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THE UNITED STATES
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
GRAIN-ORIENTED ELECTRICAL STEEL FROM) 701-TA-505 AND
CHINA, CZECH REPUBLIC, GERMANY, JAPAN,) 731-TA-1231-1237
KOREA, POLAND, AND RUSSIA) (Final)

Thursday, July 24, 2014
Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street SW
Washington, DC

The meeting, commenced, pursuant to notice at 9:34
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Meredith M.
Broadbent, Chairman, presiding

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 MEREDITH M. BROADBENT, CHAIRMAN (Presiding)

5 DEAN A. PINKERT, VICE CHAIRMAN

6 IRVING A. WILLIAMSON, COMMISSIONER

7 F. SCOTT KIEFF, COMMISSIONER

8 RHONDA K. SCHMIDTLEIN, COMMISSIONER

9

10 STAFF:

11 WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND INFORMATION

12 OFFICER

13 SHARON BELLAMY, PROGRAM SUPPORT SPECIALIST

14 MIKALYA KELLEY, STUDENT INTERN

15 JENNIFER ROHRBACH, SUPERVISORY ATTORNEY, DOCKET

16 SERVICES

17

18 CAROLYN ESKO, INVESTIGATOR

19 KARL TSUJI, INTERNATIONAL TRADE ANALYST

20 JAMES FETZER, ECONOMIST

21 JUSTIN JEE, ACCOUNTANT/AUDITOR

22 RHONDA HUGHES, ATTORNEY/ADVISOR

23 DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

24

25

1 EMBASSY APPEARANCE:

2 The Embassy of Japan, Washington, DC - Yasushi

3 Akahoshi, Minister

4

5 In Support of the Imposition of Antidumping and

6 Countervailing Duty Orders:

7 Raymond Polinski, Vice President and General Manager,

8 Grain-Oriented Electrical Steel, Allegheny Ludlum, LLC

9 Ronald James, Manager, Sales & Marketing,

10 Grain-Oriented Electrical Steel, Allegheny Ludlum, LLC

11 James Rakowski, Director, Grain-Oriented Electrical

12 Steel Market & Product Development, Allegheny Ludlum, LLC

13 Lauren McAndrews, Vice President Labor Relations and

14 Assistant General Counsel, Allegheny Technologies

15 Incorporated

16 Eric Petersen, Vice President, Sales & Customer

17 Service, AK Steel Corporation

18 Geoff Pfeiffer, General Manager - Specialty Steel

19 Sales, AK Steel Corporation

20 Jerry Schoen, Principal Engineer, Product Development &

21 Applications Engineering, AK Steel Corporation

22 Steve Konstantinidis, Product/Marketing Manager, AK

23 Steel Corporation

24 Jeffrey Zackerman, Assistant General Counsel,

25 Commercial Affairs, AK Steel Corporation

1 APPEARANCES (Continued):

2 Tom Conway, International Vice President

3 (Administration), United Steelworkers

4 Michael Kerwin, Director, Georgetown Economic Services,

5 LLC

6 Brad Hudgens, Economist, Georgetown Economic Services,

7 LLC

8 David A. Hartquist, John M. Herrmann, Grace W. Kim,

9 Benjamin B. Caryl, Kelley Drye & Warren LLP

10

11 In Opposition to the Imposition of Antidumping and

12 Countervailing Duty Orders:

13 Soichi Yonezawa, Senior Manager, Electrical Steel Sheet

14 Division, Flat-Rolled Product Unit, NSSMC

15 Takahiro Saito, Director/Unit Head, Flat-Rolled

16 Products Business Unit, Sumitomo Corporation of America

17 Dr. Thomas Prusa, Professor of Economics, Rutgers

18 University

19 J. Christopher Wood, Gibson, Dunn & Crutcher LLP

20 Vladimir Segal, Consulting Engineer, NLMK/VIZ-STAL

21 GROUP

22 Mark P. Lunn, Dentons US LLP

23

24

25

1 APPEARANCES (Continued):

2 Elise Woolfort, Vice President, Power Products Supply
3 Chain, ABB Inc.

4 Tom Mariner, Commodity Manager, ABB Inc.

5 Jerry Clark, Chief Counsel, ABB Inc.

6 Jennifer A. Hillman, John D. Greenwald, Cassidy Levy
7 Kent (USA) LLP

8 J. Kevin Horgan, DeKieffer & Horgan on behalf of
9 ThyssenKrupp Electrical Steel GmbH("TKES")

10 Hidenari Suzuki, Staff Deputy General Manager,
11 Electrical Steel Export Section, JFE Steel Corporation

12 Bruce Becker, Manager International Steel Unit, Toyota
13 Tsusho America

14 David Hickerson, Gregory Husionian, Robert Huey, Foley &
15 Lardner LLP

16 Yi (Steve) Huang, Department Manager, Baosteel America,
17 Inc.

18 Philippe M. Bruno, Greenberg Traurig, LLP

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1 P R O C E E D I N G S

2 CHAIRMAN BROADBENT: Good morning. On behalf of
3 the U.S. International Trade Commission, I welcome you to this
4 hearing on Investigation Nos. 701-TA-505 and 731-TA-1231 through
5 1237 involving Grain-Oriented Electrical Steel or GOES from
6 China, Czech Republic, Germany, Japan, Korea, Poland and Russia.

7 The purpose of these final investigations is to
8 determine whether an industry in the United States is suffering
9 material injury or threatened with material injury by reason of
10 imports of GOES from all seven countries.

11 The Department of Commerce has determined that
12 these imports are sold at least than fair value, and that GOES
13 imports from China are subsidized. Documents concerning this
14 hearing are available at the public distribution table. Please
15 give all prepared testimony to the Secretary, and do not place
16 it on the public distribution table.

17 All witnesses must be sworn in by the Secretary
18 before presenting testimony. I understand that parties are
19 aware of time allocations, but if you have any questions about
20 time, please ask the Secretary. Speakers are reminded not to
21 refer to business proprietary information in their remarks or
22 any answers to questions.

23 Please speak clearly into the microphone, and also
24 state your name for the record, so that the court reporter knows
25 who is speaking. Finally, if you will be submitting documents

1 that contain information you wish classified as business
2 confidential, your request should comply with ITC Rule 201.6.
3 Mr. Secretary, are there any preliminary matters?

4 MR. BISHOP: Madam Chairman, I would note that all
5 witnesses for today's hearing have been sworn in, and also with
6 your permission, we will add Jerry Clark, Chief Counsel for ABB
7 Incorporated, to page three of the witness list.

8 CHAIRMAN BROADBENT: Very well. Would you please
9 announce our Embassy witness?

10 MR. BISHOP: Our Embassy witness is Yosushi
11 Akahoshi, Minister for the Embassy of Japan.

12 CHAIRMAN BROADBENT: Welcome, Mr. Akahoshi.
13 Please begin when you're ready.

14 MR. AKAHOSHI: Good morning Chairman Broadbent,
15 Vice Chairman Pinkert and Commissioners. Thank you for allowing
16 me to be presenting here today. To introduce, I'm Mr. Akahoshi,
17 in charge of Economy, Trade, Industry and Energy at the Embassy
18 of Japan. I'd like to briefly make two comments on this case,
19 on behalf of the Government of Japan.

20 First, the Government of Japan is truly interested
21 in, and playing close attention to, this anti-dumping
22 investigation, to ensure that the investigation and final
23 determinations are made in accordance with relevant WTO rules.

24 Second, I understand that Japanese stakeholders
25 such Japanese steelmakers and importers, have submitted their

1 views and opinions on this matter to the Commission. As such, I
2 respectfully request that any outcome of the Commission
3 investigation duly reflect their views and opinions. Thank you
4 for your consideration.

5 CHAIRMAN BROADBENT: Thank you very much. Are
6 there any questions for the Minister?

7 (No response.)

8 CHAIRMAN BROADBENT: If not, we'll let you go, and
9 thank you very much for coming to our proceeding. Mr.
10 Secretary, let us now proceed with opening remarks.

11 MR. BISHOP: Opening remarks on behalf of
12 Petitioners will be by David A. Hartquist, Kelley, Drye and
13 Warren.

14 CHAIRMAN BROADBENT: Good morning, Mr. Hartquist.
15 You may proceed when you're ready.

16 MR. HARTQUIST: Good morning Madam Chairman.
17 Thank you. Good morning members of the Commission and staff. I
18 am David A. Hartquist, a partner in Kelly, Drye and Warren,
19 counsel to Petitioners in this case. We appreciate the
20 opportunity to testify before you today with respect to the
21 anti-dumping and countervailing duty cases on Grain-Oriented
22 Electrical Steel or GOES from China, the Czech Republic,
23 Germany, Japan, Korea, Poland and Russia.

24 The case concerns the intense battle between the
25 only two American producers of GOES, AK Steel and Allegheny

1 Ludlum, with dumped and subsidized imports from the seven
2 subject countries. The Department of Commerce has found
3 substantial preliminary anti-dumping margins for Respondents,
4 and significant government subsidies in China, and has issued
5 its final dumping determinations based upon total adverse facts
6 available, about imports from Germany, Japan and Poland.

7 The Commission staff report documents the injury
8 to U.S. producers resulting from unfairly low-priced subject
9 imports, leading to substantial declines in the prices at which
10 the domestic industry was able to sell its products, and an
11 unacceptable financial performance by the Petitioners.

12 Because there are just two U.S. producers of GOES,
13 our discussion today necessarily must be quite general, in order
14 to avoid public disclosure of confidential information. There
15 are several issues typically addressed in Commission hearings
16 that will not require any significant time today.

17 The Respondents have not raised any meaningful
18 issues with respect to the domestic-like product, cumulation of
19 subject imports for the Commission's material injury analysis,
20 or whether the domestic industry is injured.

21 The central issue before the Commission is whether
22 the subject imports are a cause of the injury being suffered by
23 domestic producers. The record before the Commission makes
24 clear that they are.

25 The volume of subject imports has increased over

1 the period, and accounts for a significant and increasing share
2 U.S. consumption. The presence of these unfairly low-priced
3 imports, which undersell the domestic industry's products by
4 significant margins, in a vast majority of possible comparisons,
5 have been used by purchasers to leverage down the prices paid
6 for GOES to domestic producers.

7 To maintain market share, domestic producers were
8 forced to lower their prices, but now are at a point where they
9 can go no longer -- where they can no longer lower their prices
10 and remain financially viable in the GOES market.

11 Respondents argue that declining imports and a
12 subsequent dogfight between the U.S. producers for domestic
13 customers explain the industry's current unhealthy situation.
14 These arguments are wrong. The domestic industry has
15 experienced material injury from subject imports, separate and
16 apart from declines in exports, and it is subject imports, not
17 competition between domestic producers, that are responsible for
18 the substantial decline in prices in the U.S. market.

19 While Respondents focus on Howard Industries, a
20 customer or former customer, their discussion omits important
21 details, and also fails to explain significant declines in the
22 prices for GOES in the U.S. Finally, the injurious impact of
23 subject imports on the domestic industry is confirmed by pricing
24 information reported by direct importers of GOES, as well as by
25 the responses to the domestic industry's allegations of lost

1 sales and revenues.

2 Contrary to the Respondent's characterizations,
3 while a number of these allegations were technically "denied" by
4 purchasers, based upon minor factual discrepancies, a
5 significant number of these denials nevertheless confirm the
6 essence of the domestic industry's allegations, and we'll
7 explain that further.

8 Finally, the Department of Commerce found critical
9 circumstances against Poland and Russia, as imports from those
10 countries surged following the filing of the petition, and we
11 respectfully urge the Commission to reach a similar conclusion
12 in your analysis. Your decision in this case will be a critical
13 factor in determining whether Petitioners will be able to
14 compete in the future under fair trade conditions, and will be
15 able to make the capital investments necessary to remain
16 competitive, and we look forward to presenting our case to you
17 this morning. Thank you.

18 MR. BISHOP: Opening remarks on behalf of
19 Respondents will be by David Hickerson, Foley and Lardner.

20 MR. HICKERSON: Thank you. Good morning Madam
21 Commissioner and members of the Commission. My name is David
22 Hickerson. I represent GFE Steel Corporation, and I'm giving
23 these opening remarks on behalf of the Respondents.

24 When this case was filed, the people on our side
25 of the aisle kind of scratched their heads and said, you know,

1 this really doesn't look like a typical anti-dumping case. The
2 level or volume of imports is very small and stable. That's a
3 theme you're going to hear today, imports small and stable.

4 The U.S. industry, the two producers, dominate the
5 market. In the public section of the staff report, it says they
6 have more than four-fifths of the U.S. sales. There's no
7 expectation that any of this would change, at least in our
8 preliminary view, and while the U.S. industry was facing
9 financial problems, that wasn't because of the small and steady
10 level of imports.

11 So when the evidence was gathered and presented in
12 the excellent staff report, Petitioners' case actually looks
13 even worse. In order for there to be an anti-dumping order
14 issued in this case, there will have to be record evidence, and
15 not just argument of counsel, but record evidence that the
16 subject imports are causing material injury, that the material
17 injury is caused by reason of the subject imports.

18 There's a causation requirement, a nexus. So
19 let's take a look at what the evidence is. Let me highlight
20 that on the major issues. With respect to volume, subject
21 imports, small and stable; minor, immaterial increase in subject
22 imports over the period of investigation.

23 How about the U.S. industry, U.S. sales? They've
24 actually gone up over the period investigation. They've gone up
25 more than the subject imports have. So we really don't think

1 there's any volume case to be made here. So how about the price
2 impact? Well once again, small and stable level of imports.

3 The market's dominated by the U.S. producers, over
4 four-fifths of all the sales, and when the staff asked
5 purchasers what their perceptions are, more than 15 -- no.
6 Fifteen out of the 20 responses they got said that one of the
7 two U.S. producers was the price leader.

8 Not one of the Respondents, not one company of the
9 Respondents was identified more than once as a price leader, and
10 that's all in the staff report.

11 You're also going to hear testimony today from
12 witnesses from one of the largest purchasers, ABB (ph), and
13 they're going to provide a lot more details that confirm exactly
14 what I've just said. You'll also hear testimony from a
15 distributor for JFE from Toyota Tsusho, who will also confirm
16 all that.

17 So the U.S. industry makes a big deal of their
18 declining financial performance, and that may be so, but it's
19 not by reason of subject imports. What happened is declining
20 exports by the U.S. producers. In fact, over the period of
21 investigation, their exports have declined dramatically. They
22 dwarf. The decline in exports by the U.S. producers dwarfs the
23 volume of imports by the subject companies, countries here.

24 That's a factor that of course cannot be taken
25 into consideration by the Commission for causing the injury to

1 the U.S. industry. The cause of injury to the U.S. industry has
2 to be by reason of imports, not by their declining exports.

3 So what's the cause of their declining exports and
4 the injuries to them? Well what happened after was that AK had
5 to replace their sales that they had lost to the exports. So
6 what they did was under-bid Allegheny's major customers, their
7 biggest customer, Howard Industries, and this is discussed in
8 length in all the briefs.

9 But what happened was that Allegheny stole all the
10 business -- sorry. AK stole all the business from Allegheny's
11 biggest customer, and they did that by a competitive price war
12 between the two domestic companies.

13 Finally, let me just quickly address the threat
14 case. There's no record evidence to support a threat case here
15 by the domestic industry either. Small and steady imports. No
16 reason to believe that's going to increase. Capacity
17 utilization by the importers is very high. Worldwide demand is
18 increasing, and business plans expect to fill that worldwide
19 demand. No surge in imports, and you'll hear testimony about
20 that as well today. Thank you very much.

21 CHAIRMAN BROADBENT: Thank you.

22 MR. BISHOP: Would the first panel in support of
23 the imposition of anti-dumping and countervailing duties please
24 come forward and be seated?

25 (Pause.)

1 CHAIRMAN BROADBENT: Have the witnesses been sworn
2 in?

3 MR. BISHOP: Madam Chairman, all witnesses on this
4 panel have been sworn in.

5 CHAIRMAN BROADBENT: Thank you, Mr. Secretary. I
6 want to welcome the panel to the ITC, and you may begin when
7 you're ready.

8 MR. HARTQUIST: Thank you, Madam Chairman. Let me
9 first introduce our panel to you, and folks, if you'd just raise
10 your hand when I call your name.

11 Raymond Polinski, Vice President and General
12 Manager, Grain-Oriented Electrical Steel, Allegheny Ludlum.

13 Ron James, Manager of Sales and Marketing,
14 Grain-Oriented Electrical Steel, Allegheny Ludlum.

15 James Rakowski, Director, Grain-Oriented
16 Electrical Steel, Market and Product Development at Allegheny
17 Ludlum.

18 Lauren McAndrews I think is back at counsel table,
19 Vice President, Labor Relations and Assistant General Counsel of
20 Allegheny Technologies, parent company of Allegheny Ludlum.

21 Eric Petersen, next to me, Vice President, Sales
22 and Customer Service, AK Steel Corporation.

23 Next to him, Geoff Pfeiffer, General Manager,
24 Specialty Steel Sales, AK Steel Corporation.

25 Jerry Schoen, Principal Engineer, Product

1 Development and Applications Engineering, AK Steel.

2 Steve Konstantinidis, Product Marketing Manager,
3 AK Steel.

4 Jeff Zackerman, Assistant General Counsel for
5 Commercial Affairs at AK Steel.

6 Tom Conway at the table in front, International
7 Vice President, Administration of the United Steelworkers Union.

8 Michael Kerwin, Director of Georgetown Economic
9 Services. Brad Hudgens, Economist with Georgetown Economic
10 Services, and my colleagues John Herrmann of Kelley Drye, Grace
11 Kim and Ben Caryl of Kelley Drye. With that, if we may, let us
12 turn to our first witness, Mr. Petersen.

13 MR. PETERSEN: Good morning Chairman Broadbent,
14 members of the Commission. How about now? All right, thank
15 you. Good morning. Good morning Chairman Broadbent and members
16 of the Commission. My name is Eric Petersen. I am the Vice
17 President of Sales and Customer Service at AK Steel Corporation.

18 I've worked at AK Steel and its predecessor Armco
19 for over 20 years, and during that time I have held positions of
20 increasing responsibility, in engineering and operations,
21 including serving as the plant manager of AK Steel's Rockport,
22 Indiana Works.

23 I subsequently served as Director of Research for
24 all product lines at AK Steel, which includes our grain-oriented
25 electrical Steel or GOES. More recently, I have taken on

1 responsibilities for the commercial aspect of our company sales
2 of GOES, serving as director, Specialty and International Sales
3 from November 2012, prior to assuming my current position in
4 July of 2013.

5 AK Steel is one of the world's largest producers
6 of silicon electrical steels. We are a leading producer of
7 high-performance grades of GOES, which we manufacture at
8 facilities in Butler, Pennsylvania and Zanesville, Ohio. GOES
9 is a flat-rolled specialty Steel product sold in sheet or strip
10 form, and is used in the manufacture of large and medium-sized
11 electrical power generation and distribution transformers.

12 GOES possesses distinctive physical properties
13 that make it particularly suitable for use in transformers. Due
14 to its chemistry and its special manufacturing processes, large
15 grains are formed in the Steel that are oriented in the
16 direction in which the Steel is rolled. This allows the Steel
17 to conduct a magnetic field with a high degree of efficiency.

18 As a result of these unique physical
19 characteristics, GOES has superior magnetic properties that make
20 it a highly efficient electromagnetic material, for constructing
21 the cores of transformers compared to any other type of Steel.
22 The production of GOES is also unique and it uses equipment that
23 is specifically designed and used exclusively to manufacture
24 GOES.

25 While GOES is melted, hot-rolled and cold-rolled,

1 in a manner that is generally similar to other steels, the
2 manufacturing process involves certain unique production steps.
3 For example, after cold-rolling, a magnesium oxide coating is
4 applied to the GOES coils, that later serves as an insulator
5 when the Steel is used to construct transformer cores.

6 The coil is then annealed at a high temperature
7 for five or six days, and during this annealing process, these
8 large-sized, highly oriented grains are formed. The form
9 producers generally use similar processes to manufacture GOES.
10 AK Steel produces both conventional and high permeability grades
11 of GOES.

12 Now with respect to the conventional grades, our
13 company produces the full range of products, from the thickest
14 gauge and the least efficient grade M6, to the thinnest gauge
15 and relatively higher efficiency grade, M2. Our company is also
16 a leading manufacturer of high permeability GOES, and these
17 provide superior magnetic permeability and the lowest core loss.

18 The core loss of high permeability GOES can be
19 further reduced by subjecting the Steel to a variety of surface
20 treatments. These are known as domain refining. This involves
21 a laser scribing, mechanical scribing or an electrolytic etching
22 process that alters the surface of the Steel, and it improves
23 its magnetic properties. Our company also sells high
24 permeability non-domain refined GOES, and that's not subjected
25 to the surface treatments.

1 Now the Japanese producers claim that they export
2 significant quantities of a heat-proofed domain-refined high
3 permeability GOES to the United States, and that it's used in
4 the manufacture of certain distribution transformers, and that
5 this product does not compete with any domestically-produced
6 GOES. These claims are not accurate.

7 First, AK Steel produces a competing product that
8 is used in similar applications. The heat proof domain-refined
9 GOES produced by the Japanese Respondents is fully substitutable
10 for laser-scribed domain-refined products produced by AK Steel,
11 and our products are substitutable for the Japanese products
12 across a wide range of applications.

13 Indeed, in 2012, the U.S. Department of Energy
14 published a study concluding that M2, M3 and heat-proof
15 domain-refined GOES could all be used interchangeably in
16 manufacturing wound transformer cores. The study, which
17 involved input from our company, Allegheny Ludlum and our
18 customers, concluded that all three input materials could be
19 used to meet both the 2010 and the 2016 efficiency standard, and
20 that the only factor differentiating between these input
21 materials was the relative price.

22 Secondly, our sales staff experiences competition
23 throughout the U.S. market from a wide range of Japanese GOES.
24 Based on our company's experience, Japanese producers are
25 exporting a broad array of GOES products to the U.S. market,

1 beyond simply the heat-proofed domain-refined high permeability
2 product on which they seek to focus the Commission's attention.

3 Despite the separate designations, conventional
4 and high grade permeability of GOES compete with each other. We
5 sell our GOES primarily to end users, transformer manufactures
6 that make purchasing decisions with the objective of minimizing
7 the total owning cost of a transformer.

8 In determining how to minimize the total owning
9 cost, transformer manufacturers evaluate a number of factors,
10 including the cost of the GOES that will be used to construct a
11 transformer, the cost of the electricity that's lost as a result
12 of the relative efficiency of the GOES, and the cost of other
13 materials that used in constructing the transformer.

14 Dependent on the relative prices of the various
15 input materials, a manufacturer can purchase more or less
16 efficient GOES to construct a transformer core, either moving
17 among conventional grades or moving between a conventional and
18 high permeability grade.

19 Just as conventional and high permeability GOES
20 can be used in building a transformer core, so too can domestic
21 and imported GOES. All GOES, regardless of whether it's
22 domestically produced or it's imported, is produced to ASTM or
23 customer specifications. As a result, the bottom line to
24 purchasers is price.

25 Producers and exporters in the seven subject

1 countries have demonstrated their ability and willingness to
2 export significant volumes of unfairly low-priced GOES to the
3 United States. These low-priced unfairly traded imports have
4 created significant downward pressure on prices in the U.S.
5 market, despite increasing demand for GOES over the last several
6 years, as well as increases in our production costs.

7 AK Steel has fought very aggressively over the
8 last few years to maintain our customers in the United States,
9 and has been forced to slash our prices to unsustainably low
10 levels. Having lost sales in overseas markets to the same
11 producers named in our petition, AK Steel has elected to fight
12 aggressively to maintain our company's market share here in the
13 United States.

14 The strategy has helped us maintain our customer
15 base, but we are at a point where it is no longer possible to
16 continue to drop our prices to compete with imports. The
17 foreign producers have argued that price declines in the U.S.
18 market resulted from competition between our company and
19 Allegheny Ludlum, and that domestic producers are the price
20 leaders in the U.S. market. This is not correct.

21 While our company competes aggressively with
22 Allegheny Ludlum, our sales staff has been told repeatedly by
23 customers that we must lower our prices in order to retain their
24 business, or they will purchase lower-priced imported GOES from
25 the subject countries. Low-priced unfairly traded subject

1 imports are the price leader in the U.S. market, and have caused
2 the significant declines in the U.S. market pricing for GOES
3 over the last several years.

4 The foreign producers have also argued that
5 declines in export shipments by U.S. producers and not subject
6 imports are the cause of injury to the domestic industry.
7 Again, this argument is incorrect. Our company's export
8 shipments have declined over the last several years due to low
9 prices offered by the same foreign producers against whom we
10 seek relief in this proceeding.

11 Further, as our export sales have declined, we
12 have not redirected this volume to the U.S. market, but rather
13 we reduced our GOES production. Our declining exports have not
14 led to an oversupply situation in the United States. Wholly
15 side from the loss of export sales, our company's operations
16 have been injured as a result of the unfairly low prices at
17 which the foreign producers are selling GOES in the U.S. market.

18 Our company was forced to lower its prices to
19 customers in the United States, in order to maintain accounts
20 that otherwise would have been captured by low-priced imports in
21 2011 and 2012, before our company took on the business of Howard
22 Industries. Contrary to the Respondent's argument, it was not
23 the decline in export sales and subsequent competition with
24 Allegheny Ludlum that drove prices down in the U.S. market.

25 Rather, it was the presence of low-priced imports

1 that were used by several customers to drive down prices in the
2 market. This downward pressure, resulting from the presence of
3 low-priced imports, occurred on our sales of both conventional
4 GOES and our high permeability product.

5 The deteriorating financial condition of our
6 company's GOES operations is a very serious short-run concern.
7 It also has implications for AK Steel's long-run
8 competitiveness. Over the last several years, AK Steel had
9 announced \$260 million in investments to strengthen the
10 competitiveness of our specialty Steel operations, primarily
11 equipment that would be used to manufacture GOES.

12 Due to the rapid deterioration in pricing in the
13 U.S. market, as the result of significant volumes of unfairly
14 traded imports, other substantial capital investments that are
15 important to ensuring our company's continued competitiveness
16 have been postponed.

17 The filing of this unfair trade case and the
18 affirmative preliminary determination by the Commission last
19 November, and the Commerce Department in May, have provided our
20 company with some modest relief. While our production and sales
21 have increased slightly, obtaining reasonable prices for our
22 products remains a significant challenge.

23 When this case was filed last fall, we were in the
24 process of negotiating our annual sales contracts with several
25 of our largest customers. The presence of significantly

1 quantities of unfairly low-priced imports in the market, as well
2 as the uncertainty of how our case would progress at that time,
3 prevented us from negotiating prices that provide a reasonable
4 rate of return.

5 The Commission's final determinations will be made
6 at an important time in the 2015 contracting season. We are
7 very concerned that absent affirmative determinations by the
8 Commission, and the five years of trade relief that would
9 follow, we will again be unable to negotiate prices with our
10 customers that allow our GOES operations to return to a healthy
11 condition.

12 AK Steel's highly trained workforce and state of
13 the art production equipment and processes, give our company the
14 ability to compete with any GOES producer in the world, so long
15 as there is a level playing field. Our company, however, cannot
16 compete against imports that are being offered for sale in the
17 United States at unfairly low prices.

18 On behalf of the workers and the communities that
19 rely on AK Steel's GOES operations, we respectfully request that
20 the Commission hold subject foreign producers accountable, and
21 require them to compete in the U.S. market at fair prices.
22 Thank you very much.

23 MR. HARTQUIST: Thank you, Eric. Our next witness
24 is Ray Polinski of Allegheny Ludlum.

25 MR. POLINSKI: Good morning Madam Chairman and

1 members of the Commission. My name is Ray Polinski, and I am
2 the Vice President and General Manager of Grain-Oriented
3 Electrical Steel at Allegheny Ludlum, LLC. I have worked at
4 Allegheny Ludlum for more than 30 years, and have been the
5 general manager of GOES since 2005.

6 Allegheny Ludlum manufactures GOES at facilities
7 in Leechburg and Brackenridge, Pennsylvania. Our company
8 produces conventional grades of GOES, M2 to M6, and we have made
9 a substantial investment in researching and developing high
10 permeability grades of GOES.

11 We are very interested in making significant
12 additional capital investments necessary to begin producing high
13 permeability GOES in commercial quantities. We have put this
14 decision on hold, however, because we cannot justify these
15 capital expenditures, given the low prevailing prices in the
16 U.S. market that have resulted from significant volumes of
17 unfairly traded imports from the subject countries.

18 Given current market conditions, we have been
19 unable to operate our manufacturing lines at anywhere near their
20 capacity. Imports of GOES entering the United States from
21 China, the Czech Republic, Germany, Japan, Korea, Poland and
22 Russia have increased, capturing sales and forcing our company
23 to significantly reduce its prices in the face of very low and
24 aggressive pricing.

25 These imports have been able to make inroads into

1 the U.S. market by selling at prices that are often below our
2 cost of production. Such prices have been very attractive to
3 U.S. customers that have used them to force us to lower our GOES
4 prices.

5 Since 2011, because of the lower prices offered by
6 foreign producers, we have seen customers willing to shift away
7 from GOES manufactured by our company toward GOES imported from
8 the subject countries, unless we lower our pricing to compete
9 with the dumped import price levels.

10 The foreign producers have claimed that the recent
11 declines in U.S. market pricing and the injury being suffered by
12 the domestic industry are due to competition between Allegheny
13 Ludlum and AK Steel. Based on my personal experience in working
14 with our customers during the period of investigation and in
15 monitoring the market, this is not correct.

16 First, we were confronted with very low priced
17 imports as early as 2011, well before our loss of Howard
18 Industries' business in 2013, the event the Respondents point to
19 as creating the intense competition between Allegheny Ludlum and
20 AK Steel that they claim drove down market prices.

21 Second, I agree with Mr. Petersen's
22 characterization, that our two companies compete vigorously with
23 each other. It is important to note, however, that our
24 companies have competed with each other for more than 40 years.
25 In the nine years that I have led the GOES business, we were

1 able to earn a reasonable return every year until the low-priced
2 imports entered the market and caused devastating declines in
3 pricing.

4 As reflected in the lost sales and revenue
5 allegations our company submitted to the Commission, it is
6 common for our customers to present us with a quote for
7 low-priced imported GOES as a means of forcing us to either
8 reduce our price or lose the sale.

9 With respect to Howard Industries, it is important
10 that the Commission understands some additional facts regarding
11 this customer. In March 2008, Allegheny Ludlum concluded a
12 four-year agreement with Howard Industries to supply with GOES
13 from January 1st, 2009 through the end of 2012.

14 At the time the agreement was concluded, GOES
15 supplies in the U.S. market were tight and pricing was healthy.
16 As a result, we were able to negotiate a favorable agreement
17 with Howard Industries. Shortly after it came into effect,
18 Howard Industries requested that we renegotiate the agreement.
19 We tried to accommodate Howard, but were not able to come to a
20 mutual agreement.

21 As a result, there was litigation between our
22 companies over the long-term contract. Additional confidential
23 details concerning our business with Howard Industries are
24 addressed in a declaration I signed, that is appended in Exhibit
25 5 of our prehearing brief.

1 As I mentioned at the outset of my testimony, our
2 company would like to make significant additional investments
3 necessary to produce high permeability GOES. Recently,
4 Allegheny Ludlum has successfully produced and shipped high
5 permeability GOES in trial quantities to select customers.

6 We need to continue developing the capacity to
7 produce this material. Such investments will play an important
8 role in our company's continued competitiveness, given the
9 expected increase in market demand for high permeability GOES to
10 be used in producing more efficient transformers.

11 This demand has resulted in part from regulations
12 issued by the Department of Energy that impose higher efficiency
13 standards on distribution transformers starting in 2010.
14 Further modifications to the efficiency standards will take
15 effect in 2016. There are several important points that must be
16 made about these regulations, with which I am very familiar.

17 Indeed, my colleagues at Allegheny Ludlum and I,
18 as well as Mr. Petersen and his colleagues at AK Steel, worked
19 personally with the officials at the Department of Energy in
20 developing these regulations. Respondent argues that the DOE
21 regulations and future demand for certain GOES grades are not
22 true.

23 First, there are other significant portions of the
24 transformer market, regulator transformers, current and
25 instrument transformers to name a few, that remain unaffected by

1 these regulations. Second, the higher efficiency standards are
2 being implemented over a number of years, providing time for all
3 the entities in the supply chain to modify their operations and
4 sourcing patterns.

5 Unsurprisingly, GOES producers will modify the mix
6 of products they manufacture and, where necessary, make
7 modifications to their production operations, in order to ensure
8 they are competitive across the entire market. While Russian
9 producer NLMK has asserted that these regulations will prevent
10 it from selling GOES in the United States, our brief contains
11 copies of press releases issued by NLMK highlighting investments
12 it is making in order to be able to produce more efficient
13 grades of GOES.

14 Allegheny Ludlum and AK Steel compete with imports
15 across the full range of GOES products. Both U.S. and foreign
16 producers manufacture GOES to ASTM for proprietary
17 specifications, and thus the domestic and imported products are
18 highly interchangeable.

19 Further, although Allegheny Ludlum currently
20 manufactures only conventional grades of GOES, we often compete
21 against high permeability products, as end users evaluate the
22 total cost of ownership for each product, relative to the
23 efficiency standards that must be met in manufacturing a
24 transformer.

25 Pricing continues to be the main driver for GOES

1 customers in making their supply decision. Most sales are made
2 through either short- or long-term contracts. Even long-term
3 contracts, however, provide little security against price
4 volatility, as the pricing terms may be renegotiated during the
5 life of the contract to reflect current pricing trends.

6 If imports remain available at very low dumped
7 prices in our market, the overall market prices for GOES will
8 continue to significantly decrease. We will then be confronted
9 with the difficult choice of significantly lowering our prices,
10 or risking the loss of our existing customers, including
11 customers with whom we have long term supply relationships.

12 This precise situation has confronted us in recent
13 years, as the volume of unfairly low-priced imports available
14 from the seven subject countries has increased, causing prices
15 in the U.S. market to plummet. One particularly frustrating
16 effect of the imports is that they have forced us to lower our
17 prices, even as the cost to produce GOES have moderately
18 increased.

19 While we have had to deal with increased in costs,
20 which we have been unable to recover from our customers, the
21 price of imports have declined. A consistently low and
22 declining price of imports subject to this proceeding are
23 irrational and unjustifiable.

24 Apparently, the foreign producers are so intent on
25 capturing sales in the United States at our expense that they

1 have not increased their prices to levels that cover their
2 costs. Allegheny Ludlum has been able to retain sales by
3 reducing our prices to compete with the low prices of the dumped
4 imports.

5 The result has been a cost-price squeeze and
6 unacceptable financial results for our GOES business unit. Our
7 company has tried to remain cost competitive with the imports,
8 but despite year over year cost reductions, has struggled to
9 compete with their low prices.

10 If we try to increase prices to a reasonable
11 level, we lose sales and market share. If we cut our prices to
12 capture a sale, our bottom line suffers. These declining trends
13 are tied directly to the presence of unfairly traded imports
14 subject to this proceeding, despite demand for GOES having
15 increased slightly since 2011.

16 With modestly improving demand trends, we should
17 have been able to obtain prices that result in a reasonable
18 profit level. Instead, we have been consistently told by our
19 customers that they have lower cost alternatives by sourcing the
20 same product from foreign producers.

21 The constant threat of losing sales to imported
22 GOES has eroded our ability to price our product at levels where
23 we have the opportunity to make a reasonable profit. The
24 financial losses that our company has incurred by attempting to
25 stay in this market are not sustainable.

1 This jeopardizes the long-term viability of
2 Allegheny Ludlum's GOES business. It is vital for the United
3 States to have a strong and reliable domestic supply of GOES
4 because it is a key raw material for our electrical grid. We've
5 been told by our customers that the increase of low-priced
6 imports is a direct result of the added capacity in the
7 countries subject to this investigation.

8 For example, China has added so much capacity that
9 countries that have historically supplied the Chinese market,
10 such as Japan, Russia and Korea, have been forced to find new
11 markets in which to sell their GOES. This has caused an
12 increase in low-priced imports that have resulted in price
13 depression in the U.S. market.

14 Allegheny Ludlum is committed to remain a domestic
15 producer of GOES. While we recognize there is a place for
16 imports in the market, they must not be sold at unfairly low
17 prices. The impact of the preliminary determinations by the
18 Commission and the Department of Commerce on our company's
19 operations has been mixed.

20 While we've experienced slight increases in our
21 production and sales of GOES, as well as price increases for
22 non-contractual GOES purchases, we desperately need to
23 experience price recovery for our longer-term supply agreements.
24 We have already begun initial conversations with customers
25 regarding our annual contracts for 2015. Absent our industry

1 receiving relief from the unfairly traded imports, I am very
2 concerned that we will be unable to negotiate improved prices
3 for our GOES, which will prevent us from earning an acceptable
4 return on our operations, and from making the long-term
5 investments necessary to expand our product mix and ensure our
6 company's ability to compete and succeed in the future.

7 We are confident that if import relief is
8 provided, Allegheny Ludlum can effectively compete and again
9 achieve a healthy return on our operations, as we were doing
10 just a few short years ago. Thank you very much for the
11 opportunity to appear before you this morning. I would be happy
12 to answer your questions at the appropriate time.

13 MR. HARQUIST: Thank you, Ray. We are privileged to
14 have had the United States Steel Workers Union join as a
15 petitioner in the case and particularly to have Tom Conway here
16 to testify today. Tom.

17 MR. CONWAY: Good morning, Madam Chairman, members of
18 the Commission. My name is Tom Conway and I'm the Vice
19 President of Steel Workers Union. I appreciate the opportunity
20 once again to appear on behalf of the members of the Steel
21 Workers' Union and particularly those members who produce this
22 product, the grain-oriented electrical steels.

23 Our members produce this at Allegheny Ludlum,
24 Brackenridge and Leechburg plants. And our members also work at
25 AK's plants at Ashland and Mansfield. And while those two

1 plants don't produce this particular product, the overall
2 condition and health of both of these companies are more
3 important to our union. It all plays together.

4 As you know, for years we've been fighting sort of on
5 the front lines against foreign governments and companies that
6 seek to get an unfair advantage by violating our trade laws.
7 The GOES industry, the U.S. GOES industry has faced unfair
8 competition from a number of these countries over the years.
9 The Commission has granted the domestic GOES industry relief in
10 1994 against dumps and subsidized GOES imports from Italy and
11 Japan. That relief expired in 2006 and not long after
12 aggressively dumped and subsidized imports of this product began
13 driving down U.S. prices which have now reached unsustainably
14 low levels.

15 This time, however, the low prices unfairly GOES, is
16 being imported from these seven subject countries.

17 These low-priced imports have caused members to
18 suffer reduced employment. At Allegheny Ludlum, we've been
19 forced to cut back production. We currently have available
20 excess capacity there, meaning that many of our steel workers
21 are working fewer hours and are underemployed. And while the
22 U.S. GOES industry may not be as large as some of the other
23 segments of the steel industry that you often hear from us
24 about, the Commission has examined in the past, it's still very
25 important to the steel workers union and to the American

1 workers, retirees, their families, and communities that rely on
2 these good-paying jobs, families sustaining jobs in both of
3 these companies. Profit streams have been bargained in our
4 collective agreements that go towards the retiree health care
5 obligations and support in those communities beyond just the
6 active workforce.

7 So no USW member should be forced with the prospect
8 of having his job opportunities cut, his benefits -- in order to
9 keep mills in the other countries full. That's why we're
10 committed to retaining many of these jobs and getting everything
11 back to its full employment level. And this imports of GOES
12 just continues to threaten that recovery from ever taking place.

13

14 We worked closely with the domestic producers to
15 ensure the viability of this industry. We, of course, have
16 fought to save the jobs for our remaining members and protect
17 the benefits of our retirees.

18 On August 2011, we ratified a new four-year labor
19 agreement with Allegheny Ludlum and our workers have shown that
20 we can compete with imports from any country in the world as
21 long as the competition is fair. But alone we can't stop the
22 injury that's being caused by the overcapacity, the massive
23 government subsidies, and unfair pricing coming from these seven
24 countries. And so once again we count on you to enforce our
25 trade laws and make sure that the foreign producers are playing

1 by the rules that they're supposed to play by.

2 So when analyzing this case, we ask again that you
3 keep in mind that the employment data is more than just the
4 numbers and statistics that represents American families. It's
5 really simple math, for every ton of GOES that's allowed to be
6 subsidized and dumped into the U.S. market, that's a ton of GOES
7 that American steel workers won't make. And if the Commission
8 allows the unfairly traded imports to continue unchecked, it's
9 going to be our members, our families, our communities, and
10 retirees that will be hurt the most. So again, on behalf of the
11 Steel Workers Union and all our families that we represent we
12 urge you to find the right outcome here and determine that the
13 unfair imports of GOES are injuring the industry and its
14 workforce. And thank you.

15 MR. HARQUIST: Thank you, Tom.

16 Madam Chairman, Mr. Conway will be with us through
17 the conclusion of the questioning of petitioners, but needs to
18 leave when we take the luncheon break. I just want to confirm
19 that that's agreeable to the Commission.

20 Thank you very much.

21 And our next witness is Michael Kerwin.

22 MR. KERWIN: Good morning. I'm Michael Kerwin, the
23 Director of Georgetown Economic Services. This morning I'll
24 address the issues of the subject imports, material injury, and
25 causation. Because so much of the record in this case is

1 proprietary, I will not be using any overheads. But we have
2 created and distributed hard copies of some proprietary visual
3 aids to my testimony.

4 A number of issues are in contention in this case,
5 but let's start with some of the basic facts of record. The
6 subject imports held a significant share of the U.S. market
7 throughout the period of investigation and that share increased
8 from 2011 to 2013. While the exact share of the market held by
9 the subject imports is proprietary, I will note that it is in
10 the same ballpark as cases in which the Commission has found
11 import-related material injury such as the investigation on
12 stainless steel sheet and strip from eight countries.

13 As a share of U.S. production of GOES, the subject
14 imports showed dramatic growth nearly doubling over the POI.
15 The volume of subject imports in the current case increased by
16 11.2 percent from 2011 to '13. In fact, this increase would
17 have been more pronounced, had the subject imports not pulled
18 back from the U.S. market after the filing of this case.

19 If average subject import volumes through September
20 of 2013 had held through the fourth quarter, annual subject
21 imports would have been nearly 31,000 tons roughly comparable to
22 the volume in 2012.

23 These simple facts as to the significance and growth
24 in subject import volume directly contradict the assertions made
25 by the respondents that imports were, quote, "small and stable"

1 end quote over the POI.

2 The price impact of the subject imports has been
3 severe. As you heard from Mr. Polinski and Mr. Peterson,
4 increasingly aggressive competition from the subject imports
5 destroyed pricing for GOES in the U.S. market as large end users
6 increased their purchases of subject imports and became more
7 aware of their price advantages they leveraged down domestic
8 producer prices in subsequent contract negotiations.

9 When domestic producers entered negotiations in the
10 second half of 2011, for their 2012 contracts, and offered
11 then-current prices, they were told that those prices were too
12 high in relation to the subject imports. By the time of the
13 2012 negotiations, for purchases in 2013, subject imports had
14 expanded their presence in the U.S. market and their prices
15 continued to fall.

16 Again, pressure was placed on the domestic producer
17 prices. Bear in mind that this price pressure was applied
18 regardless of whether the purchaser was actually buying the
19 subject imports because getting a competing price quote is as
20 simple as sending out an e-mail.

21 As purchasers proved increasingly willing to buy
22 subject imports from the various subject countries to leverage
23 down domestic producer prices, the domestic industry suffered
24 severely. As shown in Chart 1 of your handout, that's the pink
25 sheets that you should have in front of you, as shown in Chart 1

1 of your handout, the value of the domestic industry's U.S.
2 shipments declined significantly in 2012 and again in 2013.

3 If you go to the following page, Chart 2, shows the
4 average unit value of domestic shipments and they followed much
5 the same pattern.

6 Domestic producer prices likewise fell consistently
7 and substantially as shown on the following page, Chart 3, which
8 shows the aggregate declines for the Commission's pricing
9 products that were suffered by the domestic producers. That
10 these price declines were not related to cost is demonstrated in
11 the following page, Chart 4, which contrasts the trend in unit
12 net sales value for that for unit costs for the domestic
13 industry.

14 Most importantly, as shown in the following page,
15 Chart 5, operating income dropped precipitously during this
16 period with the domestic industry falling from a reasonable
17 profit in 2011 to a sizeable loss in 2013, and interim 2014.

18 Please note that these large declines in the domestic
19 industry's prices and financial condition are not contested by
20 the respondents.

21 The domestic industry has also suffered large
22 declines in its production, capacity utilization, and employment
23 over the POI. We acknowledged that there have been significant
24 declines in U.S. exports of GOES during the period and that much
25 of the decline and aggregate output is attributable to such

1 declines. That said, the Commission must take the domestic
2 industry as it finds it. Export declines have contributed to
3 the weakened condition of the domestic industry, but the impact
4 of the subject imports has made the situation far worse.

5 Further, the effects of the subject imports can be
6 distinguished from the effects of declining exports. As noted
7 by Mr. Peterson, as export volumes declined, production was cut
8 so there was no oversupply in the U.S. market.

9 The dramatic declines in U.S. prices are not
10 connected to falling exports, but rather are attributable to the
11 effects of the subject imports.

12 The preeminence of price declines in the
13 deterioration of the domestic industry's financial condition is
14 borne out in the Commission's variance analysis which is shown
15 in Chart 6 of your handout.

16 The characteristics of the product and the market for
17 GOES have exacerbated the price impact of the subject imports
18 during the POI. GOES is a price sensitive product that is
19 produced to specification and has a limited number of ultimate
20 purchasers. The Commission staff has found that domestic and
21 subject GOES are moderately to highly substitutable and the
22 staff report shows that the subject imports are in competition
23 with the full product line of the domestic industry.

24 The report further indicates that two-thirds of
25 importers and purchasers found subject imports and the domestic

1 product to be frequently or sometimes interchangeable and a
2 majority of purchasers never make their purchase decision on the
3 basis of country of origin.

4 This evidence supports the contention that purchasers
5 were willing to purchase subject imports on the basis of price
6 and to leverage down domestic producers based on offers for
7 subject imports.

8 The end result of this competition has been the
9 substantial price declines shown in the staff report.

10 Contrary to the respondent assertions that
11 competition between domestic producers explains price declines
12 because there is, quote, "little evidence of underselling" end
13 quote. The record is replete with such evidence. The staff
14 report shows that the subject imports undersold the domestic
15 product in 72 of 120 instances, a clear majority of possible
16 comparisons. As we have detailed in our prehearing brief,
17 because several importers reported information on the wrong
18 products, the percentage of instances of underselling is
19 actually higher when the data are corrected.

20 There's also evidence of underselling in the pricing
21 data shown in Appendix D of the prehearing report. These data
22 are purchase prices collected from direct importers of GOES that
23 internally consume the product and also purchase it from
24 domestic producers. A summary of these data is shown on the
25 next page of your handout, Chart 7.

1 This table illustrates the degree to which the
2 imports from subject sources undersold prices for comparable
3 merchandise from domestic sources. The total volume reflected
4 in these purchases is also shown in the table. As you can see,
5 these data show a significant degree of underselling and the
6 volumes covered are substantial.

7 I would also note that this table compares prices
8 paid for Japanese, heat-proof, high-permeability GOES, pricing
9 products 4A and 5A to U.S. supplied laser-scribed,
10 high-permeability GOES to give you an idea as to whether the
11 heat-proof GOES from Japan is actually selling at a premium. A
12 full summary of these data is contained at pages 29 to 33 of our
13 prehearing brief.

14 Despite this evidence of underselling, respondents
15 would have you believe that this entire case is about a price
16 war between the two domestic producers and that the respondents
17 are simply innocent bystanders. To place these protestations of
18 innocence in context, we should consider the broader scope of
19 these cases and the margins established. In their final
20 determination last week, the Commerce Department assigned a
21 dumping margin for German respondent ThyssenKrupp of 241
22 percent, a margin for Polish producer, Stah product of 99
23 percent, and margins for the Japanese respondents, JFE and
24 Nippon Steel and Sumitomo Metal of 172 percent.

25 Of the countries that have not yet had final

1 determinations, Russian producer, NLMK and Chinese producer,
2 Baoshan, have already been found non-cooperative and assigned
3 preliminary dumping margins of 119 and 159 percent respectively.
4 Margins that are likely to hold for the final determination
5 determinations.

6 The Chinese producers have also been found
7 preliminarily to be subsidized to a level of 49 percent. That
8 margin is likely to increase based on the decision of the
9 Chinese respondents not to participate at the Commerce
10 Department's verification, essentially withdrawing from the
11 investigation.

12 The only respondents that have fully participated in
13 the Commerce investigations are Arcelor Mittla, Frittick Mystic
14 of the Czech Republic and Posco of Korea which have received
15 preliminary dumping margins of 11.4 and 5.3 percent
16 respectively.

17 So, for five of the seven countries at issue here,
18 the foreign producers either refused to cooperate from the
19 beginning of the investigation or threw in the towel before
20 Commerce's preliminary determination. Why would a respondent
21 choose to do that? Well, typically this occurs because the
22 dumping margins that would likely be determined in the case
23 would be comparable or higher to those alleged in the petition.

24 In other words, having been caught with their hands
25 in the cookie jar, the respondents concluded that it was not

1 worth investing time and money defending themselves at the
2 Commerce Department.

3 The actions of the respondents and the margins
4 assigned are important to bear in mind as the Commission
5 considers its injury investigation. These levels of dumping are
6 directly contrary to the assertions of the respondents that they
7 are not selling on the basis of low prices and have watched
8 helplessly as prices have plummeted in the U.S. market.

9 The respondents have also mischaracterized the record
10 in a desperate attempt to marginalize the domestic industry's
11 examples of lost sales and revenues. As we have summarized in
12 our prehearing brief at pages 41 to 42, a number of the
13 ostensible denials from purchasers actually take issue with
14 minor points such as a small change in prices that does not
15 change that basic fact that the import price under bid the U.S.
16 price. Such instances should not be considered -- pardon me.

17 Such instances should be considered confirmations of
18 the allegation. On that basis, we have summarized the value of
19 lost sales and revenues that have been confirmed by the
20 responding purchasers as shown in Chart 8 of your package.

21 As you can see, the total value of these losses is
22 substantial. It should be borne in mind that this does not
23 encompass the many lost sale and revenue allegations for which
24 the Commission has not yet received a purchaser response.
25 Indeed, given that it is in the best interest of a purchaser to

1 deny an allegation, the lack of a response can be interpreted as
2 tacit agreement.

3 Finally, I would like to address the assertions of
4 the Japanese respondents that their principal product is
5 heat-proof, domain-refined GOES that is not in competition with
6 the product of the domestic industry. To put this issue in
7 perspective, I would ask you to please examine Chart 9 of the
8 handout. This graph shows the total output of the Japanese
9 respondents by product from for the year 2013 encompassing all
10 different types of GOES including conventional and the various
11 forms of high-permeability GOES.

12 The volume of heat-proof, high-permeability GOES, the
13 product on which these companies ostensibly concentrate, is
14 shown as the red element of the pie chart. I think this picture
15 speaks 1,000 words.

16 Nor are the Japanese respondents accurate in their
17 assertions that heat-proof GOES is their clear focus in the U.S.
18 market.

19 Chart 10 of your package shows the composition of
20 U.S. shipments of Japanese GOES during the period of
21 investigation with the red element of the chart, again, being
22 heat-proof, domain-refined GOES.

23 Further the heat-proof Japanese GOES that is shipped
24 to the United States, is in direct competition with U.S.
25 produced GOES. As noted by Mr. Petersen, Japanese heat-proof,

1 high-permeability GOES can be used in applications in which AK's
2 laser-scribed, high-permeability GOES is used.

3 Further, wound-cord distribution transformers even
4 those under the new Department of Energy standards can be
5 produced from a variety of grades of GOES including conventional
6 grades such as M2 and M3. These designs are by no means limited
7 to the heat-proof product that the Japanese respondents produce.

8
9 In summary, subject imports held a large and
10 increasing sharing of the U.S. market and U.S. production of
11 GOES during the period of investigation. The broad evidence of
12 underselling and lost sales and revenue confirmations indicate
13 that price aggression from the subject imports was the primary
14 cause of the significant price declines suffered by the domestic
15 industry during the POI. As these price declines occurred, the
16 domestic industry went from a profit to a loss position despite
17 an increase in U.S. demand during the period. Putting these
18 facts together, the strong conclusion is that the subject
19 imports have been a substantial cause of material injury to the
20 domestic industry during the period of the Commission's
21 investigation.

22 Thank you for your attention this morning. That
23 concludes my remarks.

24 MR. HARQUIST: Thank you, Mike. We will conclude our
25 presentations with a brief summary of legal issues by my partner

1 John Herrmann.

2 MR. HERRMANN: Thank you, Skip. Good morning,
3 Chairman Broadbent and members of the Commission. I am John
4 Hermann of Kelley Drye & Warren and I will conclude our
5 presentation this morning with some brief remarks on legal
6 issues.

7 First, the domestic-like product. In its preliminary
8 determination the Commission found a single-like product defined
9 as all GOES, co-extensive with the scope of these
10 investigations. Despite not raising the issue previously or in
11 their comments on the Commission's draft questionnaires, JFE
12 urges the Commission to treat heat-proof, domain-refined GOES as
13 a separate like product, an argument that is also supported by
14 Nippon Steel.

15 The finding requested by the Japanese respondents,
16 however, is contrary to the terms of the statute as well as the
17 Commission's precedent. In defining the domestic-like product,
18 the statute directs the Commission to identify, quote, "a
19 product which is like or in the absence of like most similar in
20 characteristics and uses with the article subject to an
21 investigation."

22 Relatedly the statute defines the domestic industry
23 as the producers as a whole of a domestic-like product. Thus,
24 the domestic-like product must be produced by a U.S. industry.
25 As the Japanese respondents note throughout their briefs,

1 neither AK Steel nor Allegheny Ludlum manufactures heat-proof,
2 domain-refined GOES.

3 The Commission has declined to define a domestic-like
4 product that is not produced by a U.S. industry. In steel wire
5 garment hangers from China, the Commission rejected the notion
6 that a domestic-like product can be defined as a product not
7 produced by the domestic industry. The Commission reached
8 similar prior determinations in extruded rubber thread from
9 Malaysia and professional electric cutting and sanding grinding
10 tools from Japan.

11 Based on these precedents, the Commission should not
12 find heat-proof, domain-refined GOES to be a separate
13 domestic-like product and should continue to find a single-like
14 product that includes all grades of GOES both conventional and
15 high-permeability grades.

16 A second legal issues before the Commission concerns
17 cumulation. While no respondent challenges the Commission's
18 cumulation of subject imports for its present material injury
19 analysis the Japanese respondents and the Russian respondent
20 argue the Commission should not cumulate subject imports in
21 analyzing whether the domestic industry is threatened with
22 material injury.

23 Petitioners disagree with the arguments raised in the
24 respondent's brief as the record supports the Commission's
25 exercise of its discretion to cumulate subject imports in

1 evaluating threat of injury. Rather than address those issues
2 at this time, however, we would prefer to address them in our
3 post-hearing brief.

4 That concludes our presentation. Thank you very
5 much.

6 MR. HARQUIST: Thank you, John. That concludes our
7 affirmative testimony.

8 CHAIRMAN BROADBENT: Thank you. I want to thank all
9 the witnesses for coming here and taking time out of their day
10 to be with us.

11 I also wanted to mention for the record that
12 Commission Johansson is participating fully in this
13 investigation. He'll be referring to the transcript. And with
14 that, I think we'll begin our questioning today with
15 Commissioner Kieff.

16 COMMISSIONER KIEFF: Thank you very much, Madam
17 Chairman. And thank you very much to the attorneys and
18 witnesses for coming. We get a lot of steel cases and recently
19 had a lot of fun, I think I can safely say, on a steel trip.
20 Having spent a number of years at a technical school and later
21 in life in a technical practice, I took great pleasure meeting
22 the people doing the work, and seeing the work being done.
23 It's very impressive. It's a pleasure to see.

24 In this setting, we often get arguments,
25 presentations from two sides that are different from each other.

1 And one of the challenges we have is to try to figure out --
2 sometimes there are just factual disputes. Somebody thinks the
3 traffic light was green at the intersection, someone else thinks
4 the traffic light was red. That's a fact question. Sometimes
5 people might generally agree about the facts, but significantly
6 -- but disagree about the significance of the facts, why did
7 they matter.

8 And so throughout the day today, at least for me, I
9 suspect for my colleagues, it will help us to -- if you can
10 just, as directly as possible, while of course being respectful
11 to each other, highlight where you think the disagree is one of
12 fact and where you think the disagreement is one of significance
13 of the fact.

14 So, let me also just remind us all of the special
15 nature of the process we have here which is that one side will
16 present for a long period of time, almost an hour, we will then
17 question, then the other side will present for a long period of
18 time, in that setting it's sometimes hard to match up the
19 disagreements. I would like to try to help us all to match up
20 the disagreements. That helps me figure out what I have to
21 actually decide.

22 So let me just begin with first just a very down in
23 the weeds specific question, if I may, for Mr. Kerwin, who
24 provided a discriminate focused on what I think you referred to
25 as the pink sheets. This is confidential business information

1 so I won't get into the details of it with respect to
2 confidential stuff, but I hope I can ask this question, and I
3 hope you can answer it here. And if not, that's fine, then
4 provide the answer in another appropriate form.

5 The general nature of my question is, the first
6 several pages you talk about Chart 1, U.S. producers, U.S.
7 shipment values, U.S. -- Chart 2, U.S. producers AUV, et cetera.

8 Am I correct in understanding that these charts refer
9 only to what U.S. producers make and send within the U.S.
10 and do not include what U.S. producers make and would send or
11 try to send overseas?

12 MR. KERWIN: That's correct.

13 COMMISSIONER KIEFF: Okay.

14 MR. KERWIN: That's correct, Mr. Commissioner. Yes,
15 those are strictly based on the domestic shipments of the
16 industry.

17 COMMISSIONER KIEFF: And then following up, this is a
18 speculative question for you. But as an economist, I hope it's
19 okay for you to take a just brief speculative shot at it. We
20 often will see countries where the states -- the national
21 government's role in industry in that country is high, whatever
22 that term means. And then we'll sometimes see countries where
23 the national government's role is lower. So we might think of,
24 for example, a more market-oriented system where the state --
25 where the government's role is less, a less market-oriented

1 system where the government's role is high.

2 China is often thought of as a country where the
3 government's role in domestic industry is high. Germany, on the
4 other hand is often seen as a country with more of a
5 market-oriented system.

6 Can you just, at a 50,000-foot level give your best
7 guess as to why a German company has such high margins
8 associated with it?

9 MR. KERWIN: Well, I think, as you heard from our
10 witnesses this morning, the prices for GOES in the last couple
11 years, in other markets, have been low as well. There's been an
12 oversupply, over capacity situation as much of the new
13 production has come on stream in China, and some of those export
14 markets had been taken away. And so that generally prices have
15 been lower, but I think we've reached a point where prices have
16 gone below the costs of production. And, you know, I think that
17 when I mentioned in my comments that people thought they
18 wouldn't participate in these investigations, my guess would be
19 that they knew they were selling below their costs of
20 production.

21 COMMISSIONER KIEFF: So it sounds to me like you're
22 -- a part of what you're saying, a part of the logic of what
23 you're saying is that this is a pretty big world market with
24 flow to lots of parts of the world. So if a -- sticking with
25 this German example -- if a German producer is already facing

1 very, very low prices in large parts of the world outside of the
2 United States, it might already be organizing itself to sell
3 large volumes of its product at what it considers to be too low
4 of a price, but better than zero, and once it's doing that,
5 sending some of that to the United States might be rational for
6 it even if not appropriate under our law, it might be from its
7 selfish perspective rational for it. And you're saying once
8 it's doing that, it might also rationally choose not to
9 participate terribly much in the formal legal procedures inside
10 the United States because it won't get a better outcome anyway.

11 MR. KERWIN: Yes, essentially. I mean, I think they
12 know their own production costs and their own pricing. And
13 given the trend in prices, I would assume that they came to that
14 conclusion.

15 COMMISSIONER KIEFF: So, it sounds to me like one key
16 disagreement of fact between the two sides, if you will, is
17 whether U.S. purchasers view imports as price leaders, or
18 domestics as price leaders. And if I understand our prehearing
19 report and our response to questionnaires, we have some reasons
20 -- some evidence that some U.S. producers think imports are the
21 price leaders. You've pointed to some evidence that you think
22 imports are not the price -- I'm sorry. Our survey results tell
23 us that domestics are the price leaders, you are telling us that
24 you have evidence that imports are the price leaders.

25 In the post-hearing brief, could you please -- to the

1 extent you can -- point out why you think the facts that are in
2 our report and in the other side's brief are either wrong or
3 mean less than they might otherwise mean, and why the facts that
4 you're presenting are right and mean more than the other side
5 thinks they mean. It's a pure factual disagreement, but we
6 probably won't be able to hash it out today, but this is a good
7 setting where post-hearing attention by both sides can really
8 help us all figure out the truth of the fact.

9 So, for example, Mr. Petersen and Mr. Polinski, you
10 each referenced interactions with your customers. To the extent
11 you have records -- contemporaneous records -- of your sales
12 people or their notes of the telephone conversations, to the
13 extent you have e-mail traffic from your customers saying, hey,
14 domestic producer, I've got this other bid from a foreign
15 importer, can you match it? To the extent you can give us that
16 kind of data, that's very helpful for us.

17 MR. KERWIN: We would be happy to put that together.

18 COMMISSIONER KIEFF: Great. Thank you very much.

19 COMMISSIONER SCHMIDTLEIN: Thank you. First, I'd
20 also like to thank the witnesses for all appearing here today.

21 I, unfortunately, did not get to attend the steel
22 tour since I wasn't sworn in until April 28th of this year. But
23 I am looking forward to doing that in the future. And I have
24 heard a lot about pipe in my life. My father was a pipeline
25 construction worker and laid natural gas pipeline. So I've

1 learned there's a lot of different types of pipe and a lot of
2 different types of steel.

3 Anyway, so I would like to start by trying to
4 understand the differences between these different types of GOES
5 and conventional and high-permeability and sort of try to
6 simplify it, although sometimes I know that can be dangerous.
7 But correct me if I'm wrong, but it seems to me that what we're
8 talking about here is the degree of efficiency. And am I
9 correct that all of these products, conventional and the
10 different grades within conventional, and high-permeability and
11 the different types of high-permeability, domain-refined,
12 non-domain-refined, how it's etched, it's all a matter of
13 efficiency of how well that particular product conducts
14 electrical current. So all of these products are basically on a
15 continuum of efficiency.

16 MR. PETERSEN: Eric Petersen, AK Steel. Continuum is
17 a key word. You said it correctly. These really do come down
18 to a degree of magnetic capability or efficiency. So it's
19 really just that continuum from the highest efficiency would be
20 the high-permeability grades, the lower ones are the
21 conventional grades.

22 You also have some distinctions of the thickness of
23 the product. So that will be distributed there. The thinner it
24 goes, the more efficient it is. The thicker the product, the
25 less efficient. But all at the end is exactly as you

1 characterized it, is a continuum of products about the
2 efficiency and then transform manufacturers can take a look at
3 which value of product I used based upon the total owning costs
4 that have been put into my design.

5 COMMISSIONER SCHMIDTLEIN: So less efficient products
6 cost more to operate than more efficient products?

7 MR. PETERSEN: Correct. So it would cost less to
8 purchase. So there would be --

9 COMMISSIONER SCHMIDTLEIN: It costs less to purchase.

10 MR. PETERSEN: Right.

11 COMMISSIONER SCHMIDTLEIN: That's right.

12 MR. PETERSEN: So a less efficient product is going
13 to cost me less to buy it, but I'm going to have a cost
14 associated with the efficiency of the transformer itself. So
15 now I have to look at my electric, et cetera.

16 COMMISSIONER SCHMIDTLEIN: Right. So it's sort of
17 like, you know, if I could analogize, to cars, you know, you
18 want a high gas mileage car, you might pay more for the car, but
19 you'll spend less on gas.

20 MR. PETERSEN: Yes, ma'am.

21 COMMISSIONER SCHMIDTLEIN: You don't care about
22 paying --

23 MR. PETERSEN: Yes, ma'am.

24 COMMISSIONER SCHMIDTLEIN: Okay. And so are there
25 products though that cannot -- you know, perhaps the high end of

1 the continuum versus the low end that you can't actually
2 substitute depending on the end use?

3 MR. PETERSEN: Depending upon the end use is the key
4 point. So, for example, if you're going to put the white cans
5 you see on a telephone pole, a distribution transformer, that
6 has a certain weight capacity that they could support. You've
7 got to have a certain size there. So although you could
8 engineer a product that you could put up onto a pole, it's going
9 to be so big with a low efficiency electrical steel that it
10 doesn't make sense for the application. So, could you do it
11 from an engineering, electrical engineering perspective? Yes.
12 Would you? No.

13 COMMISSIONER SCHMIDTLEIN: Uh-huh.

14 MR. PETERSEN: So transformer manufacturers have to
15 look at what the customers are specifying in regards to the
16 application to help them choose which range of continuum would
17 apply to the application they're looking at.

18 COMMISSIONER SCHMIDTLEIN: And are U.S. producers
19 capable of producing all of the products on the continuum? I
20 know there is some issue about the Japanese product and the
21 particular type of heat-proofed and etching, and so forth, but
22 --

23 MR. PETERSEN: AK still produces all of the products,
24 yes, both the conventional as well as the high-permeability.

25 COMMISSIONER SCHMIDTLEIN: And is that true for

1 Allegheny as well?

2 MR. POLINSKI: This is Ray Polinski, Allegheny
3 Ludlum. And as we testified, we do not produce the
4 high-permeability product at this time. We've done tremendous
5 work. We have a process that we have to make some large capital
6 investments to, to make the high-permeability product. But in
7 saying that though, as I also testified, Mr. Petersen and myself
8 both were members of the Department of Energy Committee studying
9 transformer -- distribution transformer efficiencies and it was
10 a great process. I mean, it really was. There were -- so there
11 were steel producers on the team -- on the committee. There
12 were transformer producers on the committee, there were utility
13 -- you know, heads of utilities on the committee, there were
14 environmentalists on the committee. It was a very good process.
15 And the thing to remember through that whole process, and the
16 way that -- and one thing -- I apologize, but I'm just trying to
17 educate a little bit.

18 COMMISSIONER SCHMIDTLEIN: Yeah.

19 MR. POLINSKI: It's a very unique product, GOES. I
20 mean, I've been with the company 30 years. The first ten years
21 I was in like our stainless steel, nickel alloys and GOES is
22 just very different. But transformers themselves like --
23 they're very efficient. I mean, when the Department of Energy
24 standards changed, the old standards might be like 98.9 percent
25 efficient. And they're going for like 98.9 to 99.1. So we're

1 talking about even the old standards were highly efficient. But
2 the underlying factor we said was for distribution transformers,
3 M2 and M3, which today are the vast majority of the products
4 that are used for distribution transformers, that is the lion's
5 share, you know, much more than anything. The standard that was
6 accepted even for 2016 had to be met by M2 and M3. So for that
7 level there's great overlap. You know what I mean.

8 So you have -- you know, some of the testimony and
9 the heat-proof domain refined product, we're -- as we've
10 testified, we're looking to produce a high-permeability product.
11 We're looking to produce a laser-scribe product, not a
12 permanently -- we've kind of stated that to the Department of
13 Energy, we're not looking to make a heat-proof one, because it
14 is not needed. The overlap is such that the curves, M2 and M3
15 can make the same products as the heat-proof. That was the
16 effort of the team that worked on the Department of Energy,
17 which we were part of.

18 COMMISSIONER SCHMIDTLEIN: Okay. All right. Thank
19 you.

20 I'd like to move on to some questions about price
21 which is obviously a big issue in this. And Mr. Kerwin, in the
22 charts that you provided on Chart 3 where you see the price
23 declines of the U.S. product which is, you know, the same
24 information that I see in the staff report at page V-26, Roman
25 numeral 526. And so my question is, when you look at that chart

1 in the staff report, and you look at the nine different
2 products, and you see the numbers that you've pulled out which
3 show the U.S. product price decline. In four of those products
4 you see that the U.S. product price decline is greater than the
5 subject imports for subject imports that were present in the
6 quarters in those products.

7 How do you think that impacts the Commission's
8 analysis of causation when we're trying -- you know as
9 Commission Kieff was trying to get at, who is the price leader
10 here? Who is leading who down?

11 MR. KERWIN: I think the key thing to bear in mind is
12 what Mr. Polinski told you about the contractual situation with
13 Howard which may have also been the case with other purchasers
14 of the product that there were longer-term contracts that were
15 entered into before this period began in which the pricing held
16 over until 2011. And at which point when the subject imports
17 became more aggressive in their pricing, when those contracts
18 came to an end, and purchasers were aware of what the relative
19 price of the imports were, whether they were buying them or not,
20 then they went back to the producers and asked them to meet or
21 come close to those prices.

22 One other thing I'll say is that in relation to the
23 pricing data in section five of the report, in some of those
24 instances the products involved are relative small volumes for
25 some of the imported products. And we also do have issues with

1 some of the -- as I mentioned in my testimony, and we've
2 discussed in our brief, there are some issues with specific
3 importers that are affecting some of the reported prices there.

4 But that said, I think you do see that there is a
5 significant amount of underselling in the data. And that
6 frankly, in many instances the imports didn't fall as far
7 because at the beginning of the period they were so much lower
8 than the domestic price in the first place. So that as the
9 domestic producer prices had to catch up with those already low
10 import prices, they fell more over the period, but from the
11 first quarter of 2011 when those prices were very -- were
12 relatively lower for the subject imports, they didn't have as
13 far to fall because they were already lower at the beginning of
14 the period.

15 COMMISSIONER SCHMIDTLEIN: Okay. And can you just --
16 you know, in following up on Commissioner Kieff's question in
17 terms of, you know, both parties and laying out the record
18 evidence for your position, can you also -- what you just said,
19 just address this table which is Table 10, E-10.

20 MR. KERWIN: We would be happy to.

21 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

22 Maybe I can get one more question in here. Another
23 question, you know, I think that you are probably the best
24 suited to answer is, when you -- one thing I thought we would
25 see, if you have underselling and you have subject-import prices

1 going down, why don't we see a bigger increase in market share
2 for the subject imports?

3 MR. KERWIN: Well --

4 COMMISSIONER SCHMIDTLEIN: Why aren't they taking
5 more market share and you see the U.S. producers actually going
6 up in U.S. shipments?

7 MR. KERWIN: I think as our witnesses testified to,
8 the domestic producers felt that it was necessary to meet the
9 prices rather than to lose the volume of the sales. When they
10 went to their customers they were told, well, you can meet this
11 price, or we're going to move on and take this imported product.
12 So, by meeting those prices and following the prices down, that
13 was their strategy that they felt they had to draw a line in the
14 sand in the U.S. market. This is their home market. This is
15 their most important market. And this is their base. And so
16 they felt that it's certainly not by choice, but by strong-arm
17 tactics that when a customer tells you, well, you meet the
18 price, or you lose the volume, they chose to keep the volume.

19 COMMISSIONER SCHMIDTLEIN: Okay. Thank you. My time
20 is up.

21 CHAIRMAN BROADBENT: Thank you. I think it's me,
22 next.

23 I had a question and I think maybe this would be for
24 Mr. Kerwin or Mr. Herrmann on price. On page 20 of JFE's
25 prehearing brief, they argue that Howard Industries shifted its

1 sourcing of GOES from one domestic producer to the other from
2 Allegheny Steel to AK Steel. If subject imports were
3 underselling U.S. producers why didn't Howard shift to t he
4 subject imports?

5 MR. KERWIN: I think what -- well, I should be a
6 little careful about describing all the details of what went on
7 in the negotiations there. But clearly Howard had a
8 longstanding relationship with Allegheny Ludlum. You heard
9 about that contract. Some producers' preference is to -- is to
10 stay with a domestic supplier. There are advantages to
11 maintaining a domestic supplier. There are advantages to
12 entering into a contract. But there are also advantages of
13 using price quotes from the imported product to leverage down
14 the price on that product that you would actually prefer to buy
15 from a domestic supplier.

16 So I think there are certainly some suppliers --
17 pardon me, purchasers who have shown there's evidence on the
18 record that they did buy only domestic product. And, you know,
19 I don't think that's unusual. But I think what is unusual is
20 that those purchasers were well aware of what the import prices
21 were and they used those prices in their negotiations with the
22 domestic suppliers whether they had a longstanding relationship
23 with that supplier or not. They used those prices to leverage
24 -- the competing subject import prices to leverage down the
25 domestic producer prices.

1 So there's no need to switch to a subject import if
2 you've gotten the domestic producer to the same price level.

3 CHAIRMAN BROADBENT: Mr. Herrmann.

4 MR. HERRMANN: Yeah, Chairman Broadbent, if I could.
5 We can't get into it for purposes of the hearing today. But we
6 will have some information for you on that very issue in our
7 post-hearing brief that I think you'll find responsive to your
8 question.

9 CHAIRMAN BROADBENT: Great. I'll look for that.

10 Do changes in prices for GOES in export markets
11 affect the price of GOES in the U.S. market, or do you -- or do
12 prices in the U.S. market determine prices in other markets? Do
13 purchasers conduct negotiations for different markets
14 simultaneously or sequentially? Can someone speak to that?

15 MR. PETERSEN: Eric Petersen, AK Steel. Let me begin
16 to try to take a shot at that. We have, as AK Steel, exported
17 as well as imported material. As I mentioned in my testimony,
18 we saw this price decrease in the export market first. We have
19 had to back out of our export sales specifically because the
20 price, again, by the same folks that we're here with today,
21 price dropped to such a level that we actually had to back out
22 of those markets and move into the U.S.

23 Historically, I would say that AK and ATI have been
24 price leaders in the U.S., but with the significant increase in
25 capacity that we've seen globally, we now see that price here

1 within the U.S. So efforts have been made to lower the price
2 here within the U.S. to be able to maintain our volume to
3 protect our market share here within the U.S.

4 CHAIRMAN BROADBENT: Okay. But it seems to me that
5 the price signal is coming in your export markets and then
6 you're pulling back to come in. So it's basically your product
7 coming back into this market?

8 MR. PETERSEN: Well, our product did not come back to
9 the market. We actually took it off line. So we actually
10 decreased our production rates. But you would be correct in
11 stating that the price shift was seen internationally first.
12 And now it is seeing -- pressure -- that same downward pressure
13 is now here within the U.S.

14 CHAIRMAN BROADBENT: Okay. If you look on page five,
15 the table on V-10 and I'll just put this on the record and you
16 guys can respond to it in the post-hearing. But we're looking
17 at the downward trend in U.S. prices presented on table V-10 of
18 the prehearing report and that's on page 526. Why, if at all,
19 should we attribute this trend to the presence and pricing of
20 subject imports? So specifically at that table would be
21 helpful.

22 How do you respond to the evidence that our staff
23 pulled together in the staff report saying that the majority of
24 purchasers listed U.S. producers as the price leaders in this
25 market?

1 MR. KERWIN: First of all, I would make the
2 observation that the definition of a price leader is not
3 something that can be taken for granted. In my experience in
4 working with the domestic industry in many other cases,
5 generally domestic producers are trying to push up prices. This
6 is an extremely unusual case in that the degree of price decline
7 here in relation to other cases I've seen, it's not my
8 experience that domestic producers push down prices by choice.
9 And a price leader, you know, typically in the -- from most
10 people's perspective, I think, is a relatively large player that
11 would use -- would try to keep prices up and certainly cover
12 costs.

13 Price leaders, the fact of the matter is that the
14 price declines that have been seen in the domestic market in
15 this period were fundamentally attributable to these lower and
16 lower offers that were coming in on the subject imports. I
17 think there's a question of interpretation as to what an
18 individual purchaser might -- how they might interpret the term
19 price leader.

20 And certainly, you know, if somebody
21 uses the statistic that 15 of 20 purchasers point at the U.S.
22 producers, well, that means five of 20 pointed to the subject
23 imports which is a higher ratio than what their market share is.
24 So I would think that that's, if anything, given their
25 respective positions in the market, that's a higher percentage

1 of people saying that it was the subject imports, then we're
2 saying it was the domestic producers.

3 Further, as I had mentioned, there are some customers
4 that haven't been purchasing from imported suppliers. Pardon,
5 I'll let you go -- let you speak, Mr. Petersen.

6 MR. PETERSEN: If I may, Eric Petersen. I would say
7 that historically AK Steel and ATI have been the price leaders.
8 AK Steel/ARMCO invented this product. We've been selling it for
9 100 years. As Ray mentioned in his testimony, we've been
10 competing against each other for 40 years. What has shifted is
11 a significant shift in global capacity in the last several years
12 such that we have reached an overcapacity of electrical steel,
13 predominantly by China, and that has shifted the market dynamics
14 such that previously whereas we were clearly the price leaders,
15 today with the presence of overcapacity globally, now being
16 pushed into the U.S., and our efforts to maintain market share,
17 we are having to meet the current price leader of imports simply
18 to maintain our market share as a result of the global
19 overcapacity, which is the same reason we left the export
20 markets.

21 MR. POLINSKI: Ray Polinski, Allegheny Ludlum. And
22 it's a little frustrating sitting here because so much is
23 proprietary and some of the charts even that you all get to see,
24 we don't even have them in front of us. But we -- just to
25 provide a little bit of anecdotal information for everybody,

1 we've supplied -- first off, we supplied a lot of lost sales
2 data. It's on the record that I'm sure everyone has seen.
3 Because everyone's asking for data. And I understand data and
4 so that's what we're always -- you know, we -- this was so clear
5 cut for me in sitting with Ron James and us sitting on the other
6 side of the table with the customers, and we see some data as
7 well. We see data from U.S. Customs. And so there's average
8 unit value pricing that we see throughout the year of what
9 prices are Customs -- the imports are coming in. And they're
10 well below the prices that we were charging. I mean, so there's
11 all kinds of data there that we see all the time.

12 But the biggest thing for us is, you know, and
13 speaking for myself is, we -- and I give you an anecdotal
14 situation, we're with a customer and they tell us, this is the
15 price we can buy from three of the -- three different of the
16 subject countries. And they buy on a quarterly basis. So this
17 is the second quarter of one year, going into the third year.
18 And we get to the point we say, you know what, we don't think
19 you're telling the truth. We don't think it's -- this is lower
20 than the average unit value. The averaged unit values are
21 already very low for an entire quarter. This is taking it down
22 another, you know, 10 percent. We think you guys are making
23 this up.

24 Well, the next quarter we lost a million pounds of
25 business. And then in the fourth quarter we got religion and we

1 said, you know what, we can't afford to lose a million pounds of
2 business, we're going to have to -- we're going to have to match
3 that price. And that's the -- that's what we're faced with.
4 We're committed to this business. We're going to -- the U.S.
5 market is -- that's our core market. It's always been our core
6 market. And, you know, China, World Trade Organization showed
7 that they closed their market. The put dumping cases out
8 against GOES producers, some publicly, some privately. We've
9 been told by customers that they've put public cases out against
10 the U.S. and Russia then all of a sudden they closed -- the
11 biggest market user for Grain-oriented closes their doors to us
12 and then they -- we've been told by customers -- I got the red
13 light here. But they've told us that they brought the Japanese
14 and other -- they brought other Asian suppliers in and they've
15 told them like, hey, you want the same thing to happen to you?
16 Find another place -- find another home for your -- so China
17 increased their production of GOES from 120,000 tons to like --
18 to close to like over 900,000 tons. It's created an imbalance.
19 The U.S. market is the next best open market and dumped imports
20 are coming in here because they can't go to some of the other
21 places and it's really hurting.

22 And I'm with Tom Conway. I sit down with our steel
23 workers and our management team all the time and we talk to them
24 -- we talk to them about this. We have communication meetings
25 routinely. We're very open with them and, you know, we -- I

1 tell them, you know what, the truth always works. The facts
2 will prevail. The truth will prevail.

3 The Department of Energy, the process we went
4 through, the right decision was made. We're confident the right
5 decision will be made here based on the facts and we need help
6 from these dumped imports that's really hurting our business.

7 CHAIRMAN BROADBENT: Thank you Mr. Polinski,
8 Vice-Chairman Pinkert.

9 VICE CHAIRMAN PINKERT: Thank you Madam Chairman and
10 I join my colleagues in thanking all of you for being here
11 today. I want to begin with a follow-up to Commissioner
12 Schmidtlein's questions about the different grades of the
13 product.

14 In particular Mr. Petersen, would it make commercial sense to
15 use heat-proof GOES in an application that does not require it?

16 MR. PETERSEN: I think I really appreciate you
17 asking that because I know that this is one of those cases that
18 Mr. Kieff talked about that you are going to struggle with
19 regards to which of the table is going to talk about heat-proof
20 and where do you land on that. Thankfully, you have a great
21 resource to take a look at, which is the Department of Energy.

22 As we went through the efficiency standards, AK
23 Steel, ATI transformed manufacturers, our customers, utility
24 companies, all took a look at how you define efficiency
25 standards and they looked at this exact same question associated

1 with what products you could use. I urge you to take a look at
2 that because that shows the continuum in which M2, M3, these
3 heat-proof products can all be used interchangeably to still
4 meet efficiency standards here within the U.S.

5 So yes our position absolutely is as what the DOE
6 came up with, not only represented by the steel companies, but
7 transformer manufacturers that these products absolutely
8 represent a continuum and are interchangeable.

9 VICE CHAIRMAN PINKERT: My question was not whether
10 they are interchangeable my question was whether it would make
11 commercial sense to use the heat-proof product in an application
12 that doesn't require it.

13 MR. PETERSEN: Okay thank you. The question, would
14 you repeat that one more time for me, I have two different -

15 VICE CHAIRMAN PINKERT: It's about whether it would
16 make commercial sense to use that -

17 MR. PETERSEN: Thank you.

18 VICE CHAIRMAN PINKERT: Heat-proof GOES in an
19 application that could accommodate the conventional product.

20 MR. PETERSEN: Thank you I understand your question
21 now. The answer is what defines the commercial sense of that
22 is ultimately what the price of it is sold at. So within the
23 continuum of these products, the definition of whether or not it
24 would make sense for that product to be used in something that
25 may not necessarily require that use for is the price at which

1 you can buy that product for.

2 So even though it may have the special heat-proof
3 characteristic and your process doesn't require that heat-proof
4 characteristic, if the price of that product is low enough
5 absolutely it would make commercial sense to go ahead and
6 utilize that product.

7 VICE CHAIRMAN PINKERT: And have you seen instances
8 where the heat-proof product is being used in an application
9 that does not require it?

10 MR. PETERSEN: I have my technical guy right behind
11 me and his answer is yes.

12 VICE CHAIRMAN PINKERT: If you could document that
13 in the post-hearing I think that would be helpful.

14 MR. PETERSEN: We would be glad to.

15 VICE CHAIRMAN PINKERT: My next question is and this
16 is probably also for the post-hearing. To what extent is the
17 domestic industry trend in cost of goods sold to sales due to
18 the decline in export sales rather than competition from subject
19 imports?

20 MR. HARTQUIST: We would be happy to address that.

21 VICE CHAIRMAN PINKERT: Thank you. Now I'm
22 interested in NLMK's ascertain that it is unable to sell
23 substantial volumes of imports to the U.S. market because its
24 available technology cannot make GOES that meets current
25 standards for network transformers. Is there anybody on the

1 panel that can address that?

2 MR. POLINSKI: Ray Polinski, Allegheny Ludlum and in
3 my testimony at the beginning I explained that that's a partial
4 truth. I mean for some of the - for some segment of the market
5 the DOE regulated product, there has been some shifts in
6 efficiency, higher efficiencies, but then as I mentioned in my
7 testimony there are many applications that are not covered by
8 the DOE. Current transformers, regulators that we use them for
9 an M6 product that NLMK produces and DOE 2016 in making every
10 change has you know, multiple impacts and so the 2016 change was
11 coming upon us in the future alot of non-oriented product which
12 is now it is going to move into M6 and M4, it's going to - it
13 was non-oriented but the efficiency is now you can't use the -

14 Non-oriented is also low-loss but not as low,
15 low-loss as grain oriented and so it's moving things so and
16 likewise, you know, it's all about price. It is about price
17 and so if you, I mean, there's - if you lower your price low
18 enough you know, you can there is still a fair amount of the
19 market where that, that the products that they make can be
20 utilized.

21 MR. PETERSEN: Eric Petersen, I made one other point
22 on that as I believe we have also submitted information about
23 capital investment plans of NLMK and the direction they are
24 moving in regards to moving into these higher efficiency
25 products as well.

1 MR. KERWIN: If I could add just one final point on
2 that, in fact some of the information we have put on the record
3 from NLMK's website and promotional materials shows at least in
4 their claim that they already came on stream with high
5 permeability production in 2011. I don't know if that's the
6 case, but you may want to ask them that this afternoon because
7 it is on several different sources, they've already made that
8 investment and that production is online.

9 VICE CHAIRMAN PINKERT: Thank you. In evaluating
10 threat of material injury, given that the U.S. market
11 constitutes only a small portion of the global market for
12 producers in the subject countries, why would we expect them to
13 target the U.S. market in the near future?

14 MR. PETERSEN: Right now, right now the U.S. has the
15 highest price. I think that's what it really comes down to.
16 As I mentioned previously, we had been the export market, the
17 price lowered to such a level that we can no longer compete in
18 that level. Right now with open market conditions, the U.S.
19 market has the best opportunity to take their product into the
20 United States for the best opportunity for price.

21 MR. POLINSKI: Ray Polinski, Allegheny Ludlum, just
22 to follow-up. I mean I think the past is just a good indicator
23 of the future. Past performance indicates what's going to
24 happen in the future and we have seen for the period of
25 investigation, year over year the imports coming in at lower and

1 lower prices.

2 I say sometimes I see the numbers and we - we wonder
3 is that for real? And so it's going to continue and like Mr.
4 Petersen said you know it's taken a little bit longer here but
5 if don't win this case, then we are going to see price levels
6 like we see in other markets where there are no home market
7 producers of GOES. You know there are some markets where there
8 is no home market producer and so those price levels are very
9 low because there is nowhere, no one to injury like we are
10 injured here.

11 VICE CHAIRMAN PINKERT: Thank you. Thank you now
12 staying with this issue of threat, what is the status of the Big
13 River's Steel facility and what impact can we expect it to have
14 in the near future?

15 MR. PETERSEN: Big River Steel I think is important
16 this is Eric Petersen AK Steel. I think it's important to take
17 a look at the Big River Steel to help see this issue. They
18 have announced I believe it's a 1.3 million dollar investment
19 and with the potential to provide a number of different
20 products, one of which will be electrical steel.

21 We have actually taken a look at some of their
22 permits with the EPA and we can see the equipment that they plan
23 for specifically for electrical fuel, electrical steel
24 manufacturing. However, as they begin to announce their
25 efforts they will not be putting in electrical steel capacity

1 initially. It is years away before they will actually begin to
2 see opportunity to be able to put that capacity in which I think
3 is really an interesting point as we consider why you would not
4 make that type of capital investment in electrical steel.

5 The same type of reasons both AK and ATI have talked
6 about our challenges associated with investing in electrical
7 steel today, particularly as we see our market price and global
8 pricing continue to drop. So they have announced it, they have
9 certainly made the steps, but they have not applied the capital
10 to electrical steel production. It would still be years away.

11 They have talked about it now but multiple phases,
12 they are on phase one, perhaps we will see in in the phase two
13 or later phase.

14 VICE CHAIRMAN PINKERT: Any other comments on the
15 panel on that issue?

16 MR. POLINSKI: Ray Polinski, Alleghany Ludlum just
17 to reiterate what's publically available on Big River is that
18 yeah I think they have even said that electrical steel, it seems
19 that the first part of their market is more geared toward the
20 pipe and tube market or whatever, all the Marcellus drilling and
21 things of that nature, that seems to be their initial investment
22 and they have kind of thrown out there in phase two there may be
23 some electrical steel.

24 You know some of that they have been saying since
25 2008, but you know it's probably been delayed many times because

1 of the market was a lot different in those years prior to dump
2 imports for GOES, you know I'm just speculating that you know,
3 right now we are not ready to - we are not in a situation where
4 we can invest in GOES because of the no return and injured
5 status. Maybe Big River is having similar thoughts that's my
6 speculation.

7 VICE CHAIRMAN PINKERT: Thank you Madam Chairman, if
8 there is any other information you have about that that you can
9 provide in the post-hearing I think it would be helpful.

10 CHAIRMAN BROADBENT: Mr. Williamson.

11 COMMISSIONER WILLIAMSON: Thank you Madam Chairman.
12 I too want to join the other Commissioners in expressing
13 appreciation to all of the witnesses for coming and presenting
14 your testimony today. Giving a follow-up question Commission
15 Pinkert had posed about heat-proof steel and whether it would be
16 used in an application that didn't require it. And I think
17 he's already asked the question but what I wasn't sure is there,
18 would there be any advantage you know sometimes you say well the
19 application doesn't require it and there's no benefit to using
20 it.

21 But you might say yes it doesn't require it but if I
22 use it I might get some benefit so I was just wondering.

23 MR. SCHOEN: Sure. Jerry Schoen, AK Steel. When a
24 transformer manufacturer designs a transformer the utility specs
25 what loss and characteristics it wants.

1 COMMISSIONER WILLIAMSON: Yeah.

2 MR. SCHOEN: So they pick the most economically
3 choice of materials. The core steel is just one of the choice
4 components, it can affect other design aspects but ultimately
5 they have to deliver the transformer at a particular price and
6 performance point.

7 COMMISSIONER WILLIAMSON: But could they say oh but
8 you might be able to get an extra six months or it might be an
9 extra degree of efficiency that's like a bonus, or does it work
10 that way?

11 MR. SCHOEN: They could and that would actually be
12 given value away. I see your point of making an added value
13 decision. What they could use for example an M2 and get the
14 same value.

15 COMMISSIONER WILLIAMSON: And the heat treated is
16 going to cost - should cost you more because there's more
17 involved in it?

18 MR. SCHOEN: It should, it should demand a premium,
19 correct. It should demand a premium.

20 COMMISSIONER WILLIAMSON: Okay.

21 MR. PETERSEN: The key would be is it should demand
22 a premium, but if the price is low enough then absolutely why
23 wouldn't you go ahead and take that higher efficiency material
24 at the much lower price.

25 MR. SCHOEN: Jerry Schoen, AK Steel. It would be

1 the same decision of using premium gasoline in your car instead
2 of regular, it's that exact decision. Do you really get better
3 gas mileage out of it? Not really, but for some reason some
4 people are willing to use premium all the time even though their
5 car doesn't require it.

6 COMMISSIONER WILLIAMSON: Gotcha, thank you. Okay,
7 um let's see. I was curious and this is kind of a historical
8 question because your company developed this process a hundred
9 years ago. To what extent are we having a situation where you
10 are seeing other countries around the world sort of finally
11 start developing a product that you know, started off here and
12 are some of them making technological innovations that are going
13 beyond us?

14 MR. PETERSEN: You certainly see steps associated
15 with the production here within the states, moving globally.
16 Really what you see though is it is not so much of an issue of
17 the capability as a product as it really is the issue of
18 capacity of the amount of products. Particularly China, as
19 Mr. Polinski talked about has brought on massive amounts of
20 capacity anticipating a large demand that has simply not
21 materialized. It is really not a case of product superiority.

22 This produce that AK still produces is among the best in the
23 world.

24 We compete anywhere within the world for our products
25 but we have to do so for a fair price.

1 COMMISSIONER WILLIAMSON: Is there any element of
2 newer mills being more efficient or anything like that?

3 MR. PETERSEN: There are different manufacturing
4 processes so yes you can have newer mills that can have higher
5 degrees of efficiency, but you also have capabilities associated
6 with the chemistry and the understanding of the technology which
7 absolutely can offset any improvement by new equipment and as I
8 have mentioned we have been producing this product beginning for
9 a man named Westinghouse for a long time and very well
10 understand the chemistries and the capabilities of what you can
11 do to engineer a produce very efficiently.

12 COMMISSIONER WILLIAMSON: Okay.

13 MR. KERWIN: Commissioner Williamson if I could add
14 one of the things that I thought was interesting that came out
15 in our recent discussions with our clients is that actually the
16 production processes of the Japanese producers to make their
17 high permeability grade of the main refined GOES with the
18 heat-proofing is a process - both processes have been around for
19 many years and in fact they have been around so long that they
20 are no longer under patent protection.

21 So um, those are nothing new, they are not new
22 processes, they are not steps forward for the industry, it is a
23 different technology that gets you to the same place so it's
24 technology that has been around quite some time.

25 COMMISSIONER WILLIAMSON: Thank you. Um, Some of

1 you all refer to this in the new DOE standards and the
2 importance of that research. Were there farm producers on
3 these groups, the value groups too?

4 MR. PETERSEN: No it just utilized U.S. companies.
5 There was also another material called amorphous metals, so that
6 manufacturer was there and then of course amongst our customers
7 we have both customers that represent U.S. interest as well as
8 international interest, so the closest I would say in regards to
9 international interests was companies that have a presence
10 within the U.S. as well as globally.

11 COMMISSIONER WILLIAMSON: Okay, the reason I ask
12 this and standard setting exercises in other companies -
13 countries, sometimes you have companies complaining about those
14 analogies.

15 MR. PETERSEN: Well what I would say is that there
16 is actually a specific effort associated with this heat-proof
17 product. The Japanese product that was specifically taken a
18 look at and covered within the study specifically because of the
19 claims and the concerns associated whether or not it truly had
20 such unique applications and it was a specific point of subject
21 study.

22 COMMISSIONER WILLIAMSON: Hmm, okay. Thank you I
23 want to come back to that, but I was just Mr. Conway I was
24 wondering whether or not you can say anything about sort of the
25 U.S. workers as the companies are trying to improve or

1 introducing new products in the world, the training that goes
2 into them and the investment that goes into the work force, to
3 get the product.

4 MR. CONWAY: Our guys have been making this steel
5 for a long time. They watch it closely um, you know, you did
6 get the opportunity to visit the mill, these aren't most steel
7 jobs, it takes a lot of skill now to sit in that pulpit, roll
8 these steels, understand the particular unique metallurgical
9 qualities of GOES and what it takes.

10 So these are jobs that take a while to break in and
11 learn. It's not something you learn in a matter of months or
12 weeks to do this and for our people and as I talked to them
13 about this product in particular, it is sort of frustrating for
14 them because I run teams into Washington all the time, I bring
15 people to the hill, I have people at DOE hearings. We are
16 constantly talking about America's need to rebuild its grid
17 along with the rest of its infrastructure and those steel
18 workers see themselves as an important part of that, of
19 rebuilding America's energy system and particularly the
20 electrical transmission system.

21 And then to be losing that opportunity because of
22 dumped or duty - countervailing duty steel really just
23 infuriates them and so um, they follow this very closely. They
24 are very aware of it they know what is going on. They know the
25 place of their steels in these transformers and in the

1 electrical transmission system and they are frankly pretty
2 frustrated that we are here again on this when this is about
3 sort of getting about America's energy efficiency.

4 COMMISSIONER WILLIAMSON: Okay thank you. I don't
5 know if this is a fair question or not. Do you see any
6 difference in the attitude of workers at the unionized and
7 non-unionized plants?

8 MR. CONWAY: No, non-unionized are too cheap to pay
9 union dues other than not to. I don't, look our - we have a
10 well, this Commission knows us. We do a lot of work within our
11 union alerting them to the issues that are important we believe,
12 in trade issues and so I would say generally steel worker
13 members are a lot more in tuned to what is going on globally
14 with global markets, how their companies are competing and they
15 understand that we are doing, getting a lot of export business
16 and they got pulled back.

17 So I think they are generally much more aware than
18 you would find in other locations. And in both of these
19 locations, the guys were all in the GOES at AK Steel there in
20 the UAW. I know them very well I have worked with them closely
21 -

22 COMMISSIONER WILLIAMSON: Okay.

23 MR. CONWAY: Over the years and they are just as
24 concerned about this as the steel workers are.

25 MR. RAKOWSKI: Mr. Commissioner, Jim Rakowski,

1 Allegheny Ludlum. If I could just follow along the discussion
2 of the steelworkers - one of my rules at Allegheny Ludlum is as
3 Mr. Polinski pointed out the development of the higher grade
4 GOES products and for about three years I spent more time with a
5 hard hat on than with a suit and tie on so I am very familiar
6 with the attitudes and the roles of the steelworkers and I would
7 say that they in fact played a major role in the development of
8 the higher permeability products because of their specific
9 knowledge and their dedication to the work.

10 Their input was invaluable to the chords of the
11 successful completion of the project.

12 MR. POLINSKI: Ray Polinski, Allegheny Ludlum, just
13 to feed off of that. I am sitting here as well as the work
14 force we have is so talented and so educated, it's a - the
15 process that we go through we hire now, you have to pay us back,
16 electrical training, mechanical training tests, I mean it is a
17 very and I am sincerely you know we probably test five hundred
18 people to find five. You know to meet the standards.

19 It's a very high standard, very talented workforce.
20 Very proud, I mean of what they do. And it's just a - the team
21 we have in our Baghdad Plant which cold finishes the grain and
22 electrical steel, they are very interested in rebuilding our
23 electrical grid. I mean it's a pride thing and they are very
24 talented so we are not at a disadvantage at all, our labor force
25 is our strength it is very talented.

1 COMMISSIONER WILLIAMSON: Good, okay. Thank you
2 for those answers.

3 CHAIRMAN BROADBENT: Commissioner Kieff.

4 COMMISSIONER KIEFF: Thank you very much Madam
5 Chairman and thank you very much Mr. Polinski for the lead-in on
6 education in electrical engineering and material science. I was
7 flipping through my textbooks on those last night trying to, I'm
8 serious, I happen to have run across my old electrical
9 engineering professor in other settings, so I pulled this book
10 off the shelf to see if I had remembered correctly. My notes
11 were in there, they were helpful.

12 But as a follow-up to the discussion that Mr.
13 Petersen was having with some of my colleagues, I was just
14 trying to get my mind around of course, building a transformer
15 means you're sending a lot of energy through the metal, at least
16 in the first instances, electrical and so you are setting up a
17 big E field and they you are setting up a big B field and you
18 have them both at the same time and so you are gonna have some
19 resistance and some impedance which means you will have some
20 heat, so heat resistance while I take Mr. Schoen's point about
21 some people may be having too much interest in premium gasoline.

22 If for example, the automobile manufacturer gives you
23 a better warranty if you agree to buy the premium, then you
24 might rationally buy that premium even though it's not improving
25 your mileage, merely to present the overall total cost of

1 ownership arrangement similarly with a transformer you might get
2 an overall total cost of use benefit as an electrical engineer
3 operator because you are more resistant to heat, which is going
4 to be present while you are doing all the transforming.

5 All of that is a lead-in I guess to just trying to
6 better understand why - is it really the case that there's only
7 one product here that they all compete with each other or is it
8 possible that there is something about the history or something
9 about the future that helps us understand why what might look
10 like one product for a moment in time may in the past have been
11 too, or in the future will be too or more can you tell us about
12 - can you tell us about that a little more?

13 Is there anything to what the other side is saying or
14 do you really just think we should largely disregard what the
15 other side is saying on this point?

16 MR. PETERSEN: Eric Petersen, AK Steel. First off
17 I think some of your questions with regards to the generation of
18 heat I want to make sure that we don't lose the element of what
19 heat-proofing is. That it is not necessarily addressed and I'm
20 not sure if you are trying to link the generation of heat for
21 the transformer as what the capability of the heat-proofing
22 itself is, as the heat-proofing itself is associated with the
23 particular domain refinement and the processes in which we make
24 a transformer, but I think the best person to answer the
25 questions that you are asking for here is Jerry Schoen, patent

1 holder and our resident expert for AK Steel.

2 MR. SCHOEN: Jerry Schoen, AK Steel. When we are
3 talking about these transformers today the federal efficiency
4 requirement is 99% efficiency for a single transformer, 99% so
5 having a steel that is you know very slightly incrementally
6 better is very slightly incrementally better and the DOA study
7 that we have all been talking about does show that.

8 M3, M4 and the heat-proof materials all perform, have
9 similar performance characteristics. We change design to make
10 them more efficient, they follow the same trend pattern. From
11 the current standard to the 2016 standard and the efficiency
12 levels out for the limit of the material.

13 The best way to make a transformer more efficient is
14 actually to use copper for the conductor material not aluminum
15 which is predominantly the material of choice. Why is aluminum
16 used? Price. Why would another choice of steel be used?
17 Price. It is very price sensitive.

18 COMMISSIONER KIEFF: Okay.

19 MR. HARTQUIST: If I may Commissioner, you referred
20 to a product that I think what you are referring to is like
21 product.

22 COMMISSIONER KIEFF: Yes.

23 MR. HARTQUIST: Okay obviously there is a continuum
24 of different types of - different variations of electrical steel
25 that we have talked about and I think the key is we continually

1 refer to the DOE regulations and to our witnesses testimony that
2 although the U.S. producers may not make heat-proof material,
3 they certainly do make material that is entirely competitive
4 with that product and that to me is the bottom line in terms of
5 the like product analysis.

6 So I mean -

7 COMMISSIONER KIEFF: Let me if I could just to try
8 to go, come at this a different way. So it sounds to me like
9 the theory of the other side, the other side's theory of the
10 case if you will is um, your volume is largely stable um, ah -
11 you've got um, imports but they are not a big part of the U.S.
12 market and the big changes happening to your business are
13 largely caused by the very big things happening outside of the
14 United States in the worldwide steel market.

15 And whatever those may be, and however bad they may
16 be they are in a sense outside the scope of this Commission.
17 They're, they're different, I think that's basically their
18 theory and your theory if I understand it is sure your volume is
19 relatively stable, but every rational customer makes a rational
20 decision to buy on the margin so look someone else is making
21 stuff available at a lower price that is going to necessarily
22 drive down your prices even if most of your sales are still to
23 your customers. Each of your customers every time he or she
24 speaks with you is some ultaneously speaking with the rest of
25 the world cognizant of the rest of the world's low prices and

1 kind of in effect dragging your price down.

2 I take it that's kind of basically where the rubber
3 hits the road for these two sides and um, what I am trying to
4 figure out is how do we then fit that into our legal framework
5 and what do we do with that. Um, so as much as you can tell me
6 that the other side's basic theory of the case is maybe either
7 invalid or valid but irrelevant, if you can help me see either
8 of those two then you could help me get to where you want me to
9 be. And vice-versa for the other side, I will just be asking
10 the exact same question on the other side this afternoon.

11 MR. HARTQUIST: It's a fair very question and I
12 appreciate your characterization of the positions of both sides.

13 We shouldn't get hung up on what's happening internationally.
14 The point of that is that there is great competition in pricing
15 of this product around the world. Market conditions vary from
16 country to country. Some markets are closed, including
17 essentially markets of the Respondents who are here certain of
18 them.

19 Um and so there's a world-wide fight about pricing on
20 electrical steel. But that's you know, kind of beside the
21 point of what we are doing here today. We are talking about
22 the impact on the U.S. market, and whether clearly dumped prices
23 as the Commerce Department has found are having an impact, an
24 injurious impact on the domestic industry and our position and
25 our testimony and we think with considerable support from the

1 staff report, is that yes the imports are having a significant
2 impact, both in lost sales which we have documented and will
3 provide further information in the brief.

4 But also in price depression where the domestic
5 producers trying to hang on to market share have had to bring
6 their prices so low it's caused an injurious situation among the
7 domestic producers.

8 COMMISSIONER KIEFF: So let me just follow-up with
9 another question just because my time is short and you can
10 please provide information in the post-hearing, can you tell me,
11 tell us if there is any flow in the world or I should say cross
12 U.S. border market, in at least inside and outside the U.S.,
13 lumping the whole rest of the world into that, outside U.S.
14 bucket.

15 Is there any flow in products that are downstream of
16 your product? So for example, do people buy GOES outside of
17 the United States, turn it into transformers and send the
18 transformers into the United States and vice versa? Can you
19 tell us in the post-hearing brief how the flows of products that
20 are downstream of yours, like transformers, how those flows
21 inside of outside, inside of the United States and outside of
22 the United States might be relevant or irrelevant to our
23 thinking in this case, that may help us as well. I notice my
24 time is up, thank you Madam Chairman.

25 MR. HARTQUIST: Yes we will be happy to do that in

1 the brief and we can also discuss it in the hearing if you
2 prefer.

3 COMMISSIONER KIEFF: That's convenient for
4 everybody.

5 CHAIRMAN BROADBENT: Yes, Commissioner Schmidtlein.

6 COMMISSIONER SCHMIDTLEIN: Thank you. I wanted to
7 follow up I think with probably Mr. Hartquist, this is probably
8 a question for you as counsel. Can you talk a little bit
9 about, you know, given the relatively stable volume and market
10 share of subject imports, on what basis could the Commission
11 find that volume is significant?

12 MR. HARTQUIST: Two points on that. I think we
13 would agree with Respondents that this is primarily a price case
14 but on the other hand the volume of imports has increased and it
15 has been a difficult market in which to compete, you know, we
16 try to - hoping for a recovery in the areas where there are
17 applications for this material. It has been very slow coming
18 and I think the producers would agree that there is no rainbow
19 in the next three months, six months, nine months out there
20 where we think there is going to be a significant increase in
21 demand.

22 So increases in imports are very important and have a
23 significant impact on the market. More importantly is the
24 price impact.

25 COMMISSIONER SCHMIDTLEIN: Okay and for the

1 post-hearing submission the Respondents have pointed at cases
2 where the Commission has found no volume, no significant volume
3 effects and therefore no significant price effects, so I am
4 hoping that or wondering if you can provide any cases where the
5 Commission has found no significant volume effects but still
6 found adverse price effects.

7 MR. HARTQUIST: I will be happy to submit that.

8 COMMISSIONER SCHMIDTLEIN: All right, um, I have a
9 question about the capacity utilization of the U.S. producers
10 and I'm not sure if this is a question for you Mr. Hartquist or
11 maybe Mr. Kerwin. Would you say that the decrease in capacity
12 utilization in this case is an indicator and injury to the
13 domestic industry?

14 MR. KERWIN: I think that the industry yes, it is an
15 indicator that the industry is in an injured condition, yes.

16 COMMISSIONER SCHMIDLEIN: Okay then can you help me
17 understand how we can attribute this increase in excess capacity
18 or decrease in capacity utilization, however you want to look at
19 it, to the subject imports when the change in subject imports
20 was smaller and I'm like sort of sensitive to the
21 confidentiality information here, I'm characterizing, but the
22 magnitude of the changes here, but the changes of subject
23 imports was smaller than the change in excess capacity.

24 MR. KERWIN: Correct, you know I don't think we
25 argument that the decline in production or the decline in

1 capacity utilization was directly affected by the subject
2 imports to a significant or substantial extent. We realize the
3 volume of the export decline here. What it did do is it's
4 placed the domestic industry in a situation um, in which it is
5 in a perilous position in relation to its overall financial and
6 operation health and then when the subject imports have had this
7 massive price impact within the period of investigation, it has
8 made this bad situation much, much worse.

9 I would also point out that it is a factor under the
10 law what percentage of subject imports account for of domestic
11 production of the product and that has been a significant
12 increase over the period. I don't know that the law stipulates
13 whether the changes in production have to be necessarily
14 associated with the subject imports or not but the fact of the
15 matter is that as a percentage of production they have increased
16 substantially.

17 COMMISSIONER SCHMIDTLEIN: Okay. I actually don't
18 have any other questions.

19 CHAIRMAN BROADBENT: I'm just looking at our staff
20 report, Mr. Pfeiffer at table 14, um, it shows that the various
21 types of GOES and the maximum specific core loss um, using the
22 same testing method it's clear that high permeable domain refine
23 GOES is more efficient than say M3, but I don't see M2 on the
24 1.7 Tesla test method and I don't see the heat-proof product
25 there either.

1 For the record can you help me sort of fill in those
2 continuums there. I'm just asking this because we have heard
3 that heat-proof is interchangeable with the conventional M2.
4 So this is table 14.

5 MR. SCHOEN: Jerry Schoen, AK Steel. Madam Chairman
6 can you clarify are you looking at ASTM documents or what type
7 of documents?

8 CHAIRMAN BROADBENT: Oh that's in our staff report
9 from the ITC.

10 Yeah, page 120 I think maybe.

11 MR. SCHOEN: Oh okay, these are ASTM catalogue values
12 which are the America's site testing materials just has standard
13 specifications for products meeting that. I would actually
14 refer you to our specific catalogues, customers catalogues
15 because AK Steel's values are actually better for this for the
16 respective products and they include the 1.5 and 1.7 Tesla
17 numbers.

18 CHAIRMAN BROADBENT: Okay so you could -

19 MR. SCHOEN: In other words our catalogue values are
20 better than the ASTM values.

21 CHAIRMAN BROADBENT: Okay so you could supply that
22 for the post-hearing.

23 MR. POLINSKI: Ray Polinski for Alleghany Ludlum, the
24 same comment applies for the conventional grades that we
25 produced. Our losses are well below, these are maximum

1 allowable losses and our actual losses are well below that so we
2 could likewise supply what our typical performance is which is
3 much better than these standards.

4 CHAIRMAN BROADBENT: Okay, great, thanks. Um,
5 here's another one that let's see if I can explain it clearly,
6 but this is for Mr. Petersen or Mr. Polinski. I was just
7 following up on a question that you answered for Commissioner
8 Schmidlein, you mentioned that certain applications do not use
9 certain types of GOES even though they theoretically could. Um,
10 in your post-hearing brief could you overlay the end use
11 applications for GOES along the continuum of GOES efficiency and
12 express the share to the market for each end use so we could
13 understand the efficiencies going to the end use and what those
14 more specific end uses are in the market share.

15 And this is for the post-hearing brief but I just
16 wanted to get that on the record and you can have more
17 questions, we can clarify.

18 MR. POLINSKI: Ray Polinski, Alleghany, Madam
19 Commissioner if you could just rephrase it, I'm not exactly sure
20 what you are requesting. We are going to give it to you but -

21 CHAIRMAN BROADBENT: Yeah, absolutely, I understand
22 it's a little confusing. You mentioned that certain
23 applications do not use certain types of GOES steel even though
24 they theoretically could. In your post-hearing brief could you
25 overlay the end use applications for GOES along this continuum

1 of efficiency, of GOES efficiency and also correlating it with
2 the express market share for each end use.

3 MR. PETERSEN: Eric Petersen, AK Steel. We can do
4 that, actually that was a big piece of the study the DOE study.

5 CHAIRMAN BROADBENT: Okay.

6 MR. PETERSEN: So we could take data directly out of
7 that for you.

8 CHAIRMAN BROADBENT: Good. Great. And then I
9 wonder, those of you that participated in the DOE process could
10 you speak a little bit more of that and what you learned and
11 whether you were comfortable with the outcome there?

12 MR. POLINSKI: Ray Polinski, Allegheny Ludlum. It
13 was a really good process as I say it brought steel producers,
14 transformer producers, utilities, environmental lists of 24
15 members on a Committee and it worked. I think the past DOE
16 tried to do some of this on their own, they had Navigant
17 consulting and some very, very intelligent and brilliant people
18 but they didn't have the practice people that used the product
19 and have to work with it.

20 And so I don't think I made four different trips, two
21 full days each trip. I mean working meetings, you know eight
22 in the morning until five and at first it was like wow, 24
23 people different agendas and different, we're never going to
24 come to a consensus but at the end of the day it worked and I
25 think the DOE listened to the committee and the recommendations

1 of the committee and everybody won.

2 You know the consumer won because transformers were
3 making them from 98.9 to 99.1 efficient but there is more
4 efficiency that was gained which is a good thing, they want to
5 be responsible for our environment and the energy that we
6 consume, but at the same time the consumer also won that it
7 provided this continuum where all these products could compete
8 on a - the only thing that differentiated was price.

9 The performance it was, there was some members of the
10 committee who weren't in, you know they wanted to go to maybe
11 99.5% efficiency on transformers. The reason the DOE didn't go
12 there is there wasn't enough material to make the cores to meet
13 that. They would have had a standard that we couldn't have met
14 you know what I mean with all the capacity in the world so I
15 thought, going into it I thought man this is not, coming out of
16 it it was a good process.

17 And you know I'm a data person too, I am an engineer
18 and so you know as far as the data goes, I think before the DOE
19 would work as Mr. Kieff said, I think there was a big, the DOE
20 kind of leveled the playing field. There were some utilities
21 that bought a transformer just on its cost only.

22 You talk about heat you could probably fry an egg on
23 the top of that transformer, that's how much heat it generated.

24 But now, because it was inefficient it was low cost to buy but
25 very inefficient and consumed a lot of energy, the DOE said no,

1 hey we are not going to let you put that on the grid, we are
2 going to put efficient transformers so that really leveled the
3 playing field. Now you don't have as much variety of
4 efficiencies, thank you.

5 MR. SCHOEN: Jerry Schoen AK Steel. Madam Chairman
6 and we will be back doing that again with the DOE in probably
7 another two years. It's a five year process, DOE reviews where
8 we got to then five years later we come back and do it again.
9 This is our third iteration or fourth, third iteration and we
10 have, so I said another roughly two years we will be starting up
11 all over again.

12 MR. RAKOWSKI: This is Jim Rakowski with Allegheny
13 Ludlum and I was involved as well in making those trips and
14 doing a lot of the work and I would just like to say that there
15 was a very high level of technical competency in the effort with
16 the computer modeling, the simulations and also the economics of
17 the impact of the decision so I would just like to make that
18 point that I have a lot of confidence in the data that came out
19 of the process.

20 CHAIRMAN BROADBENT: Were you - did you all have a
21 representation on this group, were you involved?

22 MR. CONWAY: We weren't on the group but as both AK
23 and Allegheny have mentioned there became a question of this
24 amorphous steel and sort of taking this to a level that nobody
25 believed made a lot of sense and I think some of the

1 environmental groups were weighing in there, trying to drive
2 this to the point that no one in the country could make this.
3 It was sort of a very unnecessary yield and so the steelworkers
4 got involved directly with those environmental groups and with
5 DOE and took a position on this.

6 While not being on the committee, I have served on
7 enough committees with these engineers and I'm not going to do
8 that, but we were fully aware of it and weighed in on it.

9 CHAIRMAN BROADBENT: Thank you very much. All
10 right, I think that's the end of my questions right now,
11 Commissioner Williamson.

12 COMMISSIONER WILLIAMSON: Thank you, um kind of a
13 difficult question. The staff report page 23 it states that
14 electrical transformers are produced with either stacked or
15 wound cores. It also states, it says that wound cores must
16 undergo heat treatment to relieve internal stresses. And I was
17 going to say do you all agree with this and do you sell GOES for
18 use in wound cores?

19 This is the first time, I mean other than here I
20 haven't heard anybody mention the difference between the stacked
21 and wound and I'm trying to figure out if there is any
22 significance.

23 MR. POLINSKI: Ray Polinski, Allegheny Ludlum and
24 yeah, this is correct. There are two methods of producing
25 them, stacked and wound and yeah we supply in the both markets.

1 For Allegheny Ludlum they are a little bit more skewed toward
2 the wound core but we supply to plenty of stacked core and yeah
3 the statement is true that the wound core because of some of the
4 stresses induced in the winding and cutting of the material does
5 you know, receive anneal the core gets stress relief anneal
6 prior to being put into a transformer, you know, they have some
7 really large cores that don't but the 99, 98% of them get the
8 anneal to remove the stress.

9 Because stress will increase the losses and so you
10 want it to be as stress free as possible to have the lowest loss
11 in the core and in the transformer.

12 COMMISSIONER WILLIAMSON: Now is this sort of I
13 guess heating different from what's talked about when you talked
14 about heat-proof?

15 MR. POLINSKI: I think that's a good question and
16 that's where the heat-proof comments, it's not about the heat
17 that's generated as Mr. Peterson said, it's not about the heat
18 that is generated while the product is in the transformer and
19 being you know energized it is just the stress relief anneal
20 application. Now on M2 and M3 which are interchangeable with
21 the heat-proof product, they don't they don't have a scribing on
22 them on a laser scribing on them, they are not, there is nothing
23 for it to be affected so they are in the old and they have very
24 high, very low losses, very high performance.

25 Laser scribe product if it was heat treated, the

1 laser treatment and I may have to pass this to Doctor Rakowski
2 because he has forgot more stuff about this than I know so the
3 laser treatment once you anneal it, it loses its affect and what
4 the heat-proof would still have some effect of domain refinement
5 and you know, Jim I don't know if you have any other comments.

6 MR. RAKOWSKI: It's just the Jim Rakowski, Allegheny
7 Ludlum, it's just the method by which the domain refinement is
8 carried out that makes it heat-proof or not. The laser
9 technique involves melting a small amount of steel and that
10 effect is nullified by exposure to a temperature consistent with
11 annealing heat-proof techniques. There are a variety of ways to
12 do them, but they generally involve some sort of deformation or
13 permanent stress put in the material which will not go away when
14 it is annealed.

15 The conventional grades are not domain refined so
16 their properties are not negatively affected by the annealing
17 period.

18 MR. POLINSKI: And just to add on, Ray Polinski,
19 Allegheny Ludlum. The M2 and the M3 again interchangeable with
20 the heat-proof product and it's a different grain structure.
21 Our grains are much smaller so with smaller grains you get
22 improved losses. The high perm product has larger grains thus
23 you need this domain refinement to you know in effect, it kind
24 of tricks the steel to think the grains are actually smaller
25 than they are. That's why we don't, our M2-M3, the losses are

1 very low and do not with smaller grains, don't require the
2 domain refinement.

3 COMMISSIONER WILLIAMSON: So is this why some of the
4 imported product claim that they are you know, different than
5 ours and produced. So you might do it quite differently but
6 you are going to get the same result, or you can meet the
7 customer's demands and there are just different ways of getting
8 it.

9 MR. PETERSEN: Yes sir that is correct. And I
10 guess I would add to it as well that you know we are making a
11 lot about this heat-proof but this technology is not covered by
12 a patent, we wouldn't have to license it. If we felt that there
13 was market value, there's basically only one country that's
14 using it, nobody else is using it, um, we all could but we don't
15 necessarily see the value because we don't see the investment
16 ability to go get it.

17 COMMISSIONER WILLIAMSON: And you say and this
18 shouldn't give them any competitive advantage because they are -
19

20 MR. PETERSEN: If you could make the steel in such a
21 method as we have talked about, so that you could achieve at the
22 end of the day the same efficiency, you don't need to.

23 COMMISSIONER WILLIAMSON: Okay, good, thank you.
24 Let's see, Mr. PetersEn has your firm ever attempted to make a
25 sale to a potential or actual customer that would only accept

1 high permeability domain refined and heat-proof GOES and if so
2 has this hampered you?

3 MR. PETERSEN: I'm going to turn that over to my
4 director of sales here Geoff Pfeiffer.

5 MR. PFEIFFER: This is Geoff Pfeiffer with AK Steel,
6 could you repeat that?

7 COMMISSIONER WILLIAMSON: Has your firm ever
8 attempted to make a sale to a potential or actual customer that
9 would only accept high permeability domain refined or heat-proof
10 GOES?

11 MR. PFEIFFER: Here in the United States we would be
12 selling our products versus our product starting with the
13 question. Here in the U.S. we would be selling our product
14 verses the heat-proof product and we believe our product has the
15 value to compete against that, it's a matter of price at the end
16 of the day.

17 COMMISSIONER WILLIAMSON: So are there customers out
18 there who say we want this other stuff and not yours in the
19 U.S.?

20 MR. PFEIFFER: No, I am not aware of any customers
21 that have put that in front of us and say that is all we will
22 buy is the heat-proof.

23 COMMISSIONER WILLIAMSON: Okay.

24 MR. PETERSEN: At the end of the day it's about
25 heating and efficiency standard and there's more than one means

1 of achieving that standards.

2 COMMISSIONER WILLIAMSON: So this is the standard we
3 want.

4 MR. PETERSEN: Right, and will your steel achieve
5 that standard.

6 COMMISSIONER WILLIAMSON: Um-huh.

7 MR. PETERSEN: And the answer to that is yes but
8 again that's that continuum of products, again going back to why
9 the DOE chose and do all of these things at the end of the day
10 you can still achieve efficiency that transformer than other
11 means than heat-proofing.

12 COMMISSIONER WILLIAMSON: Um-huh and your means
13 might affect the price or should affect the price.

14 MR. PETERSEN: They should at the end of the day
15 ultimately what's going to happen is because you have those
16 different products you can purchase to be able to get the final
17 efficiency, what's the price and that's hopefully what drives
18 the decision at the end of the day is what price the transformer
19 manufacturer can buy that at.

20 COMMISSIONER WILLIAMSON: Okay, Mr. James do you
21 want to address this one.

22 MR. JAMES: Ron James, Allegheny Ludlum. We are
23 going to probably discuss it in the post-conference brief.

24 COMMISSIONER WILLIAMSON: Sure, good, thank you.
25 Um, let's see okay Mr. Kerwin in your testimony, you have

1 referenced the purchasers price data in the staff report
2 appendix D and I note in the note that proceeds Appendix D says
3 staff pointed out some of the problems associated with these
4 price comparisons. And so in light of that, I sort of wish they
5 hadn't noted, please comment on the problems and the usefulness
6 of these prices?

7 MR. KERWIN: I think the pricing data from Appendix
8 D are extremely valuable. Um, I would first of all um,
9 recommend that you um, compare the volumes that are shown there
10 versus what are shown in section five of the staff report and I
11 think that illustrates first off what the significance of the
12 data are. Um, that being said, um, I read the note at the
13 beginning of Appendix D, I don't think that the caveats that are
14 listed there by the Commission staff are very significant.

15 When I looked at the specific instructions that were
16 provided in the questionnaire for those questions, it did say
17 that the pricing provided should be um, on a comparable basis
18 for both the domestic and the imported product, um, so the idea
19 of they both should be netted out of transportation changes and
20 then the question of a mark-up on those imports, I would say
21 that's exactly the point.

22 Is there is no mark-up on these imports, but not
23 being imported by traditionally imports that we sell the
24 product, they are being consumed by importers directly and
25 that's exactly the issue because that's the competition that is

1 taking place with the domestic producers is very direct and
2 extremely price sensitive on that basis.

3 COMMISSIONER WILLIAMSON: Okay, since the tables are
4 actually business proprietary, is there anything specific in the
5 examples of things that you want to use to make your point
6 post-hearing.

7 MR. KERWIN: Sure we would definitely be happy to
8 address that.

9 COMMISSIONER WILLIAMSON: Okay thank you. And
10 thinking about demand forecast, um what are you forecasting,
11 GOES demand in the U.S. and globally during 2014-2015?

12 MR. PETERSEN: I'd characterize it as small and
13 stable and it continues to grow to a level. We are seeing some
14 increases in housing and increases in construction right now
15 which has certainly been encouraging to us but no stet changes
16 whatsoever that we see. I think small and stable is probably
17 the best way of describing it.

18 COMMISSIONER WILLIAMSON: Okay, I know I'm running
19 over time but since so many people dropped out. What um, will
20 the change in the DOE efficiency requirements for the
21 transformers increase U.S. consumption of high grade GOES, if
22 you know how to define high grade.

23 MR. PETERSEN: Yes, 2016 you won't necessarily see
24 an increase in demand in regards to the volume but you will see
25 a slight shift as you move towards a higher efficiency product,

1 it is certainly much more desirable to achieve those standards.

2 COMMISSIONER WILLIAMSON: And will the change in
3 these requirements increase U.S. consumption of lower grade GOES
4 as applications have formerly implied in those converged to
5 GOES?

6 MR. PETERSEN: I think yes in dry tech transformers
7 we will see some changes there.

8 MR. POLINSKI: Ray Polinski, Allegheny and I think
9 that I had mentioned that previously. We do see some of that
10 low voltage dry type transformers that were the high end of the
11 non-oriented moving into the -

12 COMMISSIONER WILLIAMSON: Okay.

13 MR. POLINSKI: lower end of the grain oriented that
14 makes some sense, but then also likewise as Mr. Petersen said,
15 yeah you are going to, you are going to see a slight shift in
16 the grades, but M2 and M3 are going to be still viable grades
17 for the new standard in 2016.

18 COMMISSIONER WILLIAMSON: So it is not as
19 significant -

20 MR. POLINSKI: That was the whole over-arching
21 principal of the DOE committee again to make sure there is
22 robust competition and availability of materials to meet the new
23 standard and to keep M2 and M3 as an option.

24 COMMISSIONER WILLIAMSON: Okay, thank you, thank
25 you.

1 CHAIRMAN BROADBENT: Commissioner Kieff.

2 COMMISSIONER KIEFF: Thank you very much, just a
3 couple of quick follow-ups I hope. If I'm understanding what
4 the other side is saying correctly, I think part of what they
5 are trying to get us to understand or buy is that they think
6 that in effect um, because of what's happening in the rest of
7 the world, your overall export volumes have dropped. The
8 effect has been you um, basically have to produce less, in
9 effect that increases your cost per unit of production.

10 Put differently, you might enjoy producing at a
11 higher volume your overall efficiency level, your optimization
12 model might be such that you can charge much less if you are
13 making much more volume but because you are making much less
14 volume, your costs happen to be higher and that that is a big
15 part of your pinch and that would be in their view a pinch
16 caused by something other than these imports.

17 It would be caused by the external world-wide
18 conditions. Do you think there's anything to that view or is
19 it bunk or irrelevant?

20 MR. HARTQUIST: Well I'll start off for a minute.
21 You know if that were true it would really ravish the trade
22 locks because what that is saying is if you lose volume because
23 of what's - because of what's happening and your unit costs
24 increase because of that, it's not the imports that are causing
25 the problem. That is a specious argument and I think -

1 COMMISSIONER KIEFF: I'm sorry, just to make sure
2 I'm hearing you. I do think that's exactly what they are
3 saying. I mean it may be a bad argument but I think they are
4 basically saying that your decrease in volume is due to your
5 client's loss of exports. If it were due to their loss of
6 sales within the United States I think the other side would
7 concede you would have a much stronger case, maybe even a
8 winning case, I don't want to put words in their mouth about you
9 winning, or vice versa, yours and words in your mouth about them
10 winning, but I take it that they're saying their view is that
11 your lost sales are primarily due to your lost exports, that's
12 due to things outside of the United States, not to your lost
13 domestic sales?

14 MR. HARTQUIST: We vigorously dispute that position.

15

16 COMMISSIONER KIEFF: The fact of it.

17 MR. HARTQUIST: Yes.

18 COMMISSIONER KIEFF: Okay.

19 MR. HARTQUIST: Certainly capacity utilization is
20 affected by the total amount of sales, domestic and foreign and
21 so forth. But the key point that we come back to is that um,
22 they have been dumping by huge margins, but virtually all of the
23 Respondents. That we have a good record from the staff report
24 of lost sales as Mr. Kerwin has indicated and I think
25 recognizing the reality of what's going on here, the price

1 depression that has been occurring has been a very significant
2 cause of the injury.

3 And as Mr. Polinski just reminded me of a few minutes
4 ago, look both the domestic producers have fought like hell to
5 keep that business. They have had to bring their prices down,
6 down, down. But they faced decisions either I'm going to sell
7 at a price I don't like because I'm not making money on it or
8 I'm going to lose the business entirely.

9 If they lose a business entirely, the volumes that
10 Ms. Schmidlein referred to you and you referred to would be
11 much larger.

12 COMMISSIONER KIEFF: Okay so let me just if I may
13 make sure I'm following you so far. I think you are telling me
14 that I could completely agree with their view but still go your
15 way because they could in effect be saying part of your harm is
16 caused by what is going on in the exterior to the United States
17 market, but another part of your harm is caused by the imports
18 and the price suppression and as a matter of U.S. import law it
19 is sufficient that you show some material injury caused by the
20 import so even if they could show more material injury caused by
21 other things that would be irrelevant to your case. You could
22 win anyway.

23 In other words, you could agree with them on that
24 point but win anyway, is that basically?

25 MR. HARTQUIST: Yes and that is characteristic of

1 many, many of these cases.

2 COMMISSIONER KIEFF: Okay.

3 MR. HARTQUIST: Multiple causes of injury, um, but
4 what we have got to show is that a significant amount of the
5 injury is caused as a result of the dumping and subsidization.

6 COMMISSIONER KIEFF: That's very helpful.

7 MR. KERWIN: Commissioner Kieff if I could add
8 something specific to that response. On page 6-9 of the staff
9 report shows the unit values of costs over the period. I would
10 argue and these are inclusive of course, of what went on with
11 export sales and domestic sales.

12 I would argue that those numbers don't show that the
13 decline in exports led to an enormous increase in the unit costs
14 of the factory overhead and thus shared costs would be allocated
15 and the other thing I would note is that in the handout that I
16 gave you, the Commission performed a variance analysis and in
17 that variance analysis what they found was that the vast
18 majority of the decline in the domestic industry's profitability
19 in this period was associated with a decline in prices, not with
20 costs.

21 If you look at that, if you look at that graph.

22 COMMISSIONER KIEFF: Sir, just let me make sure I'm
23 following you. You are in effect saying, so just to summarize
24 what I am hearing so far. Point one from the lawyer would be
25 in a nutshell even if the other side is right on the facts, your

1 legal case would win anyway. Point two from the economist is
2 you disagree with their facts.

3 MR. KERWIN: Exactly.

4 COMMISSIONER KIEFF: Okay that's fine, just making
5 sure I get the significance of what you are saying.

6 MR. POLINSKI: This is Ray Polinski from Allegheny
7 Ludlum and again I'm a data guy and I appreciate you being a
8 data guy, that's always the facts are the way to go and as we
9 said before in all of our testimony, we have worked really hard
10 year over year to take costs out and to size our business
11 properly.

12 You know we have had, as I guess what Tom Conway
13 said, there's less steelworkers making GOES, you know, you can't
14 we have to size our business, we have done everything we can to
15 try to control costs, it is - please don't penalize us for
16 trying to hold on to our market share.

17 I mean I gave you the one anecdotal example of you
18 know, one-quarter we have the business and the next quarter we
19 don't because we don't match the import price. That happens on
20 an annual basis as well. If you look at the data, you will see
21 some years where one country has a big number, because they take
22 and they go on to a targeted account and they take a lot of
23 business. They don't take just a million pounds, they take
24 eight million pounds.

25 And then the next year the U.S. industry says okay

1 that ridiculously low price that somebody said they had, they
2 really did have it because they took, and then the next year
3 that country will go down, but another country will go - it's
4 all about price depression to try to maintain you know our
5 market share.

6 COMMISSIONER KIEFF: So let me shift gears for a
7 second and just ask Mr. Schoen's probably the best to answer
8 this, can you take a minute briefly and just walk through a
9 little bit more of the technical details of what happens with
10 the, the heat-proofing product. So in particular, if I'm
11 understanding you correctly, you are telling me that, that one
12 might try to get grain orientation via particular method and
13 then have to heat anneal the transformer core after it has been
14 assembled and the heat-proofing of the GOES allows the GOES to
15 maintain its grain orientation after the heat-proof, after the
16 heat annealing step has occurred.

17 Am I getting that basically right?

18 MR. SCHOEN: Parts yes, parts no.

19 COMMISSIONER KIEFF: Would you please fix it, this
20 is not what I do for a living.

21 MR. SCHOEN: The grain orientation is formed, well
22 first you go through the manufacturing process, they are all
23 very similar with regard to how it's made. A high permeability
24 grade orientation just is a more precise tighter orientation
25 than the conventional types. Um, these are almost single

1 crystals that are miles long. The part that people don't
2 appreciate it, it's a very sophisticated area.

3 The high permeability steels have a larger size
4 grains. They are about this big, about the size of a silver
5 dollar. The conventional oriented ones are very, very tiny, oh
6 goodness about the size of a head of a pencil so the idea of
7 domain refining is to subdivide those big grains by a thermal,
8 or an etching treatment or a mechanical press.

9 The permanent or heat-proof processes put a little
10 dent in the material, either by dissolving a stripe of material
11 by physically putting in an indenture into it. But that is a
12 post treatment process, the steel's been fully finished and Mr.
13 Petersen made the point that if we wanted to we could make a
14 heat-proof high permeability steel.

15 We make the high permeability steel. We have to
16 capitalize that last process. We have elected not to do that
17 because RN2 substantially replaces the need for it, in our
18 product portfolio.

19 The Japanese companies that are talking about this do
20 not actually have an N2 product in their catalogues, that's
21 another important differentiation. In other words, we have a
22 product debate argument made, does that help?

23 COMMISSIONER KIEFF: I think so, Mr. Petersen you
24 look, I know that I am out of time but if forgiveness I'll go
25 just a couple more minutes is that all right?

1 MR. PETERSEN: At the end of the day it's about
2 achieving an efficiency standard, there's more than one way to
3 get to it. You have these big grains, you have got to make
4 them smaller, so you put these lines across them, therefore when
5 you heat it and that's the heat-proof annealing cycle, it still
6 maintains enough efficiency so that you can achieve the final
7 transformer efficiency.

8 On the other side you have a product with really
9 little grains, since it has the really little grains, when it
10 goes through the stress relief it doesn't change and it still
11 achieves that efficiency for the transformer manufacturer.
12 What Jerry is talking about is we have a product with very small
13 grains therefore you don't have to heat-proof it.

14 Whereas the Japanese product has the very large
15 grains, you have to heat-proof it to be able to do what our
16 product already does. At the end of the day either product is
17 in the continuum interchangeable, at the end of the day the
18 decision is price.

19 COMMISSIONER KIEFF: That's very helpful. One last
20 question which you can leave to the post-hearing if you could
21 just address it in the post-hearing. Can maybe the lawyer or
22 the lawyer and the economist tell us whether there is anything
23 we should have in our mind about this case, relating to the fact
24 that there seem to be two and only two U.S. producers.

25 Is there a market concentration issue here that

1 should influence our thinking and if so how? And if not, why
2 not? In other settings when we see a single producer or two
3 coordinated producers, we keep in the back of our mind other
4 concerns about market power as opposed to market share, that may
5 all be irrelevant to this case, if so just please tell us that
6 in the post-hearing.

7 Either it is or it isn't so just tell us and we will
8 read it and that will help us.

9 MR. HARTQUIST: We'd be pleased to.

10 MR. KERWIN: Could I just add one point. Um, first
11 of all I can't agree with the contention that these two
12 producers are coordinated in any way except for this
13 presentation this morning, but in the marketplace they are not
14 so I don't.

15 COMMISSIONER KIEFF: Just to be very clear, I'm not
16 casting aspersions, I'm not suggesting that there's a high band
17 with trusted network of communication between the two of them
18 that the anti-trust authorities would in the criminal division
19 go after.

20 MR. KERWIN: Understood.

21 COMMISSIONER KIEFF: I'm just noticing that you
22 could get passive coordination you can see dynamics in the
23 market when you have a very, very small number of participant
24 that you don't see when you have a very, very large number.
25 These are stylized examples because the lawyer can tell us that

1 they are irrelevant, that's great.

2 It's a question meant in all innocence.

3 CHAIRMAN BROADBENT: Okay.

4 MR. HARTQUIST: Understood, we would be happy to
5 answer that.

6 MR. KERWIN: Could I just make one observation about
7 the discussion this morning. The issue of the heat-proof GOES
8 from Japan is an important one. It has been placed at the
9 forefront of the argument of the Japanese Respondent and some of
10 the other Respondents have even toted their water for them and
11 made similar arguments.

12 To put this in perspective, there are seven countries
13 at issue here. Um, and I understand the, as I said, your
14 interest in the product and I think we have heard a good
15 explanation of how it is part of a continuum but we also see
16 that there's a continuum in the products that are coming in from
17 these seven subject countries and also that there are certainly
18 other products coming in from Japan that are other than this
19 heat-proof product, as we have shown in the handouts that we
20 have had.

21 So I just wanted to throw that out that we certainly
22 understand your interest in the product, but from a 50,000 foot
23 level I feel like I hope we don't lose perspective and realize
24 that this is just one small element of the overall universe of
25 subject imports that are coming in and injuring this industry,

1 thank you.

2 CHAIRMAN BROADBENT: Okay Commissioner Schmidtlein.

3 COMMISSIONER SCHMIDTLEIN: Okay I actually just have
4 one more question and I think this is probably best dealt with
5 in the post-hearing brief because it involved confidential
6 information. But I would like you to discuss the impact on the
7 causation analysis when you look at the quarterly price tables
8 in the staff report, which are tables V2 to V9 and 5-9 or 5-2 to
9 5-9 here at Roman numeral 5-2 to 5-9, and you see some quarters
10 where U.S. prices are declining and there aren't any subject
11 imports in the market at all or the subject imports are actually
12 priced higher.

13 So when you look at the quarterly price data and you
14 see those types of blips you know, how does that impact our
15 causation analysis in terms of tying price declines to subject
16 imports and I'm guessing there is an answer involving cross
17 competition and so forth but given the confidentiality you can
18 comment now if you'd like but since all if it's confidential I
19 think it will probably be easier.

20 MR. HARTQUIST: We will be happy to do that in the
21 brief, thank you Commissioner.

22 COMMISSIONER SCHMIDTLEIN: You're welcome.

23 CHAIRMAN BROADBENT: Okay I just have a couple of
24 questions. This one is for Mr. Herrmann. We're looking at the
25 volume of imports and trying to assess their significance, how

1 do we take into account the role of U.S. exports in the
2 consideration of the ratio of subject imports to production as a
3 measure of significance of imports?

4 MR. HERRMANN: Sorry let me turn my microphone on.
5 John Herrmann, Kelley Drye. In terms of the significance of
6 the volume of exports, I think what the Commission should be
7 looking at is as we've talked about this morning there may have
8 been an effect of the reduction in export sales, but separate
9 and apart from that we are confident that the domestic industry
10 has suffered injury as a result of imports in the market and
11 this relates back to some of the questions, excuse me, that
12 Commissioner Kieff was engaging with with Mr. Hartquist.

13 You know, subject imports here merely have to be a
14 cause of injury suffered by the domestic injury. We think that
15 standard is met by the record before the Commission and think
16 that the Commission should reach an affirmative determination
17 here.

18 CHAIRMAN BROADBENT: Okay and then on underselling
19 and the pricing Mr. Herrmann, do you think it's valid to use UV
20 data for price comparison purposes in this investigation?
21 Given that we have pretty comprehensive and detailed shipment
22 data from importers and producers?

23 MR. HERRMANN: Uh, in terms of the underselling I
24 think we would focus you on the data in Appendix D as some of
25 the Respondents have commented in their brief, some of the

1 import underselling data tends to be fairly small in terms of
2 the volumes represented. If you look at the slide that Mr.
3 Kerwin had in his confidential presentation, looking at the data
4 in Appendix D gives you a much more significant volume and we
5 think should be examined by the Commission in analyzing the
6 underselling that occurred during the period here.

7 CHAIRMAN BROADBENT: Okay thank you. And just a
8 second while I find my - okay here we are. Do - I want to
9 thank all of the witnesses today um, does the staff have any, oh
10 excuse me I'm sorry, excuse me, I apologize, Commissioner
11 Williamson?

12 COMMISSIONER WILLIAMSON: No problem.

13 CHAIRMAN BROADBENT: I really apologize.

14 COMMISSIONER WILLIAMSON: I used to do it all the
15 time. Mr. Hickerson pointed out in his opening remarks that the
16 import volume increased between 2011 and 2013 was less than the
17 volume increase in U.S. shipments so that the volume of imports
18 increased less, essentially imports increased less than the
19 volume of U.S. shipments, increase in the U.S. shipments.
20 Given this should we conclude that the import increase was
21 significant or not?

22 MR. KERWIN: I think the increase in imports is
23 significant yes. What you saw here is a situation where the
24 subject imports from the beginning of the period already held a
25 significant share of the U.S. market. Given the price impact

1 that those imports were having in that period beginning to have
2 in 2011, the fact that there was any increase over this period
3 meant that they were that much more destructive to the pricing
4 in the U.S. market.

5 You don't need a large increase in the market share
6 of the imports in my opinion to result in a very significant
7 increase in their impact.

8 COMMISSIONER WILLIAMSON: Okay, um, how would you
9 comment on JFE Steel's claim in its pre-hearing brief that the
10 small and stable level of subject imports is likely to remain
11 small and stable?

12 MR. KERWIN: Well fundamentally I don't agree with
13 small and stable so yeah, I think they are completely off-base.

14 They have repeated that phrase like the mantra, I'm sure you
15 are going to hear it until you are blue in the face this
16 afternoon, but the fact of the matter is the imports are not
17 small and they weren't stable. The imports went up by 11% over
18 the period.

19 I don't consider that stable. I think it's amusing
20 that they point to other factors within the domestic industry's
21 case and point to smaller numbers than that and say that they
22 are consequential. An 11% increase is not inconsequential um
23 and given where they were from the beginning of the period and
24 the price impact that they had, yeah, I cannot agree with their
25 characterization of the imports as small and stable.

1 COMMISSIONER WILLIAMSON: Okay, thank you. No
2 further questions.

3 CHAIRMAN BROADBENT: Okay, then I think it's safe to
4 say thank you for coming today. Does the staff have any
5 questions for the panel?

6 MR. CORKRAN: Douglas Corkran, Office of
7 Investigations. Thank you Madam Chairman, staff has no
8 additional questions.

9 CHAIRMAN BROADBENT: Okay, do the Respondents have
10 any questions for the panel?

11 Someone needs to shake their head.

12 MR. HICKERSON: No questions Madam Chairman.

13 CHAIRMAN BROADBENT: Got it, thank you very much and
14 in that case I think it's time for a lunch break. We will
15 reconvene here in an hour at 1:30. I wanted to warn you all
16 that the hearing room is not secure so please don't leave any
17 business confidential information out and thanks again to
18 everyone for appearing today. We'll see you in an hour.

19 (Whereupon, at 12:30 p.m., the meeting adjourned to
20 reconvene at 1:30 p.m.)

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AFTERNOON SESSION

SECRETARY BISHOP: Will the room please come to order?

CHAIRMAN BROADBENT: Mr. Secretary, are there any preliminary matters for the afternoon session.

SECRETARY BISHOP: No, Madame Chairman. The panel in opposition to the imposition of anti-dumping and countervailing duties have been seated. All witnesses have been sworn.

CHAIRMAN BROADBENT: Thank you, Mr. Secretary. I want to welcome all of the witnesses here today for the afternoon panel. I'd like to remind everyone to speak clearly into the microphone and state your name for the record for the benefit of the court reporter. You may begin when you're ready.

MR. HILLMAN: Thank you, Madame Chairman. I'm Jennifer Hillman, accompanied by my partner, John Greenwald, from the law firm of Cassidy, Levy, Kent. And I would like to immediately turn the microphone over to our witness, Elise Woolfort from ABB.

MS. WOOLFORT: Good afternoon, Madame Chairman, and the Commission. My name is Elise Woolfort. I am the vice president of supply management for ABB, Inc.'s transformer business.

I am responsible for the procurement of electrical steel and other materials and services to support our

1 transformer business. I am accompanied today by colleagues, Tom
2 Mariner, who's the category manager for electrical steel, and
3 Jerry Clark, our business's chief counsel.

4 ABB is one of the largest purchasers of U.S.
5 grain-oriented electrical steel. Our parent company, ABB, Ltd.,
6 is the world's largest producer of power and distribution
7 transformers, and therefore, the world's largest purchaser of
8 grain-oriented electrical steel.

9 ABB, Inc., negotiates price and quantity with its
10 U.S. suppliers, AK and Allegheny. ABB, Ltd., in Zurich,
11 negotiates with the foreign producers on behalf of ABB, Inc.
12 The U.S. negotiations begin months in advance of negotiations
13 with the foreign suppliers. And as a matter of policy, ABB does
14 not inform any of its suppliers of specific offers from other
15 suppliers.

16 ABB has never asked AK or Allegheny to meet or beat
17 another supplier's specific price quote for a particular grade
18 of GOES. Insofar as the market in the U.S. is concerned, ABB is
19 very committed to domestic supply for its GOES needs even though
20 we continue to pay more for GOES supply in the United States
21 than ABB, Ltd. pays in offshore markets.

22 The volume of business that domestic producers have
23 conducted with ABB has been remarkably consistent over the
24 period of the investigation. Taken together, AK and Allegheny
25 have provided between 80 and 90 percent of ABB's GOES needs in

1 every year of the Commission's period of investigation. And we
2 expect to continue sourcing at comparable levels from our
3 domestic suppliers.

4 Let me be clear. We value AK and Allegheny as
5 business partners. We are not here to disparage them. But when
6 they say that imports have been their problem, they are very
7 wrong. ABB imports a small amount of GOES for two reasons, one,
8 to obtain certain grades that are not available from domestic
9 producers, and secondly, to minimize the risks resulting from
10 sole sourcing.

11 It is our policy to have dual or multiple sources for
12 all our essential materials. With respect to high perm GOES
13 where imports are the only source of some grades, we would
14 welcome more U.S. supply of high perm grades of GOES. And in
15 fact, when you take a look at our data, you will see that in
16 2013 ABB for the first time qualified domestic supply of high
17 permeability non-laser scribe GOES.

18 By contrast, for conventional grades of GOES, we have
19 two domestic sources of supply. Our imports of conventional
20 GOES, therefore, have been very limited. We use competition
21 between AK and Allegheny to keep conventional GOES prices in
22 line with market realities.

23 On these facts, which are not, or at least should not
24 be in dispute, the claim that ABB's imports have caused material
25 injury to AK's or Allegheny's GOES operations is not credible.

1 Now, let me be more specific about our supply of high
2 perm and conventional grades of GOES. ABB purchases its GOES on
3 a grade-specific basis. We use the steel to build transformer
4 cores to meet particular customer specifications with respect to
5 size, noise level, weight, and core loss.

6 Each transformer is designed with a use of a
7 particular grade of steel in mind so that the most appropriate
8 steel to achieve the desired transformer properties results.
9 Earlier this morning there was a lot of discussion regarding the
10 substitutability of M-2 and M-3 with heat proof high B. This is
11 not exactly 100 percent true.

12 It is true in regards to the DOE standards regarding
13 efficiency; however, when we design a transformer the losses or
14 deficiency is only one parameter that we factor into the design.
15 The other factors are noise and weight and size, and this is
16 based upon the customer requirements.

17 For example, once we design a transformer with heat
18 proof, high perm GOES, you cannot substitute M-2 into it. If
19 you do, you will not achieve the same losses. So, in order to
20 meet the customer requirement for losses, you would have to
21 increase the size of the transformer. So, I would just like to
22 clarify that point.

23 As such, the price for one grade of steel is not
24 typically used in negotiations over the price for a different
25 grade. So, the price that ABB pays for its M-3 steel, for

1 example, is not affected by the price we pay for M-4 or M-6 or
2 high perm. What we do is we negotiate each grade as a
3 stand-alone product. So, we would set the price for the M-4,
4 then we'd set the price for M-3.

5 Now, for high perm grades, there are really three
6 categories: high perm, domain refined laser scribe, Category 1;
7 Category 2, high perm, not domain refined, not laser scribe; and
8 Category 3, high perm, mechanically scribe.

9 Category 1, talk about that first. Domain refined,
10 high perm, laser scribe GOES, this was the only grade that AK
11 was qualified to supply to ABB during the full period of the
12 investigation. AK was the dominant supplier to ABB of this
13 material. On the facts, AK cannot legitimately claim that
14 imports took significant business away from AK over the period
15 of investigation because ABB's imports of this particular
16 product actually decreased during the period.

17 The second category, high perm, not domain refined
18 steel, AK was only recently qualified to supply ABB with this
19 material, and that started in 2013. It gained share in this
20 product category at ABB at the expense of imports. So, AK
21 cannot legitimately claim a loss of ABB's non-domain refined,
22 high perm business to imports. To the contrary, it gained
23 business in this product category.

24 The third, domain refined, mechanically scribed high
25 perm, AK does not make this product, so ABB could not buy this

1 product domestically. Therefore, AK cannot legitimately claim
2 any loss of sales in this product to imports.

3 Now, for conventional grades, during the period of
4 investigation ABB only imported small volumes of two grades of
5 conventional GOES under a one off 2012 contract that was not
6 renewed. The imports under this contract totaled less than 8
7 percent of ABB's consumption of conventional GOES in 2012 and
8 less than 3 percent in 2013. By ABB's calculation, these
9 imports could not possibly have been more than 1 percent of AK's
10 and Allegheny's production of conventional GOES on either year.

11 I don't understand how Allegheny or AK can seriously
12 claim that these small volumes were responsible for the 2012 and
13 2013 downturn in the U.S. industry operation.

14 Also, AK and Allegheny have made a number of
15 allegations about sales lost to imports at ABB. The allegations
16 are wrong. We have provided the Commission with the details,
17 but if you step back, you can see how wrong the claim is because
18 the alleged lost sale volume is far greater than the total
19 volume of ABB's import, so there's an inconsistency.

20 What really happened in the market is that
21 substantial new capacity and production came on stream overseas
22 which made it harder for AK and Allegheny to maintain their
23 large volumes of exports. As well as the global collapse of the
24 transformer market due to the 2008 and 2009 global economic
25 crisis. This reduced the demand for GOES globally as well as in

1 the U.S.

2 As the export markets became increasingly less
3 viable, the level of intra-industry competition in the U.S.
4 market increased, and the domestic producers competing to
5 increase or maintain the volume of their sales to domestic
6 purchasers like ABB.

7 So, in conclusion, it was the intra-industry
8 competition that lead the downturn in the U.S. market in the
9 prices.

10 Now, you can see evidence in this in the data that
11 ABB has provided to the Commission. There are sales of a few
12 grades for which ABB bought no imports at all during the period
13 of the investigation; yet, the prices for those grades with no
14 import competition fell more than the grades for which ABB
15 brought in its limited volume of imports.

16 The data disproves the Petitioners' contention that
17 low volumes of imports by ABB caused the decline in US-producer
18 prices. Thank you.

19 MS. HILLMAN: Thank you. And if I could now, I'd
20 like to take just a minute to highlight for the Commission the
21 places in your record that provide the data and the evidence
22 that would support the testimony that you've just heard from Ms.
23 Woolfort.

24 And because it does involve confidential information,
25 I would ask if you would please turn to the confidential

1 exhibits that were submitted on behalf of ABB, which I
2 understand the Secretary has distributed over the lunch hour.

3 And again, I would pick up from exactly where Ms.
4 Woolfort just ended her testimony. I would ask you to look
5 quickly at Exhibit 1. And what this is indicating is, again,
6 broken down by grade the purchases made by ABB, both of domestic
7 product, but broken down. The top half of the chart indicates
8 the grades for which ABB also brought in imports of those
9 grades. And you can see in the final column the period change
10 in the prices of those products for which there was import
11 competition.

12 And then if you then look at the data at the bottom
13 half of the chart, it would indicate to you what happened to the
14 prices for the products for which there was no import
15 competition at ABB. And I think you will see a fairly stark
16 difference in those that should suggest to you something about
17 whether it was really intra-industry competition, which was
18 clearly occurring in those products at the bottom half of the
19 chart, as opposed to import competition that was driving the
20 price declines that you see on the chart.

21 The second point that I would want to make relates to
22 lost sales. And here I would ask you to turn to confidential
23 Exhibit 2. You heard extensive testimony this morning and
24 repeated again by Petitioners that there was a very significant
25 volume of lost sales confirmed and of lost revenues. And

1 indeed, if you looked at Petitioners' confidential exhibit,
2 chart 8 there was an actual dollar figure attributed to the
3 amount of lost sales and lost revenues, particularly at ABB.

4 Clearly, what we're trying to indicate here is that
5 those lost sales cannot possibly be true. If you look at the
6 total amount that was alleged again to have been lost, meaning
7 the perception is all of that volume actually went to imports
8 versus the actual volume of what ABB did, in fact, import I
9 think you will see a very substantial difference in those two
10 numbers. Again, indicating that a fair number of these lost
11 sales allegations, as ABB as indicated, cannot possibly have
12 been true.

13 Petitioners may have perceived that they were losing
14 out imports when in reality they may have been losing out to one
15 another.

16 And I would now turn the microphone to my colleague,
17 John Greenwald.

18 MR. GREENWALD: What you've heard so far, and what
19 you've seen, are ABB data. I would like to address the points
20 that Ms. Woolfort made more broadly and talk about broader
21 industry data.

22 The core of the argument against the petition is that
23 there was a dramatic fall in exports that the export volumes
24 came into the United States and that the determination to gain
25 or maintain market share by domestics, in fact, dictated what

1 happened in pricing.

2 And in this morning's testimony what you heard was
3 nothing about competition between the domestic industry. It is
4 true that under the statute you have to look at injury to the
5 domestic industry as a whole. But when you're examining
6 causation, and the argument on this side is that what is at the
7 root of what is going on is, in fact, competition between the
8 domestic producers you have to look at the domestic producer
9 data separately.

10 Now, I don't know if you have readily available the
11 brief that we submitted on behalf of ABB. But if you do, what
12 I'd like you to do, if you'd bear with me, is turn to a chart on
13 page 15. And it seems to me that as a matter of very elementary
14 economics if you are trying to figure out what is going on in
15 markets and what's happening with prices the best indicator are
16 market share shifts.

17 What we've done here is take imports, and rather than
18 take the domestic industry as a whole, broken out the components
19 of the domestic industry. And while I can't talk about those
20 data publicly, it seems to me they give you a very clear
21 indication of exactly what is going on in prices and why just on
22 the basic Economic 101 supply and demand analysis.

23 Second, what I'd like you to do is to turn to Exhibit
24 3 in the same brief. And what we did in Exhibit 3 was take the
25 pricing data that you have before you in your report, once

1 again, breaking out prices by the two domestic Petitioners. And
2 what we have marked for you in each instance if you got the
3 color copy it would be in red. It's the low price for the
4 quarter.

5 Now, these are only the products in which you have
6 supply by imports, AK, and Allegheny. So, it's a limited
7 subset, because as you heard in this morning's testimony, AK
8 does not make -- Allegheny doesn't make the high perm products.
9 But when you look at these data, I would like you to focus on
10 two things, one is the shift in U.S. prices when they occur and
11 compare that to the volumes of imports that Petitioners say
12 drove the prices. And on these data that claim is frankly
13 preposterous.

14 I think that is our direct testimony. Thank you.

15 MR. HUSISIAN: Hi, I'm Greg Husisian, and I'm here on
16 behalf of JFB. Let me go through my points quickly since our
17 time is unexpectedly half gone. Well, I should I said a third.
18 I guess I was using Petitioner math.

19 I'm here to give an overview of the economic
20 statistics that inform this analysis. When we came into this
21 case at the conference stage with the petition, we started with
22 the very first graph in the confidential exhibits that we handed
23 out to you, which is the big thing that the U.S. industry needs
24 to explain is this graph that we had in our economic report and
25 in our brief.

1 And as we talked about this morning, the U.S.
2 industry has not done anything with that graph. We still have a
3 stable level of U.S. shipments. We have a stable level of
4 subject imports. We actually have a stable level of non-subject
5 imports. If you were to hand this to a bright high school
6 student, of course, a high school student's who's on the HPO,
7 and ask them to explain what is it you think changed? What is
8 it you think caused this industry to go from a very profitable
9 and very well run financial performance in 2010 and 2011 to the
10 situation you have today where it's performance has deteriorated
11 I think that that bright high school student would look at this
12 and say, gee, it's that declining level of subject exports.

13 Remember, at the beginning of the POI, the export
14 performance of this industry was very strong. This isn't like a
15 carbon steel product where you often see where the U.S. industry
16 doesn't export that much. The exact number is confidential, but
17 it is a very large percentage at the beginning of the POI of the
18 U.S. production that was exported. And when that declined, you
19 have some very predictable and nasty effects.

20 Remember, being a steel producer means you have a
21 high level of fixed costs. So, if you take away a big chunk of
22 sales, some of the nasty affects you have are your fixed costs
23 start eating you alive. You become desperate to fill that
24 capacity because your fixed costs are high. You find that your
25 capacity utilization pullets, of course, and you find that your

1 profits decline as well. And that's what we saw coming together
2 here today.

3 If you look at the second chart, there's a very nice
4 correlation between the falling exports and the capacity
5 utilization. They were dragging it down over the period of
6 investigation, and that explains so much that is going on during
7 this investigation.

8 Now, Commissioner Kief said please point out in your
9 testimony where there's disagreement between Petitioners and
10 yourself in a factual basis. I'd say the key disagreements in
11 this case are actually between the Petitioner and the staff
12 report.

13 If you consider what's going on in the pre-hearing
14 brief and what you heard this morning, you see that the U.S.
15 industry doesn't like the underselling data, so they throw it
16 out and create their own. They conjure up in the affidavit that
17 they submitted in their second exhibit a very strange link
18 between Howard Industries and the subject imports, one that I
19 had to read three times to even understand, and then confirm
20 with my colleagues that I was understanding it correctly.

21 It's unfortunately APO, so I can't discuss it, but I
22 would suggest that just looking at that to see the lengths that
23 they're trying to go to conjure up a link between the subject
24 imports and the pricing that you had for this large customer
25 where subject imports were not really a factor is telling about

1 their case in general. They don't like the statement as is
2 publicly stated in the staff report that in 15 out of 20
3 comparisons the U.S. industry is identified as the price leader.
4 So, they run away from that as well.

5 They also -- and this was my favorite -- this morning
6 say that we re-characterize lost sale and lost revenue
7 allegations where someone say disagree as, in fact, being the
8 same thing as agree. Well, I don't know where that comes from.

9 There's also a war between the Petitioners and logic.
10 They claim that declining capacity utilization is caused by a
11 trivial increase in subject imports, yet, it was impacted by the
12 massive decline in U.S. exports, or if it was it's not really a
13 factor that had any affect on their cost structure.

14 They also say that this small and stable subject
15 imports, and I should confess that I was the initial author of
16 that "completely off base phrase," but I'm still going to stick
17 with it because I hope to someday have it on my tombstone. They
18 said that the small and stable subject level of imports actually
19 is significant when you look at it on a percentage basis. Well,
20 I would remind the Commission that this is a market that
21 everyone knows has 200,000 tons of U.S. consumption each year,
22 and that the public imports statistics show that the subject
23 imports account for less than 15 percent of this and that the
24 market share was stable over the POI. So again, you're looking
25 at the declining level of exports and at stable level, and it's

1 hard to say how that is having any impact at all under any kind
2 of economic logic.

3 They're also saying that the small level of subject
4 imports is driving down prices; yet, this is in a situation
5 where there is no change in the market share and where their
6 lost sales allegations are denied by the purchasers. None of
7 this makes sense.

8 Now, if our volume case can be summed in this one
9 chart, they need to come up with a response for this, and they
10 have not. Now, they have said that this is a pernicious use of
11 the dumping law, that it's a specious argument to say that there
12 can't be injury where the exports are falling.

13 That, of course, is not our argument. What we say is
14 when you look at this case, and you consider that this is an
15 industry that is being harmed by the high level of excess
16 capacity in it and you say where did that high level of capacity
17 come from? What happened to this industry that used to be
18 performing so well that it no longer is that line is telling you
19 the whole story.

20 Further, when you look and say what about the price
21 effects? Can't there be injury on the basis of price effects?
22 Well, the answer, of course, is true. But when you look at the
23 cases where the Commission has found price impacts where there's
24 a small level of subject imports it's generally because the
25 imports are using underselling to sharply increase their market

1 share and to take away sales from the U.S. industry.

2 But that is not what we see here. Instead of seeing
3 a subject import taking market share and using the club of low
4 prices to create a situation where they pick up market share and
5 cause price injury, instead we see, once again, the small and
6 stable level of subject imports.

7 How can it be that a U.S. industry, which as is
8 publicly stated has more than 80 percent of this market, which
9 is being listed by all the purchasers as being the price leader
10 is not the entities that are causing prices to fall down.

11 Now, if any further proof of this is needed, you can
12 take a look at the last page of the confidential exhibits we
13 have, which go to the Howard Industries, which was extensively
14 discussed this morning. The key thing to note about Howard
15 Industries is that this is a situation where subject imports are
16 bystanders. You have one Petitioner taking market share from
17 another. And what you see is that Allegheny Ludlum suffering
18 from those nasty affects that I talked about caused by its
19 plummeting level of exports needed to make up for that.

20 And what we see is that in the process you have a
21 consistent pattern of pricing, which is summarized in
22 confidential form here. I would submit that if you compare the
23 pricing by the victor in this battle over Howard Industries with
24 the volume it is crystal clear how this was happening. And
25 what's more important to note is of all the pricing comparisons

1 that this Commission and the staff gathered information on this
2 is the one where you saw the biggest price effects.

3 Further, if that weren't enough, if you go through
4 the products what you see is there is no correlation between the
5 level of subject import penetration and the level of the price
6 declines. There are products where there are a lot of imports
7 coming in where there were big price declines, and there are
8 products where there's a small level of subject imports coming
9 in where there's price declines; and the converse is true as
10 well.

11 If it were truly the subject imports that were
12 causing these price declines, you would expect to see some
13 evidence. You would expect to see market share going up. You
14 would expect to see more lost sale allegations being proved out.
15 You would expect to see some correlation between the level of
16 subject import penetration and the pricing declines that you're
17 seeing there. That link is not shown by the data, and that's
18 the problem with their pricing argument.

19 They don't have a coherent theory of their case.
20 They're trying to link small and stable level of subject imports
21 to various causations things, and it just doesn't hang together.

22 What we're talking about is a very straightforward
23 story. We see one U.S. producer that's losing a huge chunk of
24 its sales and having this huge capacity utilization decline,
25 which then needs to somehow desperately make up for it, and the

1 results are predictable.

2 Finally, with regard to threat, the Commission has
3 stated in numerous cases the common sense view that if we're in
4 a threat situation where subject imports over the POI were not
5 having much of an impact, we need to point to some kind of
6 trigger. What is going to change to turn this situation of no
7 material injury by reason of subject imports into material
8 injury in the eminent future?

9 They have pointed to nothing that will say that this
10 is going to increase. The only things they point to are to say,
11 well, for all we know there's lots of excess capacity in China
12 and people are selling to other countries, and if they wanted to
13 they could shift it to the United States.

14 Well, guess what, that has been true for the POI,
15 before the POI, but the data shows, again, the small and stable
16 level of subject imports. What is going to change? Well, what
17 the staff report shows is everyone knows that outside the United
18 States is where all the action is. The market's growing
19 quicker.

20 The subject producers have established sales networks
21 for those areas. They're concentrated on that area of the world
22 because unlike in many steel cases that we see the U.S. market
23 is not the focus. Ninety percent of the demand is outside of
24 the United States. It's expected to continue to grow, driven
25 not only by replacements as we see in the U.S. market by the

1 development of the electricity infrastructure in developing
2 countries. China, in particular, is the biggest source of
3 demand and is going to continue to gobble up Chinese sales and
4 production. So I don't see any way that we can have any kind of
5 impact in the future because nothing is going to change. That
6 trigger is just not there.

7 Now, I'm going to turn things over to the industry
8 witnesses, who are going to talk about the unique role that the
9 Japanese product plays in the market, how the global market
10 works, and other factors that impact that as well.

11 MR. YONEZAWA: Good afternoon Madame Chairman and
12 Commissioners. My name is Soichi Yonezawa, and I'm senior
13 manager for the electrical steel sheet division of Nippon Steel
14 & Sumitomo Metal Corporation. Thank you for the opportunity
15 today to participate in this hearing.

16 From the testimony this morning, I understand that AK
17 Steel and Allegheny are claiming that competition from imported
18 GOES is the reason why U.S. market prices have fallen in the
19 last few years. Speaking for Nippon Steel & Sumitomo Metal, I
20 can say very clearly that our sales of GOES over this period
21 have not had any harmful effect on the domestic producers.

22 Let me explain why this is so. First, our
23 participation in the U.S. market has not changed over the period
24 of investigation. Most of our sales are to two U.S. transformer
25 manufacturers. We are not the primary supplier to either

1 customer. They buy the vast majority of GOES requirements from
2 either AK Steel or Allegheny.

3 Both customers have been clear that they consider us
4 to be a secondary, backup supplier in the U.S. market and a
5 source of specialized GOES product not available from either
6 U.S. producer, and they intend to keep buying mostly from the
7 U.S. producers. We do not believe that either customer has
8 increased purchases from us at the expense of purchases from any
9 domestic producer in the last three years.

10 Second, our export to the United States are very
11 heavily weighted towards high permeability, domain refined GOES
12 for U.S. customers who do not want to be completely dependent on
13 AK Steel for high permeability GOES. Our products are a way to
14 diversify their supply chain and protect against any disruption
15 in supply.

16 In addition, we are the only supplier for the
17 specialized product I referred to earlier, that is domain
18 refined GOES products that are mechanically scribed. As you may
19 know, these mechanically scribed products are uniquely suitable
20 for some high efficiency distribution transformers. When domain
21 refinement is done through mechanical scribing, the laminations
22 produced from this type of GOES can be annealed without any harm
23 to the magnetic permeability or coreless properties of the
24 material.

25 This characteristic is very important for production

1 of high efficiency distribution transformers which are made
2 using wound cores that must be annealed after forming.

3 Third, as a secondary supplier in the U.S. market, we
4 are a price follower rather than a price leader for our
5 customers. Our customers particularly negotiate prices for our
6 GOES products after they have negotiated prices with U.S.
7 suppliers. During these discussions the customer usually
8 explains its perception of the direction of the prices in the
9 U.S. market based on their negotiations with U.S. producers, and
10 we are expected to follow the same pricing trends.

11 Also, to our understanding, our prices are usually
12 higher than those charged by AK Steel or Allegheny in the U.S.
13 market. It is simply not accurate to claim that our exports are
14 the reason for declining prices in the United States.

15 As a final point, it is important to put the U.S.
16 market in perspective in terms of global demand for GOES. Most
17 consumption of GOES today, and most of the growth in demand in
18 GOES is in Asia. In many Asian countries the building out of
19 new infrastructure for electric power is creating demand for
20 large quantities of GOES. By contrast, the U.S. is a more
21 mature market and there's less demand for new power
22 infrastructure.

23 Most of the U.S. demand for GOES comes from
24 replacement of old transformers. This difference helps to
25 explain why our participation in the U.S. market has remained

1 stable over the last several years and why our exports of GOES
2 to Asian markets have been much greater than our exports to the
3 United States.

4 Our focus on the growing Asian markets also explains
5 why, as reflected in the data we have provided to the
6 Commission, our GOES production facilities are operating at the
7 high level of capacity utilization and why we expect this
8 situation to continue through the foreseeable future.

9 I appreciate your attention. I'm ready to answer any
10 questions that you may have.

11 MR. SUZUKI: My name is Hidenari Suzuki. I'm pleased
12 to appear before the Commission today. I'm currently the deputy
13 manager of the Electrical Steel Export Section of JFE Steel
14 Corporation. I'm responsible for JP's worldwide sales and
15 marketing of GOES.

16 JFE is a large, integrated steel producer that makes
17 many different steel products, including GOES. With respect to
18 GOES, JFE focuses its efforts on products where it can take
19 advantage of its world-leading research and specialized high
20 value product. JFE's capacity to manufacture GOES is limited.
21 Accordingly, JFE's future plans are to shift production from
22 conventional to higher efficiency, higher value product, GOES.

23 JFE has developed strong customer relationships all
24 over the world. JFE currently supplies to more than 130
25 companies in more than 50 countries. We are concentrating on

1 these sales opportunities and strong customer relationships in
2 these countries for our future sales of GOES.

3 JFE emphasis is on high efficiency GOES is now
4 greater than ever. JP focuses its product on high efficiency
5 GOES to meet worldwide demand, which means we are not capable of
6 expanding our business in the U.S. market. Our exports to the
7 U.S. market have been modest and stable, and have been even
8 declining in recent years.

9 JFE expects those trends to continue for the
10 foreseeable future. In fact, JFE has received requests from
11 U.S. customers that we cannot fulfill because our capacity
12 allocation to the U.S. is already at its maximum.

13 With respect to the U.S. market, JFE's strategy is to
14 continue to emphasis the sale of heat proof DR GOES. JFE does
15 not seek to be a mass-market seller of conventional grade to the
16 U.S. market where the U.S. producers have a dominant market
17 position which is well established with customer relationships.

18 The vast majority of JFE's products sold to the U.S.
19 are manufactured using a propriety, patented production method
20 owned and used only by JFE. As a result, JFE's U.S. sales
21 involve product that are not sold by the U.S. industry.
22 Accordingly, JFE does not directly compete with products made by
23 the U.S. industry.

24 Most of the JP's sales are to only a few U.S.
25 customers who require high efficiency products because of

1 regulatory and commercial requirements, or who have physical
2 limitations that only the Japanese producers can meet. In
3 particularly, the applications help provide JFE's heat proof
4 GOES are for one transformer coils which have size restriction,
5 a market not served by the U.S. producers who do not make heat
6 proof DR GOES.

7 JFE does not plan to increase its sales to U.S.
8 market because our total GOES production is already fully
9 occupied. We will shift our production to the higher end, but
10 increase -- this way not resulting an increase in production.

11 Even after we shift production, this capacity has
12 already been committed to existing customers who will need to
13 meet worldwide, new efficiency regulations. We have global
14 customers, and it sales to our worldwide customers which account
15 for the vast majority of our total sales compared to our small
16 level of sales to the U.S. market. That will continue to b e
17 our focus. We intent to continue to serve our global customers
18 in accordance with our goals of continuing our long-term
19 customer relationship and to those with whom we have existing
20 supply commitments.

21 For the fourth quarter of this year, we have received
22 GOES supply price from our customers that is about two times
23 more than our production capacity. JFE had to decline to bid on
24 this quantity because of our capacity restrictions. We
25 understand that the U.S. producers also received inquiries about

1 fulfilling new orders. This is a reflection of the increase in
2 demand for GOES worldwide, and the bright prospects for the
3 future.

4 I would be pleased to answer any questions you may
5 have. Thank you very much.

6 MR. BECKER: My name is Bruce Becker. Thank you
7 for allowing me to address the Commission today. I'm the
8 Manager in Toyota Tsusho America's International Steel Unit.
9 During the period of investigation, Toyota Tsusho imported and
10 sold GOES in the U.S. market on behalf of JFE Steel Corporation,
11 and JFE GOES is the only GOES that Toyota Tsusho has sold.

12 As a manager in Toyota Tsusho's electrical steel
13 section, I have intimate knowledge of the U.S. market, including
14 the special role the Japanese GOES serves in the U.S. market.
15 JFE has a strategy of targeting the high end of the market. The
16 Japanese producers have created a special type of domain-refined
17 or DR GOES that is heat proof.

18 Heat proof is DR GOES that can be annealed without
19 losing the efficiency and permeability benefits gained from its
20 domain-refining characteristics. This is very important,
21 because it allows our customers to build smaller and more
22 efficient transformer. Specifically, the JFE GOES can be used
23 in wound cores and then be heated up, without altering the
24 benefits of DR GOES.

25 GOES produced by the domestic producers does not

1 have these properties. Only two Japanese producers can produce
2 heat proof DR GOES. JFE makes it using an electrolytic etching
3 process, and Nippon Sumitomo makes it using a mechanical
4 scribing process. The U.S. industry, by comparison, makes it
5 domain-refined steel using a laser scribing process. Laser
6 scribing does not survive the annealing process. This means
7 that the DR effect will disappear if the steel is annealed.

8 The production of heat-proof DR GOES has important
9 ramifications. First, heat proofing represents a major
10 difference between Japanese products and those sold by any other
11 producers. This is not a situation where there is a continuum
12 of products. In other words, this is a difference in kind, not
13 in degree.

14 Second, there is no competition between the
15 product produced by the U.S. industry and those made by Japanese
16 producers, because the U.S. producers do not make heat-proof DR
17 GOES.

18 The vast majority of the products sold by JFE
19 Steel into the U.S. market are these heat-proof products.
20 During the period of investigation, U.S. customers have asked us
21 to supply JFE heat-proof GOES to them, but JFE has been unable
22 to satisfy these requests, because JFE's U.S. allocation is
23 completely filled.

24 Total imports have been relatively small and
25 stable throughout the period of investigation. With respect to

1 the U.S. market, everyone in the industry knows the two reasons
2 why domestic prices are falling. The first is that the domestic
3 industry, which has always exported a lot of its production,
4 lost much of its foreign export sales in 2012 and 2013, because
5 their capacity utilization has decreased and had been cutting
6 prices to maintain volumes.

7 Secondly, because of a dispute between Allegheny
8 Ludlum and Howard Industries, Howard switched suppliers,
9 replacing Allegheny with AK for all of its GOES purchases.
10 These two developments have driven price competition in the U.S.
11 market, first with Allegheny cutting prices to replace its
12 volume, and then with AK Steel retaliating by driving down its
13 own prices.

14 Because these companies dominate the market with
15 huge production and huge sales, they are the U.S. price leaders.
16 However, recently new contract prices have increased in the U.S.
17 market, with AK and Allegheny increasing their prices by one to
18 two hundred dollars per ton in the second quarter of 2014.

19 I expect prices to increase further, as the U.S.
20 and world markets for GOES continue to recover, due to in part
21 the improvements in the U.S. housing market. I'd be pleased to
22 answer any questions you might have. Thank you.

23 MR. BRUNO: Good afternoon. I am Philippe Bruno,
24 counsel to the Chinese GOES producer and exporter, Baoshan Iron
25 and Steel Corporation. With me today is Mr. Steve Huang,

1 Manager, Department Manager of Baosteel America, a subsidiary of
2 Baoshan Iron and Steel.

3 MR. HUANG: Good afternoon. My name is Steve
4 Wong. I am the Department Manager for Baosteel America,
5 Incorporated, which is 100 percent owned subsidiary of Baoshan
6 Iron and Steel Corporation in Shanghai. I have been working in
7 this position in the United States for six years. Previously, I
8 worked as an exporter and sales manager at Baoshan in Shanghai
9 for seven years.

10 Therefore, I'm familiar with the U.S. GOES market
11 and Baosteel's GOES activities in the United States, and also
12 the Chinese GOES industry. To my knowledge, Baosteel is the
13 only Chinese exporter of GOES to the United States. Baosteel
14 does not sell GOES directly into the United States.

15 Rather, it sells GOES in coils to processors
16 located in Canada and Mexico, who can split the coil into the
17 specific dimensions and then resell these items into U.S.
18 markets. This process from order to deliver can take as long as
19 four to six months. Of the very small volume of the GOES that
20 Baosteel has exported to the United States since 2011, 100
21 percent of the Baosteel are the high permeability domain and
22 non-domain refined steel.

23 Baosteel GOES competes in high end of the U.S.
24 market, with other high permeability products from the U.S. and
25 foreign suppliers. The U.S. GOES industry has alleged that

1 price of the subject imports has affect their own price, and led
2 to a significant price decline during the period of
3 investigation. I disagree.

4 Our imports are so small and they cannot and do
5 not have any impact on the U.S. industry's pricing. We are not
6 a price leader in the U.S. market. We follow the price trend
7 established by the U.S. producers. Our prices are often higher
8 than the U.S. industry's price.

9 China's domestic production of GOES is intended
10 for the domestic market. China is still a net importer of GOES,
11 because domestic production is not enough to keep up with the
12 growing Chinese market. For example, in 2013, China imported
13 179,000 metric tons of GOES.

14 To consider the Chinese GOES industry to be a
15 threat is absurd. There are currently a total of four GOES
16 producers. The two major Chinese GOES producers, Baosteel and
17 Wuhan, has a practical capacity of around 770,000 metric tons.
18 The other two small GOES producers, Anshan and Shougang, has an
19 estimated 250,000 metric ton combined practical capacity.

20 So the overall capacity in China is around one
21 million metric tons. Although this may seem to be like a very
22 high number, but actually it's not so high when compared with
23 the size of the Chinese market, which was estimated at over 1.1
24 million metric tons in the year 2013.

25 In fact, China continued to import a significant

1 volume of GOES in 2013, to make up for the shortfall in GOES
2 output. There's no fifth Chinese GOES producer. The joint
3 venture between ArcelorMittal and the Hunan Valin for the
4 production of GOES facility has been started. No GOES facility
5 has been completed or production started. It should be noted
6 that GOES production requires substantial investment in
7 equipment and the technology, and also a very special know-how,
8 which serves as very high barriers to any prospective Chinese
9 GOES producers.

10 The Chinese GOES market has grown steadily at an
11 estimated five percent per year, and is projected to continue
12 growing in the near future. China is still the world's largest
13 producer of the transformer, and this market is expected to
14 continue growing for years. To satisfy this market, Chinese
15 domestic production is almost entirely sold to the Chinese
16 market, as shown in Baosteel's questionnaire response. This
17 concludes my testimony, and I appreciate your time and attention
18 today. Thank you.

19 MR. LUNN: Good afternoon. My name is Mark Lunn
20 with Dentons US LLP, counsel to NLMK VIZ-STAL Group. With me
21 today is Vladimir Segal, consulting engineer to NLMK.

22 MR. SEGAL: Good afternoon, ladies and gentlemen.
23 As you have been informed, my name is Vladimir Segal. I have
24 worked for about 40 years in both steel manufacturing and in
25 transformer manufacturing industries, and I'm relatively well

1 aware of the trends in both areas.

2 Today, I would like to discuss the main reasons
3 why Russian producers of GOES have no export -- have not
4 exported to the U.S. during past year, and nothing during this
5 year. There is no practical possibility for Russia to enter
6 U.S. GOES market in foreseeable future.

7 First, I should note that Russian GOES is produced
8 only by one company, NLMK or NLMK Group. So when I refer to
9 NLMK, it means I refer to Russia. As of today, NLMK produces
10 only four grades of GOES, if I follow ASTM standard, which are
11 M3, M4, M5 and M6, with M5 being the main grade produced by the
12 mill, about 50 percent of the total output. M4 about 30-35
13 percent, and M3 and M6 representing the rest.

14 Because M5 is not a standard grade in the U.S.,
15 the only two grades we could have supplied and were supplying to
16 the U.S. prior to 2013 were M4 and M6. Our main customer in
17 U.S. during prior to 2012 was ABB, actually two facilities of
18 ABB. About 90 percent of Russian export to U.S. was going to
19 those two producers. The other two -- those two factories of
20 ABB. The other two customers were Nation Materials and Temple
21 Steel. In 2012, our main customer, ABB, decided not to extend
22 contract with Russian suppliers beyond 2012. This drastic
23 decrease of U.S. demand could not be compensated for by the two
24 other customers, because their already low purchase volume had
25 decreased even further, due to their continued shift of

1 production to Mexico and overseas, mostly to China and India.

2 All together, those changes brought Russian
3 exports to the U.S. to a complete halt, starting from January
4 2012. Any continued export to the United States are not
5 practically possible, except for some secondary traders, who
6 supply very small amounts, in the range of 100 pounds a month.
7 But not one ton of steel has been exported to United States from
8 NLMK in this year and during 2013.

9 I shall point out at this point that even though
10 our export to United States was completely stopped, NLMK order
11 book is completely filled by the end of this year, and they
12 actually overbooked for this year and some orders are moved to
13 the next year. So there is no practical incentive to try to
14 push something to United States.

15 Nevertheless, NLMK was considering U.S. as a
16 country important market, and they tried to make efforts to
17 remain or at least to come back to United States with grade
18 which would be in higher demand after the DOE regulations are
19 introduced, and the only grade which NLMK could have come to
20 U.S. is M3.

21 We have set up, NLMK has set up trials with our
22 partners in U.S. Total was 140 tons of steel used in order to
23 produce one course with Russia M3. Unfortunately, all those
24 trials were -- resulted in poor outcome, and our partners
25 concluded that we cannot be competitive quality-wise with

1 domestic suppliers.

2 So in summary, not one of our grades does satisfy
3 United States new requirements imposed by DOE, and there is no
4 chance for us to compete in this market. There are fundamental
5 reasons why Russia cannot at least in a few years, recover from
6 this relatively inferior position in the steel market.

7 Russian technology is, and it was always radically
8 different from U.S. American technology, which has actually been
9 invented by Armco, and which has been purchased by most of the
10 other producers of grain-oriented steel. In Soviet Union,
11 licensing of foreign technology, especially American one, was
12 not in the cards. It was not practiced. That's why Russians
13 tried to develop their own technology, and they succeeded in
14 that by 1960's or about 20 years later than in United States.

15 However, in order to achieve that, they were
16 forced to switch to a much weaker technology process, which
17 doesn't allow to produce low gauges, especially M2. Only allows
18 to produce not the best, M3, and of course there is no high
19 permeability material.

20 So those conditions left Russia with only one
21 option to remain competitive in the world market, and
22 specifically in the U.S., and this condition was to develop high
23 permeability steel. Those efforts were made. Actually, plan
24 was approved by NLMK management in 2006, to start working on
25 developing and implementing that technology. Even the orders for

1 equipments were placed.

2 But then, due to crisis in 2008 and 2009, this has
3 been postponed, and one way or another, up to today, despite the
4 claims which have been made during this hearing before, not one
5 ton of high permeability steel has been produced in Russia.

6 Not all equipment which has been purchased yet
7 been fully put in place, and based on the history of other
8 producers of high permeability material, it takes at least three
9 years from the moment you have all equipment in place, until you
10 start to produce commercially your product.

11 In Russian case, it will take much longer, because
12 there is no pre-history of relying on similar technologies. The
13 initially different technology inevitably leads to additional
14 trouble when you're trying to move to a high perm technology.

15 So to the conclusion of what I just said is
16 twofold. First of all, Russia will -- the present absence of
17 Russia in U.S. market is not caused by an accident or by
18 temporary factors. It is a result of objective processes
19 governing development of production, transmission and
20 distribution of electrical power.

21 Those processes are irreversible, and they're
22 gaining even strong momentum. I mean the inevitable increase of
23 demand for high efficiency materials will put Russian even
24 further behind in their ability to recover whatever position it
25 did have in U.S. market. This absence cannot be reversed

1 without major and well-managed effort by NLMK, which requires
2 not only very substantial investment but requires equipment
3 necessary to produce high quality GOES.

4 But more importantly, and more difficult to
5 accomplish, is the fact that to obtain the know-how of
6 technology which is radically from what has been used for 55
7 years by Russian producers, and which no producer in the world
8 has done without licensing this technology from its inventor,
9 which Russia has not done so far. Thank you very much.

10 MR. WOOD: Thank you, Madam Chairman. With that,
11 I believe we've concluded our direct presentation, and we would
12 welcome your questions. Thank you.

13 CHAIRMAN BROADBENT: Thank you. I want to thank
14 the witnesses for their testimony, for coming today, and
15 especially for all of you that were flying in from other cities.
16 We'll begin our questioning with Commissioner Schmidtlein.

17 COMMISSIONER SCHMIDTLEIN: Thank you, Chairman
18 Broadbent. I'd like to join you in thanking the witnesses for
19 appearing today. It's very important and very helpful for me.
20 I'd like to start with a couple of questions about the -- well,
21 about the chart that was passed out and then -- and also about
22 the exhibit that was referenced, and maybe the exhibit question
23 will be the quickest one.

24 The Exhibit 3 that was referenced, that deals with
25 the quarterly pricing data, my question is, and maybe you

1 addressed this when you were talking about it. It relates to --
2 in Exhibit 3 we have three products that you've laid that out.
3 Can you explain again why we only have three products?

4 MR. GREENWALD: We have three products because
5 what we wanted to do was explore something that was actually not
6 touched on in the morning, which is the nature of competition on
7 a product-specific basis between AK and Allegheny. We put in
8 the imports as well for completeness.

9 But don't forget that Allegheny doesn't make any
10 of the high perm grades. So it was those three products where
11 we found competition. The rest we didn't. Oh, the other part
12 of it is you have a 1A versus 1B, and we picked the B there,
13 that when you do the arithmetic, what you'll find is the
14 overwhelming percentage of the tonnage is actually in the B
15 series.

16 COMMISSIONER SCHMIDTLEIN: Okay. So it's -- the
17 reason is that both U.S. producers do not produce all of the
18 products basically?

19 MR. GREENWALD: That is correct.

20 COMMISSIONER SCHMIDTLEIN: Okay. All right, and
21 then if we can turn to the key price statistics. It's in the
22 key excerpts from the staff report, this document that was
23 handed out at lunch time. So I want to understand more
24 specifically about this, the Howard Industries' fallout, and
25 exactly the argument and the timing of things.

1 When you look at this chart, of course I know it
2 has a big X that intersects there in 2012, is that when the
3 contract expired and the sales were then switched over to the
4 other domestic producer? Is that what that is supposed to
5 reflect?

6 MR. HUSISIAN: What this reflects is the entire
7 POI. The reason why the bottom part of the X starts out close
8 to zero but not at zero is because there was a very small level
9 of sales occurring from that purchaser, and what you saw was
10 there was a two-year transition from one producer completely to
11 the other producer.

12 So the intersection itself is not of much
13 significance. What's of significance is the fact that one
14 starts almost at zero and skyrockets, and the other one starts
15 high and plummets.

16 COMMISSIONER SCHMIDTLEIN: Okay, and it's the
17 Respondent's argument that this triggered a price war as this
18 was going on?

19 MR. HUSISIAN: It's of two significance. One --
20 well actually three. One, this is a situation where you've got
21 very pure pricing data that's not impacted by subject imports,
22 because this was a transfer just from one to the other, and I
23 believe there's not even an allegation that the subject imports
24 were in there influencing the pricing anyway. So it's very
25 important from that perspective, because it removes the impact

1 of the subject imports.

2 The second reason is why is that you can look at
3 the magnitude of the prices, the differential between the two,
4 and you see the same purchaser purchasing the same product mix
5 as far as we know, and switching over, and you can compare the
6 level of prices. You can see the club that was used to gain
7 those sales.

8 So that's the second piece of it, and then the
9 third piece of it is this is one of the prime pieces of
10 evidence, to show the fallout from the falling export situation.
11 You have that desperation to fill in the declining exports.
12 Because remember if you look at the export performance of the
13 two companies, they're very different.

14 One company is able to export well, and the
15 confidential data confirms that this is a problem of only one
16 company that needed to make up for it. What you see is the
17 victor in the Howard Industries that was using the price as a
18 weapon to pick up the sales, is the company that needed -- that
19 was having the export problem.

20 The company that lost was the company that's
21 successfully competing in the export arena. So from that
22 perspective as well, this is a nice experiment. It's why we
23 urge the Commission and the staff to collect this data, because
24 we suspected that this was going to be very influential and tell
25 the tale, and in fact it does.

1 COMMISSIONER SCHMIDTLEIN: So just to make sure I
2 understand. So is it your argument that when they lowered the
3 prices to win these sales from Howard, that that, the lowering
4 of the price there filtered out to the market, and had an impact
5 on prices coming down?

6 MR. HUSISIAN: Our argument is both. It's both
7 the cause and the symptom. It's indicative of the kind of
8 cutthroat pricing you were seeing between these two companies,
9 that between us constitute more than 80 percent of it. It's
10 likely that this also was the kind of competition that was
11 percolating out to the rest of the market. But we don't have
12 the data to know that. But the Petitioners may have the data to
13 look at that.

14 But it's not on the record, where you can say
15 people were saying aha, we know what was going on with regard to
16 Howard. We want that as well. But we do know that this is a
17 kind of clubby industry. People kind of know what's going on.
18 So you can suspect that that's true, but we don't have the data.

19 But you know, for the three things I said, this
20 data is very important, again because subject imports are not a
21 factor that's driving these pricing trends.

22 COMMISSIONER SCHMIDTLEIN: And is there data on
23 the record in terms of what the product mix was, that was being
24 -- that was switching from one to the other? In other words,
25 because what I'm getting at here, is that we heard earlier this

1 morning from ABB, that the price of one grade, M2 I think,
2 doesn't affect the price of another grade within conventional,
3 right? That was the testimony from ABB.

4 So what I'm trying to get at is well so if the
5 price of the product from the Howard Industries sales, was that
6 -- you know, what are you saying? Are you saying that lowering
7 the price to win those sales on just that product was affecting
8 the price of just that product across the market, or is there
9 cross-cutting price effects from one product to the other?

10 MR. HUSISIAN: I would have to confirm whether
11 there's enough data in the staff report or in the
12 questionnaires, to figure out the product mix of Howard
13 Industries, and whether it's purchasing across the full range,
14 or whether it's some subset. We do know it was the same
15 purchaser which is making basically the same products over the
16 POI.

17 So one would suspect that the product mix was
18 fairly constant. But if you're trying to get at do we know that
19 this is something that was impacting across all the different
20 grades, you can't draw that from Howard Industries data.

21 You can, however, look at see that the same story
22 that's going on here is supported by other data in th record,
23 such as when you compare the level of subject imports to the
24 pricing data for the products, where the Commission gathered
25 that specific information.

1 You see the same, the same kind of story, where
2 prices are falling where there's big -- well big being a
3 relative term, but where there's a larger subject import
4 penetration or a smaller one. In fact, if you look at a product
5 that the U.S. industry doesn't even make, and you look at the
6 pricing trends for that product, you can see that there's a
7 fairly sharp price decline, which the amount I can't tell you.

8 But if you were to look at it, where the U.S.
9 industry isn't competing, that there also was a price decline
10 there as well, which completely refutes any idea that, you know,
11 this was all being driven by subject imports trying to drive
12 down prices to take market share from the U.S. industry. You
13 know, why would you see it there as well.

14 It does appear that, you know, prices, there's
15 just no correlation between the decline in prices and the amount
16 of market penetration, and this is a prime example, because
17 subject imports were a non-factor with regard to Howard
18 Industries.

19 MR. HUSISIAN: Commissioner Schmidlein, if I can
20 offer something on behalf of ABB. This is not something we're
21 prepared to talk about in a public session. But we can, I
22 think, answer your question in a post-hearing brief, which we'll
23 do, because there an effect. It has to do with how changes in
24 supply among customers affect negotiations with other customers,
25 etcetera, with the supplier.

1 COMMISSIONER SCHMIDTLEIN: Okay, okay.

2 MR. HUSISIAN: So we'll do it in a post-hearing
3 brief.

4 COMMISSIONER SCHMIDTLEIN: Okay. I haven't got
5 much time left, but one other question, I guess, following up on
6 sort of this what exactly is the Respondents' argument.

7 Is it the Respondents' position, just to sort of
8 narrow it down, that -- in other words, do you agree that it's
9 the price decline here that is the cause -- that is causing some
10 injury to the domestic industry, and the question is what's
11 causing the price decline. Do you agree with that, or is there
12 -- do we need to back up one more step?

13 MR. GREENWALD: Our position is is that the
14 primary factor that's causing the disintegration of the U.S.
15 industry's performance is the decline in the capacity
16 utilization and the great increase in excess capacity. So then
17 you have to step back and say what caused that, you know. Was
18 it the small and stable level of subject imports, or was it the
19 plummeting exports, because that has --

20 From that, everything spreads out. That's why
21 they were so desperate to pick up sales at Howard Industries.
22 That's why their cost structure goes up. It's why you would
23 expect, you know, falling profits. You can't point to the
24 stable level of sales or U.S. sales. You can't point to demand.
25 That was the one thing that changed.

1 COMMISSIONER SCHMIDTLEIN: Okay. My time is up,
2 so --

3 CHAIRMAN BROADBENT: Okay. We'll come back to
4 this. Let's see. It's my turn. Ms. Woolfort from ABB. Can
5 you explain the three elements that you said limited
6 substitutability between heat-proof GOES and conventional M2 or
7 M3?

8 MS. WOOLFORT: Yes, I can. First of all, you have
9 to look at the iron losses of each of the grades, and they're
10 all different, and then you have to look at your customer
11 requirements in terms of size and weight and noise.

12 CHAIRMAN BROADBENT: Okay. How long would it take
13 you sort of theoretically to redesign one of your products to
14 use a different type of GOES?

15 MS. WOOLFORT: It depends. I know that's not a
16 good answer, but it depends upon whether -- just to explain. In
17 ABB, we make all types of transformers, from the little peg
18 mounts in your subdivision, to the largest transformers that are
19 at pretty large substations. So a transformer like that could
20 take eight weeks to redesign. The little green one in your
21 substation may take let's say a couple of days to redesign. So
22 and all the other transformers, something in between.

23 CHAIRMAN BROADBENT: Okay. Why did you import
24 from the subject source during 2012, and why didn't you resume
25 importing from them?

1 MS. WOOLFORT: Okay. On the conventional grade
2 oriented, I assume you're talking about? The reason why we did
3 in 2012 is just to expand our options, in terms of our supply
4 base. As I mentioned, we like to have two or three suppliers,
5 and electrical steel is about the most important thing we put in
6 a transformer.

7 The reason why we discontinued, we had a little
8 bit of carryover from 2012 to 2013. So it's our policy to honor
9 our contracts, and we stopped buying because of performance
10 issues.

11 CHAIRMAN BROADBENT: Okay, and again for you, Ms.
12 Woolfort. Could you describe the end use applications for each
13 different type of GOES or kind of broadly. I know it's
14 detailed, but just generally I guess.

15 MS. WOOLFORT: Yes. I'd be happy to, and I just
16 want to make one clarification. The Petitioners have talked
17 about this continuum and there is a continuum. But it's not
18 like 1-2-3-4; they overlap, okay. So it's not discrete entities
19 of material. So where you would use, let's start at the low
20 end, like where you would use a M2 or a M3 type of material,
21 typically what we do in ABB, that is used in our wound core
22 distribution applications, okay.

23 And the way you would decide whether you would use
24 an M2 or an M3 has to do with, as I said before, losses, noise
25 and size. So those would be the three things. Now, sometimes

1 when we -- we also make dry type distribution transformers. We
2 would use M4.

3 CHAIRMAN BROADBENT: Say that again, a dry?

4 MS. WOOLFORT: A dry. Like most of the
5 transformers we make, oil is what keeps them cooled, and then
6 there's this category of transformers that air cools them down,
7 and they are distribution transformers, and we would use M4 and
8 also high perm, high perm laser-scribed material in those.

9 Once again, it's a function of noise, size,
10 losses. It depends upon the customer requirement. Then as we
11 go up in size into your power transformers, small, medium and
12 large transformers, we use domain-refined laser scribed and high
13 perm predominantly. Sometimes we may use an M4, and once
14 again, size, noise and losses.

15

16 The DOE requirements do not apply to power
17 transformers, only distribution transformers. But what drives
18 the losses on power transformers is the customer specs, because
19 they look at total evaluated losses.

20 CHAIRMAN BROADBENT: Okay. This is for Mr. Segal
21 from NLMK. Why does the U.S. market not use very much of the M5
22 product?

23 MR. SEGAL: I'm sorry?

24 CHAIRMAN BROADBENT: Why does the U.S. market not
25 use very much of the M5 product?

1 MR. SEGAL: That's a historic reason. You know,
2 Armco started the whole thing, and they didn't want to have very
3 small difference. If you go seven mil, nine mil, 11 mil and 14
4 mil, and .3 is 12 mil. So between 11 mil and 12 mil, it kind of
5 didn't make sense. That's what it's supposed to do. I wouldn't
6 be, you know, there are no technical reasons not to have M5. So
7 I think it's simply kind of production reasons.

8 Between 11 and 12, the overlarge, there is a
9 variation in thickness. So sometimes you can have -- if I go to
10 millimeters, then .27 would be M4. .30 in millimeters will be
11 M5, and the totals in thickness which are allowed is .02. So
12 for example, instead of .27, you may get .285, and it still will
13 be considered as M4. But instead of .3 you can get .285 as
14 well, and it still will be considered M5.

15 So because of the very small one mil difference
16 between those two, the United States, they don't want. In
17 Europe and in all the rest of the world, except maybe in India
18 and Sri Lanka, they don't use much of M5.

19 But in most of the other places, because they have
20 metric system, the difference between .27 and .30 seems to be
21 bigger than between 11 mil and 12, even though it is the same.
22 So there are no physical or technical causes. It's just
23 historical, just a tradition.

24 CHAIRMAN BROADBENT: Okay. I think I understand,
25 but I wouldn't want to have to try to explain that. Okay.

1 Let's see. Can anyone tell me -- excuse me. Yes, oh sorry.

2 MS. WOOLFORD: I could explain it. Just so you
3 know, I haven't been in supply chain my whole life. I was in
4 operations.

5 So I built transformers, and Mr. Vladimir is
6 correct. But the other thing it has to do is in the U.S., we've
7 traditionally used M2, M3 and M4, and those are like thinner
8 gauges than M5, and it relates to what type of core cutting and
9 core winding equipment you have.

10 So once you've kind of invested, made that
11 investment in that type of equipment, that's what you're going
12 to stay with.

13 CHAIRMAN BROADBENT: Understood, okay. Thank you
14 both of you for those great answers. I appreciate that. This
15 would be for any of the Respondents. Anybody understand the
16 implications of Big River Steel, the venture that they have in
17 Arkansas? Anybody know what kind of GOES will be produced there
18 or have a suspicion?

19 (No response.)

20 CHAIRMAN BROADBENT: No? Okay. I just had some
21 general questions about the trends in the global market with
22 advanced developing countries building out their electrical
23 grids and systems. What are we projecting in terms of demand
24 for some of these products?

25 MR. YONEZAWA: Yonezawa from Nippon Steel and

1 Sumitomo Metal.

2 CHAIRMAN BROADBENT: Thank you.

3 MR. YONEZAWA: We have sharp decline in the market
4 of GOES in past maybe three or four years. But as many
5 witnesses from foreign producers have said today, now the demand
6 is coming back and including us and other suppliers. We are
7 quite sort of loaded. I mean the capacity utilization is quite
8 high, and therefore the market is -- we think is coming back.

9 In reality, in past three or four months, we have
10 seen quite good increase of market price in various areas of the
11 world.

12 CHAIRMAN BROADBENT: Thank you. Vice Chairman
13 Pinkert.

14 VICE CHAIRMAN PINKERT: Thank you, Madam Chairman,
15 and I join my colleagues in thanking all of you for being here
16 today. I want to begin with a question that I'm sure you'll
17 remember from the earlier panel, where I asked a series of
18 questions about the use of heat proof DR in applications that do
19 not require it.

20 Testimony began with statements that it could be
21 used in applications that don't require it, and then I asked a
22 series of questions to follow up on that. So I want to ask you,
23 if in fact it can be used in those applications that don't
24 require, and if so, is that something that happens very often?
25 Is that rare? Is it just a theoretical possibility?

1 MR. BECKER: This is Bruce Becker with Toyota
2 Tsusho. I think your question this morning went to the point of
3 whether it made commercial sense or not to do that, and I guess
4 the answer would theoretically yes. You could use heat-proof
5 domain-refined material in an application that wouldn't call for
6 it. But the question would be then why would you do that?

7 You're paying more for it. It would be in an
8 application where perhaps you could use a less expensive
9 material. Heat-proof domain-refined material is specifically
10 used in wound core applications that require high performance.
11 There was an analogy made this morning about premium fuel versus
12 regular fuel in a car, and I think it had to do with fuel
13 efficiency.

14 Well, you don't buy premium fuel for fuel
15 efficiency; you buy it for performance. If you have an engine
16 that requires premium fuel, you put premium fuel in it. If you
17 have an engine that is a regular old four cylinder, you know,
18 run around town car, you don't want to spend the extra ten cents
19 a gallon or whatever to spend that fuel.

20 So I guess from that analogy, the answer, you
21 know, from my perspective anyway is that the reasons our
22 customers come to us for heat-proof domain-refined material is
23 because they have a transformer application that demands it,
24 that requires it.

25 When you bend and shape a wound core, you put

1 stress in it and it must be annealed, and if you want the extra
2 core loss performance to maintain itself inside the transformer,
3 you need to have this heat proof domain-refined material.

4 In a stack core for example, maybe you could use a
5 laser-scribed material, because that does not need to be
6 annealed. But there's no reason to use a heat-proof
7 domain-refined in a stack core, although you could theoretically
8 do so.

9 MR. YONEZAWA: May I?

10 VICE CHAIRMAN PINKERT: Yes.

11 MR. YONEZAWA: Yonezawa from Nippon Steel and
12 Sumitomo Metal. I would like to make some comments from the
13 suppliers' perspective. We produce heat-proof domain-refined
14 GOES, but our production capacity for that particular product is
15 very, very small. If our customers want to use our heat-proof
16 GOES for non-annealing process, then we would recommend such
17 customers not to use heat-proof and use laser-scribed DR
18 product.

19 Because if you use heat-proof GOES for
20 non-annealing process, then that would be a waste of resource.
21 We wouldn't like to sell the limited quantity of heat proof GOES
22 to customers who don't really need it.

23 VICE CHAIRMAN PINKERT: Thank you. Now my next
24 question is intended as a hypothetical, but it may or may not
25 have any relation to the facts of this case. You can be the

1 judge. If we find increasing unit costs and increasing ratio of
2 cost of goods sold to sales, and significant under-selling,
3 should we find price suppression?

4 MR. HUSISIAN: In that kind -- this is Greg
5 Husisian with JFE. In that kind of situation, you have to look
6 at more factors than that. You also would need to look at, for
7 example, what's going on with regards to the raw materials.
8 You'd have to look at what's going on with regard to fixed
9 costs. Is this being driven by, for example, a loss of sales,
10 which can impact the cost of goods sold.

11 You would also want to look at and see whether
12 this is a situation where the under-selling was in products that
13 the U.S. industry was making in significant quantities. If the
14 under-selling limited the products where there's not a lot of
15 competition, then it wouldn't be particularly significant.

16 So I think the Commission in general looks at more
17 than just those factors to say, you know, we're going to compare
18 the change of costs of goods sold to the level of under-selling,
19 and based on that, we're going to come to a conclusion with
20 regard to whether price suppression is occurring.

21 MR. GREENWALD: Commissioner Pinkert, may I
22 elaborate on that a bit? You've raised an interesting
23 hypothetical that requires several questions to be answered.
24 When you're thinking about costs, are you talking about average
25 costs or are you talking about costs by producers that are at

1 different levels?

2 When you're talking about under-selling, are you
3 talking just sort of numeric addition of X instances versus Y,
4 or are you talking about competition in large quantities of
5 competitive activity and particular accounts in the same
6 product?

7 So the hypothetical as posed seems to me to beg a
8 whole bunch of questions, and in a sense, that's what I hope the
9 Commission does once it retires. Again, if you would bear with
10 me, one of the mysteries -- not mysteries, but one of the things
11 that I think the Commission has to think about is why is it that
12 what we are saying happened happened?

13 Is there an economic rationale, in the data, that
14 explains what you see in terms of competition not between
15 imports and the domestic industry as a whole, but when you begin
16 to think about two domestic competitors that are competing?
17 What I would ask you to do is if you look at the concluding
18 statement of our brief, it's a couple of paragraphs and I don't
19 expect you to read it now.

20 I think it's on page 18. That to me is one of
21 the keys that explains exactly what's going on, because it
22 addresses precisely the question you raise, and it gives you a
23 perspective in which to consider it.

24 MR. PRUSA: Commissioner Pinkert, Tom Prusa.

25 VICE CHAIRMAN PINKERT: Thank you.

1 MR. PRUSA: You know, in a hypothetical case you
2 just described, where you don't have detailed pricing data from
3 two separate firms, across a series of products where the import
4 penetration level differs, you might make a judgment as you kind
5 of hypothetically described. You had some kind of decreasing
6 cost to sales and under-selling.

7 In this case, you have an opportunity to go beyond
8 broad hypothetical data, where you can drill down into what
9 observing individual company pricing on products, in products
10 where there's no import competition, essentially no import
11 competition, to customers who essentially don't buy imports, and
12 you still see the price movement.

13 So you have -- it's almost a laboratory experiment
14 here. Any more than that, if you look across products, the
15 products where there is more import competition, or the products
16 where there's less price decreases. So in this case, to keep it
17 at your hypothetical level, that would mean you'd be ignoring a
18 huge amount of detailed data that the staff collected, which
19 would allow you to make much more observations about the level
20 of the detail.

21 And that's why I think the Howard case, it was
22 earlier asked about the Howard case. The Howard case I don't
23 view as the beginning of the competition. The Howard case is a
24 test case. It's a picture perfect case of what happens, and
25 it's not the beginning. It's an example of what happens in the

1 data. What's unfortunate is we don't have every company such
2 data collected.

3 But we do on Howard, and that's would I suggest
4 why your level of hypothetical would mean you would have not
5 taken advantage of all the data you have, that reveals really
6 what's happening in this particular case.

7 VICE CHAIRMAN PINKERT: Thank you for that answer.
8 For the post-hearing, what I would ask you to do, just as I
9 asked the earlier panel, is to take a look at the trend in the
10 ratio of cost of goods sold to sales, and try to explain that
11 trend for me, in terms of the factors that you just articulated
12 perhaps, or if you have some other explanation. Please provide
13 that to us. I think it would very useful.

14 MR. HUSISIAN: One thing more, Commissioner
15 Pinkert, to follow up on the Howard point, the situation -- the
16 hypothetical you described would exactly apply to Howard, if
17 instead where you mentioned subject imports, you said Howard,
18 because that hypothetical exactly fits Howard, and the amount of
19 sales that were involved with Howard are more than ten times the
20 size of the increase of the subject imports.

21 So if that were -- if you were to look and try to
22 do something based on just the variables you said, and to say
23 where is under-selling being linked to possible changes in the
24 cost of goods sold, you'd have to say it's the under-selling to
25 pick up Howard, because it's just -- it's an order of magnitude

1 greater than the change in the level of subject imports.

2 I know you're not here to pass judgment on is --
3 you don't issue anti-dumping orders based on, you know, one
4 petitioner beating up on the other one. But that's the
5 situation that actually most closely fits your hypothetical.

6 VICE CHAIRMAN PINKERT: I thank you, and I thank
7 the Chairman.

8 CHAIRMAN BROADBENT: Commissioner Williamson.

9 COMMISSIONER WILLIAMSON: Sorry. I want to thank
10 the panel this afternoon for coming and presenting your
11 testimony. Staying on Commissioner Pinkert's question, and
12 particularly you keep focusing on what happened between the
13 competition between two companies vis-a-vis Howard. But no one
14 ever talks about the broader context.

15 Isn't this a context where the overall world
16 prices have been going down for everybody, and how should we
17 factor that into our analysis? Now I know we can't -- this was
18 a bill back in the 90's, talking about third country dumping.
19 You may recall that. It didn't pass, so we can't -- we don't
20 look at that. I mean we can't use that in our attribution.

21 But we all have a context where I assume overall
22 world prices are going down. I think that is correct, and how
23 do we factor that into this Howard situation? It would be
24 different if the U.S. market was isolated from the world, and
25 you were looking at these two companies and how they're

1 competing against each other. That's not the case.

2 MR. HUSISIAN: Thank you. This is Greg Husisian.
3 I have three responses to that. First, if you compare the
4 export performance of the two companies, you see the declining
5 exports are completely attributable to one. The other company
6 is perfectly able to compete in worldwide markets.

7 So the claim, which was made in Kelley Drye's
8 brief, that what was happening is subject producers are dumping
9 worldwide, can't be true, because otherwise both companies would
10 be suffering but in fact, it's only one.

11 Secondly, if the cause of the price declines in
12 the U.S. market is prices are declining in the U.S. market
13 because prices are declining worldwide, well you've just come up
14 with another reason why there's no causal link to subject
15 imports. If in fact this is a worldwide price product like say
16 petroleum or something like that --

17 COMMISSIONER WILLIAMSON: Except in this case,
18 Commerce has said these products, the imports were coming to the
19 U.S. and being dumped, which we can't ignore.

20 MR. HUSISIAN: Well, the dumping margins are
21 determined, because many of the Respondents didn't participate
22 in the Department of Commerce proceedings, mostly because this
23 is not that important a market to the subject producers.
24 They're concentrated outside of the United States.

25 The third piece of this is is this morning, the

1 Petitioners conceded that the prices actually are higher in the
2 United States than they are in the rest of the world. So it's
3 kind of a strange situation for them to come in here and say
4 gee, our prices, which are higher in the United States, are
5 being driven down by the subject producers.

6 COMMISSIONER WILLIAMSON: I mean they may be
7 higher than elsewhere, but if they're going down and maybe in a
8 similar way there is some relationship there.

9 MR. HUSISIAN: Yes, but the relationship wouldn't
10 be to the small and stable level of subject imports. It could
11 be that there's worldwide trends that are impacting this. These
12 are sophisticated purchasers that undoubtedly are aware of what
13 worldwide prices are.

14 But that's not a link to the subject imports and
15 it doesn't explain why with regard to Howard Industries, you
16 have such a sharp undercutting of prices, of one to the other.
17 If all this is, is a reaction to general worldwide prices, you
18 would expect the people to be much more similar to each other.

19 COMMISSIONER WILLIAMSON: Okay, thank you.

20 MR. HICKERSON: If I could just add to that.

21 COMMISSIONER WILLIAMSON: Sure.

22 MR. HICKERSON: In your example --

23 COMMISSIONER WILLIAMSON: Mr. Becker?

24 MR. HICKERSON: Sorry, David Hickerson on behalf
25 of JFE. In your example, you posited that falling international

1 or non-U.S. prices were contributing to falling prices in the
2 U.S., and what impact that should have on your analysis.

3 Mr. Husisian pointed out there's no nexus. I mean
4 the statute requires that the injury be by reason of the subject
5 imports. Then you said something about --

6 COMMISSIONER WILLIAMSON: No, I understand what
7 the statute said. I was just saying nobody was talking about
8 this other context, that's all.

9 MR. HICKERSON: Well, I'm going to explain why you
10 can't consider that other context. The Federal Circuit has
11 pointed out that, you know, the mere presence of less than fair
12 value products in the market simultaneously with the injury is
13 not enough.

14 COMMISSIONER WILLIAMSON: You have to have
15 causation.

16 MR. HICKERSON: You've got to look at the reasons,
17 and if it's not by reason of the subject import, then the
18 Commission has got to exclude that --

19 COMMISSIONER WILLIAMSON: No, I understand that
20 point. But I just was trying to -- I just wanted to make sure
21 that the picture was complete. But anyway, I invite Petitioners
22 to respond to your first point that you made, which I've
23 actually --

24 MR. HUSISIAN: Yeah. We're happy to cover that in
25 our post-hearing brief.

1 COMMISSIONER WILLIAMSON: Yeah. So we'd like to
2 hear from both of you on that.

3 MR. HUSISIAN: The last thing I would add is the
4 staff report doesn't have the data on worldwide prices. So as a
5 practical matter, it's hard to do much evaluation of it as well.
6 We'd just be, you know, kind of guessing at this point.

7 COMMISSIONER WILLIAMSON: Okay, good. I'd like to
8 turn to a different topic now though. Ms. Woolfort, Petitioners
9 this morning were arguing that the different products, you know,
10 the M2, M3, the high perm, all that, that what the customers
11 want, they'll give you a specification, and there are different
12 -- several ways that companies may be able to meet those
13 specifications.

14 I was wondering if you could address that point,
15 and I guess -- but you've made also reference to I guess your
16 custom first. So I don't know who set the specifications and
17 who says well, we're going to do it this way. We're going to
18 use the high perm GOES, we're going to use M3.

19 MS. WOOLFORT: Okay. Would you like me to explain
20 that?

21 COMMISSIONER WILLIAMSON: Sure, uh-huh.

22 MS. WOOLFORT: Okay. Basically, the way -- the
23 process, the way it works, is our customers set the
24 specification. They say the losses that they want, load losses,
25 no load losses. They define what footprint, like the

1 transformer has to fit a certain place. If required, they'll
2 define the noise requirements, the impedance, a whole bunch of
3 stuff. So they give us this specification.

4 Then each transformer manufacturer has its own
5 like design program. So in ABB, we have proprietary design
6 software, we plug all this stuff in to our computer system, and
7 then we will come out with a transformer design. And as part of
8 that design, it will tell you, you know, the grade of electrical
9 steel, how much copper, aluminum, plus other things that we need
10 to know to make the transformer. Does that answer your
11 question?

12 COMMISSIONER WILLIAMSON: Okay, and then that is
13 what you go to the GOES producers and say this is what we want?

14 MS. WOOLFORT: Yes, yes, yes.

15 COMMISSIONER WILLIAMSON: Okay, good. So for you,
16 it matters how the steel is -- the processes for manufacturing
17 and all that?

18 MS. WOOLFORT: Yes. The manufacturing processes
19 do matter, for sure.

20 COMMISSIONER WILLIAMSON: Okay, okay. Good. I
21 just wanted -- so do you disagree with the Petitioners this
22 morning, in their arguments about -- there was -- I guess they
23 were saying -- you know, the Respondents were basically arguing
24 that are different categories of product.

25 There's not really -- it's almost like an

1 attenuated competition here, because the U.S. doesn't produce
2 certain things, and the Petitioners are basically that doesn't
3 matter, because we can produce -- we can do it differently and
4 still meet the specs.

5 MS. WOOLFORT: Right.

6 COMMISSIONER WILLIAMSON: But for you, does it
7 matter?

8 MS. WOOLFORT: Yes, it does matter, because the
9 specs they were alluding to had to do with efficiency standards
10 and losses, but there's much more to the customer spec besides
11 efficiency standards and losses.

12 There is, you know, impedances. There is weight
13 requirements, there are size requirements. So you have to
14 factor all that in when you design the transformer. For
15 example, say if ABB was to substitute an M4 material for a
16 domain-refined, whatever way we want to domain refine it, it
17 would make that transformer bigger, in order to get the same
18 level of efficiency in losses, and it could be noisier as well.

19 COMMISSIONER WILLIAMSON: Okay, good. That's
20 helpful. Let me see. I had some more. Oops, I'm almost out
21 of time. Okay. I had some more questions for you, but it's
22 going to take too much. So I'll get it the next time.

23 CHAIRMAN BROADBENT: Commissioner Kieff.

24 COMMISSIONER KIEFF: I join my colleagues, thank you
25 Madam Chairman and thank you to the witnesses and counsel for

1 coming. Let me just ask a very, very quick detailed question.
2 I'm not sure who's best positioned to answer it but the detailed
3 question is if the U.S. prices tend to be higher than the rest
4 of the world, um, why should we not expect more imports?

5 MR. HUSISIAN: I can answer that. The question
6 would be why haven't there been more imports before -

7 COMMISSIONER KIEFF: No, no, no.

8 MR. HUSISIAN: Have been higher -

9 COMMISSIONER KIEFF: So, just that's not the
10 question. The question is we can - it's a very complicated
11 world. I know that I don't know a lot and I know that looking
12 back in time I could spend lots of time to find out a lot that I
13 don't know now, but I'm just guessing that if our prices in the
14 future stay a little bit higher than the rest of the world, that
15 at least would provide a material incentive for me to predict
16 rationally that we get more imports.

17 I'm not making a big claim, a modest claim and for
18 the modest claim I'm just trying to figure out is there a key
19 fundamental flaw in that logic. Is there something special
20 about more that's not better to use the ads that we see on TV
21 with the little babies saying when is more not better, you know.
22 When is more money not better.

23 I mean if we offer more money why won't folks ship
24 more here?

25 MR. GREENWALD: Commissioner Kieff I think well this

1 is a topic that we have been discussing internally because it
2 seems to me to be one of the core questions you have to address,
3 Elise?

4 MS. WOOLFORD: Yes, I would like to answer that Mr.
5 Kieff. Basically as you stated the U.S. market has had
6 historically higher prices than the rest of the world and the
7 reason is there is really two reasons. It has been somewhat
8 segregated from the rest of the world because we do have two
9 U.S. producers and they do tend to have higher prices and we
10 have had limited competition so you know, economics 101 when you
11 have you know, just two major suppliers you have an oligopoly.

12
13 You don't have much competition so the prices will be
14 higher. The other reason is that the foreign producers have
15 not wanted to disrupt the supply of the U.S. market. I mean
16 you have heard these colleagues on this that are sitting before
17 you that they have limited capacity, that they haven't wanted to
18 disturb the U.S. market and therefore we don't have a lot of
19 competition in this market and even in my own personal
20 experience in dealing with the off-shore suppliers, they have
21 only been willing to supply a small amount into the market so
22 that's also kept the prices higher.

23 COMMISSIONER KIEFF: So your first point was in a
24 sense a follow-up to the question I asked the last panel at the
25 end which is could everybody explain in the post-hearing what

1 significance, if any, we should take from the fact that there
2 are - this is in a, a in some economic sense, a domestic market
3 with market power concentration, two firms.

4 So your first point was two firms. Um, ironically,
5 that only on a going forward basis would be a greater incentive
6 for imports to compete. Customers would want to get more
7 imports, they would - I never liked buying from a monopoly or
8 duopoly I always prefer to buy from a competitive market if I'm
9 the buyer, so the customers will want more right?

10 MS. WOOLFORT: Um-huh.

11 COMMISSIONER KIEFF: So can you tell me a little bit
12 more about how your second point on a going forward basis
13 operates to mitigate against the incentive for more imports?

14 MS. WOOLFORT: I just need to think about it for a
15 second.

16 COMMISSIONER KIEFF: Sure.

17 MS. WOOLFORT: To make sure I answer you correctly.
18 Okay so going - so if I would restate what you are trying to ask
19 me is you wanna know why my second statement mitigates -

20 COMMISSIONER KIEFF: On a going forward basis, just
21 amplify your second statement for me, that -

22 MS. WOOLFORT: Okay, let me restate it.

23 COMMISSIONER KIEFF: Sure.

24 MS. WOOLFORT: And maybe that would help. Okay,
25 basically the foreign producers don't want to disrupt the U.S.

1 market okay. And I don't recall the last time we had this
2 case, this trade case, but many years ago there was a trade case
3 and um, and then um, when they lift the anti-dumping duties then
4 it wasn't a big huge flood of foreign producers in this market,
5 it was very, it was very measured, a very small amount.

6 I mean we even had to convince the Japanese to sell
7 us a small amount of
8 tons so they, the foreign - so what I'm restating is the foreign
9 producers did not want to disrupt this market, um and that's why
10 there's limited quantities.

11 COMMISSIONER KIEFF: So you are saying, you're
12 saying I take it that you think there are reasonable reasons why
13 they don't want to come and you think that some of the
14 experiments we have run in the past have corroborated those
15 inferences?

16 MS. WOOLFORD: Yes.

17 COMMISSIONER KIEFF: Okay, let me follow -

18 MR. BRUNO: If I may add Commissioner Kieff, this is
19 Philippe Bruno. With respect to China, when you see the size
20 of the market and the growing demand in China, most of the
21 domestic production in China is going to that domestic market.

22 COMMISSIONER KIEFF: Okay.

23 MR. BRUNO: And I think it's the same in many other
24 markets in the world. You have an enormous growth in the
25 emerging countries with respect to these products, for the

1 transformers and a lot of that production goes first to the
2 domestic markets because let's face it it's kind of a pain in
3 the neck to export when you can sell easily to your domestic
4 market. I understand the price difference but that is not
5 enough to create an incentive to, for example, the Chinese
6 producers to come here with large volumes.

7 COMMISSIONER KIEFF: If we could just grab, there's
8 another follow-up here I take it.

9 MR. LUNN: I just wanted to add on behalf of Russia
10 as we mentioned the entire order book is filled for this year
11 and a large portion of their production is designed for markets
12 that their M5 product that they can't sell in the United States.

13 COMMISSIONER KIEFF: All right and then Mr. Wood it
14 looked like you were signaling.

15 MR. SUSUKI: Can I make a comment?

16 COMMISSIONER KIEFF: Sure.

17 MR. SUSUKI: I'm Susuki from JFE Steel. As I stated
18 in my statement, we have been very committed. Our capacity is
19 fully occupied, during the POI, before the POI appeared and up
20 to now and you know we - as a business our importance in
21 business is more like long term. Long term business is more
22 important.

23 COMMISSIONER KIEFF: So let me if I may I apologize,
24 I don't mean to cut you short I just, I'm always mindful of the
25 time and the way that our process unfortunately works is the

1 logic of what each of you are saying is the same so please
2 amplify on the papers but there is no need to amplify to restate
3 other's logic.

4 I get the point, it's been made. To prove it write
5 it, we'll read it that will help us but let's move on unless
6 there is new logic to produce to the discussion. It's quite
7 important for each of you to come, I really do value but I also
8 you can each take comfort that if one of you has said something
9 that's logically compelling that logic will stand, you don't
10 have to amplify it. Logic is powerful on the tone.

11 Let me shift to make sure I'm hearing what you and my
12 colleagues have been discussing so far, see if I'm hearing it
13 correctly. I take it one thing that we have heard is that this
14 morning there was a statement made including with amplification
15 in a confidential chart about a large volume shift made by ABB
16 and ABB has, there are a lot of dollars on this piece, and ABB
17 has come here this afternoon and basically told us thank you
18 very much, we know why we shifted and our shift was for a
19 different reason than hypothesized this morning. Am I
20 basically hearing that correctly?

21 MR. GREENWALD: It's also true that if you are
22 working off of the confidential statement that had a number on
23 it, one of the points of the exhibit, confidential exhibit that
24 we passed around is that number bears no relationship whatsoever
25 to reality, apart from whatever the reason for a shift may be,

1 the fact of the matter is and that this base ascertain is wrong.

2 COMMISSIONER KIEFF: Okay and just to drill down on
3 that, I believe you are now referring to your confidential
4 exhibit 2 and you are referring to the remarks you and Mr.
5 Greenwald made in your opening about an hour ago which were to
6 draw our attention to numbers that are confidential so I won't
7 repeat them, but they are numbers that appear geographically in
8 the top half of the page in the bottom of the chart that is in
9 the top half of the page and you are comparing the last right
10 two columns of that page and you are pointing out I believe that
11 the total ABB imports are a much smaller number than the alleged
12 quality lost, okay. So I'm totally following you.

13 Let me make one last question on that point just
14 while we are in the same region of the paper. The number of
15 ABB imports is still a number greater than zero and I take it
16 the other side would say that troubles them. Can you respond
17 very briefly now and then later in the post-hearing to explain
18 why even a number greater than zero in that portion of the chart
19 should not bother us.

20 MR. GREENWALD: It should not bother you. Rather
21 than take up time with this back and forth, we will explain it
22 in detail in the post-hearing brief.

23 COMMISSIONER KIEFF: That's great thank you, I take
24 it that's what we are going to get later so thank you.

25 CHAIRMAN BROADBENT: Okay round two, Commissioner

1 Schmidtlein?

2 COMMISSIONER SCHMIDTLEIN: Thank you all right I
3 just have a couple more questions. I want to make sure I
4 understand the Respondents position and whether or not it's your
5 position that there is cross competition in price for these
6 products. So is it the Respondents position that the price of
7 one grade of conventional GOES can influence or impact the price
8 of another one?

9 Can the price of conventional GOES impact or
10 influence the price of high perm, what exactly is your position?

11 MR. HUSISIAN: Yeah the question of
12 interchangeability actually comes up in two distinct contexts.
13 The first one is, is there in economic terms it would be you are
14 looking at is there a cost elasticity of substitution between
15 the different forms of GOES?

16 Changes in the price of one would percolate into
17 others and what we've been hearing from ABB and others is that
18 because of the way that fundamentally the transformers are
19 designed, because there's not ready substitution between them,
20 there's at most only a very loose correlation between the prices
21 which impacts your price analysis.

22 The second way that interchangeability comes up is in
23 the separate like product context which is where you look and
24 see whether there is some kind of sharp dividing line and in
25 this case there is one sharp dividing line which is when you get

1 to the heat proof where if you have designed a transformer such
2 that you are required to anneal it and keep it up after it's
3 been wound you will only have one choice and you can't use a
4 non-heat-proof form of that and that context you are looking and
5 saying, well there is no interchangeability because U.S.
6 industry doesn't make it.

7 And with regard to downward substitution that's what
8 I call the Waterford crystal argument which is if you go to
9 McDonald's and you need to fill a cup with soda you can take the
10 paper cup they give you or McDonald's can give you Waterford
11 crystal which would do a perfectly fine job of holding the soda
12 but nobody would do it because it's economically irrational and
13 with regard to that what we've heard from Mr. Suzuki and others
14 is that due to capacity constraints and the very limited supply,
15 as well as the pricing premium, it may be theoretically possible
16 to interchange but it would be crazy.

17 COMMISSIONER SCHMIDTLEIN: Okay I'm really focused
18 on the first one, unless, but let me just understand. Do the
19 Respondents agree that all these products apart from the
20 heat-proof are part of the like product or one like product?

21 MR. HUSISIAN: Yes, there's been no argument even
22 made with regard to that so that's the only separate like
23 product that's been raised is the heat-proof versus everything
24 else.

25 COMMISSIONER SCHMIDTLEIN: Okay so in terms of the

1 pricing effects then, is it your position then that no the
2 prices of these various products really don't, or it's a very
3 loose correlation I think you said and you're basing that on
4 ABB's testimony, not, you don't have any economic analysis or
5 other evidence on the record?

6 MR. HUSISIAN: There's also evidence in the record
7 if you look at the economic report and attachment A of my brief
8 it, the staff has indicated for each of the six or seven
9 products the degree of pricing declines you see for them and you
10 see a wide disparity. The numbers are confidential but the
11 price declines for some products are up to four times greater
12 than the price declines for other products where you gathered
13 it.

14 So that, if they were close substitutes, then you
15 would expect to see them, not to have such a, such a wide band
16 between them, you would expect to see similar declines. So
17 that evidence is in the record and the staff has done a great
18 job giving both the numbers and pricing graphs in the staff
19 report.

20 COMMISSIONER SCHMIDTLEIN: Okay so then if we look
21 at the correlated price data for the various pricing products
22 that's set out and based on that then would you agree that if we
23 see an area where domestic prices are stable or even going up,
24 and then start to go down once subject imports come in for that
25 particular pricing product and based on that analysis you would

1 say, well yeah that must be tied to the price of the subject
2 import then because it is not being influenced by other prices,
3 right?

4 MR. HUSISIAN: Well you would have to look at more
5 than just that for example one of the key indicators is unlike a
6 lot of cases where you see constant presence of the subject
7 imports. For a great many of the quarterly pricing comparisons
8 you see either no volume of the subject imports or only a very
9 teeny, tiny of the subject imports and if you are looking at
10 dozens or hundreds of tons versus thousands of tons of the U.S.
11 industry, you have to logically wonder what kind of impact, even
12 if there is underselling such a small volume of prices. It
13 would be like Amazon complaining that its prices of books are
14 being driven down by some guy who is selling three copies of a
15 book on Ebay. You have to look at more than just whether there
16 is underselling, you also have to look at you know, whether
17 under the same terms and conditions but also the volume as well.

18 COMMISSIONER SCHMIDTLEIN: And I haven't studied
19 this, I don't have it memorized so I don't know but in those
20 cases where the products, where the domestic industry wasn't
21 competing against each other, so this is the products that
22 aren't included in exhibit 3 so what would be, you know, if we
23 do see this, what would and it's a small amount, I mean do you
24 have any ideas about what would cause the domestic industry to
25 start lowering prices coincidentally at the same time that the

1 small amount of subject imports comes in at a lower price and
2 the domestic competitor is also not producing that product.

3 MR. HUSISIAN: Yeah what you see is we think it all
4 comes back to your question in the first round which is what is
5 the central characteristic of this? It's the desperate need to
6 replace those lost exports. People are looking for to fill
7 their capacity any way they could because when your fixed costs
8 are really high, the loss of incremental sales on the margin is
9 death because it just, you have to bear those same fixed costs.

10 So people were looking to pick up the sales you know,
11 with subject imports were and where they were not and where the
12 competitors were and where the one competitor, the domestic
13 competitor was and where it was not, so that's what you see is
14 there is a general downward price trend for all of these
15 products and the logical connection is to replace these lost
16 export sales and that affected all the products which is why we
17 believe that you see the declining prices regardless of whether
18 there is a greater level of subject penetration or very small or
19 even zero.

20 It is because that pressure affected all electrical
21 steel products.

22 COMMISSIONER SCHMIDTLEIN: And even if it drives you
23 into the red, if it drives you into losing money?

24 MR. HUSISIAN: Well you, you have in economic terms
25 is yeah, a sale makes sense as long as you can cover your

1 marginal costs of producing it, even if it's a sale that's below
2 your fully allocated costs, you would lose less money in
3 economic terms if you make a sale that at least covers your, the
4 marginal costs of producing and the variable costs of producing
5 plus a little bit extra.

6 So in that situation, you know, because your high
7 fixed costs and because you've lost all of these export sales,
8 you have several bad choices. You can not sell at all and let
9 your fixed costs eat you alive or you could sell for less than
10 you want to and you know, and that's a problem too. But what
11 you really need is to replace those lost export sales and to get
12 out of the situation to begin with.

13 COMMISSIONER SCHMIDTLEIN: Okay.

14 MS. WOOLFORT: Excuse me.

15 COMMISSIONER SCHMIDTLEIN: Oh sure I'm so sorry.

16 MS. WOOLFORT: I'm sorry to interrupt.

17 COMMISSIONER SCHMIDTLEIN: Please.

18 MS. WOOLFORT: This is Elise Woolfort speaking. I
19 have an explanation some of which I can't cover here but it has
20 to do with our negotiation process. But one of the things you
21 need to understand is that the domestic industry, both AK and
22 Allegheny have a published surcharge so in - when we negotiate
23 in this market, we agree on base price and then this published
24 surcharge changes every month and it's a calculated number that
25 is based upon natural gas prices and scrap and in the case of

1 Allegheny it includes the Pig iron so that can explain some of
2 the differences that you are seeing in the quarterly price.

3 COMMISSIONER SCHMIDTLEIN: Oh, I see, okay thank you
4 very much. Okay I have just a little bit of time. The second
5 question I had was and this is a little bit of a follow-up on
6 the conversation we were having about the cost, you know, what's
7 - the conversation all day I guess, was causing the price
8 decline the excess capacity and I just wondered, you know, of
9 course the particular numbers are confidential but do you agree
10 with the variance analysis in the staff report?

11 And can you comment on what you think that shows?

12 MR. HUSISIAN: It's hard to discuss the variance
13 analysis in public but the one thing and we will cover it in our
14 post-hearing brief.

15 COMMISSIONER SCHMIDTLEIN: That will be helpful.

16 MR. HUSISIAN: The one thing that I can say is that
17 if you look at the raw material costs, the raw material costs
18 are publicly identified as being constant over the time period I
19 believe and we will confirm that post-hearing brief so if that's
20 true or it's not, this isn't being driven by raw material costs
21 and you have to look at what's the big change and the big change
22 is the exports.

23 But we would be happy to get into the, into the costs
24 of goods sold and the impact that's been happening on that.
25 But the one thing I will say is the variance analysis what it

1 does say is that the biggest impact seems to be from prices but
2 that only tells you part of the story because the capacity
3 utilization increasing and the loss of those export sales is
4 what led to the falling prices so in other words the loss of the
5 export sales not only has an impact in that it pushes up your
6 overall cost of production because you are allocating your fixed
7 costs over a smaller amount of sales, but those loss of export
8 opportunities and the sales that used to be so strong are also
9 influencing the prices, so to just look at it and say gee most
10 of the fall-off in the performance seems to be prices, doesn't
11 get you to subject imports, but it says it's another
12 manifestation of the loss of the export sales.

13 So you have got export sales influencing two things,
14 so it's a little bit simplistic to say oh gee, because the
15 variance analysis says it's a problem with pricing, that means
16 it's not exports because that's influenced by exports.

17 COMMISSIONER SCHMIDTLEIN: Yeah and I think that's
18 really what I was trying to get at is it gives you one answer,
19 but not the total answer.

20 MR. HUSISIAN: Yes that's correct, and we will
21 amplify it in the post-hearing brief, but that's exactly right.

22 COMMISSIONER SCHMIDTLEIN: Okay and thank you.

23 CHAIRMAN BROADBENT: Let's see Miss Woolfort again,
24 you mentioned several times that the noisiness of certain
25 distribution transformers is affected by the type of GOES that

1 is used. Can you explain this effect to me in greater detail?

2 What type of GOES would be unsuitable for noise sensitive
3 environments and what applications would this be a problem?

4 MS. WOOLFORT: Well basically it's not just
5 distribution, its distribution in power transformers. I looked
6 at the whole range, they are all important to me but basically
7 what happens is on your lower grade, your lower grade steels,
8 which is your higher loss, they tend to be noisier and I'm not a
9 metallurgist okay, but in the way that I look at it is there are
10 certain magnetic properties in that electrical steel that keeps
11 the noise down.

12 And what happens is like if you have fluorescent
13 lights in a room you can hear the noise in the transformers that
14 has to do with magneto striction and these little like electrons
15 are jumping back and forth and they make the sound. So with
16 the higher current steels you have lower noise and where does
17 that matter?

18 That matters if you live in a high-rise building you
19 probably don't want to have the noisy transformer next to your
20 apartment, okay. So that's the easy way to explain it.

21 CHAIRMAN BROADBENT: Okay, this might be for Mr.
22 Husisian or another Respondent. How would subject imports
23 successfully retain and even gain market share in the face of
24 declining prices if they were not in fact the reason behind
25 those price declines?

1 MR. HUSISIAN: Okay this is, I mean you could flip
2 the question around and say the same thing about the U.S.
3 industry because if the subject imports were stable and
4 non-subject imports were stable and the U.S. industry was stable
5 then everybody was stable and the prices were going down, what
6 you would expect from an economic perspective if you had a
7 situation where the U.S. industry was driving down prices as
8 shown by Howard Industries as long as the subject imports were
9 you know keeping up with that, you know, keeping up with what
10 fifteen out of twenty purchasers said was the U.S. industry
11 being a price leader.

12 As long as they didn't fall too far behind, you would
13 expect their subject import status to remain stable. The other
14 piece of that of course is you have for several key products you
15 have got niches where there is very little competition from the
16 U.S. industry especially with regard to the heat-proof GOES.
17 Let's not forget that Japan was even though it's a small
18 supplier to the U.S. market it is the largest single - it's the
19 largest of the, of the I want to say the seven dwarfs but I
20 can't remember if there's six or seven countries. But you know
21 it's the largest.

22 And with them being isolated within that product as
23 well, that tends to lend a stability to the overall market share
24 because that's a product that's going into specially designed
25 transformers, they can't substitute a different one so you are

1 always going to have that as a kind of ballast that's going to
2 keep the subject market share you know, kind of stable as well.

3 MR. WOOD: Commissioner Broadbent if I may, it's
4 Chris Wood for Nippon Steel and Sumitomo Metal. If I
5 understand your question correctly, you are asking what accounts
6 for an increase in the subject import market share if you know,
7 if pricing isn't the issue right. And I think if I could just
8 go back to the assumptions behind the question, we know from the
9 staff report the confidential data, what exactly the increase in
10 subject import market share is over the period. It is quite
11 small.

12 If you offset that with the decline in non-subject
13 imports over the same period of time the increase in subject
14 imports becomes vanishingly small. If you add to that that
15 most, if not all of the increase in subject imports is in the
16 heat-proof product that the U.S. industry does not produce you
17 have yet another answer to your question.

18 So I think it's a fairly simple explanation and it
19 doesn't undercut the, it doesn't undercut our principal argument
20 which is that it is price competition between the domestic
21 producers which is really driving the prices down.

22 And the market share analysis as Mr. Greenwald
23 mentioned earlier today is extremely valuable in demonstrating
24 that point because if you compare the change in subject import
25 market share to the change in the relative market share of the

1 domestic producers in the United States over the period of
2 investigation. That's where you'll see where the price
3 declines are coming from, thank you.

4 CHAIRMAN BROADBENT: Okay.

5 MR. GREENWALD: Commissioner Broadbent may I?

6 CHAIRMAN BROADBENT: Yes Mr. Greenwald, could you
7 identify yourself?

8 MR. GREENWALD: It's on point and what I want to do
9 is throw back the question to you. You asked what or how can
10 you explain an increase in import market share except for price
11 and the question I would throw back at you is if you exclude the
12 products not made in the United States, and it turns out there
13 is a loss in market share, doesn't that prove the case we are
14 trying to make.

15 CHAIRMAN BROADBENT: Okay all right anyone else?

16 MR. BRUNO: I'd like to add if I may Phillippe
17 Bruno. If you look at the pricing data regarding Chinese
18 imports in 2013, look at the data in the confidential staff
19 report with respect to that year with respect to the two
20 products which were largest imported from China and you will - I
21 invite you to look at the instances of overselling by the
22 Chinese products. You will see this overwhelming - in other
23 words China's imports in 2013 did not come to this country on
24 the basis of price, the data is as clear as a bell in the
25 confidential staff report with respect to the two products for

1 which you have meaningful price comparisons.

2 So I don't know why if you will, what prompted
3 imports from China in 2013 but I can tell you it is not on the
4 basis of price when you look at your data.

5 MR. HUSISIAN: This is Gregory Husisian. There is
6 one other piece of the puzzle too which is non-subject imports.

7 If you look at U.S. sales over the POI they actually were
8 rising into the U.S. market so the tiny increase that you had as
9 subject imports basically came in at the expense of non-subject
10 imports.

11 Again with total imports subject and non-subject
12 being static, that also can be a source of injury to the U.S.
13 industry but that's, you know that little allocation of a slight
14 change of market share we are talking fractions of a percent
15 between you know one subject producer or another is, is
16 meaningless.

17 CHAIRMAN BROADBENT: Okay, let's see for any
18 Respondent. Subject imports generally speaking have their
19 highest market share in volumes in 2012, how do you respond to
20 arguments that the lower volume of subject imports in 2013 was
21 due to the filing of the Petition?

22 MR. WOOD: I'd like to. Ms. Broadbent it's Chris
23 Wood for Nippon Steel and Sumitomo Metal again. Let me try to
24 answer that as best I can here without referring to the
25 confidential data and then as needed.

1 CHAIRMAN BROADBENT: Yeah I appreciate that.

2 MR. WOOD: I think speaking initially for the
3 Japanese producers, you don't see much of an increase over the
4 period at all and what you do see again tends to be focused in
5 the unique product that's not produced domestically.

6 With respect to the bump-up in 2012 that you spoke
7 of, I think you have got this strong hint from the testimony
8 that Ms. Woolfort gave you this morning about their sample
9 purchase and the reasons why that's unlikely to be repeated.

10 But I think again we can flush that out further with
11 reference to the confidential data.

12 CHAIRMAN BROADBENT: Okay.

13 MS. WOOLFORT: I would like to add something to
14 that. This is Elise Woolfort speaking. The reason for ABB
15 why 2012 we had higher imports than 2013, it had to do with the
16 one off contract that I had mentioned where we purchased
17 material in 2012, finished up purchasing it at the beginning of
18 2013 and never purchased any more in 2013.

19 CHAIRMAN BROADBENT: Okay. How should the
20 Commission understand the concept of price leadership in these
21 investigations, for anyone?

22 MR. HUSISIAN: Well there's two relevant facts that
23 go to price leadership, one is the fact that has been mentioned
24 so many times that fifteen out of twenty of the purchasers
25 talked about price leadership as being in the U.S. industry, and

1 specifically identified one of the two Petitioners.

2 The second thing is to recognize that since every
3 single product category where pricing data was gathered shows a
4 downward price, it is clear in which direction the price
5 leadership was being exercised and further you know, going back
6 to one of our favorite charts, the Howard Industries, the price
7 leadership is being shown there as well because again the
8 subject imports were not a factor with regard to Howard
9 Industries and we see which way the price leadership is being
10 exercised there as well.

11 This is one of the four areas of so. I have only
12 been able to count four areas where we disagree with regard to
13 the Petitioners with regard to the facts of the case as
14 Commissioner Kieff said and one of them is with regard to the
15 you know, what's going on in terms of price leadership and we
16 think that the questionnaire responses speak for themselves.
17 Purchasers came out and described very exactly what they mean by
18 price leadership.

19 I can't talk about it but I would be happy to
20 remunerate them in our post-hearing brief.

21 MR. PRUSA: Commissioner Broadbent?

22 CHAIRMAN BROADBENT: Yes.

23 MR. PRUSA: This is Tom Pruse. So I think this
24 case it's pretty clear, I've worked on a number of cases and I
25 don't think the nature of this industry, along with the data

1 that you have, I don't think I have ever seen a case where it is
2 clearer. You have two firms who dominate the domestic
3 industry. If they were two firms period, this is a textbook
4 example of you know, price leadership between two giant firms.

5 So as I gave an example in my exhibit, you know,
6 there's Coke and Pepsi and then there's a bunch of other small
7 companies who smell, who sell boutique sodas and the idea that
8 Coke and Pepsi are setting the prices in the soda market and
9 there are these fringe players, that's analogous to what's here.

10

11 You have two firms who negotiate prices with their
12 customers prior to the customers negotiating with imports and
13 they're - they dominate the sales in the market and then you by
14 chance add into that that the record data, again the majority of
15 the customers, a clear majority of the customers say that the
16 price leadership is a domestic firm.

17 So I think this is an easier case than most to
18 identify price leadership.

19 CHAIRMAN BROADBENT: Okay, Vice-Chairman Pinkert.

20 VICE CHAIRMAN PINKERT: Thank you Madam Chairman.

21 Mr. Husisian you talked about some of the areas where there
22 might be disagreement about the facts between yourselves and the
23 Petitioners and I'm in particular concerned about testimony that
24 we have heard on both sides about whether subject import prices
25 are being used in price negotiations to bring down the prices

1 available to the domestic producers.

2 How are we to resolve the testimony on that issue?

3 MR. HUSISIAN: In all five of the areas where I've
4 been able to identify where we differ on the facts, we're
5 perfectly willing to rest on the staff report of the
6 questionnaire responses.

7 One of the things that's in the questionnaire
8 responses is people talk about the order of negotiations, in
9 other words, whom they deal with first. And I can't tell you
10 what they said, but if you look at them they tell you exactly
11 how they negotiate prices and whom they go to first to do so,
12 and it's quite logical. So, that's the first thing is to look
13 at that.

14 The second thing to look at is if you're going to say
15 it's the subject imports that are driving down the prices,
16 there's really only two mechanics to do that. Either you would
17 need to see an increase in market share because people are
18 saying, hey, these guys are cheaper. We want to go to them. Or
19 you would expect to see a bunch of supported lost revenue
20 allegations and say the only reason that they didn't go down was
21 we had to rush in and match their prices, and the record of the
22 U.S. industry is not good with regard to the lost revenue
23 allegations, as has already been discussed.

24 We're not seeing empirical evidence that these
25 subject imports are being used as a club, especially, when you

1 take into account the dominant market position of the U.S.
2 industries. And again, I'd refer you to our Howard Industries
3 example. No subject imports at all, and that is where you saw
4 the biggest decline in prices over the POI.

5 VICE CHAIRMAN PINKERT: Mr. Greenwald or Ms.
6 Woolfort?

7 MS. WOOLFORT: Yes, I would like to answer your
8 question, Mr. Pinkert.

9 First of all, I would like to reiterate what I stated
10 in my opening testimony is that as a matter of policy, ABB does
11 not inform any of its suppliers its specifications and prices
12 from other supplies. So, we've never, ever gone to AK or
13 Allegheny and said this is the price we got from Supplier XYZ
14 for M-4. You have to meet that price. Never.

15 And Mr. Kief had asked earlier this morning for the
16 Petitioners to find emails and conversations or notes to prove
17 or disapprove that from an ABB perspective. I would not expect
18 that they would be able to find that information.

19 VICE CHAIRMAN PINKERT: Mr. Greenwald?

20 MR. GREENWALD: If I could just add something which
21 intrigued me when I listened to the back and forth this morning.
22 The statute requires you to look at the price suppressing
23 effects of the imports. Much of the testimony that came out
24 was, well, they're all these potential imports. No, they didn't
25 really come in, so they're not quite imports, but they're

1 possible imports, and people are using that in negotiations with
2 us in some sort of general sense.

3 The question for you is, is that really by reason of
4 imports?

5 VICE CHAIRMAN PINKERT: You don't expect me to answer
6 that here, do you?

7 (Laughter.)

8 MR. GREENWALD: No.

9 VICE CHAIRMAN PINKERT: But you're not conceding that
10 they are being used in that manner.

11 MR. GREENWALD: The testimony from Ms. Woolfort could
12 not be more explicit. I can't even really speak for ABB. Ms.
13 Woolfort did. They do not use it in that way. To be fair, they
14 know the prices internationally. They, in fact, buy overseas
15 from domestic producers, so they know the prices at which a
16 domestic producer will export. But they will never say to AK or
17 to Allegheny you must meet this price by this supplier or you
18 will lose. They will have their pricing business objectives.
19 They do try and get the best price possible, but they will not
20 negotiate offers by other suppliers.

21 VICE CHAIRMAN PINKERT: Well, doesn't your answer,
22 Mr. Greenwald, suggests that there may be another way that this
23 process is occurring, other than the one that Ms. Woolfort
24 testified to, which is that they are not going to the suppliers
25 and saying here's the price from the foreign supplier, and you

1 need to match it.

2 Rather that there's an awareness of what the foreign
3 suppliers may be offering as a price, and that that is used
4 somehow, even if it's not overtly, in the negotiation process?

5 MS. WOOLFORT: Mr. Pinkert, could I answer that
6 because that's what I get paid to do is negotiate, right? And
7 of course, I know what's going on globally in the world. Like
8 Mr. Greenwald stated, we know the prices that ABB pays in
9 Germany and China, from all the suppliers. As a matter of fact,
10 ABB has a relationship with all the electrical steel suppliers
11 globally. And what we do is we have that information. We know
12 what's going on in the domestic market, and we know what our
13 business needs.

14 You know, we have to make money too as transformer
15 producers. We're not a high margin business. I'll tell you
16 that. So, we do know what's going on and we do set targets, and
17 then we do our negotiations.

18 VICE CHAIRMAN PINKERT: Dr. Prusa?

19 MR. PRUSA: Yes, thank you. Tom Prusa here.

20 You know I think this question I -- because I think
21 you asked a similar question in the morning, and I'm already
22 thinking this idea I think it is clear that the nature of this
23 market, especially, given that there's only two domestic
24 producers the staff report was pretty cautious about what it
25 shared as public.

1 It's clear that the people in the room know most
2 other people's dirty laundry. So, I'd be shocked if ABB wasn't
3 aware of, say, AK's changing export fortunes and what that would
4 mean for AK's capacity utilization. And I would be shocked,
5 just hypothetically, for instance, Cooper didn't know that
6 Howard was a lost customer. So, the idea of what people are
7 aware and the customers are using as they negotiate with the
8 domestic mills they know a lot about the domestic mills.

9 All right, that's easier information to know than
10 what someone is selling in the French market yesterday. I think
11 it's clear that they know the main dynamics that are happening
12 in the industry.

13 MS. WOOLFORT: One other thing I wanted to mention,
14 as I stated in my testimony, is the way we negotiate with the
15 domestic mills we start that process way earlier, months ahead
16 on the negotiations with the foreign mills. And Tom and I, we
17 do not negotiate with the foreign mills. That's a whole
18 separate team, and that's done by ABB Zurich, Ltd.

19 So, we don't even have an offer at that time. We
20 just know what the global price is at the point in time we meet
21 with the domestic mills, but that may not resemble what price we
22 end up paying for that contract period.

23 VICE CHAIRMAN PINKERT: Thank you very much. One
24 more question. Do Amorphous Metal and NOES substitute for GOES
25 in the U.S. market.

1 MS. WOOLFORT: I can answer that.

2 VICE CHAIRMAN PINKERT: Please do.

3 MS. WOOLFORT: Yes. NOES doesn't substitute for GOES
4 in transformers, okay? GOES can substitute for NOES I guess in
5 motor applications, but that's not my expertise.

6 In terms Amorphous Metal, Amorphous is a very light
7 -- let's say it's like the Lamborghini of electrical steel if
8 you could even call it electrical steel, okay? And that is best
9 used in high loss evaluation applications, and it has a niche in
10 this market, but because of its high price and high performance
11 characteristics it's just very much a niche in the U.S. market.

12 VICE CHAIRMAN PINKERT: Thank you.

13 If there are no other answers to that question on the
14 panel, I appreciate the answers today, and I look forward to the
15 additional information in the post-hearing.

16 CHAIRMAN BROADBENT: Commissioner Williamson?

17 COMMISSIONER WILLIAMSON: Thank you.

18 Mr. Bruno, post-hearing since Bio Steel is the only
19 Chinese exporter of GOES to the United States, would you please
20 review the data in the staff report at table 7-1, and in your
21 post-hearing submission revise this data as required? So, this
22 is all post-hearing, but if you take a look at that table and
23 tell us how that should be correct.

24 MR. BRUNO: We'll do so. Thank you.

25 COMMISSIONER WILLIAMSON: Thank you.

1 ABB what share of your total GOES purchases are
2 accounted for by heat proof GOES? And more generally, what
3 share of ABB's overall GOES purchases requires specialized GOES
4 that Petitioners do not or cannot supply? And you can either
5 answer now or post-hearing.

6 MS. WOOLFORD: I would prefer to answer in the
7 post-hearing brief because it's confidential information.

8 COMMISSIONER WILLIAMSON: Understood. Thank you.

9 So, Mr. Husisian, you mentioned that there's a
10 difference in the export performance of the two U.S. producers.
11 And I was wondering post-hearing if you could elaborate on that,
12 and I invite Petitioners to address that question, and what
13 implications we should draw from that or what lessons should be
14 made.

15 MR. HUSISIAN: Yeah, we'll be happy to do so. I
16 would note that with one of the Petitioners being a publicly
17 traded company they actually have characterized in their FCC
18 filings the reasons why they've had difficulties, the one
19 company. And they've said it's due to inability to meet quality
20 as well as some concerns about access capacity, but they tie it
21 in. And it seemed to be tied into inability to meet foreign
22 quality and mix requirements, as they said in their 10-K, but
23 we'll be happy to elaborate that and mix some in the
24 confidential data, to the extent it's in there.

25 COMMISSIONER WILLIAMSON: And what implications does

1 that have for the decision? Post-hearing is fine.

2 MR. HUSISIAN: The implications are twofold. First,
3 the claims by the Petitioners that, gee, the problem or the
4 reason we haven't been able to compete worldwide is due to
5 subject importers dumping worldwide is shown to not be true
6 because one of the companies is perfectly able to compete. And
7 I see you want me to answer in the post-hearing brief, so we'll
8 continue --

9 COMMISSIONER WILLIAMSON: Why don't we do that
10 because then that way both sides can weigh in.

11 MR. HUSISIAN: Absolutely.

12 COMMISSIONER WILLIAMSON: Thank you.

13 What is the forecast for GOES demand in the United
14 States and globally during the period 2014/2015? You might want
15 to address this now or post-hearing.

16 MR. SEGAL: Globally, I can say that they are
17 different. The global demand in 2015 --

18 COMMISSIONER WILLIAMSON: Identify yourself, please.

19 CHAIRMAN BROADBENT: Identify yourself.

20 MR. SEGAL: Vladimir Segal.

21 COMMISSIONER WILLIAMSON: Thank you.

22 MR. SEGAL: The global demand for 2015 is estimated
23 between 2.5 and 2.6 million tons.

24 COMMISSIONER WILLIAMSON: Thank you.

25 This question was posed this morning, and I guess

1 it's really -- thinking about the DOE new standards, and since
2 they only apply to distribution transformers, I believe, so
3 either post-hearing what's the difference in the size of the
4 market between the distribution transformers and I guess the
5 power transformers? And that could be post-hearing. I just
6 want to get an idea. Yes, that's fine.

7 MS. WOOLFORD: Post-hearing, please.

8 COMMISSIONER WILLIAMSON: Sure. Gladly.

9 And then what is the impact -- what do you think will
10 be the impact of the new standards, if anything, on demand?

11 And then also I'd asked this morning will changes in
12 these requirements increase U.S. consumption of lower grade GOES
13 as applications to formally employed non-electrical steel as
14 that is compared to GOES? And also, can we expect similar
15 changes in other markets in the world, and does that have any
16 bearing on our analysis. And if it doesn't, fine. But all of
17 that in post-hearing will be fine. Good. Thank you.

18 I'm not sure if this was addressed already. I don't
19 see any other comments. Do changes in prices in GOES in export
20 markets affect the price of GOES in the U.S. market, or do
21 prices in the U.S. market determine the prices in other markets?
22 And do purchasers conduct negotiations for different markets
23 simultaneously or sequentially? And that could be post-hearing,
24 particularly, that second question.

25 MR. GREENWALD: Post-hearing.

1 COMMISSIONER WILLIAMSON: Good. There are other
2 cases we've had where global purchasers are able to play off,
3 and I was just curious whether this was relevant in this
4 situation.

5 This is for anyone. We had a discussion this morning
6 about Appendix D and whether or not that data was useful. And
7 so, I just want to know what this panel thinks of that.

8 MS. HILLMAN: If we could, again, there are two
9 issues with respect to that data. One concern is the
10 transportation, particularly, the domestic transportation cost.
11 And the other concern is the terms under which contracts are let
12 for both domestic and imported product. And again, because both
13 of those involve some degree of confidential information we'd
14 prefer to provide that answer in a post-hearing brief.

15 We do take note of the notation at the beginning of
16 Appendix D, which does caution the Commission in terms of how
17 directly comparable the data between the U.S. prices versus the
18 import prices is in that Appendix D data, but we'll give you
19 details in the post-hearing brief.

20 COMMISSIONER WILLIAMSON: I mean how much weight do
21 we give to this in light of that. Thank you.

22 I think that answers all my questions. I want to
23 thank the panel for their answers.

24 CHAIRMAN BROADBENT: Mr. Kief?

25 COMMISSIONER KIEF: Thank you very much Madame

1 Chairman, and thank you very much Vice Chairman Pinkert.

2 I'd like for the audience -- I look for your answer
3 in the post-hearing. I always enjoy reading your opinions.
4 They're so good to read.

5 COMMISSIONER WILLIAMSON: Are you implying that I'm
6 writing on my own?

7 COMMISSIONER KIEF: No.

8 (Laughter.)

9 COMMISSIONER KIEF: As you well know, I enjoy writing
10 with you. We have great fun writing together.

11 So, let me, if I could, ask another set of Where are
12 we questions. So, am I correct in understanding that a big
13 part of this panel's view about the decrease in prices is that
14 decrease is largely due to essentially volume that the domestic
15 producers might otherwise have sent overseas getting instead
16 disbursed inside the U.S. market and so through the mechanisms
17 of an Economics 101 supply/demand analysis you've got an
18 increase in supply, relatively stable demand; therefore, a
19 decrease in price? Is that part of the point being made by the
20 afternoon's panel?

21 MR. HUSISIAN: Yes, that's correct. It's not so much
22 as displacement. It's not like they just put all the exports
23 that used to be there and just dumped it into the U.S. market,
24 to use perhaps a loaded phrase. It's that they became desperate
25 to make whatever sales they could. So, even though their total

1 sales shrunk along with their export sales, it still had that
2 price depressing effect. But yes, it is that trying to find a
3 home to replace at least some of those exports that caused the
4 pricing.

5 COMMISSIONER KIEF: Were there other views on that
6 from the panel?

7 MR. WOOD: Mr. Chris Wood from Gibson Dunn. No, I
8 think actually the way Greg has encapsulated that, and the way
9 you framed the question captures our theory of the case quite
10 well.

11 Let me add one additional supplemental point to it,
12 though. The basic mechanism is exactly that, that you have
13 sales that were previously made in export markets. These aren't
14 hypothetical. These are real sales that were there. Now, those
15 sales are not available anymore, so that is a large amount of
16 new supply that can only be sold in the United States.

17 It creates a very different set of incentives than
18 applied a few years earlier. And here's the key insight is when
19 you look -- from the perspective of a producer that has lost
20 those export sales and needs to replace some of those volumes,
21 where are you going to go to replace it? The only option you
22 have in the U.S. market is the other guy. The imports are small
23 and spread in limited amounts across a whole lot of accounts.
24 It is far more attractive to go out and take a big chunk of
25 volume from your domestic competitor.

1 And when we keep talking about Howard as an example,
2 that's exactly why. That's the mechanism. That's what's
3 happened here, and you've got the precise data on the record to
4 see how that worked out.

5 COMMISSIONER KIEF: Go ahead.

6 MR. WOOD: And just to play the scenario on out.
7 Okay, well, fine. Now, from the perspective of someone who has
8 lost a large account, you're in exactly the same situation as
9 the guy who lost the exports. The only place you can get new
10 business is from the other guy, and you're going to be desperate
11 to retain the business you have. And on top of everything else,
12 your customers know this.

13 COMMISSIONER KIEF: Now, could it be the case that
14 what you both have said is true with at capital T, but the
15 Petitioners still, nonetheless, also have a colorable claim? In
16 other words, could they also be injured by imports to some
17 extent that's above immaterial?

18 MR. WOOD: I think on this record I don't see how you
19 can possibly reach that conclusion because if you were going to
20 see it you would see -- you would, at a minimum, expect to see
21 import shares and volumes going up substantially more than they
22 are in products that are in competition with the U.S. industry,
23 and you would expect to see very different pricing patterns for
24 the products. I think that's the key.

25 COMMISSIONER KIEF: Yeah, let me just ask. You may

1 be getting to this, but I'm just asking, in addition to what
2 you're about to say, could you tie it to the punch line of your
3 chart in your confidential Exhibit 1. I think the bottom half
4 of it might be relevant to what you're about to say, but please
5 go ahead. I didn't mean to prevent you from ^^^^

6 MR. PRUSA: I'm sorry. I don't have that chart. But
7 let me just say I think, and we can submit this post-hearing,
8 one of the challenges beyond everything that Mr. Wood just said
9 is when you've collected pricing data and you know the imports
10 in these various product lines the domestic competition across
11 the product lines versus the import price changes or volume
12 changes those aren't bearing a sensible relationship to what's
13 happening in the prices here.

14 There's something happening in domestic prices that
15 imports are not explaining.

16 COMMISSIONER KIEF: Okay, other additional views on
17 that?

18 MR. GREENWALD: It is reflected in the Exhibit 1.
19 What you have is a record that has no hard evidence of any cause
20 and effect relationship between imports and what happens in
21 domestic prices. So, on this record I do not see how you could
22 possibly conclude that the effects of the imports, either by
23 volume or price, rise to the level of materiality.

24 MR. HUSISIAN: Yes, if you were take the tiny amount
25 of the increase of subject imports, and then especially when

1 taking out that a lot of that was just displacing non-subject
2 imports, it's not hyperbole to say that that increase is a
3 rounding error. It wouldn't even be noticed by the U.S.
4 industry.

5 If you were to go to the industry and say, which
6 would you rather, the subject imports -- not just the increase,
7 but they entirely disappeared or you could have your export
8 sales back, the answer is clear. And if you went to the other
9 company and said would you rather that the subject imports
10 disappeared or you could have Howard Industries back, the answer
11 is clear as well. But it's that the decline in exports is so
12 massive and the increase of subject imports is so tiny and
13 trivial and a rounding error is when you look and compare those
14 two and say this isn't just a question of we had a big cause,
15 then we had a medium cause. It's we had a big cause, and we had
16 a rounding error. So, it's just hard to come up with material
17 injury from that scenario.

18 COMMISSIONER KIEF: All right. Well, thanks. Look,
19 I am mindful of the time, and I just invite each side to comment
20 on the discussions we've had with themselves and their
21 counterparts. We look forward to reading carefully what
22 everybody submits. We hope that in asking our questions to each
23 of you in front of the other both of you have the opportunity to
24 see our thinking and influence it in all the appropriate ways
25 with argument and evidence. So, thank you very much. It's been

1 very helpful. Madame Chairman.

2 CHAIRMAN BROADBENT: Commissioner Schmidtlein?

3 COMMISSIONER SCHMIDTLEIN: I just had one question,
4 or one follow up. And again, I think you could do this in the
5 post-hearing brief. And I would invite both sides to do this.
6 And in fact, for any of the questions that I've asked for
7 briefing in post-hearing, I invite both sides to provide answers
8 to those questions, just so it's clear for the record.

9 So, there's been a lot of discussion today about
10 ABB's knowledge of import prices, whether they use that
11 knowledge to leverage negotiations with the domestic producers.
12 And so, I'd like you to comment in the post-hearing how you
13 respond to the fact that there are certain purchasers that did
14 specifically report that U.S. producers had reduced their prices
15 in order to compete with the prices of the subject imports.
16 That that is some evidence on the record and so how should the
17 Commission consider that?

18 MR. HUSISIAN: We'll be happy to answer that using
19 the confidential data, but I would point out that in a market
20 like this it's not like a negative determination only comes
21 about if there are zero instances of underselling or zero
22 instances where there's something like that. The fact that
23 there may be an isolated purchaser who may use -- you know, get
24 a subject import price first wouldn't negate that there's a lot
25 of people who do the opposite. That's not the standard. It's

1 like, sorry, Respondents lose unless there's not a single case
2 of adverse evidence.

3 Instead, you look at it. There's cases where there's
4 mixed overselling and underselling. You don't say, oh,
5 therefore, it's like this. If you look overall, you have a
6 dominant U.S. industry that's driving the prices. People tend,
7 as we've heard testify to several times here today, people
8 negotiate with them first, which makes sense, in general,
9 because they're the big guys. You're going to go to them first
10 before you fill in the things as well.

11 The fact that there might be some occasional small
12 example that's to the contrary doesn't change where it's going.
13 I mean if you look at the price leadership each country was
14 picked by one person, by one purchaser to occasionally say, no,
15 we think this person's the price leader, but that doesn't make a
16 certain company that's been identified by 1 out of 20 the price
17 leader. It just means for that person's experience it's been
18 true, but when you look at the overall data it's clear what's
19 driving the pricing in this industry. And it's what you'd
20 expect. It's the dominant big guys.

21 COMMISSIONER SCHMIDTLEIN: Thank you. I look forward
22 to the answers in the post-hearing. And I don't have any other
23 questions. But I just want to thank the witnesses again for
24 their time today.

25 MR. GREENWALD: Madame Chairman, I have a plane to

1 catch. You don't mind if --

2 CHAIRMAN BROADBENT: Yes, thank you for your
3 participation.

4 MR. GREENWALD: -- I check out now. Thank you.

5 CHAIRMAN BROADBENT: I just had one more
6 clarification question for Ms. Woolfort. You said that ABB with
7 its global sales office and interest in prices was aware of
8 global prices in your negotiations. When you say global
9 prices, do you mean import prices?

10 MS. WOOLFORT: No, I mean the prices all around the
11 world like what our sister companies pay for electrical steel.

12 CHAIRMAN BROADBENT: Okay. All right. I have no
13 further questions. Vice Chairman Pinkert?

14 VICE CHAIRMAN PINKERT: No further questions.

15 CHAIRMAN BROADBENT: Commissioner Kief?

16 All right, if Commissioners have no further
17 questions, does the staff have any questions for this panel?

18 MR. COCKRAN: Douglas Cockran, Office of
19 Investigations. Thank you Madame Chairman. The staff has one
20 very brief question directed to Mr. Horgan. With respect to TK,
21 could you please address in your post-hearing brief information
22 provided by the Polish producer regarding the possible sale of
23 TK's electrical steel division. And with that, staff has no
24 further questions.

25 MR. HORGAN: Happy to do so.

1 CHAIRMAN BROADBENT: Do the Petitioners have any
2 questions of this panel?

3 MR. HARTQUIST: No questions. Thank you, Madame
4 Chairman.

5 CHAIRMAN BROADBENT: Okay. Thank you.

6 In that case, I want to thank the panel for their
7 testimony and I'll dismiss you now.

8 With that, we come to closing statements.

9 CHAIRMAN BROADBENT: Those in support they have 9
10 minutes for direct, 5 minutes for closing, for a total of 14
11 minutes. And those in opposition have one minute for direct and
12 five for closing for a total of six minutes. As is our custom
13 we will combine those two. You don't have to take all of your
14 time. We will start with those in support of the Petition.
15 Mr. Hartquist you can begin when you are ready.

16 MR. HARTQUIST: Thank you Madam Chairman and thank
17 you all for I think a very interesting hearing, a good day.
18 Um, I have a number of issues that I would like to comment on
19 just briefly. Um, first of all there has been testimony that
20 essentially the grade of GOES that is used in the transformer is
21 essentially locked in based upon the specific design of the
22 transformer.

23 And the implication that once that's locked in only
24 that particular grade of steel is going to be considered. We
25 are going to provide some examples in our post-hearing brief of

1 situations where that is simply not true, where the price of a
2 different grade of GOES caused a change in the design of the
3 transformer going further to the importance of price and this
4 continuum, continuum concept.

5 Further to prices, um, contrary to the statement of
6 Mr. Husisian subject imports are typically sourced on a
7 quarterly basis whereas most of the domestic sales are
8 negotiated once a year in the annual contracts. So the point
9 here is that a purchaser going into annual negotiations with a
10 domestic producer has very good knowledge of import prices in
11 the marketplace because they are provided on a quarterly basis.

12 I looked back on quarterly to see where the prices
13 where and they can negotiate on that basis. I would also like
14 to comment further about prices. To the extent that U.S.
15 prices may be higher than global prices that does not
16 necessarily translate to the higher U.S. prices being
17 non-injurious prices. Quite to the contrary where you have
18 substantial dumping margins and lost sales and so forth. Um,
19 the fact that the U.S. price well - I'm not sure we have
20 documentation to prove that U.S. prices are higher but there has
21 been some testimony along those lines, but that does not
22 indicate that the pricing level achieved is a non-injurious
23 pricing level and I think the Commission recognizes that.

24 Um, there's been sort of some loose talk about an
25 oligopoly here because there are only two U.S. producers. I

1 just want to point out there's a lot of competition in the U.S.
2 market. All these folks who are here today are competitors in
3 the U.S. market and our assertion is that they very definitely
4 affect pricing.

5 Mr. Husisian also commented and I think others agreed
6 that these are sophisticated producers that we are dealing with
7 here. They know global prices they understand what's going on
8 in the U.S. market. It's a fairly concentrated industry in
9 terms of who the players are and good knowledge as to what is
10 going on in terms of competitive conditions in the marketplace.

11 Um, Respondents argue that despite the large
12 anti-dumping and countervailing duty margins the imports really
13 have no impact on the financial performance of the competitors.
14 Is this really a credible position for them to take when you
15 look at the data? I think the answer is no, that the presence
16 of, of the significant dumped imports in the marketplace have
17 resulted in lost sales, have resulted in substantial price
18 depression and pretty disastrous financial performance by the
19 domestic industry.

20 The role of exports we are going to comment further
21 and I'm sure that Respondents will also in the post-hearing
22 submission um, but I would ask you to bear in mind that one of
23 the impacts of the loss of export markets is to make the
24 domestic industry even more vulnerable to pricing pressures in
25 the United States, their primary market. And we'll talk further

1 about that in the brief.

2 Um, Commissioner Schmidtlein asked about the issue of
3 whether the domestic producers produce all of the products and
4 the Respondent's comments were no there are products that the
5 domestic industry does not produce, but the key is whether the
6 domestic industry produces competitive products up and down the
7 line. Whether they are exactly the same product or not, are
8 they competitive products, and that's a key that we will
9 emphasize.

10 Um, I would note with respect to the Chinese
11 testimony that Baosteel has been sending in trial material to
12 test the market certainly indicating that they have a continuing
13 interest in this market and a desire to expand their sales into
14 the U.S. market.

15 And that concludes our closing, thank you very much
16 we appreciate it.

17 CHAIRMAN BROADBENT: Thank you Mr. Hartquist.

18 MR. WOOD: Chairman Broadbent, Commissioners Chris
19 Wood from Gibson, Dunn for Nippon Steel and Sumitomo Metal.
20 Let me begin just by thanking you very much for your attention
21 and diligence. I know it's been a long day and we very much
22 appreciated the questioning we got on our panel.

23 I would also like to thank staff very much. This is
24 complicated steel product I think that came through today.
25 There's a lot of intricacies and how it is purchased and how it

1 is distributed and we really think the data as it's compiled in
2 the staff report, it's just a really exemplary job that was done
3 this time, we appreciate it.

4 From Respondent's perspective this is actually a
5 relative simple case when you get right down to it. We can
6 start with a fact which I think no one disputes, which is that
7 the export volumes of U.S. producers fell dramatically over the
8 period of investigation. A few years ago AK Steel was
9 publically saying in their analyst calls that they were
10 exporting 50% of their production. That's changed over the
11 last few years.

12 And I think we can also agree that when those markets
13 are no longer available, what does that do to the incentives of
14 the domestic producers? That's a giant hole as we pointed out
15 in the afternoon. It creates a giant hole in your production,
16 dramatic loss and production capacity. Can anyone reasonable
17 disagree that there is a much stronger incentive to sell as much
18 as you can in the U.S. market to replace those lost exports?

19 But there is a problem. Market demand for this
20 product is basically in elastic. You can't create new demand
21 just by dropping your price, but what you can do is you can take
22 share from other people in the market you are still in, in the
23 U.S. market. And when we look at the composition of the U.S.
24 market as it's become marked on many times today, the two
25 domestic producers collectively hold the overwhelming share

1 here.

2 If you are looking to replace lost export volumes,
3 there's really only one place you can look, at your domestic
4 competitor. And in fact that's exactly what we see play out in
5 the market.

6 We have had talk today about the shift of one large
7 domestic purchaser. We've talked about that principally
8 because we have the most detailed data on that, but it is
9 characteristic of the dynamic that plays out as AK Steel and
10 Allegheny are competing for a limited, a finite amount of volume
11 in this market.

12 And once you have this shift of a large customer
13 Howard, it creates that much more pressure on the producer that
14 lost the business to go out and take share where it can again,
15 principally from its domestic competitor, not because they are
16 easier to compete with but because they are the ones who have
17 the volume. That's where you go to get the share that you are
18 losing, is to compete with them.

19 So from our perspective this case really boils down
20 to that simple economics 101 dynamic. You have a lot of new
21 supply chasing a finite amount of demand and intensifying
22 competition between the domestic producers.

23 Let me comment just very briefly on the factors that
24 you will have to consider. Volume I don't think I need to say
25 much about. Mr. Hartquist acknowledged this morning that this

1 case really isn't about volumes. When you look at what we
2 would characterize certainly as the very small increase in
3 subject imports, and then layer on top of that that much of that
4 share increase came at the expense of non-subject imports and
5 that much of the actual volume and increase was in a product
6 that the domestic industry does not produce, the heat-proof
7 GOES, there's just no way to find a significant volume effect
8 here.

9 Even the absolute levels of volumes haven't changed
10 very much over the POI and the domestic industry was doing
11 perfectly well at that level of import penetration just a few
12 years ago. So it's not import volumes, what this case really
13 comes down to is how you view the competing theories that have
14 been espoused in pricing in the U.S. market.

15 The domestic producers told you this morning that
16 really it's the imports that are the problem with pricing, but I
17 think if you look carefully at the record and you look at the
18 data that you have and the staff report and elsewhere you will
19 see that that can't possibly be right. Several proof points to
20 consider just as you start thinking about this case.

21 We'll start with Howard Industry because that's the
22 clearest. You have got very thorough data on Howard. You
23 have heard today that that is not a competition with subject
24 imports, that's an intra-industry, intra-domestic industry
25 competition and the data are just compelling as to what that

1 type of competition can do with prices.

2 You have had testimony today from the largest
3 domestic and world-wide purchaser of this product as to how they
4 view the market. They testified that it is competition between
5 the domestic producers that allows them to negotiate their best
6 price, but they do not use subject imports to drive those prices
7 down.

8 We'll put more in our post-hearing brief but when you
9 look at the shifts in market share among the domestic producers
10 over time, that's another compelling proof point that that's
11 where the locust of price competition has been.

12 Finally I'd like to say just a couple of words about
13 threat before my times runs out. When you think about threat
14 and the likelihood of increases in imports coming in the
15 imminent future you have to ask yourself if that was the case
16 why hasn't it happened already? You haven't seen any
17 particular increase in imports over the period of investigation,
18 nothing significant. And there's no changes out there that
19 should make you think that an increase in imports is likely.

20 The only think we really heard this morning from
21 Petitioner's was on China and as you heard the testimony this
22 morning the Chinese market has been growing rapidly in that
23 China is still a significant net importer of GOES as it will be.

24 Thank you very much for your attention.

25 CHAIRMAN BROADBENT: Thank you and now I want to

1 express the Commission's appreciation for everyone's
2 participation in today's hearing. Closing statements,
3 post-hearing briefs, statements responsive to the questions
4 through requests of the Commission and corrections to the
5 transcript must be filed by July 31, 2014.

6 Closing of the record and final release of data to
7 the parties will be August 20, 2014 and final comments are due
8 on August 22nd. Then you can go to the beach and with that
9 this hearing is adjourned, thanks.

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11 (Whereupon at 4:31 p.m. the meeting was adjourned)

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