 countries, and in particular I think with regard to  
7 those that would appear on the record to be net  
8 importers, whether you would have similar views or any  
9 counsel would have similar views about the data that's  
10 out there, publicly available data, whether you would  
11 view some of it more reliable or not in looking at the  
12 projections for consumption and demand in those  
13 countries.

14 MR. LIGHTHIZER: What happened, for the  
15 record, is China is by far the worst. The most  
16 difficult for anyone to get their hands around. There  
17 seems to be better data from most of the other  
18 countries. And World Trade Atlas is a great source of  
19 it, too. But we'll be happy to --

20 COMMISSIONER OKUN: Does that include India?  
21 India, to me, actually seems like it's more of a black  
22 hole for us on the record than China, even taking into  
23 account what you're saying about the China data. I'm  
24 particularly interested in any other information we  
25 could get with regard to what's going on in India.

1           MR. LIGHTHIZER: I would also note that we  
2 have a study attached to our brief which gives a fair  
3 amount of information about both China and India in  
4 terms of new capacity and the kinds of government-  
5 sponsored programs that they have. It's a lengthy  
6 document but it gives you a pretty good idea of why  
7 they're expanding capacity and the fact that it's in  
8 no way market oriented.

9           So we have a fair amount of information on  
10 India as well as China that we singled out as a rather  
11 large attachment to our brief, but we will certainly  
12 do that with respect to India.

13           COMMISSIONER OKUN: Right, and I guess what  
14 I was trying to figure out in looking at the  
15 attachments was one, how much of it was announced, was  
16 there announced capacity versus capacity where ground  
17 has been broken, but also trying to make sense of the  
18 different exhibits and how they did or didn't comport  
19 with the other data that's on the record. I'm trying  
20 to make sure that I understand what I'm looking at, or  
21 whether there's much disagreement.

22           Mr. Price?

23           MR. PRICE: We'll address this more  
24 completely in our post-hearing brief because there's a  
25 lot of different data points to look at in all this.

1 But there's no question that there's massive amounts  
2 of new capacity coming on-line.

3 Just as the Chinese capacity in the last year  
4 that came on-line, a large part of it ended up being  
5 well in excess of domestic demand in that case,  
6 already shipped in hot-rolled, shipped in type,  
7 shipped as cold-rolled and galvanized. Essentially  
8 it's just flowing out onto the world market.

9 We'll go through all of the capacity numbers  
10 and by sources. And there's a lot, and it's not just  
11 projects being reported. Things are starting up.  
12 Things are actually being built. And we'll go through  
13 all of it. I think we've gotten very extensive  
14 exhibits on them.

15 And you are right, when you look at three or  
16 four sets of exhibits you're going to come out with  
17 some slight differences in them, but the amount, no  
18 matter how you come up with it, is real, is  
19 substantial, and it's overwhelming.

20 COMMISSIONER OKUN: I appreciate that and I  
21 look forward to looking through that in the post-  
22 hearing briefs as well.

23 I will I guess turn to cumulation as well,  
24 although I would note in reading the briefs that I  
25 understand the criticism that counsel has made. Just

1 as an aside, obviously the rebar decision will be  
2 coming out and Chairman Pearson and I lay out our  
3 cumulation analysis in there.

4 But just as a starting point, of the cases  
5 that were cited I guess my question for you, Mr.  
6 Lighthizer, is whether you think that by doing the  
7 analysis in the manner that I have done in the last  
8 few cases, whether we've reached a different  
9 conclusion about cumulation. It seems to me the  
10 Commission majority in I think most of the cases you  
11 cited, looked at conditions of competition in deciding  
12 whether to exercise discretion. So whether you did it  
13 in the order the Chairman and I did or the other  
14 order, the more traditional order, we've reached the  
15 same outcome.

16 Do you agree with that?

17 MR. LIGHTHIZER: I think that's a little bit  
18 of a tautology. You start off with two people and you  
19 need two more, and you take an unusual approach.

20 It is our view, first of all, that all the  
21 Commissioners have to realize that this is a change in  
22 the way the Commission has operated. The way you and  
23 the Chairman operate. That is this idea of looking at  
24 conditions of competition and having that be the do  
25 all and end all and never getting to what are really

1 the statutory standards. That is an unusual thing.  
2 It's basically, to my mind, sort of relying on the  
3 "may" part of the statute.

4 It is our view that the way you and the  
5 Chairman do it is improper, gets the wrong result, and  
6 in fact is an abuse of your discretion. But that is a  
7 legal issue that will sort of fight out and the Court  
8 will say Commissioner Okun's right and Lighthizer's  
9 wrong, or vice versa.

10 My point to the Commissioners is this. Even  
11 if you have the discretion, once you decide on the two  
12 statutory steps, assuming you have the discretion to  
13 do whatever you want in the world, why would you use  
14 that discretion as a matter of policy to let more  
15 unfair trade come into the United States and cost  
16 President Gerard's workers their jobs and companies  
17 profits and their future? Why would you use the  
18 discretion in that way as a matter of policy?

19 There's a legal issue that we're going to  
20 fight out, and that's now on a track. But even if you  
21 decide you had the discretion, my prayer to the other  
22 Commissioners is that you think how am I going to use  
23 the discretion? Should I be using the discretion to  
24 limit unfair trade that I've decided has a discernible  
25 impact and I've decided there's an overlap? And we

1 know it's unfair trade because that's what the  
2 Commerce Department told me.

3 Now why would I use that discretion in a  
4 way, if you're really enforcement oriented, in a way  
5 that brings more unfair trade into the United States?  
6 I don't understand what the --

7 COMMISSIONER OKUN: Can I cite what the  
8 Allegheny Ludlum Court said we might do? The Court  
9 explained that "Congress intended the agency to have  
10 the discretion as a fairer way in which to review the  
11 impact of foreign imports on the domestic industry."

12 MR. LIGHTHIZER: Well, that goes to the  
13 question of whether or not you abuse your discretion.  
14 I'm just saying if you have the discretion, I don't  
15 understand why you would use it in a way, for example,  
16 that says --

17 COMMISSIONER OKUN: It's a fairer way to  
18 review the impact.

19 We will obviously --

20 MR. LIGHTHIZER: But it --

21 COMMISSIONER OKUN: -- Allegheny Ludlum says  
22 that --

23 MR. LIGHTHIZER: But Commissioner, shouldn't  
24 it go to --

25 COMMISSIONER OKUN: -- post-order and pre-

1 order --

2 MR. LIGHTHIZER: -- to whether or not it  
3 affects this hammering affect? The idea, Congress --

4 COMMISSIONER OKUN: On that hammering  
5 affect. If we have one large, very large country.  
6 Let's use our hypotheticals. A very large Country X.  
7 Then we have A, B, and C which are medium size  
8 exporters. I decide not to cumulate, but find that  
9 big Country X is causing injury and cumulated  
10 Countries A, B, and C are causing injury. Have I done  
11 it in and abused my discretion? Do you think that I  
12 got to the wrong --

13 MR. LIGHTHIZER: I guess I'm having trouble  
14 following your hypothetical.

15 COMMISSIONER OKUN: My cumulation would lead  
16 me to say I'm going to treat the big country, huge  
17 producer, different export trends, I'm going to treat  
18 them alone. I think maybe Commissioner Williamson  
19 posed the hypothetical on China here. Then I'm going  
20 to treat the other countries which look more alike in  
21 their post- and pre-order, the import trends,  
22 everything the Commission has looked at in the  
23 conditions of competition on cumulation. I'll  
24 cumulate these three together.

25 Both cases I find that both the cumulated

1 countries and this country alone are likely to cause  
2 material injury.

3 MR. LIGHTHIZER: I don't think that's at all  
4 what Congress had in mind, and I don't think it really  
5 makes any sense. Why would -- The idea behind  
6 cumulation is to decide how much all these people  
7 together, stacking up, are going to have an impact, a  
8 negative impact on us.

9 Now I can't say there's no case where a big  
10 country would be somehow different than a bunch of  
11 small countries. You could maybe dream up some  
12 example. But as a general matter, the idea behind  
13 cumulation is exactly the opposite of your analysis,  
14 in my opinion. The idea behind cumulation is to  
15 determine how all these countries taken together are  
16 going to harm us.

17 If you have ten countries that are just that  
18 much below injury by themselves in your judgment, how  
19 could you not say we're worse off with ten of them  
20 coming after us than we would with one big one?

21 COMMISSIONER OKUN: But I'm saying --

22 MR. SCHAGRIN: Commissioner Okun?

23 COMMISSIONER OKUN: Yes, Mr. Schagrin

24 MR. SCHAGRIN: I see the red light's going  
25 on. I wasn't around when Senator Long was drafting

1 this. My perspective is if you want to vote  
2 affirmative on all these countries, you go ahead and  
3 explain it the way you want, just vote affirmative.

4 (Laughter).

5 I think that's what President Gerard and I  
6 think that's what we all want. Then we will read with  
7 great anticipation your explanation for the  
8 affirmative vote, but we will be pleased to see it and  
9 we will joint as Defendant Intervenors if these other  
10 attorneys want to file appeals.

11 COMMISSIONER OKUN: Mr. Chairman, if you'll  
12 just allow me, I know my red light is on but I won't  
13 have another round.

14 I would note, Mr. Schagrin, you reminded me  
15 that I was going to say that it was when you came in  
16 and started talking about the cumulation provisions  
17 and no discernible adverse impact and whether the  
18 Commission should really have been looking at that as  
19 the way not to cumulate, I went back, read a number of  
20 things including a lot of past decisions, which led me  
21 to change the order I did things. And you know why?  
22 Because I read what Commissioner Bragg, how she  
23 approached cumulation, and she actually did it in a  
24 different order.

25 So you did lead me back probably not to

1 where you wanted me to go. But I did go back and look  
2 at it.

3 Thank you, and I want to thank everybody for  
4 their responses. We look forward to post-hearing  
5 briefs. It's been very helpful.

6 CHAIRMAN PEARSON: Commissioner Lane?

7 COMMISSIONER LANE: I sort of feel like I'm  
8 just an onlooker here.

9 This was very enlightening and I appreciate  
10 the discussion between the two of you. Mr. Schagrín,  
11 I hope you read all of our opinions, no matter what we  
12 say.

13 MR. SCHAGRIN: Commissioner Lane, I read  
14 every single, I hope it comes out a little bit. I  
15 read every single word that every Commissioner writes,  
16 whether in the majority or the minority. Every word.  
17 Even in every case I'm not involved in.

18 COMMISSIONER LANE: Thank you. That's the  
19 right answer.

20 MR. SCHAGRIN: But I enjoy your affirmative  
21 decisions the most.

22 (Laughter).

23 COMMISSIONER LANE: Thank you.

24 I have a question now about related parties.  
25 The parties did not brief the related party issue, and

1 so would you all in your post-hearing briefs discuss  
2 why appropriate circumstances do not exist to exclude  
3 Mittal Steel USA from the domestic industry if it is  
4 deemed to be a related party.

5 MR. SCHAGRIN: We will address it in the  
6 briefs.

7 COMMISSIONER LANE: Thank you.

8 Then I have one more question, if I can find  
9 it.

10 (Pause).

11 Well, I think I'll just pass. Thank you,  
12 Mr. chairman.

13 CHAIRMAN PEARSON: Commissioner Williamson?

14 COMMISSIONER WILLIAMSON: Thank you, Mr.  
15 Chairman.

16 I think Commissioners Aranoff and Okun had  
17 asked about getting information on the upcoming  
18 projects. You've already agreed to do that. I want  
19 to make sure that you include in there a distinction  
20 between upcoming projects in foreign producers between  
21 what's hot-rolled steel and what's not. In the  
22 Skadden brief there was a long list of projects on  
23 India and it wasn't always clear which --

24 MR. LIGHTHIZER: We'll certainly do that,  
25 Commissioner.

1                   COMMISSIONER WILLIAMSON: A question about  
2 raw material costs. I was wondering if you could  
3 discuss the current market conditions for raw  
4 materials. I think in some of the pre-hearing briefs  
5 you indicated that domestic raw material costs have  
6 increased enormously, and that significant additional  
7 cost increases are likely in the future.

8                   Please discuss the extent to which domestic  
9 producers are able to pass on their raw material cost  
10 increases to their customers. And do you anticipate  
11 higher or lower raw material costs for the remainder  
12 of this year?

13                   Whoever wants to address that.

14                   MR. GOODISH: John Goodish from US Steel.

15                   We do anticipate increases in natural gas  
16 and scrap costs for the balance of the year.

17                   We're a net purchaser of furnace coke and we  
18 are seeing significant increases in furnace coke over  
19 the last two months or so. Furnace coke is today out  
20 in the international marketplace at about \$265 a ton  
21 which is roughly a \$100 increase in the last year. So  
22 we are expecting significant increases.

23                   We in the U.S. are self-sufficient on iron  
24 ore. We mine all of our own ore so we're not as  
25 susceptible from that perspective, but natural gas,

1 energy costs. Power cost is going up with the  
2 increase in coal costs that's out in the marketplace.  
3 Energy related impacts. And coke is going up.

4 COMMISSIONER WILLIAMSON: Thank you.

5 Anyone else?

6 MR. BOUCHARD: Jim Bouchard.

7 Again, we see our iron ore prices moving up  
8 next year. Also, like Mr. Goodish, our natural gas  
9 prices are expected to increase, double digit, for  
10 next year. Then one of your questions was have you  
11 been able to pass those increases along to your  
12 customers or to the market. I'll use an example of  
13 scrap's gone up, gas has gone up. Our scrap price has  
14 gone up since January to the tune of \$70 to \$80 per  
15 ton. If you look at steel prices on hot-roll in the  
16 same time period it's dropped approximately \$60 per  
17 ton.

18 So you actually have an inverse  
19 relationship. There's no possibility of passing those  
20 increases along.

21 You've seen steel hot-roll prices drop \$60 a  
22 ton. For example for scrap going into our electric  
23 furnace which almost has a dollar for dollar  
24 correlation, that price has gone up \$60 to \$80 per  
25 ton. So it actually has an inverse relationship

1 that's creating quite a bit of stress.

2 MR. SCHORSCH: Just to add to that,  
3 Commissioner, maybe a couple of points.

4 One is on the iron ore front which kind of  
5 starts the whole ball rolling for us. If we talk  
6 about a 20 percent or a 22 percent increase in the  
7 world iron ore price, that implies a more than 30  
8 percent increase in our cost base because we use about  
9 1.6 tons of iron ore for every ton of steel that we  
10 produce. So it's a much more substantial increase  
11 than suggested, even in the price of that direct  
12 product.

13 The other point I'll make in terms of  
14 whether we can pass these costs on. Obviously that  
15 depends on a lot of different factors and where we are  
16 at a particular point in the cycle. I think the  
17 statistics that Mr. Lighthizer showed in his initial  
18 presentation was that since 2004 we've seen prices go  
19 down while costs have gone up, and I think that delta  
20 was, as I recall, about \$80 a ton or \$90 a ton.

21 The final point I'd make on that is that for  
22 some of us, certainly our company, an awful lot of our  
23 business is contractual and I would say that we had  
24 this tremendous surge in our input costs in 2004.  
25 That was reflected relatively quickly in spot prices,

1 but contracts are much stickier and I would say that  
2 in many contract environments, certainly in the  
3 container business which is a significant business for  
4 us now, even in the automotive business we have still  
5 not caught up here three years later with the surge  
6 that we saw in our input costs and those contracts  
7 typically are below, we'll see what happens for 2008,  
8 but still below what spot prices are for comparable  
9 products. Even with the higher levels of service,  
10 product development, technical support, et cetera,  
11 that we provide to those contract customers.

12 So it's a sticky business in terms of the  
13 rate at which we can catch up to those input cost  
14 increases with a lot of our contract business.

15 MR. FERRIOLA: John Ferriola with Nucor.

16 The comment I would want to make is you've  
17 heard me talk about the massive increase in capacity,  
18 steelmaking capacity on a global basis. That has put  
19 a tremendous strain on every raw material acquired for  
20 steelmaking. So there's no doubt in my mind that  
21 prices for the raw materials will continue to  
22 increase.

23 The second point, to answer your second  
24 question, market determines the pricing you can get  
25 for a product, not the cost of your inputs. So at the

1 current conditions in the market we are not able to  
2 recover those costs.

3 COMMISSIONER WILLIAMSON: Thank you.

4 MR. BUSSE: We concur. We use a heck of a  
5 lot of scrap, as you know, and have announced plans to  
6 backward vertically integrate in that area and have  
7 also announced plans to backward vertically integrate  
8 into the ore products arena. I think iron ore, as  
9 someone has testified today, is a little oligopolistic  
10 to say the least, and we're not near some of those  
11 principle supply resources. So we're going to make  
12 Congressman Oberstar happy by investing on the iron  
13 range to supply new technologies that are coming on  
14 line that we believe can be cost effective in the  
15 future.

16 As it would regard scrap, we have purchased  
17 and/or created about six new scrap yards. We think  
18 it's an opportunity for our shareholders because we  
19 think it's going to be a tight market on a go-forward  
20 basis when you look at all the supply that's coming  
21 on-stream.

22 So we are, I think for the remainder of this  
23 year given the weak demand conditions that are out  
24 there, I don't know that scrap's going to, it's  
25 remained high, and I don't know that it's going to go

1 a lot higher this year. But at some point in time when  
2 demand returns, I think scrap will be under some  
3 pressure sa well.

4 COMMISSIONER WILLIAMSON: Thank you.

5 Thank you for those answers.

6 Nucor in their brief has suggested that a  
7 reasonable period of time should be I think about  
8 three years. I can't remember whether or not you've  
9 already been asked to provide post-hearing all the new  
10 projects that are coming on-line by the different  
11 producers, domestic projects, and the timeframe for  
12 those, but I think that would be helpful in thinking  
13 about this reasonable period of time.

14 Then I would ask, in terms of the reasonable  
15 period of time, are you talking about to the end of  
16 2009 or to the end of 2010? And why wouldn't looking  
17 out to 2010 be rather speculative?

18 MR. FERRIOLA: The reason we look  
19 specifically out that long is we believe that we've  
20 invested a lot in new technologies. As I mentioned,  
21 those new technologies take a long time to become  
22 perfected. Once they do, frankly, it takes a long  
23 time to pay back the initial investment. So in our  
24 case we look out a little bit longer than is  
25 traditional for the Commission to look out.

1 I'm not sure if I answered your question.  
2 Was that the question?

3 COMMISSIONER WILLIAMSON: Yes.

4 MR. PRICE: In response, the Commission in  
5 many cases has said 18-24 months in the steel  
6 industry. Your vote date's in late October, or mid  
7 October, early October in this case, so to us at a  
8 minimum you get out to the end of 2009.

9 We actually think it's appropriate to go out  
10 to 2010 because that's really the way this industry  
11 looks. They really look that far out. We've shown  
12 you various exhibits in the past from various  
13 companies' public statements where they'll show right  
14 out to 2010. So we think 2010 is appropriate.

15 We've documented capacity through 2009, in  
16 some cases 2010 on the foreign side. We'll be happy  
17 to do so on the domestic side and make sure all of  
18 2010 is in that record too for the foreign side.

19 COMMISSIONER WILLIAMSON: Thank you.

20 MR. SCHAGRIN: Commissioner Williamson, this  
21 is Roger Schagrin. As Mr. Price said, we'll do it on  
22 the domestic side.

23 Our understanding is that in terms of  
24 looking at timelines. Servecor began about 18 months  
25 ago. They're bringing 1.5 million tons of capacity on

1 later this year. They're going to, have already  
2 started construction, will double that capacity. That  
3 will come on in 2009.

4 You heard the Lieutenant Governor of Alabama  
5 talking about securing the ThyssenKrupp investment.  
6 Just to give you an idea, they've already secured the  
7 investment, secured all their financing, they're a  
8 major company. But with putting in 3.5 million tons  
9 of capacity they're looking at coming on-line probably  
10 early 2010. So it gives you an idea of the investment  
11 window for these projects that it's taking them two,  
12 two and a half years to get fully operational. That I  
13 think in a way goes right into the Commission's  
14 timeframe of what should be our reasonably foreseeable  
15 timeframe.

16 If someone wants to make a major investment  
17 in this industry, if it takes two and a half years to  
18 come on-line that would seem to be the reasonably  
19 foreseeable timeframe.

20 COMMISSIONER WILLIAMSON: Thank you for  
21 those answers.

22 COMMISSIONER WILLIAMSON: Commissioner  
23 Pinkert?

24 COMMISSIONER PINKERT: I agree with  
25 Commissioner Lane that the debate on discussion or

1 cumulation was very interesting and it was helpful,  
2 even if perhaps it might not have been helpful to  
3 everybody else in the room, it was certainly helpful  
4 to me.

5 My question is really based on having read  
6 the US Steel brief on this issue and wondering whether  
7 you're saying that it would never be appropriate not  
8 to cumulate, assuming that we did not find no  
9 discernible adverse impact. I know that's a double  
10 negative, but bear with me. Assuming that we did not  
11 find that, and assuming that the overlapping  
12 competition factors were satisfied. Are you saying it  
13 would never be appropriate to decumulate in that  
14 situation? Or are you saying that there may be some  
15 circumstances, but these circumstances don't qualify?

16 MR. LIGHTHIZER: I presume that was directed  
17 at me, Commissioner.

18 It is our view that it is very rare. If you  
19 said give me an example, if you have a producer who  
20 fits both of those, for example, and you said that  
21 country, one producer, is going out of business in a  
22 very short time, getting out of this business, I can  
23 see an unusual circumstances like that. But things  
24 like just oddities about the situation.

25 You can find a distinction between any two

1 producers anywhere in the world if that's what your  
2 objective is, and those kinds of things in my judgment  
3 do not satisfy this requirement. But something very  
4 unusual, like the example that I just gave you, would  
5 be in my judgment one where you might say yes, you  
6 meet the statutory standard, but I'm not going to do  
7 that in this case.

8 COMMISSIONER PINKERT: Do you have any  
9 thoughts about why the "may" was put into the statute  
10 in the context of cumulation in a five year review? I  
11 note that that "may" is not in other parts of the  
12 statute related to cumulation, but it's there in the  
13 context of five year reviews.

14 So I'm wondering if you have any thoughts  
15 about that.

16 MR. LIGHTHIZER: First of all I won't speak  
17 authoritatively because in fact I was not there when  
18 they did it, right?

19 But my guess is it was because they just  
20 wanted to make sure that if there was this bizarre  
21 case --

22 Now keep in mind, Congress has bought the  
23 idea of cumulation. This is not just a new thing.  
24 For this very very strange case where they just wanted  
25 the Commission to be able to get out so there wasn't a

1       bizarre result. That is my view.

2               If you kind of look at the development, not  
3       just of cumulation, but of the statute, it tends to be  
4       that kind of odd, weirdo kind of case that makes  
5       Congress add this sort of, this kind of a provision.

6               My sense is somebody said well, what if  
7       somebody's coming in and they're going out of  
8       business? Why would you put them through this? You  
9       say well, all right. But if you said can I prove what  
10      I just said, the answer is no, Commissioner. But  
11      that's my guess.

12              Clearly Congress buys the idea of hammering  
13      affect and of cumulation. It clearly doesn't think  
14      that you're somehow better off because you've got ten  
15      people cheating on you than if you have one great big  
16      guy cheating on you. They clearly buy the idea.

17              So I think it was an escape hatch for that  
18      very unusual, very rare sort of case like the one that  
19      I just gave.

20              COMMISSIONER PINKERT: Thank you.

21              Any other comments on that issue before I  
22      proceed to my final question?

23              Mr. Schorsch, I would request that in the  
24      post-hearing submission that to the extent that you  
25      can, please clarify for the subject countries in which

1 Mittal has a predominant interest in the domestic  
2 industry, please clarify who controls the decision to  
3 export to the United States. I'd appreciate that.

4 That concludes my questions. I thank the  
5 panel for a very illuminating and lengthy day. I  
6 appreciate it.

7 CHAIRMAN PEARSON: I have no additional  
8 questions.

9 Are there any further questions from the  
10 dais?

11 (No audible response).

12 Then let's turn to members of the staff. Do  
13 you have any questions? Mr. Corkran, do members of  
14 the staff have any questions for the domestic industry  
15 panel?

16 MR. CORKRAN: Douglas Corkran, Office of  
17 Investigations.

18 Thank you, Chairman Pearson.

19 Not a question so much as a reminder, which  
20 is that on August 3rd responses for the January  
21 through June 2007 data, the supplemental aspect of the  
22 questionnaire are due. Just remind your clients of  
23 that.

24 Thank you.

25 Staff has no further questions.

1                   CHAIRMAN PEARSON: Thank you, Mr. Corkran,  
2 for that reminder.

3                   I actually had written it down and of course  
4 had blown right by it and forgotten to mention it, so  
5 I'm glad that you did.

6                   Does counsel for the Respondents have  
7 questions for this panel?

8                   MR. PIERCE: Thank you, Mr. Chairman. We  
9 are extremely anxious to answer your questions but  
10 have none to ask right now. Thank you.

11                  CHAIRMAN PEARSON: I hope you're not so  
12 anxious that you're not able to get some sleep.

13                  (Laughter).

14                  Madame Secretary, it would be appropriate  
15 now for me to provide information as an advice to the  
16 parties regarding post-hearing briefs, correct?

17                  MR. BISHOP: Yes, Mr. Chairman.

18                  (Laughter).

19                  CHAIRMAN PEARSON: This would normally occur  
20 at the closing, but because it's possible that some  
21 person will not be here tomorrow at the close, what  
22 I'm going to do is just advise that post-hearing  
23 briefs, statements responsive to questions and  
24 requests of the Commission and corrections to the  
25 transcript must be filed by August 23, 2007.

1 Closing of the record and final release of  
2 data to the parties, due October 2, 2007.

3 Final comments on October 4th.

4 Before recessing this hearing I think I know  
5 why the full complement of professional staff have  
6 remained. They are very curious to find out the  
7 results of the Chairman's comestibles contest which  
8 has been undertaken because we were quite concerned  
9 about the potential hammering affects of extended  
10 questioning, and we expected we might need to seek  
11 some kind of relief.

12 So Commissioners and their staffs were  
13 encouraged to prepare foodstuffs to bring into the  
14 anteroom to enjoy during the day, and indeed we have  
15 done that.

16 In granting awards, I found first that it  
17 was appropriate to find two separate like products.  
18 One for non-sweetened goods and the other for sweet  
19 articles.

20 First, for the non-sweetened goods we had  
21 cucumber sandwiches by Sally Knight from Commissioner  
22 Okun's office; and pepperoni rolls made by Dave Ellis  
23 from Commissioner Lane's office.

24 My decision, having enjoyed them both very  
25 much was to cumulate and go affirmative on both.

1 (Laughter).

2 They really are very good.

3 Now understand, I should clarify. On  
4 administrative matters like this the Chair can be  
5 overruled at any time by a vote of four Commissioners,  
6 so when I'm done, other commissioners will have a  
7 chance to comment here if they wish.

8 Moving on to the sweetened product category.  
9 The lame excuse award goes to the Chairman. I have no  
10 continuous castor in my cookie operation and I'm  
11 dependent on a batch process. A little bit too much  
12 head led to kind of a high carbonized oatmeal raisin  
13 cookie that the chemistry just wasn't quite right, so  
14 I'm clearly not ready for prime time. I would not  
15 find a home in the U.S. market.

16 The category made by adorable and sensitive  
17 children in Bethesda. This goes to Vice Chairman  
18 Aranoff's chocolate chip scones. I would like to cite  
19 a testimonial from one of the reviewers who for  
20 business confidential reasons shall remain anonymous.  
21 In essence it was written, Those adorable and  
22 sensitive children "can be proud." Excellent taste  
23 and texture. This reviewer goes on to state that he  
24 or she is "a good taster" so we should give  
25 credibility to this testimony.

1           The outstanding choice of bakeries award  
2 goes to Commissioner Lane for the wonderful cheesecake  
3 that she provided.

4           The award for perennial excellence, Domenic  
5 Bianchi, Commissioner Okun's office, for his chocolate  
6 chip cookies, which if you've never had them, many of  
7 us get to enjoy them and they're wonderful.

8           The award for outstanding cultural  
9 accomplishment. This goes to Elizabeth Ravenstein  
10 from the Vice Chairman's office for her berry custard  
11 torte. I'm not sure if that's exactly what you call  
12 it, but close enough.

13           Finally, the good enough to die for award,  
14 goes to Stephanie Nagel from Commissioner Pinkert's  
15 office, for her carrot cake. The frosting is simply  
16 extraordinary.

17           With that, that concludes my evaluation.  
18 Would any Commissioner care to offer other thoughts?

19           COMMISSIONER LANE: I would just like to say  
20 that with as much sugar as I have consumed, you all  
21 out there in the audience are lucky that I am not  
22 still asking questions at midnight.

23           (Laughter).

24           CHAIRMAN PEARSON: Everyone's ready to  
25 leave? Okay.

1                   Thank you for your indulgence. We try to  
2                   have a little fun when we can.

3                   This hearing stands in recess until 9:30  
4                   tomorrow morning.

5                   (Whereupon, at 6:58 p.m., the hearing was  
6                   recessed, to reconvene at 9:30 a.m. on Wednesday,  
7                   August 1, 2007.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Hot-Rolled Steel Products  
**INVESTIGATION NOS.:** 701-TA-404-408, 731-TA-898-903  
904-908 (Review)  
**HEARING DATE:** July 31, 2007  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Hearing

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:** July 31, 2007

**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 E. 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