

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

---

In the Matter of: )  
 )  
CUT-TO-LENGTH CARBON-QUALITY ) Investigation Nos.:  
 ) 701-TA-388-391 and  
STEEL PLATE FROM INDIA, ) 731-TA-817-821  
 ) (Second Review)  
INDONESIA, ITALY, JAPAN, )  
AND KOREA )

REVISED AND CORRECTED COPY

Pages: 1 through 281

Place: Washington, D.C.

Date: October 19, 2011

---

**HERITAGE REPORTING CORPORATION**

*Official Reporters*  
1220 L Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 628-4888  
contracts@hrccourtreporters.com

## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of: )  
 ) Investigation Nos.:  
 CUT-TO-LENGTH CARBON-QUALITY ) 701-TA-388-391 and  
 STEEL PLATE FROM INDIA, ) 731-TA-817-821  
 INDONESIA, ITALY, JAPAN, ) (Second Review)  
 AND KOREA )

Wednesday,  
 October 19, 2011

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

The hearing commenced, pursuant to notice, at  
 10:05 a.m., before the Commissioners of the United States  
 International Trade Commission, the Honorable IRVING A.  
 WILLIAMSON, Vice Chairman, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

IRVING A. WILLIAMSON, VICE CHAIRMAN  
 CHARLOTTE R. LANE, COMMISSIONER  
 DANIEL R. PEARSON, COMMISSIONER  
 SHARA L. ARANOFF, COMMISSIONER  
 DEAN A. PINKERT, COMMISSIONER

APPEARANCES: (Cont'd.)

Staff:

BILL BISHOP, HEARINGS AND MEETINGS COORDINATOR  
SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT  
ANGELA M. W. NEWELL, INVESTIGATOR  
GERRY BENEDICT, INTERNATIONAL TRADE ANALYST  
AIMEE LARSEN, ECONOMIST  
MARY KLIR, ACCOUNTANT/AUDITOR  
DAVID FISHBERG, ATTORNEY  
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

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

On behalf of Nucor Corporation:

RICK BLUME, General Manager, Commercial, Nucor  
Steelmaking Group  
JEFF WHITEMAN, Sales Manager, Hertford County,  
Nucor Corporation  
DENISE BEAVERS, Nucor Tuscaloosa Production Team  
Member  
MICHAEL SIEGAL, Chairman and CEO, Olympic Steel  
DR. PETER MORICI, Professor of International  
Business, University of Maryland

ALAN H. PRICE, Esquire  
DANIEL B. PICKARD, Esquire  
CHRISTOPHER B. WELD, Esquire  
Wiley Rein LLP  
Washington, D.C.

On behalf of SSAB N.A.D., Evraz, Oregon Steel Mills and  
Evraz Claymont Steel:

JEFFREY MOSKALUK, Vice President and CCO, SSAB  
Americas Division  
GLENN GILMORE, Manager of International Trade,  
SSAB Americas Division  
KENT THIES, Director, Business Development, Evraz  
Inc. NA  
TOM BALLOU, Vice President of Purchasing, O'Neal  
Steel

APPEARANCES: (Cont'd.)

On behalf of SSAB N.A.D., Evraz, Oregon Steel Mills and  
Evraz Claymont Steel: (Cont'd)

ROGER B. SCHAGRIN, Esquire  
JOHN W. BOHN, Esquire  
Schagrin Associates  
Washington, D.C.

On behalf of ArcelorMittal USA LLC:

JACK P. BIEGALSKI, Director of Plates, Product  
Control; Sales and Marketing, ArcelorMittal USA,  
LLC  
JEFFREY UNRUH, Product Manager, Plates,  
ArcelorMittal USA, LLC  
MARK BRECKHEIMER, President, Heavy Carbon Group,  
Klockner Metals U.S. (formerly Namasco)  
PETER TRINIDAD, Vice President, USW Local 6787,  
United Steelworkers of America, AFL-CIO/CLC

PAUL C. ROSENTHAL, Esquire  
KATHLEEN W. CANNON, Esquire  
R. ALAN LUBERDA, Esquire  
Kelley Drye & Warren LLP  
Washington, D.C.

In Opposition to the Continuation of the Antidumping  
and Countervailing Duty Orders:

On behalf of Evraz Palini E Bertoli S.P.A (Palini):

DR. PATRICK MAGRATH, Economic Consultant, Magrath  
& Otis LLC

FREDERICK P. WAITE, Esquire  
KIMBERLY R. YOUNG, Esquire  
Vorys Sater Seymour & Pease LLP  
Washington, D.C.

APPEARANCES: (Cont'd.)

On behalf of JFE Steel Corporation, Kobe Steel, Ltd.,  
Nippon Steel Corporation and Sumitomo Metal Industries,  
Ltd.:

TAKEO AOYAMA, General Manager, Chicago Office,  
Nippon Steel U.S.A.  
JIN KATO, President, Sumitomo Metal USA Inc.

DONALD HARRISON, Esquire  
J. CHRISTOPHER WOOD, Esquire  
Gibson, Dunn & Crutcher LLP  
Washington, D.C.

On behalf of Dongkuk Steel Mill Co., Ltd. (DSM):

B. ALEKZANDER SELLERS  
ANDREA Y. KWONG  
Cassidy Levy Kent (USA) LLP  
Washington, D.C.

JEFFREY M. WINTON, Esquire  
Law Office of Jeffrey M. Winton  
Washington, D.C.

I N D E X

	PAGE
OPENING STATEMENT OF ROGER B. SCHAGRIN, ESQUIRE, SCHAGRIN ASSOCIATES	10
OPENING STATEMENT OF DONALD HARRISON, ESQUIRE, GIBSON, DUNN & CRUTCHER LLP	13
TESTIMONY OF RICK BLUME, GENERAL MANAGER, COMMERCIAL, NUCOR STEELMAKING GROUP	19
TESTIMONY OF JEFFREY MOSKALUK, VICE PRESIDENT AND CCO, SSAB AMERICAS DIVISION	25
TESTIMONY OF JACK P. BIEGALSKI, DIRECTOR OF PLATES, PRODUCT CONTROL; SALES AND MARKETING, ARCELORMITTAL USA, LLC	30
TESTIMONY OF KENT THIES, DIRECTOR, BUSINESS DEVELOPMENT, EVRAZ INC. NA	34
TESTIMONY OF TOM BALLOU, VICE PRESIDENT OF PURCHASING, O'NEAL STEEL	37
TESTIMONY OF MARK BRECKHEIMER, PRESIDENT, HEAVY CARBON GROUP, KLOCKNER METALS U.S. (FORMERLY NAMASCO)	39
TESTIMONY OF MICHAEL SIEGAL, CHAIRMAN AND CEO, OLYMPIC STEEL	44
TESTIMONY OF PETER TRINIDAD, VICE PRESIDENT, USW LOCAL 6787, UNITED STEELWORKERS OF AMERICA, AFL-CIO/CLC	47
TESTIMONY OF DENISE BEAVERS, NUCOR TUSCALOOSA PRODUCTION TEAM MEMBER	51
TESTIMONY OF ROGER B. SCHAGRIN, ESQUIRE, SCHAGRIN ASSOCIATES	54
TESTIMONY OF DR. PETER MORICI, PROFESSOR OF INTERNATIONAL BUSINESS, UNIVERSITY OF MARYLAND	65
TESTIMONY OF ALAN H. PRICE, ESQUIRE, WILEY REIN LLP	70

I N D E X

	PAGE
TESTIMONY OF KATHLEEN W. CANNON, ESQUIRE, KELLEY DRYE & WARREN LLP	72
TESTIMONY OF PAUL C. ROSENTHAL, ESQUIRE, KELLEY DRYE & WARREN LLP	76
TESTIMONY OF DR. PATRICK MAGRATH, ECONOMIC CONSULTANT, MAGRATH & OTIS LLC	115
TESTIMONY OF DONALD HARRISON, ESQUIRE, GIBSON, DUNN & CRUTCHER LLP	146
TESTIMONY OF FREDERICK P. WAITE, ESQUIRE, VORYS SATER SEYMOUR & PEASE LLP	147
TESTIMONY OF TAKEO AOYAMA, GENERAL MANAGER, CHICAGO OFFICE, NIPPON STEEL U.S.A.	162
TESTIMONY OF J. CHRISTOPHER WOOD, ESQUIRE, GIBSON, DUNN & CRUTCHER LLP	167
TESTIMONY OF JEFFREY M. WINTON, ESQUIRE LAW OFFICE OF JEFFREY M. WINTON	175

I N D E X

	PAGE
TESTIMONY OF JIN KATO, PRESIDENT, SUMITOMO METAL USA INC.	251
CLOSING STATEMENT OF FREDERICK P. WAITE, ESQUIRE, VORYS SATER SEYMOUR & PEASE LLP	238
CLOSING STATEMENT OF ALAN H. PRICE, ESQUIRE, WILEY REIN LLP	267
CLOSING STATEMENT OF J. CHRISTOPHER WOOD, ESQUIRE, GIBSON, DUNN & CRUTCHER LLP	274
CLOSING STATEMENT OF JEFFREY M. WINTON, LAW OFFICE OF JEFFREY M. WINTON	277

P R O C E E D I N G S

(10:05 a.m.)

1  
2  
3 VICE CHAIRMAN WILLIAMSON: Good morning. On  
4 behalf of the U.S. International Trade Commission, I  
5 welcome you to this hearing on Investigation Nos.  
6 701-TA-389-391 (sic) and 731-TA-817-821 (Second  
7 Review) involving Cut-to-Length Carbon-Quality Steel  
8 Plate From India, Indonesia, Italy, Japan, and Korea.

9 The purpose of these five-year review  
10 investigations is to determine whether the revocation  
11 of the countervailing duty orders of cut-to-length  
12 carbon-quality steel plate from India, Indonesia,  
13 Italy, and Korea and/or the antidumping orders on  
14 cut-to-length carbon-quality steel plate from India,  
15 Indonesia, Italy, Japan, and Korea will be likely to  
16 lead to a continuation or recurrence of material  
17 injury to an industry in the United States within a  
18 reasonably foreseeable period of time.

19 Schedules setting forth the presentation of  
20 this hearing, notices of investigation and transcript  
21 order forms are available at the public distribution  
22 table. All prepared testimony should be given to the  
23 Secretary. Please do not place testimony directly on  
24 the public distribution table.

25 All witnesses must be sworn in by the

1 Secretary before presenting testimony. I understand  
2 that parties are aware of the time allocations. Any  
3 questions regarding the time allocations should be  
4 directed to the Secretary.

5 Speakers are reminded not to refer in their  
6 remarks or answers to questions to business  
7 proprietary information. Please speak clearly into  
8 the microphone and state your name for the record for  
9 the benefit of the court reporter.

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

14 Mr. Secretary, are there any preliminary  
15 matters?

16 MR. BISHOP: Yes, Mr. Chairman. With your  
17 permission, we will add Michael D. Siegal, Chairman  
18 and CEO of Olympic Steel, and Christopher B. Weld of  
19 Wiley Rein to the witness list today.

20 VICE CHAIRMAN WILLIAMSON: Okay. Any  
21 objection?

22 (No response.)

23 VICE CHAIRMAN WILLIAMSON: Okay. Very well.  
24 Let's begin with the opening remarks.

25 MR. BISHOP: Opening remarks on behalf of

1 those in support of continuation of the orders will be  
2 by Roger B. Schagrín, Schagrín Associates.

3 VICE CHAIRMAN WILLIAMSON: Welcome, Mr.  
4 Schagrín.

5 MR. SCHAGRIN: Thank you. Good morning,  
6 Vice Chairman Williamson and members of the  
7 Commission.

8 These plate sunset reviews occur at a  
9 particularly perilous time for the U.S. plate  
10 industry. I don't have it in me to be quite as  
11 pessimistic about the U.S. economy as Professor  
12 Morici. In fact, I'm more optimistic than most about  
13 our future economic outlook. But I do know enough  
14 about the flat-rolled steel industry to be very  
15 pessimistic about the U.S. plate market in the  
16 reasonably foreseeable timeframe.

17 First, U.S. economic growth, such as it  
18 happens to be, is concentrated in consumer product  
19 markets such as autos that do not drive plate demand.  
20 Nonresidential construction is dismal in its most  
21 extended downturn in decades. Other plate demand  
22 drivers such as wind towers, barges and railcars are  
23 softening.

24 Second, based on the SIMA data released by  
25 the Department of Commerce, third quarter

1 cut-to-length plate imports skyrocketed to an average  
2 of 103,000 metric tons a month, more than 50 percent  
3 above the average monthly import volumes of the first  
4 half of 2011. All independent commentators agree that  
5 this big import surge has contributed to the  
6 significant price declines for the domestic plate  
7 industry. The result has been that declining prices,  
8 but constant costs, have wiped out the first half  
9 profit margins for the industry.

10 This industry is very vulnerable with profit  
11 margins over the past two and a half years at only 3  
12 percent. That is less than half of this industry's  
13 cost of capital. After taking interest expenses into  
14 account, the industry lost \$200 million over this time  
15 period.

16 There are significant unutilized capacity in  
17 the domestic industry, which is why imports are buying  
18 their way into the U.S. market with lower prices and  
19 why domestic mills are fighting back by lowering their  
20 prices to maintain volume.

21 Now let's turn to the subject countries.  
22 There can be no doubt that each of the subject  
23 countries individually and the cumulative group of  
24 countries have substantial excess capacity to increase  
25 exports to the U.S. market and that they will do so at

1 prices which undersell the domestic industry.

2 For the four Asian countries, shipbuilding  
3 and construction in Asia are the major demand drivers  
4 for their plate. The shipbuilding industry in Asia is  
5 heading into a cyclical trough without new orders.  
6 Shipbuilding is going to fall off a cliff in the next  
7 18 to 24 months. Construction bubbles are bursting in  
8 China and the Middle East, further dampening demand  
9 for plate.

10 This is occurring just at a time when new  
11 plate mills in Asia in the subject countries are  
12 coming on line, plate mills that were planned several  
13 years ago when companies mistakenly believed that the  
14 shipbuilding and construction boom in Asia would last  
15 forever.

16 The Italian producer here represents only a  
17 small part of the Italian industry, and it is doubtful  
18 they are representative of that industry. Italy is  
19 suffering from political and financial turmoil beyond  
20 what could have been imagined just several months ago,  
21 and the Euro zone is either in a recession or headed  
22 into a recession.

23 The Japanese and their counsel want the  
24 Commission believe that this Plate sunset review is  
25 just like the Hot-Rolled sunset review of several

1 months ago all over again. For the reasons that we  
2 will explain further during the hearing, there are  
3 many more differences between the Plate sunset review  
4 as to Japan as there are similarities with the  
5 Hot-Rolled sunset review.

6 The question often asked of counsel and the  
7 domestic industry involving older orders by the  
8 Commission is okay, Schagrin, if we can't sunset these  
9 orders now then when in the future can we sunset these  
10 orders? The answer is simple. Not during a jobs  
11 crisis in the United States with an industry suffering  
12 from severely underutilized capacity.

13 American government officials should not  
14 tell American workers that they must lose their jobs  
15 or reduce their income by allowing unfairly traded  
16 imports back in the U.S. market. I urge you not to do  
17 so. Our country cannot afford further job losses to  
18 unfair trade at this time. Please continue these  
19 orders. Thank you.

20 MR. BISHOP: Opening remarks on behalf of  
21 those in opposition to continuation of the orders will  
22 be by Donald Harrison, Gibson, Dunn & Crutcher.

23 MR. HARRISON: Good morning, Madam Chairman,  
24 Commissioners and Commission staff. My name is Donald  
25 Harrison of the law firm of Gibson, Dunn & Crutcher.

1 We are counsel to the Japanese mills.

2 I certainly appreciate the opportunity to  
3 provide a brief opening summary of the arguments to be  
4 made later today in support of the revocation of these  
5 antidumping orders. Before providing these brief  
6 summaries, however, I would like to emphasize two  
7 types of important changes that have taken place since  
8 the Commission's original determinations in these  
9 cases that were made more than 12 years ago and indeed  
10 since the Commission's first administrative review  
11 determination in 2005.

12 The first type of change involves the  
13 dramatic restructuring of the domestic industry. As  
14 the Commission recognized in its 2007 decision  
15 involving Cut-to-Length Plate, there has been a  
16 fundamental rationalization and consolidation in the  
17 industry and very significant acquisitions by major  
18 foreign steel producers. The results of these changes  
19 are seen in the current review, both in the domestic  
20 industry's ability to generate very substantial  
21 operating profits through 2008 and in its quick  
22 recovery from the recession that occurred in 2008 to  
23 2009.

24 Indeed, the staff report -- we want to  
25 emphasize the information in the staff report -- shows

1 that the industry's operating profit ratios averaged  
2 above 20 percent in each year from 2004 through 2008,  
3 and it recovered to over 10 percent in the first half  
4 of this year. These and other data in the staff  
5 report are simply inconsistent with the claims by the  
6 domestic producers that they are vulnerable to  
7 material injury.

8           There is a second type of fundamental change  
9 that's very important and that's occurred in the  
10 global markets for cut-to-length plate. When these  
11 petitions were filed in February 1999, the Asian  
12 economic crisis was upon us with the major Asian  
13 economy slumping dramatically and the U.S. economy  
14 remaining strong, resulting in the import flows that  
15 you saw in that case. Since 2000, however, there have  
16 been very dramatic and pronounced shifts in global  
17 development and demand for cut-to-length plate, and  
18 this demand is now concentrated in China and other  
19 Asian markets.

20           Let me now briefly review the testimony that  
21 you will hear later today on behalf of the Respondent  
22 Japanese, Italian and Korean mills. A Japanese  
23 representative will explain how their cut-to-length  
24 plate sales have been and will be focused almost  
25 exclusively on serving expanding markets in Asia and

1 Japan, a strategy that has allowed these Japanese  
2 producers to recover from the global recession that  
3 occurred in 2008 and 2009 and operate at near full  
4 capacity for the first six months of this year.

5 This focus has included shipments both to  
6 major Asian shipbuilding customers, and we'll hear  
7 more about that today, and to Asian customers in  
8 expanding energy-related industries that are projected  
9 to grow substantially, given the expanding energy  
10 consumption in Asia.

11 Consistent with the focus of the Japanese  
12 producers on these Asian markets, the imports that  
13 have occurred during this review period have been very  
14 little, if any, and if the order were revoked the  
15 Japanese products of cut-to-length plate exports to  
16 the United States will not increase substantially, if  
17 at all, and they would be limited to very narrow  
18 categories of plate.

19 This conclusion, this demonstration that  
20 we'll make later today, is fully consistent with the  
21 results following the Commission's decisions both in  
22 the Hot-Rolled case earlier this year, as well as the  
23 case involving Corrosion-Resistant Steel in 2006.

24 You will also hear testimony on the  
25 compelling reasons for the Commission not to cumulate

1 imports from Italy with other subject imports in this  
2 review. Italy is part of the 27 member European  
3 Union, which embraces more than 500 million people and  
4 had a GDP exceeding \$16 trillion in 2010. The Italian  
5 plate industry sells the vast majority of its output  
6 into the EU single market, and almost all of the  
7 remainder goes to customers elsewhere in Europe and  
8 the nearby Mediterranean region.

9           Consequently, shipments of Italian plate to  
10 the United States have been virtually nonexistent  
11 during the POR, and the average unit values of the few  
12 imports where the price is significantly above the  
13 AUVs for U.S. producers. Revocation of the orders on  
14 Italy is not likely to have an adverse impact on the  
15 domestic industry or lead to the continuation or  
16 recurrence of material injury.

17           Finally, you will hear why the Korean  
18 circumstances also require revocation. The Korean  
19 producer Dongkuk's counsel will explain that its  
20 exports accounted for almost all the imports from  
21 Korea over the past five years and that an analysis of  
22 the U.S. financial and pricing data shows that  
23 Dongkuk's exports had no discernable adverse impact on  
24 the U.S. industry even when they were at their highest  
25 levels.

1           Further, the Korean producer POSCO has never  
2           been subject to the Cut-to-Length Plate orders, and  
3           Dongkuk's counsel will explain that POSCO's exports to  
4           the U.S. must have been minimal. Nucor's prehearing  
5           brief states that, and I quote, "POSCO's exports to  
6           the U.S. market are indicative of how subject  
7           producers would behave absent the orders." POSCO's  
8           counsel will likely agree.

9           POSCO and Dongkuk have been focused on  
10          opportunities in Korea and other Asian markets, not  
11          the U.S.

12          VICE CHAIRMAN WILLIAMSON: Mr. Harrison, can  
13          you kind of wrap up?

14          MR. HARRISON: Yes. There's no reason to  
15          expect that focus to change, especially given that  
16          POSCO has not exported substantial quantities  
17          notwithstanding its exclusion from the order.

18          We appreciate the Commission's attention to  
19          these remarks and urge the Commission to conclude that  
20          the antidumping orders involving the foreign mills  
21          here should be revoked. Thank you.

22          VICE CHAIRMAN WILLIAMSON: Thank you.

23          MR. BISHOP: Will the first panel, those in  
24          support of continuation of the antidumping and  
25          countervailing duty orders, please come forward and be

1 seated?

2 Mr. Chairman, all witnesses have been sworn.

3 (Witnesses sworn.)

4 VICE CHAIRMAN WILLIAMSON: Okay. Before we  
5 begin, I would like to express my appreciation to all  
6 the witnesses for coming to present their testimony  
7 this morning. Mr. Schagrin, you can begin.

8 MR. BLUME: Good morning. I'm Rick Blume,  
9 General Manager, Commercial, Nucor Steelmaking Group.  
10 I'm responsible for all of the sales with the  
11 steelmaking products for Nucor. I had the privilege  
12 of appearing before the Commission two years ago to  
13 discuss the cut-to-length plate industry. I welcome  
14 this opportunity to testify again as to why these  
15 orders are critical to Nucor and to other U.S. plate  
16 producers.

17 This morning I would like to explain why the  
18 U.S. plate industry is vulnerable to imports from  
19 countries under review. First, we are still  
20 struggling to recover from the abysmal financial  
21 performance of 2009 and 2010. The plate industry  
22 performed far worse than other industries during these  
23 years. By any logical benchmark, this performance  
24 demonstrates our vulnerability to dumped and  
25 subsidized imports.

1           While there were some improvements in the  
2 first half of 2011, the domestic industry remains in a  
3 weakened condition as a result of the economic crisis.  
4 The second factor is the global economic uncertainty  
5 that has engulfed the U.S. and world economies.  
6 According to many indicators, a double dip recession  
7 is more probable than not. This uncertainty is  
8 already affecting the steel industry, including plate.

9           Reduced demand levels are being hit once  
10 again. Confidence is low, and fewer projects are  
11 being started. At best, the global uncertainty will  
12 result in continued reduced demand for plate. At  
13 worst, but still very possible, is another recession  
14 and another collapse in the plate market.

15           The third factor is the recent deterioration  
16 of the plate market caused in part by a recent surge  
17 in plate imports, including from Korea. Plate imports  
18 surged at the end of the third quarter and continue to  
19 come. As a result, plate prices have dropped \$100 per  
20 ton in the past five months, falling \$50 in September  
21 and continuing to drop in the first two weeks of  
22 October.

23           At the same time, our scrap and other input  
24 costs have remained high. In addition, our order  
25 books and backlogs are weakening. Unfortunately, I

1 expect further slowdowns until the end of the year,  
2 and I am increasingly concerned about 2012.

3           Given the dangerous position of the domestic  
4 industry, there is no doubt that even a small quantity  
5 of dumped and subsidized imports from the five  
6 countries under review would cause serious harm to the  
7 industry. I also have no doubt that these unfairly  
8 traded imports will return to the U.S. market if the  
9 orders are terminated.

10           Subject producers continue to ramp up  
11 production and add capacity. In 2010, subject  
12 countries had more than seven million tons in excess  
13 capacity with millions more in new capacity coming on  
14 line in the next few years. Even a fraction of this  
15 amount would quickly collapse the U.S. market.

16           The entire Indian and Indonesian industries,  
17 along with virtually the entire Italian industry, have  
18 elected not to participate in this review. If they  
19 were here, they would have to admit that India is  
20 adding massive steelmaking capacity and is projected  
21 to have several million tons of excess plate capacity  
22 this year. In fact, India may replace China as the  
23 largest steel exporter within the next several years.  
24 That's a very troubling prospect.

25           Indonesian and Italian producers continue to

1 increase production and add new capacity, despite low  
2 demand for plate. Italy is a net exporter of plate  
3 and, given the collapsing European and Middle Eastern  
4 markets, will be looking for other markets to offload  
5 its excess of supply.

6 Most of the subject Korean industry has also  
7 concluded that cooperation with the Commission would  
8 undermine their case for revocation. Korea, like  
9 India, is undertaking a massive capacity build.  
10 Korean producers have consistently disrupted plate  
11 markets around the world, and they are currently  
12 targeting the U.S. with increasing volumes of both  
13 cut-to-length plate and nonsubject coiled plate. This  
14 is demonstrated by Exhibit A to my testimony.

15 This explosion in coiled plate imports is a  
16 result of Korea's massive capacity build, as well as  
17 increased competition with the enormous and modern  
18 Chinese plate industry in Asia and the Middle East.  
19 If the orders are revoked, even larger volumes of  
20 dumped Korean cut-to-length plate will enter the U.S.  
21 In fact, SBB reported just yesterday that Korean plate  
22 producers are ramping up exports to compensate for  
23 depressed market conditions at home.

24 While the Japanese producers are well  
25 represented here, the facts are just as damning to

1 their case. For years, Japan has produced plate far  
2 in excess of demand with more than 16 million tons of  
3 oversupply for 2005 to 2010. In the next three years,  
4 Japanese plate production is expected to exceed  
5 consumption by more than 10 million tons. These are  
6 massive amounts of oversupply, the result of the old,  
7 disrupted Bethlehem model, Bethlehem Steel model,  
8 where running blast furnaces at full tilt 100 percent  
9 of the time.

10 The Japanese producers will tell you today  
11 that they have no interest in the U.S. market and that  
12 even if they did the freight costs are prohibitive.  
13 They will also tell you that they only export high  
14 end, specialty products. This is nonsense. Japan's  
15 production model was based on exporting, and they sell  
16 basic commodity plate to markets throughout the world.

17 There's a reason why CRU has the Japanese  
18 export price at more than \$300 below -- below -- U.S.  
19 prices. It's because Japan continues to ship large  
20 quantities of low-value product to markets around the  
21 world, the same product that will shift to the higher  
22 priced U.S. market if the orders are revoked. The  
23 Japanese will not forego the opportunity for profit,  
24 and the higher the prices the Japanese can get in the  
25 U.S. market far outweigh freight costs. This is

1 demonstrated by Exhibit B in my testimony.

2 I would also note that plate is a very  
3 different product from thin sheet. Plate is even more  
4 of a commodity product and has less vertically  
5 integrated supply chain. Foreign producers have if  
6 any investments here in the U.S., they have few. That  
7 means everyone is competing on the basis of price, and  
8 there are few long-term relationships that could serve  
9 as a disincentive for the foreign producers to ship  
10 tons here.

11 Given the massive excess capacity and export  
12 orientation, there can be little doubt that producers  
13 from these five countries will again target the U.S.  
14 market with massive volumes of dumped product if the  
15 orders are revoked. They have done so before.  
16 They'll do it again if given the opportunity.

17 A renewed surge of subject imports will  
18 quickly cause material injury. Even small volumes of  
19 dumped subject imports will accelerate the current  
20 price decline and collapse an already weakening order  
21 book, affecting our production, sales and profits.  
22 This will also affect our workers, as you will hear  
23 later from a Nucor production team member. At a time  
24 of high unemployment, a decline in hours worked and  
25 employee income due to dumped and subsidized imports

1 is bad for our country. Preserving good paying jobs  
2 should be the highest priority.

3 On behalf of Nucor, our workers and their  
4 families, I urge the Commission to leave the orders  
5 for all five countries in place. Thank you for your  
6 time. I would be happy to answer any of your  
7 questions.

8 MR. MOSKALUK: Good morning, Chairman Okun,  
9 Vice Chairman Williamson and members of the  
10 Commission. I'm Jeffrey Moskaluk. I'm Vice President  
11 and Chief Commercial Officer of SSAB Americas  
12 Division. I'm joined by Glenn Gilmore, our Manager of  
13 International Trade.

14 I've been in the steel industry for 27  
15 years, and most of that time I've been involved in  
16 plate products. Prior to my appointment as Chief  
17 Commercial Officer in September of 2011, I had been in  
18 charge of our company's Montpelier plate mill.

19 After SSAB's sales of the company's North  
20 American pipe and tube operations to Evraz and TMK and  
21 of our Canadian steel mill to Evraz in April of 2008,  
22 SSAB Americas Division has four U.S. facilities  
23 producing plate and one cut-to-length line in Ontario,  
24 Canada. We have two greenfield electric furnace mini  
25 mills located in Montpelier, Iowa, and Mobile,

1 Alabama, and two cut-to-length facilities located in  
2 Minneapolis, Minnesota, and Houston, Texas.

3 We believe we are the largest producer of  
4 cut-to-length plate in the United States, and for SSAB  
5 Americas Division cut-to-length plate represents over  
6 71 percent of our total sales. We are a plate  
7 company, and therefore the outcome of these sunset  
8 reviews before the Commission today is absolutely  
9 essential to the future success or failure of SSAB  
10 Americas and our 1,200 employees.

11 We believe that each of our facilities is  
12 state-of-the-art and a world leader in terms of both  
13 product quality and cost. Even after having invested  
14 over \$2 billion in our four U.S. facilities, we  
15 continue to invest to stay competitive. We are in the  
16 midst of an over \$100 million investment to more than  
17 double our heat treating capacity at the Mobile plant.

18 Along with our parent company, we have  
19 significant R&D investments on an ongoing basis,  
20 including active R&D work with major customers such as  
21 Caterpillar, John Deere & Company and with wind tower  
22 manufacturers. However, no matter how much we invest  
23 to try to focus more of our plate sales at the higher  
24 end of the market, well over half of our sales  
25 continue to be in some of the most common commodity

1 grades, such as A-36 plate.

2 Now let me give you a sense of U.S. market  
3 conditions. You don't need me to tell you how fragile  
4 the U.S. economic recovery has been since we exited  
5 the worst recession in the past 60 years, and no one  
6 really knows whether the next move in the U.S. economy  
7 will be forward or backwards into another recession.

8 For plate markets, the construction market  
9 is the worst I've seen during my entire career.  
10 Fortunately, farm equipment has been strong due to  
11 high farm commodity prices, and railcar and barge  
12 building demand has been good. Energy demand for  
13 plate products in terms of both rig building and  
14 offshore platform building has also been good.

15 Wind tower demand has been disappointing,  
16 given very high wind tower imports, the end of  
17 government incentives and low natural gas prices, so  
18 overall I would characterize the current demand  
19 picture as decent, but certainly not very good. 2010  
20 plate consumption was 25 percent below 2008 levels,  
21 and 2011 full year consumption is likely to be  
22 increased by just single digits over 2010 and well  
23 below prerecession levels. A strong first half start  
24 to 2011 has stalled into a much slower second half.

25 Publicly available information from sources

1 such as American Metal Market and Steel Benchmark  
2 are reporting over \$100 per ton price declines in  
3 cut-to-length plate prices in the United States in the  
4 third quarter of 2011. For antitrust reasons, I will  
5 not discuss our plate pricing publicly.

6 Similarly, publicly available information  
7 showed that there was virtually no change in major  
8 steel mill cost inputs in the third quarter, which for  
9 our company is primarily scrap, energy and alloys.  
10 This would mean that the \$100 per ton decline came  
11 directly out of our operating profits.

12 Since SSAB is a worldwide leader in plate  
13 products, we have good knowledge of international  
14 markets. Unlike the U.S. market, the Asian plate  
15 market has always been much more dependent on  
16 shipbuilding, with countries such as Korea and China  
17 leading the world in shipbuilding. Shipbuilding is  
18 going through the cyclical downturn of significant  
19 proportions, which will reduce demand for shipbuilding  
20 plate just as new shipbuilding plate capacity has been  
21 coming onstream in China, Korea and Indonesia.

22 We believe there is significant plate  
23 overcapacity in Asia, which includes Korea, Japan,  
24 India and Indonesia. This is why Asian plate prices  
25 are lower than prices in the United States. The Euro

1 zone economy is also very poor, particularly in Italy  
2 and the southern tier of Europe countries, which we  
3 believe would make an Italian industry want to export  
4 their excess capacity to the U.S.

5 I've experienced many cycles in terms of  
6 both demand and import surges during my career. In  
7 2009, we suffered a dramatic decline in demand. We  
8 did not lay off workers, but cut back their hours, and  
9 most of our employees made only half of their normal  
10 income. From 1997 through 2001, we suffered from  
11 import surges, which led to poor results and harmed  
12 our workers even during a period of strong demand.

13 I am here today because I have no doubt that  
14 excess supply from the five countries subject to this  
15 review will increase if you sunset these orders.  
16 These increased imports during a period of weak demand  
17 will certainly lead to less domestic production and  
18 fewer hours and wages for SSAB's employees. Given the  
19 fragility of the marketplace, it could also lead to a  
20 tremendous drop in domestic prices, leading to losses  
21 for SSAB and the rest of the industry.

22 Losing money in turn affects our ability to  
23 reinvest in our state-of-the-art mills and maintain  
24 future competitiveness and provide our employees with  
25 good jobs and good income. For these reasons, I ask

1 you to make an affirmative determination. Thank you.

2 MR. BIEGALSKI: Good morning. I am Jack  
3 Biegalski, the Director of Plates, Product Control,  
4 Sales and Marketing, for ArcelorMittal USA. I oversee  
5 sales of cut-to-length plate and provide strategic  
6 direction for marketing and pricing. I've been  
7 involved with sales and marketing of carbon flat  
8 products for over 25 years.

9 I am accompanied today by Jeffrey Unruh, the  
10 Product Manager for Plates at ArcelorMittal USA. We  
11 appreciate the opportunity to appear before you today  
12 to explain why continuation of these orders is very  
13 important to my company and to our industry.

14 The orders against the five countries under  
15 review have been critical in restoring fair pricing to  
16 our market. Even with the orders in place, however,  
17 the past few years have been challenging ones for all  
18 of us. The great recession in late 2008 and 2009  
19 caused demand for plate to plummet to a record low  
20 point and caused our industry's healthy profits to  
21 quickly revert to operating losses.

22 My company was forced to close both its  
23 Gary, Indiana, plate facility and its 110 inch plate  
24 mill at Burns Harbor. Other facilities suffered  
25 reduced shift schedules and operated at very low

1 capacity utilization rates. Although demand improved  
2 somewhat in 2010, it remained well below normal  
3 levels, and profitability remained depressed. Our  
4 pricing and profits would have been even worse,  
5 however, had these orders not been in place.

6 At the beginning of 2011, it looked as if  
7 there was cause for optimism in our market. Demand  
8 and prices improved to more realistic levels. As a  
9 result, we restarted our Burns Harbor 110 inch mill in  
10 May and rehired steelworkers there for the first time  
11 since 2008. Unfortunately, we have already had to  
12 transfer some of the workers we had hired to  
13 manufacture cut plate at Burns Harbor to other  
14 operations.

15 As is true of the economy overall, our  
16 recovery in the plate market is now stalling. We are  
17 no longer projecting that the improvement experienced  
18 in early 2011 will continue and instead are seeing  
19 increased reasons for concern in our U.S. plate  
20 market. In fact, sitting here today demand is more  
21 than 20 percent lower than we expected just 45 days  
22 ago, and our order backlog has been significantly  
23 reduced. Imports are increasing in volume in recent  
24 months as global overcapacity intensifies, while the  
25 prices being offered continue to drop.

1           At the same time, costs are increasing and  
2 average industry raw material costs have been higher  
3 in 2011 than at any other period. With costs  
4 remaining high, every time the price drops it comes  
5 right off the bottom line. Further price declines  
6 will cause us to quickly suffer operating losses or  
7 minimal profits as we have experienced for the past  
8 two years. These factors in the context of a market  
9 where demand is substantially lower than it was before  
10 the orders were imposed are a serious cause for  
11 concern.

12           There is nothing special about the plate  
13 products being imported that requires imports over  
14 U.S. produced plate. ArcelorMittal makes a wide  
15 variety of plate in an array of dimensions and  
16 thicknesses, including high strength and heavy grade  
17 plate. Contrary to the Japanese producers' claims, we  
18 produce plate for all types of uses, including plates  
19 for offshore structures, line pipe and pressurized  
20 storage tanks. We also make armor plate for our armed  
21 forces. Purchasers are not sourcing subject imports  
22 to obtain a product we cannot provide. They buy  
23 imports to get the lower prices offered.

24           I should also note that our market has a  
25 tendency to commoditize. If imports are coming in at

1 lower prices on any plate products, it will affect  
2 prices across the entire plate market.

3 Make no mistake about the ability and  
4 likelihood of the subject foreign producers to surge  
5 back into our market. Our brief details the massive  
6 capacity expansions for plate production in the  
7 subject countries. I'll just highlight a few.  
8 There's been an explosion of capacity to produce plate  
9 in Korea, and we are seeing a recent surge in imports  
10 from Korea as a result.

11 Japanese capacity has also increased over  
12 the past five years, and excess capacity in  
13 traditional Japanese export markets, such as China,  
14 Korea and Asia, is forcing Japanese mills to seek  
15 alternative export markets. Italian producers are  
16 highly export oriented, and new plate capacity is  
17 being added in Italy. Massive capacity expansions are  
18 occurring in both India and Indonesia. The aggregate  
19 growth in plate capacity at these foreign mills over  
20 the past five years is staggering, and capacity  
21 continues to be added.

22 Worldwide pricing information indicates that  
23 U.S. prices for plate are higher in 2011 than prices  
24 in other world markets. That price differential  
25 provides strong incentive for subject producers to

1 shift exports to the U.S. market if the antidumping  
2 and countervailing duty orders are removed. With our  
3 open market and higher prices, the United States will  
4 once again become the dumping ground for plate, as it  
5 has been so often in the past.

6 On behalf of my company and our workers,  
7 therefore, I urge the Commission to leave these orders  
8 in place. Thank you.

9 MR. THIES: Good morning, Chairman Okun and  
10 members of the Commission. I am Kent Thies, Director  
11 of Business Development at Evraz Inc. NA. I have been  
12 in the cut-to-length steel plate business for over 37  
13 years, and until very recently I was the National  
14 Marketing Manager for cut-to-length plate for Evraz  
15 Inc. NA.

16 Evraz operates two cut-to-length plate  
17 facilities in the United States. On the west coast we  
18 have the Evraz Portland plate mill located in  
19 Portland, Oregon, which converts slab into  
20 cut-to-length plate through a reheat furnace and a  
21 stucco mill.

22 On the east coast we have Evraz Claymont,  
23 located in Claymont, Delaware, whose sole product is  
24 cut-to-length plate made primarily from steel melted  
25 in its own electric arc furnace rolled on a discrete

1 plate mill. When demand is good, the Claymont mill  
2 supplements its own melting capacity with additional  
3 slabs brought in from other mills.

4 As a company that operates plants on both  
5 coasts of the United States, we are certainly subject  
6 to more import competition than mills operating in the  
7 midwest. That is simply because imports arrive at  
8 ports. Unfortunately, in direct relationship to the  
9 weak plate markets around the world, we have seen  
10 imports into the United States in the third quarter of  
11 2011 at the highest quarterly rates we have seen since  
12 2007.

13 These imports have been pushed here by lack  
14 of demand elsewhere and the relative attractiveness of  
15 the U.S. market. If they had been pulled here by  
16 strong U.S. demand and an inability of the domestic  
17 industry to supply that demand then we would have not  
18 seen a significant deterioration in domestic pricing,  
19 which we witnessed in the third quarter as these  
20 excess imports hit the U.S. market.

21 Steel mills are big assets that undergo a  
22 lot of wear and tear and therefore capital intensive  
23 manufacturing complexes. They are in need of constant  
24 reinvestment. Our Claymont facility traces its  
25 origins back more than a hundred years when it was the

1 Delaware Steel Company. We recently announced an  
2 investment of \$22.6 million at Claymont, which will  
3 include a new bag house and slab reheat furnace for  
4 improved sustainability.

5 Evraz wants a return over the next five or  
6 10 years on those investments. We are committed  
7 long-term to the U.S. cut-to-length plate market. In  
8 fact, our company has been a vital supplier of armor  
9 plate to the Department of Defense during the Iraq and  
10 Afghanistan wars. In 2007-2008, we allocated all of  
11 our heat treat capacity at our Portland quench and  
12 tempered plate line to the Department of Defense due  
13 to an immediate need and surge in demand for armor  
14 plate protected vehicles in Iraq and Afghanistan.

15 This case against these five countries, who  
16 have enormous plate capacity and enormous excess plate  
17 capacity to increase exports to the United States, is  
18 not just about a couple of points of margin for our  
19 business. It's about our fundamental ability to earn  
20 adequate rates of return on our investments in order  
21 to stay in the game. It's about keeping our employees  
22 working instead of laying them off.

23 Therefore, on behalf of our Evraz Portland  
24 and Claymont facilities and our 921 employees at those  
25 plants, we respectfully request the Commission make

1 affirmative determinations at this sunset review.

2 Thank you.

3 MR. BALLOU: Good morning, Chairman Okun and  
4 members of the Commission. For the record, my name is  
5 Tom Ballou. I'm the Vice President of Purchasing at  
6 O'Neal Steel. I've been in the service center  
7 industry for 35 years and been with O'Neal Steel for  
8 22 years. During this entire time I've been involved  
9 in the purchasing and sale of cut-to-length plate.

10 O'Neal Steel is a family owned company based  
11 in Birmingham, Alabama, and we have 28 service  
12 centers. These service centers are located in the  
13 southeast, southwest, midwest and northeast. All or  
14 virtually all of these service centers sell  
15 cut-to-length plate. We believe we are probably the  
16 second largest distributor of cut-to-length plate in  
17 the United States.

18 I would like to describe my perception of  
19 the current marketplace for cut-to-length plate in the  
20 United States. Overall demand is mediocre. There are  
21 bright spots, such as demand for plate to be processed  
22 for the OEMs that service the agricultural, heavy  
23 equipment, railcar and forklift industries to name a  
24 few.

25 On the other hand, demand from the

1 construction sector has been abysmal, probably the  
2 worst that I have seen in my career, with dim  
3 prospects for the few years ahead. Other segments,  
4 such as barges and wind towers, have been mixed with a  
5 lot of up and down months.

6 All steel prices are based upon supply and  
7 demand considerations. Over the last few years, input  
8 costs have also driven pricing. The four companies  
9 you have here today are pretty much the U.S.  
10 cut-to-length industry. The other sources of plate in  
11 the U.S. markets are imports.

12 In contrast to the hot-roll coil market in  
13 which we have seen in the second half of 2011 the ramp  
14 up of the ThyssenKrupp mill, the new capacity  
15 expansion at Severstal in Mississippi and the startup  
16 of previously closed mills by RG Steel, there have  
17 been no similar additions to the U.S. cut-to-length  
18 plate capacity. Thus, we saw a steep decline in hot  
19 band prices in the second and third quarters of 2011,  
20 while we saw a much smaller, but still significant,  
21 decline in cut-to-length plate prices. Given our  
22 hundreds of millions of dollars of inventory at O'Neal  
23 Steel, steel inventory devaluations are a nightmare  
24 for our company.

25 I'm not a trade expert. The Department of

1 Commerce says the imports from these five countries  
2 will be dumped and sold again at dumped and subsidized  
3 prices, and I take that at face value. What I can  
4 tell you is that in 1999 and 2000 when demand for  
5 plate was very strong that an oversupply of imports  
6 had a very negative effect on the value of O'Neal's  
7 inventory and thus on all results.

8 Now demand is much weaker than it was then,  
9 and I am here because I am fearful on behalf of our  
10 company and our thousands of employees that additional  
11 supply at below market prices in this market  
12 environment is likely to lead to significantly  
13 downward pressure on pricing in the marketplace and a  
14 significant devaluation of our plate inventory.

15 We buy from all four members of this  
16 domestic industry and we buy imports. We buy much  
17 more domestic product than we do import, and we see  
18 the clear benefits of the significant investments that  
19 these companies make in their facilities to provide us  
20 with the products that we need.

21 O'Neal does not want to see a supply shock  
22 to the U.S. plate market by having a free-for-all of  
23 unfairly traded imports in the U.S. marketplace again.  
24 Thank you.

25 MR. BRECKHEIMER: Good morning. I'm Mark

1 Breckheimer, President of the Heavy Carbon Group at  
2 Klockner Metals U.S. We were formerly known as  
3 Namasco Corporation.

4 Klockner bought Mac Steel USA in April and  
5 merged with Namasco, so we are now operating under the  
6 name Klockner Metals. Klockner Metals is a  
7 distributor of carbon steel cut-to-length plate, among  
8 other carbon products. We operate 60 locations  
9 throughout the United States.

10 In my position I oversee, among other  
11 things, the purchase of heavy carbon products,  
12 including plate. Our customers buy plate for a wide  
13 variety of applications, including industrial  
14 equipment of all types such as storage tanks,  
15 railcars, construction equipment, ship and barge  
16 building and other products.

17 I personally have been in the steel business  
18 for 34 years and have worked as a purchaser in the  
19 steel industry for 25, and I'm very familiar with the  
20 market and its participants. Our company purchases  
21 both domestically produced and imported cut-to-length  
22 plate.

23 I was involved in the plate industry back in  
24 the 1990s when the original trade cases were filed  
25 against imports that led to the orders currently under

1 review today. I recall the chaotic market conditions  
2 that prevailed then both for domestic plate producers  
3 and for purchasers. As large volumes of imports  
4 surged into the United States at dumped prices, the  
5 prices for cut plate fell quickly to absurdly low  
6 levels.

7           When prices fall like that, the value of a  
8 major assets of ours, our current inventory, falls as  
9 well. So the rapid price declines that the market  
10 experienced were a major problem not only for  
11 purchasers like my company, but also a major problem  
12 for our domestic suppliers.

13           The carbon cut plate market is highly price  
14 sensitive. Cut-to-length plate is a commodity  
15 product. Imported and domestically produced cut plate  
16 are largely interchangeable, so price is the critical  
17 driving factor when it comes to making purchasing  
18 decisions. All things being equal, the customer will  
19 prefer the lowest priced product.

20           At Klockner we are buying cut plate on a  
21 daily basis and most frequently on the spot market.  
22 We are quickly able to shift sources of plate supply,  
23 depending on prices offered. If the orders against  
24 cut plate are revoked, given the weakened state of the  
25 U.S. economy, I believe we will quickly see lower U.S.

1 prices for plate driven by low-priced imports, just as  
2 we did in the late 1990s.

3           These low prices will increase pressure on  
4 U.S. producers to lower their prices in order to  
5 compete. Such price pressure will come at a difficult  
6 time because, as previously stated, import costs are  
7 at near record levels. Low import prices will prevent  
8 U.S. producers from pricing at levels that will cover  
9 these cost increases, leading to a disconnect between  
10 rational pricing and the cost of production in a  
11 manner similar to what occurred in the late 1990s.

12           In fact, we're already seeing significantly  
13 reduced prices offered for cut plate imports in recent  
14 months. These low prices are occurring especially  
15 from Korea, causing U.S. prices for plate to decline.  
16 The Korean prices are now roughly \$100 per ton lower  
17 than U.S. prices on the Gulf Coast. This differential  
18 was even higher earlier this year, but has narrowed as  
19 domestic prices have fallen in order to compete.

20           At least one subject producer has been  
21 making these low offers in recent months. This  
22 producer has also increased its sales volume in the  
23 past few months and is shipping product before it's  
24 even sold. We know this from the short lead times the  
25 producer is willing to provide, indicating that these

1 offers are occurring while the product is on the water  
2 en route to the United States.

3 When product is already being shipped here  
4 without a buyer, a foreign producer is generally more  
5 likely to cut its prices to sell that product. I  
6 expect these producers and other foreign producers  
7 will reduce their prices even more if the order is  
8 taken away, leading to a quick collapse of U.S. plate  
9 prices.

10 The other factor I should mention is that  
11 supply and demand is supply and demand. I believe the  
12 domestic supply and domestic demand are now in  
13 relatively good balance in the U.S. market when times  
14 are normal. These are not normal times. We are  
15 seeing neither a supply shortage for cut plate nor a  
16 huge oversupply from domestic producers that would  
17 drive prices down.

18 We do not need a return of dumped imports  
19 from five countries that will disrupt this balance,  
20 nor do we need the irrational pricing that is likely  
21 to occur from these five countries. The pricing  
22 behavior wreaked havoc in our market before the  
23 remedial orders were imposed and likely would again if  
24 the orders were taken away.

25 On behalf of the Klockner Metals, I urge the

1 Commission to keep these orders in place. Thank you.

2 MR. SIEGAL: I'd like to thank the  
3 Commission for the opportunity to speak this morning.  
4 Good morning. My name is Michael Siegal. I am the  
5 Chairman and CEO of Olympic Steel headquartered in  
6 Cleveland, Ohio.

7 We are a billion dollar company publicly  
8 traded on the NASDAQ. We have 30 processing and  
9 distribution facilities nationwide and employ more  
10 than 1,600 workers in the United States. I have been  
11 in the steel business since 1974, starting in my  
12 family's \$15 million business and took over in 1984  
13 when it was \$35 million in sales and have been in my  
14 present role for 17 years.

15 Olympic is a significant purchaser of  
16 cut-to-length and coiled plate. The overwhelming  
17 majority of the cut-to-length plate we purchase is  
18 melted and manufactured in the United States. Since  
19 Olympic is a large distributor and processor of plate,  
20 I can attest that there is a significant price  
21 differential between the United States and the rest of  
22 the world on plate.

23 For example, according to Steel Benchmarker,  
24 the price for plate in China is more than \$400 less  
25 than this current market, and the world export price

1 is roughly \$285 less than the United States price.  
2 These are substantial price gaps, more than sufficient  
3 to attract imports. With the effect of the orders we  
4 are discussing today and other successful applications  
5 of our trade laws, the United States market would be a  
6 dumping ground for steel imports.

7 I'm certain that if the orders covering  
8 plate are removed it will absolutely negatively change  
9 the pricing of plate. Imports from the subject  
10 countries would be priced to attract business away  
11 from domestic producers, therefore increasing the  
12 already substantial supply in the United States and  
13 putting our plate and other steel products at deep  
14 financial risk.

15 The result will be a cycle of continuously  
16 lower prices, and based on my almost 40 years in this  
17 business I have no doubt about that. In fact, we are  
18 currently seeing this play out. We have seen a recent  
19 influx of imports from countries such as Korea through  
20 the third quarter of this year and into the fourth  
21 quarter. The imports have been both cut-to-length  
22 plate and even greater volumes of coiled plate.

23 These imports have effected a drop in the  
24 United States prices of more than \$100 a ton for the  
25 past several months. If the orders are removed I'm

1 confident that cut-to-length plate from Korea and  
2 other countries will surge into this market, causing  
3 prices to fall even further, and when prices fall like  
4 that the value of my most important and at-risk asset,  
5 current inventory, falls right along with it. That  
6 hurts my company, its workers and their families, our  
7 shareholders and, yes, even our customers.

8           As a result of increased import supply, the  
9 plate market weakened substantially as the third  
10 quarter progressed and is decelerating into the fourth  
11 quarter of this year. Imports have entered the  
12 market, and prices have dropped. Is another \$100 a  
13 ton price drop possible? I can assure you that the  
14 United States produced plate, and plate from import  
15 sources is a commodity always interchangeable with  
16 supplies to all of the countries subject to these  
17 cases and more that are not.

18           These products all compete with each other  
19 and, like any other commodity, they compete based on  
20 price and tons flow swiftly to the most attractive  
21 markets. If the orders are removed, a \$100 a ton  
22 price drop in the United States would just be the  
23 beginning of collapsing prices.

24           Without the orders, I have no doubt that we  
25 will see a substantial increase of plate imports from

1 Korea, Japan and the other countries subject to the  
2 orders. This would have a significant negative impact  
3 on the United States plate industry, America workers,  
4 employment statistics, my company and industrial  
5 manufacturing in the United States.

6 I very much appreciate this opportunity to  
7 share Olympic's views with the Commission. Thank you.

8 MR. TRINIDAD: Good morning. My name is  
9 Peter Trinidad. I am Vice President of the United  
10 Steelworkers Local Union 6787. I represent  
11 steelworkers employed at ArcelorMittal's Gary plant  
12 and Burns Harbor facilities.

13 I started working out as a millwright on the  
14 plate mill 16 years ago, and I have been an officer of  
15 the Local for the last 11 years. I appreciate the  
16 opportunity to testify before you today on behalf of  
17 all the steelworkers who make cut-to-length plate.

18 I especially want to recognize all of my  
19 fellow steelworkers in the back of the room who are  
20 here today to let you know how important this case is  
21 to them. Could you guys please stand to be  
22 recognized? Thank you.

23 The last decade has been a rollercoaster  
24 ride for our members who make cut-to-length plate.  
25 They have been casualties of unfairly traded imports

1 of plate. They have faced bankruptcies, plant  
2 closures, layoffs, forced retirements, lost wages and  
3 reductions in pensions and health care benefits.

4 Our members made many sacrifices to ensure  
5 there would be a healthy steel industry with jobs for  
6 our members and benefits and dignity for our retirees.  
7 We agreed to the consolidation of the steel companies,  
8 major workforce reductions and changes in workforce  
9 rules to increase productivity and lower costs. The  
10 steelworkers have done everything possible to put the  
11 industry in a position to succeed and to make sure the  
12 companies did their part as well.

13 These efforts saved jobs at the plate mills  
14 at Burns Harbor, Coatesville and Conshohocken by  
15 allowing Bethlehem Steel to become part of ISG and  
16 finally merge into ArcelorMittal, but neither the  
17 union nor the companies could control unfair trade  
18 that injured the domestic steel industry.

19 These cases have been a necessary part of  
20 creating the market conditions that allowed us to  
21 succeed. With these trade cases in place, our plate  
22 operations benefitted from that sacrifice when demand  
23 for plate recovered. As you know, however, things  
24 changed almost overnight in late 2008. Demand  
25 evaporated and production just crashed.

1           ArcelorMittal closed the Gary mill in  
2           October 2008, and it remains closed today. The  
3           company also shut down the Burns Harbor 110 inch mill  
4           again in October 2008. In November 2008,  
5           ArcelorMittal gave a WARN Act notice that they  
6           intended to lay off nearly 2,500 of our workers at the  
7           Burns Harbor facility. Instead, the steelworkers  
8           worked with the company to implement a minimization  
9           plan.

10           As a result, ArcelorMittal rescinded the  
11           WARN Act notice. Fewer than 500 people were laid off,  
12           and 900 workers went on 32 hour work weeks so we could  
13           keep 20 percent more workers on the job. It was tough  
14           for our people to take those layoffs and salary cuts  
15           after all the sacrifices they had already made.  
16           People again started dipping back into what was left  
17           of their savings and trying to survive paycheck to  
18           paycheck.

19           The remaining plate mill at Burns Harbor was  
20           running at half full. Many of us wondered whether it  
21           would close too. Every day I saw the huge financial  
22           and human toll on our workers and their families.  
23           Fortunately, plate orders gradually picked up in 2010.  
24           In May 2010, the layoff minimization program ended,  
25           but the steelworkers again sacrificed and agreed to

1 have their incentive payments cut in half.

2 In May of this year, ArcelorMittal reopened  
3 the 110 inch plate mill and brought back some workers.  
4 As a result, the company hired about 60 new people  
5 this spring. In August, a second crew was hired for  
6 the 110 inch mill in anticipation of plate demand  
7 growth, but that new demand has not developed as we  
8 had hoped.

9 Prices and orders actually appear to be  
10 dropping, so the extra crew is not producing plate and  
11 have been given other job assignments throughout the  
12 mill. I am not sure when the second crew will be back  
13 on the 110 inch mill because the production schedule  
14 is looking worse, not better, as far as I can tell.

15 We are all worried that the market will slip  
16 backward toward 2009 levels, and the way that  
17 customers seem to be ordering right now I'd say  
18 they're concerned too. Every ton of dumped plate that  
19 is allowed to enter our market is a ton of plate that  
20 steelworkers at Burns Harbor, Coatesville and  
21 Conshohocken won't get to make. It will also likely  
22 mean that every ton that we do make will sell for  
23 less.

24 The 110 inch mill will face closure again,  
25 will see layoffs, reduced hours in pay. A lot of our

1 people are new hires who don't have the three years of  
2 service for a 40-hour week guarantee under our  
3 contract. They will be the first to suffer.  
4 Steelworkers laid off with less than two years'  
5 service won't be eligible for supplemental benefits.  
6 I really don't know where these people will be able to  
7 find comparable jobs in this economy.

8 Steelworkers at our plate mills are proud  
9 men and women who work hard to produce steel plates.  
10 They have sacrificed tremendously over the last decade  
11 to help build a competitive plate industry. I urge  
12 you not to allow unfairly traded imports to re-enter  
13 this market and tear down what we have built.

14 MS. BEAVERS: Good morning. My name is  
15 Denise Beavers, and I work at Nucor Steel in  
16 Tuscaloosa, Alabama. Thank you for having me here  
17 today. I would like to take a few minutes to explain  
18 what will happen to me, my family and my co-workers at  
19 Nucor if there is an increase in imports.

20 I've been employed by Nucor since 2005, and  
21 it's the best job I've ever had. I've worked in real  
22 estate, in accounting, in a woodworking shop, but at  
23 Nucor I've made more than twice the money I've ever  
24 had in any other job. My current position is a CTL  
25 Tech, which means I'm the last pair of eyes that

1 reviews the plate before it goes out for shipment.  
2 I've worked my way up the ladder. I started in the  
3 scale house weighing in trucks. I've driven  
4 forklifts, and I've ran the cranes.

5 I think you know that we at Nucor are paid  
6 in large part based on our production, so when the  
7 economy is doing good we're making a lot of steel and  
8 everyone profits. As a matter of fact, in a really  
9 good year the bonus can be as high as 180 to 240  
10 percent. My job at Nucor has allowed me to buy a new  
11 car, remodel my home and even take nicer vacations.  
12 In fact, in 2008, before the market went bad, I took  
13 my daughters to Disney World for two weeks.

14 These are good jobs, and it's not uncommon  
15 for 4,000 people to apply for 40 openings at the mill.  
16 I consider lucky to have a job, especially in this  
17 economy. But in bad times, everybody shares the pain.  
18 In 2008, in 2009 when the economy took a downturn,  
19 then everybody at the Tuscaloosa mill felt it.  
20 Personally, my paycheck was cut roughly in half.

21 I'm the mother of two girls. My daughter,  
22 Sally, was in preschool at the time, and it wasn't  
23 cheap. So when my pay got cut, in order to make ends  
24 meet I had to work more, which meant less time with my  
25 children. It was hard to explain to my eight-year-old

1 daughter, Julie, why I had to work and couldn't be at  
2 her school plays.

3           And then when your pay is cut in half it  
4 affects everything. I had to take two loans against  
5 my 401(k), which I'm still paying back. It even  
6 affects the little things, like cutting out going to  
7 eat at restaurants just so there'll be money left over  
8 to pay the power bills. Several of my friends lost  
9 their vehicles, their homes, and some even went  
10 bankrupt.

11           But when the economy got better, as a matter  
12 of fact things began to look really good in the  
13 improvements in the beginning of this year, but I can  
14 tell you right now production is slowing down at the  
15 mill. This has gotten me concerned. I've put on hold  
16 any improvements to my home.

17           If the market slows down again and  
18 low-priced imports are allowed back into the United  
19 States then there's no way it will be good for me, my  
20 family or my friends at the mill. If production drops  
21 again like it did before then I'm going to have to  
22 sell either my home or the car because I won't be able  
23 to keep both, and we'll have to make some tough  
24 decisions around the house too.

25           My daughters are six and eight years old,

1 but a lot of the little extras around the house --  
2 like cable and internet -- they might need to go. I  
3 might need to change where I buy my children's  
4 clothing and, just like before, we might be keeping  
5 the thermostat set at 50 degrees in the winter when my  
6 girls aren't home.

7 I hope and pray it doesn't come to this.  
8 I've got a job, and it's a good job and I'm thankful  
9 for that, but if imports come on and the production of  
10 the mill drops then my family is going to be injured  
11 as a result.

12 So on behalf of myself, my girls and the  
13 workers of Nucor, I hope that you keep the antidumping  
14 orders in place for all five of these countries.  
15 Thank you for your time.

16 MR. SCHAGRIN: And thank you, Ms. Beavers.

17 Vice Chairman Williamson, that concludes our  
18 presentation, but before we get into the Q&A session  
19 with the members of the Commission I would just like  
20 to make some remarks on the record about Commissioner  
21 Lane's service to the Commission over the past decade.

22 I'm aware the fine, young attorney from the  
23 Senate Finance Trade staff, David Johanson, has now  
24 been reported out of the Finance Committee, and since  
25 I will not have another hearing before the Commission

1 until February or March of next year there's a  
2 reasonable chance that this may be my last hearing  
3 before the Commission or before you, Commissioner  
4 Lane. Of course, for the other members of the  
5 Commission it means you can enjoy your holiday period  
6 without having to worry about seeing me.

7 We appreciate the dedication, preparation  
8 and business insight that you have brought to the  
9 Commission. You have certainly kept me on my toes  
10 during your period here, and whether you pursue other  
11 career opportunities or retire to Myrtle Beach -- of  
12 course, if you retire to Myrtle Beach I'll be quite  
13 jealous -- we wish you all the best in whatever you  
14 choose to do after you leave the Commission. We thank  
15 you for the decade that we have had the pleasure of  
16 appearing with you during your service here. Thank  
17 you.

18 And with that we'll save the rest of our  
19 time for rebuttal and be happy to answer the  
20 Commission's questions.

21 COMMISSIONER LANE: Thank you, Mr. Schagrin.  
22 I appreciate those remarks, and I have enjoyed myself  
23 here. I'm trying to follow Chairman Okun and be here  
24 at least for two more years.

25 MR. SCHAGRIN: It works for us.

1                   VICE CHAIRMAN WILLIAMSON: Okay. Thank you,  
2 Mr. Schagrin.

3                   Again, I want to express my appreciation to  
4 all the witnesses. On behalf of the Commission I want  
5 to express my appreciation to all the witnesses who  
6 come from all around the country to testify today and  
7 also say welcome to those who come to observe the  
8 proceeding.

9                   We'll begin the questioning this morning  
10 with Commissioner Aranoff.

11                  COMMISSIONER ARANOFF: Thank you, Mr.  
12 Chairman. I want to thank all of the witnesses for  
13 being here this morning. We really appreciate it.  
14 And also all of the steelworkers in the room. I hope  
15 you'll come away from today appreciating the  
16 seriousness with which this agency takes our  
17 responsibilities under the trade remedy laws.

18                  Let me start by asking a question about the  
19 difficulty of predicting future demand in this  
20 industry. It seems like a very precarious occupation.  
21 You'll recall that in 2005 the Commission majority  
22 accepted the argument that recent slackening of demand  
23 was a sign that robust profitability in 2004 and the  
24 first part of 2005 was not likely to persist, a  
25 prediction that was rather spectacularly wrong.

1                   And then in the current review we see a  
2 similar argument that's based on several months of  
3 data largely after the end of our period of data  
4 collection that things are turning downhill. How much  
5 weight should we be giving this data, given the  
6 demonstrated difficulty of being right about what's  
7 going to happen in the reasonably foreseeable future?

8                   And alternately, is there a way that we can  
9 make a principal determination in these reviews  
10 without making any assumptions about what demand is  
11 going to be like in the reasonably foreseeable future?

12                   MR. BLUME: Commissioner Aranoff, I'd like  
13 to respond that as being responsible for the  
14 commercial activities of Nucor's Steelmaking Group I'm  
15 often asked about forward demand. What's the market  
16 look like? I'm asked that almost on a daily basis.  
17 I'm asked either by our management, by our employees  
18 and by customers.

19                   And I can tell you, quite frankly, it is  
20 very difficult to look out and project where demand is  
21 going. There's obviously things that we look at,  
22 markets, those kind of activities, but it is a very  
23 precarious occupation and very difficult to look  
24 forward.

25                   What I can say, though, is that we can

1 measure import offers that come into the marketplace  
2 that begin to have an impact and erode pricing. We  
3 also see that in our order books. You've heard  
4 testimony from Ms. Beavers about what's happening with  
5 respect to the order books.

6 So we can definitely see that in the market  
7 itself demand is eroding and eroding quite rapidly.  
8 Unfortunately the visibility is very difficult.

9 MR. BRECKHEIMER: Commissioner, if I may?  
10 This is Mark Breckheimer. If we take a step back and  
11 look at capacity utilizations in the carbon  
12 cut-to-length plate business in the United States, I  
13 think it will pretty well tell the story.

14 With the financial crisis that developed in  
15 2008, capacity utilization was well in the 90s prior  
16 to the demand destruction that occurred and had  
17 dropped suddenly down to the low 40s, a significant  
18 change that resulted in the economic dislocation  
19 that's been described by our colleagues, the United  
20 Steelworkers and Ms. Beavers.

21 Subsequent to that, underlying fundamental  
22 demand has been growing at trend growth rates. Trend  
23 growth rates are in the 2 to 3 percent per year,  
24 roughly paralleling GDP, as we climb out from the  
25 impact on the recession. As we all know, the first

1 half of 2011 indicated that there was a fairly robust  
2 plate market here in the United States.

3 I'd like to point out that there was a total  
4 absence of imports in the first half and that the  
5 plate mills were operating at 74 percent of capacity  
6 utilization during that period. There was still 26  
7 percent of available capacity utilization that could  
8 be applied to market demand had market demand existed  
9 at that point in time.

10 Subsequent to that, the weakening that we've  
11 seen in the third quarter, and it's being borne out  
12 into the fourth quarter, plate capacity utilization is  
13 now about 60 to 65 percent. So within just a nine  
14 month period we've seen a 30 or 40 percent change  
15 downward in plate capacity utilization.

16 It's a very highly, hyper-cyclical business  
17 and predictability is very difficult, but I can assure  
18 you underlying demand is only going to grow at the  
19 2 to 4 percent rate once we return to where we might  
20 have been earlier, so it's going to be a good while.

21 Our estimates are -- and these are estimates  
22 -- steel consumption in the United States will return  
23 to 2006 levels by 2016. That's quite a distance, and  
24 that does not consider the notion that there may be an  
25 economic retreat, which is almost likely during that

1 length of time. Thank you.

2 MR. MOSKALUK: Commissioner Aranoff, Jeffrey  
3 Moskaluk. I've come to the conclusion that I've  
4 become extremely good at forecasting or terribly bad  
5 at it, because I'm asked to do it so often now.

6 The predictability and clarity and  
7 transparency in the market has certainly diminished,  
8 and therefore our ability to look forward and give  
9 firm statements on the predictability of the future  
10 much further out than a quarter at a time or a few  
11 months at a time has become very difficult.

12 One of the things that we do know and our  
13 experience has been is that the plate market is driven  
14 mostly by capital investment. It is not a consumer  
15 product. It is driven by large investment because of  
16 the types of products it goes into.

17 One of the things we do know is that the  
18 expectation going into 2012 is that we are facing  
19 difficult economic times in many of the world markets,  
20 particularly here in the States, but in particular in  
21 the Euro zone and even as we see in Asia with some  
22 concerns that China will be trying to slow their  
23 economy on purpose.

24 And so the result of that means that large  
25 companies that make capital investments that require

1 plate as the product for those capital investments are  
2 being much more prudent in their investment and are  
3 certainly taking an opportunity to defer, stretch out  
4 or even wait on large capital investment until they  
5 have more clarity in the economic market.

6 COMMISSIONER ARANOFF: Okay. Well, I  
7 appreciate all of that insight from the business  
8 people here, and I certainly mean no criticism when I  
9 say that this is obviously a very difficult thing to  
10 predict.

11 And that's why I'm hoping, and you can do it  
12 now or in the posthearing brief, you can give me some  
13 guidance on how the Commission can reach a decision in  
14 these reviews if we decide that it's just too hard to  
15 predict more than a few months out what the demand  
16 situation is going to be like and come up with some  
17 principles that can guide our decision regardless of  
18 how we think the demand outlook further out than that  
19 looks. So I appreciate that.

20 Let me turn to another question, and this  
21 question is specifically for Mr. Thies. We're in the  
22 unusual situation in this case -- we haven't seen this  
23 in a few years -- where we have two related producers  
24 appearing on opposite sides of the matter here today.

25 And so I just wanted to ask if there's

1 anything you can tell us about why that's the case and  
2 whether Evraz as a global company has any kind of a  
3 unified strategy on how it handles matters like this  
4 or handles trade involving its units in multiple  
5 countries.

6 MR. THIES: Yes, Commissioner Aranoff, I can  
7 tell you, but unfortunately we regard that answer as  
8 confidential and business proprietary, so we'd like to  
9 answer your question specifically in a posthearing  
10 statement.

11 COMMISSIONER ARANOFF: Okay. I appreciate  
12 that. One other company that was in this situation a  
13 number of years ago told us, I remember, that it was  
14 every plant for itself, but I'll look forward to  
15 hearing your answer posthearing. Thank you.

16 One of the things that comes through in all  
17 of the testimony this morning and in all of the briefs  
18 that the domestic industry provided is that the U.S.  
19 market is a relatively high priced market. That's  
20 something that the Commission has recognized in the  
21 past with respect to this industry.

22 What can you tell me about why that's the  
23 case? Does it have to do with the number of domestic  
24 producers in the market being relatively small? Does  
25 it have to do with the number of orders that have

1 historically been in effect with respect to imports,  
2 or are there other factors that account for the fact  
3 that the U.S. has been a high priced market?

4 MR. MOSKALUK: To some degree the U.S.  
5 market maintains a price because in relative terms the  
6 industry is not subsidized or supported and so we go  
7 for a fair market value for a product produced based  
8 on cost and an accepted return on capital where  
9 possible where the market will support that, so the  
10 pricing is more driven by an economic rationale than  
11 the rationale of trying to generate jobs or something  
12 in a subsidized market.

13 MR. BLUME: Commissioner Aranoff, the other  
14 point that I would emphasize is that it really speaks  
15 to the importance of these orders and keeping these  
16 orders on because I think it allows us to combat  
17 unfairly traded and dumped imports.

18 So again, it's why we're here today. It's  
19 why we urge the continuation of these orders.

20 COMMISSIONER ARANOFF: Okay. Thank you for  
21 those answers. Perfect timing. My light just turned  
22 red. Thank you, Mr. Chairman.

23 VICE CHAIRMAN WILLIAMSON: Thank you.  
24 Commissioner Pinkert?

25 COMMISSIONER PINKERT: Thank you, Mr. Vice

1 Chairman, and I thank all of you for being here today  
2 to help us to understand what is occurring in the  
3 industry and what is likely to occur in the future.

4 I want to begin with the capital  
5 expenditures for the industry in 2010. Why were the  
6 expenditures higher in that year than in prior years?

7 MR. BLUME: Commissioner Pinkert, one of the  
8 things that I would point out is that many of these  
9 capital projects are certainly on the drawing board  
10 for an extended period of time as you evaluate market  
11 conditions, as you look to whether that's a good  
12 investment and that it's an investment that will earn  
13 appropriate and sustainable results. So in many cases  
14 a lot of that money spent, many of those decisions had  
15 been made in prior years. I think that's one of the  
16 key points.

17 I can also tell you that from Nucor's  
18 perspective we have talked about additional potential  
19 plate capacity, et cetera, but in an uncertain  
20 environment that we face today both from an economic  
21 perspective and then also from a concern about whether  
22 or not we're going to have to combat unfairly traded  
23 imports, it really puts some of those investments  
24 going forward at risk and makes them certainly much  
25 more uncertain.

1           So while in fact Cap X was higher in 2010,  
2           the reality is looking forward. This uncertainty and  
3           the importance of these orders, it's vital to keep  
4           that investment that my colleagues talked about  
5           before. That is so vital for this industry to keep  
6           reinvesting in the business and in our facilities.

7           COMMISSIONER PINKERT: Thank you. Professor  
8           Morici?

9           MR. MORICI: This ties in. I want to  
10          address this question and the previous one about  
11          forecasting. The industry, when you invest in the  
12          industry, there are two sets of issues. One is the  
13          industry itself, and the other are the systemic  
14          conditions.

15          Going forward, we know the systemic  
16          conditions are a very high likelihood of very slow  
17          growth, so existing capacity in the capital goods  
18          industries that buy from the steel plate industry will  
19          suffice, indicating that demand in this industry is  
20          not likely to be particularly strong.

21          In 2010, we all thought we were in the  
22          middle of a recovery. The economy was growing at 3  
23          percent a year. Now in the last six months it has  
24          grown at 1. If there is anything as certain as the  
25          sun is rising, it seems as though next week's

1 forecasts from economists are lower than last week's.

2 And so I think that explains why from say  
3 10,000 feet the industry invested in 2010 and is not  
4 investing in 2011 and why the industry has good reason  
5 to be pessimistic about demand for what it sells going  
6 forward.

7 You know, I think this is confirmed by just  
8 about anybody who is forecasting the economy going  
9 forward, even the most optimistic forecasts. All the  
10 risks are to the downside.

11 MR. MOSKALUK: If I can comment, because at  
12 SSAB we do have some capital investment going on in  
13 our business.

14 Postacquisition by SSAB of the IPSCO  
15 facilities in 2007, there were strategic decisions  
16 made that we would grow our business in a certain  
17 direction and not require capital investment. Those  
18 decisions were made in 2007, and to a large degree  
19 those projects were put in place and started at some  
20 point in 2008.

21 Obviously as we all know, in late 2008 and  
22 2009 capital projects throughout many industries were  
23 either put on hold, canceled entirely or deferred  
24 until future periods when we were more certain of the  
25 economic viability of the project and the business, so

1 to a large degree that would explain why more of our  
2 spending occurred in 2010 than it had perhaps in '07,  
3 '08 or '09.

4 It was the timing of the planning and also  
5 the economic period that we were in that caused us to  
6 defer some of our capital spending to other years.

7 COMMISSIONER PINKERT: Does ArcelorMittal  
8 have a response on that?

9 MR. BIEGALSKI: Yes. Commissioner, I was  
10 going to say the same thing. Because of the fragile  
11 state of the economy in that 2008-2009 time period, we  
12 deferred some of our capital expenditures into 2010.

13 And in fact some of the capital that we were  
14 going to spend in the fourth quarter of this year has  
15 now been deferred as well into 2010 as we see a  
16 similar situation evolving right now.

17 COMMISSIONER PINKERT: Thank you. My next  
18 question is specific to Japan and to the argument that  
19 the Japanese Respondents are making that in fact in  
20 other sunset review proceedings where this Commission  
21 revoked orders against other flat-rolled products from  
22 Japan that we did not see an increase, a significant  
23 increase in shipments from Japan following the  
24 revocations.

25 How does this panel reply to that? Is it

1 relevant? Are there other factors that supervened the  
2 predicted impact of those actions?

3 MR. SCHAGRIN: Commissioner Pinkert, this is  
4 Roger Schagrin. I think there is one very relevant  
5 factor, and that is that the Japanese made arguments  
6 in both Corrosion-Resistant and Hot-Rolled that a lot  
7 of their shipments within Asia, because the Japanese  
8 industry is very export oriented, but that a lot of  
9 their shipments within Asia were essentially tied  
10 based on long-term commitments to Japanese companies,  
11 mostly car companies, that had production plants  
12 throughout Asia.

13 So the Japanese auto producers have plants  
14 in Thailand, Malaysia, and Japanese companies who were  
15 related through Coretzu to the Japanese steel  
16 companies will tend to buy Japanese products. I would  
17 posit that in plate that relationship that might apply  
18 to other flat-rolled products that would be used in  
19 auto production does not apply at all. Here the  
20 Japanese industry is focused on shipbuilding and  
21 construction plate.

22 To the best of my knowledge, the Japanese  
23 shipbuilding industry, A, is being dwarfed by the  
24 Korean and Chinese shipbuilding. The Japanese  
25 shipbuilders do not own the shipyards in either Korea

1 or China. The Chinese and Korean shipbuilders prefer  
2 Chinese and Korean plate, but didn't have enough of it  
3 until more plate mills were built in China and Korea.

4 Korea has brought on -- POSCO specifically,  
5 they brought on a 2.2 million ton plate mill. Dongkuk  
6 brought on more capacity. The other Korean producer,  
7 CISCO, brought on more capacity to focus on Korean  
8 shipbuilding. I will tell you, those Korean  
9 shipbuilders are going to buy Korean plate first when  
10 it's available, and they're going to stop buying as  
11 much Japanese product.

12 But also connecting with Commissioner  
13 Aranoff's question about visibility of demand going  
14 forward, while these gentlemen testified that it's  
15 difficult with the capital projects in the United  
16 States to really figure out whether major equipment  
17 manufacturers, wind tower manufacturers, and they keep  
18 making these investments.

19 Shipbuilding is so clear cut. Ships don't  
20 get built until a year, two, three years after orders.  
21 You have information on the record the Japanese have  
22 put on, which I believe greatly supports the  
23 continuation of these orders that new shipbuilding  
24 orders in Asia are plummeting. The order backlog is  
25 plummeting. It's gone from four and a half years to

1 just over two years as of mid 2011.

2 After the next 18 to 24 months, if you don't  
3 have a surge of new shipbuilding orders, and all these  
4 folks can tell you shipping prices are plummeting  
5 around the world because there is a massive oversupply  
6 of shipping capacity from all the new ships that have  
7 been built over the last several years. So one thing  
8 you can rely on is that within a reasonably  
9 foreseeable timeframe the demand for Japanese plate  
10 for shipbuilding is going to plummet.

11 So I would just say that there's a major  
12 difference between the other flat-rolled products the  
13 Japanese have talked to you about and plate because of  
14 the lack of this Coretzu relationship within the  
15 demand drivers within Asia to Japanese companies doing  
16 business in these other countries.

17 COMMISSIONER PINKERT: Mr. Price?

18 MR. PRICE: Thank you. Alan Price, Wiley  
19 Rein.

20 So this is what the head of the Japanese  
21 Shipbuilding Association was quoted as saying recently  
22 in Steel Business Briefing by saying that basically  
23 they're falling, these ship orders in Asia, forcing  
24 shipbuilders to slow the pace of building, which will  
25 reduce consumption.

1           In fact, at a recent OECD meeting of the  
2 Steel Committee not only were orders being stretched  
3 out for ships, but they expected large series of  
4 cancellations to occur because plummeting pricing for  
5 shipping, excess supplies of ships, are essentially  
6 causing a reduction in orders, a reduction in  
7 building. That not only applies to Japan. It applies  
8 to Korea and it applies to China at this point.

9           So we know at the same time we have massive  
10 amounts of new capacity that has come on or is coming  
11 on in these countries. Steel plants, as we know, take  
12 three, five, seven years to build. Even in China they  
13 seem to take at least two to three years. So we have  
14 all this capacity coming on that was really committed  
15 in 2006-2007 that is now coming onstream affecting the  
16 marketplace.

17           So we know we have massive contraction going  
18 on in demand in Asia going forward. We know Fitch  
19 overall just today predicted a 3 to 4 percent decline  
20 in steel demand for all types of steel globally for  
21 2012, given the contractions going on in the market.  
22 We know we have contractions in plate consumption  
23 going on in Asia, and we have still this capacity  
24 being built.

25           Japan has to go somewhere. They really do

1 run it's still a blast furnace type industry, not an  
2 EAF industry. They run full out. They pretty much  
3 brag that they have to run full out. It's going to  
4 have to move the capacity somewhere.

5 The second difference is in the U.S. supply  
6 side, I might add, or on the U.S. consumption side the  
7 Japanese industry does not own things like INTECH,  
8 INCOAT. They don't have these joint venture interest  
9 in the plate industry like they had in some of the  
10 flat-rolled industries.

11 So they have nothing to prevent them from  
12 shipping product in here in terms of profit maximizing  
13 on their U.S. operations and U.S. investments, so it's  
14 really quite a different picture.

15 COMMISSIONER PINKERT: I'm going to have to  
16 cut you off there.

17 Ms. Cannon, do you have a quick follow-up,  
18 because I'm past the end of my time for this round?

19 MS. CANNON: I do, Commissioner Pinkert.  
20 This will be very brief.

21 Just to support what you were asking  
22 originally, which was the relevance of looking at  
23 that, I think as a legal just as the Commission looks  
24 at every industry on its facts when making its  
25 original determination, it shouldn't rely legally on

1 what some other industry has done following the  
2 revocation of an order because that's always going to  
3 be industry specific.

4 And in particular with respect to the  
5 Hot-Rolled decision, that decision is not only  
6 currently under appeal, but was made so recently that  
7 I think there's very little you can draw from the  
8 import volumes that have come in, given the recency of  
9 that decision. Thank you.

10 COMMISSIONER PINKERT: Thank you.

11 VICE CHAIRMAN WILLIAMSON: Thank you.  
12 Continuing on this question about the shipbuilding  
13 demand, as you know the other side has painted quite a  
14 different picture so my question is, either now or in  
15 posthearing, is the nature of your difference that you  
16 disagree on the data or the conclusions that you draw  
17 from the data?

18 MR. SCHAGRIN: Vice Chairman Williamson,  
19 this is Roger Schagrin. We don't disagree with the  
20 data itself, although, as Mr. Price pointed out, it's  
21 pretty clear that given the plight of the world  
22 shipping industry where prices have plummeted to below  
23 cost, and it's almost ironic that so much of that  
24 industry is based in Greece, which has so many of its  
25 own problems and now a lot of these Greek shipping

1 companies are facing bankruptcy because it's amazing  
2 how much shipping costs have plummeted.

3 But it was interesting that in the opening  
4 for the Respondents how Mr. Harrison focused on the  
5 results of the U.S. industry in the first half of '11,  
6 but in all their analysis in their brief, while they  
7 provided data through first half '11, they focus all  
8 their analysis at the end of 2010.

9 I think as you carry forward your analysis  
10 of the data it's clear that every month that goes by  
11 the amount on the order book in terms of shipbuilding  
12 order book relative to production, the remaining  
13 months of production based on current order books is  
14 plummeting.

15 So they cite in their brief oh, gee, for the  
16 next three years these guys are going to be building  
17 ships like crazy. Already if you just take the data  
18 forward six months you're down to like less than two  
19 years or approximately two years.

20 Now, you're going to make your vote in  
21 December. By the end of this year they're going to be  
22 down to between a year and a half and two years  
23 remaining orders, and the biggest problem is, and this  
24 I think everyone can agree about. Virtually no or  
25 very few new shipbuilding orders are being placed.

1           So it is on the record. I think we can all  
2 agree when we look at the numbers. We can differ as  
3 to time, but the only question is is it 18, 20, 24, 27  
4 months. There's going to be no more shipbuilding.  
5 The single, largest consumer of plate in Asia is going  
6 to die. That's going to be bad for everybody.

7           I don't want to see hundreds of thousands of  
8 Korean -- in fact, the Korean Government is already  
9 taking actions. They can foresee that all of the  
10 small and medium sized shipbuilders in Korea are going  
11 to go out of business. They are setting up programs  
12 now to get actively involved, because shipbuilding is  
13 so important to the Korean economy, to smooth that  
14 transition. So I don't revel in the fact that major  
15 parts of the world economy are about to go down the  
16 tank, but it's a reality, and I think it's a reality  
17 on the record here.

18           And I'm convinced, and we'll explain it  
19 further in our posthearing brief, that the information  
20 on shipbuilding strongly supports the continuation of  
21 these orders as to all the Asian countries.

22           MR. BRECKHEIMER: Commissioner, if I may?

23           VICE CHAIRMAN WILLIAMSON: Yes.

24           MR. BRECKHEIMER: This is Mark Breckheimer.  
25 I think the thread that may need to be tied in a bow

1 here is that a steel plate mill does not know the  
2 difference between a shipbuilding ton and a commodity  
3 ton for export. Shipbuilding plate is carbon steel  
4 plate, and if there are no shipbuilding orders, that  
5 mill is still going to turn and it's going to produce  
6 carbon cut-to-length plate for export and it's going  
7 to come to the most interesting market in the world  
8 and unprotected. The United States is that market.

9 MR. ROSENTHAL: Commissioner Williamson,  
10 just to summarize, I don't think there's a big  
11 disagreement in the data, but I think they're looking  
12 at the data through the rearview mirror, and  
13 shipbuilding has been robust and a nice market for  
14 them, but as Mr. Schagrín says, going forward looking  
15 at the same data you cannot be optimistic if you were  
16 a Japanese plate producer, and just as Mr. Breckheimer  
17 says, that product is not going to be going to the  
18 shipbuilding in Asia anytime soon. It is going to be  
19 heading to the open shores of the U.S. because, as  
20 your analysis requires you to do, you need to figure  
21 out what will happen if these dumping orders are  
22 revoked, and that's really the focus that I think the  
23 Japanese producers and the other Respondents are  
24 lacking here looking at that data.

25 MS. CANNON: Commissioner Williamson, I

1 would just add, too, I'm not sure there is as much of  
2 a difference in some of the data that you are looking  
3 at as the dates of the documents. So, some of the  
4 documents that were dated, you know, a year or so ago  
5 would be predicting something quite different than  
6 some of the more recent documents. So, it's not so  
7 much a data disagreement, it's a timeline that's  
8 occurred, and the more recent documents that are out  
9 there in terms of predicting what's going on with  
10 demand are much more bleak than what you were seeing a  
11 year ago.

12 VICE CHAIRMAN WILLIAMSON: Since it takes a  
13 long while, you know, to plan and build a ship.  
14 People had ideas of what was going to happen. Is this  
15 sort of drop-off, this falling off the cliff because  
16 volume of trade is not going to be what is expected or  
17 just that people are too optimistic?

18 MR. MORICI: Well, last year at this time we  
19 thought the economy was going to grow and the United  
20 States was going to grow at 3 percent, and the global  
21 economy was going to grow one and two percentage  
22 points higher than it is not projected to grow. You  
23 simply don't build more boats if you don't think the  
24 volume of trade or the GDP of the world is going to  
25 rise very much.

1                   What growth there is going to be in Asia  
2 will be largely towards, you know, internal  
3 development and things of that nature because,  
4 frankly, the U.S. and Europe are not going to grow  
5 very rapidly, and as a consequence the need for ships  
6 to send stuff across the sea is not going to expand  
7 very much, and there is already more than adequate  
8 capacity.

9                   MR. BRECKHEIMER: Yes, the other piece of  
10 that is with the increase in the rate of globalization  
11 over the last 10 years and the increase in fossil fuel  
12 costs, there has been a worldwide drive to replace old  
13 shipping bottoms with antiquated propulsion systems  
14 with new more efficient propulsion systems. That  
15 inventory is largely either been replaced or in the  
16 shipways now being completed, and then, as Dr. Morici  
17 says, we have also got a systemic reduction in global  
18 demand for shipping capacity, which is going to  
19 obviously impact the capacity utilization of shipyards  
20 negatively.

21                   VICE CHAIRMAN WILLIAMSON: Okay, so it's  
22 like the folks who felt they had to replace ships have  
23 done that or mostly on the way.

24                   MR. SCHAGRIN: And that's why shipping rates  
25 are falling so dramatically. Shipping is just like

1 steel, it's all about supply and demand. And because  
2 so many new ships came on the market, ships that were  
3 ordered in 2006, 2007, 2008, on the expectation that  
4 we weren't going to have a cataclysmic, you know,  
5 worldwide financial crisis and instead a growth that  
6 the shippers have seen in demand for shipping, it's  
7 just not occurring so there is more supply than there  
8 is demand.

9           And I would just point out that it would be  
10 great if we can update their 30 June data through the  
11 end of September or even the end of October before we  
12 give the post-hearing briefs. But just based on their  
13 data the order book which peaked in 2008 at 325  
14 million gross tons on order, by the end of June had  
15 fallen to 225 million, so that's 125 million decline  
16 over two and a half years off of 350. That's almost a  
17 40 percent decline. I mean, those are really big  
18 numbers.

19           I mean, that is what's going to happen. As  
20 China stops having their growth in iron ore imports  
21 grow 30 percent a year, and now the forecasts are,  
22 yeah, China is not going to fall off a cliff, but  
23 there won't be any increase in iron ore imports in the  
24 next several years into China. Chinese production is  
25 going to flatten out, so you don't need more ships if

1 you're not going to have ever-increasing demand for  
2 what the ships are carrying, and that's why the  
3 shipping companies are simply -- not to mention their  
4 financial crunch and their lack of access to credit I  
5 am sure by the Greek shipping companies -- they are  
6 just not ordering new ships. There is no need for  
7 them. There is an oversupply.

8 MR. PRICE: Alan Price. One more quick  
9 point which is, while you are sitting ship orders now  
10 pushed out that are on the order books to make  
11 extended bill cycles or being canceled in the process  
12 at this point. If you look at shipping rates and  
13 shipping costs right now, one simple number to look at  
14 is actually the number and the FOB values which the  
15 Japanese producers sell slabs to the United States,  
16 when they sell charters ships here in quantities.  
17 That's typically the way steel is actually shipped,  
18 \$23 to \$26 a ton. That is about as -- I have been  
19 doing this for a long time. I have never seen it that  
20 low, okay.

21 Prices to ship in bulk are incredibly low.  
22 Ocean freight has collapsed at this point affecting  
23 the market dramatically.

24 VICE CHAIRMAN WILLIAMSON: Okay.

25 MR. MOSKALUK: Just if I can add one final,

1 too.

2 VICE CHAIRMAN WILLIAMSON: Sure.

3 MR. MOSKALUK: One of the unique things  
4 that's happened in the shipping marketplace is that,  
5 as you would expect, companies are very clever and  
6 they see an underutilized asset and they decide that  
7 there is a way to change how they use that asset. So  
8 the ability to containerize products and ship them  
9 that way has changed how shipping works, and so now  
10 where more specific ships were needed to be built  
11 because products were shipped in a specific type of a  
12 vessel, many industries have  
13 found -- I will use an example of scrap that leaves  
14 the United States. It used to ship as a bulk  
15 commodity. It's now containerized and go on  
16 completely different vessels and therefore they don't  
17 need bulk vessels anymore. They are using what was an  
18 underutilized asset, and so there is even a change in  
19 the fundamentals of how things are being shipped.

20 VICE CHAIRMAN WILLIAMSON: Okay, my time has  
21 expired. So you are saying because they have so many  
22 containers and all, you can put it in -- okay. Good.  
23 Well, thank you for all those answers. I think I only  
24 asked one question, but thank you.

25 Commissioner Lane.

1                   COMMISSIONER LANE: Thank you, and I want to  
2 thank all of you for being here today.

3                   Several of you in your briefs and in your  
4 statements today indicated that the data for the rest  
5 of 2011 or to the extent that you have more current  
6 data than January to June of 2011 show that prices are  
7 dropping, your sales are dropping, imports are coming  
8 in. Is it possible on post-hearing that each one of  
9 you would provide an exhibit to show what those  
10 figures are that would include your sales, your  
11 capacity utilization, and your net operating income,  
12 and that would be just from June to whatever current  
13 data that you have?

14                   Is that something, Mr. Schagrín, that do you  
15 think --

16                   MR. SCHAGRIN: We will do our best.  
17 Unfortunately, for a hearing in October for the public  
18 companies, it is the month when the accountants have  
19 to do all their Sarbanes-Oxley work, so whenever I  
20 send them something and say we need something for the  
21 Commission, they say, I've got to sign my life away  
22 for Sarbanes-Oxley, but we will do our best.

23                   And I think one other key item that we'll  
24 provide you because plate is a product like most steel  
25 products is sold on like a four to eight-week delivery

1 schedule or lag. So, there is always going to be a  
2 lag from one quarter to the next between the prices,  
3 if prices are reported in the American metal market as  
4 hypothetically being down \$125 a ton since the end of  
5 June to today, that doesn't mean that what is shipped  
6 today is at that price. They are talking about the  
7 prices at which a buyer and seller negotiating a  
8 price, and so because of that the date often lags.

9           So, I think we can also provide you with  
10 information on certainly current transaction prices,  
11 confidentially for antitrust reason for individual  
12 companies, compared to what transaction prices had  
13 been prior, and I think obviously these distributors  
14 are well aware because they buy plate all the time  
15 about the difference in transaction prices being  
16 negotiated today versus what may be being delivered at  
17 their service centers today which they may have  
18 ordered at a higher transaction price eight weeks ago.

19           So we will put together all the information  
20 you requested and try to give you some additional  
21 information as well, and we'll just do our best.

22           COMMISSIONER LANE: Okay, that's all I can  
23 ask, you do your best and use what information that  
24 you have readily available.

25           Dr. Morici, the television star that I see

1 every morning on MSNBC, let me ask you a question.

2 In the Wall Street Journal today there was a  
3 big article about the decline in steel prices. If you  
4 have read that could you give me an indication as to  
5 how you think that information will have an effect  
6 upon this case?

7 MR. MORICI: Well, I think it stands to  
8 reenforce the case that is being made by my colleagues  
9 in front of me. The economy is slowing. Investments  
10 in things that have a long life, like buildings and  
11 ships and Caterpillar tractors and what have you,  
12 greatly fall when the economy is only growing at 2  
13 percent a year, which is what we are forecasting. And  
14 if you believe the risks to the downside, then even  
15 more so.

16 In an environment like that with all the  
17 efforts that steel companies have made to develop  
18 themselves and improve themselves as lots of capacity  
19 and they have also made lots of efforts to develop  
20 sources of commodities that they use to make steel, so  
21 these falling prices are a leading indicator of what  
22 everyone is anticipating, and that is, if the economy  
23 crawls along at 2 percent a year, maybe people will  
24 continue to go to restaurants, but I doubt that they  
25 are going to be buying Caterpillar tractors or big

1 ocean-going ships, or the other kinds of things that  
2 various kinds of steel. This was a general article  
3 about steel generally. They are going to be buying a  
4 lot of steel, which means the market is going to be  
5 very weak, and when you consider where steel has had  
6 its most rapid expansion over the last decade or two,  
7 that has been in Asia. That market is going to  
8 shrink, and I know where that steel is coming in light  
9 of that. It is coming here.

10 COMMISSIONER LANE: Okay, thank you, and one  
11 more question that is probably an unfair question but  
12 that has never stopped me before.

13 Are you one of these economists who are  
14 predicting a double dip recession?

15 MR. MORICI: I am one of these economists  
16 that subscribes to the Ben Bernanke school, that  
17 economists are terrible at predicting down turns.

18 I would just say to you that I submit my  
19 forecasts of the economy to Reuters and Bloomberg and  
20 others, and I have been of a mind that we are facing  
21 significantly slow growth going forward for quite  
22 awhile, so you know, is there a risk? The risk is  
23 real and substantial. Will it definitely happen? I  
24 can't tell you that, and neither can he, and no one  
25 else.

1           You know, there is always somebody who we'll  
2 look to and say he predicted this catastrophe. For  
3 every month there is someone predicting a catastrophe,  
4 so someone has to get the appointment of having been  
5 correct, but the risks are real and substantial, and  
6 the best I can forecast for this economy is very slow  
7 growth which means likely a recession for this  
8 industry.

9           COMMISSIONER LANE: Okay, thank you.

10          MR. MOSKALUK: Commissioner Lane, I just --

11          COMMISSIONER LANE: Yes, go right had.

12          MR. MOSKALUK: Jeff Moskaluk. I would just  
13 like to add that one of the things that is fundamental  
14 for plate, and I mentioned earlier, is the demand for  
15 capital investment that drives the need for plate.  
16 And so one of the things that is clear is that if the  
17 economic times companies based in Europe, Asia, here  
18 in the States, I think the approach is very similar  
19 for all of them, and that is that there is an extreme  
20 concern on conserving cash, producing working capital,  
21 taking capital projects and spreading them over long  
22 periods of time or deferring them until you are more  
23 sure of the return on your business, and so some of  
24 the price decline in plate is the demand will shrink  
25 certainly over the next period as the economic

1 conditions play themselves out.

2 So, I think plate in particular, that is one  
3 of the things we can look to; that if GDP was  
4 forecasted at 3.5 percent, and then it's been revised  
5 to 2 percent, and if I'm a company, you know, whether  
6 I am mining commodities or I'm building wind towers  
7 or, you know, pick the application that requires  
8 plate, I take a look at that type of information and I  
9 decide this is not a prudent time for me to go forward  
10 with large capital investment. It means it's not a  
11 time for me to be buying plate.

12 MR. BLUME: Commissioner Lane.

13 COMMISSIONER LANE: Yes, go right ahead, Mr.  
14 Blume.

15 MR. BLUME: Thank you. One of the markets  
16 that has not been mentioned this morning, we have  
17 heard a lot about shipbuilding, et cetera, but one of  
18 the key consuming markets for a lot of steel products,  
19 but also plate is construction, and I can tell you  
20 most of us in this room, if not all of us, understand  
21 what's going on in the construction industry, and  
22 Nucor, while we are a fairly large steel producer, we  
23 are also very much involved in the construction  
24 industry through metal buildings, through some of the  
25 other products that we make, decking and metal joists.

1           So, we understand the construction market,  
2           and as we look forward -- again I mentioned earlier  
3           it's difficult to make some of these forward forecasts  
4           about demand, but one thing that is very clear is that  
5           non-residential construction and construction in  
6           general, while there was some expectation that we  
7           would be seeing some relief, some improvement  
8           potentially next year, when we talk to our executives  
9           in those business groups they tell us that don't count  
10          on it. In fact, that forecast rebound looks like it's  
11          going to be pushed out much later, you know, mid into  
12          the decades, so it is a key consuming industry, so  
13          let's not forget about what's going on there, and  
14          again primarily speaks to the vulnerability of the  
15          industry and the fact of the matter is these  
16          countries, they are going to continue to produce. They  
17          are going to bring the steel here if these orders are  
18          revoked. Thank you.

19                 COMMISSIONER LANE: Okay, thank you.

20                 Mr. Schagrín or Mr. Price or Mr. Rosenthal,  
21                 could you reconcile for me or at least tell me the  
22                 effect of -- I heard several of you talk about that  
23                 the five countries have excess capacity and they are  
24                 increasing their capacity, at the same time we are  
25                 hearing that the demand in this country is flattening,

1 stalling or going down. Now, tell me why are the  
2 subject countries increasing their capacity and what  
3 do you think will be the eventual effect will be?

4 Oh, Mr. Rosenthal, since you haven't talked  
5 very much today.

6 MR. ROSENTHAL: That is bring joy to  
7 thousands, I am sure.

8 I will be very brief about it but, like we  
9 have said before, the capacity and investments in this  
10 kind of business are long term, and I am certain that  
11 the subject country manufacturers, just like the  
12 companies around the table today plan these  
13 investments a long time ago in anticipation of  
14 continued robust growth. As we heard today, the  
15 shipbuilding market had been doing very, very well for  
16 a long time, and now it has declined dramatically, I  
17 am sure in an unanticipated way when a lot of these  
18 investments in Asia were planned.

19 These investments of additional capacity,  
20 which are enormous, totally dwarf what is needed in  
21 the reasonably foreseeable future, were done when the  
22 thought that China was going to continue growing  
23 before Europe started to have its problems, before we  
24 seem to be going back into a potential double dip  
25 recession. So, I think their investments were planned

1 so long ago with a rosy attitude and outlook, and now  
2 they are coming on-steam and have been for awhile, and  
3 they are facing a rather bleak demand outlook that  
4 they couldn't anticipate.

5 COMMISSIONER LANE: Okay, thank you. And if  
6 someone else has an answer, I'll come back to you my  
7 next round so I will write it down so I don't forget.  
8 Thank you.

9 VICE CHAIRMAN WILLIAMSON: Thank you.  
10 Commissioner Pearson.

11 COMMISSIONER PEARSON: Thank you, Mr.  
12 Chairman. Welcome to all panelists. It is always  
13 pleasant to see so many familiar faces again. Good to  
14 have you hear.

15 I wasn't on the Commission in 2000 when this  
16 order was put into place, but it seems to me the  
17 economic conditions that prevailed at that time made  
18 it eminently sensible thing to do. We had the Asian  
19 financial crisis, so a lot of supply looking for a  
20 home at whatever price. We had strong demand in the  
21 United States, a lot of product came in here.

22 Given the very different economic conditions  
23 today with strong growth in Asia and relatively weak  
24 demand in the United States, why would we expect to  
25 see any surge of subject imports if we revoke these

1 orders?

2 MR. MOSKALUK: Commissioner Pearson, Jeff  
3 Moskaluk.

4 I think that your indication that conditions  
5 have changed would be true, but the conditions have  
6 changed in rotation, not in the fundamentals. There  
7 is still an economic crisis going on in world  
8 marketplaces, like there was previously as you  
9 mentioned with an Asian crisis at that time. Now we  
10 have the Euro Zone which seems to have serious,  
11 serious concerns about a recession. We do have  
12 indications that the Asia markets are contracting,  
13 particularly for steel plate, construction,  
14 shipbuilding, and the fact that the Chinese economy is  
15 looking to restrain its growth. While it may be  
16 growing, it's going to be growing at a lower rate  
17 which for those people who are supplying plate into  
18 that market will feel like it's shrinking even though  
19 it's still in growth.

20 And then here in the United States, as we  
21 stated, because it's capital investment-driven, and  
22 because people are less sure of the transparency and  
23 clarity going forward, at least for some foreseeable  
24 future, there is going to be some slowdown in  
25 investment and growth in the types of products that

1 require plate.

2 So, I think while you characterized it as  
3 being different, that's true, but it's different in  
4 rotation, not in some of the fundamentals that would  
5 be the drivers at this time.

6 COMMISSIONER PEARSON: Mr. Blume.

7 MR. BLUME: Yes. Commissioner Pearson,  
8 thank you.

9 One thing that I think is clearly the same  
10 is the excess supply that we face, particularly in  
11 Asia. You look, and it's in our reports and our  
12 briefs, that there has been a massive capacity build  
13 in Asia and also in Europe that far outstrips what the  
14 demand is there. And we come back to the fundamental  
15 question. Will that plate come to the U.S.? And our  
16 belief is it will because of the attractiveness of our  
17 pricing, the openness of our market. It's going to go  
18 somewhere.

19 And so while it -- you know, as Jeff talked  
20 about there may be some rotation, there may be some  
21 differences in demand, but the basics, the basics of  
22 the case point to the fact that we need to keep the  
23 orders on because the steel will come here and they  
24 will come from all of these countries, and we'll get a  
25 hammering effect a time in our economy where we are

1 very, very vulnerable.

2 COMMISSIONER PEARSON: But if we have some  
3 increase in imports how long can there continue to be  
4 a premium pricing structure in the United States?

5 Certainly there would be some equilibration  
6 between prices in the United States and worldwide, and  
7 thus further imports would be discouraged. The market  
8 doesn't work in steel --

9 MR. SCHAGRIN: No, let's look at the  
10 counter-factual, Commissioner Pearson, because that  
11 was the exact same argument that was made when you  
12 weren't on the Commission in 2000 when Japanese were  
13 selling steel, hot-rolled steel in the United States  
14 for \$225 a ton, and our prices were just as low in the  
15 United States as they were everywhere in the world.  
16 They didn't stop selling them until we imposed orders  
17 because they wanted to operate their blast furnaces.  
18 There wasn't demand in Asia.

19 And so I would say, you know, in an industry  
20 in the United States where people go into bankruptcy  
21 and if you are not an auto company the government  
22 doesn't bail you out. I saw what happened to the  
23 steel industry in the United States. Plant after  
24 plant after plant shut down permanently. Some got  
25 reorganized. But we had an unbelievable

1 transformational process which killed tens of  
2 thousands of steelworker families' lives forever.

3 So, the idea that when prices fall in the  
4 United States that companies in Asia will stop  
5 shipping to the United States, I say it's absolute  
6 folly.

7 The other point I would make is that I  
8 believe Tom Friedman hadn't written his book The World  
9 is Flat yet in 2000, but there is no doubt that the  
10 world, particularly in terms of financial asset, has  
11 gotten much smaller in the last decade. So when the  
12 U.S. had its financial crisis, even though it was  
13 about U.S. homebuilding, did it have an effect in  
14 Europe on their economy? Did it have an effect in  
15 Asia? Yes. China was only saved because they were  
16 able to spend something like \$2 trillion in stimulus  
17 funds.

18 So, the idea that the European financial  
19 crisis, and you heard that Europe is the largest  
20 single market in the world, they are having an  
21 unbelievable crisis now, maybe worse than our crisis  
22 in 2008. The idea that that won't affect Asia or  
23 American, but will only affect Europe, it's not the  
24 way the world works anymore.

25 And I would say if you want to talk about a

1 forward-looking market, and we know the stock market  
2 is crazy, it's amazing how much it changes. But the  
3 one thing that hasn't changed very much is the prices  
4 of steel company stocks around the world, U.S.  
5 European, Asian have been plummeting for about the  
6 last six-nine months showing no signs of recovery. So  
7 the people who put their money where their mouth is,  
8 who invest in steel companies, they are saying this is  
9 not an industry that is worth anywhere near what it  
10 was six or nine months ago. Most of that I think is  
11 related to the European financial crisis because if  
12 one big part of the world is going to go down the  
13 tubes, it's going to affect a commodity product like  
14 steel worldwide because we have an interconnected  
15 world.

16 So, I would say all we do is we keep  
17 switching the chess pieces on the chess board. Yes,  
18 in 2000, it was Asian, in 2008, it was the United  
19 States, in 2011 and '12, it's Europe. It's all bad  
20 news. I don't relish bad news, but you've got to work  
21 with the reality of international bad news. So the  
22 world is not a wonderful place right now.

23 MR. SIEGAL: Mr. Commissioner, Mike Siegal  
24 if I might.

25 COMMISSIONER PEARSON: Yes.

1           MR. SIEGAL: There is no question that  
2           regardless of the market dumping in all markets is  
3           still dumping, and we have a currency still in the  
4           United States that monetizes a lot of commodities that  
5           do get dumped around the world. Steel is a  
6           monetization issue for a lot of countries that don't  
7           have currencies that are valuable on ultimate trade.  
8           So I would argue with you saying letting the price of  
9           steel fall to the lowest common denominator on  
10          unfairly traded product because people have a need for  
11          monetization issues, which is what occurs with steel  
12          when it gets traded on a global basis, I would argue  
13          that, yes, it would fall and it would fall immediately  
14          to very low prices below cost structures.

15          MR. PRICE: Alan Price, Wiley Rein.

16          Material injury has both volume effects and  
17          price effects, and I would submit to you that if  
18          lifting these orders result in price suppression and  
19          price depression, that in itself counts as material  
20          injury and is adequate under the statute and a reason  
21          to keep these orders in place.

22          COMMISSIONER PEARSON: Okay. Well, I thank  
23          you for those responses.

24          You have been saying the demand currently in  
25          the U.S. market is slack. If that's the case, why the

1 increase in imports in recent months that you have  
2 been talking about?

3 MR. MOSKALUK: Jeff Moskaluk again.

4 To a large degree because it was an  
5 attractive market, one, because it's open, and two,  
6 because the prices were favorable to other places that  
7 these producers could have exported. So as an option  
8 this was a place to fly to even if demand was less.  
9 So come into the market at a lower price than the  
10 current market price was still more favorable than  
11 other options. That's why it came here.

12 COMMISSIONER PEARSON: Okay. And the  
13 imports that have been coming here recently, are they  
14 primarily subject imports or non-subject imports?

15 MR. SCHAGRIN: This is Roger Schagrin.

16 They are non-subject, and I would point out  
17 that if you were to take the Asian countries'  
18 arguments at face value, that plate demand is booming  
19 in Asia and it's not so good in the United States, and  
20 why would anybody want to come here, then can someone  
21 please explain to me -- this is very simple economics,  
22 that is one thing I was able to get through at my  
23 undergraduate studies -- is why would we have an over  
24 50 percent increase in third quarter imports in the  
25 United States, even though it's from non-subject

1 countries because the orders are working so well  
2 against the subject countries, why would they be  
3 coming here instead of going to Asia?

4 And the answer is because even if demand is  
5 not wonderful in the United States, we are an  
6 attractive open market, and Asia is a little bit more  
7 of a fix. There is no doubt that there is a lot of  
8 trade within Asia, a lot of the trade within Asia is  
9 not who sells the lowest price product, it's who is in  
10 my country making plate and who has the capacity. So  
11 I would just say once again the counter-factual is  
12 pretty easy, and maybe Professor Morici wants to  
13 comment on this, why would they --

14 COMMISSIONER PEARSON: I'm running out of  
15 time

16 MR. SCHAGRIN: -- want to come to the United  
17 States if Asia was so wonderful?

18 COMMISSIONER PEARSON: Mr. Chairman, my time  
19 has expired so I think I will let it sit there. Thank  
20 you.

21 VICE CHAIRMAN WILLIAMSON: Okay, thank you.  
22 Commissioner Aranoff.

23 COMMISSIONER ARANOFF: Thank you, Mr.  
24 Chairman.

25 In the current Respondent's DSM's brief they

1 argue that there has been sort of alternate trend  
2 situation where there haven't been imports from POSCO,  
3 which is non-subject, but there have been growing  
4 imports from DSM itself, even while subject to the  
5 order, and they ask the Commission to sort of take  
6 that as the basis, and you can flip that over and  
7 conclude that therefore the order really isn't what is  
8 driving the export-import trends, and if you revoke  
9 the order, it wouldn't make any difference.

10 Does anyone want to respond to that?

11 MR. PRICE: Alan Price, Wiley Rein.

12 First of all, to do an historical analysis  
13 of POSCO's capacity is a little difficult because  
14 POSCO put on a lot of capacity very recently in the  
15 plate market. Actually 2010 is when most of it, a  
16 large chunk of it came on. That fundamentally started  
17 to change the capacity picture and the export picture  
18 out of Korea for this project, also non-subject coil  
19 plate product. They were starting to see a whole  
20 fundamental shift. That is number one.

21 Number two, we obviously can't talk about  
22 the proprietary data in this meeting, but based upon  
23 market reports my clients have provided me we have  
24 seen an up-tick in POSCO's shipments recently, okay.  
25 and a lot of that, again, post June, July, August

1 going on. That is number two. Again, markets are  
2 such that they have expanded capacity. There is not  
3 enough demand in Korea, so that's the second factor.

4 Number three, dumping law doesn't prohibit  
5 you from shipping. It just requires you to ship at a  
6 fair price, okay. So there is no prohibition for DSM  
7 shipping. DSM ships into the United States logically  
8 when it's able to do so with minimum margins out  
9 there. It wants to ship to the United States, but  
10 obviously given the constraints of the dumping margin  
11 there are many times when it can't, and that's what  
12 the record shows, that the order is having a very  
13 significant disciplining effect.

14 Now, U.S. prices got higher than the world  
15 market. Maybe they came in with some more product  
16 this year. Maybe they didn't, okay. But that shows  
17 you their intention if you lifted this order. Thank  
18 you.

19 COMMISSIONER ARANOFF: Let me ask some of  
20 the company witnesses to walk me through the answer to  
21 this question which is, one of you testified in your  
22 direct testimony, and I have certainly heard this  
23 before, that low priced imports that would come into  
24 the market would affect U.S. prices across the board,  
25 even for higher end, more specialty products.

1                   Can you walk me through the mechanism  
2 whereby that happens and what evidence on the record I  
3 can look at to see that kind of effect?

4                   MR. BLUME: Commissioner Aranoff, Rick  
5 Blume.

6                   Certainly one of the things that we have  
7 clarified is that the plate product itself is very  
8 fungible, that in fact there is not this strata of  
9 different high quality and low quality. There are  
10 different grades but the reality is is that our mills,  
11 our competitors' mills, domestic competitors can  
12 produce most, if not all, of the products that would  
13 be coming in on an import basis.

14                   So, ultimately what happens in the  
15 marketplace is that we start to -- we begin to see  
16 offers and we are presented those offers by our  
17 customers, in many cases distribution customers who  
18 say to us we really don't want to make these kind of  
19 purchases but the reality is I must make these kind of  
20 purchases to be competitive in the marketplace. These  
21 prices are too low for me to ignore.

22                   So, it has an effect, a general effect into  
23 the market, and again contrary to the testimony of the  
24 other side that there is a strata, the reality is  
25 there is not, and in fact those price pressures affect

1 the entire general market.

2 MR. MOSKALUK: One of the common behaviors  
3 for the plate market is that it is a based-price plus  
4 extra type of product, and so the base price or the  
5 lowest commodity good establishes the threshold price,  
6 and then there are adders and extras, not needing to  
7 be specific on what they are, but there are adders and  
8 extras for grades and thicknesses and other things.

9 So, essentially the bulk of the material is  
10 traded in this threshold bulk commodity product.  
11 That's the threshold price under which you can add  
12 extras for grades, sizes, other things. Most of the  
13 common items, by the way, where you would add in extra  
14 for a grade or size they can be made by virtually  
15 everybody here represented, plus most, if not all, of  
16 the companies that would import. And so other than  
17 some very extreme cases that I could probably think  
18 about if I took enough time to find some grades or  
19 items that would not follow that pattern, the great  
20 majority of the market follows this type of pattern  
21 where it's a price plus extra, so, very much is  
22 dependent upon where the base price ends up.

23 MR. BIEGALSKI: Yes, Commissioner, I would  
24 echo that sentiment exactly, and I think I talked  
25 about the commoditization in here, and that's what

1 happens. A base commodity grade product tends to  
2 spillover into our entire product line. The extras  
3 and the adders may not change but certainly the base  
4 price for those grades of steel affects almost  
5 everything that we produce.

6 COMMISSIONER ARANOFF: Okay. And just to  
7 clarify. When you're talking about extras and add-  
8 ons, that's not the same thing as surcharges for raw  
9 material costs or for steel import costs?

10 MR. MOSKALUK: No, these would be for  
11 differentiation for an alloy grade or a higher  
12 strength grade. This is not a surcharge, no.

13 MR. BIEGALSKI: Yes, different qualities of  
14 steel, chemistries, et cetera.

15 COMMISSIONER ARANOFF: Okay. I appreciate  
16 those answers. That's helpful.

17 Let me ask another question that is probably  
18 going to get me in trouble. So, in order for imports  
19 of subject product to increase and to be significant  
20 if the orders were revoked, there not only has to be  
21 supply, and I think there is a fair amount of evidence  
22 on the record about the amount of supply that's out  
23 there, but there has to be someone to buy the product  
24 here in the U.S. And one of the things we saw in the  
25 recent recession was that nobody was buying steel for

1 any purpose. They were using up what inventories they  
2 had for as long as they possibly could, and not only  
3 were domestic producers shipments down but imports  
4 were down.

5 And so my question is, you know, if you  
6 gentleman are unfortunately right and the market is  
7 not going to look good for the reasonably foreseeable  
8 future, where is the demand going to come from that's  
9 going to pull the obviously available imports into the  
10 market?

11 MR. SCHAGRIN: May I suggest that the  
12 distributors --

13 MR. BRECKHEIMER: I was --

14 MR. SCHAGRIN: -- because these are the real  
15 buyers of steel so they would tell you.

16 MR. BRECKHEIMER: Thank you. Thanks, Rog,  
17 appreciate it. Mark Breckheimer for the distributors.

18 First of all, simply explained, in an  
19 entirely fungible marketplace low price is the  
20 dominating factor. So if my competitor puts a bullet  
21 in his gun, I have to put the same bullet in my gun,  
22 long and short of it. My interest in low price  
23 imports is entirely related to my economic activity  
24 and my economic alternatives. That is to say the risk  
25 premium that I have to demand from an imported product

1 is a function of what my other options are.

2 If I am highly profitable, I'm not  
3 particularly interested in taking the risks that are  
4 incumbent upon buying foreign steel -- long lead  
5 times, and volatile market conditions. Therefore, I'm  
6 going to demand a big risk premium or a bid discount.  
7 However, if my economic alternatives are not robust,  
8 as they are right now, that incremental discount that  
9 I would demand from a foreign supplier shrinks. This  
10 cases our domestic suppliers to have to meet them.

11 So, the other thing that concerns us about  
12 this is we need a robust domestic supply to manage our  
13 business carefully, but that's the answer.

14 As times are difficult in this marketplace,  
15 we are going to need imported steel if imported steel  
16 is allowed to come, which will cause the domestic  
17 producers price realization to drop, causing their  
18 profits to erode.

19 COMMISSIONER ARANOFF: I don't want to put  
20 words in your mouth, but are you telling me that, in  
21 fact, more so if demand is quite low you're going to  
22 buy low priced imports, but who are you selling them  
23 to? Who is going to buy them?

24 MR. BRECKHEIMER: Our customers. You know,  
25 in a down-trending economic spiral cost pressures

1 develop across the supply chain. My customers want to  
2 buy steel more cheaply because they feel compelled to  
3 reduce the price of their equipment so that they can  
4 sell more. If low priced imports are available, or my  
5 competitor has it, I'm going to have to buy it so I  
6 can meet the competitive situation at my customer's  
7 operation.

8 MR. SIEGAL: Yes, if I can -- just as a  
9 competitor let me just comment on that. This is not a  
10 friendly industry, and in that regards there is no  
11 question when I have a relationship -- although we are  
12 friends. In that regards there is no question that my  
13 customer is always looking for a better price, not  
14 always a better value, and in that regard when the  
15 market is dropping he is going to shop my price  
16 regardless of the relationship and the performance  
17 criteria that I've had with him.

18 So, in that universe where Mr. Breckheimer  
19 has the opportunity to get that quotation from my  
20 customer he is going to come in with the lowest  
21 possible price to induce that customer to leave my  
22 relationship, and vice-versa.

23 COMMISSIONER ARANOFF: Okay. My time is up  
24 but I do appreciate those answers very much. Thank  
25 you, Mr. Chairman.

1                   VICE CHAIRMAN WILLIAMSON: Commissioner  
2 Pinkert.

3                   COMMISSIONER PINKERT: Thank you, Mr. Vice  
4 Chairman.

5                   Staying with the distributors for a moment,  
6 do you agree with the Japanese Respondents that Japan  
7 prices its exports differently than either Italy or  
8 Korea?

9                   MR. SIEGAL: I would have no knowledge of  
10 that.

11                  MR. BALLOU: Likewise. This is Tom Ballou.  
12 I don't know what goes into their pricing philosophy,  
13 if you will. We, frankly, just deal with the day-to-  
14 day what's available in the market and how different  
15 countries arrive at that strategy or that pricing  
16 strategy, I'm not aware of that.

17                  COMMISSIONER PINKERT: Let me clarify the  
18 question. I'm not asking the question of whether the  
19 technique by which they arrive at their prices is  
20 different. I am asking the question of whether  
21 Japanese prices generally are higher in the  
22 marketplace than the prices for either Italy or Korea.  
23 You can pick whichever comparator you want and just  
24 compare what you see in the marketplace from Japan  
25 with those other countries.

1 MR. SIEGAL: The market --

2 MR. BRECKHEIMER: I'm not able to support  
3 that the Japanese prices are any different than the  
4 domestic suppliers.

5 MR. SIEGAL: Yes, the market is the market,  
6 and the market forces will dictate the price that  
7 somebody buys and sells for. So when we see our  
8 opportunities from any country, it is what is the  
9 current price right now regardless of who the producer  
10 is.

11 MR. BALLOU: Mr. Commissioner, I think to  
12 answer your question personally we don't have  
13 experience with the Japanese to say that they price  
14 their product imported into this country differently  
15 than these subject countries or even non-subject  
16 countries. I don't have any experience in that area.

17 COMMISSIONER PINKERT: For the post-hearing  
18 I would ask the attorneys and consultants with this  
19 panel to take a look at those claims and tell me  
20 whether there is product mix issue that's affecting  
21 those claims or whether there is some other point that  
22 you wish to emphasize in response.

23 MR. SIEGAL: May I make one other comment to  
24 that response now?

25 COMMISSIONER PINKERT: Sure.

1           MR. SIEGAL: You know, if you are  
2           restricting from a philosophical perspective that all  
3           you want to do is export, you know, 50,000 ton or  
4           100,000 ton into the United States and you are  
5           limiting yourself based upon a volume, you will want  
6           to sell the highest priced valued product into that  
7           market.

8           But when the world collapses and the  
9           opportunity to sell everything is there, when it's  
10          exactly the same, all right. But when I'm putting  
11          myself limits on the amount of steel I want to bring  
12          to the United States, then I'm going to sell the  
13          higher priced quality steels, not the commodity.

14          MR. ROSENTHAL: Commissioner Pinkert, just  
15          to clarify again to pick up on that last comment. I  
16          think you're talking about their claims of how they  
17          behaved recently under order, and I think what you  
18          have been hearing is that we expect, however, the  
19          Japanese and the other Respondents under order have  
20          behaved, we don't think it will be the same if there  
21          is no order, and certainly with the expectation of  
22          where capacity is and demand it.

23          So if you don't mind that we will have a  
24          more expansive response to your question rather than  
25          simply limiting it to what have we seen in Japanese

1 pricing recently under order.

2 COMMISSIONER PINKERT: I would just clarify  
3 that if you can first explain what it is that might  
4 account for any discrepancy in pricing, and then go on  
5 to make whatever points you're talking about, that  
6 would be very helpful.

7 MR. ROSENTHAL: To the extent that the  
8 premise is accurate, we will address that first, but  
9 I'm not so sure it is.

10 COMMISSIONER PINKERT: Thank you.

11 Mr. Price, did you --

12 MR. PRICE: Will be happy to address it in  
13 the post-hearing brief.

14 COMMISSIONER PINKERT: Thank you very much.

15 Now, turning to Italy, I know that you are  
16 all aware of some of the arguments, or at least many  
17 of you are aware of the arguments being made by the  
18 Italian producer that's represented here, and I am  
19 wondering with respect to perhaps another Italian  
20 producer that is not represented here today, does it  
21 matter whether that producer is subject to both  
22 antidumping and countervailing duties or is it  
23 sufficient for purposes of considering what would  
24 happen in a revocation scenario that they are covered  
25 only by countervailing duties?

1 MR. PRICE: Alan Price, Wiley Rein.

2 We believe that, or excuse me, for Nucor we  
3 believe that the fact that they are -- if a company is  
4 subject to countervailing duties, it still disciplines  
5 their behavior. Obviously, they are aware of what  
6 their subsidy levels are which can constantly vary and  
7 that affects their willingness to compete in the U.S.  
8 market.

9 We believe that there are also many --  
10 several different Italian suppliers, too, and there is  
11 a variety of Italian capacity here that's involved, so  
12 that is one company, but there are other companies  
13 also. Obviously lifting the order is going to affect  
14 the flow of imports both dumped and subsidized  
15 imports, and we believe that they should be cumulated  
16 and treated equally. There will be a hammering effect  
17 no matter what.

18 MR. SCHAGRIN: And Commissioner Pinkert,  
19 this is Roger Schagrin.

20 We will put more on this in our post-hearing  
21 brief, but I think it's important to recognize that  
22 the largest portion of Italian plate capacity now is  
23 in the hands of actually Ukrainian-based holding  
24 company called Medenest, which I don't believe is  
25 participating here today. We will give you

1 information in the post-hearing brief that shows that  
2 when the same Ukrainian holding company took over  
3 mills in the Ukraine, which were subject to a market  
4 economy suspension agreement on cut-to-length plate,  
5 that these mills that had previously not even gone  
6 through the process of obtaining normal values for the  
7 Department of Commerce, so they were banned from  
8 exporting.

9 But when Medenest gained control, they  
10 retained counsel and went through the process, which  
11 is their right under that particular suspension  
12 agreement, so that they could get normal values and  
13 begin exporting again and increase their exports to  
14 the United States.

15 So, with the Italian company and of course  
16 they would be subject to all other Italian rates as to  
17 both dumping and subsidy, there is no doubt that that  
18 company has its sites set and is already actively  
19 marketing and selling products in the United States,  
20 and I think that's an issue that the Commission can  
21 give significant weight to in terms of judging what  
22 would happen with the Italian industry if the order  
23 were to be revoked.

24 MR. PRICE: Alan Price, Wiley Rein.

25 I also want to add that obviously there is

1 protective order information we can't go into details,  
2 but the one Italian producer participating in this  
3 case represents a very insignificant portion of  
4 Italian capacity, and therefore this is a very  
5 different situation than the Commission has dealt with  
6 perhaps in the past where you have one company that  
7 comes in and says, I am here, but they are a very  
8 large portion of the capacity. In this case, there is  
9 virtually none of that capacity is represented. They  
10 have elected not to participate in this hearing, and  
11 you know, we think adverse inferences are appropriate  
12 or inferences as applied by Mr. Schagrin and others.  
13 Thank you.

14 COMMISSIONER PINKERT: Now, turning to the  
15 impact of non-subject imports in the United States, I  
16 have a couple of questions and I think I am only going  
17 to get to one of them this round. But is there a  
18 relationship between the volumes of the non-subject  
19 imports and the subject imports?

20 In other words, is it the kind of thing  
21 where we would expect when one goes down the other one  
22 goes up and vice-versa, or are they largely  
23 independent of one another so that in the event of  
24 revocation one would not expect there to be an impact  
25 on the non-subject imports?

1           MR. MOSKALUK: I certainly believe that  
2 there is no decision made by the nonsubject countries  
3 to import because of something going on with the  
4 subject countries. Their decision to import in the  
5 United States is independent of the other activity.  
6 That would be my comment.

7           MR. BRECKHEIMER: Yeah. It's Mark  
8 Breckheimer. I would agree with that. Subject and  
9 nonsubject importing countries or companies are going  
10 to tend to behave independently. When they appear to  
11 behave in concert, it's typically driven by a  
12 strengthening in the U.S. dollar regarding this  
13 marketplace.

14           COMMISSIONER PINKERT: Thank you. Mr.  
15 Blume?

16           MR. BLUME: Yes. Just a final comment  
17 regarding the attractiveness. Again, we talk about  
18 this market. These decisions are made, in my view,  
19 independent, but as a result of excess capacity, as a  
20 result of having to move that excess capacity, and  
21 frankly, as a result of targeting an open market in  
22 which they can move that. If as a producer my  
23 decision, as we see in the Japanese case, philosophy  
24 to run 100 percent full runner blast furnaces wide  
25 open, we're going to find those markets really

1 independent of what's going on in procedural matters.

2 COMMISSIONER PINKERT: Thank you.

3 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

4 Mr. Trinidad, are any of the collective bargaining  
5 agreements between the USW and significant plate  
6 producers set to be renegotiated in the next year or  
7 two?

8 MR. MAGRATH: Yes. Our current basic labor  
9 agreement expires September 1, 2012, so next summer  
10 we'll be bargaining.

11 COMMISSIONER WILLIAMSON: Okay. Can you say  
12 what are likely be the key issues in those  
13 negotiations?

14 MR. MAGRATH: Well, I would imagine the key  
15 issues will probably be healthcare and some of the  
16 working conditions in the plant and security for our  
17 workers. Currently, we haven't entered into  
18 negotiations, we haven't had any sound offs or  
19 anything like that, so that could change, but  
20 healthcare seems to be a big deal. Of course, the  
21 healthier the company is doing, the more business they  
22 have, the better off we'll be when it comes to  
23 bargaining.

24 COMMISSIONER WILLIAMSON: Okay. Thank you.

25 You may not know this, but I just wondering, are those

1 the kind of issues you think you're, some employees in  
2 some of the exporting countries or subject countries  
3 are, the unions would be negotiating over, too?

4 MALE VOICE: I don't know -- of the five  
5 countries that are part of this case today, we do have  
6 some partnerships with some of the IMF, the European  
7 Unions, and some of their issues are the same but not  
8 to the same level.

9 COMMISSIONER WILLIAMSON: Okay. Thank you  
10 for the answer. Let's see. Just to go back to this  
11 shipping issue again and the nature of the  
12 disagreement. I think the Japanese producers have  
13 talked about their rise in shipping costs, and I think  
14 the Petitioners have noted that that's for like the  
15 small shipments, but if you take the basic commodity,  
16 you know, volume shipments, the shipping costs have  
17 not changed that much. Is that correct?

18 MR. MOSKALUK: SSAB, we're an international  
19 company. We have producing facilities in Europe, in  
20 the Americas, and we have a processing facility in  
21 Asia, and including facilities that we have in South  
22 America. We ship product around the world. The  
23 evidence we have is that our shipping rates have been  
24 steadily decreasing over the recent period.

25 COMMISSIONER WILLIAMSON: Okay. Mr. Price?

1           MR. PRICE: Yes. The record evidence shows  
2 that obviously when you have small scale shipments,  
3 you pay much higher freight. That's pretty typical in  
4 the steel industry and for most products. When you  
5 ship charters, when you charter an entire boat, it is  
6 very inexpensive. You know, the dry bulk index  
7 indicates what the price is. Prices are extremely  
8 low, at essentially record low levels. You can see  
9 that right now with the Japanese data for their  
10 shipments of slabs. They have sent very high volumes  
11 of slabs and increasing volumes of slabs to the United  
12 States this year, and they have incredibly low  
13 shipping rates. Slab and plate have the exact same  
14 shipping costs. They ship in the exact same manners  
15 for essentially standard of commodity type products,  
16 and so there should be no difference in cost between  
17 those two.

18           COMMISSIONER WILLIAMSON: So you're saying  
19 that if the volumes of shipments of plate to the U.S.  
20 sort of were to go up, the rates would probably come  
21 down, the shipping rates?

22           MR. MOSKALUK: I believe it would fall,  
23 would crash dramatically. They would mirror what's  
24 going on on slab right now. You've just heard the  
25 testimony from SSAB, and we can give you quotes as to

1 what that is, but the best and most convincing  
2 evidence we could show you is actually what was in the  
3 actual data for high volume shipments of slabs from  
4 Japan to the United States. Their prices would crash  
5 to those levels.

6 COMMISSIONER WILLIAMSON: Okay. Thank you  
7 for that clarification.

8 MR. BIEGALSKI: Yeah. Commissioner, Jack  
9 Biegalski. I would just like to say as well, as a  
10 global company, ArcelorMittal, we've seen our shipping  
11 rates come down dramatically over the last year, so  
12 these guys are right on when they're talking about --

13 COMMISSIONER WILLIAMSON: Okay. And that's  
14 both for the shipments in say inter-Asia, as well as  
15 trans-Pacific? Okay. Thank you. Let's see. The  
16 Japanese Respondents point out that the AUVs of their  
17 exports to the United States, as well as their exports  
18 to all other markets were higher than the U.S.  
19 producer AUVs. They assert that this demonstrates  
20 that the Japanese producers' exports of CTL plate to  
21 markets outside of Asia have primarily involved  
22 specialty products that command higher prices than the  
23 commercial grade CTL plate sold in the U.S. market.  
24 Would you agree with this assertion?

25 MR. SCHAGRIN: Commissioner Williamson, or

1 Vice Chairman Williamson, Roger Schagrin. We'll  
2 address it further, as I believe Commissioner Pinkert  
3 asked us to do, in our posthearing brief, but I would  
4 point out that the dumping duties against most of the  
5 Japanese companies have remained at 60 percent since  
6 the initial investigation, haven't had administrative  
7 reviews. The staff report has a list of all the  
8 reviews and there have been reviews of Korea and their  
9 margins have gone up and down. They've been rather  
10 low. Of the Italian Palini, they've gone up or down.  
11 So, you know, while we'll have to look at this and  
12 look at the data under protective order, you know,  
13 just looking at general import data or general export  
14 data, it's possible that the Japanese are shipping  
15 plate products that are not subject to the order, such  
16 as, you know, certain alloy products and other  
17 products that were excluded from the scope. Of  
18 course, those products, plate products not subject to  
19 the order would sell for higher prices than the  
20 commodity subject products. We'll address this  
21 further in our posthearing brief.

22 COMMISSIONER WILLIAMSON: Okay. I may be  
23 over. Might be a little bit. I was also thinking  
24 about Japanese exports to the third-country markets.  
25 Mr. Price?

1                   MR. PRICE: Yeah. Commissioner Williamson,  
2 we'll address this more in the posthearing brief.  
3 AUVs hide a lot of sins, okay? If you look at CRU,  
4 you'll see there's a Japanese essentially export price  
5 which they sell a lot of volume at at a very low  
6 number, and that number's there for a reason, because  
7 it's the baseline which they sell a lot of product at.  
8 If you pull apart their export data you can isolate  
9 some countries which are only buying commodity  
10 product. Incredibly low prices, okay? Very, very low  
11 prices. Much lower than the U.S. We'll detail those  
12 in our post hearing brief. You know, there are some  
13 prices down at \$700 a ton in the first half of this  
14 year, and so, you know, where there's fairly  
15 significant volumes. That volume would logically  
16 shift to the United States given low shipping rates  
17 which would exist for volumes, reasonable commercial  
18 volumes, and the higher pricing that exists in the  
19 United States.

20                   COMMISSIONER WILLIAMSON: Mr. Schagrin?

21                   MR. SCHAGRIN: Vice Chairman Williamson, to  
22 the extent that the Japanese include any homework at  
23 shipments in their AUV analysis, let's not forget  
24 Japan is probably the most protected domestic market  
25 in the world. That's why they have 60 percent dumping

1 duties. You know, the Japanese are nationalistic.  
2 It's fine. That's just the way they are. They will  
3 buy Japanese product at higher prices. They have  
4 these Coretzu relationships. This is a matter of  
5 public knowledge. So U.S. producers, I mean ask these  
6 producers here, even though Japan has zero tariffs on  
7 steel, how much plate does the U.S. industry with an  
8 extra 25, 30 percent unused capacity export to Japan?  
9 I suspect the answer is zero, like many things that if  
10 the Japanese make them, they're going to buy Japanese  
11 product. They only buy from the United States the  
12 things they don't make in Japan.

13 COMMISSIONER WILLIAMSON: Okay. Thank you.  
14 In your posthearing, if you could address how  
15 significant is this, shall we call specialty market.  
16 It's in the trade. In their prehearing briefs on page  
17 39 to 42, the Japanese producers provided several  
18 charts to support their argument that the U.S.  
19 industry is much stronger in the 2006-2010 timeframe  
20 as compared to earlier periods. I was wondering if  
21 you want to comment on the results and analysis in  
22 these charts. I don't know if you may want to do it  
23 now or posthearing.

24 MR. SCHAGRIN: Commissioner Williamson, I'm  
25 familiar with it, I can turn to the pages, but I know

1 what they did and I think, you know, what they were  
2 essentially doing was taking the average profitability  
3 over the entire POI, and we know because this  
4 Commission sunset 11 orders against cut-to-length  
5 plate in 2008, we know how profitable this industry  
6 was from 2005-2008. Some of us did not appeal the  
7 Commission's negative determinations. I mean this  
8 industry in the first half of this POI was very, very  
9 profitable, but to just look at the average over the  
10 entire POI when the first half is so dramatically more  
11 profitable than the second half, I believe it's pretty  
12 well-established Commission precedent that you will  
13 put the most weight over a period of review in a  
14 sunset review on the most recent time periods. So I  
15 think their analysis kind of falls flat because it's  
16 based on the average over the whole six and a half  
17 years. If you look at the two and a half most recent  
18 years, this industry's not performing well. As you  
19 heard in the testimony today, the first half blip up,  
20 it's gone. That's already history.

21 COMMISSIONER WILLIAMSON: Good. Okay.  
22 Thank you. My time has expired. Commissioner Lane?

23 COMMISSIONER LANE: Thank you. Mr. Blume, I  
24 will go back to you. The question I had was with all  
25 of the over capacity or the expanded capacity in the

1 five countries and what we've seen for demand in this  
2 country, why are the five countries expanding their  
3 capacity, and what effect will that have upon your  
4 industry? I know you've answered part of that before,  
5 but it doesn't hurt to say it again.

6 MR. BLUME: Well, thank you. Rick Blume.  
7 As we had mentioned earlier, a lot of those investment  
8 decisions had been made prior to the financial  
9 collapse in 2008. Many cases, those are long lead  
10 time expansions, and so we saw a lot of that capacity  
11 moving forward. I think it was also mentioned that,  
12 you know, there was some expectation that some of  
13 these markets would continue to expand, and that's  
14 frankly just not happened. The demand has not  
15 arrived. The demand is not there. We're facing the  
16 reversal of those trends when we look at what's  
17 happening in Europe with the crisis there, China  
18 slowing down, in many cases because of the government  
19 action to in fact do so, the potential double dip  
20 recession that we're facing here. So, in fact, the  
21 real question is is that a forecasted demand has not  
22 materialized and we find ourselves looking at a very,  
23 very difficult situation. So the capacity is built  
24 and the production will occur. It will come here.  
25 This is an attractive market. These five subject

1 countries will bring their product here. It will have  
2 a devastating effect, as you heard earlier from Ms.  
3 Beavers, in terms of families, and paychecks and those  
4 kind of things. So it's very important that we keep  
5 these orders in place.

6 MR. MOSKALUK: Commissioner Lane, I'd  
7 just --

8 COMMISSIONER LANE: Yes. Go right ahead.

9 MR. MOSKALUK: Jeff Moskaluk. I'll give you  
10 an example that's real. In 2007, our company made a  
11 strategic decision that we were going to make a  
12 capital investment. Now, this is not a capacity  
13 increase, but was the investing in some downstream  
14 processing. So we make the decision in 2007 and we  
15 begin to invest capital and we start the project. We  
16 get to the second half of 2008, and clearly our board  
17 gave us direction that we should, where possible, slow  
18 down the spend of capital because of the economic  
19 meltdown that became the last half of '08 and into  
20 2009, but at some point we had invested enough capital  
21 where we couldn't say that we were abandoning the  
22 project. In relative terms to building a new steel  
23 mill, this is a much smaller project. It's relatively  
24 \$100 million investment, which is huge in itself, but  
25 not like the size of building a new steel mill. So a

1 decision is made in 2007, the market conditions were  
2 extremely different at the time that that decision was  
3 taken, the investment starts. So here we are in 2010  
4 and we see a recovery and we begin investing and  
5 making the project move forward again and it will come  
6 on stream in the late first quarter, second quarter of  
7 2012. So that's the life of a large capital  
8 investment project. A steel mill would have a longer,  
9 perhaps longer timeline than that. So the decision  
10 could have been taken in '05, '06, early '07. The  
11 money starts to be spent, gets put on hold, but at  
12 some point you've invested enough money where it's a  
13 sunk cost now. You've got to resume the project at  
14 some point. So the question of why the capacity is  
15 coming on if markets are failing is because you can't  
16 stop something that big. You've invested it, the  
17 money is already spent, and so you have to bring it to  
18 fruition.

19 COMMISSIONER LANE: Thank you. Yes, sir?  
20 Did you want to add something to that?

21 MR. BRECKHEIMER: Commissioner Lane, I'm  
22 Mark Breckheimer. One of the things that has to be  
23 considered in this is the first thing a lesser  
24 developed or under developed nation does as soon as  
25 they possibly can is they start a domestic steel

1 industry. It's really driven by their need for  
2 fungible foreign exchange. Take under consideration  
3 some of the countries that are covered by this order  
4 and other orders. If you can convert relatively  
5 inexpensive labor, relatively inexpensive electricity,  
6 subsidized electricity, relatively inexpensive raw  
7 materials into a fully fungible product and gain  
8 fungible U.S. dollars for the conversion, and then  
9 earn a significant profit in the process, can explain  
10 why capacity in developing nations continues to  
11 explode.

12 COMMISSIONER LANE: Thank you. Have the  
13 recent disasters in Japan had an effect upon the  
14 Japanese use of their own product or the Japanese  
15 production of this product?

16 MR. BIEGALSKI: Commissioner, Jack  
17 Biegalski, ArcelorMittal. We're not aware of anything  
18 along those lines.

19 COMMISSIONER LANE: Okay. Thank you. Ms.  
20 Cannon, I think these questions are for you and they  
21 have to do with cumulation. What developments have  
22 taken place since the first reviews to warrant our  
23 reaching a different determination from that which we  
24 reached in the first reviews regarding cumulation,  
25 that is, our determination to cumulate subject imports

1 from all of the subject countries.

2 MS. CANNON: None. That makes the answer  
3 easy. I think with respect to the statutory factors,  
4 fungibility, geographic overlap, channels of  
5 distribution, those are pretty much a given. I didn't  
6 really see much of the Respondents contesting that.  
7 The Commission also found last time there were no  
8 significant differences in conditions of competition  
9 among these countries that would warrant separating  
10 any of them out. Again, I think that remains true.  
11 We've identified, in fact, a number of these similar  
12 conditions that persist today in terms of increased  
13 capacity, unused capacity, export orientation, the  
14 attractiveness of the U.S. market. They share many  
15 more factors in common than the few that they have  
16 tried to identify to differentiate or distinguish  
17 themselves. The Commission last time was looking at  
18 essentially these same factors and decided, rightly,  
19 we believe, that they should cumulate imports from all  
20 of these countries, and the facts of record here  
21 support a similar result.

22 COMMISSIONER LANE: Okay. Could you please  
23 respond to the Japanese producers arguments that the  
24 Commission's decision in Hot-Rolled Steel from Japan,  
25 et al. fully supports a decision not to cumulate Japan

1 with Italy and Korea because of Japanese producers'  
2 different shipping patterns and different pricing  
3 patterns.

4 MS. CANNON: Yes. I think we addressed this  
5 a bit earlier, and perhaps can do so more in our brief  
6 as well. Essentially what our position is is that the  
7 facts pertaining to the hot-rolled case are quite  
8 different and the hot-rolled market are quite  
9 different than the cut plate market. The cut plate  
10 market is subject to very different end uses, demand  
11 considerations and other factors that Mr. Schagrin  
12 articulated at length a little while earlier and Mr.  
13 Price supplemented, and basically, as a legal matter,  
14 there really is no reason for the Commission to look  
15 at a case like hot-rolled Japan and say this is what  
16 we did there, and this is what we should do here  
17 because the Commission's always recognized each of  
18 these cases is sui generis, each is driven by its  
19 facts based on its original decision. Similarly, what  
20 happens after an order is revoked is also dependent on  
21 those facts for that particular market and industry.  
22 The hot-rolled and cut plate markets and industries  
23 are quite different for many of the reasons you've  
24 heard today. So we don't believe that any of the  
25 factors that influence the Commission's outcome there

1 should lead to a similar result here.

2 COMMISSIONER LANE: Okay. One more  
3 question. Please respond to Japanese producers'  
4 arguments that they operate under different conditions  
5 of competition than producers in India and Indonesia  
6 because of differences in capacity utilization rates,  
7 average unit values and price underselling and  
8 overselling.

9 MS. CANNON: Certainly. Some of that  
10 frankly will need to be put in posthearing because  
11 it's confidential. The Japanese numbers are largely  
12 on the record, but the information pertaining to  
13 capacity utilization and other factors for the other  
14 countries is largely proprietary on the record of this  
15 review. As I said before, I think that many of the  
16 factors in terms of having excess capacity, increasing  
17 capacity being export-oriented are the same. We  
18 disagree with their arguments, their attempt to  
19 distinguish pricing and average unit values for some  
20 of the reasons we've mentioned earlier and we'll  
21 elaborate on further. I think that was one of the  
22 principal factors that they attempted to rely on. So  
23 again, Japan is facing, it's based in Asia with many  
24 of these other subject countries. It's facing  
25 precisely the same conditions of competition that many

1 of the other producers in Korea and Indonesia are also  
2 facing, and they share common conditions with Italy as  
3 well in terms of export orientation and excess  
4 capacity, so the very factors the Commission has often  
5 considered are ones that support cumulation in this  
6 case.

7 COMMISSIONER LANE: Okay. Thank you. Thank  
8 you, Vice Chairman Williamson.

9 COMMISSIONER WILLIAMSON: Commissioner  
10 Pearson?

11 COMMISSIONER PEARSON: Thank you, Mr.  
12 Chairman. I have three questions. I think they all  
13 may be dealt with largely in posthearing, but let me  
14 just go through them. Six years ago we revoked the  
15 order with respect to France. Have you had experience  
16 with French product in the marketplace, and, if so,  
17 what has it been? Okay. In the back.

18 MR. BALLOU: Commissioner, this is Tom  
19 Ballou. From a distributor's standpoint, we have not,  
20 my impression was that the French case was pretty much  
21 built on that, the X-70 product that they made for the  
22 pipe industry. I don't know all the ins and outs of  
23 the ruling on that, but they were not an active  
24 player, necessarily, in the 836 carbon product that  
25 we're talking about in this case.

1                   COMMISSIONER PEARSON: Okay. Thank you for  
2 that. If there's more for the posthearing, by all  
3 means, give it to us. Then expanding on that  
4 question, we did have orders on other countries that  
5 were revoked, you know, in a different proceeding than  
6 the previous review of this one. Has there been  
7 experience with those products coming into the U.S.  
8 market, nonsubject product? You know, whatever you  
9 could provide us for posthearing, that would be fine,  
10 unless there's something that you'd like to tell us  
11 now.

12                   (No response.)

13                   COMMISSIONER PEARSON: Okay. My second  
14 question follows up on Commissioner Pinkert's  
15 discussion regarding Italy. Just for clarification, I  
16 mean we have Evraz Palini here. Okay. So we've got  
17 that information. We don't know much about ILVA, and  
18 we really don't know anything about other countries  
19 that might be subject to the order and haven't been  
20 shipping, so to the extent you can flesh out what we  
21 know about the industry in Italy, what other producers  
22 are there that are active with whom we should be  
23 concerned or of whom we should be aware, and again,  
24 this probably is best in the posthearing, but unless  
25 anyone would like to say something now.

1 MR. PRICE: Posthearing is fine. Thank you.

2 MR. SCHAGRIN: The only thing I'll say now,  
3 Commissioner Pearson, is that I think the staff did a  
4 good job in your prehearing staff report already  
5 identifying a lot of information about at least the  
6 capacities of those other mills that didn't respond.  
7 I compliment the staff for doing a good job. We will  
8 try to supplement in the posthearing what your staff  
9 has already come up with for the missing information  
10 by virtue of the fact that those companies did not  
11 file questionnaire responses.

12 COMMISSIONER PEARSON: Okay. Thank you.  
13 And then my last question, it goes back to ship  
14 building, actually, a comment that you made, Mr.  
15 Schagrin. If I understood correctly that you had  
16 indicated that there had been a 40 percent decline in  
17 the backlog of orders or in the tonnage of steel  
18 committed to shipping, ship building, whichever is the  
19 correct way to say it, between 2008 and I think the  
20 first half of 2011. You know, we always examine these  
21 cases in the context of the business cycle to try to  
22 understand what the trends mean and when one considers  
23 the trend in the global economy and the stress on the  
24 global economy, particularly in some developed  
25 countries that have been in recession and the effect

1 that might have had on the need to ship things from  
2 one country to another, it's not clear to me that 40  
3 percent is all that big a decline, and so I'm hearing  
4 that number, I'm thinking market's holding up pretty  
5 well. So either now or in the posthearing could you  
6 elaborate on that and help us to understand why 40  
7 percent should be seen as a big number rather than a  
8 small number?

9 MR. SCHAGRIN: Okay. Sure. For one thing,  
10 ships are not like grain. You know, people have to  
11 eat every day around the world. Ships are really big  
12 commitments, and so there is no doubt that there's  
13 always been a shipping cycle in terms of ship  
14 building. I think the same is true in all  
15 transportation areas, trucks, airplanes. It's a  
16 question of, you know, what is being used around the  
17 world, when does it normally wear out and need to be  
18 replaced and what do the, in this case, shipping  
19 companies see as the demand going forward? I would  
20 say given the tonnage terms -- and by the way, that's  
21 the order book we're talking about. That's the  
22 remaining orders. Don't forget, ships don't get built  
23 quickly. In other words, an order in '07 may not be  
24 built until 2009 or 2010. These are really big. Some  
25 of these are tankers and these new Panamax ships that

1 are being built. They're just huge. So I don't think  
2 it's -- A) I think it's a big sign that it's down 40  
3 percent, but what we'll also give you in the  
4 posthearing is the rate of new orders say now compared  
5 to a year or two ago. The rate of new orders being  
6 placed is down maybe 70, 80, 90 percent. So it's just  
7 because it takes so long in shipping, unlike steel,  
8 for the backlog to be eradicated by building the ships  
9 because you're in this three, four year cycle. I  
10 would say a 40 percent decline in the present backlog,  
11 because that's what the data is, not the rate of new  
12 orders being entered, but the existing backlog, that's  
13 huge. The trend is just consistently down. Can you  
14 imagine what's going to happen? I mean, we're really  
15 heading for a train wreck. Can you imagine what's  
16 going to happen when there's no backlog? We'll give  
17 you information, I mean for other governments. You  
18 know, we're a government that's famous for no  
19 industrial planning. That's kind of our mantra in  
20 Washington. We try to leave everything alone. In  
21 countries like Korea, which had a planned economy  
22 after the Korean War, Japan has always had this close  
23 connection between industry and government, in Korea  
24 they're looking at this, the Korean government, and  
25 saying we need to mobilize with plans for what do we

1 do as a country when these massive shipyards that  
2 employ tens of thousands of people are going to be  
3 shut down. So I think it's really dramatic and we'll  
4 expound on it further in posthearing. The one thing I  
5 want to make clear is if you believe from the Japanese  
6 Respondents today that ship building is going to be  
7 strong for the next five years, then I have a bridge  
8 to sell you.

9 COMMISSIONER PEARSON: Okay. Mr. Rosenthal,  
10 you wish to disagree with Mr. Schagrin?

11 MR. ROSENTHAL: No. It's not often I get to  
12 expand on Mr. Schagrin's answer. I will say this.  
13 The part of the equation that we've been focusing on  
14 here, which is decline in ship building, and you  
15 pointed out, well, that's logical, it's cyclical, has  
16 not been, it's only part of the equation. As the ship  
17 building is declining, whether it's naturally or just  
18 consistent with the down turn in the worldwide economy  
19 and it's going down 40 percent, the capacity to supply  
20 the ship building industry, the capacity to build  
21 plate has been increasing dramatically, so the delta  
22 has growing and is expected to continue to grow.  
23 That's the troublesome part.

24 COMMISSIONER PEARSON: Okay. Thank you.  
25 Well, I will look forward to seeing your thorough

1 exposition in the posthearing. It's been a pleasure  
2 visiting with all of you, and with that, Mr. Chairman,  
3 I have no further questions for this panel.

4 COMMISSIONER WILLIAMSON: Commissioner  
5 Aranoff?

6 COMMISSIONER ARANOFF: One quick follow-up  
7 for posthearing, and this is for Evraz, in Evraz  
8 Palini's brief they argue that the Italian company  
9 produces substantially the same range of products as  
10 the two domestic mills. Can you just respond to that  
11 for us in the posthearing?

12 MR. THIES: That's true. That's true.

13 COMMISSIONER ARANOFF: Okay. All right.  
14 Well, with that, I don't have any further questions,  
15 but I do want to thank this morning's panel for all  
16 your answers. Thank you, Mr. Chairman.

17 COMMISSIONER WILLIAMSON: Commissioner  
18 Pinkert?

19 COMMISSIONER PINKERT: Just a couple of  
20 follow-up questions. With regard to the average unit  
21 values of the Japanese shipments, I would ask for the  
22 posthearing that you look, in addition to whatever we  
23 talked about earlier, look at the 1990s and tell me  
24 whether it takes a crisis event like the Asian  
25 financial crisis in the 1990s to bring Japanese AUVs

1 into line with the average unit values from other  
2 countries.

3 MR. SCHAGRIN: We'll look at that for the  
4 posthearing, but unfortunately, right now,  
5 Commissioner Pinkert, if it's going to take a European  
6 financial crisis, we have it. So it may take a  
7 financial crisis. Unfortunately, we had an Asian  
8 financial crisis, we have a European financial crisis,  
9 so I would say the predicate already exists, and I  
10 think, you know, given what's going to happen in the  
11 European economy and its effect on the world economy,  
12 you know, really what the Asian financial crisis  
13 created was that Japanese mills had a lot of excess  
14 capacity. As I believe Mr. Price or others mentioned,  
15 they're a blast furnace type steel making which have  
16 to be operated at high utilization rates or you  
17 basically have to shut them down. It's not like  
18 electric furnaces. So if the effect of the European  
19 financial crisis is less overall trade, we have this  
20 decline in ship building, we have all the other  
21 capacity coming on in all these other countries, then  
22 if the Japanese find that they're own market and other  
23 export markets which they emphasize in Asia for ship  
24 building decline, they will ship to the U.S. at  
25 whatever price it takes, as they did during the Asian

1 financial crisis, in order to maintain high capacity  
2 utilization rates. They are definitely a high  
3 capacity utilization rate focused industry.

4 COMMISSIONER PINKERT: Thank you. Mr.  
5 Rosenthal, would you like another opportunity to  
6 expand upon Mr. Schagrin's answers?

7 MR. ROSENTHAL: No. I think everyone is  
8 eagerly awaiting lunch.

9 COMMISSIONER PINKERT: All right. Well,  
10 then I just have one more question. I had earlier  
11 talked a little bit about nonsubject imports and I  
12 understand the argument that you're making that  
13 recently the nonsubject imports have been causing a  
14 pricing pressure on the U.S. prices for the U.S.  
15 producers, and for the posthearing, or perhaps you may  
16 wish to respond here, at the hearing, I'm wondering  
17 whether any pricing pressure that we've seen recently  
18 is just a reflection of the demand trends that we're  
19 talking about rather than the impact of the nonsubject  
20 imports. Mr. Rosenthal?

21 MR. ROSENTHAL: I was just going to say  
22 we'll respond in our posthearing, but I think you've  
23 already heard testimony indicating that it's not  
24 simply demand. You've seen a surge of imports, you've  
25 heard testimony by distributors, in particular, Mr.

1 Breckheimer, talking about the direct effect of the  
2 imports on pricing in the marketplace, so it's more  
3 than just demand, that's for sure. I don't know what  
4 life would have been like without the imports, but we  
5 know that they have directly affected pricing to  
6 distributors, and then ultimately to the producers  
7 sitting here today.

8 MR. SCHAGRIN: Also, I know Mr. Rosenthal's  
9 hungry so I'm going to keep it short because he can  
10 get grouchy when he's really hungry, and that is I  
11 think everyone, distributors, and suppliers and  
12 producers, both said this morning plate is such a  
13 commodity fungible product, it's always about supply  
14 and demand, and so it's really the worst of all  
15 worlds, Commissioner Pinkert. We had more supply  
16 coming in, which if demand was constant would cause  
17 prices to fall. Unfortunately, as the more supply was  
18 coming in, demand was starting to fall. Mind you, the  
19 supply, foreign supply has a longer lead time. So  
20 it's certainly the combination of the both have just  
21 aggravated the problem. Take an industry that was  
22 making 10 percent operating profits in the first half  
23 of the year that at current prices and current costs  
24 is almost certainly operating at losses. So maybe an  
25 economist like Prof. Morici could analyze how much of

1 the additional supply effect versus the weakening  
2 demand, but for a simpleton or people in the industry  
3 it's the combination of the both. When you have more  
4 supply and less demand, you're going to have even more  
5 price effect. That's what's happened in the  
6 marketplace.

7 COMMISSIONER PINKERT: Thank you. I look  
8 forward to elaboration on those points in the  
9 posthearing. Thank you, Mr. Chairman.

10 COMMISSIONER WILLIAMSON: Okay. Thank you.  
11 I just have one question. We talked a lot about the  
12 collapse in demand for ship building. Another use for  
13 CTL plate is of course in the energy sector. I was  
14 just wondering, is there any possibilities that's  
15 going to take up some of that demand? Also, given the  
16 growth, relatively high growth in Asia, is it likely  
17 that if things slow down there they would pick up  
18 quickly just given the dynamics there?

19 MR. MOSKALUK: Jeff Moskaluk. Just to  
20 comment on demand in energy. There are some lowering  
21 in prices in some energy, so price of oil has come  
22 down somewhat, and so typically that drives an  
23 investment cycle for those companies. In particular,  
24 line pipe has been a classic consumer for plate. The  
25 fabrication and manufacturer of large diameter line

1 pipe has almost been an exclusive market for plate for  
2 many years. There has been a change in technology for  
3 that market. There are more mills and additional  
4 capacity that's been brought on line in the last  
5 couple of years to manufacture large diameter pipe,  
6 but to make it as a spiral weld large diameter pipe,  
7 which means the source now is coiled product and not  
8 discrete, cut-to-length plate, and so the industry is  
9 more vulnerable now in the energy market because there  
10 is a move to, one of the classic for cut-to-length  
11 plate is now as a substitution of being able to be  
12 made on a spiral mill with a coiled product. So where  
13 plate could have relied on an uptick in large diameter  
14 line pipe, meaning an uptick in demand on plate,  
15 there's no longer that immediate correlation that we  
16 would have seen in the past. So while we may see  
17 forecasts for larger demand for large diameter pipe,  
18 it does not necessarily guarantee that that demand  
19 will be exclusive to plate.

20 COMMISSIONER WILLIAMSON: And that's for  
21 product being consumed in Asia, as well as in the U.S.  
22 market?

23 MR. MOSKALUK: My understanding is the move  
24 to spiral technology is going on in other markets.  
25 Certainly in the United States, but in other markets

1 as well. So I would say that that would be true in  
2 other markets as well. Another what has been a very  
3 good consumer for plate products in the U.S. has been  
4 wind towers. There are a couple of things changing  
5 fundamentally in the wind tower market. One is that  
6 there are fewer wind towers being installed in the  
7 current timeframe. I think that has to do, again,  
8 with some decisions on capital investment. The  
9 decisions may have been in '08 and '09, so now we're  
10 seeing fewer installations now where in the middle of  
11 the worst part of the recession there were still a  
12 fairly high level of installation of wind towers  
13 because those decisions and commitments had been made  
14 earlier. So we're now seeing a waning in the wind  
15 tower market because of what's been going on.  
16 Secondly, we're also seeing a fairly high level of  
17 activity in the import on wind towers, the towers  
18 themselves being fabricated out of plate that's  
19 manufactured outside the United States and fabricated  
20 outside the United States and then being brought into  
21 the United States to be erected and assembled. So  
22 again, that market, while we can see that there may be  
23 some forecast for forward growth, what we may not do  
24 is directly correlate that to being plate demand.  
25 Then I think some of the last things are that low

1 prices for natural gas has put a dampening effect on  
2 alternative energy, being wind towers being maybe one  
3 of the largest that's been impacted by that. I think  
4 the discussion of the expiry of the power tax credit  
5 at the end of 2012 means that we may see some decent  
6 fabrication in wind tower plate as we go through the  
7 first six months, but those wind towers will need to  
8 be erected and installed before the expiry of the  
9 power tax credit, which means there won't be a lot of  
10 wind tower fabrication towards the end of the year  
11 unless there's assurance of the power tax credit being  
12 continued because erecting them in 2013 or beyond  
13 won't make them eligible for the power tax credit. So  
14 again, some of those classic markets in energy,  
15 there's different influences in play that you can no  
16 longer make the direct correlation saying, well, if  
17 line pipe improves there's automatically increased  
18 plate demand. That's not necessarily true anymore.  
19 In wind tower, there are enough things going on that  
20 makes it less likely that it's a guarantee that it's  
21 U.S.-produced plate that will service that market.

22 COMMISSIONER WILLIAMSON: Thank you. Anyone  
23 else have anything to add to that, particularly maybe  
24 as regard to demand for plate in Asia for use in the  
25 energy sector? If not, no comments, do any other

1 Commissioners have any further questions?

2 Commissioner Lane?

3 COMMISSIONER LANE: It doesn't matter to me  
4 that Mr. Rosenthal's hungry. I do have a few  
5 questions. These questions are for Mr. Blume and Mr.  
6 Price. On page 75 of your prehearing brief, Nucor  
7 argues that if the orders are revoked, some U.S. plate  
8 capacity could be at risk of closure. In your  
9 posthearing briefs, because of the confidential nature  
10 of the information, could you give me more information  
11 on this issue, specifically, which plants for which  
12 producers are at risk of closure if the orders are  
13 revoked, how much capacity would be lost, how many  
14 workers would suffer reduced hours and how many would  
15 actually lose their jobs.

16 MR. PRICE: Yes. We would be happy to do  
17 so. To some degrees, it is an analysis not only of  
18 competitor plants in the United States, so we will be  
19 happy to provide the information that is available to  
20 us. That's Nucor.

21 COMMISSIONER LANE: Okay. Thank you. And  
22 could one of the producers tell me what constitutes  
23 full practical operating capacity in this industry?  
24 Mr. Thies?

25 MR. THIES: For Evraz it would be 90

1 percent.

2 MR. MOSKALUK: Commissioner Lane, I think if  
3 you were to take a look at, and there's public  
4 information about mill utilization rates and they tend  
5 to be published in documents like AMM or SBB, but if  
6 you take a look at it over the period of the best  
7 markets, I think those numbers were broaching 90  
8 percent. Eighty-eight, 89 percent I think is some of  
9 the highest utilization we've seen within the last  
10 five or six years. So, you know, in 2009 dropping  
11 down to utilization rates of 40 percent and now  
12 recovering to rates that are in the low 70s but still  
13 close to 20 percent on peak. While it feels better  
14 than 40, it certainly doesn't feel anywhere near 89 or  
15 90 percent.

16 COMMISSIONER LANE: Is there anybody that  
17 disagrees with what these two witnesses have said? If  
18 not, I thank you for your attention and your answers  
19 today. Thank you.

20 COMMISSIONER WILLIAMSON: Any other  
21 questions? Does staff have any questions?

22 MR. CORKRAN: Douglas Corkran, Office of  
23 Investigations. Thank you, Vice Chairman Williamson.  
24 Staff does have one request, and that is that parties  
25 coordinate with staff regarding Commissioner Lane's

1 data request so that to the extent the data are  
2 available all submissions will be on the same basis so  
3 we can have the data comparable. With that, staff has  
4 no additional questions. Thank you.

5 COMMISSIONER WILLIAMSON: Do Respondents  
6 have any questions?

7 MR. HARRISON: No, we do not.

8 COMMISSIONER WILLIAMSON: Okay. Thank you.  
9 In that case we'll adjourn for lunch and we're  
10 recommence at 2:05. Thank you.

11 (Whereupon, at 1:06 p.m., the hearing in the  
12 above-entitled matter was recessed, to reconvene at  
13 2:05 p.m. this same day, Wednesday, October 19, 2011.)

14 //

15 //

16 //

17 //

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //



1 recent cases, review cases involving other steel  
2 products, including stainless steel products, it's my  
3 opinion all the Commissioners arrive in the same place  
4 in the end.

5 In the Italian case on cut-to-length, we  
6 have a couple of charts on the volume of imports from  
7 Italy, the volume and presence of imports from Italy  
8 in the United States market. A great majority of data  
9 for these charts is in the marvelous Table I-I of the  
10 prehearing staff reporting, all public information.  
11 Chart 1 of this handout shows over the entire period,  
12 1996 through the first half of 2001 comparative  
13 statistics on the volume of imports from Italy. It  
14 shows U.S. producers' share of the domestic  
15 consumption, Italy's share and all other imports'  
16 share.

17 It is formulated as an exploding pie chart.  
18 Last night, we looked at it both ways, and it's an  
19 exploding pie chart so that you're able to pick up  
20 that thin red line of the Italian share of apparent  
21 domestic consumption 1996 to 2000. We'll come back  
22 and quantify several things about this thin red line  
23 in Chart 3. Chart 2 compares the U.S. industry share  
24 of the domestic market along with Italy's share in all  
25 15 years covered by Table I-I.

1           We entered a few vertical lines in order to  
2 show the impact of imports from Italy in the preorder  
3 period, 1996 to 1998, which the Commission likes to  
4 consider in judging impact on the U.S. industry should  
5 the order be terminated. The first thing to notice in  
6 the chart is the U.S. producers' share of the U.S.  
7 market throughout the period. This is Chart 2. U.S.  
8 market share is high in all periods, all years and  
9 fairly stable.

10           Yes, it increased from the preorder period,  
11 1996, 1998 to 1999, 2001 to three years following the  
12 order, and the share of Italy's imports fell after the  
13 filing of the original case, just like Petitioners'  
14 said it would. Italy's share preorder and its share  
15 in this post-order period through 2011 are clearly  
16 shown on the charts. The so-called "surges" from  
17 Italy that Petitioners are so afraid of are shown in  
18 red at the very bottom of the chart.

19           Is it really hard to see those red lines  
20 representing Italy's share of the U.S. market? Well,  
21 if so, that's the point. Chart 3 compares  
22 Petitioners' methodology of measuring import volumes  
23 for discernable impact and the volume issue in the  
24 context of industry vulnerability as well. The  
25 absolute volume of imports from Italy did increase in

1 the pre-petition period as shown, so have Italy's  
2 exports to the United States in other periods that  
3 Petitioners have identified and in a couple of places  
4 have tagged those increases with the dreaded word  
5 "surge," 2003 to 2004 and 2008 to 2009.

6 The Petitioners' methodology in their  
7 prehearing briefs is to talk about the absolute volume  
8 of Italian imports in these periods and their  
9 increase, and they are astronomical, 1996 to 1998,  
10 2003 to 2004, the first review, and during this  
11 present review 2008 to 2009. By the way, you should  
12 know that in these last two at least that Palini was  
13 responsible for, it's safe to say, a majority of the  
14 imports.

15 Thankfully, the Commission doesn't use the  
16 same methodology as Petitioners as you can see in B.  
17 The Commission's methodology as distinguished from  
18 Petitioner's methodologies include ratios of  
19 individual countries imports as a percentage or share  
20 of apparent consumption. This ratio import share as a  
21 percentage of U.S. consumption has of course been used  
22 in every case I have been a part of for 30 years. It  
23 includes my period of the time at the Commission  
24 itself, but it receives short shrift here from  
25 Petitioners.

1           The prepetition "surge" from Italy takes us  
2 from 0.2 to 0.8 percent of apparent domestic  
3 consumption. The 2003, 2004 period it takes us from  
4 0.05 percent to 0.4 percent of apparent domestic  
5 consumption, and the 2008, 2009 surge discussed in  
6 Petitioners' briefs when they talked about Italy  
7 individually, which was pretty rare, takes Italy from  
8 0.0 percent of apparent domestic consumption to 0.1  
9 percent apparent domestic consumption.

10           Finally, Chart 3 is the data behind the  
11 charts, so let's do some averages of imports from  
12 Italy in these three periods. During the prepetition  
13 period, which some Commissioners as we said consider  
14 somewhat a clue as to the behavior of imports in an  
15 order free foreseeable future, Italy's share of  
16 domestic consumption average what you see here less  
17 than one percent, *less than one percent*.

18           In the entire period from 1996 to 2010,  
19 including the order-free prepetition period, Italy  
20 averaged less than two-tenths of one percent, and for  
21 the period of review in this particular review, the  
22 second review, Italy held a 0.0333 out to infinity of  
23 one percent of the U.S. market. The second issue that  
24 I addressed is conditions for competition,  
25 specifically the U.S. industry transformation, the

1 latest period of review.

2           The second issue is the change in the  
3 conditions of competition specific to this period of  
4 review, specifically of the transformation of the  
5 composition of the U.S. plate industry. Chart 4 that  
6 we've got here is just a simple list taken from the  
7 staff report, plus the records of the original  
8 investigation, the first reviews, and it lists the  
9 significant members of the U.S. industry and where  
10 they're corporate headquarters is located, just a  
11 simple comparative list, but one showing pretty  
12 radical change.

13           In the original investigation, the four  
14 Petitioners were owned and operated by U.S.-based  
15 groups with U.S.-based citizens. Typical headquarters  
16 were in Pittsburgh. That is where all the allocation,  
17 and that is, at the time of the original review, where  
18 a great majority of the allocation of resources, who  
19 ships to whom today, who do we make it for, and how  
20 long will it take us, overall strategy, all these  
21 important decisions were decided for CTL producers in  
22 the United States.

23           During the first review period, there were  
24 two incipient developments coming to be. One was the  
25 rise of Nucor, deservedly so, to the premier place in

1 U.S. cut-to-length production, in my opinion, and I  
2 think also in the entire carbon steel, flat-rolled  
3 industry. The second is the entry of ArcelorMittal as  
4 a U.S. plate producer through acquisitions of  
5 facilities in the United States. ArcelorMittal, as  
6 you all know, is run and controlled from wherever Mr.  
7 Mittal and his son happen to be that day.

8 As you can see in Chart 4, the list of major  
9 producers since the first review has undergone this  
10 transformation. Nucor alone is still based in the  
11 United States. The rest of the significant producers,  
12 and Petitioners as well, represent the largest share  
13 of U.S. quarto plate production are foreign based, are  
14 foreign run and foreign controlled. The four  
15 producers that are foreign controlled employ what has  
16 been termed a Local Supply Strategy, LSS, and they are  
17 some of the largest global-based steel producers in  
18 the world.

19 They are owned and controlled from a  
20 centralized group located abroad, usually in one or  
21 two places, and all of the decisions of those  
22 facilities of global companies that are termed multi-  
23 national corporations or multi-national enterprises  
24 are filtered through not a U.S. perspective, but a  
25 global perspective employing Local Supply Strategies.

1 It is really atypical for these companies then to  
2 supply significant imports to markets where they  
3 already have developed and invested in local  
4 production facilities, and I think those are facts  
5 that have come out in Commission recent determinations  
6 in other steel cases with other industry composition.

7 In some, the presence of these global steel  
8 groups in the United States' plate industry are now  
9 responsible for controlling one of the largest shares  
10 of U.S. plate production, and that significantly and  
11 irrevocably changes the conditions of competition, and  
12 finally just let me say that I don't say the words  
13 "running" and "controlling" U.S. facilities and their  
14 many global facilities, several, actually many global,  
15 many foreign cut-to-length plate producers, I don't  
16 say that lightly.

17 This Local Supply Strategy and the other key  
18 ingredient, which one of our Petitioners refers to,  
19 the global allocation of capital and investment, are  
20 hallmarks of multi-national corporations, multi-  
21 national enterprises. It's what makes them work, what  
22 makes them more efficient than most local national  
23 production, and we'll have more to say about that in  
24 our brief. Thank you for your attention.

25 MR. WAITE: Again, my name is Fred Waite on

1       behalf of Evraz Palini, an Italian producer of steel  
2       plate. The Italian producers of cut-to-length plate  
3       pose no threat to the domestic industry now or in the  
4       foreseeable future. These mills sell the vast  
5       majority of their output to customers in the European  
6       Union, which includes 26 countries in addition to  
7       Italy. Most of the remaining shipments of plate are  
8       made to other destinations in Europe or to nearby  
9       markets in North Africa and the Middle East.

10               Consequently, U.S. imports of Italian plate  
11       have been virtually non-existent, accounting for less  
12       than one-twentieth of one percent of U.S. apparent  
13       consumption during the period from 2005 to 2010. In  
14       fact, by 2011 imports of subject merchandise from  
15       Italy amounted to zero percent of the U.S. market  
16       according to the prehearing staff report. In  
17       analyzing the likelihood of no discernable impact by  
18       subject imports from Italy, we respectfully urge the  
19       Commission to recognize that the whole market for  
20       Italian plate producers is not limited just to Italy  
21       but to the integrated single market of the European  
22       Union.

23               This unified internal market is one of the  
24       pillars of the E.U., and it encompasses more than 500  
25       million people with a gross domestic product exceeding

1       \$16 trillion in 2010. The single market is an area  
2       without internal frontiers in which goods, services,  
3       people and capital can move freely. Indeed, the E.U.  
4       describes the single market as one of its greatest  
5       achievements.

6                 During the period of review, the vast  
7       majority of the Italian industry's shipment of plate  
8       to customers outside Italy went to other members of  
9       the E.U., more three-quarters of all plate shipments.  
10      Moreover, the members of the European Free Trade  
11      Association, or EFTA, also participate in the E.U.  
12      single market, and shipment to these countries also  
13      constitute the Italian Industry's natural home market.

14                Further, almost all of the remaining plate  
15      shipped by Italian producers goes to nearby markets in  
16      North Africa and the Middle East. When these  
17      shipments are added to shipments within the E.U. and  
18      to EFTA destinations, they account for more than 96  
19      percent of all Italian plate delivered by all Italian  
20      plate producers to customers outside Italy. In terms  
21      of the U.S. market, imports of subject merchandise  
22      from Italy were present in the U.S. market only  
23      episodically and then only in negligible quantities  
24      during the POR.

25                As the prehearing staff report shows,

1 imports from Italy as a percentage of total imports  
2 were close to zero throughout the POR, including in  
3 2010 and interim 2011. Compared with U.S. apparent  
4 consumption of cut-to-length, the Italian presence in  
5 the U.S. market has been infinitesimal. At no time  
6 from 2005 through 2010 did Italy's share of the U.S.  
7 market exceed more than a small fraction of one  
8 percent, and in most years, it was essentially zero.

9           Given their negligible quantities, both in  
10 absolute terms and in comparison with total imports  
11 and U.S. apparent consumption, we submit that imports  
12 of subject merchandise from Italy could have no  
13 discernable impact on the U.S. industry. Another  
14 factor with respect to Italy is the relationship  
15 between our client, Evraz Palini, and its sister plate  
16 producers in the United States, a subject which a  
17 number of Commissioners address this morning.

18           The Evraz Group has acquired steel-making  
19 facilities around the world in order to serve local  
20 and regional markets. Given factors such as customer  
21 demand for shorter lead times, increased logistical  
22 costs and the weak U.S. dollar, a Local Supply  
23 Strategy is a rational commercial decision for  
24 multinational companies to serve their downstream  
25 markets.

1           Here, Evraz Palini, which is location in  
2           Italy and Evraz Claymont, and Evraz Oregon, which are  
3           located on the Eastern and Western Coasts of the  
4           United States, ship their plate production to  
5           customers in their natural home markets. The European  
6           Union on one case, and the United States in the other.  
7           In addition to Evraz Palini, the Italian plate  
8           industry consists of several other producers, again a  
9           subject which a number of the Commissioners addressed  
10          this morning. The largest is the Riva Group's Ilva  
11          plant.

12                 Like Evraz Palini, Ilva sees its primary  
13          markets as Italy, other European countries and the  
14          nearby Mediterranean region. Moreover, there is only  
15          a limited restraint on Ilva's ability to ship subject  
16          merchandise to the United States. As discussed this  
17          morning, Ilva is not subject to the anti-dumping order  
18          on steel plate from Italy, and the counter-veiling  
19          duty margin for Ilva is relatively modest, only 2.38  
20          percent.

21                 The other plate producers in Italy follow a  
22          similar strategy of focusing their production and  
23          shipments on customers in Italy, the other E.U.  
24          countries, as well as nearby regional markets, and we  
25          have provided evidence of that in our prehearing

1       brief. Thus, the Italian plate industry as a whole  
2       concentrates on its natural market in Europe and other  
3       markets nearby.

4               Given these factors, as well as those  
5       discussed by Dr. Magrath, we respectfully submit to  
6       the Commission the revocation of the orders on Italy  
7       would not lead to the continuation or recurrence of  
8       material injury to the domestic industry within a  
9       reasonably foreseeable time. Thank you.

10              MR. HARRISON: Good afternoon. As indicated  
11       earlier, my name is Donald Harrison with the firm of  
12       Gibson, Dunn and Crutcher, counsel to the Japanese  
13       Mills. I have here with me my colleague Chris Wood  
14       and Mr. Takeo Aoyama, who is the General Manager of  
15       the Chicago office of Nippon Steel U.S.A., as well as  
16       Mr. Jin Kato, who is the President of Sumitomo Metal  
17       USA. Procedurally, I will give a few comments on some  
18       of the statistics from this staff report, and then  
19       we'll hear testimony from Mr. Aoyama and Mr. Wood.

20              I heard Mr. Schagrin say this morning that  
21       he commended the staff on their fine work in compiling  
22       the staff report, but I heard very little in their  
23       prehearing brief or in the comments by their witnesses  
24       about the five and a half years of collected  
25       information for this review period as well as the

1 period back to 1996. Much of it was focused on the  
2 last three months, and we'd like to present some  
3 slides just to demonstrate what the staff report  
4 indicates about the period of review as well as the  
5 earlier period. Slide, please?

6           These are in the prehearing brief of course,  
7 but these are the figures that show the aggregates for  
8 the three periods going back to the original  
9 investigation period, as you will see, a very  
10 significant increase in the value of U.S. shipments  
11 with this recent period. This shows the average unit  
12 values during those three periods as well as the  
13 period for the first six months of this year, and as  
14 you see, average unit values have gone up very  
15 dramatically reaching over \$900 for the first six  
16 months of this year.

17           We see an even more dramatic increase in the  
18 total operating income, and you'll see during this  
19 last five-year period, total operating income is  
20 almost \$4 billion for the firms in this industry, and  
21 you'll see that there was a very good improvement both  
22 from 2009 when there was a loss to 2010 and again in  
23 the interim period, the first six months of this year,  
24 to almost \$320 million operating profit. Next,  
25 please.

1           This shows the average ratio of operating  
2 income to net sales, and here you see a dramatic  
3 increase from the less than one percent during the  
4 original period of investigation to over 15½ percent  
5 during the most recent period. Next, please. Again,  
6 you see the same pattern reflected here when we  
7 compare 2009 to 2010 and the interim periods for 2010  
8 and 2011, again an increase in the ratio of operating  
9 income to net sales above 10 percent for the first six  
10 months of this year.

11           This is a chart that provides yearly  
12 information so you can see what the pattern is in the  
13 operating income, and you see during the period of  
14 investigation back in 1996 through 1998, the operating  
15 income ratios were all under five percent, and yet you  
16 see from 2004 through 2008 operating income ratios  
17 above 20 percent in each of those years. Again for  
18 the first six months of this year, we see an operating  
19 rate of 10.5 percent, double the operating rate that  
20 was achieved in any year during the period of  
21 investigation.

22           Finally, next please, and I'm sorry this  
23 doesn't appear very clearly, but what should have been  
24 the white sections in that graph reflect the amounts  
25 for the hot-rolled steel case, it is a comparison

1 between the operating income rates that are reflected  
2 for this industry compared to those for the hot-rolled  
3 steel industry based on the period from 2005 through  
4 2010, and again you see in every year the very  
5 substantially improved and higher operating rates for  
6 the cut-to-length plate industry.

7           Again, I apologize. We have white bars, but  
8 the white bars don't show, but you can see, for  
9 example, in 2006, this industry had 25.7 percent  
10 operating ration compared to 18.1 percent in the hot-  
11 rolled case. Thank you very much.

12           MR. AOYAMA: Good afternoon. My name is  
13 Takeo Aoyama. I am the Executive Vice President and  
14 General Manager of the Chicago office of Nippon Steel  
15 U.S.A. For more than 15 years, I have been in charge  
16 of export sales for flat, rolled-steel products,  
17 including cut-to-length. I appreciate the opportunity  
18 to appear before you today and provide some comments  
19 on behalf of Nippon Steel.

20           Let me begin by telling you about Nippon  
21 Steel's export strategy for cut-to-length plate and  
22 how we view our competitive position in world markets.  
23 Our main goals have been to focus on exports to  
24 growing Asian markets and to differentiate our  
25 products in these markets best on technology so that

1 we can serve those market segments where quality  
2 requirements allow us to maximize the value of our  
3 technology.

4 That is our export business model for cut-  
5 to-length plate at Nippon Steel, and our experience is  
6 that the other Japanese cut-to-length plate producers  
7 seem to be following the same course. The reasons for  
8 this strategy are very straightforward. First,  
9 because of exchange rate and other considerations, we  
10 are not likely to be the local producer of commodity-  
11 grade cut-to-length plate. We purchase key raw  
12 materials such as iron ore and coke and coal on  
13 international markets where prices have increased  
14 significantly.

15 Outside of Asia, we also face a significant  
16 disadvantage in terms of rate cost compared to local  
17 producers. What this means is that export sales of  
18 commodity-grade plate are generally not attractive for  
19 us. We simply cannot have a business model where we  
20 are competing on price with Chinese or Russian mills  
21 to serve commodity-grades of cut-to-length plate. On  
22 the other hand, we have been very successful in  
23 positioning Nippon Steel as a technology leader for  
24 cut-to-length plate and in focusing on market segments  
25 in Asia where this technology is very, very important.

1           Thus, we have focused on satisfying the  
2           increased demand for cut-to-length plate mostly in  
3           Asia for energy-related uses and shipbuilding and are  
4           currently operating at very close to full capacity.  
5           Let me take a few moments to tell you about each of  
6           those market segments starting with energy-related end  
7           users.

8           Rising demand for energy goes hand in hand  
9           with the strong economic growth that has occurred in  
10          the developing economies in Asia. This demand for  
11          energy translates directly into growing demand for  
12          cut-to-length plate. For example, new oil and gas  
13          projects require cut-to-length plate for offshore  
14          platforms and for the line pipe to transport the fuel.  
15          As new refining capacity is added, cut-to-length plate  
16          is needed for the pressure vessels to separate  
17          hydrocarbons and to store rigid fuels.

18          Over the last five years, we have seen  
19          increases in demand for cut-to-length plate for these  
20          energy-sector applications in Asia, and we expect that  
21          this growth will continue because all forecasts say  
22          that Asian economies will require significantly more  
23          energy in the future. Increasingly, the cut-to-length  
24          plate used in these applications often must meet very  
25          demanding technical specifications.

1           In oil and gas exploration, for example,  
2 producers increasingly are drilling in deeper water  
3 and building pipelines in more remote or extreme  
4 environments. The cut-to-length plate we supply for  
5 offshore structures and line pipe for these projects  
6 must be very strong and also must have excellent low  
7 temperature toughness, corrosion resistance and  
8 excellent durability.

9           In our experience at Nippon Steel, very few  
10 cut-to-length plate producers in Asia outside of Japan  
11 are capable of meeting all of the requirements for the  
12 plate used in these increasingly demanding energy-  
13 sector applications. Even fewer have a track record  
14 of consistent success over time, which is extremely  
15 important to the customers. It takes a lot of time to  
16 become qualified for these applications, and many  
17 customers are reluctant to use new suppliers with whom  
18 they have no experience.

19           Nippon Steel and other Japanese producers  
20 have a strong competitive position in Asia for cut-to-  
21 length plate used in these energy-related applications  
22 based on our technology and record of supplying steel  
23 for even the most challenging environment. Almost  
24 none of the other regional producers of cut-to-length  
25 plate in Asia are qualified to compete for these

1 applications.

2           There are small numbers of producers in  
3 Europe, such as Voestalpine in Austria and Dillinger  
4 in Germany that are established suppliers of  
5 comparable-quality cut-to-length plate, but we have  
6 the advantage of being located in Asia where much of  
7 the demand and production takes place.

8           The other main area in which we have seen  
9 significant growth in demand for cut-to-length plate  
10 is from shipbuilding customers in Asia. Almost all of  
11 the new shipbuilding in the world today takes place in  
12 Korea, China and Japan. Over the last several years,  
13 there has been a surge in new ship construction, which  
14 has generated enormous demand for cut-to-length plate.  
15 At Nippon Steel, we have a very long history of  
16 serving these Asian shipbuilding customers and so have  
17 increased our exports to these customers to meet the  
18 growing demand. The backlog of orders at these  
19 important customers remains very strong.

20           I would also like to describe briefly our  
21 views on the potential for future export cut-to-length  
22 plate to United States by Nippon Steel if the anti-  
23 dumping order is revoked. We believe that the  
24 opportunities for us in this market are very limited.  
25 The U.S. market for cut-to-length plate is already

1 well-supplied by domestic producers and by imports.  
2 We have no interest in competing in price for  
3 commodity-grade applications in the United States.  
4 That is not our strategy in any export market for cut-  
5 to-length plate.

6 As I mentioned, our goal is to look for  
7 high-value end users where we can differentiate our  
8 product and capture the value of our technology. If  
9 the anti-dumping order is revoked, we anticipate that  
10 our shipments to the United States would not change  
11 significantly. We have had inquiries from some  
12 customers for particular cut-to-length plate products  
13 that they have not been able to obtain in the United  
14 States.

15 One example would be extra-wide, high-  
16 strength plate for the production of large-diameter  
17 line pipe. It might be possible for us to provide an  
18 alternative source of supply for these kinds of  
19 products. The quantity of this shipment is not  
20 expected to be large however because the demand for  
21 this product is limited and because we must remain  
22 focused on our core markets and customers in Japan and  
23 in Asia. Thank you.

24 MR. WOOD: Good afternoon. My name is Chris  
25 Wood, counsel with the Japanese producers in this

1 review. I'd like to cover three main points quickly  
2 in my testimony this afternoon. First, I want to  
3 emphasize the extent to which Japanese producers are  
4 focused on home and Asian export markets for cut-to-  
5 length plate. This is a long-term trend that is not  
6 dependent on the anti-dumping duty order.

7           Second, I want to show you why Japanese  
8 producers are likely to continue to focus on Asia.  
9 Simply put, growth prospects in Asia for cut-to-length  
10 plate are much greater than anywhere else in the  
11 world. The concentration of world shipbuilding in  
12 Asia and the strong, rising demand for energy in Asia,  
13 both key drivers of cut-to-length plate demand, are  
14 very favorable for the Japanese producers.

15           Third, I want to take issue with the  
16 testimony you heard this morning suggesting that the  
17 U.S. market would attract large volumes of imports  
18 from Japan if the orders were revoked. Those are  
19 exactly the same arguments you've heard in every flat-  
20 rolled steel case from Japan in sunset reviews over  
21 the last several years, and it hasn't been true yet.  
22 This case is no different. Bill, can I get the next  
23 slide, please?

24           Let's start by looking at a chart showing  
25 where Japanese producers sell cut-to-length plate.

1 The data on this chart summarize Japanese cut-to-  
2 length plate shipments from 2005 to 2010. The chart  
3 on the left is based on questionnaire data from the  
4 prehearing staff report. It shows shipments to the  
5 Japanese home market, Asian export markets and all  
6 other markets. You can see that the overwhelming  
7 majority, 98 percent of all cut-to-length plate  
8 shipments from Japan, are in Japan and in Asia.

9 If we look at export data, again this shows  
10 the heavy emphasis on shipments to Asia. Exports to  
11 the rest of the world and to the United States in  
12 particular are a very small fraction of total exports,  
13 and because Japanese producers are operating at very  
14 high levels of capacity utilization, there is no  
15 reason to expect either a change in this strategy or a  
16 shift away from serving Asian customers to sell more  
17 to the United States. I'm sorry. You're ahead of me.

18 Let me make two quick additional points  
19 regarding this distribution of shipments. First, the  
20 small volumes of U.S. imports that you see in the  
21 export statistics and Table C-1 of the staff report  
22 are almost entirely non-subject or excluded products.  
23 These are specialty, high-value grades of cut-to-  
24 length plate that are reflected in the very high-  
25 average unit values for these imports. We can give

1 you more detail if you would like.

2           Second, these charts do not include internal  
3 consumption of cut-to-length plate by Japanese  
4 producers. If you included the internal consumption,  
5 which is used for pipe production and the like, you  
6 would see an even greater focus on Japan and Asia.  
7 Now, if I could leave you with just one impression  
8 this afternoon, it would be this, that the Japanese  
9 cut-to-length plate producers are focused on Asia  
10 because of macroeconomic trends that have nothing to  
11 do with the continuation or revocation of the anti-  
12 dumping order.

13           The two key points for us are that the world  
14 shipbuilding industry has consolidated in Asia with  
15 tremendous growth in demand for cut-to-length plate  
16 and that all projections are for a massive increase in  
17 demand for energy-related infrastructure in Asia,  
18 which is also very positive cut-to-length plate  
19 demand. Now, this slide shows the relationship  
20 between CTL plate consumption and energy  
21 infrastructure.

22           This is a quote from Nucor's CEO three  
23 months ago where, when he was asked about plate  
24 markets, he said "Tremendous energy development and  
25 infrastructure development has got to come, and that

1 would bode well for the plate market in the future."  
2 We think he was exactly right with that, and what we  
3 would add is this argument is even more compelling  
4 when you turn to Asia. Next slide, please.

5 This chart compares energy growth  
6 projections for the United States and Asia, including  
7 Japan from 2008 through 2025. The source is the most  
8 recent report by the U.S. Energy Information  
9 Administration, and I'll note that the demand in Asia  
10 is projected to rise by more than 100 quadrillion BTU.  
11 I can't even imagine that. It sounds like a really  
12 large number however, while demand in the United  
13 States and the America region is projected to grow  
14 much more slowly.

15 Now, cut-to-length plate demand is closely  
16 linked to oil and gas development in particular  
17 because that is what requires offshore floating  
18 platforms, drill ships, line pipe, pressure vessels  
19 all made from cut-to-length plate. Next slide shows  
20 crude oil demand by region based on International  
21 Energy Agency statistics. You can see that all of the  
22 projected growth in oil demand between now and 2016  
23 comes from non-OECD countries, principally in China  
24 and in Asia. Demand in the United States and other  
25 developed economies is basically flat.

1           Now, the same holds true with natural gas  
2 demand. Bill, the next slide, please. Let's see.  
3 This chart is from data included in a new  
4 International Energy Agency report. It shows that  
5 demand for natural gas in Asia is projected to more  
6 than double by 2025 while demand in the United States  
7 again increases modestly by about five percent over  
8 the same period.

9           What this means is that there are and will  
10 continue to be very large investments made in oil and  
11 gas infrastructure in Asia to develop and transport  
12 energy to meet rising demand, and this translates  
13 directly into new demand for cut-to-length plate in  
14 these Asian markets. Now, as Mr. Aoyama described,  
15 these energy-related applications demand high-quality  
16 cut-to-length plate, especially as more exploration is  
17 done in deep, offshore waters.

18           Japanese producers have a long track record  
19 of supplying specialty, cut-to-length plate grades for  
20 these applications, and so the Japanese are poised to  
21 be the prime beneficiaries of the rising demand for  
22 energy infrastructure in Asia. Now, the other  
23 significant expansion in plate demand in Asian has  
24 been in shipbuilding. We heard a lot about that this  
25 morning. There is very little demand for shipbuilding

1 plate in the United States, but this is a substantial  
2 market for Japanese plate producers. Next slide,  
3 please.

4 This chart shows the increase in completed  
5 tonnage at shipyards in Japan, China and Korea from  
6 2004, the beginning of the period, to last year, 2010.  
7 As production rose from around 34 million tons in 2004  
8 to 88 million gross tons in 2010, demand for  
9 shipbuilding plate increased substantially, and we've  
10 given you the exact numbers for the Japanese producers  
11 in our brief. Now, equally important is the  
12 development in the order book, or the backlog at the  
13 shipyards in these three countries because this is  
14 what you can look to for likely demand in the future.  
15 Next slide, please.

16 You can see from this slide, let's start in  
17 2004, that you have a backlog of 124 million tons, and  
18 in 2010, the end of 2010, you have a backlog of 235  
19 million tons. By itself, that is almost three years  
20 of peak production, and you can also see, this is  
21 equally important, but in the first half of 2011, even  
22 though production has continued at very high levels,  
23 there has been almost no diminution in that backlog.  
24 It remains extremely strong, so we think shipbuilding  
25 is a market segment in which the demand over the

1 period has grown dramatically, and it's going to  
2 remain strong.

3 Let me spend just a couple of moments on the  
4 claim you heard this morning about high U.S. prices  
5 drawing imports here. We think for Japanese producers  
6 this claim doesn't hold water. This should sound very  
7 familiar to you by this time. I've heard this  
8 argument in the corrosion-resistant steel sunset  
9 review. We heard it in the hot-rolled steel sunset  
10 review. The Commission revoked both of those orders  
11 on Japan, and the projected flood of new imports just  
12 never happened.

13 Since 2007, when the corrosion-resistant  
14 order was revoked, next slide please, sorry, since the  
15 end of 2006 when the order was revoked, you can see  
16 that imports from Japan over four years are up on  
17 average about 15,000 tons a year in a 15 million ton-  
18 per-year market, and as we've shown in our prehearing  
19 brief, since the hot-rolled steel order was revoked  
20 earlier this year, there's been no increase at all, so  
21 we would suggest to you that the simple tautology that  
22 the domestic producers are offering that high U.S.  
23 prices will draw the imports here is not necessarily  
24 true.

25 Actually, given the time constraints, I

1 think I'll stop here and turn it over to Jeff. We'd  
2 be happy to answer any questions.

3 MR. WINTON: Thank you. Jeff Winton of my  
4 self-named law firm on behalf of Dongkuk Steel Mill,  
5 the Korean producer, and we've handed out a written  
6 presentation. Because one of my co-counsel exceeded  
7 his allotted time, I'm going to speak even more  
8 quickly than I normally do, and I apologize for that.  
9 There are three Korean producers of the merchandise  
10 that's under review here. One is my client, Dongkuk  
11 Steel Mill, or DSM as we call it. The second is  
12 Hyundai Steel. The third is Pohang Iron and Steel  
13 Company, also known as POSCO.

14 U.S. producers have claimed that there is a  
15 fourth Korean producer names Korean Iron and Steel  
16 Company, and I thought I heard them complain this  
17 morning that it hadn't provided any information, but  
18 the Commission itself investigated KISCO back in the  
19 original investigation and found, and I quote, "Korean  
20 Iron & Steel Company, Ltd. ceased production of CTL  
21 plate in 1998."

22 Furthermore, you can go to KISCO's website,  
23 it's [www.kisco.co.kr](http://www.kisco.co.kr), and you can look at the products  
24 it produces. It lists in a little bubble what  
25 products it makes, and plate's not one of them, and

1 there's a statement about their history which says,  
2 KISCO is, "manufacturing bar forging steel pipe, gas  
3 billet and ingot," but it doesn't mention plate. I've  
4 provided screen prints of the KISCO website as an  
5 attachment to our presentation. They are not a  
6 producer.

7 So we're talking about three producers, and  
8 I should also mention that we're talking about a  
9 product called cut-to-length plate. I heard this  
10 morning, I saw this wonderful chart about how imports  
11 from Korea were way up. The chart says 200,000 tons  
12 in the first half of 2011, but when you look at this  
13 carefully, you find that almost all of the increase is  
14 something they call plate and coil.

15 Plate-in-coil is not cut-to-length plate.  
16 In fact, plate-in-coil is hot-rolled coil, greater  
17 thicknesses of hot-rolled coil as opposed to smaller  
18 thicknesses. It has nothing to do with our case. Our  
19 case is about cut-to-length plate. Now, in 2008 and  
20 2009, press reports are quite clear, and indeed the  
21 press reports submitted by the U.S. producers, Korea  
22 was facing what was called "a severe shortage of steel  
23 plate," and so the Korean producers expanded their  
24 capacity.

25 Despite the expanded capacity or at the same

1 time as expanded capacity, demand has continued to  
2 increase, and again you can see articles submitted by  
3 ArcelorMittal, which show that Korean demand has gone  
4 up about 1.5 million metric tons just from 2010 to  
5 2011. There's increasing demand in Korea. There was  
6 the severe shortage, and so naturally the Korean  
7 producers have responded by expanding their capacity.

8           Notwithstanding this expansion of capacity,  
9 when you look at my clients' information, its  
10 utilization remains high, actually very, very high,  
11 and it's utilization actually increased from 2009 to  
12 2010 and then again from 2010 to 2011, so you don't  
13 see a situation where the Korean producers have built  
14 capacity that they're not using. To the contrary,  
15 we've built capacity to remedy a severe shortage of  
16 steel plate, and we were using that capacity to supply  
17 primarily demand in Korea.

18           If you look at the press reports that  
19 indicate why the capacity was added, none of them say  
20 because we're going to export to the United States.  
21 They all say because there's an opportunity to replace  
22 imports from China into Korea because it's supplying  
23 the Korean market and to some extent the Japanese  
24 market as well.

25           There are other press reports which one of

1 the U.S. producers has treated as confidential,  
2 although I noticed earlier today that they had no  
3 problem mentioning in the public hearing when it helps  
4 them to quote these reports, but they've treated it as  
5 confidential, and so I won't discuss them here. It  
6 seems to me maybe an APO violation, but that's an  
7 issue for another day.

8           The U.S. producers have told you, or Mr.  
9 Schagrin said if Korean producers could more readily  
10 export to the United States, at least some of them  
11 very likely would do so, and Wiley Rein on behalf of  
12 Nucor said POSCO, whose capacity increase and growing  
13 exports to the United States' market are indicative of  
14 how subject producers would behalf absent the orders.  
15 (We can turn that off by the way. It has nothing to  
16 do with us.) But if you look at the facts, it simply  
17 doesn't support the case that they made.

18           In fact, Nucor has basically stated that we  
19 should win this case because when you look at it,  
20 POSCO is not subject to the anti-dumping or counter-  
21 veiling duties orders. It's never been subject to  
22 these anti-dumping or countervailing duties orders.  
23 It's been free to export without restraint since the  
24 beginning of this case.

25           Nevertheless, when you look at the data, and

1 it's proprietary, you have the data in the proprietary  
2 version of the staff report, but from what my client  
3 has told me, and I know what my client has exported,  
4 and I subtract that from the import statistics,  
5 basically what my client, Dongkuk has exported, is  
6 pretty much everything coming in from Korea during the  
7 period you're looking at, from 2005 to 2011, and as  
8 far as we can tell, POSCO simply hasn't been a factor  
9 in the U.S. market at all.

10           Whatever Dongkuk's, my client's,  
11 participation may have been in the past, it's also  
12 clearly not participating in the U.S. market now in  
13 any meaningful way. In fact, when you look at the  
14 import statistics, you can see that imports from all  
15 Korean sources have largely disappeared from the U.S.  
16 market because the Koreans, like the Japanese, are  
17 focusing on the booming markets in Asia for plate for  
18 shipbuilding, for oil rigs, marine structures, energy  
19 uses and the like.

20           We've provided in our presentation, I've  
21 written all over mine, but hopefully yours are  
22 cleaner, a table just showing the history of imports  
23 from Korea since the beginning, and I've included in  
24 here imports from POSCO because I don't have a public  
25 source that really splits this out. You can see 1996,

1 1997 imports of maybe 25,000 tons going way up in '98  
2 and '99 to relatively high values because of the Asian  
3 financial crisis, which we talked about earlier today,  
4 and then it drops off.

5 Then, you see from 2004 to 2006 another  
6 increase, and as I said, that's almost entirely my  
7 client's exports to the United States, falling off  
8 again, almost nothing in 2009 and 2010, slight  
9 increase in the first half of 2011. I've annualized  
10 the numbers by doubling them to keep the scale  
11 perspective, but you can see the imports in the 2011  
12 are not anywhere in any way historically high.

13 I look at this information, and by the way,  
14 I should say, I thought I heard Mr. Breckheimer I  
15 think his name is, say this morning that he was  
16 explaining why the U.S. industry did so well in the  
17 first half of 2011. I think the phrase he said was  
18 total absence of imports during the first half of  
19 2011, which I think he maybe exaggerates, but he is  
20 more or less is right with respect to Korea, and when  
21 you look at the import statistics, I think if you take  
22 out Dongkuk's exports, and you look at what's coming  
23 in that's not Dongkuk, which is where POSCO would have  
24 to be, and there's almost nothing, you say why isn't  
25 POSCO here? Why aren't their imports higher?

1           Nucor has told us that look at POSCO.  
2           They'll tell you what's going to happen if you revoke  
3           the order because POSCO isn't subject. Well, you look  
4           at POSCO, and they're not in the market, so the only  
5           conclusion I think you can reach is that there are  
6           structural reasons why the U.S. market is not  
7           attractive to POSCO because if it were attractive to  
8           POSCO, POSCO could sell here. There's no remedies on  
9           POSCO. Their products are non-subject, and it comes  
10          back to the things, and I think the Japanese producers  
11          have talked about this, what's going on in Asia, the  
12          market for shipbuilding and things like that which I  
13          imagine we will talk further about.

14                 Finally, I'd like to talk a little bit about  
15          the analysis we tried to present in our prehearing  
16          brief, which was to look at this, what is effect that  
17          the imports that my client, Dongkuk, its exports it's  
18          made to the United States has had on the U.S. market,  
19          and we have a somewhat unusual situation here.

20                 Normally, we come to the sunset reviews,  
21          nobody's exported, we all tell you we're not going to  
22          export in the future, we didn't export in the past,  
23          we're not going to export in the future, or the U.S.  
24          industry says you didn't export in the past, but you  
25          are going to export in the future, and you're looking

1 at five years where there no participation of the  
2 imports in the U.S. market, and you have no way of  
3 telling what would happen in the U.S. market today.

4 In this case, it's different because Dongkuk  
5 did have sales in the U.S. market, at least through  
6 2008, and so you have a kind of natural laboratory for  
7 testing what happens when Dongkuk is in the market,  
8 and because Dongkuk also withdrew from the market, you  
9 can see what happens when Dongkuk is in the market,  
10 what happens when they're not in the market, what  
11 happens with the products that they sell, and you look  
12 at the U.S. prices for the products that Dongkuk  
13 sells, what happens to those prices?

14 What about the prices for the products that  
15 Dongkuk didn't sell? Shouldn't there be a difference  
16 if Dongkuk was having an effect on the U.S. market?  
17 You don't see it. You can look at the individual  
18 products were Dongkuk did sell, and you can see over  
19 the period they had some relatively higher volumes in  
20 some parts of the period and lower in others, and for  
21 other products, it's a different trend, and you look  
22 at those, and you say well, if Dongkuk was affecting  
23 prices, then when they were selling a lot, or  
24 relatively a lot, you would expect U.S. prices to be  
25 depressed.

1           When Dongkuk, wasn't selling a lot, you'd  
2     expect U.S. prices to be higher if we were having an  
3     adverse effect, but you don't see that at all. In  
4     fact, when you look at the data on pricing, you see no  
5     impact from Dongkuk whether Dongkuk is in the market,  
6     not in the market, it has no impact on what's going on  
7     with the U.S. producers' prices. The other thing you  
8     can do is you can look at how the U.S. producer's  
9     profitability correlates to imports from Dongkuk, and  
10    we've presented that in our prehearing brief.

11           I've given you on page 6 just the trend.  
12    You've seen it. The Japanese did it as a bar graph.  
13    I've done it as a line graph, but you see the  
14    percentage profit rate for the U.S. producers. You  
15    see it very high from 2004 to 2008, in excess of 20  
16    percent of sales, falls in 2009 obviously because of  
17    the financial crisis, and then pops back up in the  
18    first half of 2011.

19           On the next page, page 7 of our handout,  
20    I've overlaid that profit history with the import  
21    history. And this is all imports, includes POSCO, as  
22    non-subject imports, as well as subject imports; in  
23    our brief we provided the analysis showing you only  
24    subject imports.

25           But what you see is that when imports from

1 Korea are at their highest, the U.S. industry is  
2 actually earning record profits. And as the U.S.  
3 industry's profits fall off precipitously in 2009 to a  
4 loss, Korea disappears from the market.

5 You would think that the U.S. industry would  
6 want us in the market. Because when we come in, their  
7 profits go up. But certainly you can't say that we  
8 have caused any sort of financial harm. To the  
9 contrary, when you look at our imports against their  
10 profit, you see there's no adverse effect from  
11 imports. And when they start showing an adverse  
12 effect, losses, we're out of the market.

13 Finally, talk a little bit about an issue  
14 that no one I think has talked about so far, which is,  
15 what is a reasonably foreseeable period in this case.

16 Mr. Schagrin was telling us that the  
17 shipbuilders will have their orders books full for the  
18 next two years; and I've seen some press reports that  
19 some of them have their order books full through 2014,  
20 which I think is more than two years. That's two  
21 years in which the shipbuilders are going to be fully  
22 busy, using all the plate they can.

23 Now, what happens after two years? Well, we  
24 don't know that today. And the fact that there might  
25 be no orders today -- and that is in fact not true,

1 there are orders today. But if there were no orders  
2 today, it doesn't mean there wouldn't be an order  
3 tomorrow, or next, or six months from now or a year  
4 from now, that would fill up their order book.

5 So we simply have no way of knowing, beyond  
6 2014, what's going to happen. But we do know for a  
7 certainty that through end of 2013, in some cases  
8 2014, the demand in shipbuilding is going to be there.  
9 Demand in other markets, as you heard from the  
10 Japanese counsel, in energy is certainly booming. And  
11 that's where we expect the sales to be.

12 And so these drastic warnings you've heard  
13 about how the world is coming to an end, that  
14 shipbuilding is going to disappear as a business,  
15 simply not true. And we can provide further  
16 information. The Korean producers had actually signed  
17 some very major sales for ships in July of this year,  
18 and we can talk about that further.

19 Finally, to make a last point, which is,  
20 when Dongkuk left the U.S. market at the end of 2008  
21 because of the financial crisis, they worked very hard  
22 to develop new markets for their product; to look, you  
23 know, they had been selling, they had longstanding  
24 relationships in the U.S. market, but the U.S. market  
25 basically disappeared. Because of the financial

1 crisis, they went elsewhere.

2 As a business matter, it is not in their  
3 interest to drop existing customers to chase a few  
4 dollars more in the short term. Yes, prices vary a  
5 little bit from time to time, but there is, in the  
6 long term, if you get a reputation for dropping your  
7 customers, after you've worked hard to build the  
8 relationship, you're going to find that nobody wants  
9 to do business with you, because they won't be able to  
10 rely on you. And this is I think true for all  
11 producers in almost all industries; they're very  
12 reluctant to just shift like that.

13 You know, economists may tell you: "Oh, the  
14 price is higher, they should shift, that's what a  
15 rational businessperson would do." In a one-turn game,  
16 that might be right. But when you're looking at  
17 things in the long run, lots of turns, long-term  
18 relationships, it's simply not the way things happen.

19 Finally, I know there's been arguments about  
20 prices in the U.S. being much higher than in other  
21 markets. And for whatever reason, I don't think the  
22 information is particularly confidential, but it's all  
23 bracketed in the staff report, and so I can't talk  
24 about it in detail.

25 I think it's clear if you look at that, it

1 is not a development that just happened in 2011 for  
2 the first time ever. And so you have to ask if prices  
3 in the U.S. are higher than in Korea in earlier  
4 periods, or in 2011 for that matter, why is POSCO not  
5 selling in the U.S. market?

6 POSCO isn't. POSCO has voted with its feet.  
7 Its actions show you that the numbers you're getting,  
8 that the prices in the U.S. market are higher, simply  
9 cannot be correct.

10 With that, I think I have used up almost all  
11 of our allotted time. I will save whatever we have  
12 left for rebuttal. Thank you very much.

13 VICE CHAIRMAN WILLIAMSON: Thank you, Mr.  
14 Winton. I just want to thank all of the witnesses for  
15 their testimony. I particularly want to express  
16 thanks to those who have come from out of town to be  
17 here today. And this afternoon we'll begin the  
18 testimony, the questioning with Commissioner Pinkert.

19 COMMISSIONER PINKERT: Thank you, Mr.  
20 Chairman. And I thank all of you for being here  
21 today, and for helping us to understand what is  
22 happening and likely to happen in this industry.

23 I want to begin with a question for Mr.  
24 Wood. And I want to preface it by saying I note your  
25 testimony about past shipbuilding activity, as well as

1 the order backlog in that segment.

2 But I'm wondering, can you address more  
3 directly expected future demand in the shipbuilding  
4 segment?

5 MR. WOOD: Okay, well, thank you,  
6 Commissioner Pinkert. Let me try.

7 Let me start by saying that the data we have  
8 given you on shipbuilding I think is about as  
9 contemporaneous as it can possibly be. The data in  
10 the prehearing brief was published in September; it  
11 covers through the first half of 2011. So in that  
12 sense, it is, it is spot-on with the data period for  
13 which you've collected information on the U.S. market.

14 Now, in terms of projecting out future  
15 demand, what we can say I think are the following  
16 things. We know what the order backlog is, and we  
17 know how long it would take to work off that backlog,  
18 even if they never received another order of ships.

19 And you know, maybe we can quarrel with the  
20 numbers but -- we think it's close to two years, I  
21 heard, you know, slightly lower numbers this morning  
22 but the fact is, it's a very substantial backlog. And  
23 if you compare it to where we were at the start of  
24 this review period, it is an enormous increase.  
25 Enormous increase.

1           Okay, so that suggests to us, and it's what  
2 we said in our brief, that the shipyards are going to  
3 be pretty darn busy for the next few years.

4           Now, the other piece of that is how much  
5 new, how many new orders, how much new is going to be  
6 added to that backlog.

7           Well, we know that for the first six months  
8 of 2011 at least, that the balance between new orders  
9 and production has to have been pretty much one to  
10 one, because that backlog hasn't gone down at all.  
11 Well, six million tons out of 235 million. We had it  
12 on our chart. So that suggests that, at the moment,  
13 things are still quite strong.

14           And we'll put some material in our  
15 posthearing brief, I think Jeff alluded to it a moment  
16 ago, but the Korean shipbuilders are actually doing  
17 surprisingly well this year. I was very surprised at  
18 some of what I heard this morning. And I think we're  
19 going to be able to show you some data that suggests  
20 that market is going to be quite good, going forward.

21           COMMISSIONER PINKERT: How up to date do you  
22 think that data will be?

23           MR. WOOD: The data, I think it's going to  
24 be the announcements they have made in the last month  
25 or so. I mean, we're already current through June,

1 and so we'll be trying to point you to developments  
2 since then.

3 And then if I may just add one more thing to  
4 it. I think it's very important, and I hope the  
5 Commission will recognize, that these shipbuilders are  
6 also, by and large, very prime constructors for  
7 energy-related applications. These are the people who  
8 are building the offshore platforms, the drill rigs,  
9 the floating, you know, the semi-submersibles, things  
10 like that. And that is demand that we think is poised  
11 to really skyrocket, going forward.

12 So if you look at it net-net, we think it's  
13 a very strong market.

14 COMMISSIONER PINKERT: Thank you. Now,  
15 turning to Mr. Waite. I'm intrigued by this issue of  
16 the affiliated companies, and I want to ask you  
17 whether the Evraz U.S. companies hold a veto over  
18 shipments into the U.S. market by their affiliates in  
19 Italy.

20 MR. WAITE: Thank you, Commissioner Pinkert.  
21 I was prepared to answer that question before my  
22 client's sister company this morning said that that  
23 information was being treated on a confidential basis.  
24 So I will respect that, since it is a, since it is a  
25 question directed at the position and action of the

1 Evraz U.S. companies, and we will address it fully in  
2 our post-hearing brief.

3 COMMISSIONER PINKERT: Thank you. And Dr.  
4 Magrath.

5 MR. MAGRATH: Commissioner, I don't know, as  
6 well. But again, for either Evraz in, you know,  
7 Pollini or elsewhere in Europe, or being able to  
8 dictate shipments to the U.S. or Evraz, the two  
9 facilities, the United States being affect to affect  
10 imports, that just isn't the way, I mean in terms of  
11 my study in the issue, that a multi-national  
12 corporation works.

13 All those decisions, it's a hallmark again  
14 of the multi-national corporation, they all come from  
15 the top down. And the different sells, if you will,  
16 really don't have much contact with each other  
17 laterally, and typically don't have any say in the  
18 decisions made from the top.

19 This is general to multi-national  
20 corporations.

21 COMMISSIONER PINKERT: Okay. Well, that  
22 answer, Dr. Magrath, may preempt my next question, but  
23 I'm going to ask it anyway as a hypothetical. And  
24 then in the post-hearing, you can address it, if in  
25 fact the assumptions behind it prove to be accurate.

1                   But assume that the U.S. companies, the  
2                   Evraz U.S. companies, do have some sort of veto power.  
3                   If they do, please address under what circumstances  
4                   they would use that power.

5                   MR. WAITE: We will address that in our  
6                   post-hearing brief, as I'm sure counsel for Evraz U.S.  
7                   will also address that same question you asked this  
8                   morning. Yes, Commissioner.

9                   COMMISSIONER PINKERT: Thank you.

10                  MR. MAGRATH: Very shortly, Commissioner. I  
11                  think they're still in the room, so you can ask them.

12                  COMMISSIONER PINKERT: Well, I would ask all  
13                  parties to look at that issue for the post-hearing.

14                  Now, staying with the Italian issue for the  
15                  moment. I am concerned about what to do about the  
16                  parties that are not participating in this proceeding.  
17                  I understand your argument that, for example, one of  
18                  those companies is not subject to the anti-dumping  
19                  order, and I understand that there is some, some  
20                  circumstantial evidence or some historical evidence  
21                  that might suggest limited participation in the U.S.  
22                  market by that company.

23                  But do we have direct evidence of the intent  
24                  of that company, or any other non-participating  
25                  company, with respect to the U.S. market?

1           MR. WAITE: Yes, we do, Commissioner  
2 Pinkert. Again, it's Fred Waite.

3           We have presented to you in our prehearing  
4 brief statements by virtually all of the other Italian  
5 plate producers regarding their marketing plans and  
6 strategies as they appear in their public statements  
7 and web sites. They all state that their primary  
8 focus is the European market. One says that it ships  
9 two thirds of its entire production into Italy, and  
10 the balance goes into the rest of Europe.

11           Ilva makes it very plain, in its public  
12 pronouncements, that it takes pride of place of being  
13 the largest steel plant, not only in Italy, but also  
14 in Europe; and that it sees Europe as its primary  
15 market.

16           Some of these mills, also on their public  
17 sites, Commissioner, list their sales offices, their  
18 marketing representatives and agents. And it's very  
19 telling that when those offices are listed, every one  
20 of them is located in Europe, and every one, save one,  
21 identifies a European country as the territory covered  
22 by that office. The one exception deals with an  
23 office that handles sales to Israel, as well as  
24 several European countries.

25           So we do have that information. Now, that

1 does not diminish the disappointment that I'm sure the  
2 Commission has, and I know that we have, that other  
3 Italian plate producers have chosen not to respond in  
4 this proceeding, and not to provide to the Commission  
5 information about their operations directly.

6 We can only assume that they are not here  
7 because they simply don't care about the orders in the  
8 United States. Because, as I said, their public  
9 pronouncements, their history of their shipments,  
10 makes it plain that they see their markets elsewhere,  
11 5,000 miles to the east of here.

12 COMMISSIONER PINKERT: One additional  
13 question about the situation in Europe, which you can  
14 address in the post-hearing. But is there any reason  
15 to think, in light of recent macroeconomic  
16 circumstances in Europe, that the demand that the  
17 Italian producers have historically relied upon in  
18 Europe is in the process of disintegrating?

19 MR. WAITE: That, again, is a very  
20 insightful question, and one that I don't think that  
21 anyone in this room, or perhaps any room on this  
22 planet, can answer in terms of what's happening in  
23 Europe.

24 Because it appears to me, as a layperson,  
25 that what's happening in Europe is driven primarily at

1 the moment by political considerations. That is,  
2 decisions being made by national parliaments in  
3 members of the European Union with respect to the  
4 agreements that have been reached with the Greek  
5 Government on providing bailout insurance, so that  
6 that government does not default on its major  
7 obligations. Sending, of course, a signal that the  
8 European Union, supported by the International  
9 Monetary Fund, would be prepared to take similar  
10 action for other members of the Euro Zone that might  
11 be similarly situated in the future. Portugal, Spain,  
12 Italy, and Ireland have been mentioned, either in the  
13 past or in the present, as perhaps falling into that  
14 condition.

15 So with all of the trepidation of trying to  
16 predict the future, I can only say that the markets in  
17 Europe, for the most recent data that we have  
18 available, are still important large markets; they are  
19 still consuming the plate produced by the Italian  
20 industry, as well as other European producers. And I  
21 would also say that for the nearby geographic markets,  
22 North Africa and the Middle East, those have been very  
23 buoyant over the years. And if, indeed, all of the  
24 discussion we heard this morning and earlier this  
25 afternoon about the importance of energy development

1 continues to hold sway, then countries along the North  
2 African coastline - Libya, Morocco, and Algeria,  
3 traditional markets for the Italian industry, Turkey,  
4 the Gulf States - will certainly be absorbing a great  
5 deal of steel, including steel plate, for their  
6 extraction and production and distribution networks.

7 COMMISSIONER PINKERT: Thank you. I would  
8 just ask that for the post-hearing, you supplement  
9 that answer with as up-to-date a data series as you  
10 can concerning demand in the European market.

11 MR. WAITE: We shall do that. And I assume  
12 by that question, Commissioner, demand for cut-to-  
13 length carbon steel plate.

14 COMMISSIONER PINKERT: Correct. Thank you  
15 very much. Thank you.

16 VICE CHAIRMAN WILLIAMSON: This question is  
17 for the Japanese Respondents. In its brief at pages  
18 39 to 40, Nucor argues that Japanese Respondents  
19 reported 2010 export quantities that are much lower  
20 than official Japanese export statistics.

21 Either now or in post-hearing, could you  
22 address this assertion?

23 MR. WOOD: Yes, Vice Chairman Williamson.  
24 This is Chris Wood again.

25 I have a couple of points to make on that.

1 One is, we will certainly address it in post-hearing,  
2 because it's a numbers issue that I think is probably  
3 a little complicated to deal with here.

4 At the big-picture level, we think that  
5 their numbers, when they have pulled these export  
6 statistics, they are including enormous quantities of  
7 non-subject merchandise. Enormous quantities. And  
8 that's the reason for the difference.

9 And if you'll permit me, I also want to say  
10 I was actually a little offended at the way that was  
11 put in their brief. I mean, we take our  
12 responsibilities to this Commission, and to supply  
13 accurate data, extremely seriously, both as counsel  
14 and our clients do, as well. And the suggestion that  
15 we are intentionally under-reporting the data I  
16 thought was uncalled for.

17 We've done this quite a bit, and we'll  
18 certainly do our best.

19 VICE CHAIRMAN WILLIAMSON: Well, you will  
20 have a chance to rebut it in the post-hearing.

21 MR. WOOD: Yes, exactly.

22 VICE CHAIRMAN WILLIAMSON: Thank you. Also  
23 for the Japanese Respondents. On Table 4-11 of the  
24 staff report, it shows that Japanese exports of CTL  
25 plate to markets outside of Asia, the U.S., and the EU

1 increased substantially from 2009 to 2010. And it  
2 also increased between, and these exports also  
3 increased between interim 2010 and interim 2011.

4 And can you explain the origin of this  
5 increase, why this increase occurred, and whether it's  
6 significant for our determination? So this is exports  
7 outside of Asia, the U.S., and the EU.

8 MR. WOOD: Yes, Vice Chairman Williamson.  
9 Chris Wood again.

10 We absolutely can explain that. And I think  
11 the question is whether our witness is comfortable  
12 explaining the specific circumstances in the public  
13 hearing, or whether we want to do that in a  
14 confidential submission.

15 MR. AOYAMA: So this is Aoyama, Nippon  
16 Steel. And we will submit in detail in the post-  
17 hearing brief. But as a general explanation, there  
18 was a certain demand or request from the customers  
19 outside Asia to get the very specific or special cut-  
20 to-length plate for the energy sector use. So that is  
21 the reason why that you see there's some increase of  
22 exports from Japan to that destination.

23 MR. WOOD: And if I may, Vice Chairman  
24 Williamson. We would also direct you to Exhibits 9  
25 and, I believe, 11 of our, of our prehearing brief.

1 We'll spell this out in our post-hearing submission,  
2 but that largely explains where the increase is coming  
3 from.

4 VICE CHAIRMAN WILLIAMSON: Okay, thank you.  
5 I look forward to the further details in post-hearing.  
6 Thank you.

7 There was a lot of discussion this morning  
8 about - well, some discussion this morning about  
9 shipping costs. And the Japanese producers have  
10 indicated that raising freight costs are a  
11 disincentive to producers to export to the U.S.

12 And of course, Nucor disagreed with this,  
13 and particularly pointed to the difference between  
14 bulk, large-volume shipments, and small shipments.

15 And I was wondering if you disagree with  
16 their analysis.

17 MR. AOYAMA: Okay, this is Aoyama, Nippon  
18 Steel again. Regarding the freight costs, the  
19 analysis of Nucor people, I have no objection to that,  
20 having said that I am in the big volume business means  
21 that I have lower freight costs. Our point is, we,  
22 Japanese, Nippon Steel, have no intention, no capacity  
23 to ship out big quantity of cut-to-length freight to  
24 the United States. Even though the big volume can get  
25 that lower freight cost.

1           Because we are busy serving the growing  
2 demand in Asia for shipbuilding or in energy sector's  
3 demand. So we are not in a position to think about  
4 exporting a big quantity of commodity-grade freight to  
5 the United States. That is our position.

6           VICE CHAIRMAN WILLIAMSON: Okay. So in  
7 other words, it's not the freight costs that are the  
8 disincentive to increase.

9           MR. AOYAMA: It's not the single factor  
10 which decides our options. It's okay?

11          VICE CHAIRMAN WILLIAMSON: Okay, yes. Thank  
12 you, I get the picture. I used to work for the Port  
13 Authority in New York and New Jersey. I'm always  
14 potentially interested in shipping costs.

15          Okay. For the Korean producers, does  
16 Dongkuk have a position on cumulation? Mr. Winton.

17          MR. WINTON: Of course we have a position on  
18 cumulation.

19          VICE CHAIRMAN WILLIAMSON: Would you mind  
20 stating it?

21          MR. WINTON: Yes. I think our position, one  
22 of the statutory issues, you are not required to  
23 cumulate, you're not supposed to cumulate when imports  
24 are not likely to have a discernible adverse impact on  
25 the U.S. industry. And I think from our arguments

1 looking out to the future where the Korean producers  
2 are selling, there is simply no evidence that supports  
3 the conclusion that there is a likelihood of a  
4 discernible adverse impact from Korea; and therefore,  
5 Korea should not be cumulated with any of the other  
6 countries.

7 We can, of course, discuss other factors.  
8 You can always find there are differences, there are  
9 similarities; but fundamentally, we don't see that we,  
10 you know, we are going to ever be a problem for the  
11 U.S. producers.

12 VICE CHAIRMAN WILLIAMSON: Okay. And that,  
13 so you're saying it's not on the basis of your  
14 capacity, but on where the shipments are likely to go  
15 that we should be considering this?

16 MR. WINTON: Well, capacity. We are, as I  
17 said, we are operating at very, very high levels of  
18 capacity. We've heard today, you know, my client has  
19 added capacity, Hyundai Steel has started production  
20 in 2010 in its added capacity. And we keep hearing  
21 there is capacity, but we haven't looked at the other  
22 side of this. Which is that there is demand for that  
23 capacity in Korea.

24 Korea has actually been importing steel. On  
25 the whole, it doesn't produce enough slabs. My client

1 actually doesn't produce slabs; it purchases slabs,  
2 and just re-rolls them.

3 But to my knowledge, there is no excess  
4 Korean capacity, notwithstanding the frightened  
5 complaints of the U.S. producers. It simply doesn't  
6 exist.

7 And more generally, if I may. This case is  
8 really not about the U.S. market, as far as my client  
9 is concerned, and I think the Japanese would agree  
10 with it. We all focus on the U.S. market. We're  
11 Americans; we live here, and we're worried about the  
12 U.S. industry. And we saw the workers come in. We  
13 all feel terrible for people who are at risk.

14 But the reality for my client is, this is  
15 about the Asian market. Korea came out of the  
16 financial crisis of 2008 much faster than the United  
17 States, because of booming markets in China, because  
18 of booming markets in other areas of Asia.

19 And so what we've had here as the great  
20 recession has not been a great recession to Korea at  
21 all. And it's not been a great recession to China at  
22 all. And in fact, we heard that China is going to  
23 continue to grow; it's just a question of how much  
24 it's going to grow.

25 And so when you look at it from the

1 perspective of the Japanese producers or the Korean  
2 producers, this is about what's going to happen in the  
3 Asia markets, and we see growth. Yes, of course there  
4 are things, you can always worry about things. But  
5 all the evidence we have, continuing orders, good  
6 order backlog, booming energy demand, that's growth.

7           So we don't, we don't think there is excess  
8 capacity, and we don't see any basis for the Korean  
9 producers to start shipping to the United States in  
10 volumes that would have any sort of discernible  
11 adverse impact on the U.S. producers.

12           Now, I can talk about differences between  
13 Korea and other countries, but to me, that's sort of  
14 beyond the point. Because the key fact is I don't see  
15 us being in the U.S. market, given the demand that's  
16 been described in Asia.

17           VICE CHAIRMAN WILLIAMSON: So are you  
18 suggesting there will be no discernible adverse  
19 impact, and not to worry about cumulation?

20           MR. WINTON: I think if you find no  
21 discernible adverse impact, then you are required not  
22 to accumulate; and you don't need to look at the other  
23 factors regarding cumulation.

24           But we can certainly address them in our  
25 submission. You know, there are differences in

1 patterns of, you know, the exports, where we've been  
2 in the U.S. market and then have withdrawn from the  
3 U.S. market. It's a different story for Korea than I  
4 think the other countries. But fundamentally, I don't  
5 see a discernible adverse impact. I think you can,  
6 and there are Court cases which say that you are  
7 allowed to simply say that's enough, no discernible  
8 adverse impact, we don't need to worry about the other  
9 stuff.

10 VICE CHAIRMAN WILLIAMSON: Okay, thank you  
11 for that clarification. My time is about to expire,  
12 so let's see, Commissioner Lane.

13 COMMISSIONER LANE: Thank you. And welcome  
14 to the afternoon panel.

15 Mr. Wood or your client, this question is  
16 for you. Do you agree with Mr. Schagrins opening  
17 remarks that the shipbuilding market is heading for a  
18 critical trough in the next 18 to 24 months?

19 MR. WOOD: Chris Wood, Commissioner Lane.  
20 Thank you for that question.

21 The answer is no, we don't agree with that  
22 at all. I mean, I thought it was interesting, because  
23 we largely, I think, agree on the data itself, the  
24 data that's in the record. I didn't hear anybody  
25 quarreling with the data on the record.

1           The question is the interpretation of it.  
2       And you look at the data, and you say well, what data  
3       is most probative of what's going to happen in the  
4       future. And you would look at the backlog.

5           And one of the charts we put up there shows  
6       you that over the period of this review, the backlog,  
7       measured beginning to end, has gone up by 100 million  
8       gross tons. I mean, in the history of shipbuilding,  
9       that's an enormous number.

10          Now, Mr. Schagrin told you over and over  
11       again, oh, a 40-percent fall, a 40-percent fall in the  
12       backlog in two years. And that's true. You can go to  
13       2008, which is the, again, the peak history, the peak  
14       year in recorded history of shipbuilding by some  
15       enormous margin, and say oh, it's fallen from that  
16       peak, and we would concede that. But the backlog  
17       that's still there is very healthy, by both historical  
18       standards and by recent standards. And that's going  
19       to support a lot of shipbuilding.

20          And, as we said, you know, a number of the  
21       shipbuilders are reporting really good orders this  
22       year. So we just don't believe it's that bad. I'm  
23       sorry. That was a long-winded way of saying no, we  
24       don't agree with the characterization that you heard  
25       this morning.

1           MR. WINTON:  Would it be okay if I just  
2 stepped in quickly?

3           COMMISSIONER LANE:  Yes, certainly.

4           MR. WINTON:  Just for anecdotal evidence,  
5 we've been looking at some trade reports.  In July of  
6 2011, so just three months ago and in the third  
7 quarter, the Danish shipping company, Maersk.  First  
8 of all, it placed an order for 20 ships of 18,000 tons  
9 with a Korean shipyard, and then started talking about  
10 buying 10 more of the 10,000-ton ships with the so-  
11 called new Panamax.  And by the way, I think it's  
12 terrific that they've widened the Panama Canal so they  
13 can get bigger ships through, and so people are buying  
14 these "new Panamax" transport cargo ships.  It's  
15 wonderful.

16                   And in addition, you have the 20 ships of  
17 18,000 tons, 10 ships of 10,000 tons.  And then it  
18 says the development comes after Maersk is planning to  
19 announce the firming up of options for another 10  
20 vessels of 18,000 tons to be delivered through 2013 to  
21 2015.  That was July 1.

22                   On July 6, Samsung announced that it had won  
23 a \$1.2 billion deal to build two deepwater drill ships  
24 for Maersk Drilling.  Which then Samsung goes on to  
25 say our total orders are up more than 50 percent from

1 last year, as of July 2011.

2 So the notion that nobody is getting orders  
3 any more is simply untrue. The facts simply don't  
4 support that claim.

5 COMMISSIONER LANE: Whatever it was that you  
6 were reading from, can you put that in the record so  
7 that we can review it, also?

8 MR. WINTON: Absolutely.

9 COMMISSIONER LANE: Okay, thank you. Let me  
10 stick with you, Mr. Winton. In your - no, I'm sorry,  
11 it wasn't you. The Japanese Respondents.

12 On page, well, it's not numbered, but it's  
13 the part of the chart that says, "Demand for natural  
14 gas in Asia is rising quickly, and is projected to  
15 grow by 125 percent by 2025."

16 In looking at that chart, well, first of  
17 all, I'm sort of surprised that you're showing that  
18 the demand for natural gas in the United States is not  
19 more than it is. And so do you have an explanation  
20 for that?

21 MR. WOOD: Well, Commissioner Lane, this is  
22 Chris Wood. And honestly, I don't have an explanation  
23 for that, other than that those are the numbers in  
24 the, in the report. It may very well be that the  
25 report explains the basis for those projections. And

1 if it would be helpful for you, I'm happy to look at  
2 that and address it in the post-hearing.

3 But to be candid, we were sort of more  
4 focused on the Asia trend when we were putting the  
5 slides together.

6 COMMISSIONER LANE: Well, I think that an  
7 explanation would be, would be appropriate. Now let  
8 me ask you my real question.

9 It shows here that from 2008, the demand in  
10 Japan and Asia is going up. And it meets the demand  
11 in the United States in the year 2015.

12 Now, are you asking us to say that the  
13 reasonably foreseeable future is beyond 2015?

14 MR. WOOD: No, ma'am. No, we're not asking  
15 the Commission to adopt a period for looking at the  
16 reasonable foreseeable future that's, you know, that's  
17 eight or 10 or 15 years out.

18 What we were hoping to show in this chart is  
19 that the trendline is consistently up for the Asian  
20 Region. And as that demand increases, that's what  
21 drives the development of new energy-related  
22 infrastructure. And that infrastructure, in turn,  
23 demands new supplies of cut-to-length plate.

24 So, you know, for taking gas as an example,  
25 you might think about liquefied natural gas transport

1 vessels, for example. If this projected trendline is  
2 true, going off into the future, people are going to  
3 be building new capacity to serve that demand. The  
4 same thing for drilling projects and, you know,  
5 offshore platforms to manage it, and the like. So  
6 that's all we're saying.

7 COMMISSIONER LANE: By the same token, if  
8 we're looking at the reasonably foreseeable future,  
9 the demand for infrastructure natural gas is greater  
10 in the United States than it is in Asia.

11 MR. WOOD: Well, actually, I think,  
12 Commissioner Lane, the way I would read this is that  
13 the existing level of demand in the United States is  
14 higher than in Asia right now. But presumably, we  
15 have the infrastructure in place to deal with that  
16 demand.

17 And the point we're making is that it's  
18 really the growth. It's the growth that drives the  
19 demand for new infrastructure. And that's where we  
20 think the, you know, the Asian market is more  
21 attractive for the mills.

22 COMMISSIONER LANE: Do you agree that - and  
23 I think you probably answered this before, but I  
24 forget. Do you agree that the U.S. market has higher  
25 prices than prices in other parts of the world?

1 MR. WOOD: Chris Wood again, Commissioner.  
2 I think that, I'm struggling a little bit with how to  
3 answer this, because much of the pricing data is  
4 confidential.

5 COMMISSIONER LANE: A yes would be nice.

6 MR. WOOD: Well, let me put it this way. If  
7 recollection serves, the steel bench marker data that  
8 one of the domestic companies put on the record I  
9 believe is public, disagrees ... thank you. And yes,  
10 you're absolutely right. That certainly shows a  
11 pricing differential between the U.S. and other  
12 regions.

13 Now, I would suggest to you that it would  
14 also be, in a sense because you've gone to the trouble  
15 of collecting all this very detailed data from the  
16 respondents themselves as to where they sell and what  
17 prices they sell at, I would suggest to you that that  
18 might be a better source for what is actually being  
19 sold, and what the prices are.

20 COMMISSIONER LANE: Okay. Let's assume that  
21 the prices in the United States are higher. And let's  
22 assume that there is excess capacity from these five  
23 countries. And let's assume that the United States is  
24 really serious about becoming energy-independent, and  
25 one of the ways to do that is increase for the

1 exploration of natural gas and oil.

2           Would, then, the United States become an  
3 attractive market for these five countries, if the  
4 orders were revoked?

5           MR. WOOD: Well, let me start with that.  
6 Chris Wood again. And I guess I have to make two  
7 qualifications at the outset.

8           One is that I really can't speak for the  
9 five countries. I can tell you about the Japanese  
10 mills.

11           COMMISSIONER LANE: That's fine.

12           MR. WOOD: And I'm afraid you'll have to go  
13 elsewhere. And I guess I would have to, I would have  
14 trouble accepting one of your starting assumptions  
15 about the excess capacity, at least in Japan. Because  
16 we really aren't seeing that in the data, I think,  
17 that you have right here.

18           And then, you know, I think, and I may ask  
19 Mr. Aoyama or Mr. Kato to supplement me. But I think  
20 the point we'd like to get across this afternoon is  
21 that, at a macro level, the focus of these companies  
22 is on Asia. Because in the short, we think that in  
23 the short, mid, long term, that's really where the  
24 opportunities are.

25           And so when you look at where you're going

1 to invest finite resources, in terms of, you know, the  
2 capacity that's available to sell, in terms of the,  
3 you know, the effort you're going to make to go out  
4 and develop customers and distribution channels, I  
5 really don't think that revocation of the order is  
6 going to have much of an effect.

7 COMMISSIONER LANE: Okay, thank you. Mr.  
8 Winton, I'll get back to you on my next round.

9 Vice Chairman Williamson.

10 VICE CHAIRMAN WILLIAMSON: Commissioner  
11 Pearson.

12 COMMISSIONER PEARSON: Thank you, Mr.  
13 Chairman. Welcome to all of you. It's good to have  
14 you here this afternoon. And I appreciate the fact  
15 that we have three countries represented. It's always  
16 a help in these reviews to have multiple countries  
17 come. I wish we had a clean sweep, but we are glad  
18 that you're here.

19 Mr. Winton, in respect to cumulation, you  
20 are arguing that we should find no discernible adverse  
21 impact with respect to Korea. You may be aware that  
22 Chairman Okun and I have, for several years, used a  
23 procedure where we look first at differences in  
24 conditions of competition to see whether that might  
25 provide grounds not to cumulate. And then if we find

1 that that doesn't exist, then we'll look at no  
2 discernible.

3           You can imagine the interesting situation we  
4 might be in, looking at those, any differences of  
5 conditions of competition informed largely by Ms.  
6 Cannon's view. And she's extremely eloquent and  
7 articulate on cumulation. I must say I've learned a  
8 great deal from her over the years on that subject.

9           But it might be helpful to know what you  
10 think about those conditions, so that we could, so the  
11 Chairman and I could be informed using our normal  
12 procedure. We use that procedure not to make life  
13 difficult for counsel, but because in our reading, it  
14 flows most naturally from the structure of the statute  
15 itself.

16           MR. WINTON: And of course, it's my goal to  
17 be as helpful as possible, though it may not always  
18 seem that way.

19           Let me, we have an interesting factual  
20 situation here. I know what the conditions of  
21 competition that my client will face in the U.S.  
22 market, because they have sold in the U.S. market. I  
23 also know that they have chosen to withdraw from the  
24 U.S. market because there are better opportunities  
25 elsewhere.

1           And just one sort of detour, which is, if  
2           the prices in the U.S. market really are higher than  
3           the prices in Korea, and we're told hundreds of  
4           dollars per ton, we can sell in the U.S. without  
5           dumping. Dumping is selling in the U.S. at a lower  
6           price. So you know, we could sell in the U.S. market  
7           without dumping, and then the dumping order wouldn't  
8           mean anything, if really the prices were higher.

9           I think you see people voting with their  
10          feet, that the prices in the U.S. market they can get  
11          really aren't higher, and there are problems with the  
12          data. But in any event, we know what the conditions  
13          of competition are, and we'll address sort of how my  
14          client sold in the market.

15          The other countries, you know, we don't  
16          know. They've all withdrawn from the U.S. market; you  
17          know, they're pursuing other opportunities, they're  
18          pursuing Europe, they're pursuing Asian markets.  
19          Sounds a lot like the Asian market we're pursuing.

20          And so I think there are some differences.  
21          We have a U.S. subsidiary that handles other non-  
22          subject products. And so there are things you could  
23          look at, you know, and look at the trends in imports,  
24          which is obviously one of the conditions of  
25          competition. You look at things like that, and we'll

1 lay all of that out.

2 So I think there are differences in the  
3 conditions of competition. And I don't mean to short-  
4 circuit the analysis, but on the other hand, when it  
5 seems to me that the end result has to be so clear  
6 that, you know, I don't want you to do unnecessary  
7 extra work when I can short-circuit it for you. And  
8 so that was my goal.

9 COMMISSIONER PEARSON: Well, I appreciate  
10 that. But you know, I have at times found no  
11 discernable adverse impact, and so I have a record of  
12 decisions on that issue.

13 If you've got time, you might want to go  
14 back and look at those previous decisions and let me  
15 know if there are any of them that line up at all with  
16 what you're proposing here in regard to Korea.  
17 Because there might be such a situation, I'm not  
18 recalling it right off-hand. But that doesn't mean  
19 much, because I don't recall things very well if they  
20 happened further back than about yesterday.

21 MR. WINTON: We will certainly undertake  
22 that analysis for our post-hearing brief.

23 COMMISSIONER PEARSON: Okay, thank you.  
24 Sticking with you, if I could, for a minute, Mr.  
25 Winton. Earlier Mr. Wood offered to provide updated

1 information on shipbuilding in respect to Japan. Are  
2 you in a position to do the same for Korea?

3 MR. WINTON: I will try. I will be honest,  
4 we have not found - the Japanese Shipbuilding  
5 Association provides what is not just Japan, but Korea  
6 and China, as well.

7 COMMISSIONER PEARSON: Oh, okay.

8 MR. WINTON: And it's a very neat and  
9 comprehensive source. There is a Korean Shipbuilding  
10 Association; I have not been able to penetrate its web  
11 site in a way to find the data, but I am sure, with  
12 enough time and work, one might be -

13 COMMISSIONER PEARSON: Okay, well, I hadn't  
14 realized that Mr. Wood, in essence, was undertaking  
15 that assignment, as well. So if that gives us  
16 everything we need to know, that's fine. Don't do  
17 extra work there. You're going to be spending enough  
18 time on no discernible adverse impact.

19 Then one more for you, Mr. Winton. Could  
20 you please explain the tonnage figures you've listed  
21 for newly ordered vessels? My experience with dry  
22 bulk vessels is to get one that will fit through the  
23 current Panama Canal; you're talking about between  
24 50,000 and 60,000 dead-weight tons. And the vessels  
25 you were talking about were smaller, at 10,000 to

1 18,000 tons, which wouldn't even be a handy-size  
2 vessel in the world that I'm more familiar with.

3 So there must be something going on there  
4 with tons that I'm not understanding. So either now,  
5 if anyone understands what my confusion is, or for  
6 purposes of post-hearing, if you could sort that out,  
7 that will be great.

8 MR. WINTON: No, I was reading this quickly,  
9 and it doesn't say tons; it says TEU, which I imagine  
10 is something different. But I'm not a shipper.

11 COMMISSIONER PEARSON: Okay. But you have  
12 no reason to think you're talking about relatively  
13 small vessels here.

14 MR. WINTON: No, no. In fact, the articles  
15 about the first Maersk order, which I refer to as the  
16 18,000-TEU giants, are actually too big to go through  
17 even the new Panama Canal. They are bigger than new  
18 Panamax.

19 And then what they refer to as the, I  
20 believe it's the 10,000-TEU, whatever TEU is, I  
21 apologize for not knowing, are the new Panamax size.

22 COMMISSIONER PEARSON: Okay. Well, this  
23 will make the reading of the post-hearing submissions  
24 interesting, that's for sure. Okay.

25 Then for those of you who have some

1 experience with, or are able to find out some things  
2 about shipbuilding, can you give us any idea what  
3 percentage of the current order book is devoted to  
4 vessels for transportation, as compared to vessels for  
5 oil exploration or support of that activity?

6 Because it occurs to me that's an  
7 interesting question, because I understand the need to  
8 move things around the world right now is a little bit  
9 weak with the economy not being as robust as we would  
10 like. But the demand for drilling, that's an entirely  
11 different thing. Any thoughts on that, Mr. Wood?

12 MR. WOOD: Yes, Commissioner Pearson.  
13 That's a question that - it's a good question, and  
14 it's one I can't answer right at this moment. But I  
15 am pretty sure that I have seen the data that breaks  
16 that, that has that breakout. I mean, at least in  
17 terms of the types of vessels that are pending  
18 construction, and the ones that are being ordered.

19 And so I think, I suspect that as part of  
20 our homework assignment for the post-hearing brief, we  
21 can try to enlighten you on that, as well.

22 COMMISSIONER PEARSON: Okay, thanks, I  
23 appreciate that. Now, staying with you, Mr. Wood, or  
24 perhaps for the Japanese producers. For the post-  
25 hearing, could you provide a breakdown of Japanese

1 shipments to Asian markets between commodity grades  
2 and more specialty, higher-end grades of plate?

3 MR. WOOD: Chris Wood again, Commissioner.  
4 The answer is yes, we will, we will do our best with  
5 that. I suspect that you are familiar already with  
6 the data we provided in Exhibit 4 of our prehearing  
7 brief, which will give you a breakout by end use  
8 application.

9 COMMISSIONER PEARSON: Probably not as  
10 familiar as I should be.

11 MR. WOOD: Okay. Well, let me just suggest  
12 to you that when we heard discussion of commodity  
13 plate this morning, we heard quite a bit about A-36  
14 grades, construction material sold to distributors,  
15 things like that. And our breakout in Exhibit 4 will  
16 give you those data, by end-use segment, which may be  
17 a pretty good proxy for the commodity versus more  
18 specialty grades.

19 COMMISSIONER PEARSON: Okay, thank you.  
20 Because that is an issue that the domestic industry  
21 has raised. And I hear basically you saying that if  
22 product is sold to the United States from Japan, it  
23 will be high-end stuff. But if you're producing low,  
24 lower commodity-grade stuff, where is it going, is  
25 kind of the question.

1           MR. WOOD: Right. And I think our basic  
2 response to that is that if you, if you look at what  
3 is being sent to markets outside of Asia in cut-to-  
4 length plate by the Japanese producers, I mean, we can  
5 break that out for you. But the average unit values,  
6 you have that data. The average unit values show you  
7 that it is not commodity-grade product at all. And I  
8 don't know if you want to add anything.

9           COMMISSIONER PEARSON: No, that's fine.  
10 Well, my time has not yet quite expired, so I will  
11 stop now. Thank you very much.

12           COMMISSIONER ARANOFF: Thank you, Mr.  
13 Chairman.

14           One of the things that was discussed this  
15 morning was an assertion on the part of a number of  
16 the witnesses on behalf of the domestic industry that  
17 the Japanese producers operate blast furnaces, and  
18 that the economics of blast furnaces require that you  
19 be at a high rate of capacity utilization, and that  
20 you basically pump out plate regardless of whether  
21 there is really demand for it and sell it at whatever  
22 price you can. So I wanted to ask the Japanese  
23 industry to please respond to that.

24           First in terms of the extent that there are  
25 blast furnaces in use, and then blast furnace

1 economics.

2 MR. WOOD: This is Chris Wood, Commissioner  
3 Aranoff. I'll start and it may be there are industry  
4 witnesses that want to add something to that.

5 To start with, yes, all four of the  
6 responding Japanese producers that you have all  
7 operate blast furnaces so it is, yes, all blast  
8 furnace operation.

9 Now you have the actual capacity utilization  
10 data for the period for the Japanese industry there.  
11 I think the public report would tend not to support  
12 the assertion that we will continue to operate the  
13 blast furnaces at maximum capacity no matter what.  
14 There was definitely a demand fall-off in 2009 in  
15 Japan, and that's reflected in the capacity  
16 utilization figures.

17 The other point I wanted to make on this is  
18 that you heard a lot this morning about this allegedly  
19 slowing demand in Asia, and that we're continuing to  
20 pump out this product notwithstanding that. But if  
21 you look at the staff report data for the first six  
22 months of 2011, it just doesn't hold up. The capacity  
23 utilization is very high, true, but the prices are  
24 also much higher year on year. That's not consistent  
25 with the economics that was outlined this morning that

1 we're just pushing out product no matter what the  
2 price.

3 COMMISSIONER ARANOFF: I appreciate that  
4 answer.

5 One of the other things that came up this  
6 morning was that there may not any longer be a direct  
7 correlation between demand for line pipe and demand  
8 for cut-to-length plate because of the spiral weld  
9 process. A lot of the testimony that Respondents gave  
10 this morning about energy demand translating into line  
11 pipe demand translating in to cut-to-length plate  
12 demand, I guess I would ask you to respond to the idea  
13 that spiral welding is taking off around the world so  
14 the connection is not as direct as it once was.

15 MR. AOYAMA: Takeo Aoyama. There are both  
16 spiral pipe and cut-to-length large diameter pipe are  
17 used for the energy sectors. In the more severe  
18 circumstances the cut-to-length large diameter pipe is  
19 used, and in not so severe situations the spiral pipe  
20 is usually used. So that both co-exist.

21 What I mean is that there are correlations  
22 of the cut-to-length demand and the energy sector  
23 demand. But I cannot say that the total pipe demand  
24 is for cut-to-length. I don't say that.

25 COMMISSIONER ARANOFF: Okay.

1           MR. AOYAMA: The durability of welding  
2           portion is so critical. In serious circumstances the  
3           cut-to-length made large diameter pipe is preferred  
4           because the spiral pipe have some difficulties in  
5           terms of the strength, the welding part.

6           COMMISSIONER ARANOFF: If there's anything  
7           that you want to provide post-hearing on the relative  
8           demand for spiral weld versus the line pipe that's  
9           made out of cut-to-length plate, that would be  
10          helpful. But I understand the gist of the argument.

11          MR. WOOD: Thank you. We'll look into that.

12          COMMISSIONER ARANOFF: Okay, thanks.

13          I hate to go into this yet again, but I have  
14          one more follow-up question on this issue of the ship-  
15          building backlog. That is the data that you have are  
16          through June of 2011. If there's anything that's  
17          available that goes up later through September, that  
18          would be helpful. But also, there was some testimony  
19          on the panel this morning that there are  
20          cancellations, that there have been cancellations in  
21          orders or sort of slow-downs so that the delivery date  
22          is pushed out which I guess is sort of the next best  
23          thing to a cancellation.

24          So I wanted to ask both the Japanese and  
25          Korean Respondents who sell into this market whether

1 you are aware of order cancellations in the  
2 shipbuilding market.

3 MR. WOOD: Just to start, Commissioner  
4 Aranoff, Chris Wood.

5 I don't know what those data, I don't know  
6 whether the cancellation argument is anecdotal or  
7 whether there are data behind it. All we can do at  
8 some level is look at the data that are available to  
9 us, it was published in September. If there were  
10 large numbers of cancellations you would expect to see  
11 a substantial reduction in the backlog at the first  
12 half of 2011. Clearly we don't see that. So that  
13 suggests to me that it's probably not as significant  
14 as perhaps it was portrayed this morning, to the  
15 extent there are such cancellations.

16 In terms of updated data, we're relying  
17 largely on the statistics from this shipbuilding  
18 association in Japan. My understanding is they  
19 publish every six months, so if there's something new  
20 I can find, I'll get it to you.

21 COMMISSIONER ARANOFF: Fair enough.

22 MR. WOOD: Otherwise it may be more  
23 anecdotal.

24 COMMISSIONER ARANOFF: That's fine. And it  
25 may be that one of your clients who follows demand in

1 this area can give an affidavit on what they've seen  
2 with respect to how common cancellations are in the  
3 market.

4 Mr. Winton, did you want to add anything on  
5 this point? You don't have to.

6 MR. WINTON: I will take advantage of that  
7 option.

8 COMMISSIONER ARANOFF: Fair enough.

9 In the 2007 sunset review, there was an  
10 argument made about displacement of subject country  
11 exports to third countries due to China's  
12 transformation from a net importer into a net exporter  
13 of cut-to-length plate. And the Commission found that  
14 any displacement that might have happened had already  
15 happened and was not going to result in additional  
16 volumes being displaced and maybe available to be sent  
17 to the U.S. market.

18 But in the current review the domestic  
19 producers are arguing again that cut-to-length plate  
20 from China they're arguing is now pushing some subject  
21 producers out of their home markets.

22 Can the Respondents address that for each of  
23 their relevant countries?

24 MR. WAITE: Commissioner Aranoff, Fred Waite  
25 on behalf of Evraz Palini in Italy. Perhaps I could

1 start.

2 We're not aware of that phenomenon in Europe  
3 of Italian plate producers or indeed European plate  
4 producers generally being pushed out of their home  
5 market or the single market of the European Union. We  
6 will develop that further in our post-hearing, if we  
7 may. We can get statistics and look at trend lines.  
8 But that does not appear to be an issue. It's not one  
9 that's been raised to us by our client, and it's not  
10 one that our client has said is of particular concern  
11 to the Italian industry.

12 It appears that the primary concern to the  
13 Italian industry as it is I believe to the U.S.  
14 industry and that is the state of the overall economy  
15 because that's what really drives consumption of a  
16 product like cut-to-length plate.

17 MR. WOOD: I'll start for Japan.

18 I think the point you started with is really  
19 the key from our perspective, which is that capacity  
20 growth in China is by no means new. This has been  
21 going on for quite some time, certainly throughout the  
22 period of the review.

23 You have the data on our shipments to these  
24 Asian markets where we're allegedly being pushed out  
25 of and I think it just doesn't support that argument.

1           If you're going to see some dramatic  
2   reduction in shipments or even a reduction in the rate  
3   of growth, one would think you would have seen it by  
4   now. And you don't.

5           I think the reason behind that is what Mr.  
6   Aoyama testified to this morning. We really don't  
7   view cut-to-length plate as a commodity product.

8           When I think of the Japanese steel and cut-  
9   to-length plate, it's kind of like the German machine  
10  tool industry or something. They're not selling into  
11  those markets where there's very --

12           COMMISSIONER ARANOFF: Right, but in the  
13  home market they are selling a full range of products.  
14  So if you can give me something on what's going on in  
15  the home market with respect to competition with  
16  China, that would be helpful.

17           MR. WOOD: We can look at that, yes.

18           COMMISSIONER ARANOFF: Okay.

19           My time is up, but Mr. Winton, do you have a  
20  quick answer or do you want to get to it in post-  
21  hearing?

22           MR. WINTON: I'll give you a quick answer  
23  and then get to it in post-hearing.

24           I'd just direct your attention to an article  
25  that Nucor submitted in Appendix 2E of their

1 submission which says Hyundai Heavy, the big Korean  
2 shipbuilder, may reduce China steel plate imports, and  
3 the Chief Operating Officer said, and this is March  
4 16, 2010, "There's no reason for us to buy more from  
5 overseas. It's not like Chinese steel plates are  
6 cheaper than those from Korea and Japan."

7 COMMISSIONER ARANOFF: I appreciate those  
8 answers. Thank you, Mr. Chairman.

9 VICE CHAIRMAN WILLIAMSON: Commissioner  
10 Pinkert?

11 COMMISSIONER PINKERT: Thank you.

12 Mr. Winton, can you supply information  
13 either here or in the post-hearing about any new  
14 capacity coming on-line in Korea in 2012 or 2013?

15 MR. WINTON: I think, let me research that  
16 and give you a comprehensive answer. I have an  
17 answer, but unlike some of the lawyers I prefer to  
18 check before giving you the truth.

19 COMMISSIONER PINKERT: Thank you.

20 For the entire panel, how should I view the  
21 claims made by the Petitioners about the very recent  
22 impact of non-subject imports in the U.S. market? You  
23 can take that on in terms of relevance, you can take  
24 it on in terms of the facts. I'm just looking for  
25 your response to those claims, and in particular the

1 claim that those non-subject imports have had a price  
2 impact in the U.S. market.

3 MR. HARRISON: Donald Harrison.

4 I think the burden of the testimony on  
5 behalf of the Japanese Respondents is essentially the  
6 focus of these Japanese companies is on Japan and  
7 Asian markets. They simply don't have experience with  
8 the U.S. market to be able to assess the impact of  
9 non-subject imports on the prices here.

10 The testimony has been replete with evidence  
11 that they have focused since years ago when there was  
12 the Asian crisis and we've seen a dramatic change, and  
13 they've rationally concluded that their markets are in  
14 Asia and Japan. So we don't have evidence that would  
15 allow us to assess what the implications would be in  
16 the U.S. market.

17 COMMISSIONER PINKERT: Thank you.

18 MR. WAITE: Commissioner Pinkert, Fred Waite  
19 on behalf of Evraz Palini.

20 Even more perhaps than the Japanese,  
21 ironically Evraz Palini has very little information  
22 about the state of the U.S. market. Obviously its  
23 sister corporations have a great deal more information  
24 in that regard. But we've only seen import data  
25 through the end of August which I believe is the only

1 official statistical information that is currently  
2 available. I believe September data should become  
3 available next month.

4 So we will take a look, obviously, before  
5 the September data comes out because that will be  
6 after the date of the post-hearing, to see what the  
7 import trends do look like and where the steel is  
8 coming from, if that may be of any help. But I do  
9 believe that our sister corporation in the United  
10 States is much better situated to respond to that  
11 question.

12 COMMISSIONER PINKERT: Thank you.

13 Mr. Winton, I'm expecting that you'll have  
14 more to say about conditions in the U.S. market than  
15 some of your colleagues on this panel.

16 MR. WINTON: I'm not sure right now. I find  
17 the argument a little confusing, honestly, and maybe I  
18 don't understand it. But as I said before, Nucor came  
19 out this morning and they showed us this wonderful  
20 beautiful chart. If you guys want to see what I'm  
21 talking about, you can see. It says, look, imports  
22 from Korea are way up. You say wow, okay. It says  
23 non-subject imports. Okay, that must be POSCO. No,  
24 it's not. This is plate-in-coils, not cut-to-length  
25 plate.

1           So when they say we're being hurt by pricing  
2 for non-subject imports, I'm not sure what it is  
3 they're talking about. We see a lot in their  
4 submissions where they're talking about hot-rolled  
5 coil prices or slab prices, what's going on in the  
6 slab market. What's going on in the hot-rolled coil  
7 market. I don't know what exactly it is they're  
8 complaining about and it's a little hard to answer the  
9 question without knowing that.

10           I can certainly check with my client and get  
11 their perspective on what's happening in the U.S.  
12 market.

13           I'm also troubled by this notion that  
14 somehow because we've withdrawn from the U.S. market  
15 to focus on Asia as the Japanese have as well, the  
16 fact that other people that are not subject to orders  
17 are allegedly harming the U.S. industry that we should  
18 be punished for that. If they have complaints about  
19 other countries coming in and causing them harm, they  
20 can file a case against the other countries. Nothing  
21 prevents them from doing it. they can ensure those  
22 imports are fairly traded. It's not a reason to  
23 punish us because somebody else is dumping. That's  
24 contrary to the notion of the dumping laws.

25           COMMISSIONER PINKERT: Let me supplement the

1 question. Not to make any definitive judgment about  
2 relevance here, but just to supplement the question  
3 with some of the testimony that we heard this morning  
4 that the subjects and the non-subjects are making  
5 decisions about the U.S. market independently of one  
6 another.

7 So the thought, or at least the idea that  
8 might be behind that is that the non-subjects,  
9 whatever impact they're having, is going to continue  
10 and then that impact would be on top of or in addition  
11 to any impact that the subject imports might have in  
12 the U.S. market.

13 So if that's the theory, what's your  
14 response to it?

15 Since you actually represent a client that  
16 has been active in the U.S. market.

17 MR. WINTON: I will consult with my client  
18 because they know what's going on in the U.S. market.  
19 I have talked to them, but I don't know as much as  
20 they do.

21 But to back up a second, we participated in  
22 the U.S. market. My client exported, I won't say a  
23 large quantity but certainly relatively large compared  
24 to other imports. I think we accounted for not just  
25 most of the imports from Korea but most of the subject

1 imports. But it really was during a defined time  
2 period. It was from 2004 to 2008 and when we were  
3 selling at that time the U.S. market was extremely  
4 profitable for everybody. This was when the U.S.  
5 producers were making 20-plus percent profits.

6 When the U.S. market, I won't say collapsed,  
7 but fell with the financial crisis in 2009, we stopped  
8 selling, more or less. Small volumes.

9 So I'm not sure that we can answer, but I  
10 will talk with my client and see if they have  
11 information about it, sort of what's going on with  
12 non-subject imports and what do we see from that. But  
13 I hope you won't mind, I'm going to focus them on the  
14 products that are at issue in this case, which is cut-  
15 to-length plate.

16 I understand Nucor, for example, is really a  
17 hot-rolled coil producer who makes hot-rolled coil  
18 which they can cut and it becomes plate. But the fact  
19 that they care about hot-rolled coil imports which I  
20 understand they do, doesn't mean this case cares about  
21 hot-rolled coil imports, because that's not the  
22 subject merchandise.

23 COMMISSIONER PINKERT: I understand. Thank  
24 you.

25 Did you have any additional comment, Mr.

1 Wood?

2 MR. WOOD: With your permission,  
3 Commissioner Pinkert, I think we might also be better  
4 off trying to deal with that in a post-hearing  
5 submission.

6 There's the very obvious point that if you  
7 take their argument at face value that prices are  
8 being knocked down by non-subject imports, then again,  
9 using the logic of their argument that must imply that  
10 the market is going to become increasingly less  
11 attractive to the subject producers, right? You can't  
12 have it both ways on that. You can't say that prices  
13 -- But I think we need to think on that a little bit  
14 and we'll try to spin that out in a post-hearing  
15 submission.

16 COMMISSIONER PINKERT: Thank you. Thank you  
17 very much.

18 Turning back to Europe for the moment, I  
19 understand that during the period there is an argument  
20 that you've made about the relationship between the  
21 dollar and the euro that has made it perhaps less  
22 attractive for the Italian producer to ship to the  
23 United States. Is that relationship continuing on  
24 into the present?

25 MR. MAGRATH: Commissioner Pinkert, it was

1 as of the, when we filed our brief. However, one of  
2 the big points in that chart that we had in the brief  
3 was not only the trend of the euro versus the dollar  
4 but also the increased volatility recently.

5 Currency movements are one thing if they're  
6 slow and steady, but if they go up and down like that,  
7 if there's a high vex, it really chills trade. In  
8 stocks and in international steel trade from Europe to  
9 the extent there is much.

10 COMMISSIONER PINKERT: Thank you.

11 I would ask you for the post-hearing to give  
12 us any information you might have about new plate  
13 capacity coming on-line in Italy including any by  
14 Trosteel Italy in the foreseeable future.

15 MR. WAITE: We will do that, Commissioner.

16 COMMISSIONER PINKERT: Thank you.

17 Thank you, Mr. Chairman, and I thank the  
18 panel.

19 VICE CHAIRMAN WILLIAMSON: Thank you.

20 I just have a couple of questions. This is  
21 for everybody.

22 How do you respond to the domestic industry  
23 parties' argument that the data show significant roll-  
24 over capacity for cut-to-length plate, and will this  
25 over-capacity persist into the foreseeable future?

1                   MR. WOOD: Well, Vice Chairman Williamson,  
2 Chris Wood for the Japanese Respondents.

3                   If I can start with us, and perhaps my co-  
4 counsel would like to add some more.

5                   Again, we're handicapped a little bit by the  
6 fact that the worldwide capacity data that's in the  
7 record all appears to be proprietary, so we will deal  
8 with some of the specifics in a post-hearing. But I  
9 know at least for the Japanese producers, when you  
10 look over the period as a whole, the over-capacity has  
11 not just, the alleged over-capacity at least has not  
12 emerged out of nowhere. It's been there throughout  
13 the period. Notwithstanding that, we've maintained  
14 very high capacity utilization rates including the  
15 first half of this year, and I think that's a function  
16 of the business model which is that they focus on  
17 those segments of the cut-to-length plate markets  
18 where we've got a competitive advantage. Mr. Aoyama  
19 spoke to that a little bit this morning, and we can,  
20 we tried to provide as much as we could in our brief  
21 about that. But the short answer, I guess, is that we  
22 don't view ourselves as competing ton for ton with  
23 every marginal ton of capacity that's out there in  
24 China or the Ukraine or anywhere else.

25                   VICE CHAIRMAN WILLIAMSON: I think

1 Commissioner Pearson has asked you to give a breakdown  
2 of what you consider the I guess high end and what you  
3 consider the commodity grade. I guess that's for both  
4 the home market in terms of what are you competing  
5 globally, so I'm looking forward to seeing that in  
6 relationship to the question I just posed.

7 MR. WINTON: As I said, I know my clients'  
8 data. Their capacity utilization is very high, even  
9 though they have added capacity during this period.  
10 They see the demand in Korea being there for their  
11 products.

12 Mr. Schagrin told you this morning that the  
13 Koreans are going to buy from my client, not from  
14 anybody else. So I don't know if he's right. Mr.  
15 Schagrin is always positive, but not always accurate.

16 Nevertheless, if that's the case, we don't  
17 have anything to worry about. We're at high capacity  
18 utilization and according to Mr. Schagrin none of the  
19 Korean customers will buy from anyone else if they can  
20 buy from us.

21 VICE CHAIRMAN WILLIAMSON: And you're going  
22 to be at high capacity for the foreseeable future too?

23 MR. WINTON: As far as we know. That's what  
24 our data show. But anyway, we will look into and  
25 provide more information in a confidential response.

1 VICE CHAIRMAN WILLIAMSON: Okay.

2 Mr. Waite, do you have anything to add?

3 MR. WAITE: Only, Vice Chairman, that our  
4 understanding is and we're trying to get more  
5 information from the rest of the Italian industry on  
6 their capacity utilization rates, but we understand  
7 that they're quite robust. And of course if you look  
8 at our clients' response to the Commission's foreign  
9 producers questionnaire, you will see that it operates  
10 also at a very high capacity utilization rate and in  
11 particular the most recent period, that is the first  
12 half of 2011, it certainly far exceeds the full  
13 capacity figure that was given this morning by the  
14 domestic industry of approximately 89 or 90 percent.  
15 it's far above that.

16 VICE CHAIRMAN WILLIAMSON: Thank you.

17 My final question, this is for the Japanese  
18 Respondents, on page 20 ArcelorMittal's brief states  
19 that Tokyo Steel and Chua Steel Plate have significant  
20 unused plate capacity. Can you respond to this  
21 assertion either now or post-hearing?

22 MR. AOYAMA: It is true that they are  
23 expanding their production capacity in Japan, but to  
24 the best of my knowledge they have never export their  
25 cut-to-length outside Japan.

1                   And furthermore their quality or their  
2 primary target in the market is construction in  
3 domestic market in Japan.

4                   VICE CHAIRMAN WILLIAMSON: Thank you for  
5 that clarification.

6                   With that I have no further questions.

7                   Commissioner Lane?

8                   COMMISSIONER LANE: Thank you.

9                   Mr. Winton, I'll come back to you to let you  
10 answer the question that I had asked before, which  
11 related to the exhibit on demand for natural gas in  
12 Asia, and it shows that the demand in Asia and the  
13 United States will meet in the year 2015, and asked  
14 whether or not you thought that was in the reasonably  
15 foreseeable future.

16                   MR. WINTON: I don't think it's in the  
17 reasonably foreseeable future and I don't remember any  
18 cases where the Commission has tried to look out that  
19 far. We're talking about steel plate here.

20                   I do think, and you asked in follow-up to  
21 that, whether the U.S. market would become attractive  
22 given certain assumptions.

23                   COMMISSIONER LANE: Yes.

24                   MR. WINTON: -- capacity --

25                   COMMISSIONER LANE: Our effort to become

1 energy independent.

2 MR. WINTON: The evidence shows that if the  
3 U.S. market is attractive, my client has sold in the  
4 U.S. market. I mean that is what happened. The U.S.  
5 market was attractive, but it was attractive because  
6 people were making lots of money in the U.S. market.

7 It comes back to, if prices in the U.S.  
8 market are really that much higher than in the rest of  
9 the world, we can sell here without dumping. POSCO  
10 could sell here dumping or not because they're not  
11 subject. We could sell without dumping, and we have  
12 more or less done that in the past notwithstanding the  
13 dumping order.

14 So positing a situation where the U.S.  
15 market is the most attractive market in the world, and  
16 they're making lots of money here, would there be room  
17 for us in this market under your description of the  
18 situation? It sounds to me like there would be.

19 I'm not sure, you said the U.S. trends look  
20 low to you, and I'm not an expert on this by any  
21 means, but they look low to me too because when you  
22 think about what's happening with natural gas now,  
23 with the fracking and the development of resources and  
24 the notion that the United States is going to have  
25 more natural gas than it knows what to do with and we

1 can reduce imported oil and use of coal and things  
2 like that, demand for natural gas in the United  
3 States, there will be supply and it will be low-priced  
4 natural gas supply and I imagine demand would go up  
5 which would mean there would be increased  
6 opportunities for the U.S. producers to sell into that  
7 market. That doesn't mean if we participate in this  
8 that we're causing injury.

9           What they're positing is demand in the  
10 United states craters, nobody's buying plate, and then  
11 the Koreans come in and the Japanese come in on top of  
12 us and they stomp us to death. That is their  
13 description of the case. You're describing a  
14 different situation. The U.S. market is booming,  
15 there's unbelievable expansion of demand, prices are  
16 high. Would there be room for other producers? Well,  
17 if you look at the situation from 2004 to 2008, my  
18 client sold something like 200,000 tons in 2006 and  
19 the U.S. industry had its highest profit going back  
20 since you have data.

21           Is that a problem for them?

22           As I said before, I think the U.S. industry  
23 should welcome the situation where my client would  
24 sell in the U.S. market because when my client sells  
25 in the U.S. market it's because it's a very profitable

1 market for everyone. My client has other profitable  
2 markets it can serve, and it's not going to switch out  
3 of profitable markets where it has longstanding  
4 relationships to sell at low prices in the U.S.. But  
5 that's not what you described in your hypothetical.

6 COMMISSIONER LANE: No. In my hypothetical  
7 I can describe what the demand in the United States  
8 might be, but we can't get over the fact that your  
9 company right now has a dumping margin and assuming  
10 that it would come in, if demand increases, it would  
11 be at a dumped price which has its own consequences.

12 MR. WINTON: I'm not sure it's fair to  
13 assume that. There's an inherently contradictory  
14 statement by the U.S. producers. On the one hand,  
15 prices here are so high, everybody else is going to  
16 want to sell here. On the other hand, when they sell  
17 here they'll sell at prices below what they get in  
18 Korea or Japan or other markets so there will be  
19 dumping.

20 It can't be both, right? Either prices here  
21 are higher, in which case we'd sell without dumping;  
22 or prices here are lower, in which case if we sold  
23 here we'd be dumping but we'd be stupid to sell here.  
24 It can't be both. That's a fundamental inconsistency  
25 in what the U.S. producers have said.

1 Commerce has said we would dump, and if  
2 Commerce says we would dump that means prices in the  
3 U.S., according to Commerce, are going to be lower.  
4 If you don't agree with Commerce -- But that's between  
5 you and Commerce. But it can't be that prices in the  
6 U.S. are both going to be lower and higher than prices  
7 in Korea at the same time.

8 COMMISSIONER LANE: Maybe I missed  
9 something. I never said that the prices would be  
10 lower in the United States. I said the demand was  
11 going to be high, the prices were going to be high.  
12 Why then wouldn't Korea come in when there was all  
13 this demand because of natural gas?

14 MR. WINTON: Suppose right now we're selling  
15 in Korea at a price of 100 and the price in the United  
16 States is 80, then we have no real incentive to sell  
17 in the United States.

18 Then let's say the price in the United  
19 States goes up to 120. Obviously we have an incentive  
20 to sell in the United States at that point because  
21 it's a higher price than in Korea. But at the same  
22 time, if the price in the United States is higher than  
23 the price in Korea, that's not dumping. As I think  
24 Mr. Price said before when describing my client's  
25 experience, he said dumping orders don't prevent you

1 from selling, they prevent you from selling at dumped  
2 prices or if you sell at dumped prices you have to pay  
3 a duty.

4 So if the prices as you describe it are  
5 higher in the United States we can well. We're not  
6 dumping. The anti-dumping order has no impact. If  
7 the prices are lower in the United States why would we  
8 sell here? We have a market, we're operating at high  
9 levels of capacity utilization. Why would we want to  
10 sell here to lose money?

11 COMMISSIONER LANE: Dr. Magrath, I have a  
12 question for you relating to your chart number two.

13 You're focusing, of course, on the Italian  
14 market and it shows that 1997, 1998 there was product  
15 coming in from Italy. In 2004 there was product  
16 coming in from Italy. Then from 2005 to 2011 there's  
17 no product coming in from Italy.

18 But we did put an order on, we retained the  
19 order in 2005. What has changed since 2005 to the  
20 present that would cause us to not keep the order on  
21 Italy?

22 MR. MAGRATH: This is the U.S. market and  
23 U.S. market share --

24 COMMISSIONER LANE: Microphone?

25 MR. MAGRATH: This is the U.S. market, not

1 the Italian market, and it's --

2 COMMISSIONER LANE: I was calling it the  
3 Italian product coming into the United States.

4 MR. MAGRATH: What has changed is the  
5 section we testified to as to conditions of  
6 competition. The composition of the U.S. industry,  
7 the globalization of the U.S. facilities along with  
8 facilities in subject import and non-subject import  
9 countries, and Evraz is a prime example of that. So  
10 are all of them except Nucor. That is a  
11 transformation of the U.S. industry that provides much  
12 different conditions of competition than was prevalent  
13 in both the original investigation and the first  
14 review. I detail that again in chart four.

15 This has to do with the rise of --

16 COMMISSIONER LANE: Consolidation in sales  
17 and all of that?

18 MR. MAGRATH: Maybe that too, but the  
19 primary point is the introduction and now the very  
20 strong presence of multinational corporations with  
21 global strategies of local supply strategy, global  
22 allocation and access to capital. One of the  
23 petitioners makes that very strong point in his  
24 questionnaire, by the way. We'll tell you who in the  
25 post-hearing brief.

1           This amounts to a radical change in this  
2           condition of competition and therefore puts in doubt  
3           things like cumulation in one analysis and discernible  
4           impact via the majority Commission's analysis.

5           COMMISSIONER LANE: Thank you.

6           VICE CHAIRMAN WILLIAMSON: Commissioner  
7           Pearson?

8           COMMISSIONER PEARSON: Thank you, Mr.  
9           Chairman.

10           Does anyone have any thoughts on why we may  
11           be seeing an increase in non-subject imports into the  
12           U.S. market in the third quarter of this year?

13           Mr. Magrath? No one has any thoughts?

14           MR. MAGRATH: Very briefly, excuse me, I  
15           mean I missed that part of Petitioner's presentation,  
16           but the data, as Mr. Waite said, the data for the  
17           third quarter is not in.

18           COMMISSIONER PEARSON: Right. That's why I  
19           said we may be experiencing. I don't think we have  
20           data yet that gives us complete confidence.

21           MR. MAGRATH: No. So I can't say why that  
22           statement is --

23           COMMISSIONER PEARSON: In the event that  
24           product was imported in the month of September, let's  
25           say it had come from one of your clients with whom you

1 are familiar, when would that product have been  
2 ordered? What's the lead time between order and  
3 delivery in the marketplace as we now know it?

4 Perhaps Mr. Winton could help, because his  
5 client actually has done a fair amount of exporting to  
6 the United States in the not too distant past.

7 MR. MAGRATH: Commissioner, one quick point,  
8 in terms of our client, Palini, that order would take  
9 a long time because Palini is at a very high level of  
10 capacity utilization and can't shift destinations  
11 readily.

12 COMMISSIONER PEARSON: Any other  
13 observations, comments?

14 MR. HARRISON: This is Donald Harrison.

15 The one observation I would make, and it  
16 goes to a clarification, and really in response to  
17 Commissioner Aranoff when there was the suggestion  
18 made that somehow these blast furnaces are pumping out  
19 all of this steel without regard to where it might go.  
20 All of the steel is, as reflected in your question,  
21 produced by the Japanese producers, all the cut-to-  
22 length, is produced to order. There is an actual  
23 order that is placed and it's for particular  
24 specifications that are then produced to that order.

25 So I think the question you have is what is

1 the time from the time the order is placed to the time  
2 that the product is then manufactured and the product  
3 is then gotten ready to ship and then actually shipped  
4 to the United States and then arrives in the United  
5 States?

6 COMMISSIONER PEARSON: Exactly.

7 MR. HARRISON: As I say, because the  
8 Japanese producers have not sold to the United States  
9 in a number of years, we don't have direct information  
10 on that currently.

11 COMMISSIONER PEARSON: Mr. Wood?

12 MR. WOOD: Having said that, Commissioner  
13 Pearson, there are some shipments of non-subject cut-  
14 to-length plate. That's what shows up in Table C-1 of  
15 the staff report. So my sense is that we should be  
16 able to go to our clients and get you an answer on  
17 that for the post-hearing, if that would be  
18 acceptable.

19 COMMISSIONER PEARSON: That would be  
20 helpful.

21 Mr. Winton, did you have anything to add  
22 now?

23 MR. WINTON: No, not now. We will answer in  
24 the post-hearing, too.

25 And it's not urgent, but I did find the

1 answer to the question about the tonnage of the ships.

2 COMMISSIONER PEARSON: The Vice Chairman  
3 provided me a very helpful answer there too. So I now  
4 understand the concept of 20 foot equivalent units.

5 MR. WINTON: At least that's what the  
6 internet told me.

7 COMMISSIONER PEARSON: Yes, those are the  
8 smaller sized containers, not the 40 footers, but you  
9 measure one and the other. So yes, a vessel that  
10 would hold 10,000 containers would seem to me not to  
11 be a small vessel.

12 For the post-hearing you might tell me how  
13 many tons of steel go into building that thing, okay?

14 (Laughter.)

15 The reason for asking that question about  
16 delivery time, lead time, is that we had testimony  
17 this morning that demand in the U.S. market was quite  
18 robust in the first half of the calendar year. It  
19 seemed to me that it was possible that some steel was  
20 ordered then and it didn't arrive until September or  
21 even currently. If that's the case and if we now have  
22 a slacking in U.S. demand it's possible that new  
23 orders for imported steel are no longer being made  
24 such that we would go through a period of a few months  
25 in which we have a bump up of imported steel, and then

1 it goes away.

2 It's interesting, because if that's what's  
3 going on it comes at a time when we're trying to  
4 understand what's likely to happen in the reasonably  
5 foreseeable future.

6 So if for purposes of the post-hearing you  
7 could tell us anything about this, let me know whether  
8 I'm all wrong, that would be helpful.

9 Mr. Magrath, you've already decided I'm all  
10 wrong. Okay.

11 (Laughter.)

12 MR. MAGRATH: Just quickly, Commissioner,  
13 you just said, and apparently Petitioners said the  
14 next couple of months, the next quarter. That isn't  
15 the foreseeable future, that's the imminent future  
16 like an original investigation.

17 COMMISSIONER PEARSON: I understand that,  
18 but on this record right now I don't think we have  
19 anyone positing that this increase is likely to be  
20 short-term. So if you think there's a rationale that  
21 it is short-term it might not be entirely bad to put  
22 it on the record.

23 MR. MAGRATH: We will in the brief.

24 COMMISSIONER PEARSON: Okay, thanks.

25 Mr. Kato, I had one final question for you.

1           You have sat here very politely and haven't  
2 said a thing. It seems to me not entirely fair  
3 because you made the trip to come all the way here.

4           My question is, are the interests of  
5 Sumitomo similar to those expressed by Mr. Aoyama on  
6 behalf of Nippon? Or are there any additional issues  
7 you would wish to add?

8           MR. KATO: Thank you, Commissioner, for  
9 taking care of me.

10           In the case of Sumitomo entirely we are on  
11 the same course as Nippon Steel. We focus on the  
12 products for shipbuilding and the high end products  
13 for off-shore structures and line pipe.

14           In addition we have been in long-term  
15 relationship with customers in those sectors,  
16 especially in Asia where we could take advantage of  
17 location and we have made kind of a long-term  
18 relationship based on the reliability and the quality  
19 of our products. It took us a long time. We have a  
20 long history with the kind of customers.

21           So this is our sales strategy, just similar  
22 as Nippon Steel. Since we are specialized in the  
23 technology for high end products, especially for  
24 energy sector, as you know. So we won't change the  
25 strategy because basically we are responsible for

1 supplying to our customers with a long-term  
2 relationship in order to satisfy the demand for the  
3 kind of energy sectors. We would be running, we are  
4 seeing that we will be running at high level of  
5 capacity in the foreseeable future.

6 So there will be little availability for  
7 export to the U.S. market.

8 COMMISSIONER PEARSON: One additional  
9 question. Does your office in Chicago serve the  
10 entire U.S. market? It covers the full country?

11 MR. KATO: Yes.

12 COMMISSIONER PEARSON: Also into Canada?

13 MR. KATO: Partly Canada, yes. We are  
14 taking care of the Canadian market in terms of railway  
15 axle for railway.

16 COMMISSIONER PEARSON: Thank you. Thank you  
17 very much for being here. I appreciate all of you  
18 sharing the afternoon with us.

19 With that, Mr. Chairman, I have no further  
20 questions.

21 VICE CHAIRMAN WILLIAMSON: Thank you  
22 Commissioner Pearson.

23 Commissioner Aranoff?

24 COMMISSIONER ARANOFF: Thank you, Mr.  
25 Chairman.

1           I don't think any of my colleagues have  
2           already asked this question. To what extent are  
3           Japanese and Korean producers competing for sales to  
4           the same shipbuilding customers in the Japanese and  
5           Korean home markets or in China?

6           MR. AOYAMA: Aoyama, Nippon Steel.

7           Yes, we are competing with each other. For  
8           example, for Korean shipbuilders Nippon Steel and  
9           other Japanese mills are supplying cut-to-length plate  
10          at the same time that the Korean producers are  
11          supplying their cut-to-length to the Korean  
12          shipbuilders.

13          But actually, as you know, the production  
14          capacity in Korean producer is rather new, and  
15          Japanese mills, including Nippon Steel and Sumitomo  
16          have a long relationship with customers in Korea,  
17          shipbuilding customers, and through our relationship  
18          we build up, for example joint product research  
19          activities or special way of delivery of materials or  
20          something like that. So orders do not happen to  
21          immediately shift from our products to Korean  
22          products.

23          But in short, we are competing with each  
24          other.

25          COMMISSIONER ARANOFF: Are there Chinese

1 producers who can compete in this market?

2 MR. AOYAMA: With Chinese producers?

3 COMMISSIONER ARANOFF: To provide cut-to-  
4 length plate to shipbuilders, either in China or  
5 outside of China?

6 MR. AOYAMA: Yes, but speaking about the  
7 Chinese producers, we can say that we have still the  
8 advantage in terms of the quality and product service.

9 COMMISSIONER ARANOFF: Okay.  
10 One of the arguments that was made by the  
11 morning panel was that the market for cut-to-length  
12 plate differs from the market for hot-rolled because  
13 Japanese producers in particular have fewer related or  
14 sort of captive down-stream customers.

15 I know that in your brief you did provide  
16 some examples of some long-term customer  
17 relationships, some of which are contractual and some  
18 of which are not, but I guess they seemed kind of  
19 anecdotal to me so I wanted to offer you the  
20 opportunity post-hearing if you would like to try and  
21 quantify how much of exports outside of Japan are  
22 accounted for by relationships which can somehow be  
23 documented as long-term and committed relationships.

24 MR. WOOD: Thank you, Commissioner Aranoff.  
25 Chris Wood. We'll do that for the post-hearing brief.

1           If you'll permit me just one minute. I found  
2           it at some level very interesting to hear that  
3           dialogue this morning where it seemed that in large  
4           measure the domestic industry conceded that the  
5           argument that we made to you in the hot-rolled case,  
6           in the corrosion case, about the relationships and the  
7           vertical supply strategies, was correct. That  
8           certainly wasn't the reaction I had coming out of the  
9           hearing earlier this year, but --

10           COMMISSIONER ARANOFF: I would say they  
11           conceded that we had accepted that argument.

12           MR. WOOD: That may be fair.

13           But I think if you take a step back and look  
14           at the bigger picture, though, what's going on in each  
15           of, this is the third one of these flat-rolled steel  
16           cases, and the basic alignment is the same in all  
17           three of them. There're the argument on one side that  
18           says there's higher prices in the U.S. and too much  
19           capacity in Asia and that's going to push us here.  
20           and we say no, our long-term business strategy is  
21           focused on Asia and there are good reasons for that.

22           All we can say is that in the first two  
23           cases you've got a developing record that says  
24           frankly, we're right. What we're telling you here in  
25           those two cases was correct and we're telling you the

1 same thing today and we think we're right there too.

2 COMMISSIONER ARANOFF: Just to wrap up I  
3 want to repeat the question that I asked the morning  
4 panel in order to sort of emphasize how much I'm  
5 thinking about it. You can take a stab at it now  
6 since you've had longer to think about it, or you can  
7 take up the option that the domestic industry panel  
8 did and get to it in the post-hearing.

9 This has to do with the issue of what the  
10 Commission needs to do to reach a principal  
11 determination in these reviews in a situation where  
12 maybe we're not going to be willing to go out on a  
13 limb and predict what we think demand in the U.S.  
14 market is going to look like more than a few months  
15 out.

16 If there's any hints that any of the  
17 Respondents want to offer for how we ought to face  
18 that situation, I'd really like to hear them, either  
19 now or later.

20 MR. HARRISON: Commissioner Aranoff, we will  
21 certainly provide our thoughts in the post-hearing  
22 brief, but I frankly did find it a rather  
23 extraordinary argument. We have this detailed record  
24 and the argument essentially disregarded that detailed  
25 record. On the one hand the argument was made that we

1 can tell you that our forecasts are very pessimistic  
2 and we think this market's going to be devastated and  
3 it's so vulnerable and therefore any imports in this  
4 market are likely to tip the balance and we're going  
5 to have these devastating consequences. On the one  
6 hand.

7 Then when you ask the question, well how  
8 accurate are your predictions and projections? The  
9 concession was made well, we really can't say. We  
10 don't really know.

11 So on the one hand they were coming before  
12 you and saying disregard the record that you have for  
13 the first six months and what's been collected and  
14 rely upon this anecdotal other evidence we're telling  
15 you. On the other hand they're conceding that these  
16 projections and predictions are inherently unreliable.

17 We'll amplify that in our post-hearing  
18 brief, of course, but we don't think of course you  
19 should rely upon that to make a principal decision in  
20 this case.

21 COMMISSIONER ARANOFF: We did have some  
22 testimony this morning from distributors who said we  
23 really worry about the subject imports if the demand  
24 situation is bad. Which is a whole, a different way  
25 of looking.

1                   In any event, I'll -- Mr. Magrath, did you  
2                   want to add something?

3                   MR. MAGRATH: Yes. Simply this issue, of  
4                   course, the foreseeable future, it's inherently  
5                   speculative. Everybody has a problem with it. But as  
6                   you stated, the Commission in the past several recent  
7                   steel cases, the majority appear to recognize, and all  
8                   the Commissioners appear to recognize there is a  
9                   fundamental change, a very great change, in the  
10                  composition of the U.S. industry and in the  
11                  composition of international trade. All nutshelled in  
12                  something called local supply strategy.

13                  That is a permanent change, Commissioner.  
14                  Multinational corporations are not going to go away.  
15                  So I think you can use that as a tool to look to the  
16                  foreseeable future in the U.S. market.

17                  COMMISSIONER ARANOFF: I appreciate those  
18                  thoughts and I'll look forward to anything you add in  
19                  post-hearing.

20                  I do want to thank this afternoon's panel  
21                  for all of your testimony. I know we set you with a  
22                  lot of work to do in the next week, so thank you in  
23                  advance for that.

24                  Thank you, Mr. Chairman.

25                  VICE CHAIRMAN WILLIAMSON: Commissioner

1 Pinkert?

2 COMMISSIONER PINKERT: I have nothing  
3 further for the panel, but I also appreciate the  
4 answers and look forward to the additional information  
5 that you've promised to give us in the post-hearing.

6 VICE CHAIRMAN WILLIAMSON: I have no further  
7 questions.

8 Do any of the other Commissioners have  
9 questions?

10 (No response.)

11 VICE CHAIRMAN WILLIAMSON: Seeing that there  
12 are no further questions from here, does Staff have  
13 any questions of this panel?

14 MR. CORKRAN: Douglas Corkran, Office of  
15 Investigations.

16 Thank you, Vice Chairman Williamson. The  
17 Staff has no additional questions.

18 VICE CHAIRMAN WILLIAMSON: Do Petitioners  
19 have any questions for this panel?

20 MR. SCHAGRIN: No.

21 VICE CHAIRMAN WILLIAMSON: Okay. Before we  
22 go to closing arguments I'll give the time  
23 allocations.

24 Those in support of continuation, there are  
25 13 direct minutes plus 5 for closing for a total of 18

1 minutes.

2 For those in opposition to continuation, you  
3 have 2 minutes direct and 5 closing for a total of 7  
4 minutes.

5 As is our custom, we usually combine that.  
6 Does anyone have any objection? With no objection to  
7 that we'll proceed to dismiss this panel.

8 I want to thank you all for your testimony,  
9 and we'll move to closing arguments.

10 (Pause.)

11 MR. BISHOP: Will the room please come to  
12 order?

13 VICE CHAIRMAN WILLIAMSON: Okay.

14 MR. SCHAGRIN: Thank you.

15 Roger Schagrin on behalf of SSAB and Evraz.

16 Let me begin with Japan and talk about their  
17 issues and talk about shipbuilding.

18 The Japanese Respondents have basically  
19 focused on two issues. They say they don't primarily  
20 make commodity plate, they make specialized products,  
21 they focus on they said both energy applications which  
22 might require some specialized plates such as X90 and  
23 X100, and then they focus on shipbuilding.

24 They didn't really focus on shipbuilding  
25 plate being any different from commodity plate,

1 because it's not. Everyone in the industry can tell  
2 you that shipbuilding plate is very basic plate with  
3 some additional testing.

4 So they've got all of this capacity, most of  
5 which is focused on the Asian shipbuilding markets.

6 Now there's no doubt shipbuilding has grown.  
7 There's no doubt that Asia is not currently having a  
8 financial crisis. In 1998 the Japanese shipped over  
9 300,000 tons to the U.S. during the Asian financial  
10 crisis. Now we have the European financial crisis.  
11 There is no doubt that spreading around the world, and  
12 I'll talk later about how much the world has changed  
13 just since the end of the first half of this year.

14 In terms of demand for oil and gas in Asia,  
15 that does not equate to more demand for Japanese  
16 plate. Japan is not going to produce any oil or gas.  
17 They have none. China is going to produce much of the  
18 new oil and gas in Asia and they're going to use  
19 mostly Chinese products. In fact even though China is  
20 producing lots of oil and gas and demanding increased  
21 oil and gas, they had enough OCTG to ship three  
22 million tons here in 2008.

23 So it's not about demand, it's about  
24 capacity. One thing that's clear from this record is  
25 capacity throughout Asia to make plate has been

1 absolutely skyrocketing. The reason for that was  
2 because of the huge increase in demand for  
3 shipbuilding plate which is in the Japanese comments.  
4 I mean production in terms of shipbuilding between  
5 2004 and 2011 has tripled. From 33 million tons a  
6 year, gross tons, to doubling the 2011 number, the  
7 first half was 51 million, to 102 million. That's  
8 because they also massively increased their  
9 shipbuilding capacity.

10           There's only one problem with that. That  
11 is, as the shipping, it's not the absolute number of  
12 orders still on the books, the question is how much  
13 are the orders in terms of the months of shipbuilding  
14 capacity? Those numbers clearly have fallen by over  
15 50 percent in just the last two and a half years. The  
16 backlog in 2008 was 325 million. They were only  
17 producing less than 60 million, so it was five and a  
18 half years backlog.

19           By 2011 production is running 102 million  
20 tons but the backlog as of the first half was just  
21 down to 225 million, so they're down to two and a  
22 quarter. By the end of 2011 they're going to be down  
23 to one and three-quarter years. At some point, as  
24 everybody recognizes in Japan, South Korea and China,  
25 the demand for ships is plummeting because there's an

1 over-supply of ships.

2           So even if Korea has recently gotten orders,  
3 we'll present you with information, unfortunately the  
4 most recent information we can find is from July,  
5 nothing more recent. Orders into Japanese shipyards  
6 are down 74 percent year on year.

7           So in the board rooms in the Japanese,  
8 Korean, I'm sure Chinese, I'm sure Indonesian, Indian  
9 plate mills, they must have alarm bells going off.  
10 We've added these millions and millions and millions  
11 of tons of new plate capacity, and they were all added  
12 for shipbuilding, and within the next two or three  
13 years demand for shipbuilding plate is going to  
14 virtually disappear.

15           Will it come back some day? Yes, of course  
16 it will. But how many more years? And what will  
17 happen to the U.S. industry if we don't have relief  
18 from unfair trade?

19           Now to Korea. Dongkuk says gee, you don't  
20 have to worry about us. We're only here when times  
21 are good and the dumping margins don't really matter  
22 to us, and Korean demand was up by 1.5 million tons  
23 between 2009 and 2010. Yeah, but Korean capacity  
24 expanded by like 4 or 5 million tons. they're  
25 bringing on these major new plate mills.

1           Why is Dongkuk fighting so hard to get out?  
2           Because the last time the Department of Commerce did a  
3           review in April '09 they found Dongkuk dumping at a  
4           rate of 5.5 percent. Do you know what that must have  
5           cost them giving how much plate they shipped here?  
6           That's got to be 100 times Mr. Winton's fee. No  
7           wonder they are fighting so hard.

8           But the real reason is, as Mr. Price will  
9           talk about later, for the last quarter we talked about  
10          non-subject imports, well Korea based on SIMA data for  
11          plate, cut-length, which we will put in our post-  
12          hearing brief, this does not include a ton of plate  
13          and coil. I think you can rely on the census license  
14          data. It's actual data for July and August.  
15          Licensing data for September and part of October.  
16          Korea was the third largest supplier to the U.S.  
17          market. So Dongkuk is back already. And I think with  
18          them having shipped nearly 25,000 tons while the U.S.  
19          market is going down the tubes, that's reason enough  
20          for this Commission to continue the orders.

21          As to Italy, there's not much to say. They  
22          talked about some of the Italian mills. We think the  
23          biggest problem will certainly be Metinvest, a company  
24          they didn't talk about very much, a company that is  
25          actively marketing the U.S. market, and a company

1 we'll give you information on how big their capacity  
2 is.

3 Let me conclude by talking about  
4 vulnerability. In the past two and a half years the  
5 U.S. industry has had one good half-year, and now  
6 that's over. Demand is abating, non-subject imports  
7 are flooding into the U.S. market, prices are  
8 plummeting. It is getting very, very bad. Prices are  
9 plummeting so much as was mentioned, they're writing  
10 about it in the Wall Street Journal. I mean steel  
11 prices in this country are plummeting right now.

12 You heard today from workers that at least  
13 at ArcelorMittal and Nucor Mills, their hours are  
14 already being severely reduced.

15 Now I've always believed this Commission has  
16 properly enforced the sunset review statute in  
17 accordance with both the statute and legislative  
18 history. And that is when you find an industry to be  
19 doing extremely well and invulnerable, then you need a  
20 big surge of imports in order to say we're going to  
21 continue the orders.

22 You look at that in '07 when this industry  
23 had three years of 20, 30 percent profitability, and  
24 you said you know what? We will sunset these '11  
25 orders. Now some of these countries are back, but you

1 did the right thing. And amazingly talk about a lack  
2 of vision, none of us at the end of '07 knew the world  
3 was going to essentially have a massive financial  
4 crisis 10 or 12 months later, so shame on us. But you  
5 did the best you could, we did the best we could,  
6 that's the way it goes.

7           When you find an industry that's very  
8 vulnerable, then you find you only require a small  
9 increase in imports. This industry is very vulnerable  
10 now. We're going to give you more information, but  
11 with no offense, anybody in this world would have to  
12 be a Florida flamingo with their head in the sand to  
13 not recognize that the world has changed dramatically  
14 since July 1st. Look at your 401K, look at mine.  
15 These things are plummeting. The world has really  
16 changed. It's so bad I'm going to have to keep  
17 working. That's okay, I enjoy it.

18           We've got the EU financial crisis, and now  
19 we have all these new offerings of plate. Things are  
20 getting worse, this industry is vulnerable, you need  
21 to continue these orders.

22           MR. ROSENTHAL: Given our time allocations  
23 amongst ourselves, I only have time to continue my  
24 role as Mr. Schagrin's pilot fish today.

25           (Laughter.)

1           The one point I want to emphasize has to do  
2 with Korea. There was a lot of discussion earlier by  
3 the Respondents about the Koreans' interest in the  
4 U.S. market, but if you actually look at the data  
5 you'll see they've been in this market continuously  
6 and their imports have increased during the course of  
7 this year.

8           If you listened to the distributors you'll  
9 know that increase was not necessarily a benign one.  
10 To the contrary, the testimony you heard today was  
11 that the increased imports by the Korean producers  
12 were at lower prices, and low enough prices to depress  
13 the prices of the U.S. producers. That's a very, very  
14 important point as you ponder what the future is going  
15 to be like in this declining demand situation, and  
16 when you've got a clearly interested producer here,  
17 and lots of other Korean capacity, both subject and  
18 non-subject, able to come in and penetrate this  
19 market.

20           Thank you.

21           MR. PRICE: Alan Price.

22           Very quickly.

23           Based upon the testimony we heard from the  
24 Respondents today, ample demand in Asia, not one of  
25 them has any reason to put any cut-to-length plate in

1 the U.S., we shouldn't see any cut-to-length plate  
2 surging into the U.S., pretty straight-forward.  
3 Dongkuk has said that over and over and over again.

4 I'm sorry we didn't have a chance to print  
5 this up. We can't connect this. This is the SIMA  
6 data. We'll give you the web site and put pretty  
7 charts in our brief.

8 As you see in the first five months there  
9 were very few Korean imports. Then once you get into  
10 June, you start ending up with 6,000 tons; then July,  
11 9,000 tons; August, 4,000 tons; September, 10,000  
12 tons; so far in October nearly 11,000 tons of cut-to-  
13 length plate from Korea.

14 Now I don't know if it's Dongkuk, I don't  
15 know if it's POSCO, to be honest with you. What it  
16 is, it shows that if there this great situation in  
17 Korea and in Asia, this capacity would not be here.  
18 It is showing up here, it is directly affecting the  
19 companies, it is directly affecting prices, and it is  
20 directly affecting people like Ms. Beavers and all of  
21 the folks in the USW and every worker in this industry  
22 whose hours are now being cut because of this  
23 increase.

24 Nearly 40,000 tons in the second five months  
25 of the year, and that's the official data from the

1 U.S. government. It does include carbon and alloy.  
2 Our information for Korea, it is all carbon at this  
3 point.

4 So we see this massive increase in Korean  
5 imports coming in of cut-to-length product, contrary  
6 to all the testimony you heard today.

7 We see coil coming in too. Again, slightly  
8 different. The point is if these capacity situations  
9 and these markets were so robust, frankly we wouldn't  
10 see any of this stuff coming from Asia to here. We're  
11 seeing a lot of it increase. We're seeing our markets  
12 collapse. They're seeing their markets collapse.  
13 You're having Fitch reporting for this year we're  
14 going to see a three to four percent decline in demand  
15 overall for the entire world steel market, so we're  
16 seeing sharp and substantial negative impact.

17 We do know, thanks to Gibbs and Dunn, with  
18 orders in place we generally do a lot better. We also  
19 know that without orders in place things can erode  
20 pretty quickly as they are now as these Korean imports  
21 have entered the U.S. market.

22 With that I'd like to go to my prepared  
23 closing.

24 I want to thank the Commission for their  
25 time today and I would especially like to thank the

1 Staff for all their hard work. I'd also like to  
2 suggest that the most important number in this  
3 investigation may very well be 3800. I'll come back  
4 to that number in a minute.

5 First, I would note that the vast majority  
6 of the foreign producers did not cooperate with the  
7 Commission investigation. No producer exporter from  
8 India or Indonesia participated. Only one Italian  
9 producer. And we have one Korean producer.

10 What's critical with the Italian and Korean  
11 producers, which was remarkable, is they appeared here  
12 through counsel and through experts, but didn't give  
13 you the opportunity to actually talk to a businessman  
14 and find out what's really going on. It's very easy  
15 for the counsel to testify, but you have a hard time  
16 testing what's really going on without asking them  
17 questions. Playing fair is cheap. We all do it. We  
18 all fly around the world. It's not hard to do.  
19 Plenty of people speak English. Translators are here.  
20 Again, they denied that opportunity, with the  
21 exception of the Japanese who did make witnesses  
22 available to you.

23 We've also heard today uncontroverted  
24 testimony about the current economic climate which is  
25 at best uncertain. What looked bright and healthy in

1 July as Mr. Damico talked about, has frankly become  
2 concerning and gloomy as Ben Bernanke has said now.  
3 You don't have to be an economist to know that we are  
4 on the verge of a double dip recession and even if we  
5 don't technically enter a double dip, in the declining  
6 cycle we are now in, even a small quantity of dumped  
7 or subsidized imports will cause material injury.

8 No reasonable person could contend  
9 otherwise.

10 So the question becomes if the orders are  
11 removed, what will come here?

12 to begin with, the Commission has previously  
13 determined that the subject producers are able to  
14 quickly ship large volumes of dumped and subsidized  
15 imports to the U.S. market and we've seen this again  
16 with the recurrence of Korea recently.

17 Producers in each of the subject countries  
18 have produced plate in increasingly large volumes and  
19 have massive amounts of capacity without regard for  
20 demand resulting in millions of tons of excess  
21 capacity in 2010 alone. This applies to all  
22 countries, and whether or not they are here today.

23 Even a fraction of this volume would quickly  
24 overwhelm the weakened U.S. industry. And again,  
25 demand is much smaller today than it was at the time

1 of the original investigation.

2 As the current flood of subject and non-  
3 subject Korean plate demonstrates, subject producers  
4 have the ability and interest to flood the U.S. market  
5 with subject cut-to-length plate. Indeed the excess  
6 capacity in Asia as demonstrated by Korea and their  
7 interest in the U.S. market and elsewhere makes  
8 substantial exports from all subject producers a  
9 certainty or more probable than not in the event of  
10 revocation.

11 And regardless of whatever our Japanese  
12 friends said today, they maintain plenty of capacity  
13 and produce plenty of commodity grade plate and are  
14 extremely export oriented. This market is attractive.  
15 It's attractive both for pure commodity grades, but  
16 also for the higher end grades which are ArcelorMittal  
17 and SSAB both produce.

18 But the question remains, would they send  
19 their excess production here? Yes they would, and  
20 this is why. The subject producers are highly  
21 dependent on exports. They are exporting more than 12  
22 million tons in 2010 into more than 200 global  
23 markets. They are being displaced from their home  
24 markets and regional markets from Chinese plate, and  
25 Chinese producers by the way now have the most modern

1 and efficient facilities in the world. On top of this  
2 with the current price gap, the U.S. is extremely  
3 attractive.

4 So just based upon these facts alone an  
5 affirmative determination is warranted, but we haven't  
6 spoken about possibly the most important number, and  
7 that brings me back to the figure 3800. This is the  
8 number of production workers in the cut-to-length  
9 plate industry. There are 3800 workers and their  
10 families who will be impacted by the Commission's  
11 decision.

12 The purpose of the U.S. dumping law is to  
13 provide protection to U.S. companies and their workers  
14 from the injurious effects of dumped imports.

15 U.S. workers like Ms. Beavers who testified  
16 before you this morning, they need protection from  
17 dumped and subsidized imports. 3800 workers.  
18 Actually according to the Staff report, 3875  
19 production workers stand to be harmed.

20 Especially in this uncertain economic  
21 climate, these families deserve to be protect5ed from  
22 unfairly priced imports. These mills are often the  
23 largest and best employers in their communities. When  
24 times are good an companies are not forced to compete  
25 against unfairly priced imports the workers make good

1 livings, providing well for themselves and their  
2 families.

3           However, in bad times, for example with a  
4 national 9 percent unemployment rate and a declining  
5 economy, the ability to make the mortgage payment or  
6 the car payment or the semester's tuition payment or  
7 even pay the electricity bill may be affected if  
8 dumped imports are again allowed unfettered access to  
9 the U.S. market.

10           The evidence of record already demonstrates  
11 that injury would recur if the orders are lifted.  
12 Indeed, the Commission has at least 3800 reasons to  
13 keep the order in place.

14           Thank you.

15           VICE CHAIRMAN WILLIAMSON: Thank you.

16           We'll hear from the Respondents now.

17           (Pause.)

18           VICE CHAIRMAN WILLIAMSON: Mr. Winton, Mr.  
19 Wood, begin when you're ready.

20           MR. WOOD: Thank you, Vice Chairman  
21 Williamson. Again, Chris Wood for Gibson, Dunn &  
22 Crutcher. I'll be very brief, just summarizing some  
23 closing remarks.

24           Obviously we heard a lot about shipbuilding  
25 today. Much of it diametrically opposed. I think our

1 position on this is we would just ask you to look at  
2 the data that's on the record. The data show that at  
3 the end of 2010 you had 235 million tons in the order  
4 book, six months later you had 229 million tons. Does  
5 that sound like a massive fall-off? Actually, at that  
6 rate it would take 20 years to work through the  
7 backlog of that. So I just don't think the situation  
8 is as dire as Mr. Schagrin has portrayed it.

9           You did have a very, I think overheated is a  
10 fair way to describe it, an overheated shipbuilding  
11 market in 2008. It built the backlog up to historic  
12 levels. We're seeing a return now to normal levels,  
13 but I suspect if you asked any producer back in 2004  
14 how would you feel about a 100 million gross ton  
15 increase in the shipbuilding backlog in five years,  
16 any one of them would have taken that sight unseen.

17           Let me move briefly to energy. We heard  
18 less about that.

19           But we think the data are so compelling on  
20 this point that all of the economic growth projections  
21 are that the economies in Asia need more energy.  
22 That's going to require more infrastructure and that's  
23 going to require more cut-to-length plate to build  
24 that infrastructure. It's a very simple equation and  
25 the fact that the Korean shipbuilders are frankly a

1 lot of the same people that are building this  
2 infrastructure is, again, a very good fact for the  
3 Japanese producers.

4           Again, if you look at the record nothing  
5 about the current data on the industry in Japan would  
6 give you any indication that this is an industry  
7 heading for a fall or looking for alternative markets.  
8 Capacity utilization is extremely high. That's not  
9 because they're just pushing tons out. It's because  
10 the demand is there.

11           If you look at the pricing trends in Japan,  
12 in Asia, in other markets, they're all up in 2011.  
13 This is a strong market and it's for the very reasons  
14 Mr. Aoyama told you about this afternoon. There's  
15 just not a lot of interest in redirecting shipments to  
16 the U.S..

17           Let Me speak very briefly to vulnerability  
18 on this. I think it's awfully rare that you would  
19 come in and see a steel industry posting five  
20 consecutive years of 20 percent plus operating margins  
21 from 2004 to 2008. That's a fantastic record. They  
22 should be congratulated on their ability to achieve  
23 that.

24           Did they suffer a downturn in 2009 when  
25 their economy went south? You bet. Everybody did.

1 But I tell you, the recovery has been pretty  
2 remarkable. If you look at your record data for the  
3 first half of 2011, very strong.

4 I would urge you to compare it to the hot-  
5 rolled steel industry that you looked at earlier this  
6 year and made a finding that that industry was not  
7 vulnerable to a recurrence or a continuation of  
8 material injury, and we think the data on this  
9 industry are actually much stronger.

10 We showed you the slide earlier today that  
11 not just as of July 1, as Mr. Schagrin said. At the  
12 end of July Mr. Damico was saying that this is a very  
13 healthy plate market in the United States and  
14 projecting that it's going to continue to be healthy  
15 towards the end of the year. I think you have to take  
16 that at face value.

17 The other point, just general point I'd  
18 make, I think you have to be very careful about  
19 putting too much weight or extrapolating too much from  
20 anecdotal evidence about developments outside of your  
21 review period. It's very easy to come in and say that  
22 things are going to change very quickly.

23 I'm going to turn it over to Jeff.

24 MR. WINTON: Just to follow up on that  
25 point, I think the one thing that's clear from today

1 is that if you make the decision based on the record  
2 through June, the first six months of this year,  
3 everybody seems to agree that we won. This whole case  
4 has now become about the U.S. producers coming in with  
5 extra record evidence, anecdotal, telling you how bad  
6 things are going to be. They don't have any  
7 statistics to support it, you don't have questionnaire  
8 responses to support it, we haven't had an opportunity  
9 to argue about it, to analyze the data. Instead in  
10 their pre-hearing briefs and then today at the hearing  
11 they've sprung on us this notion that despite the fact  
12 that they are doing fine through the first half,  
13 really, it's not good.

14 You're left with the notion that they  
15 believe that, let's say they're right. They've had  
16 one bad quarter. One bad quarter potentially. And  
17 they want you to keep an order in place because they  
18 may have had one bad quarter although they can't  
19 really prove it.

20 I think it's instructive, the Commission has  
21 always said that it finds interim year data less  
22 reliable than full year data when it makes its  
23 determinations. Here you're not even being asked to  
24 make a decision based on interim data. You're being  
25 asked to make a decision based on anecdotal data

1 outside the interim period. It's just crazy to me.

2 I have to say I said something bad about Mr.  
3 Schagrín before, and I want to apologize for it. I  
4 like Mr. Schagrín enormously, and I've done this a lot  
5 of times with him. Sometimes he does what he did  
6 today and says if you don't care about the U.S. market  
7 why are you fighting so hard? My client doesn't seem  
8 to be fighting that hard. That's at least what Mr.  
9 Price says, we should be fighting harder.

10 I don't think you can make a decision based  
11 on whether a company chooses to send a lawyer or not  
12 and frankly, my client, I advocated that they come in  
13 and at least tell the Commission what they're doing  
14 and what's going on. They shouldn't be penalized for  
15 that.

16 We've heard about this massive flood of  
17 imports from Korea, but when you look at it, 40,000  
18 tons, if that's the right number and I haven't seen  
19 the data, in the context of a U.S. market that's what,  
20 six-something more? In 1998 imports were two million  
21 tons. They're complaining about 40,000 tons if that's  
22 the right number?

23 I appreciate good advocacy. I appreciate  
24 people who believe passionately for their clients.  
25 But in the end your job is to make decisions that are

1 supported on the record based on the data, using the  
2 methodology that you've developed for these cases.

3 On that I think it's clear these orders  
4 should be revoked.

5 VICE CHAIRMAN WILLIAMSON: Thank you.

6 Okay, to close the hearing. Post-hearing  
7 briefs, statements responsive to questions and  
8 requests of the Commission and corrections to the  
9 transcript must be filed by October 28, 2011.

10 Closing of the record and final release of  
11 data to parties is on November 22, 2011.

12 And final comments are due November 29,  
13 2011.

14 With that, that brings our hearing to a  
15 close. I want to express appreciation to all of those  
16 who participated today. Thank you.

17 (Whereupon, at 5:10 p.m., the hearing in the  
18 above-entitled matter was concluded.)

19 //

20 //

21 //

22 //

23 //

24 //

25 //

**CERTIFICATION OF TRANSCRIPTION****TITLE:** Cut-to-Length, Carbon-Quality Steel Plate**INVESTIGATION NO.:** 701-TA-388-391 and 731-TA-817-821**HEARING DATE:** October 19, 2011**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: October 20, 2011

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: Rebecca McCrary  
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: Gabriel Gheorghiu  
Signature of Court Reporter