

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
NON-ORIENTED ELECTRICAL STEEL FROM)
CHINA, GERMANY, JAPAN, KOREA, SWEDEN,)
AND TAIWAN)

Investigation Nos.:
701-TA-506-508 and
731-TA-1238-1243 (FINAL)

REVISED AND CORRECTED

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IN THE MATTER OF:) Investigation Nos.:
NON-ORIENTED ELECTRICAL STEEL FROM) 701-TA-506-508 and
CHINA, GERMANY, JAPAN, KOREA,) 731-TA-1238-1243
SWEDEN, AND TAIWAN) (FINAL)

Wednesday, October 8, 2014
Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC

The meeting commenced pursuant to notice at 9:30
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 Chairman Meredith M. Broadbent (presiding)

5 Vice Chairman Dean A. Pinkert

6 Commissioner Irving A. Williamson

7 Commissioner David S. Johanson

8 Commissioner Rhonda K. Schmidtlein

9

10 Staff:

11 William R. Bishop, Supervisory Hearings and Information

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19 David Fishberg, Attorney/Advisor

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1 In Support of the Imposition of Antidumping and
2 Countervailing Duty Orders:

3 AK Steel Corporation

4 Eric Petersen, Vice President, Sales and Customer
5 Service, AK Steel Corporation

6 Geoff Pfeiffer, General Manager, Specialty Steel Sales,
7 AK Steel Corporation

8 Steve Konstantinidis, Manager, Electrical Steel Sales,
9 AK Steel Corporation

10 Jerry Schoen, Principal Engineer, Product Development &
11 Applications Engineering, AK Steel Corporation

12 Thomas L. Harlan, Electrical Maintenance Technician, AK
13 Steel Corporation, and Member of United Automobile,
14 Aerospace And Agricultural Workers of America (UAW) Local
15 4104

16 Jeffrey Zackerman, Assistant General Counsel,
17 Commercial Affairs, AK Steel Corporation

18 Joseph W. Dorn and Stephen A. Jones, King & Spalding

19

20 In Opposition to the Imposition of Antidumping and
21 Countervailing Duty Orders:

22 China Steel Corporation

23 Metallia USA LLC

24 Paul Chu, Foreign Marketing Research Section, Marketing
25 Administration Department, China Steel Corporation

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3 Brad Beuc, Vice President for Global Sourcing, Steel &
4 Components, Emerson Electric

5 Mark Weisheit, Vice President Business Development and
6 Procurement Nidec Motor Company

7 Bill Estes, Vice President, Supply Chain Emerson
8 Electric

9 Donald B. Cameron, R. Will Planert, Morris Manning &
10 Martin LLP

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13 Nippon Steel & Sumitomo Metal Corporation ("NSSMC")

14 David Stevens, Senior Vice President, American MITSUBA
15 Corporation

16 Brion Talley, Senior Vice President, JFE Shoji Trade
17 America, Inc.

18 Bruce Becker, Manager, Steel Trading Unit, Midwest
19 Region, Toyota Tsusho America, Inc.

20 Hiroyuki Azeyanagi, Staff Manager, JFE Steel
21 Corporation

22 Soichi Yonezawa, General Manager, Electrical Steel
23 Sheet Division, Nippon Steel & Sumitomo Metal Corporation

24 James P. Durling, Daniel L. Porter, Matthew P.
25 McCullough, Curtis, Mallet-Prevost, Colt & Mosle LLP

1 China Iron and Steel Association ("CISA")

2 Steven Yi Huang, General Manager, Steel Department,

3 Baosteel America Inc.

4 Mark Lunn, Dentons US LLP

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6 Cogent Power Inc.

7 Surahammars Bruks (collectively "Cogent")

8 David J. Gilson, EMD, Sourcing, Principal Buyer,

9 Curtiss-Wright Electro-Mechanical Corporation

10 Ron Harper, President, Cogent Power

11 Mark D. Weisheit, Vice President, Business Development

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17 Michael Schmidt, Head of NOES Sales North and South

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

2 MR. BISHOP: Will the room please come to
3 order.

4 CHAIRMAN BROADBENT: Good morning. On behalf
5 of the U.S. International Trade Commission, I welcome you to
6 this hearing on Investigation Nos. 701-506-508 and 731-1238
7 and 1243, involving Non-Oriented Electrical Steel or NOES
8 from China, Germany, Japan, Korea, Sweden and Taiwan.

9 The purpose of these final investigations is
10 to determine whether an industry in the United States is
11 injured or threatened with material injury by reason of
12 imports from China, Germany, Japan, Korea, Sweden and
13 Turkey, that are sold at less than fair value, and by reason
14 of imports that are subsidized by the governments of China,
15 Korea and Taiwan.

16 Documents concerning this hearing are
17 available at the public distribution table. Please give all
18 prepared testimony to the Secretary. Do not place it on the
19 public distribution table. All witnesses must be sworn in
20 by the Secretary before presenting testimony. I understand
21 that parties are aware of the time allocations, but if you
22 have any questions about the time, please ask the Secretary.

23 We've got a large number of witnesses today,
24 so I would stress the importance of keeping a close eye on
25 those yellow and red lights that indicate the expiration of

1 speaking and questioning time. Speakers are reminded not to
2 refer to business proprietary information in their remarks,
3 or in answers to questions. Please speak clearly into the
4 microphones and state your name for the record, so that the
5 court reporter knows who is speaking.

6 Finally, if you will be submitting documents
7 that contain information you wish classified as business
8 confidential, your request should comply with Commission
9 Rule 201.6. Mr. Secretary, are there any preliminary
10 matters?

11 MR. BISHOP: No, Madam Chairman.

12 CHAIRMAN BROADBENT: Very well. Let's proceed
13 with opening remarks.

14 MR. BISHOP: Opening remarks on behalf of
15 Petitioner will be by Joseph W. Dorn, of King and Spalding.

16 CHAIRMAN BROADBENT: Welcome, Mr. Dorn. You
17 may begin when you're ready.

18 OPENING REMARKS OF JOSEPH W. DORN

19 MR. DORN: Good morning. This case is about
20 unfairly priced imports of non-oriented electrical steel or
21 NOES. As Respondents have conceded, NOES is a distinct,
22 like product and AK Steel is the only domestic producer.
23 Subject imports accounted for over 90 percent of total NOES
24 imports during the Period of Investigation.

25 The Commerce Department has determined that

1 imports from all six countries were unfairly traded, and no
2 foreign producer was excluded. Thus, virtually every ton of
3 NOES purchased in the United States during the POI was
4 supplied either by AK Steel or by one of the foreign
5 dumpers. AK Steel did not lose a single sale to another
6 U.S. NOES producer, because there was none. Moreover, AK
7 Steel is highly dependent on the U.S. market for NOES. In
8 contrast to GOES, AK Steel had very minor exports of NOES
9 during the POI.

10 There is no question that AK Steel's NOES
11 operations were materially injured during the entire POI.
12 The only question is whether subject imports were more than
13 a minimal or tangential cause of that injury. Applying the
14 statutory factors, it is clear that subject imports were in
15 fact the primary cause of the injury suffered by AK Steel.

16 First, the volume of subject imports was huge
17 during the entire POI relative to U.S. consumption and U.S.
18 production, much higher than in most cases you look at here,
19 much higher than other steel cases, including the recent
20 case on GOES.

21 From 2010 to 2012, subject imports increased
22 37 percent, and also increased relative to U.S. consumption
23 and U.S. production. Had AK Steel not implemented a
24 price-cutting strategy to regain lost market share in the
25 first half of 2013, imports would have continued to increase

1 in that full calendar year.

2 When AK Steel stopped chasing lower import
3 prices, the subject imports jumped from the first half to
4 the second half of 2013, and peaked in relation to U.S.
5 production and nearly peaked in relation to U.S.
6 consumption. Absent the filing of this petition, subject
7 imports would have continued to increase in the first half
8 of 2014. They fell off sharply in anticipation of the
9 preliminary duties.

10 The huge volume of subject imports cannot be
11 explained away with "attenuated competition." Just look at
12 the overlap in the shipments of the pricing products. Look
13 at the U.S. importers' total U.S. commercial shipments that
14 were captured by the pricing products.

15 The testimony you will hear this afternoon
16 from certain purchasers who oppose higher NOES prices cannot
17 override the aggregate pricing data and other record
18 evidence showing direct competition between AK Steel and the
19 subject imports across the entire product range.

20 Second, the subject imports adversely affected
21 the domestic industry's prices. NOES is produced to
22 standard industry specifications, and is highly
23 interchangeable regardless of source. Sure, quality is
24 important. That is why suppliers are qualified before price
25 discussions get serious.

1 As made clear in the prehearing report,
2 purchasers largely agree that domestic and imported NOES are
3 of comparable quality, and they are virtually unanimous that
4 AK Steel's prices are "inferior" to those of the dumped
5 imports. In fact, imports undersold AK Steel in 74 percent
6 of the possible comparisons, with an average underselling
7 margin of 17 percent. As a result of pervasive
8 underselling, AK Steel's capacity utilization was too low,
9 its market share was too low, and its prices were too low
10 during the entire POI.

11 AK Steel's prices were also depressed by the
12 subject imports. AK Steel's prices followed the decline in
13 import prices from 2011 to 2013.

14 Third, the subject imports had a significant
15 adverse impact on AK Steel. The imports' high market share
16 adversely affected AK Steel's net sales, capacity
17 utilization and per unit fixed cost. The persistent
18 underselling adversely affected AK Steel's prices and
19 margins. AK Steel's financial condition worsened, as the
20 price of subject imports declined from 2011 to 2013.

21 Respondents' non-attribution arguments are not
22 supported by the record. There is no evidence that
23 purchases of NOES shifted to CRML during the POI. Also, the
24 suggestion that a significant portion of the subject imports
25 did not compete against AK Steel is flat wrong. Again, look

1 at the pricing product data.

2 The Commission added pricing products
3 suggested by Respondents. But you total it all up, and the
4 overlap is overwhelming in this case. There was direct
5 competition. The subject imports competed head to head with
6 AK Steel, and their success in the market was due to unfair
7 pricing.

8 In conclusion, the Commission should determine
9 that the domestic industry is materially injured by reason
10 of subject imports. Thank you.

11 CHAIRMAN BROADBENT: Thank you, Mr. Dorn.

12 MR. BISHOP: Opening remarks on behalf of
13 Respondents will be by Matthew P. McCullough, Curtis Mallet.

14 OPENING REMARKS OF MATTHEW P. McCULLOUGH

15 MR. McCULLOUGH: Good morning, The Commission.
16 You've heard the highlights of Mr. Dorn's case. In
17 response, perhaps the best way I can assist the Commission's
18 work today is to outline some fundamental points from the
19 public record, the Commission should keep in mind when
20 hearing, listening to AK Steel's presentation today.

21 First, imports declined over the Commission's
22 Period of Investigation, which is 2011 to the first half of
23 2014, hitting their low point well before AK Steel filed the
24 petitions in this case. At the same time, no one disputes
25 that demand was weak and declined.

1 So you hear AK Steel make what sounds like
2 volume-based arguments today, as Mr. Dorn did just now, keep
3 these trends in mind, along with AK Steel's own
4 volume-related performance relative to these trends. This
5 is not a volume case.

6 But is this a price case? The Commission has
7 mixed pricing data. Overall, the data show none of the
8 patterns or linkages that would suggest underselling is
9 significant and is having an adverse effect on the domestic
10 industry. Domestic prices show very similar trends among
11 pricing products regardless of whether they face substantial
12 competition from imports or only limited competition, and
13 regardless of the degree of underselling or overselling from
14 subject imports.

15 These data indicate that the pricing products
16 are not directly comparable, and therefore do not compete on
17 price due to differences in specifications not fully
18 captured in the product definitions, or because non-price
19 factors such as quality, customer service and technical
20 support are driving purchasing decisions.

21 To that end, the Commission's record of
22 importer and purchaser responses clearly show that non-price
23 factors drive purchasing decisions in this investigation.
24 So when AK Steel tells you today that they are being
25 undercut by low-priced imports, challenge AK Steel with

1 these facts, and ask them to reconcile their price arguments
2 with the dramatic rise in non-subject imports seen at the
3 end of the Commission's Period of Investigation.

4 AK Steel can try to make imports more
5 expensive, but that does not equate to purchasers buying
6 more AK Steel product that simply does not meet customer
7 needs. This is not a price case. But if this not a volume
8 case and it is not a price case, then what kind of case is
9 it? When AK Steel grapples with these issues today and
10 tries to attribute its performance to subject imports, the
11 Commission should refer to pages VI-4 and VI-5 of the staff
12 report.

13 The answer to what kind of case this is, is
14 found on the pages that I just referenced. It is a case of
15 AK Steel's own inherent operational weaknesses, and we have
16 tried to illustrate this point in greater detail in pages 37
17 to 43 of Joint Respondents' prehearing brief.

18 In fact, the Commission staff report points
19 directly to the answer, and attributes the cause not to
20 subject imports but to other factors. Challenge AK Steel
21 with these facts today when they seek to blame imports.

22 Finally, I ask that you challenge AK Steel in
23 how they describe competition in the market. When AK Steel
24 tries to distinguish NOES from CRML to obscure the
25 competitive relationship between NOES and this substitute

1 material, challenge AK Steel to be precise and direct in
2 their statements.

3 Ask AK Steel to distinguish the purpose of
4 post-lamination annealing between semi-processed NOES, which
5 is within the scope of the investigation, and CRML.
6 Challenge AK Steel to answer whether or not the oxide
7 coating that occurs when CRML laminations are annealed would
8 be sufficient under its own definition of NOES.

9 Finally, challenge AK Steel to answer whether
10 or not grades of CRML can achieve comparable or better core
11 loss performance than NOES once it has been annealed just
12 like semi-processed NOES. The answers to these questions
13 will tell you that CRML competes with NOES. This is not a
14 like product argument, but an unavoidable condition of
15 competition in this market.

16 But beyond CRML, ask AK Steel to address
17 imported laminations produced from NOES. Publicly available
18 metrics indicate that the presence of imported laminations
19 in this market grew, even as imports in demand for NOES
20 declined. These laminations are often consumed by the same
21 entities that might have purchased and processed NOES
22 themselves. Ask AK Steel how it proposes to distinguish the
23 effects of competition from such laminations.

24 Madam Chairman and members of the Commission,
25 as a final note, I would point out that we have present

1 today a number of purchasers, including purchasers of AK
2 Steel's product. They will speak to many issues that are
3 seen in both the public and proprietary records of this
4 proceeding.

5 They all can confirm from their own experience
6 that subject imports are not a cause of any material injury
7 to the domestic industry, nor do they threaten such injury.
8 They look forward to hearing AK Steel's presentation today,
9 and to answer your questions. Thank you. That concludes my
10 remarks.

11 MR. BISHOP: Would the first panel, those in
12 support of the imposition of anti-dumping and countervailing
13 duty orders, please come forward and be seated. Madam
14 Chairman, all witnesses have been sworn.

15 (Pause.)

16 CHAIRMAN BROADBENT: I want to welcome the
17 panel this morning, and you may begin when you're ready.

18 MR. DORN: Good morning Madam Chairman, Mr.
19 Vice Chairman, Commissioners. Before turning it over to our
20 -- I'm Joe Dorn for AK Steel. Before turning it over to our
21 industry witnesses, let me say a few words about scope and
22 like product, because there have been a couple of changes in
23 scope, which I'm sure you're aware of.

24 Commerce has revised the scope definition to
25 make clear that cold-rolled motor lamination or CRML steel

1 is not included, which was our original intent. In contrast
2 to the prior scope language used in your preliminary phase,
3 NOES is now defined to have a "surface oxide coating to
4 which an insulation coating may be applied."

5 Given its distinctive production process, NOES
6 at least has a surface oxide coating. Fully processed NOES
7 typically has an applied insulation coating on top of the
8 surface oxide coating, and semi-processed NOES always has an
9 anti-stick coating on top of its surface oxide coating.

10 In contrast, given its distinct production
11 process, CRML never has a surface oxide coating or an
12 applied coating. As detailed in our brief, there's a clear
13 dividing line between NOES and CRML with respect to each of
14 the like product factors. Among other things, given the
15 different chemistries, magnetic properties, surfaces and
16 other physical characteristics of these two steel products,
17 electrical parts are designed to use either NOES or CRML.

18 Respondents, after convincing the Commission
19 to collect information on CRML in this final phase, now
20 concede, after reviewing that information, that NOES is a
21 separate like product that does not include CRML. While
22 they continue to argue that NOES and CRML are substitutable
23 for some applications, as you'll hear from their testimony
24 I'm sure, it's a very theoretical discussion.

25 What you will not hear is record evidence to

1 suggest that any purchaser actually shifted from NOES to
2 CRML during the POI. Thus, based on the existing record,
3 it's clear that CRML is not an alternative cause of injury
4 to AK Steel. Mr. Petersen will now testify.

5 STATEMENT OF ERIC PETERSEN

6 MR. PETERSEN: Good morning. My name's Eric
7 Petersen. I am Vice President of Sales and Customer Service
8 at AK Steel Corporation. I have worked with AK Steel and
9 its predecessor ARMCO for over 20 years, and during that
10 time, I filled positions of increasing responsibility. I
11 have served as AK Steel's Director of Research, which covers
12 all product lines at AK Steel, including non-oriented
13 electrical steel or NOES, and I was the Director of
14 Specialty and International Sales from November of 2012,
15 before assuming my current position in July of 2013.

16 AK Steel is a world leader in the production
17 of flat-rolled carbon, stainless and electrical steel
18 products. We employ about 7,500 men and women in eight
19 steel plants in Indiana, Kentucky, Ohio, Michigan and
20 Pennsylvania, and at our corporate headquarters in
21 Westchester, Ohio.

22 The core values of our company are safety,
23 quality, productivity and customer service. Our company
24 policy is to continuously improve our products and services,
25 in order to meet or exceed our customers' expectation 100

1 percent of the time. AK Steel is one of the few flat-rolled
2 steel producers in the world that has the capability to
3 produce carbon, stainless and electrical steels.

4 We are a relatively small company versus the
5 total capacity of our peers. Thus, we focus upon high
6 quality, value-added niche products which require a greater
7 degree of service, quality and technical support. We're
8 consistently recognized within the markets that we serve for
9 our outstanding quality, our just-in-time delivery, our
10 customer service, technical support, our reliability, and
11 this approach has garnered AK Steel with numerous awards,
12 and we consistently are ranked as a top supplier by our
13 customers in the industry.

14 Our strategic focus upon high quality niche
15 products to meet the ever-increasing demand of our customers
16 requires us to produce innovative products, and to continue
17 to bring technical advances to the quality of the products
18 that we provide. AK Steel's predecessor, ARMCO Steel, was
19 actually the first producer of NOES in the United States.

20 We began to produce NOES in 1902, and we have
21 been the only U.S. producer of NOES since about 2004.
22 Today, we're a leader in the NOES industry in terms of
23 product offering, quality, reliability, technical support
24 and customer service. NOES is a high value-added steel
25 product. It's just the type of steel product that AK Steel

1 wants to sell.

2 The NOES market may be small in relation to
3 the other steel product markets in which we compete, but we
4 consider it vitally important. We've dedicated equipment to
5 make NOES, and we want to utilize that equipment to the full
6 extent possible. We also want to fully employ the highly
7 talented employees associated with our NOES operations and
8 one of these individuals, Tom Harlan, is with us on the
9 panel today.

10 We're an industry leader in innovation and
11 product developments. In our Research Department we have 16
12 full and part-time employees with a combined 320 years of
13 experience dedicated to electrical steels, which includes
14 NOES. Since 1980, AK Steel and its predecessor ARMCO have
15 been awarded 34 patents on electrical steel technology.
16 Jerry Schoen, one of our most experienced engineers, who is
17 with us on the panel today, is a named inventor on 22 of
18 those patents and one pending patent application.

19 In addition, our Customer Service Department
20 also has a tremendous amount of experience in servicing NOES
21 customers. We have nine employees with 82 years of
22 experience working on NOES. Our customers appreciate our
23 dedication and service. Mapes and Sprowl, a prominent NOES
24 customers, named us their supplier of the year in 2011.
25 Another large NOES purchaser has consistently rated us as

1 excellent on their internal rating system with respect to
2 quality and on-time delivery.

3 Finally, our customers for specialty steels,
4 which includes NOES, GOES and stainless, rate us each
5 quarter in response to Jacobson and Associates' customer
6 survey. Some of our largest NOES customers participate in
7 these surveys, and during each and every quarter of the
8 Period of Investigation, our specialty steel customers rated
9 AK Steel as either number one or two in overall customer
10 satisfaction, quality and customer service.

11 In addition, we rated higher than imports in
12 each of these categories during every quarter of the POI.
13 But we did rate lower than imports in every quarter of the
14 POI with respect to price. AK Steel has made substantial
15 investments to strengthen the competitiveness of its
16 specialty steel operations, including equipment used to
17 manufacture NOES.

18 Since 2004, we have invested over \$250 million
19 to install new electrical steel production equipment at our
20 Butler and Zanesville facilities. At Butler, we melt and
21 cast cold-rolled or hot-rolled steel with the desired
22 chemistries for the production of NOES and GOES. The
23 completion of the production process for NOES all takes
24 place at our facility in Zanesville, Ohio, and this is
25 whether it's fully processed or semi-processed.

1 Our NOES is sold in fully-processed and
2 semi-processed forms. In the fully-processed form, the
3 magnetic properties are completely developed by the steel
4 producer, and they're ready for use without any additional
5 processing required to achieve the desired magnetic result
6 for quality.

7 Semi-processed NOES is finished to a final
8 thickness and the physical form by the steel manufacturer,
9 but it must be annealed by the customer after it's
10 fabricated into a part, to develop its final magnetic
11 quality. Before the semi-processed NOES leaves our plant,
12 we perform a quality assurance anneal, to make sure it will
13 achieve the desired magnetic properties when the electrical
14 part is annealed by the customer.

15 But it's important to note that the annealing
16 of semi-processed NOES takes place after the NOES has been
17 fabricated into a part. Thus, the resulting annealed
18 product is a part made of steel. It's no longer a
19 flat-rolled steel product. The subject foreign producers
20 use similar processes to produce NOES. The main difference
21 is that to our knowledge, all of the imports from the
22 subject countries are fully processed.

23 Let me now explain how the U.S. industry
24 producing NOES is materially injured by the reason of the
25 subject imports. Producers in the six countries covered by

1 our petition have used aggressive price undercutting to take
2 and maintain a huge share of the U.S. market.

3 In fact, of all the steel products we make,
4 imports of NOES have by far the largest U.S. market share.
5 For example, subject imports of NOES have a much larger
6 share of the U.S. market than imports of GOES, and the share
7 held by imports of GOES is substantial.

8 As a result of the huge volume of imports, our
9 NOES production capacity was grossly underutilized during
10 the entire period of your investigation. The subject
11 imports have taken and maintained such a large share of the
12 U.S. market by undercutting our prices.

13 Our customers told us repeatedly during the
14 Period of Investigation that subject imports were
15 undercutting our NOES prices by significant margins, prices
16 that on average were about 25 percent lower than our prices.
17 Thus we're not surprised that the purchasers responding to
18 your questionnaire have said that our prices are inferior to
19 the prices of the imports, and we're also not surprised that
20 some purchasers are fighting this petition.

21 Their motivation is obvious. They do not want
22 to pay higher prices for NOES. From 2010 to 2012, the
23 lower-priced subject imports increased by 37 percent. Their
24 market share increased as our market share decreased.

25 Having lost substantial market share to

1 subject imports from 2010 to 2012, we made a strategic
2 decision to lower our prices even further in 2013, in order
3 to keep a portion of our plant running and a portion of our
4 workforce employed.

5 While this strategy did allow us to regain
6 some lost market share in the first half of 2013, we did so
7 with depressed prices and increasing harm to our bottom
8 line. As you know from our confidential data, the average
9 unit value of our shipments steadily declined from 2011 to
10 2013, in response to the falling unit values of the subject
11 imports.

12 Had we not lowered our prices, we would have
13 lost so much market share that we would not have had enough
14 production to run our plant and maintain our workforce. As
15 you also know from our confidential data, we had very poor
16 financial results on NOES during the entire Period of
17 Investigation.

18 We used too little of our capacity and our
19 prices were too low. As the import prices continued to
20 fall, our financial performance continued to worsen. We
21 cannot continue to follow import prices downward, operate at
22 a very low capacity utilization, and remain a U.S. producer
23 of NOES.

24 On behalf of the workers and communities that
25 rely on AK Steel's NOES operations, we respectfully request

1 an affirmative determination, to give our NOES operations
2 and our NOES workers a chance to compete in a market that it
3 not distorted by the dumping or subsidies. Thank you.

4 STATEMENT OF GEOFF PFEIFFER

5 MR. PFEIFFER: Good morning. My name is Geoff
6 Pfeiffer. I am General Manager, Specialty Steel Sales, at
7 AK Steel Corporation.

8 I've worked at AK Steel since 1999 starting as a
9 customer technical service representative before holding
10 positions such as manager of customer technical services,
11 regional technical manager, manager of products and
12 marketing and corporate manager of electrical steel sales.
13 I assumed my current position in July 2013. I would like to
14 address the conditions of competition in the NOES market,
15 the lack of substitutes for NOES, and the decision that AK
16 Steel made in the fall of 2012 to regain some of our market
17 share lost to dumped imports.

18 There are several conditions of competition that
19 make the U.S. NOES industry susceptible to injury from
20 unfairly traded imports. First, NOES products from all
21 sources are highly interchangeable. The characteristics of
22 NOES sold in the U.S. market are the same whether produced
23 by AK Steel or imported from the subject countries.

24 NOES sold in the U.S. market is typically
25 produced and warranted to meet ASTM specifications. While

1 our published catalogs refer to ASTM specifications, our
2 products also meet all international specifications such as
3 IEC. For example, all of our products meet IEC requirements
4 for high permeability.

5 Second, because NOES is typically made to
6 standard industry specifications, NOES products from
7 different manufacturers are highly interchangeable. Thus
8 NOES is an extremely price sensitive product. Price is the
9 primary driver of purchasing decisions.

10 Third, imports compete with our NOES products
11 across the full spectrum of grades and applications. We
12 offer fully processed NOES in 12 standard core loss grades
13 in six thicknesses and semi-processed NOES in two grades and
14 three thicknesses.

15 We offer our fully processed NOES with four
16 applied insulation coatings. Alternatively if the customer
17 does not want an applied insulation coating, we offer an
18 ASTM C0 surface oxide coating.

19 All of our semi-processed NOES is provided with
20 anti-stick coating. We also routinely meet the specific
21 needs of customers by modifying standard grades. AK Steel
22 offers coils up to 48 inches wide. We also provide slip
23 coils in any width and any grade.

24 Subject imports and AK's NOES are available
25 throughout the United States. The key purchasers know who

1 all the suppliers are and they leverage competition to force
2 prices down. We are obviously at a disadvantage to
3 competitors offering those at dumped and subsidized pricing
4 -- prices.

5 I am familiar with the arguments made by
6 respondents regarding factors other than price that are
7 important to NOES purchasers. We agree that price is not
8 the only factor, but in our experience it is the most
9 important one.

10 Certainly quality is important, but to suppliers
11 in the six countries at issue, all have quality products.
12 You cannot sell NOES without meeting industry specifications
13 and being qualified by the purchaser. That is a given. In
14 our experience once producers are qualified with a purchaser
15 for a certain product, quality is no long an issue. The
16 competition is then squarely on price.

17 As Eric stated, AK Steel has a quality record
18 that is second to none. We pride ourselves on being rated
19 number one in customer satisfaction by the Jacobson Customer
20 Survey in having one of the lowest claims rates in the steel
21 industry.

22 The suggestion that we are losing sales to dumped
23 imports because of quality is frankly ridiculous. If our
24 quality is so bad, why is it necessary for the foreign
25 producers to dump NOES and undercut our prices by large

1 margins in order to win sales? If their quality were better
2 than ours, their prices would be higher than ours, not
3 substantially lower.

4 Product availability is also important. And the
5 respondents try to convey the impression that AK Steel is
6 unable to supply a broad segment of the NOES market because
7 it does not, cannot, or refuses to make specific products.
8 Again, not true. As Eric stated, we have outstanding,
9 highly experienced applications engineers, dedicated
10 customer service groups, and internal and external sales
11 representatives who have successfully served customers for
12 decades by understanding their needs and providing technical
13 support for the use of our products.

14 We have an outstanding track record in being able
15 to meet the technical needs of our customers. Our NOES
16 products are certified by the largest and most sophisticated
17 purchasers of NOES in the United States.

18 Respondents also state that AK Steel has put NOES
19 customers on allocation several times over the past ten
20 years. We did have a coating capacity issue in 2008 that
21 caused us to ask customers to use outside coating
22 contractors. We promptly resolved that issue and have not
23 experienced any similar issues since then. We have not put
24 any NOES customer on allocation since 2008. As is clear
25 from our questionnaire response, we had plenty of available

1 capacity during the period of investigation.

2 We also understand the desire of some customers
3 to have more than one supplier to mitigate risk. But I
4 would add that we are the sole supplier for a number of
5 purchasers who are very happy with our products delivery and
6 service.

7 As for those customers who prefer more than one
8 supplier, we would simply say that we want to compete fairly
9 for as large a share as possible of their NOES business. We
10 are not trying to shut any imports out of the market. We
11 are trying to ensure that import competition is fair and
12 that we do not lose volume and reduce our prices because of
13 unfair prices.

14 Although NOES is a mature product, we currently
15 have several NOES products in development and we devote
16 significant resources to this effort. We work hard to
17 provide the best possible technical service and support and
18 we welcome feedback from our customers. But we dispute the
19 argument that our NOES business is suffering due to
20 technical failures. That is simply not true.

21 Another argument of respondents' is that our
22 problems are the result of sales lost to either CRML or
23 Imported Laminations. As Mr. Dorn noted, it is now
24 undisputed that CRML is not part of the domestic-like
25 product. But some respondents continue to insist that NOES

1 and CRML are broadly interchangeable and that AK Steel has
2 lost sales to CRML or suffered downward price pressure
3 because of competition from CRML during the period of
4 investigation. That's just not true.

5 And the respondents' arguments regarding
6 competition between those and CRML are based on pure
7 speculation. We are unaware of any purchaser switching from
8 NOES to CRML during the period of investigation. CRML was
9 introduced into the U.S. market in the 1950s. It has also
10 been much lower priced than NOES. To the extent that there
11 was switching from NOES to CRML, it happened many years ago,
12 long before this case.

13 In addition, we have not experienced price
14 pressure from competition with CRML. We are not aware that
15 any of our customers have qualified CRML to compete with our
16 NOES.

17 To the contrary, the factor that purchasers
18 always cite to us when we talk to them is the ready
19 availability and the low prices of dumped imported NOES, not
20 CRML.

21 We are not aware of a single instance where a
22 customer has used the threat of purchasing lower-priced
23 CRML's leveraged to negotiated lower NOES pricing.

24 The notion that we are losing sales to imported
25 lamination makes no sense. It would be like saying, we lose

1 sales of corrosion resistant carbon steel when an automobile
2 is imported. We are competing in the U.S. market with
3 suppliers of NOES, not suppliers of lamination. Moreover
4 the import statistics that are cited in support of this
5 argument broadly include parts of motors or transformers and
6 are not specific to laminations. So these statistics tell
7 you nothing.

8 The final issue I would like to address is our
9 response to significant and growing losses of market share
10 to low-price imports in 2012. In the fall of 2012, we made
11 the difficult decision to cut our prices for 2013 shipments
12 in order to regain some lost market share, add production
13 volume, and lower our fixed unit costs. This strategy
14 succeeded for a short period of time and we're able to gain
15 back some market share. But the strategy ultimately did not
16 work.

17 Import prices continued to fall even further
18 underselling even our depressed spot market prices. When
19 that happened, it was clear we needed to file this trade
20 case because import prices apparently had no floor.

21 As a result, although we brought back some market
22 share from imports in the first half of 2013, our prices and
23 profitability got even worse. In our brief in exhibits 29
24 through 32, we provided documentation of our thinking and a
25 copy of the proposal we made to our management for approval

1 of this pricing strategy.

2 You will see in the documents our calculations of
3 the differential impact of our business from either dropping
4 prices to maintain volume or seating more volume to imports.
5 As you will see from our contemporaneous business records,
6 our decision to reduce price was predicated on price
7 competition with imported NOES, not competition from CRML or
8 imported laminations.

9 In summary, we have lost sales and revenues
10 because of what purchasers responding to your questionnaire
11 call our inferior price, not because of inferior quality,
12 availability, or other reasons. We want to continue to be a
13 premier supplier and a viable source of supply to our
14 customers for the long term. But we will not be able to
15 continue if competition is not on a level playing field.
16 Thank you.

17 STATEMENT OF STEVE KONSTANTINIDIS

18 MR. KONSTANTINIDIS: Good morning. My name is
19 Steve Konstantinidis. I am manager of Electrical Steel
20 Sales at AK Steel Corporation. I've worked at AK Steel
21 since 1988 starting as a customer service representative
22 before holding positions such as outside sales, account
23 manager, and product manager.

24 My various sales positions have involved both
25 managing our outside sales representatives and determining

1 our marketing and pricing strategy. I assumed my current
2 position in August of 2014.

3 I would like to add some additional detail to Mr.
4 Pfeiffer's testimony about the importance of price in the
5 market for NOES and how subject imports have depressed our
6 prices over the past several years.

7 In addition, I would like to talk about the
8 significant sales volume we have lost to subject imports and
9 the additional revenue we have lost by lowering our prices
10 to maintain even a reduced volume.

11 I'm responsible for AK Steel's sales activity
12 with all major NOES accounts. I supervise our sales
13 representatives whose confidential affidavits were provided
14 with our brief.

15 I know our customers very well and have worked
16 with most of them for many years. I frequently speak to
17 them by telephone and meet with them at their facilities as
18 often as possible. Substantially all of our customers
19 source at least some NOES from the subject countries.

20 It was not an easy decision to bring this case.
21 We highly value our customers and want them to be
22 successful. We consider them like partners and we do our
23 best to serve their needs. But we decided we had to bring
24 this case to keep our NOES operation viable.

25 Because I know our customers so well, I was

1 surprised to read the allegations in the respondent's brief
2 regarding the various nonprice reasons given for buying
3 imports of NOES instead of our products. Because most
4 customers have prequalified multiple NOES suppliers,
5 comparable quality is a given. There is no question in my
6 mind that price is the most important factor dictating
7 purchase decisions in this product market.

8 Again, I talk to our customers all the time and
9 all I ever hear is that our price is too high in relation to
10 the price of the NOES imports. A comparison of our prices
11 and imports has been the central theme of almost every
12 discussion I've had with a NOES customer over the past
13 several years, certainly since 2010.

14 I would like to draw your attention to three
15 confidential affidavits in our prehearing brief, Exhibits
16 14, 34, and 35. For competitive reasons, I cannot discuss
17 this information in detail in a public hearing. Instead, I
18 will generally describe our interactions with our major
19 customers over the past three years and the efforts we have
20 made to try to compete with dumped and subsidized imports
21 during this time.

22 The affidavits discuss the recent history of our
23 relationships with key customers. These themes are very
24 consistent. First, the volume we are able to sell to our
25 customers varies according to price. The lower our prices,

1 the higher the volume we receive. And the higher our
2 prices, the lower volume we receive, if any. The prices we
3 are able to charge are based on import competition. Our
4 customers can and do point to lower import prices in order
5 to force us to lower our prices. They are very direct in
6 telling us that they will buy more imports and less or none
7 of our products if we do not reduce our prices.

8 Thus, price is the focus of our negotiations with
9 these customers. Several of our customers have recently
10 told us that given our product quality and service, they
11 would prefer to buy everything from us. But that our prices
12 are too high. Our customers -- one customer candidly told
13 me, I love you, but I can't afford you.

14 Second, for sales to our key customers we have
15 experienced significant import competition for the entire
16 period being examined by the Commission. Our customers know
17 who all the suppliers are and subject imports have been
18 readily available throughout the period.

19 Third, there is competition with subject imports
20 for all grades and gauges. There is no category of NOES
21 that is insulated from subject import competition.

22 Fourth, we regularly call on NOES purchasers
23 whether they have purchased from us recently or not. We
24 have not given up on anyone and we respond to all requests
25 for quotation.

1 For example, we would love to have Nidec back as
2 a customer. We know that they have purchased imports for
3 the last decade, but we still want to be their supplier. We
4 respond to their requests for quotation every year and we
5 keep trying. We can certainly make all the products they
6 need to buy. But the key stumbling block for customers like
7 Nidec is always price. Some potential accounts will
8 seriously consider -- will not seriously consider using us
9 as an option because they know they can purchase imports at
10 lower prices.

11 I understand that many of our lost sales and lost
12 revenue allegations have been confirmed. But I also
13 understand that the respondents have challenged many of
14 these allegations. We are very certain about all of these
15 allegations. I was centrally involved in many of these
16 situations and at least indirectly involved in all of them.
17 I am aware that sometimes purchasers deny an allegation
18 because they disagree with exact quantity or the exact date,
19 or the country from which the competing subject imports
20 came. For that reason we were happy to see the Commission's
21 preliminary views that there were numerous allegations that
22 purchasers did not formally confirm, but nevertheless
23 suggest that the domestic industry lost sales due to
24 low-priced subject imports. As the Commission requested, we
25 have submitted additional information about our

1 relationships with certain customers to support many of
2 these claims. There should be no doubt that the lost sales
3 and lost revenue in this case are significant.

4 Finally, I am very confident that antidumping
5 orders would have a significant positive effect on our
6 business. As we have discussed in our brief, we already
7 have seen significant benefits based only on the filing of
8 the petition and the imposition of preliminary duties.

9 Our spot market business picked up considerably.
10 As subject imports declined, spot market prices increased,
11 as did the percentage of our sales that were spot market.

12 Thirty-seven potential new customers contacted AK
13 Steel after the petitions were filed. And ten of those
14 customers placed orders with us. In addition, two existing
15 customers increased their orders after the petitions were
16 filed and nine existing customers agreed to higher prices
17 after the petitions were filed. These improvements in our
18 sales activity and performance were a direct result of the
19 filing of the petitions and resulting decline in subject
20 import volume.

21 In summary, AK Steel has great relationships with
22 its NOES customers. And we want to continue to be a
23 reliable NOES supplier. We would hope that even the
24 purchasers who oppose us in this case would agree that it
25 would be bad -- a bad situation if there were no longer a

1 manufacturer of NOES in the United States.

2 As my colleagues have stated, we will not be able
3 to continue to supply NOES in this market if dumped and
4 subsidized pricing prevent us from increasing our volume and
5 our prices.

6 Thank you for your time today.

7 STATEMENT OF THOMAS HARLAN

8 MR. HARLAN: Good morning. My name is Thomas L.
9 Harlan. As you know, AK Steel produces non-oriented
10 electrical steel products using its Butler, Pennsylvania and
11 Zanesville, Ohio facilities. I work as an electrical
12 maintenance technician at Zanesville.

13 NOES production is extremely important to the
14 Butler and Zanesville operations. They currently have 128
15 UAW members working at the Zanesville facility. NOES
16 production is vital not only for the direct employment it
17 generated, but also because the employment provided by AK
18 Steel's Butler and Zanesville plants is critical to the
19 surrounding regions.

20 The unfair imports have already caused injury to
21 our workers and their families as well as the much larger
22 communities.

23 I've worked for over 35 years at the Zanesville
24 facility and I'm now number nine on our union seniority
25 list. I was president of our local union from 1985 to 1990.

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Our current operations include an anneal and pickle line that at one time ran only NOES. Three other lines, a strip annealing line, a coater, and a slitter currently run just NOES. We could do a lot more.

We haven't been able to run our rolling mill since 2011 because lack of demand for our NOES products. When we run full out we can run three strip annealing lines, four NOES, not just one, and we can at least double our output.

The workers have always considered our operations tough and able to withstand the low priced import competition, but the last two years have been the worst of my 35 years.

In winter of 2012, I collected an unemployment check for the first time in 33 years because we had been reduced to a four-day work week, even though you would think I'd be protected by my seniority. We cannot give up more volume needed to run our lines.

A level playing field. It is a cliché, but certainly applicable here. I know we compete with -- we can compete with anyone willing to play by the rules of international trade. We put a premium on quality and that emphasis is recognized by our customers. I know first hand the dedication of our production workers and consistently

1 high quality products that they produce. They're efficient.
2 We have not had a worker lost day accident in many, many
3 years.

4 There are two large manufacturing plants in the
5 Zanesville area. AK Steel is one of them. These two large
6 regional employers are the only employers that are really
7 paying above minimum wage. The earnings of AK Steel workers
8 multiplied many times over in the larger Zanesville
9 community of about 28,000.

10 The additional jobs that are indirectly created
11 may not pay manufacturing wages, but calling them essential
12 to the families is not in any way an overstatement.

13 In sum, I simply ask that the Commission give us
14 a level playing field and we will take care of the rest.
15 We've proven it. We've been in Zanesville since 1905. We
16 survived two world wars, the great depression and the
17 downsizing of the American steel industry. We cannot
18 survive losing the NOES product. Our facility would be idle
19 without it.

20 MR. DORN: Madam Chairman, Joe Dorn for AK Steel
21 again. What I would like to do at this point is summarize
22 the evidence with respect to material injury by reason of
23 subject imports. I hope you have before you the
24 confidential hearing exhibits that I'm going to be referring
25 to in my testimony.

1 To begin with, I think it's important to
2 recognize that Commerce has found that imports from all six
3 countries are unfairly traded, no country has been excluded,
4 no individual producer has been excluded. Every subject
5 import that you're looking at here has been found to be
6 dumped.

7 And we have a very unusual situation in this case
8 in my experience where 90 percent of total import supply in
9 the United States market were dumped. And those dumped
10 imports held a very, very large share of the U.S. market,
11 much larger than the cases you generally look at, much
12 larger than other steel cases and much larger than the
13 recent GOES case in particular.

14 I would next note that I think it's pretty clear
15 that subject imports should be cumulated for material
16 injury, we think for threat also, but we don't think you'll
17 need to get to threat. Only Sweden opposes cumulation in
18 its prehearing brief, but it makes the same arguments that
19 you rejected in your preliminary determination, and based
20 upon official import data, it's clear that Sweden shipped
21 both wide and slit coils to the United States just like
22 other subject producers, but no reason to decumulate Sweden.

23 Turning now to the three statutory factors, first
24 the volume of imports was huge and the increase in the
25 volume of imports was significant. I'll refer you first to

1 Exhibit A which shows that imports were large in relation to
2 U.S. consumption and U.S. production. On the left side you
3 will see what the sort of -- for context, what the shares
4 were in 2010, and then the bars on the right show 2011 to
5 2013, the period of investigation.

6 And you'll see the shares are very large relative
7 to most of your cases and the shares were larger during the
8 POI than in the year preceding the POI.

9 As you've heard, from 2010 to 2011, subject
10 imports increased 37 percent and also increased relative to
11 U.S. consumption and U.S. production. And you may say,
12 well, that's a year before the POI. Well, there's nothing
13 in the statute or the regulations that say you have to have
14 a three-year POI. And at least you should consider that for
15 context here because it explains what AK did in the fall of
16 2012 in making a strategic decision that it had to stem the
17 loss of market share. It had to stem the loss of production
18 and the loss of capacity utilization by reducing the prices
19 that it was charging to try to regain some lost market
20 share. So we think that you should consider the increase
21 from 2000 to 2011 -- 2010 to 2012.

22 As you heard from our witnesses AK Steel did
23 implement a price-cutting strategy to regain the lost market
24 share in the first half of 2013. The impact of that is
25 shown in Exhibit B, and you will see the shifts in market

1 share.

2 In particular take a look at January-June 2013
3 and the impact of AK Steel alluring prices and then look
4 what happened when they decided they could not continue to
5 chase the import prices down and there was a shift back.
6 And this shows that, you know, the imports were not just
7 mirroring demand as respondents would have you believe, and
8 it shows the direct correlation, the direct causation
9 between price and volume in this case. It's very clear.
10 You don't have to, in this case, look at the start point and
11 end point trends and infer causation. Here the causation is
12 direct.

13 And turning to Exhibit C, you will see that
14 subject imports did reach a new peak relative to U.S.
15 production in the second half of 2013. And absent the
16 filing of this petition, subject imports were to continue to
17 increase in the first half of 2014, but as we explained in
18 our prehearing brief, they fell off sharply in anticipation
19 of preliminary duties. So there are a pendency of facts we
20 think you should discount the data for the first half of
21 2014.

22 The huge volume of subject import cannot be
23 explained away by attenuated competition. As stated in the
24 prehearing report, quote, "Most purchasers reported that
25 U.S.'s subject product were comparable in most factors", end

1 quote, with the exception of price, where the U.S. product
2 was inferior to the imports.

3 Likewise, most purchasers indicated that the U.S.
4 product was always or frequently interchangeable with
5 imports from all subject countries and the product-specific
6 pricing data show there's no attenuation of competition and
7 the changes in sales prices correlate with changes in market
8 shares.

9 Second, turning to price, subject imports
10 adversely affected AK Steel's prices. The price
11 underselling evidence here is robust, persuasive. Subject
12 imports undersold the U.S. product in 74 percent of possible
13 comparisons. The average underselling margin was 17
14 percent.

15 Exhibit D shows the coverage of importers pricing
16 product shipments relative to the U.S. commercial shipments.
17 So you will see, if you look at the bold number on the
18 right-hand column, you'll see for each country, you know,
19 what do the pricing products represent in terms of all
20 commercial shipments being made during the POI.

21 And I would suggest to you that these are
22 remarkable in this case in terms of coverage. And so this
23 belies any claim of attenuated competition. It's right here
24 in the pricing product data.

25 And then Exhibit E shows that there's really no

1 outlier country, that the same thing -- that all the
2 countries have good coverage. That's a different
3 percentage, it's taking each country share of the total
4 pricing shipments by all countries. So each individual
5 country had a significant share of the total pricing
6 products shipped by all subject countries.

7 MR. DORN: As indicated in the pre-hearing
8 report, purchasers were almost that AK Steel's prices were
9 inferior to those of comparable imported products. Also
10 the confidential records complete with statements from
11 purchasers indicated that AK Steel's products were more
12 expensive than subject imports and you have heard our
13 witnesses testimony today that purchasers repeatedly talk
14 about price in negotiations.

15 They mention the lower price of imports over and
16 over again and the lower prices are related to both the buy
17 in that AK Steel can obtain and the prices that AK Steel can
18 obtain for the product that it does sell.

19 As shown in Exhibit F AK Steel's prices were
20 depressed during the POI. They followed the decline in
21 import prices from 2011 to 2013, clear evidence of price
22 depression.

23 So I would say the impact of prices on viable
24 market shares is much clearer here than in most cases. You
25 will not need to infer a causal relationship because you

1 have direct evidence of that relationship. You heard the
2 testimony of Mr. Petersen and Mr. Pfeiffer about AK Steel's
3 accesses the impact of its price changes on its market share
4 and the imports market share.

5 You also have the contemporaneous business
6 records and detailed descriptions of the influence of prices
7 on the individual accounts and on spot market sales. You
8 will not need to make inferences you have direct evidence of
9 the impact of lower prices from imports on AK Steel's via
10 prices.

11 Finally subject imports have had a severe
12 negative impact on the domestic industry as shown in the
13 Exhibit G which we have here is the POI data, 2011 to 2013
14 looking at key data points. You see the subject import
15 share of all imports at 19.5%. You see the subject imports
16 share of the market, the ratio of subject imports to U.S.
17 production. You see AK Steel's suppressed or depressed
18 market share. You see AK Steel's very poor capacity
19 utilization. You see subject imports underselling margin
20 and frequency of underselling and then you see the bottom
21 line, so the issue of material injury is very clear during
22 the entire POI.

23 Basically its financial results, you know we
24 still question that AK was injured and more where the
25 financial results clearly worsen and that would be the

1 Exhibit H I would like you to take a look at which shows
2 that the declining performance went down. What I've done
3 there is we have adjusted for other factory costs. We've
4 kept other factory costs constant to address the
5 Respondent's argument and you will see even if you use the
6 same other factory costs for each year, there was a
7 substantial decline in financial performance and that
8 decline is correlated with the average unit value of the
9 subject imports which declined from 2011 to 2013.

10 I would also ask you to take a close look at the
11 Commission's variance analysis which looks at what costs
12 declined in operating income for 2011 to 2013 and you will
13 see that it is clear price, not cost but price.

14 In conclusion AK Steel's under-utilization of
15 capacity is suppressed and declining prices and its weakened
16 declining financial results clearly demonstrate the
17 materially injured during the entire POI. Use common
18 sense, you know look at the large share of the dumped
19 imports in the U.S. market. Look at the price
20 underselling, I don't see how you come to any conclusion
21 other than that the subject imports had a real material
22 impact on AK's buy in and AK's pricing during the entire
23 POI.

24 So we ask for an affirmative determination on
25 material injury. Nevertheless, I will turn it over to Mr.

1 Jones to talk about threat.

2 STATEMENT OF STEPHEN A. JONES

3 MR. JONES: Thank you, Steve Jones for AK Steel.

4 To conclude our presentation I have a few points about
5 cumulation and threat of material injury. First regarding
6 cumulation as Joe mentioned only the Swedish producer
7 contests cumulation for purposes of present material injury.

8 As the Commission is aware, cumulation is required in cases
9 where the Petition is filed on the same day as imports and
10 compete with each other and with the domestic-like product.

11 Only a reasonable overlap of competition is required.

12 The Swedish producer Cogent contends that imports
13 from Sweden are distinct from domestic production and from
14 other subject imports because they are imported in slit form
15 whereas Cogent claims "all other subject imports are
16 imported into the United States in coil form." That's
17 Cogent's brief at 5-6. This argument is factually
18 incorrect.

19 The record shows that subject imports and wide
20 coils and in slit form are produced and sold by AK Steel.
21 You heard Mr. Pfeiffer testify just a few minutes ago that
22 AK Steel offers slit coils in all grades and widths and NOES
23 is imported in both wide coil and slit form from every
24 subject country. We have provided the official import
25 statistics showing the imports of slit coils from every

1 subject country in Exhibit 15 of our pre-hearing brief.

2 Thus domestic production and subject imports from
3 every country are fungible. In addition subject imports
4 from Sweden are not geographically isolated. There is
5 substantial overlap between domestic products and subject
6 imports in geographic markets throughout the United States.

7 There is also substantial overlap in channels of
8 distribution. Cogent states that it sells slit coils
9 almost exclusively to OEM customers, but that's not unique.

10 AK Steel sells to distributors, stampers, laminators and
11 end users as do other subject producers.

12 Finally, AK Steel's products and subject imports
13 from all countries have been simultaneously present in the
14 market throughout the period of investigation. Again,
15 please see Exhibit 15 of our brief showing imports of slit
16 coils during every year of the period.

17 In conclusion, there is at a minimum a reasonable
18 overlap for competition and imports from Sweden should be
19 cumulated with other subject imports in the Commission's
20 present material injury analysis. With regard to threat
21 material injury, the evidence of current material injury and
22 causation is so strong that it is unlikely the Commission
23 will need to address threat nevertheless we offer a few
24 important points.

25 First the Commission should exercise its

1 discretion to cumulate all subject imports in evaluating
2 threat. In addition to the fact that NOES is highly
3 interchangeable regardless of source and subject imports
4 compete with the domestic-like product in the same channels
5 of distribution throughout the United States at all times
6 during the POI, there are no conditions of competition that
7 meaningfully distinguish subject imports from each other and
8 which would warrant a finding that excludes any subject
9 country from cumulation.

10 The subject imports share similar export trends
11 and operate under the same conditions of competition. The
12 U.S. market is highly attractive to all subject producers
13 and all subject producers have significant unused capacity
14 and well established channels of distribution.

15 Imports from all six countries are underselling
16 the domestic-like product, taking sales from the domestic
17 industry and causing negative price effects in the U.S.
18 market. There are no conditions of competition that warrant
19 exercise of the Commission's discretion not to cumulate all
20 subject countries.

21 Thus the Commission should deny the requests from
22 the German, Japanese and Swedish producers to decumulate
23 imports from those countries due to purported competitive
24 differences or attenuated competition. We do not intend to
25 respond to these individual arguments in detail in our

1 affirmative presentation due to time constraints. We will
2 however respond to any questions you might have and will
3 certainly address these issues in our post-hearing brief.

4 Second, subject imports are likely to increase
5 their U.S. market share in the absence of relief because
6 worldwide there is a tremendous over-capacity of NOES and
7 that imbalance is likely to increase. As the subject
8 producers face increased competition in markets worldwide,
9 the attractiveness of the U.S. market will only increase.
10 Moreover, the pre-hearing report notes that producers in
11 five out of the six countries have the ability to respond to
12 changes in demand with large changes in the quantity of
13 shipments of NOES to the United States and the sixth country
14 can respond to changes in demand with moderate to large
15 changes, so very consistent across the board.

16 In short the domestic industry is likely to
17 suffer additional and increasing material injury because
18 subject imports are exported -- subject producers are export
19 oriented and have rapidly increasing excess capacity. Our
20 pre-hearing brief provides an appendix containing
21 information on a country-specific basis, and a lot of
22 producer-specific information on increases in capacity in
23 the subject countries.

24 Finally we note the following developments that
25 make diversion of NOES to the U.S. market likely in the near

1 future. First, Brazil imposed significant anti-dumping
2 duties on NOES from China, Korea and Taiwan. Exports to
3 Brazil from those countries have declined and it is likely
4 that these NOES exports will be diverted to the United
5 States.

6 Second, significant NOES capacity expansions in
7 India and Vietnam will also displace significant shipments
8 from the subject countries and lead to diversion of NOES
9 exports from the subject countries to the United States.
10 Costco, JFE Steel and China Steel will need new markets to
11 replace their current NOES exports to India and Vietnam.

12 Finally, AK Steel is highly vulnerable to the
13 negative impact of subject imports given its current
14 operation and financial condition. Continuation of the
15 significant dumping and subsidization found by the
16 Department of Commerce will result in more lost volume and
17 revenue, jeopardizing viability of AK Steel's NOES
18 operations.

19 That concludes our presentation we would be
20 pleased to respond to your questions.

21 CHAIRMAN BROADBENT: Thank you I wanted to thank
22 the witnesses for taking time from their businesses to come
23 and be with us here today. This morning we will begin our
24 questioning with Commissioner Williamson.

25 COMMISSIONER WILLIAMSON: Thank you. I want to

1 express my appreciation to all the witnesses for their
2 testimony and for their written statements they provided to
3 us, that's been very helpful. First up, why is there only
4 one U.S. producer of NOES? Respondents have argued that
5 purchasers require you know, subject imports so they are not
6 a single source and how should the Commission treat
7 purchasers preferences for multiple suppliers in its
8 industry analysis?

9 And also I was wondering you made reference to
10 the case in Brazil and I think staff report says that Brazil
11 revoked that order because of increased prices and I'm just
12 wondering if that is relevant for our consideration?

13 MR. JONES: I'll just hit the Brazil question
14 first. I believe Commissioner Williamson and we'll check
15 on this, that what the Brazilian government did was
16 institute a type of tariff rate quota where they created a
17 limit up to which imports would not be assessed anti-dumping
18 duties. But over that point there would be anti-dumping
19 duties applied to imports from the subject countries. The
20 limit that they instituted is well under the level of
21 imports into Brazil from those countries during their period
22 of investigation so there's every reason to expect there
23 will be anti-dumping duties applied to imports once that
24 level is increased and we think that despite that measure
25 being modified and that specific limit being applied, there

1 will still be a significant likelihood of diversion of
2 imports from those countries to the United States.

3 COMMISSIONER WILLIAMSON: Okay, thank you. I
4 guess that is a typical Brazilian solution. Okay, the - -
5 have there been instances where you have been unable to
6 supply a purchaser with a purchaser requirement and please
7 explain the circumstances. I think you did mention I think
8 2008 was a special case, but are there others?

9 MR. PFEIFFER: Geoff Pfeiffer here. In my
10 testimony I mentioned 2008 as a period of allocation. This
11 is a period of increased demand where AK Steel had a
12 shortage in coating capacity. This is finished product
13 that needed a final coating. This material was sold to
14 customers who would then coat it themselves. That
15 situation, AK Steel worked on its internal production during
16 that period and then demand changed.

17 COMMISSIONER WILLIAMSON: What about during the
18 period of investigation?

19 MR. PFEIFFER: During the period of that
20 investigation there has been an over-capacity and plenty of
21 capacity for AK Steel to supply during that period.

22 COMMISSIONER WILLIAMSON: Okay thank you. Can
23 you - - this may be for the lawyers, please address the
24 Swedish Respondent's claim that this case is similar to the
25 light-weight thermal paper that came from China and Germany

1 where the Commission recognized that sales of slitted
2 material versus jumbo coil dictated the imports from China
3 and Germany should not be cumulated. What factors on the
4 record regarding Swedish imports of NOES are different than
5 the light-weight thermal faced?

6 And if you want to do that post-hearing you can.

7 MR. DORN: Well very quickly I think you
8 addressed that in the preliminary determination correctly.
9 The evidence shows imports of both split and wide coils. I
10 think that light-weight thermal paper, which I know
11 something about, is coming in for a sunset review hearing on
12 October 30th. It's really apples and oranges with this
13 case. We are talking about jumbo rolls and slit rolls.
14 Slit rolls are what go to the ATM machine or whatever, as
15 opposed to huge jumbo rolls that are transported
16 internationally by the Germans and the slit rolls from the
17 Chinese.

18 It's really - - I don't see any parallel in terms
19 of factual situations between the two cases, but we will
20 address that in our post-hearing brief.

21 COMMISSIONER WILLIAMSON: Okay thank you. I
22 take it this slitting, what's involved in slitting here is
23 that more - - involves more, a more difficult process, a
24 more significant process or less so?

25 MR. JONES: Commissioner Williamson if I could

1 jump in here. In light-weight thermal paper my
2 understanding is that the two countries being looked at for
3 cumulation there were jumbo rolls coming in from one, only
4 jumbo rolls and only slit rolls coming in from the other and
5 so the Commission found that there was no, there's no
6 competition, no fungibility between the imports between the
7 two countries.

8 Here in contrast you have slit coils and wide
9 coils coming in from every subject country.

10 COMMISSIONER WILLIAMSON: Including Sweden.

11 MR. JONES: Including Sweden.

12 COMMISSIONER WILLIAMSON: Okay.

13 MR. JONES: So it really is a completely
14 different situation.

15 COMMISSIONER WILLIAMSON: Okay thank you. Good,
16 could you help me here - - lamination came up several times,
17 came up CRML and I think there's lamination involved in NOES
18 and I'm not sure if everybody understands the use of the
19 word lamination here and maybe someone can technically can
20 just clarify the distinctions.

21 MR. SCHOEN: Jerry Schoen AK Steel Corporation.

22 When we were referring to the lamination we are referring
23 to a punched part that's been - - the coil of steel has been
24 slit, run through a press machine, the press stamps out or
25 sometimes later cuts the part to a final shape where it is

1 ready to then be further processed in the assembly process.
2 It will go to a quality development anneal, if it's CRML, to
3 decarbonize it and develop the magnetic properties. It will
4 be stress-relief annealed if it is a non-oriented semi
5 processed NOES type or it won't be annealed at all in the
6 case of the fully processed NOES type.

7 So the lamination is a finished to shape part.

8 COMMISSIONER WILLIAMSON: Okay and lamination of
9 the CRML anneal is the same thing?

10 MR. DORN: No, a lamination can be made from
11 CRML or it can be made from GOES or it can be made from
12 NOES.

13 COMMISSIONER WILLIAMSON: Gotcha, acknowledged
14 thank you. Now which of the total costs of the lamination
15 can be attributed to the NOES? And that may vary.

16 MR. DORN: We actually had problems with that
17 question in the questionnaire and we will be happy to try to
18 address it again, but we do not have you know actual hard
19 data on that as the manufacturer of the steel product. We
20 can try again but we have had trouble coming up with a solid
21 figure on that.

22 COMMISSIONER WILLIAMSON: Okay, thank you. Now
23 Respondents have stated that imported laminations are a
24 significant source for competition for NOES. What impact,
25 if any, have increase in imported laminations?

1 What impact did they have the increase of imports and
2 laminations from Canada, Mexico, Japan and Taiwan and what
3 they have had on AK Steel's NOES operations?

4 So I guess the question are they bringing in then
5 more stamped parts, is that what we are saying here?

6 MR. DORN: Commissioner we don't know from the
7 data they cited because those are basket categories and
8 there are no import statistics that are specific to
9 laminations. So there's no record evidence that imports of
10 laminations increased during the POI. But as Mr. Pfeiffer
11 said, we don't see the legal relevance of that because this
12 is a case about imports of NOES not about downstream
13 products made from NOES.

14 As Mr. Pfeiffer said it would be like the
15 argument that in a case on corrosion resistant steel that
16 the injury was due to imports of automobiles.

17 COMMISSIONER WILLIAMSON: But it is true that
18 people are buying more of the laminated parts, are importing
19 more of the laminated parts. They may want less NOES?
20 You know if they stop doing the lamination themselves, is
21 that true? Is there any kind of relationship there that you
22 are seeing?

23 MR. DORN: Theoretically, but I don't think and
24 we talked about this and we don't have any information
25 suggesting that happened.

1 COMMISSIONER WILLIAMSON: You had to know?

2 MR. DORN: It did not tell us one way or the
3 other because there are none that are specific to
4 laminations.

5 COMMISSIONER WILLIAMSON: Okay. But you folks
6 out there in the market selling it, are you seeing any?

7 MR. PFEIFFER: This is Geoff Pfeiffer with AK
8 Steel. As I noted in my testimony, a number of these
9 questions on laminations, AK Steel does not produce
10 laminations so our competition is coil product. Our
11 competition - - every conversation that we have on the
12 coiled product competition is specific to price and specific
13 to import and that's where our competition has been and
14 that's where we have seen our injury.

15 So as it relates to laminations ours has been,
16 our competition has been coiled product.

17 COMMISSIONER WILLIAMSON: And none of your
18 purchasers are saying we are not going to buy your coiled
19 product because we decided we wanted to do a fully laminated
20 part some place?

21 MR. PFEIFFER: That could happen, our customers
22 could do that and could evaluate that and could do that but
23 when it comes to coil we are - -

24 COMMISSIONER WILLIAMSON: Yes but you told me
25 how close you are to your customers so I am assuming you are

1 seeing it, are you not seeing it?

2 MR. PFEIFFER: We are always put in competitive
3 situations so yes we do hear that. So they can do that,
4 they are doing that so yes. But once again we are - - our
5 pricing, our competition is coils so.

6 COMMISSIONER WILLIAMSON: Given that demand is
7 going down is some relevant - - you know shipments are going
8 down, they assume relevance as why is that happening.

9 MR. DORN: Well I think we do have data on
10 demand. We don't know the extent of whether or not imports
11 of laminations have anything to do with that demand. With
12 regard to recent conversations since the preliminary duties
13 were imposed and since the Petition was filed, where some
14 laminators have suggested that you know, they might have to
15 bring in more in the future as opposed to making lamination
16 in the United States, that to us shows that they are
17 acknowledging the price impact of the dumped imports, in
18 other words the dumped imports were keeping NOES prices
19 down. If they are saying duties would make prices go up for
20 NOES in the United States and that they might consider
21 making laminations in other countries, I think that supports
22 our argument of the price impact of subject imports on NOES,
23 which is the product of issue here.

24 COMMISSIONER WILLIAMSON: Okay well my time is
25 up.

1 CHAIRMAN BROADBENT: Commissioner Johanson?

2 COMMISSIONER JOHANSON: Thank you Chairman
3 Broadbent and I would also like to thank the witnesses for
4 appearing here today. In reading the joint Respondent's
5 pre-hearing brief, a few things really jumped out at me.
6 Some of the language in it is kind of pointed, you all
7 probably are familiar with some of the language, I'm going
8 to read some of that to you and then ask you a question or
9 two regarding it.

10 The Respondents write at page 8, I apologize they
11 write at page 24, there's also extensive record evidence
12 that AK Steel lags behind its competitors with respect to
13 customer service and quality control. Also on page 24 they
14 write rarely has this Commission seen an administrative
15 record in which there have been such consistent and
16 extensive supplier complaints about a domestic supplier.

17 At page 72 Respondent's write purchasers have
18 indicated that AK Steel is an unreliable supplier. At page
19 76 they write indeed they, they being purchasers, indicate a
20 common theme which is that many of AK Steel's reported lost
21 sales and revenue allegations in fact have nothing
22 whatsoever to do with prices or pricing but rather based on
23 a failure to supply the materials required by the purchaser.

24 You all had addressed this this morning, and
25 particularly Mr. Petersen and Mr. Pfeiffer spoke at some

1 length in responding to these allegations and you stated
2 that these allegations are indeed not true and that your
3 company has put a very -- has consistently been a good
4 supplier of your product to its customers, but I have been
5 here a little while, about two and a half -- three years and
6 this is one of the most pointed, some of the most pointed
7 language that I have seen in a brief and so I assume that I
8 would think that the Respondents just would not be pulling
9 this type of allegations out of thin air.

10 Can you all expand a bit further on what they
11 have stated here? And once again, I know you all addressed
12 it but the language that they used is really quite direct,
13 thank you.

14 MR. PETERSEN: Eric Petersen of AK Steel. Thank
15 you very much for your comment. I appreciate the
16 opportunity to be able to address that. I'll state quite
17 frankly that it is confusing to me. It is confusing to our
18 group to be able to say that. As I mentioned, we supply --
19 we are a smaller company in regards to the products that we
20 supply and we are not a company that supplies one specific
21 product. In other words, we are not just carbon, not just
22 stainless, but a breadth of products.

23 And the specific strategy of that is that our
24 company focuses upon the high quality, high value ad niche
25 products. We do not focus upon commodity type products and

1 as a result we take extreme emphasis upon all aspects of
2 customer service. As a simple point of reference, my role
3 as vice-president of sales actually has all of research and
4 development, all of applications engineering, all of
5 customer and technical services directly reporting to me for
6 the express purpose of focusing of our resources and efforts
7 upon servicing our customer.

8 We have been awarded numerous accommodations
9 accolades within the industry. I have referenced some of
10 them so we used some of those to try to help you see some of
11 the points that we view in regards to the metrics because we
12 are not hearing these same things from the customer base.
13 Instead what we actually have is things such as third party
14 reviews such as the Jacobson and Associates, where we have
15 ranked higher in regards to quality and in regards to
16 overall customer satisfaction every quarter of the POI
17 versus imports. Imports are directly linked in that
18 Jacobson survey and we are higher than imports every time.

19 Supplier awards and I think probably at the end
20 of the day the point that I would ask in regards to if our
21 quality is so bad and if these qualities are so much better,
22 why isn't there a corresponding price that reflects a higher
23 quality product because that is not seen.

24 If there is a unique quality facet that AK Steel
25 cannot provide, why is it not reflected within the price and

1 that's not the case. What you see across the board is a
2 lower price impact that is really driving these decisions.
3 When we sit down and talk to other customers, we hear the
4 issue associated with import pricing. We do not hear the
5 issues associated with quality.

6 We actually put together some numbers associated
7 with our claims rate. We actually measure every single one
8 of our products and if the claims essentially if a customer
9 has a quality related issue in the field and they
10 essentially want a refund if you will, they bring the
11 product back to us for reimbursement, NOES actually has one
12 of the lowest claims rate across all of our product lines.

13 The actual claims rate is well under .5% in
14 regards to what is actually returned so while we are not
15 100%, because we are not a parts suppliers, we are a raw
16 material supplier from which parts are made, is extremely
17 difficult for any raw material supplier to achieve 100% but
18 we have achieved 99.5% over the period of investigation in
19 regards to customers claims specific to this NOES product.

20 MR. DORN: And I would also like to note
21 Commission that the other side has done a good job of cherry
22 picking a few examples, but we would suggest those are
23 outliers if you look at the full range of responses of the
24 purchasers and the importers in your record. At page 238
25 of the pre-hearing report it states that purchasers were

1 also asked if they experienced any quality issues with any
2 NOES supplier beyond what they considered normal since
3 January 1, 2011.

4 Eighteen purchasers stated that they had not.
5 Again the staff says that most purchasers reported the U.S.
6 and subject product were comparable in most factors and if
7 you go through the tables, going through those factors and
8 showing whether the U.S. is superior or comparable or
9 inferior, you'll see the U.S. product fairs very well except
10 when you get to one factor which is price and there it is
11 inferior.

12 So yes they have written a good brief, I'll
13 applaud them for cherry picking outliers and trying to make
14 it sound like that's the rule but these are the exceptions
15 and I think you will agree if you look across the entire
16 record, including the detailed evidence that we have
17 provided with major accounts and those discussions.

18 If you look at the lost sales and lost revenue
19 allegations, even if you look at the reasons of some of the
20 denials, you will see that it all comes down to price. So
21 we think respondents have given a very unfair picture of the
22 entire record. They did what good lawyers should do, they
23 don't have good facts across the full spectrum, you take
24 those few facts you can get and you pound the table as hard
25 as you can with them and that's what they've done, they've

1 done a good job of it but we refute the overall suggestion
2 that AK Steel has lost market share and had to lower its
3 prices for any reason other than the subject imports.

4 COMMISSIONER JOHANSON: Thank you Mr. Dorn and
5 Mr. Peterson. And Mr. Peterson, you might be able to help
6 us out. You stated that AK has received a number of awards
7 and commendations. Could you possibly provide some of those
8 in the post-hearing brief? I think that would be helpful on
9 our part, for the Commissioner.

10 MR. PETERSON: We'd be glad to.

11 COMMISSIONER JOHANSON: Certainly. And I had
12 another question along the same lines, and it's not fun
13 being at your table, I understand, and having allegations
14 made about your company, but there's one more in the
15 pre-hearing brief of the joint Respondents.

16 This is at page 70 of their brief, "With respect
17 to these two key factors, supplier reliability and product
18 quality, AK Steel has proven itself not to be a good
19 business partner and has burned too many bridges," and they
20 provided some examples of what they consider to be burned
21 bridges, and could you possibly respond to these.

22 I understand you might not be able to do so in a
23 public setting. But if you cannot do it here, could you
24 please do so in your post-hearing brief.

25 MR. DORN: We plan to address these allegations

1 in detail in our post-hearing brief. I assure you.

2 COMMISSIONER JOHANSON: Okay. Certainly. Thank
3 you, Mr. Dorn. I look forward to reading those.

4 Also, in the pre-hearing brief of the joint
5 Respondent's pre-hearing brief they contend that the some
6 purchasers are reluctant to rely upon AK Steel due to
7 unplanned facility outages, and they list two or three of
8 those. And they contend that due to the facilities
9 sometimes being down you all are not a reliable supplier.
10 Could you possibly talk on the whole issue of unplanned
11 facility outages at your plants?

12 MR. PFEIFFER: Hi, Geoff Pfeiffer, AK Steel.
13 Those that were mentioned were, I believe, blast furnaces at
14 AK Steel, which are Middletown Works and Ashland Works were
15 the ones that were mentioned there. Those mills do not
16 produce NOES. That's not where we melt NOES. We melt NOES
17 in Butler, Pennsylvania and we also have alternative mill in
18 Mansfield, Ohio, both are EAF producers that can melt that.

19 We invested \$180 million in a new furnace in
20 Butler in the 2008/2009 period, and we have excess capacity
21 there. So, we do not have an issue with capacity and
22 supplying NOES and melting NOES.

23 COMMISSIONER JOHANSON: All right. Thank you for
24 your responses. My time is about to expire, so I'll end
25 here. Thank you.

1 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

2 COMMISSIONER SCHMIDTLEIN: Thank you. Thank you
3 so much. I'd like to also thank the witnesses for appearing
4 here today.

5 So, I'd like to follow up on a question that
6 Commissioner Williamson asked about instances where AK had
7 declined to supply a customer during the POI. And one of
8 the AK witnesses replied that AK had plenty of capacity to
9 supply during the POI and so would have.

10 But my question is a little more pointed in that
11 are there any instances where AK declined to supply a
12 customer because it wasn't a product that you wanted to
13 focus on or for some other reason? Mr. Pfeiffer or Mr.
14 Peterson?

15 MR. PFEIFFER: This is Geoff Pfeiffer. As far as
16 were we declining opportunity, we cannot think of any.
17 There are opportunities where maybe the size or the quantity
18 does not fit what AK Steel makes, but typically, what it
19 comes down to is price at the end. And if the pricing from
20 the competition is much lower than AK Steel's then that's
21 typically where the negotiations stops. So, I can't think
22 of, offhand, any products that we would not be interested in
23 making at AK Steel or selling. Once again, we have plenty
24 of capacity and we'd like the opportunity.

25 COMMISSIONER SCHMIDTLEIN: So, you mentioned,

1 though, there might be a size or something that you don't
2 make?

3 MR. PFEIFFER: A small quantities -- very small
4 quantities that we would typically produce larger
5 quantities, sell them to a customer, then when they'd cut it
6 up and sell it in smaller quantities.

7 COMMISSIONER SCHMIDTLEIN: So, it's a volume
8 question.

9 MR. PFEIFFER: Right. And that's in all steel
10 products where a steel mill makes a larger quantity than a
11 smaller quantity.

12 COMMISSIONER SCHMIDTLEIN: Okay. So, there's no
13 product that has some specific coating or something like
14 that that AK Steel would decline to provide if a customer
15 wanted it during the POI.

16 MR. DORN: So, with regard to the coating issue,
17 AK Steel has I believe it's three outside specialty coaters
18 who on a toll basis will meet unique requirements from
19 particular customers. AK Steel maintains responsibility for
20 their product. It doesn't pass title to the coater, so it's
21 a true tolling operation, and AK Steel stands behind the
22 product.

23 AK has a full range of coatings, but if somebody
24 wants a little bit different flavor, then they have the
25 capability to do that. But if you start going down that

1 road negotiating about it and talking about that capability
2 and then at some point you talk about price then you don't
3 get to the point of having it toll processed because they
4 say what's the point because you're not going to be able to
5 meet our price anyway. And it's hard to deal with some of
6 these allegations, obviously, on the public record. We want
7 to get down and deep in this in our post-hearing, but I hope
8 you'll appreciate it's a little difficult to do it in the
9 public hearings. We certainly know we have a lot of
10 customers in the room and we have to maintain good customer
11 relationships.

12 COMMISSIONER SCHMIDTLEIN: And that is implied.
13 I would welcome for any of my questions if you'd like to
14 follow up in your post-hearing brief with more detail please
15 do. I would invite you to do that.

16 All right, another issue that I'd like to
17 understand a little bit more about is the CRML product, and
18 can I just start with a basis question. Can you explain to
19 me the difference between the process for producing CRML and
20 the process for producing NOES?

21 MR. SCHOEN: Jerry Schoen, AK Steel Corporation.
22 I believe we've submitted some of that in prior information.
23 Is that correct, Mr. Dorn?

24 MR. DORN: I'm looking for the exhibit number.
25 Exhibit 11 to our pre-hearing brief has a comparison of the

1 production processes for CRML and NOES. And Mr. Schoen put
2 together that table. I'm sorry, Exhibit 11. And he also
3 has a narrative description, but Jerry if you could
4 summarize that that'd be great.

5 MR. SCHOEN: CRML is made using conventional
6 carbon steel equipment following practices that are
7 compatible with conventional carbon steel manufacturing. It
8 can have a small amount of alloy in it. The higher quality
9 grades have more alloy. It typically uses either a hot
10 rolled coil that is processed, pickled and cold rolled, then
11 given a box anneal and then temper-rolled.

12 The finished product from the steel producer is a
13 cold rolled material. It has a textured surface, which is
14 described in ASTM specification A726, and the magnetic
15 properties and other characteristics of development are the
16 responsibility, not of the steel manufacturer, but of the
17 end user and their quality development annealed. So, then
18 the end user after he has the steel slit, punched into
19 finished laminations and then the finished laminations are
20 given to quality development anneal for basically -- the
21 description requirements for the quality development anneal
22 is very loose, but it's for a time required to get the
23 material to a fairly low carbon. The roughened surface
24 keeps the laminations from sticking together and then the
25 lamination is ready for use.

1 NOES has got much more alloy in it. It is
2 typically given a hot-band anneal before cold rolling to
3 improve the texture development to give it very high
4 permeability. That is our practice, not everyone's. Some
5 just use the hot-band anneal only for their high
6 permeability grades, but we use it for all of our grades.
7 It's then cold rolled to final thickness. It's given a
8 strip decarbonization anneal, where we fully de-carbonize
9 the material. It has a smooth surface. It has a tight,
10 adherent oxide layer and then we can put another insulation
11 coating over top of that.

12 But after we insulation coat it, it's very
13 difficult for the customer to de-carbonize the material, so
14 we ship a fully de-carbonized material, whether it's a
15 semi-processed NOES or a fully processed NOES.

16 So, if the customer then slits it and punches it
17 into lamination, the purpose of the anneal is to do nothing
18 more than to relieve the stress from the punching operation.
19 So, the temperatures and times are not so critical. The
20 customer is not required to get the material down to a low
21 carbon and the coating that's on there prevents the
22 laminations from sticking so you end up with a smooth
23 surface.

24 When you build a motor out of CRNO, versus a CRML
25 type of a material, the surface on it's smooth. It compacts

1 very nicely and you get a very dense steel structure. CRML
2 has a roughened surface. It's often oxidized. The oxide
3 that's formed is not a highly insulative oxide, so you end
4 up with higher losses. You also end up with a less dense
5 machine, and you end up with, overall, a less efficient
6 motor.

7 COMMISSIONER SCHMIDTLEIN: So, does CRML compete
8 with just semi-processed NOES? Would you agree that it
9 competes at all with a NOES product, and is it a
10 semi-processed NOES product that CRML competes with?

11 MR. SCHOEN: Where CRML has competed with NOES it
12 has basically replaced NOES. It is a much lower-cost
13 material, but it has certain limitations in the way it's
14 used, particularly, short-duty cycles, inexpensive
15 applications. It is really an excellent material for very
16 low-end motors, intermittent use, ones that don't require
17 high efficiency or long duty cycle or have problems with the
18 heat buildup.

19 NOES is used on more the industrial-type machines
20 or continuous operation motors. Most of the material
21 products that have motors in your home don't have NOES in
22 it. They have CRML because of their intermittent use, even
23 up to and often including air conditioners.

24 MR. DORN: Just in terms of the history of this,
25 it's my understanding that CRML was introduced in the United

1 States in like the 1950s. And so many, many years ago a lot
2 of motors I believe that had been made with NOES migrated to
3 CRML where they could, where the magnetic properties were
4 sufficient because the price differential is very
5 substantial, given the difference in the production process.
6 But I mean, you know, our point is that type of replacement
7 took place decades ago, much before the POI. There's no
8 evidence in this record there was any shift from NOES to
9 CRML from 2011 to 2013.

10 And there's confidential data we referred to in
11 our pre-hearing brief regarding the shipment trends of CRML
12 that you collected, regarding the shipment trends of our
13 semi-processed versus our fully processed, all that data
14 negates any suggestion there was a shift from NOES to CRML
15 during the POI. And plus, the witnesses have testified it's
16 not something that customers mention. They don't talk about
17 moving to CRML if you don't meet the lower prices. They
18 talk about imports of NOES if you don't meet the lower
19 prices.

20 COMMISSIONER SCHMIDTLEIN: So, it's your position
21 that of the current apparent consumption the demand for NOES
22 none of that is competing with CRML in this POI.

23 MR. DORN: Correct.

24 COMMISSIONER SCHMIDTLEIN: Thank you.

25 CHAIRMAN BROADBENT: Mr. Dorn, when you look at

1 total capacity for NOES in the United States compared to
2 total capacity for NOES production in the subject countries,
3 really U.S. production is dwarfed by what's going
4 internationally. Why is there only one U.S. producer of
5 NOES when there's such high levels of global production?

6 MR. DORN: I know there were two producers until
7 2004, correct? Jerry, do you want to answer that?

8 MR. SCHOEN: Jerry Schoen, AK Steel. Actually,
9 this gets back to the question that Mr. Williamson asked
10 earlier of why is there only one producer. In the United
11 States, a substantial amount, over a million tons a year of
12 CRML is produced for applications that used to be used with
13 NOES, but we're talking about going back to the 1940s, '50s,
14 and '60s.

15 If you got back that far, Armco Steel, one of our
16 predecessor companies, was -- while we were the first U.S.
17 NOES producer, we were not the only one. Allegheny
18 Corporation made NOES. United States Steel Corporation,
19 Dofasco Steel in Canada, Republic Steel, which became Warren
20 Consolidated Industries were also major NOES producers. But
21 advances in CRML lead Dofasco and U.S. Steel to basically
22 walk away from the NOES business to focus on CRML because as
23 a carbon steel producer they were very well situated to
24 migrate their business to that, and they weren't a very good
25 NOES producers. So, the NOES production became more the

1 specialty end of the U.S. supply chain. We were the first
2 and frankly, we were the best, so we were the last man
3 standing in that market.

4 CHAIRMAN BROADBENT: You know, we hear a lot from
5 companies that they don't want to be tied to just one
6 supplier. That's it's too much of a risk in terms of if you
7 had a downturn or you had to shutdown or something. What
8 can we do about alternative sources of supply in this market
9 and are all of these imports injurious?

10 MR. DORN: Well, we're not trying to keep imports
11 out from any company. All we're trying to do is make sure
12 they're fairly priced to begin with. So, I mean, the other
13 side is sort of suggesting that if you go affirmative you're
14 going to shut off their sources of supply for cheaper
15 material, especially, if they're claiming it's a niche
16 product that meets some need that they claim that AK Steel
17 doesn't meet, which we disagree with.

18 But even if it were true, why wouldn't they be
19 able to get a premium price for that product, and why
20 wouldn't they be able to avoid a dumping margin? Why would
21 they need to dump? We're not seeking quotas. We're not
22 seeking tariffs on fairly traded imports. All we're trying
23 to do is to eliminate the dumping so everybody competes on
24 the same basis.

25 CHAIRMAN BROADBENT: Right. But if you were a

1 small motor producer in Ohio or Illinois and you needed an
2 alternative source of supply, where would you counsel them
3 to go? I mean they would buy from you most of the time, but
4 they did need a backstop in case something happened.

5 MR. DORN: Well, they could go to any of the
6 subject countries or non-subject countries.

7 CHAIRMAN BROADBENT: I mean is there much sales
8 in the non-subjects in terms of exports? I think mainly
9 you've covered all the available import sources with your
10 case.

11 MR. DORN: As you'll hear this afternoon, there
12 have been increases of imports from France and Austria since
13 the preliminary duties were imposed. We could not include
14 France and Austria in our petition because the imports from
15 those two countries were negligible, so we could not include
16 those in our original petition.

17 CHAIRMAN BROADBENT: So, you would've if they
18 weren't negligible?

19 MR. DORN: If we thought they were dumping, of
20 course. But if we'd done our analysis, like we do on the
21 other countries, we evaluated dumping, yes; we would've
22 included them.

23 CHAIRMAN BROADBENT: Okay.

24 MR. DORN: But we're not trying to exclude
25 anyone. All we're trying to do is to make sure that the

1 price is not --

2 CHAIRMAN BROADBENT: Wait. I mean you've got a
3 case against how many countries, seven countries, eight
4 countries?

5 MR. DORN: We're not trying to exclude any of
6 those countries.

7 CHAIRMAN BROADBENT: No, I'm sympathetic to --
8 and we have to go back and look at the statute in terms of
9 how we weigh these things. And I know we've limitations,
10 but what do we do for a small motor producer that needs an
11 alternative source of supply?

12 MR. DORN: Well, I mean, as AK's testified, they
13 have customers that rely solely on AK Steel who are totally
14 satisfied. AK Steel certainly has gotten a lot of inquiries
15 as witnesses talked about after the petition was filed from
16 new customers seeking out AK Steel. We're making sales to
17 those new customers. We hope we that a lot of that happens.
18 We have a very talented engineering staff. They want to
19 meet the needs of all customers. They hope we're going to
20 get a lot of new business as a result of this.

21 MR. PETERSON: Eric Peterson, AK Steel. I think
22 I would, again, emphasize we're not trying to exclude.
23 We're not trying to go backwards. We're simply asking for
24 fair. We're simply asking for a level playing field. If
25 there's an opportunity that the customer wants another

1 supplier, I completely understand that from a business
2 perspective. That's not different than what it is today.
3 We're simply asking that whatever is brought in is done so
4 on a fair playing field. That's all we're asking.

5 CHAIRMAN BROADBENT: Given that AK Steel uses
6 many of the same assets to produce NOES and GOES at the
7 Butler, Pennsylvania facility, how does AK Steel allocate
8 production between the two products? What role, if any, do
9 fluctuations in prices between NOES and GOES play in
10 determining product allocation?

11 MR. PETERSON: We're really limited in regards to
12 any type of capacity issues upon finishing issues, not
13 anything associated with Butler. So, with the new furnace
14 that we have, we actually can produce all the NOES, all the
15 GOES, and actually carbon steel as well. So, there's not
16 necessarily an allocation that's done between a NOES or a
17 GOES, as we actually have to utilize that facility to
18 produce additional carbon steel as well. So, there's plenty
19 of capacity for that.

20 CHAIRMAN BROADBENT: But as prices vary between
21 NOES and GOES, what happens to production of those two
22 products?

23 MR. DORN: Well, I think the point is that during
24 the POI there was plenty of capacity for both, but they
25 never came close to making a decision of having to shift

1 from one to the other because there was ample excess
2 capacity for both GOES and also for NOES. So that's sort of
3 a theoretical question because it never came close to having
4 to make that kind of decision to make any shift. There's
5 plenty of capacity for both products.

6 CHAIRMAN BROADBENT: So, prices between NOES and
7 GOES don't affect production allocations?

8 MR. PETERSON: That's correct. It's really we
9 have the capacity for both. We would only be limited upon a
10 line that is specific for NOES once it reaches its capacity,
11 which would be a finishing facility. So, it's all melted,
12 so to speak, in the same facility, which is both NOES and
13 GOES. But then it can go into different finishing
14 facilities for NOES or GOES, so it would be once we achieve
15 capacity on that NOES line, which would actually achieve an
16 allocation, so to speak. It wouldn't be a difference
17 between NOES or GOES.

18 CHAIRMAN BROADBENT: Okay. Does the fact that AK
19 Steel must transport NOES it produces in Butler to
20 Zanesville for finishing raise the cost of the final
21 product?

22 MR. PETERSON: There would be a freight impact,
23 yes; however, that is not different from really any of our
24 products. We have products all over eight different plants
25 all over the U.S., and it's very typical for us to move

1 product. So, that is not an extraordinary cost by any
2 means. That actually has a one step in regards to shipment.

3 I can tell you that on carbon steel I can count
4 as many as three. On some stainless products, I'll have as
5 many as four different plants that could be involved in the
6 routing. So it is actually consistent with what we do. We
7 compete in other markets and it is not a significant portion
8 of our costs.

9 CHAIRMAN BROADBENT: The staff report talks about
10 demand for NOES decreasing between 2011 and 2013, as we've
11 discussed, and part of this is due to decreased demand for
12 motors. Is that happening globally or just in the United
13 States?

14 MR. PFEIFFER: As far as demand is concerned,
15 demand generally follows GDP and generally during this
16 period follows industrial production. Some of the pull back
17 in demand that we saw was due to the economy, and also due
18 to mining and locomotive. Obviously, throughout the globe,
19 there's different economies going in different directions at
20 different times. But in general, the global economy has not
21 been -- let's call it strong enough to support the high
22 amount of capacity that has been brought on in Asia, which
23 is why you're seeing that capacity being dumped into other
24 countries, such as here.

25 CHAIRMAN BROADBENT: Okay.

1 MR. KONSTANTINIDIS: Excuse me, and also -- Steve
2 Konstantinidis -- just to add to Mr. Pfeiffer's comments
3 that there's no time during the POI that customers actually
4 came to us and asked us to lower our price due to demand
5 falling. They actually asked us to lower our price due to
6 imports.

7 CHAIRMAN BROADBENT: I want to get back on
8 demand, but I'll yield at this point to Vice Chairman
9 Pinkert.

10 VICE CHAIRMAN PINKERT: Thank you Madam Chairman.
11 And I thank all of you for being here today to help us to
12 understand these issues.

13 Following on a question from Commissioner
14 Schmidtlein about CRML, can grades of CRML after annealing
15 achieve similar levels of core loss to NOES?

16 MR. SCHOEN: Jerry Schoen, AK Steel. Based on
17 the ASTM A343 Epstein test, CRML can close in on NOES, never
18 quite match it. However, when you build a motor out of it,
19 it falls back significantly because it's sort of a testing
20 anomaly. There's a very good study that we can provide from
21 the Department of Energy that was funded through the Small
22 Motor Manufacturers Association done by Clarkson University
23 that outlines -- it was part of a motor efficiency project
24 that the DOE was funding, researching that shows how
25 mediocre the motor performance is in a motor made with CRML

1 compared with both semi-processed and especially fully
2 processed NOES.

3 MR. DORN: Jerry, could you mention something
4 about the difference in coatings.

5 MR. SCHOEN: Part of that is due to the
6 difference in the fact that the motor lamination steels do
7 not have a true, high quality insulation coating. They also
8 have lower alloy. Again, they work for the lower-end
9 applications very, very well, but when you need to go to the
10 high performance applications where you have high voltages or
11 high motor speeds or high frequencies that most industrial
12 motors are operating at, they fall by the wayside.

13 VICE CHAIRMAN PINKERT: Thank you. If you could
14 document that in the post-hearing, I think that would be
15 very helpful.

16 Now, Mr. Dorn, you mentioned the rise in the
17 non-subject imports toward the end of the period that we're
18 looking at here today, and this was not in the context of a
19 discussion of causation, but I want to give you an
20 opportunity to address how we should think of that rise in
21 the non-subject imports in connection with causation in this
22 case.

23 MR. DORN: Well, we'd like to address that in
24 relation to market shares in a confidential record, but I
25 just don't see how causation can really be that difficult an

1 issue here, given the evidence you've got in terms of the
2 market share of the subject imports during the POI.

3 And even including those non-subject imports that
4 came in, in the first half of 2014, subject imports still
5 accounted for over 90 percent of total U.S. imports of NOES
6 during the entire period of investigation. And all of those
7 were dumped and there was pervasive underselling, and they
8 had a huge market share.

9 As a result, AK Steel had a low market share, was
10 consistently underutilizing its capacity by a large margin,
11 even though its prices were too low because you know what
12 their profit margins were throughout the entire POI.

13 So, the fact that you have some blip at the end
14 of the -- very, very, very end of the POI, it cannot
15 discount all of that strong evidence of causation in terms
16 of the volume and price effects of subject imports.

17 VICE CHAIRMAN PINKERT: Does that blip at the end
18 of the period suggest that the domestic industry can't
19 supply the market sufficiently to benefit from an order in
20 this case?

21 MR. DORN: No, you'll see that AK Steel's
22 shipments also went up. As Steve mentioned earlier, that we
23 had lots of new customers to contact us. We increased sales
24 to existing customers. We increased prices to existing
25 customers. We are substantially benefiting already from the

1 preliminary duties, and we can detail that in our
2 post-hearing brief.

3 VICE CHAIRMAN PINKERT: Thank you. That would be
4 helpful. Does anybody want to add to that here, or should
5 we just wait for the post-hearing for additional details?
6 Okay, we'll wait for the post-hearing on that.

7 Now, the German Respondents argue that they have
8 long-term supply arrangements with select U.S. customers
9 with specialty products which are not produced by the U.S.
10 industry or other subject producers. Do you produce those
11 products, and how do you respond to that argument?

12 MR. PETERSON: We'll have Jerry Schoen discuss
13 that.

14 MR. SCHOEN: Jerry Schoen, AK Steel. Are you
15 referring to the comment of high permeability steels?

16 VICE CHAIRMAN PINKERT: Yes.

17 MR. SCHOEN: In that specific aspect, you're
18 looking at a testing method difference. ASTM's testing
19 specification 677 and 683 specify that we measure the
20 magnetic permeability at 1.5 tesla. IEC requires that you
21 measure the magnetic permeability at a fixed current of 2500
22 amps per meter or 5,000 amps per meter or 10,000 amps per
23 meter, different from ASTM.

24 We provide our customers with a design
25 spreadsheet that was last updated in 2005 that when we input

1 current settings at those points all of our products
2 actually exceeded the magnetic polarization value shown in
3 the German producers catalogs. In other words, AK Steel
4 actually just doesn't make low permeability NOES or standard
5 permeability NOES. All of our products are the high
6 permeability type.

7 VICE CHAIRMAN PINKERT: Thank you.

8 Now, I think it's been referenced several times
9 in the testimony today the cost-to-sales ratio has been high
10 throughout the period of investigation. There's a trend,
11 but it's been high throughout. So, what evidence links the
12 high ratio throughout the period to the price effects of
13 subject imports? Do we have to go back to 2010 to figure
14 that out?

15 MR. DORN: You could certainly look at 2010 for
16 context, but you don't need to because our point is that
17 clearly if you look at the cost-to-sales ratio the prices
18 were suppressed at a minimum during the entire POI. Nobody
19 chooses to sell at those prices. And why do they not sell
20 at higher prices? I mean the evidence is very, very clear
21 it's because of the lower prices of the imports. So, yes,
22 there's direct evidence of the price suppression based upon
23 of the cost of goods sold to sales ratio at the beginning to
24 the end of the POI.

25 The other point we make, which is confirmed in

1 your staff report in the variance analysis, if you want to
2 look at the trend from 2011 to 2013 what you'll see is the
3 worsening financial condition is attributable entirely to
4 decreasing prices. It's right there on Table VI-7. So,
5 yes, prices were suppressed during the entire period of
6 investigation. Prices were depressed and that made the
7 financial condition worsen, and it made the cost of goods
8 sold to the sales ratio worsen.

9 VICE CHAIRMAN PINKERT: Did the industry wait
10 too long to file this case, and the reason I ask that is
11 because with the sales ratio as high as it's been throughout
12 the period, I wonder how long an industry can survive in
13 that circumstance?

14 MR. PETERSEN: I think that if we had been a
15 company that was solely dependent upon those, and that is
16 the only product we sold, you would absolutely be correct.

17 However, we are a product company that doesn't
18 sell just one product. So therefore we have a range of
19 products that can support one another as a company. But
20 obviously, as you surmised, the issues with this product are
21 very significant for us, which is why we have filed the
22 trade case.

23 MR. DORN: Could they have filed one earlier
24 and shown injury? Yes.

25 VICE CHAIRMAN PINKERT: And I take it that

1 you -- that you would like us to expand the Period of
2 Investigation, to look at the 2010 data in this context?

3 MR. DORN: Well, I would say there's no reason
4 you couldn't look at 2010. There's nothing in the statute
5 that says you're limited to 2011. Nothing in the
6 regulations says you're limited to 2011. In most cases, you
7 don't have a complete record for the year that precedes the
8 final phase record.

9 Here, you've got one producer. You have their
10 data. You're using official import statistics with regard
11 to subject imports. So you have precise data in terms of
12 market share in 2010. You have precise data with respect to
13 subject imports in 2010. You have precise data on the U.S.
14 industry. So there's no reason for the Commission to put on
15 blinders and say we're going to ignore what happened in
16 2010.

17 Whether you want to call that expand the
18 Period of Investigation or just context to examine what
19 happened to the U.S. industry during the Period of
20 Investigation I don't think really matters. But I think it
21 would be a mistake just to pretend that the data in 2010
22 don't exist.

23 VICE CHAIRMAN PINKERT: Thank you. Thank
24 you, Madam Chairman.

25 CHAIRMAN BROADBENT: Commissioner Williamson.

1 COMMISSIONER WILLIAMSON: Thank you. Mr.
2 Harlan, I was wondering, because I didn't hear anything
3 about that, what has -- for the workers in the plant, or you
4 know, colleagues have done to sort of make yourselves more
5 competitive? I mean clearly the industry's been under
6 competition from imports, and often we hear that, you know,
7 the industry's done things to try to improve productivity,
8 make itself more efficient.

9 MR. HARLAN: Your question again sir?

10 COMMISSIONER WILLIAMSON: I was just wondering
11 how -- clearly, you know, you've been under pressure. You
12 talked about having a layoff for the first time in 33 years.
13 But I was just wondering what has happened sort of in the
14 plant, in terms of either procedures or how the workers have
15 done to compete against the workers globally, to be more
16 competitive?

17 MR. HARLAN: From my own standpoint, I have
18 negotiated two labor contracts during my time involved with
19 the union. These have been concessionary contracts in terms
20 of economics, in terms of work duties and things like that.
21 My own personal job duties have been combined with two other
22 operations. Essentially, I do anything electrical right
23 now.

24 When I first started there, we had a -- as an
25 example, an Instrument Repair section, an Electrical

1 Construction section and a Mobile Maintenance section. We
2 had a rigger shop; we had a pipe shop, we had a machine
3 shop. All these crafts have been combined. We had over 100
4 employees in the Maintenance Department around 1986, I
5 believe, when I was negotiating my first contract.

6 That number is down to 22, sir. We have --
7 we've become -- we are the epitome of the lean, mean, steel
8 making company. I hope I've answered your question.

9 COMMISSIONER WILLIAMSON: That was exactly the
10 information I was looking for. Thank you. Let's see.
11 While the specifics of the tables are confidential, the
12 channel for distribution table in the staff report, Table
13 2-1, show very different channels of distribution for U.S.
14 and subject imports.

15 Do you agree that U.S. and subject imports do
16 not -- are not sold in the same channels of distribution,
17 and to the extent you can address it now or else more detail
18 post-hearing?

19 MR. DORN: We think the record shows they are
20 sold in the same channels of distribution, and we'll deal
21 with that in our post-hearing brief.

22 COMMISSIONER WILLIAMSON: Okay, thank you. So
23 Respondents characterize underselling as mixed, and state
24 that it did not manifest itself in any market shift or in
25 the POI. Why don't we see more dramatic shifts in the

1 subject imports' market share over the POI?

2 MR. DORN: Well, I think that this company, if
3 they had tried to maintain high prices, you would have seen
4 a greater shift in market share. As you heard the testimony
5 from the witnesses, and in the exhibits to our brief, you
6 have the decision they made to hang in there and keep
7 lowering prices to maintain market share, because the
8 capacity utilization was so low at the beginning of the
9 Period of Investigation that they didn't have any choice.

10 If they wanted to keep making this product,
11 they had to keep meeting the lower import prices, because if
12 they lost more market share, substantially more market
13 share, they just wouldn't have been enough product to
14 produce. So it's not like your -- you know, in a lot of
15 your cases, where at the beginning of the POI the industry,
16 you know, is utilizing a lot of its capacity. So it makes a
17 decision, it allows itself to lose market share, because
18 it's got some kind of cushion, because it's got fairly
19 decent operating rates. But here, we're starting off with a
20 very low operating rate. So the company had to fight tooth
21 and nail for sales, and to do that, they had to lower
22 prices.

23 So you don't see that shift in market share
24 from the beginning of the POI to the end of the POI. But if
25 you look at that chart I was talking about during my

1 testimony, you'll see there's a definite shift in market
2 share in terms of first half of 2013 and second half of
3 2013.

4 When they made the conscious decision to go
5 even lower on prices, they did regain substantial market
6 share, substantial market share in the first half of 2013.
7 But then when they said they were losing too much on a
8 margin basis on those sales and they pulled back on their
9 low prices, there was a quick uptick in imports. I think
10 imports increased 17 percent from the first half of 2013 to
11 the second half of 2013, and they gained a lot of market
12 share back.

13 So yes, there's certainly definite evidence of
14 causation between the impact of prices on market share. You
15 just don't see this beginning to end shift like you do in a
16 lot of cases, because the company couldn't afford to lose
17 that much more production.

18 COMMISSIONER WILLIAMSON: Okay, and I take it
19 since the market's fairly quick to respond to prices?

20 MR. DORN: We have another table that shows
21 the impact on the spot market in particular.

22 COMMISSIONER WILLIAMSON: Okay, thank you.
23 Now the Respondents argue that AK's performance correlates
24 with decline in demand, and that decline in demand explains
25 this performance, and I was wondering where you get that

1 information. We've already dealt with the CR, CRML, and I
2 think we talked a little bit about the lamination, which is
3 not in the documentation.

4 What about just the fact that global demand is
5 going down, demand in the U.S. is going down? Is that a
6 greater explanation than what the imports are doing?

7 MR. DORN: No. Certainly, you can't discount
8 the fact that it has some influence. The question is
9 whether the impact of the imports was more than tangential
10 in that context. And again, let's go back. This is a very
11 unusual case. Don't miss the forest for the trees they're
12 talking about.

13 This is a huge share of the market held during
14 the entire POI by dumped imports. It's very unusual in your
15 case load to see a case where the import market share,
16 subject import market share is that high, and where there's
17 consistent underselling throughout the entire POI. I mean
18 it's just inconceivable that that volume of imports did not
19 materially contribute to the damage that AK Steel suffered
20 in terms of capacity utilization, in terms of market share
21 and in terms of pricing and in terms of profits.

22 It's just -- you can't avoid the impact of
23 such a huge volume of imports from the beginning to the end
24 of the POI. We have more evidence here than I think of any
25 other case I've seen, in terms of the causal link between

1 the imports and the import pricing, and shifts of market
2 share within the POI.

3 We've given you very detailed data on that.
4 We've given you detailed explanations of the impact of
5 pricing on volume and price with major accounts that are
6 served by Mr. Konstantinidis and by his sales force. We've
7 got detailed affidavits about that.

8 So the linkage between price and volume is
9 very, very clear here. You don't have to make an inference
10 by looking at the trends to beginning to end data point.

11 COMMISSIONER WILLIAMSON: Thank you. I would
12 like to go to one of the trees, though, and go to Mr.
13 Schoen, who was talking about the product from Germany, I
14 guess, being low permeability, and that all of your products
15 are high permeability, and without getting too many details,
16 because I don't fully understand that.

17 MR. DORN: Yeah. I think the allegation they
18 made was theirs was high perm and ours is not high perm, and
19 that's what I think you need to respond to.

20 MR. SCHOEN: Jerry Schoen, AK Steel. There
21 are some processes that people elect to use on those, some
22 don't. We use a single process routing. That makes all of
23 our material high perm. Clearly, the German producers may
24 not elect to use that same process routing all the time for
25 all of their product. We're trying to compete at the very

1 highest end of the market segment and clearly they don't.

2 COMMISSIONER WILLIAMSON: Could they argue,
3 then, that we sell a cheaper product -- I mean because we
4 don't have to do the high perm, that's why our prices are
5 lower? That's unusual coming from that country, but I just
6 was curious.

7 MR. DORN: No. They claim they do make the
8 high perm.

9 COMMISSIONER WILLIAMSON: Okay.

10 MR. SCHOEN: They claim the competition is
11 their product, which is high perm, against an AK product,
12 which is not a high perm product.

13 COMMISSIONER WILLIAMSON: And you're saying
14 yes, yours is the high perm product?

15 MR. SCHOEN: Ours is a high perm product as
16 well.

17 COMMISSIONER WILLIAMSON: Okay.

18 MR. SCHOEN: So it's just -- the disadvantage
19 is because of IEC grading standards used norms, testing
20 norms that measure at the points they're talking about.
21 ASTM does not.

22 COMMISSIONER WILLIAMSON: Okay, thank you.
23 This is not the first time I've seen difference in
24 standard-setting practices cause an issue. Thanks for the
25 clarification. This is probably post-hearing. Can you

1 explain the reason for AK Steel's export trends, go into any
2 more detail than that?

3 MR. DORN: Well, we'd be happy to do that.
4 We'd note this is not GOES. I think, you know, the data in
5 GOES are substantially different with regard to the export
6 situation. The witnesses said that exports are much, much
7 less significant to NOES operations than they are to GOES
8 operations.

9 COMMISSIONER WILLIAMSON: Good. Okay, thank
10 you. Thank you for those answers.

11 CHAIRMAN BROADBENT: Commissioner Johanson.

12 COMMISSIONER JOHANSON: Thank you, Chairman
13 Broadbent. The Respondents characterize the evidence of
14 underselling in these investigations as mixed. I assume
15 that you all do not agree with this characterization. But
16 could you please address this?

17 MR. DORN: Well sure. You know, they had
18 their shot at commenting on the draft questionnaires and
19 suggesting some different pricing products. The staff
20 picked up on that. There are 12 pricing products and, as I
21 said earlier, I think the evidence of price underselling is
22 extremely strong here, especially when you look at the
23 coverage of the pricing products.

24 If you look at the -- if you compare the --
25 for each country, if you compare their U.S. commercial

1 shipments of all imports with the portion of that that's
2 captured by the pricing products, you'll see you have a
3 very, very good record. So and you have -- you have price
4 competition across virtually every pricing product, and in
5 my experience, I don't see how you could possibly call this
6 mixed.

7 It's not a situation where you have some
8 pricing products where there's overselling and other
9 products where there's underselling. It's a pretty
10 consistent pattern across the range.

11 COMMISSIONER JOHANSON: Thank you.

12 MR. DORN: One other thing I would note, and
13 it's difficult for me to address this on the confidential
14 record. But I do think there is a practice of the importers
15 not only underselling AK Steel, but also underselling it
16 with even a higher grade, so that they'll come in and offer
17 a higher grade than AK Steel is offering.

18 So I think that that happened in some of the
19 underselling comparisons too. So I think the extent of
20 underselling is actually understated in your staff report.

21 COMMISSIONER JOHANSON: All right. Thank you
22 for your response, Mr. Dorn. To what extent is pricing
23 movement in the U.S. NOES market impacted by raw material
24 costs, and are raw materials a primary determinant of NOES
25 price trends?

1 MR. KONSTANTINIDIS: Steve Konstantinidis. We
2 put in place back in 2003-2004 time frame a variable pricing
3 mechanism, whereas to cover certain raw materials that were
4 running out of control at the time. That is still -- that
5 same formulation, calculation, still with us today.

6 COMMISSIONER JOHANSON: I'm sorry, that's
7 2004-2005.

8 MR. KONSTANTINIDIS: 2003-2004.

9 COMMISSIONER JOHANSON: Okay, thank you.

10 MR. KONSTANTINIDIS: And so what we do with
11 our customers is we offer a fixed base price, and then apply
12 a -- what we call a raw material surcharge to that on a
13 monthly basis, based on what is being put in the public
14 record on how we buy scrap and natural gas. So I do not
15 believe that the Respondents do that the same way we do
16 that.

17 So they would offer a price that would be
18 somewhere in the neighborhood of a three to six month price,
19 perhaps 12 months, whereas our price is generally we like to
20 help protect our customers, is to offer them a 12 month
21 fixed base price, and then calculate a monthly raw material
22 surcharge on top of that.

23 COMMISSIONER JOHANSON: And once again, as you
24 understand it, the raw material surcharge is fairly standard
25 throughout the industry?

1 MR. KONSTANTINIDIS: I would say yes with
2 respect to the domestic industry; however it is my
3 understanding the respondents do not utilize raw material
4 surcharges.

5 COMMISSIONER JOHANSON: Okay, all right.
6 Thank you for that response. What is Petitioner's case for
7 arguing that it would have been able to raise its NOES
8 prices in the absence of subject imports, given the
9 declining demand during the POI and also the decline in raw
10 material prices during the POI?

11 MR. DORN: Well, in terms of raw material
12 prices, I don't think I can really address that on the
13 public record. But I think if you look at the variance
14 analysis again, that's not what's driving things in terms of
15 raw material prices. You do see a correlation between AK
16 Steel's prices and the average unit values of the imports.
17 I mean that's very, very clear from your record.

18 But you know, generally a company wants to
19 maintain a margin above its cost. As we said earlier, this
20 company hasn't been able to do that during the POI from Day
21 1. The prices were suppressed from the beginning and they
22 were suppressed at the end and depressed at the end because
23 of declining import prices, which were followed by AK's
24 declining prices.

25 COMMISSIONER JOHANSON: All right. I'll

1 certainly -- so you're suggesting refocus on the variance
2 analysis? I know you've mentioned that a number of times.
3 So I'll take a closer look at that following the hearing. I
4 know that AK Steel is having a difficult time right now.
5 That's apparent. That's one of the reasons that you're
6 here.

7 What is the ordinary operating margin in the
8 NOES business as far as you all know, and from AK Steel's
9 perspective, and when was the last time that AK Steel
10 achieved this performance?

11 MR. DORN: Commissioner, there is some
12 information in the prehearing report on the date that we
13 last had a fairly good operating income margin, and I think
14 it's best for us to address that in the post-hearing.

15 COMMISSIONER JOHANSON: I certainly
16 understand. I assumed that would be your answer, but I
17 wanted to raise it nonetheless. Also, I had ended my
18 questions earlier this morning talking about the issue of
19 what were called unplanned facility outages, which were
20 mentioned in the Joint Respondent prehearing brief.

21 And I believe Mr. Pfeiffer had mentioned that
22 those were not facilities that produced NOES. But could
23 those unplanned facility outages have perhaps sullied the
24 reputation of the country overall? Do you know if these
25 caused major problems for any of the firm's clients?

1 MR. PFEIFFER: Did these facility outages
2 cause any issues with the NOES customers?

3 COMMISSIONER JOHANSON: Yes, or other
4 customers which might have purchased NOES or other products
5 from AK Steel.

6 MR. PFEIFFER: No. These outages, once again,
7 were for carbon steel, and they are specific to automotive,
8 which is a high end market and a very demanding market. But
9 the NOES is produced in Butler. So we can move processing
10 of carbon steel to Butler to supplement those outages.

11 But as far as NOES is concerned, in Butler we
12 have a new furnace. In Mansfield we have a backup, and then
13 separately on the carbon side, we've also purchased Dearborn
14 recently, which is another carbon blast furnace, which would
15 help in those outage situations in the future as well.

16 COMMISSIONER JOHANSON: All right. Well
17 thanks for your response, and as you can see, I began this
18 morning talking about the alleged quality concerns or the
19 possible quality concerns of the purchasers. I'm going to
20 end on that. I don't have any further questions. The
21 record's quite full, and there's quite a bit to sink our
22 teeth into.

23 But I will, of course, be focusing further on
24 the whole quality issue, and I know that you all addressed
25 that, what is written about that in a staff report, and I

1 will ask more on that this afternoon. Thank you for
2 appearing here today.

3 CHAIRMAN BROADBENT: Commissioner Schmidlein.

4 COMMISSIONER SCHMIDTLEIN: All right, thank
5 you. Just to follow up on what we were talking about
6 before, and I know you said you were going to respond to
7 this in the post-hearing brief. But there were some
8 specific examples in their brief, which I assume you'll
9 specifically address, about claims that certain purchasers
10 can't get supply from AK Steel.

11 Specifically, the Respondents referred to a
12 claim by Siemens Industry, in their brief, and then Curtis
13 Wright Electromechanical Corporation. So I assume you'll
14 respond to all of them, but those two were specifically
15 mentioned. So I wanted to follow up with a few questions
16 that are a little bit maybe unrelated.

17 With regard to your decision in the second
18 half of 2012 to reduce the prices to compete with subject
19 imports, when do you think that showed up in your -- the
20 prices of your products? In other words, when does that
21 show up in the quarterly pricing data? Is it the first
22 quarter in 2013? In other words, when we look at that,
23 should we be seeing a drop from the end of 2012?

24 I know this may have to do with how AK Steel
25 contracts for the sale of its product. So if you could

1 explain that, that would be helpful.

2 MR. PFEIFFER: Yes. This is Geoff Pfeiffer.
3 I believe I covered that in my statement here, which is
4 you're asking whether it is the end of 2012 or 2013. We
5 planned the next year's contracts in a business plan for
6 2013. We did that at the end of 2012. So we came up with a
7 strategy for how we were going to price these products.

8 Because we were at low utilization rates, the
9 decision was made to try to cover more of our high fixed
10 costs by getting more volume and lowering our prices, even
11 though these prices that were in the market were
12 unacceptable.

13 It was our belief that this could be a benefit
14 to AK Steel. As I mentioned, we saw in the middle of 2013
15 that the imports continued to lower their prices even
16 further, therefore making the situation even worse for AK
17 Steel, which is then when we embarked upon this trade case.

18 COMMISSIONER SCHMIDTLEIN: But when you look
19 at the quarterly pricing data, when should I see the drop?
20 Would it be in the first quarter -- so in other words if I
21 look at the end of -- I'm comparing the price at the end of
22 2012, I'm going to see a drop in the first quarter of 2013,
23 or is it such that the contract terms are longer, you know?
24 Like how does that play into it?

25 MR. PFEIFFER: Yeah.

1 COMMISSIONER SCHMIDTLEIN: If the quarterly
2 pricing data is not lining up to that, is that -- that's
3 what I'm trying to get at. Is that because of the time?
4 There's a lag for it to show up in that data, because of the
5 nature of the sales.

6 MR. DORN: Right. I think it shows up better
7 in the spot market, than in the contract customer markets.
8 We have a table that shows shifts in spot market sales are
9 within the confidential record.

10 But also the evidence of AUVs, I think, tells
11 the story pretty well too. So we'll try to tighten that up,
12 in terms of explaining the data points that correspond with
13 the decision and the impact of that decision in our
14 post-hearing brief.

15 COMMISSIONER SCHMIDTLEIN: Okay. That would
16 be helpful. Did you want to follow-up?

17 MR. PFEIFFER: No.

18 COMMISSIONER SCHMIDTLEIN: Okay. One other
19 thing, which I assume you're going to respond to in the
20 post-hearing brief, and you alluded to it in the
21 confidential slides is the Other Factory Costs. I don't
22 know if there's anything you can tell us today about what
23 kinds of things are included in that label "Other Factory
24 Cost"?

25 MR. DORN: I think we'd better -- I know it

1 includes some components of the labor, which some companies
2 would record it in the labor line, as opposed to Other
3 Factory Costs or some things like that. But I think it's
4 better for us to have the accounting folks respond to your
5 question, in terms of what exactly is included in the Other
6 Factory Costs.

7 The main point that I was making with my slide
8 there at the end was that even if you make the Other Factory
9 Cost constant, if you take the 2011 Other Factory Cost and
10 plug that in for 2012 and 2013, you still see the sharp
11 decline in financial results.

12 And so it's not -- you know, their argument
13 doesn't work. They're saying, you know, that the Other
14 Factory Cost is the cause of the problem. Well that's not
15 true. When you normalize that, it's still a declining
16 financial performance, and that's linked directly to the
17 declining prices, which we say is linked directly to the
18 price suppression, depression caused by the imports.

19 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.
20 All right. Switching gears just a little bit, in the staff
21 report, I'm looking at -- let me just turn to it -- it's
22 page 11 or page Roman numeral II-4, which is on channels of
23 distribution, and the specifics of this are confidential in
24 that.

25 But I wondered. These seem to show that the

1 U.S. shipments are going to different channels of
2 distribution than the subject imports and again, either that
3 may be easier in the post-hearing brief or if there's
4 anything you can say now, I would appreciate, as to what's
5 your reaction to that, in terms -- or response to that in
6 terms of how -- what does that say about how these compete
7 in the market, when you look at those percentages?

8 MR. DORN: Well, I think, you know, it's hard
9 to deal with this without talking about the numbers. But
10 they show overlap in all three channels you have there.
11 There may be some wiggle room in terms of how you categorize
12 some customers. We'll take a look at that again.

13 COMMISSIONER SCHMIDTLEIN: Okay.

14 MR. DORN: And we'll respond to the question,
15 of course, in the post-hearing brief.

16 COMMISSIONER SCHMIDTLEIN: Okay. I need to
17 see if I had anything else. At the moment, I think that's
18 all the questions I have. So thank you very much.

19 CHAIRMAN BROADBENT: Okay. I guess I want to
20 get back to demand a little bit, and I know we should have
21 answered this, and I'm just trying to catch myself up and
22 making sure that I've got a full picture. What drives
23 demand in the U.S. market versus globally? I understand
24 that it's a big world out there and there's a lot going on.

25 But what are some of the big trends that we

1 could understand, in trying to appreciate how demand goes up
2 and down in this market?

3 MR. PFEIFFER: In general, we see that it
4 tracks with GDP. So you know, when you talk about motors,
5 you're talking about all sorts of demand across the board.
6 So it tracks with GDP. Specific to our product, it's
7 industrial production, it's mining and it's locomotive, and
8 those are the specific products for the NOES products. So
9 that's what tracks as far as industrial production, mining,
10 locomotive and overall GDP.

11 CHAIRMAN BROADBENT: Okay, both in the U.S.
12 and globally you think?

13 MR. PFEIFFER: Yeah. We're a U.S. company
14 based. I don't know if anybody has any other opinions, but
15 we don't have much market reach as far as global, to be
16 honest.

17 CHAIRMAN BROADBENT: Understood, yeah, okay.
18 And so mining, industrial production and locomotive
19 production was soft and going down most of the POI; is that
20 right?

21 MR. PFEIFFER: You want to --

22 MR. KONSTANTINIDIS: I think -- this is Steve
23 Konstantinidis. I think we have shown several articles, I
24 believe in our brief. Mr. Dorn, is that right?

25 MR. DORN: In our preliminary phase, I think

1 we had something.

2 MR. KONSTANTINIDIS: That show that large, I
3 would say industrial-type customers have shown declines in
4 their market share during -- some time during the POI.
5 Again, we produce NOES that goes into the very high
6 efficient type motors. These are very critical motors that
7 go into very critical applications, that certainly demand
8 the type of NOES that we can produce.

9 And so as Mr. Pfeiffer pointed out, it is --
10 as the economy goes, pretty much as the NOES business goes.
11 You can see if the economy's soft, the demand is generally
12 soft, and that's a general statement. Again, we don't track
13 much offshore, because we don't ship, if any, outside of
14 NAFTA of the NOES product.

15 CHAIRMAN BROADBENT: But are you sending --
16 are you sending less to small motor producers?

17 MR. KONSTANTINIDIS: I would say as I evaluate
18 our customer base during the POI, I would say the amount of
19 grades, the amount of material that we're selling has not
20 really changed. It goes up and down as how the economy's
21 going down. In other words, they haven't shifted to other
22 products or different things during the POI.

23 It just goes up and we can kind of track that
24 along with how the economy's doing. So I would say our
25 customer base is still intact.

1 CHAIRMAN BROADBENT: It's still pretty
2 consistent.

3 MR. KONSTANTINIDIS: Still pretty consistent.

4 CHAIRMAN BROADBENT: Okay. Well that's good
5 to know, okay. Let's see. What raw material costs should
6 we focus on as a proper indicator for raw material cost
7 trends?

8 MR. PFEIFFER: As far as raw materials are
9 concerned, ferrosilicon and scrap.

10 CHAIRMAN BROADBENT: Okay, and how did those
11 -- how did the prices of those fare over the Period of
12 Investigation?

13 MR. DORN: I think you have some data on that
14 in the prehearing report, which I don't think we'd quibble
15 with.

16 CHAIRMAN BROADBENT: Okay. I'll check that
17 out. Thank you. Can you tell me a little bit whether there
18 are domestic regulations requiring domestic purchasers of
19 NOES? Do U.S. purchasers need a domestic source to meet
20 legal requirements, Buy America requirements and such?

21 MR. KONSTANTINIDIS: This is Steve
22 Konstantinidis. We see that more on the GOES side than we
23 do on the NOES side.

24 CHAIRMAN BROADBENT: Yeah, okay. It seems
25 that Other Factory Costs are pretty high in this market.

1 Did they fall over the Period of Investigation?

2 MR. DORN: You know, again that's in the
3 confidential record. I think if you look at the variance
4 analysis, you'll see that.

5 CHAIRMAN BROADBENT: Okay.

6 MR. DORN: And what I did in that last table
7 was just, you know, what would the performance of the
8 industry look like if we just used the same Other Factory
9 Cost each year, to show that that's not the cause of AK
10 Steel's problems, that the other side is alleging. The main
11 problem is price, as is highlighted in your variance
12 analysis.

13 CHAIRMAN BROADBENT: Okay, good. With that, I
14 think I'll yield to my colleague, Vice Chairman Pinkert.

15 VICE CHAIRMAN PINKERT: Thank you, Madam
16 Chairman. Just a couple of follow-up questions. First of
17 all, I had asked about the Germany respondent argument, and
18 I don't want to get into any business proprietary
19 information here.

20 But for the post-hearing, could you also
21 address whether there are other specialty products that are
22 not produced by the U.S. industry, that the German
23 respondents have long term supply arrangements on?

24 MR. DORN: We'll be happy to, you know. We
25 dispute those claims.

1 VICE CHAIRMAN PINKERT: Thank you, and then
2 also we've talked about the fungibility issue with regard to
3 the slit merchandise. I just wondered, is all NOES
4 ultimately slit, and if so, who does it?

5 MR. KONSTANTINIDIS: I would say the answer to
6 your question is almost all NOES is slit in some form or
7 another. AK Steel has the ability to -- we do our own
8 slitting. We've got slitting at our Zanesville facility,
9 and we also if need be have joint ventures with outside
10 slitting firms as well that can slit NOES if need be. But
11 virtually almost everything that ends up in an end user's
12 hand is in some form change formed by the width, in terms of
13 slitting.

14 VICE CHAIRMAN PINKERT: So just to tie up the
15 loose end, then, what bearing does that have on the
16 fungibility issue? I understand your arguments that each
17 one of the countries is shipping both. But just getting to
18 perhaps a more basic question. If all of it is slit, then
19 what difference does this make for fungibility?

20 MR. DORN: You're correct, none.

21 VICE CHAIRMAN PINKERT: It was a question
22 actually. But the question implied the correct answer; is
23 that --

24 MR. DORN: That's correct.

25 VICE CHAIRMAN PINKERT: Okay, thank you.

1 Thank you, Madam Chairman.

2 CHAIRMAN BROADBENT: Commissioner Williamson.

3 COMMISSIONER WILLIAMSON: Okay, thank you.

4 Mr. Pfeiffer, in your testimony on page -- I think it's page
5 three, you stated that you routinely meet the specific needs
6 of customers by modifying standard grades. I was just
7 wondering what share of your total sales are accounted for
8 by these modified products, and what types of modifications
9 do your customers typically request?

10 MR. PFEIFFER: Hold on one second. Let me ask
11 Jerry.

12 (Pause.)

13 MR. PFEIFFER: I don't want to guess at this
14 time. We could put that in the post-hearing brief and talk
15 to you about it. But we do have specification engineers
16 that receive the specifications from our customers, work on
17 them, see if our standard products -- we have a number of
18 products as we detailed, meet those requirements.

19 There might be a slight change in processing
20 or alloying to meet that specification. Once we determine
21 what it is that our product, whether it meets it, then
22 usually it goes to that point to qualification and then to
23 price.

24 That is where we've talked about a lot of that
25 development has ended in this product, which is once you get

1 to the pricing stage, the prices from the importers are at a
2 much lower volume or much lower price, and that's when the
3 modifications or the working with the customer stops.

4 MR. DORN: And as was mentioned earlier, AK
5 Steel also has three outside specialty coating processors
6 that are available to deal with unique situations, if
7 there's a particular coating requirement that a customer
8 wants to address.

9 COMMISSIONER WILLIAMSON: Okay, and I guess I
10 was going to ask earlier, you know, I think there's
11 sometimes where you've said that you would be making your
12 product and all of that. I was going to say well, couldn't
13 a purchaser say well, I didn't see it in your catalogue,
14 even if you can do it, and therefore I went to the
15 competition. But I think what you're arguing is that
16 because of pricing, you never really get to that discussion?

17 MR. DORN: Well, I think another point is
18 that, I think as Mr. Schoen said, the catalogue is ASTM
19 specs, but I think in initial customer meetings we hand out
20 a chart that shows how our products also meet the EIC specs.

21 COMMISSIONER WILLIAMSON: Okay, yeah. Just
22 one other question. On page 5-11 in the pricing section,
23 and this is probably going to be done post-hearing, there's
24 data on the percentage of the pricing products covering
25 shipments, and there are differences between the domestic

1 producer and the foreign suppliers are doing.

2 I was just wondering what's not covered by the
3 pricing products, for example, was not covered, and is there
4 competition with imports in that area?

5 MR. DORN: We can address that. But one
6 obvious area is semi-processed. None of the pricing
7 products were semi-processed. So if you look at AK's
8 percentage of pricing products relative to commercial
9 shipments, if you did that comparison with respect to fully
10 processed NOES, it would be a much, much higher share of the
11 total.

12 COMMISSIONER WILLIAMSON: Okay.

13 MR. DORN: And yes, there's no product that AK
14 is making that's not facing import competition. To the
15 extent there's an attenuated competition argument here, it
16 only goes in one direction. I mean this isn't a case where
17 the respondents would say well, AK's not getting hurt,
18 because it makes a certain product that the imports don't
19 serve, and so therefore it's got this sort of protected
20 segment of the market.

21 We don't have that here. The imports are
22 across the full range, and that's -- the pricing products
23 cover a big range of products.

24 COMMISSIONER WILLIAMSON: Good, thank you, and
25 do -- is there some competition in terms of semi-processed?

1 I mean do they -- this may be post-hearing too. With
2 imported semi-processed products.

3 MR. DORN: We're not aware of any imports of
4 semi-processed today, but there are situations, I
5 understand, where they will offer a fully processed, right?

6 MR. KONSTANTINIDIS: Yeah and Jerry, I would
7 ask you to address that.

8 MR. SCHOEN: Jerry Schoen, AK Steel. You can
9 substitute a fully processed material and basically mark the
10 material up, so to speak, to compete with our M43 or M45
11 semi-processed types of materials. For example, you could
12 certainly substitute an M22, which is a very good material,
13 in for M43. If it's at the same price, the customer would
14 quite logically go with the better core steel. That does
15 happen.

16 COMMISSIONER WILLIAMSON: Oh, and then the
17 customer might upgrade it?

18 MR. SCHOEN: Uh-huh.

19 COMMISSIONER WILLIAMSON: Okay, gotcha. Good.
20 Thank you. I want to thank the panel for all their answers
21 and I look for the post-hearing brief.

22 CHAIRMAN BROADBENT: Commissioner Johanson.

23 COMMISSIONER JOHANSON: I have no further
24 questions.

25 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

1 COMMISSIONER SCHMIDTLEIN: I don't have really
2 a question, but I just -- I think, you know, there's been a
3 lot of questions up here about trying to get at the notion
4 of is there a portion of this market that AK Steel doesn't
5 supply, for one reason or another, and there's been specific
6 allegations in various briefs filed by the Respondents.

7 So in the post-hearing, and I know I asked
8 this before, but I haven't gone through and listed every
9 single one. I'm sure you can read them as easily as I. But
10 that's what I'd like to see addressed, is you know, is there
11 some portion of this market, for whatever reason, whether
12 it's a long-standing customer relationship, it's a niche
13 product, whatever the reason is, that AK Steel doesn't
14 supply?

15 And if you don't, then estimate, you know,
16 what portion of the market does that account for?

17 MR. DORN: We had some good questions from the
18 staff in the preliminary phase, where they asked about some
19 of these niche products and provided the tonnage of it. So
20 we address some of that in our prehearing brief.

21 COMMISSIONER SCHMIDTLEIN: Okay.

22 MR. DORN: So to make those points, we'll
23 address the additional allegations as well. I appreciate
24 the opportunity.

25 COMMISSIONER SCHMIDTLEIN: Okay, okay, all

1 right, and that's all I had. Thank you.

2 CHAIRMAN BROADBENT: Okay. If Commissioners
3 don't have any further questions, does the staff have any
4 questions?

5 MR. PETRONZIO: This is Ed Petronzio from
6 Office of Investigations. Madam Chairman, staff has no
7 questions.

8 CHAIRMAN BROADBENT: Do the Respondents have
9 any questions for this panel?

10 MR. PORTER: No questions, Madam Chairman.

11 CHAIRMAN BROADBENT: You're sure, right? A
12 lot of people back there. Okay. In this case, in that
13 case, it's time for our lunch break. We will resume at
14 1:10. The hearing room is not secure, so please don't leave
15 confidential business information out, and I want to thank
16 all the witnesses for coming today.

17 MR. DORN: Thank you, Madam Chairman.

18 (Whereupon, a lunch recess was taken.)

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1 A F T E R N O O N S E S S I O N

2 (Time noted: 1:10 p.m.)

3 MR. BISHOP: Will the room come to order.

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

6 MR. BISHOP: Madam Chairman, I would note that
7 the panel in opposition to the imposition of anti-dumping
8 and countervailing duties have been seated. All witnesses
9 have been sworn.

10 CHAIRMAN BROADBENT: Thank you, Mr. Secretary.

11 I want to welcome the afternoon panel to the ITC.
12 You look like a very organized group, I can tell.

13 (Laughter.)

14 CHAIRMAN BROADBENT: I would like to remind all
15 the witnesses to speak clearly into the microphones and
16 state your name for the record for the benefit of the court
17 reporter. This is going to be a challenge, I think, because
18 of the expanse of the witnesses that we have today, so I
19 appreciate that.

20 And you may begin. Thank you.

21 STATEMENT BY ROBERT STEWART

22 MR. STEWART: Good afternoon. I am Robert
23 Stewart. I'm the CEO of Lamination Specialties Corp founded
24 in 1956. I have been with Lamination for 34 years. We are
25 owned by our founder Albert Delighter.

1 Lamination Specialties manufactures parts called
2 laminations that go into electric motors and transformers
3 that require high quality electrical steel. We also have
4 the LSI Steel Division which is an electrical steel service
5 center. We provide slit coils to our customers who stamp
6 their own parts. We supply sheets of electrical steel for a
7 number of end usages.

8 The only type of steel we use are electrical
9 grade steel, and we usually have between 20 and 25 million
10 pounds of master coil on the floor at all times. This
11 amounts to four to five months' worth of inventory. We have
12 another four to five million pounds of slit stock and
13 finished goods. The ability to purchase the best possible
14 electrical grade steel is critical to us.

15 Popular perception is that we only purchase steel
16 for the cheapest price. Twenty years ago that may have been
17 the case, but not any more. Today our customers are
18 extremely sophisticated. They demand superior customer
19 service. They test for magnetic properties, shape, and part
20 dimensions, and coatings. Only after those qualities are
21 satisfied is price discussed.

22 In order to satisfy our customers and our
23 customers' customers, we must purchase steel that has the
24 required magnetic properties, excellent coatings and
25 uniformity.

1 We are a larger customer of AK Steel currently.
2 We were before antidumping was filed and we continue to be a
3 large customer because AK is the only producer of NOES in
4 North America and we value a domestic source. However, we
5 are opposed to having to use only AK as our primary source
6 or our only source. There are several reasons for this.

7 First should weather, transportation, raw
8 material, financial situation, equipment failure, labor
9 strife, or any unforeseen problems interrupt delivery from
10 AK it would shut us down and create large problems for our
11 customers and other manufacturers. These are not
12 hypothetical concerns. AK has had a history of
13 unanticipated delays and interruptions that have caused
14 havoc with the trade.

15 Second, AK makes good steel, but often not the
16 best steel for a given end use. For example, for more than
17 20 years we have tried to get them to offer a coating like
18 their C5 that could be sold as a fully processed steel or
19 stamped and annealed for our lamination customers. Their C5
20 coating turns black and gets chalky when it's annealed.
21 This is totally unacceptable quality after annealing.

22 AK's attitude has been that's what we make, and
23 yes it turns black, and yes, it chalks. China Steel and
24 other foreign suppliers, however, have listened to our
25 problem and provide us a coating that will go both ways.

1 Our customers love it and we have a more versatile steel.

2 Only after AK testified in the preliminary phase
3 that they could produce anything that the others could, did
4 they even attempt to produce this kind of coating. We sent
5 them samples which, we had done in the past, and they made a
6 test amount for us. They then sent us a report telling us
7 why it may or may not work. China Steel and others have
8 coating that actually works.

9 AK has additional problems with other coatings as
10 well. Their C3 is not consistent. It is occasionally
11 streaky and has voids and we have had problems with it.
12 AK's attitude towards us is that although the coating does
13 not look the best, it meets AK specs and therefore AK will
14 not accept a rejection of this steel by the customer. In
15 contrast, the CSC and other suppliers give us consistent
16 coating on a regular basis.

17 Another example is coil width. We need coils as
18 wide as possible that have great shape and are flat for
19 stamping and laser cutting. On the better grades like M19,
20 AK's widest is now 43 inches and only if we are willing to
21 accept wavy edges with 6/32 of an inch wave or less. That
22 much wave is not acceptable to some of our customers. From
23 China Steel and others we get 48-inch wide flat steel with
24 no wave problems.

25 During 2014, AK Steel shipped us over 830,000

1 pounds that had wave in excess of their own specs. Their
2 answer to this when they came out was they probably should
3 not have shipped that to us. And I said things I can't
4 repeat. They did accept those coils back and gave us a
5 credit but that credit did not cover the time for our
6 sorting of this mess and we lost several orders. When you
7 give a customer steel that has problems, you may lose that
8 customer forever. We lost one large order to our competitor
9 who had wide, flat steel from a foreign source in stock.

10 Overall, we have had several rejections for
11 quality issues with AK this year totaling over 840,000
12 pounds. In the last ten years I do not remember a single
13 quality rejection from all the other mills with whom we have
14 done business.

15 The electrical steel market is an international
16 market. Our customers are not restricted to purchasing
17 parts stamped in the USA from domestic steel. These
18 customers want the best quality for the best price and can
19 purchase parts or completed assemblies made outside the
20 United States. Manufacturers have the ability to produce
21 assemblies in Mexico or elsewhere using imported NOES
22 without antidumping duties, and then export these parts or
23 full assembly equipment into the U.S. Many of our large
24 customers advise us they are looking into this. Imposing
25 antidumping duties on imports of NOES to the United States

1 only will increase the incentive for more manufacturers to
2 move offshore.

3 Thank you for listening.

4 STATEMENT OF BRAD BEUC

5 MR. BEUC: Good afternoon, Madam Chairman, and
6 members of the Commission.

7 My name is Brad Beuc. I am the Vice President of
8 Global Sourcing for Emerson Electric and I manage the steel
9 and mechanical components for the world.

10 I have worked for Emerson nearly 11 years while
11 starting my career in 1991 in the steel industry. Emerson
12 had \$24.7 billion in revenue in the most recent fiscal year.
13 We produce many products globally such as transformers,
14 generators, and industrial motors manufactured from NOES,
15 GOES and cold rolled motor lam.

16 Globally, Emerson has approximately 110,000
17 employees working at 230 manufacturing locations. We have
18 approximately 60 businesses spread across five business
19 segments. We design and sell our products to a wide variety
20 of U.S.-based customers. This trade case could have direct
21 or indirect impacts across our business units in this region
22 in particular Appleton in Rainesville, Alabama and Leroy
23 Somers in Lexington, Tennessee and Mankato, Minnesota.

24 For NOES, we buy from distribution, processors,
25 fabricators, and mill direct. We typically know the origin

1 of the steel and we rely on our suppliers to develop and
2 align the best quality and most reliable supply chain.

3 While this case is directed at NOES, the
4 Commission should understand that electrical steel such as
5 NOES and GOES as well as cold rolled motor lamination all
6 service the electrical steel market. While there are
7 applications where NOES and GOES are the only products that
8 will work, there are other applications where NOES and motor
9 lam -- cold rolled motor lam can be interchanged. Cold
10 rolled motor lam competes with some grades of NOES even
11 though cold rolled motor lam is generally less expensive as
12 its cost of production is less.

13 It should be noted that new U.S. efficiency
14 guidelines taking effect in 2016 will force manufacturers to
15 use higher grades of NOES. This will likely stimulate
16 additional demands in the region and new investments in
17 technology and capacity, as necessary.

18 We are aware of what's been talked about in
19 regards to this NOES case. Emerson and our business units
20 are not motivated solely by price in determining our product
21 purchases. Emerson's supply chain networks are based on
22 striking a balance between reliability, quality, technology
23 development and total cost of ownership. We try to reduce
24 our supply chain risks by mitigating single source networks
25 as we align with technology leaders who innovate.

1 only for the United States market, but for Canada and Mexico
2 as well. So AK should have an unassailable position in the
3 market. But they don't because of their own performance.
4 AK Steel has proven to be an unreliable supplier over the
5 years. Appleton sources AK material through fabrication
6 suppliers, but Appleton cannot put itself in a position to
7 be dependent exclusively on AK for its NOES. AK often
8 performs poorly with respect to on-time delivery and
9 reliability, and AK can and does have unanticipated outages.
10 We need steel when we need it, not when it's convenient for
11 the supplier. If the steel supply logistics break down,
12 then we lose customers.

13 Appleton does not rely on AK Steel for higher
14 grades and designs of NOES. AK does not produce all of the
15 higher grade NOES that we need and when they produce many of
16 these higher grades our experience has been that their
17 performance and reliability adds risk to the supply chain.

18 Thank you again for the opportunity to speak with
19 your committee.

20 STATEMENT OF MARK WEISHEIT

21 MR. WEISHEIT: Good afternoon. My name is Mark
22 Weisheit and I'm the Vice President of Business Development
23 and Procurement for U.S. Electric Motors Corporation, now
24 know as Nidec Motor Corporation, headquartered in St. Louis,
25 Missouri.

1 I've been with Nidec, and our former parent
2 company Emerson Electric, for nine years and before that
3 spent 11 years in the steel industry.

4 Nidec is the leading manufacturer of commercial,
5 industrial, and appliance motors and controls. Electrical
6 steels, be they NOES or motor lam grades, comprise the major
7 portion of the active materials in the core of all of these
8 electric motors. Depending on the motor's size, the
9 electric steel represents 25 to 55 percent of total material
10 cost.

11 Our group in St. Louis buys approximately 110,000
12 tons of electrical steel per year. Over the past 15 to 20
13 years, we have converted our entire smaller motor product
14 offering, representing 91 percent of that total from NOES to
15 CRML, as better grades of CRML have been made available by
16 the domestic producers specifically: U.S. Steel, Nucor,
17 ArcelorMittal, and Steel Dynamics. I'm aware of no fewer
18 than six other unique instances from the past two to three
19 years where our competition has done the exact same thing.

20 We continue to redesign components as our
21 customers push for smaller and smaller package sizes,
22 reduced heat characteristics and lower noise. We're also
23 forced to review designs every time the Department of Energy
24 issues revised efficiency guidelines as was the case just
25 four years ago.

1 Rotating electric devices consist of four active
2 materials: steel, copper, aluminum, and permanent magnets.
3 During these redesign periods we utilize a balance of all
4 four of these, and recently many of our design changes have
5 allowed us to either reduce the quantity of NOES steel or
6 convert from NOES to CRML steel grades in the core with the
7 addition of permanent magnets or increased copper.

8 For the 21 years prior to these proceedings, we
9 have sourced our NOES steel from the Corus mill in
10 Surahammer, Sweden. For the past 14 years, they have been
11 our primary contractual supplier and have supported more or
12 less 100 percent of our daily demand.

13 Many years ago Corus built a complete and very
14 robust pull-system replenishment supply chain specifically
15 to support our facility; with local warehouses less than two
16 hours away, a dedicated for truck for small-quantity,
17 high-mix daily deliveries and weekly replenishment shipments
18 form Europe to allow immediate reaction to our seasonal
19 production spikes. When we issue a release in the morning
20 for delivery in the afternoon, a signal is automatically
21 sent to the mill and replacement material is scheduled for
22 shipment at the end of the week. Any and all inventory in
23 the pipeline is a direct result of our
24 consumption-replenishment signals to our suppliers.

25 Over the years, we have provided AK with many

1 opportunities to bid on our NOES supply chain package. This
2 normally happens every two to three years as we approach the
3 end of the end of an extant contract period. More recently
4 it has been every year.

5 This morning Mr. Contantinidis said that AK
6 responds to our bid package every year. They could offer
7 the products we need, but the likely stumbling block for
8 customers is always price. This statement is false. To
9 this point they have never submitted a compliant offer
10 including package sizing, JIT delivery, and OEM commercial
11 terms, or addressed our concerns from limited past
12 experiences with them.

13 When they have made an offer, there have been
14 items no quoted which would have required us to split our
15 package and receive multiple daily deliveries from multiple
16 suppliers. They are clearly not interested in our
17 low-volume, high-mix production model.

18 They have refused to offer to maintain finished
19 goods and manage finished good inventories or handle JIT
20 deliveries to our plant. They have refused to extend
21 commercial payment terms, and they have offered none of the
22 joint co-design engineering services that our other NOES
23 suppliers provide today.

24 In short, they have offered no value-added
25 service to us as a domestic OEM, which has become the

1 standard across the entire steel industry.

2 Even if AK were to submit a fully-compliant bid
3 to support our U.S. operation, several red flag items still
4 need to be addressed.

5 Number one, allocation. On September 28th, 2006,
6 AK Steel notified us they would be putting us on an
7 allocation of under 2,000 tons combined for 2007. That left
8 us more than 40 percent short of our sister company's
9 demand, and left nothing at all for U.S. Motors. This also
10 left us inside of published lead times from all other
11 suppliers without enough raw materials to meet our
12 first-quarter demands. Production was missed and sales were
13 lost as a result of AK's actions.

14 Redundancy. AK Steel has only one manufacturing
15 finishing facility with the equipment necessary to produce
16 NOES materials. On multiple occasions over the past three
17 to four years AK has been forced to shut down portions of
18 their operations due to severe weather and mechanical
19 breakdowns which immediately impacted deliveries for those
20 products.

21 And the NOES/GOES Balance. AK Steel has
22 historically proven itself to be less than committed to
23 supporting NOES customers. During 2008 and 2009, when the
24 price of grain-oriented steel (GOES) was going through the
25 roof, AK Steel reallocated and expanded its capacity to GOES

1 at the expense of NOES production.

2 In summary, decades ago Armco, now AK Steel was a
3 long-term supplier to U.S. Motors. Over the years, the
4 commercial focus changed and their dedication to domestic
5 manufacturing has disappeared. They walked away from us.
6 As a procurement professional we simply cannot risk awarding
7 the single-most critical portion of our manufacturing supply
8 chain to any producer who doesn't treat us as a long-term
9 partner.

10 I would also like to talk briefly about critical
11 circumstances and the volume of Swedish imports that Nidec
12 has needed and used since this case started.

13 The relationship between Nidec and Corus-Cogent
14 was built based on three factors: Cogent's ability to
15 provide us with the quality and quantity of NOES materials
16 that we need; their willingness to work with us to develop
17 an extremely responsive JIT warehousing and delivery system,
18 and their willingness to work with us to develop new
19 materials and engineer costs out of our legacy motor
20 designs.

21 The key part of that JIT obligation is the
22 requirement for Corus-Cogent to maintain pre-processed
23 finished good inventory at the levels that Nidec needs for
24 our production ready to ship on a moment's notice. As we
25 draw down the inventory to meet our production needs, Cogent

1 replenishes it on a weekly basis, in order to satisfy our
2 minimum staged inventory requirements. This requires
3 Cogent, for example, to increase inventory going into the
4 beginning of every year to accommodate our increased
5 production for the agricultural markets that we service.

6 This year we had additional weather-driven
7 demands as a result of the severe drought in California. In
8 addition to the normal beginning of the year increase from
9 the agricultural market, we also enjoyed all-time record
10 sales from the municipal water and wastewater markets across
11 California. It was an exceptional six-month period.

12 Our overall demand for both quarters exceeded
13 normal requirements to the point that we completely
14 exhausted safety stocks on a number of purchased items and
15 significantly depleted the rest. All of the increase in our
16 steel demand was the result of sales demands for our end-use
17 products. All of the NOES we withdrew from the JIT
18 inventory went into current production and shipped to
19 customers within weeks. We know, based on our experience
20 and our weekly inventory pipeline reports, that Cogent was
21 actually exhausting, and not building inventory during this
22 time period.

23 As our sales have grown, Corus' shipments to us
24 have grown on a one-to-one ratio. All of this is set out in
25 greater detail, including the historical picture of our

1 monthly NOES consumption for the past several years in our
2 confidential questionnaire response.

3 Thank you for the opportunity to speak today.

4 STATEMENT OF DAVID GILSON

5 MR. GILSON: Hello, my name is Dave Gilson and I
6 am the principal buyer for NOES at Curtiss-Wright
7 Electro-Mechanical Corporation.

8 Curtiss-Wright Electro-Mechanical Corporation
9 located near Pittsburgh, PA is a subsidiary of its parent
10 company Curtiss-Wright Corporation which is headquartered in
11 Charlotte, North Carolina. Founded in 1952 we are a fully
12 integrated supplier of advanced electro-mechanical and
13 pumping solutions to the U.S. Department of Defense and the
14 commercial nuclear industry.

15 AK Steel was previously our sole source supplier
16 of NOES. In 2004 AK Steel informed us they were no longer
17 willing and in some cases capable of providing steel to
18 meet our specific technical and administrative requirements.
19 So we started procuring our NOES from the international
20 marketplace.

21 As recently as May 2014, we have reached out to
22 AK Steel and they have verified by e-mail that they still
23 have no interest in accommodating our specific needs.

24 The three main issues that preclude us from
25 purchasing our NOES from AK Steel today are clearly

1 the opportunity to speak here today. My name is Ron Harper.
2 I'm the President of Cogent Power from Toronto in Canada and
3 I'm here to speak today on behalf of Cogent Power and
4 Surahammars the sole non-oriented electrical steel producer
5 from Sweden.

6 We've been selling NOES produced in Sweden and
7 associated services into the USA for over two decades. What
8 we offer to our select U.S. customers is unique when
9 compared to AK Steel and other exporters.

10 It has been our approach and our strategy to
11 identify customers who value high-quality steel materials
12 from unique motor and generator applications who gain
13 benefit from a reliable service-oriented supplier and who
14 require special technical expertise.

15 We supply into the U.S. market with an integrated
16 service technical and material program which we believe is
17 unique when compared to others. Evidence to this effect
18 includes (a) we supply slit coil and sheet blank sent to the
19 U.S. market in a form that our OEM customers directly use in
20 their first stage of production.

21 We do not sell on the spot market or to resellers
22 in the United States nor do we sell mill coil directly to
23 U.S. destinations. Our distribution channel, pricing and
24 applications are closely managed in order to ensure that
25 we're not selling to low-price oriented buyers.

1 Our Canadian and Swedish technical and business
2 teams regularly visit U.S. customers on matters of technical
3 improvement, design changes and improvements to supply chain
4 management.

5 We have the highest average import values of all
6 exports subject and nonsubject. These import values follow
7 through in our high-market prices. This is because we sell
8 a premium blend of services and NOES products to businesses
9 that see value in that.

10 We strongly believe that we have had no negative
11 impact on the U.S. domestic industry of NOES. This is
12 evidenced by, one, our total U.S. sales volume through the
13 last five years has been in decline. Number two, our prices
14 are higher; three, we do not sell on the spot market,
15 relying instead on sales to a very small and stable customer
16 base. We have not added a significant NOES customer in over
17 seven years. We have not sought to increase market share
18 through aggressive pricing through spot market sales.

19 We have stayed true to our higher historical high
20 value sales and service approach.

21 Number four, over the past five years, over 93
22 percent of our sales volume of Swedish NOES in the USA has
23 been with two primary customers, Nidec and Curtiss-Wright,
24 both of whom have just spoken here today.

25 We have been the primary supplier to our largest

1 customer Nidec who typically represents greater than 90
2 percent of our U.S. sales of Swedish NOES for almost 20
3 years.

4 These two primary customers have purchased
5 Swedish NOES from Cogent because the U.S. domestic industry
6 has declined to offer to those companies the product and
7 service packages needed by their businesses. At the
8 preliminary conference AK Steel acknowledged that they do
9 not want the remainder of our customers because of their
10 small size and higher service requirements and demands.

11 In other words, the revenue generated from those
12 customers is not worth the effort to AK Steel.

13 To summarize this we cannot be injuring AK Steel
14 because petitioner is not interested in our entire customer
15 base. They do not want small customers who are too small
16 and require too much service for steel mill-type sales, and
17 of our large customers AK has refused to provide them the
18 full range of requirements that their businesses need.

19 Because of the critical circumstances issues, the
20 question has arisen about any changes in our sales pattern
21 through the course of this past year. Since we have such a
22 narrow and concentrated customer base our volume of sales
23 into the USA is directly tied to the demand of our largest
24 customer to support the JIT delivery program that they
25 require and Mr. Weisheit has just explained.

1 Based on our supply agreement we are required to
2 contain certain minimum stock levels. To maintain those
3 stock levels, we must order replenishment NOES from Sweden
4 on a weekly basis. As demand increases, as it did during
5 the winter of 2013-14, the volume of our orders also
6 increases. However, because of the demand being placed on
7 our inventory despite this increase in imports our
8 inventories actually fell through that period.

9 Our customers testified to this just a few
10 moments ago and at no time have we moved Swedish NOES into
11 the USA for purposes of spot selling stock piling or
12 avoiding duties.

13 Lastly, I would like to present the fact that our
14 Swedish mill has reduced its manned capacity as the European
15 demand and the developed economies has dropped since the
16 economic crisis of 2008. We have stayed consistent with our
17 philosophy and business approach relative to exports,
18 specifically to the USA market and not sought to maintain
19 our mill capacity through increasing market share in the USA
20 contrary to what the petitioner has argued.

21 In summary, I believe our exports of NOES from
22 Cogent into the USA are very different than other exporters
23 and the imports into the USA from Sweden should be assessed
24 separately from those other exporters.

25 We have maintained a unique product supply chain

1 and with our slit sales operate in a different channel of
2 distribution than other exports.

3 Our position in the U.S. market is the same as it
4 has been for over a decade, a dedicated supply chain selling
5 directly to a small list of OEMs managed from our Canadian
6 and U.S. sales and technical teams with an essentially flat,
7 but declining sales volume.

8 Thank you again for providing me the opportunity
9 to speak today on Cogent Powers' behalf.

10 STATEMENT OF DAVID M. STEVENS

11 MR. STEVENS: Good afternoon. For the record my
12 name is David Martin Stevens. I am the Senior Vice
13 President of American MITSUBA Corporation of AMC. We
14 operate five separate facilities in Michigan, Indiana, Ohio
15 and Kentucky. AMC is a U.S. manufacturer and seller of DC,
16 that's direct current, electrical motors, actuators,
17 electrical components, primarily for the automotive sector.

18 One such motor is this cooling fan motor. We'll
19 pass these around to the Commission and staff and Q and A if
20 we may. Major components of the motor are the yoke stator
21 assembly, coincidentally made from cold-rolled steel
22 produced by AK Steel. And then the other major component is
23 the armature assembly which includes these stacked armature
24 core laminations, there were some question about
25 laminations, laminations stacked, staked, ready to put the

1 copper around them. These are stamped from Japanese NOES
2 and electrical components are also a part of the motor.

3 Today I want to offer AMC's perspective on this
4 investigation and the way my company views NOES supply and
5 competition in the market. Specifically, I want to make
6 two fundamental points first NOES is not a price-driven
7 commodity. Many other factors dictate material sourcing.

8 Second AK Steel has technical limitations that
9 impair its ability to otherwise compete for our business. I
10 will illustrate these two points using AMC's own experience
11 in the market.

12 This morning AK Steel told you that the market
13 for NOES is price driven to help explain its current
14 situation relative to imports. I can tell you from AMC's
15 experience that is simply not the case, starting with unique
16 conditions under which AMC sources its own NOES material.

17 AMC is a subsidiary of Mitsuba Corporation, a
18 Japanese manufacturer of auto parts. As such, AMC primarily
19 manufacturers components and finished parts originating from
20 Japanese design, with initial testing and pre-production
21 also taking place in Japan, given our affiliation, this is a
22 predictable circumstance.

23 AMC's affiliation leads to a practical reality -
24 - it's material sourcing choices are almost always
25 influenced by factors in Japan, not the United States. In

1 the context of AMC's NOES consumption, we source from a
2 single supplier in Japan. We do this for a number of
3 important reasons. First, our Japanese parent negotiates
4 the terms of our material requirements.

5 Second, the specific NOES material from the
6 Japanese source was selected to meet a requirement from our
7 customer for a more efficient motor than the previous model.

8 Third, the specific component into which NOES is
9 incorporated, namely the laminations, was designed in Japan
10 and the original dies used to make the component were
11 manufactured in Japan.

12 Finally, die testing was performed in Japan using
13 Japanese material. AK Steel was not a consideration to the
14 original Mitsuba product or process designers. This is a
15 global Mitsuba motor made and sold in several different
16 countries. Material performance was specified in Japan and
17 transferred to the United States.

18 As already noted, we do in fact use material from
19 AK Steel, just not NOES. The component made from NOES is
20 too critical to the function of the motor. The last time
21 Mitsuba looked at AK Steel's NOES product was in 2010. We
22 took the initiative. AK Steel did not approach us. Based
23 on review of AK Steel's own published specifications, it was
24 concluded that its material would cause a decline in our
25 motor performance. The review stopped there. Since that

1 time, AK Steel has never knocked on our door to sell us
2 NOES.

3 Another point I want to make is about competition
4 concerns the production part approval process, or PPAP,
5 P-P-A-P, prevalent in our industry. PPAP is a rigid, well
6 documented and audited risk management qualification
7 process. Under PPAP protocols we do not dictate to the
8 customer the source of our NOES material. Rather, we must
9 submit the specific NOES in the bill of material for the
10 part we are selling to the customer, mainly the motor
11 assembly, for their approval.

12 Once approved, sourcing cannot be changed without
13 customer approval which is a long and expensive process.
14 Thus, periodic price changes in the market are almost
15 irrelevant, as evidenced by the fact that we continue to
16 bear the cost of duties in this case in order to use proven
17 material.

18 As an OEM or supplier manufacturer you are going
19 to remain with the proven material for the lifecycle of the
20 product. Alternative sourcing would only occur in the case
21 of a critical supply disruption. Given this dynamic, AK
22 Steel is simply not competing for the business in which we
23 are engaged.

24 Let me close my remarks with one final statement.
25 AK Steel is causing my company to incur huge costs under

1 circumstances in which they simply do not compete. If AK
2 Steel's claims are upheld by this Commission, these high
3 costs will continue to hurt the company, our employees and
4 our ability to compete in the U.S. market.

5 Nonetheless, AMC will continue NOES sourcing from
6 our current supplier. I strongly suspect there will be
7 very similar responses from other purchasers.

8 That concludes my remarks and I welcome any
9 questions the Commission may have, thank you.

10 STATEMENT OF BRION TALLEY

11 MR. TALLEY: Good afternoon, for the record my
12 name is Brion Talley. I'm the Senior Vice President of JFE
13 Shoji Trade America. JFE Shoji is a trading company
14 handling a variety of steel, including non-oriented
15 electrical steel or NOES. As the name implies, we are
16 affiliated with JFE of Japan, a Japanese producer of NOES.
17 I want to reinforce the points previously made by David
18 Stevens of AMC. We do not service AMC's account, but AMC's
19 circumstances are familiar to us. Indeed, the facts
20 surrounding AMC's sourcing of material are virtually
21 identical to the one of our customers also positioned in the
22 automotive sector.

23 That customer, a U.S. manufacturer affiliate of a
24 Japanese company, is guided in its sourcing decisions by
25 many of the same non-price factors described by Mr. Stevens.

1 I am talking about a design that was 100% Japanese origin,
2 with initial prototype and production occurring in Japan
3 with the die and stamping based on the initial prototype and
4 developed with a specific steel producer and steel type in
5 mind.

6 And these material sourcing terms were negotiated entirely
7 in Japan, without reference to conditions in other markets.

8 As a practical matter, these facts make it
9 virtually impossible for a change to another steel producer
10 and steel type while still utilizing the same dies and
11 stamping. This is because the design equation is far more
12 complex than simple core loss. Various physical properties
13 are taken into account, ranging from yield strength, tensile
14 strength, elongation and flux density.

15 Design will not change during the product life.
16 And because design has set all of these physical parameters,
17 material sourcing is also likely to be unchanged.
18 Otherwise you risk excessive die wear, the need to
19 recalibrate equipment and higher rejection rates.

20 For these reasons, AK Steel does not have a
21 credible claim that it is competing for the business in
22 which we are involved. These are significant volumes that
23 will not go to AK Steel even if the duties continue.

24 One final point, our customer is in the
25 automotive sector and services a major auto manufacturer on

1 a long term contract basis. This application is a critical
2 one serving the operation of the engine an ignition core.
3 This is not a component you want to have fail. Auto makers
4 are highly sensitive to the risks involved, which means they
5 are highly sensitive to material sourcing decisions far
6 beyond the question of price. This concludes my remarks, I
7 would be happy to answer any questions you may have, thank
8 you.

9 STATEMENT OF BRUCE BECKER

10 MR. BECKER: Good afternoon. For the record my
11 name is Bruce Becker. I am a manager in Toyota Tsusho
12 America's Steel Trading Unit, where I handle a number of
13 steel accounts, including accounts involving both
14 non-oriented and grain oriented electrical steels. Thank
15 you for allowing me to come before the Commission again,
16 this time for the NOES case. I hope I can help underscore
17 a handful of key points concerning competition in the U.S.
18 NOES market.

19 The first point I want to make is that AK Steel
20 does not make specific grades and specifications required by
21 my customers in the electrical transformer manufacturing
22 industry. I want to be clear about this. Specifications
23 for specification AK Steel falls short of the competition.

24 A clear example of this reality includes a
25 product from Japan I handled for a particular account. The

1 product in question - - 35JN210 produced by JFE Steel has no
2 comparable counterpart produced by AK Steel. JFE
3 introduced this product in 2005. The most comparable AK
4 Steel product is what they call DI-MAX M10X.

5 The preliminary product data bulletin for M-10X
6 was not published by AK Steel until June 18, 2014. A simple
7 comparison of published specifications reveals that JFE's
8 product has better core loss performance. This JFE product
9 actually serves as a substitute for M-6 grade GOES in
10 certain transformer applications.

11 AK Steel does not compete for that business,
12 rather its M-10X product falls somewhere in between lower
13 specifications offered by JFE that have also been in the
14 market for a number of years. This is just one example. I
15 am certain there are others that vary from mill to mill.

16 The bottom line is that non-price factors drive
17 purchasing decisions in this market. My experience with
18 offshore suppliers like JFE is that they offer better
19 quality and consistency in their product and that this is
20 important to customers. This is consistent with what I see
21 in the Commission's staff report in terms of how purchasers
22 and importers characterize product from Japan.

23 As a purchaser, when you are making
24 product-critical components, then you place a greater
25 premium on intangibles of a supplier. I would say that

1 this is precisely what is happening here. Customers have
2 demanding requirements - - both technical and intangible and
3 certain offshore suppliers have better track record in both
4 fronts.

5 Let me illustrate with the example of a former
6 customer who purchases NOES from JFE Steel. That customer
7 is a global transformer manufacturer with a number of
8 factories in the USA and in Mexico and numerous similar
9 facilities that cover markets everywhere in the world.

10 Each market has different regulations, standards
11 and market conditions that require specific grades of
12 electrical steel to be available in their supply chain.
13 Every year this manufacturer invites global steel supply
14 sources to participate in regional supply negotiations.
15 Every year, for every one of their regions, AK Steel is not
16 invited. They are not invited because they cannot produce
17 the NOES that it requires.

18 When this customer learned of AK Steel's Petition
19 on NOES it was so concerned that it would lose access to
20 this important material that it moved its production process
21 to Mexico. There it is able to import the Japanese NOES
22 that it requires to make its products at its customers
23 demand.

24 I say this to make one point. An affirmative
25 determination by the Commission on behalf of AK Steel will

1 not change this customer's source of material. There will
2 be no inquiries from this customer to AK Steel concerning
3 the NOES it sells. This customer has gone to the trouble
4 and expense to move its production to Mexico, and it will
5 not bring it back to the United States.

6 If AK Steel does eventually make a grade of NOES
7 similar to the material that they currently used, AK Steel
8 would have to export this material to Mexico.

9 Please also consider that the end product in this
10 case is an electrical transformer or motor, or ballast, or
11 some electrical machine that needs electrical steel to
12 convert electrical current into magnetic flux. The end
13 products are also products that are available
14 internationally. Buyers of these devices have global
15 sources with which they can compare price, delivery lead
16 times, performance and quality.

17 They will not be forced into supply arrangements
18 based on AK Steel's actions here, particularly if it
19 requires the use of inferior material that makes their end
20 products uncompetitive.

21 In conclusion, AK Steel is not a participant in
22 the market for high-grade NOES and therefore it does not
23 have a domestic like product grade to compare with imports
24 from JFE Steel.

25 Thank you for allowing me to make my comments

1 before you today. I would be happy to answer any questions
2 you may have.

3 STATEMENT OF MICHAEL SCHMIDTZ

4 MR. SCHMIDTZ: Good afternoon. I am Michael
5 Schmidt, head of North American NOES sales for Thyssenkrupp
6 Steel Europe. Is it better?

7 Thyssenkrupp has been selling NOES in the U.S.
8 market for a long time, nearly three decades. We have a
9 few longstanding U.S. customers who need certain high
10 quality NOES products. The vast majority of our NOES sales
11 to the U.S. market involves product that AK does not offer
12 to our customer.

13 I will briefly highlight three products
14 Thyssenkrupp supplies to its U.S. customer that AK doesn't
15 supply.

16 First our largest U.S. customer is Siemens
17 Energy, requires our NOES for the high quality laminations
18 it uses to make its generators. Siemens requires NOES that
19 meets its internal specifications.

20 This customer has a very specific qualification
21 process which must be met before it will be purchased.
22 NOES from the supplier to this purpose in our case, the
23 qualification process takes a long time and is expensive.
24 Thyssenkrupp is qualified to provide this material to this
25 customer both in the United States and worldwide as part of

1 Siemens global sourcing strategy.

2 As far as we know, AK Steel has never met the
3 qualification process therefore AK does not compete for
4 these sales.

5 Second, Thyssenkrupp also makes and sells to the
6 United States non-coated material in a width of more than 48
7 inches for magnetic shieldings of medical equipment.
8 Domestic suppliers do not offer this material. In fact we
9 were at AK at meetings in morning, they do not produce a
10 width more than 48 inch.

11 Finally Thyssenkrupp also supplies certain NOES
12 grades with special coating such as organic pigmented and
13 organic and bonding lacquer. AK does not supply this kind
14 of coatings.

15 In short, nearly 75% of the NOES we sold to the
16 U.S. during the investigation period was not offered by AK
17 Steel.

18 For this reasons, German NOES imports also do not
19 threaten injury to AK Steel. Germany exports different
20 products than those supplied by AK Steel. German import
21 volumes have been historically small, and they declined
22 significantly even before the Petitions were filed in this
23 case. Siemens shifted much of its stamping operations back
24 to Germany in 2012, and we have similarly shifted those U.S.
25 sales to Germany.

1 This, coupled with Germany's high capacity
2 utilization further ensures German NOES exports to the U.S.
3 will remain small in the future. Thank you.

4 STATEMENT OF MATTIAS GIERSE

5 MR. GIERSE: Good afternoon, I am Mattias
6 Gierse, chief sales officer for CD Walzholtz, also called
7 CDW. I have been involved -- so do you read me? Okay.

8 CDW began selling NOES in the United States in
9 1996 and since that time has sold stable volumes of
10 higher-end NOES to only a small and stable group of
11 customers. Our market share never has climbed above low
12 single-digits and we have not sought to expand upon this
13 through unfair pricing.

14 In recent years, our sales maily have been to a
15 single customer - - Siemens - - and most of these sales have
16 been of a highly specialized, high permeability product that
17 is manufacturered to a Siemens specification that AK Steel
18 does not produce.

19 AK Steel has claimed that it is capable of
20 producing a high-permeability of HP product through
21 two-staging. But the grades listed in AK Steel's brief do
22 not meet Siemens' specifications and regardless of AK
23 Steel's theoretical capabilities, the fact is AK Steel never
24 has made such an HP product. Siemens' written comments in
25 this proceeding make that clear.

1 In addition, our HP supply is one component of
2 the broader supply agreement with Siemens. CDW and Siemens
3 together spent considerable time and resources on a joint
4 effort to develop the product for Siemens' specific
5 applications. CDW is qualified to supply Siemens in Europe
6 and the United States with the same product and our close
7 technical cooperation in improving this product remains
8 ongoing.

9 For these and the other reasons identified in our
10 brief, we are not a direct competitor of AK Steel and we
11 cannot see how the German industry's small volumes of
12 specialized products present any threat of injury to AK
13 Steel.

14 On the question of critical circumstances, it is
15 again difficult to see how CDW's imports after the Petition
16 was filed could have any impact on AK Steel, much less
17 seriously undermine the effectiveness of any antidumping
18 order.

19 Our shipments during the months following the
20 Petition were made for reasons unrelated to the Petition,
21 and for the most part were for sales to customers that AK
22 Steel is not qualified to supply. Also, our imports from
23 Germany during this period accounted for a very small share
24 of the total U.S. market - - and they declined dramatically
25 in the first half of 2014.

1 As a result, our inventories in the United States
2 of NOES from Germany have been reduced to a level that is
3 insignificant for almost any measure.

4 That concludes my testimony, thank you for your
5 attention.

6 STATEMENT OF STEVEN HUANG

7 MR. HUANG: Good afternoon my name is Steven
8 Huang. Deputy general manager of the steel department of
9 Baosteel America. I have been in this position for six
10 years and am familiar with the NOES market both in the
11 United States and globally.

12 Baosteel is the largest producer of the NOES in
13 China and the largest exporter to the United States. So
14 first, China poses no threat to the U.S. industry. Also if
15 injury is found, the Commission shall not find the critical
16 circumstance as to China.

17 First, exports of NOES from China do not pose a
18 threat to the U.S. industry. This is one of the real
19 occasions when a Chinese producer is before the Commission
20 discussing decreasing exports from China. Exports from
21 China went down 22% from the year 2011 into 2013 and now
22 continue to decline.

23 The reason that the exports today to the United
24 States have decreased and in my view will continue to
25 decrease is that demand in the United States has decreased.

1 Baosteel is a global company and most of our customers are
2 global as well.

3 For the most part, we do not compete with AK
4 Steel which is why we cannot pose a threat. Our customers
5 have designed our products into their applications globally.

6 They purchase from us in the United States because they
7 adopt the same specification that is used in other Asian
8 countries and markets.

9 One practical reason that AK Steel does not
10 compete for these sales globally is that their product is
11 not sold based on the metric measurement and cannot be a
12 global supplier.

13 There would not be any increase in export to the
14 United States in the foreseeable future because this
15 customer is moving production overseas. And we see a high
16 probability for decreasing exports into the United States in
17 the foreseeable future. Moreover, Baosteel's capacity
18 utilization is quite high and we expect that it will
19 continue.

20 Even if demand in the United States would
21 increase significantly, Baosteel will not have the material
22 to ship significantly additional quantities to the United
23 States. The best evidence of this is that in the last
24 several years when exports to the United States have
25 decreased as material went elsewhere.

1 Second, in the event that the Commission finds a
2 material injury in this case it should not find a critical
3 circumstance as to China. While the DOC found massive
4 imports, it had no real data of which to make its
5 determination. The Commission has the real data.
6 Comparing the six months before and after the Petition was
7 filed, it shows that imports from China decreased by 34%.

8 Moreover, increased inventory are not presenting
9 this case. Finally, Baosteel's import agreed 2014 were
10 never sold in the United States but they were exported to
11 Mexico and therefore could not undermine the effectiveness
12 of their order if one is imposed.

13 For these reasons the Commission should not find
14 a critical circumstance, I will conclude my speech, thank
15 you.

16 STATEMENT OF SOICHI YONEZAWA

17 MR. YONEZAWA: Good afternoon Commissioners, my
18 name is Soichi Yonezawa I'm a general manager of electric
19 steel sheet division of Nippon Steel and Sumitomo Metal
20 Corporation. I am here today to make a few key points
21 about shipments from Japan.

22 One key point relates to capacity. You have the
23 specifics about Japanese capacity. I just want to
24 underscore that the available capacity in Japan has never
25 before led to increased exports to the United States. The

1 reason is quite simple, Japanese mills have not and will not
2 ship to the U.S. market just to achieve volume for volume
3 sake. That is not our business approach.

4 Rather our strategy is to establish long and
5 stable relationships with customers by selling high quality
6 products that meets specific customer needs. Our shipments
7 therefore, closely track these customer's needs.

8 Another key point relates to the unique
9 characteristics of our products. Sometimes our NOES has
10 performance characteristics that AK Steel cannot match.
11 Other times we have developed specialized NOES for a single
12 customer's specific needs.

13 For example, we make NOES used for super high
14 efficiency motor cars for automobiles. Obviously in such
15 cases no one else is supplying the product that we make.
16 This particular dedication to meeting specific customer's
17 needs is the key to our success in the United States market.

18 Although our experience in this product has shown
19 that building long-term supply relationships is the only way
20 to remain competitive. This is why in the past three years
21 we have not expanded our customer base in the United States.

22 We have simply focused on those customers we have served
23 for the past several years, thank you.

24 STATEMENT OF HIROYUKI AZERYANAGI

25 MR. AZEYANAGI: Good afternoon. For the record,

1 my name is Hiroyuki Azeryanagi. I'm a staff manager with
2 JFE Steel Corporation.

3 I want to explain why there's no justification
4 for an affirmation critical circumstances finding against
5 the Japanese mills. My explanation is based on actual
6 experience of how Japanese NOES is produced and exported to
7 the United States.

8 The Japanese mills only export NOES that is
9 produced according to a specific customer order. The
10 Japanese mills do not produce for inventory; rather 100
11 percent of NOES production is made-to-order to meet a
12 specific customer need.

13 For U.S. sales, the U.S. customer gives a
14 purchase order to the trading company and the trading
15 company then places the order with the Japanese mill. The
16 agreed upon delivery time in the purchase order is based on
17 the typical time it takes to produce the NOES and then
18 shipped that steel by ocean freight to the United States.

19 For JFE, the average amount of time from
20 customer's order until the NOES enters the United States is
21 five months. What this means is that the overwhelming
22 majority of imports after the petition was filed were
23 actually ordered five months earlier. My understanding is
24 that each of the trading companies have provided a
25 transaction-by-transaction import list demonstrating this

1 fact.

2 Since the overwhelming majority imports that
3 entered the U.S. after the petition was filed was ordered
4 before the petition, it is impossible to conclude that the
5 petition caused these imports and therefore there is no
6 justification for an affirmation critical circumstances
7 finding. Thank you for your attention.

8 STATEMENT OF PAUL CHU

9 MR. PAUL CHU: Madam Chairman and members of the
10 Commission, my name is Paul Chu. I'm an administrator in
11 the Marketing Administration Department of China Steel
12 Corporation, which is the sole producer of NOES in Taiwan.

13 While the United States is an important market
14 for CSC, the United States is not a major market for us.
15 Sales to the United States represents less than 2 percent of
16 China Steel's sales of NOES. Taiwan is CSC's major market.
17 CSC also has sizable and growing markets in China, India,
18 and Thailand. Our exports to Asia are particularly
19 important because these exports are tied to the development
20 of economies in these countries. As production of motors
21 and generators of varying sizes have grown in these markets,
22 our exports have expanded.

23 In the first half of 2014, CSC added a new
24 annealing and coating line that is expected to increase our
25 capacity by approximately 100,000 metric tons by the end of

1 2014. The purpose of this expansion is to enable CSC to
2 produce thinner gauge NOES as low as .15 millimeters. CSC
3 cannot currently produce these thinner gauges and they are
4 important to maintain our competitiveness going forward.
5 These thinner gauges will be used primarily for high
6 efficiency motors. Thank you for your attention and please
7 let me know if there are any questions.

8 MR. CAMERON: Madam Chairman, that concludes our
9 presentation. Thank you very much for your attention.

10 We have all sorts of people who want to talk, but
11 I think that we ran up against the clock and we're about
12 done.

13 CHAIRMAN BROADBENT: Okay. And we thank you all
14 for coming today. It's been very helpful, and especially if
15 you had to fly in from afar.

16 This afternoon we'll begin our questioning with
17 Commissioner Johanson.

18 COMMISSIONER JOHANSON: Thank you, Chairman
19 Broadbent. And I would also like to thank all of the
20 witnesses for being here today. It is apparent that a
21 number of you traveled a long way, and we appreciate you
22 being here to educate us further on the subject of NOES.

23 My first question deals with an issue that I
24 spoke at some length this morning. That is the issue of
25 possible quality and supplier concerns posed by AK Steel.

1 And this puts us in a difficult position because we've heard
2 today, this afternoon, and also in your pre-hearing brief a
3 number of concerns about supplier issues of AK Steel, the
4 Petitioner.

5 However, if you look at the staff report at page
6 241, and this is all public, it mentions that most
7 purchasers reported that U.S. and subject product were
8 comparable on most factors, and there are a few other
9 gradations of that sentence if you look below that one.
10 They're basically saying the same thing. And then also if
11 you look at the chart on the next page, Table 210, it lists
12 the Respondent companies and talks about -- compares the
13 products to those companies in the area of delivery time, in
14 the area of quality meeting industry standards, in the area
15 of reliability of supply, comparing the U.S. product and the
16 importer product. And in this case, the U.S. product is
17 solely that of AK Steel. That is the sole U.S. producer.

18 And if you look at this chart, it basically
19 states at almost across the board the U.S. product,
20 according to the Respondents' questionnaires, are comparable
21 or in some case better and some cases not as good, but on
22 the whole it's listed as comparable. So once again, this
23 puts us in kind of a difficult position because we've heard
24 today about quality problems and reliability problems of the
25 domestically produced product, but it's not reflected in the

1 staff report.

2 Could you all maybe expand upon this, and this
3 might be best answered by the attorneys since you all are
4 familiar with the ITC questionnaires?

5 MR. PORTER: Commissioner, I'll start, and I'm
6 sure my fellow counsel will follow up. This is just, I
7 think, a classic issue that the Commission often faces
8 between a general question, one that I believe you had to
9 just sort of check a box "yes" or "no," and very specific
10 examples offered by purchasers, many of whom are here today
11 of their actual, direct experience. And so, yes, the staff
12 report has dutifully tabulated those who have checked a box
13 when asked a very general question. But I would submit that
14 the more specific evidence is more relevant to your question
15 than the more general.

16 COMMISSIONER JOHANSON: All right. Would anyone
17 else like to comment? Don't feel like you have to. I know
18 there're a lot of you out there.

19 MR. CAMERON: Don Cameron. Commissioner, I agree
20 with Dan on this. The only thing that we can do, and what
21 we've attempted to do here, is to bring specific buyers here
22 to talk about the real world experience. It's one thing to
23 fill out a questionnaire in the abstract, and it is another
24 to actually talk about what really has happened.

25 The witnesses that we have, the experiences that

1 they've given you, they have the evidence to support that
2 and they intend to supply it in the post-hearing brief,
3 specific references made this morning to Nidec and basically
4 they said, you know, we keep going back to Nidec. They
5 don't buy from us, but there's no reason other than price.
6 And we constantly meet every one of their requirements and
7 it gets turned down because of price.

8 Well, that's clearly not true, and we have the
9 data to back that up. Mr. Stewart from Laminated
10 Specialties showed there are specific examples of rejected
11 material. We heard this morning that there are no
12 rejections. Well, okay, I understand that that statement's
13 been made, but we have real-world examples. So, I think
14 that this is something real that you have to look at, but
15 you know that's the reason you have the hearings.

16 You have the hearings in order to assess the
17 veracity of the witnesses and to see -- you've got a staff
18 report, but frankly there are places in the questionnaires
19 that do support exactly what these witnesses are saying.
20 So, the staff report is giving you a general summation of
21 the questionnaires. Many of the questionnaires actually do
22 not necessarily agree with the overall conclusion, so that
23 would be where I come out on that. I don't know if anybody
24 else has anything to say.

25 MR. PLANERT: Will Planert from Morris Manning.

1 I mean just one other point to follow up on that. I think
2 sometimes these questions and what our witnesses are talking
3 about pass each other. In other words, one of the questions
4 you alluded to is "Meets industry standards." Well, to the
5 extent that everybody can produce to ASTM spec you would
6 say, yeah, it's comparable. They all meet industry
7 standards. But what some of our witnesses have talked about
8 is well, okay, what is it that we need for our customers?
9 And it may meet the ASTM standard, but as Mr. Stewart talked
10 about, you know, if the coating that he's buying has voids
11 and other problems and his customers are saying, "I don't
12 want this," telling him, well, it meets ASTM standards
13 doesn't really help him. So, I think to some extent we're
14 talking about different things here.

15 COMMISSIONER JOHANSON: Right. I understand
16 that. And thank you for your responses. I guess the fact
17 that stuck out most to me in Table 210, which is the
18 reliability, of supply because we're hearing something
19 completely different today from the witnesses, the
20 Respondent witnesses. So, if you all could maybe beef up,
21 perhaps, your arguments -- not beef them up, but give
22 specific -- how shall I put it?

23 MR. PLANERT: That was fine, Commissioner, but
24 Mr. Beuc actually does have something that he wanted to add.

25 COMMISSIONER JOHANSON: Okay. And then I had one

1 more thing, just to follow up on this. Yes.

2 MR. BEUC: Yeah. Right, touching on the
3 reliability of the supply network. We bought direct from AK
4 definitely at one of our facilities, and the amount of
5 energy and time that our people have to sit and watch and
6 hope that the steel comes in, not the week that we need it
7 and not a week after it. When we started looking for the
8 alternatives, the ease of doing business was mind boggling
9 because that is part of what the other solutions and sources
10 do. And so the reliability hurt us, made us uncompetitive.
11 We would have to switch production schedules because this
12 width, this size wasn't here.

13 And yet, when we award business to a partner, we
14 do not change every month supply because of a penny. You
15 talk to most steel mills in the USA, and if they're on one
16 of our programs they're on it and they get 100 percent. We
17 win together. If they shut us down, we're shutting the
18 market down and our customers down, so reliability was an
19 issue before the POI, but we've moved the supply network too
20 so that does not become an issue any more.

21 COMMISSIONER JOHANSON: Mr. Beuc and Mr. Weisheit
22 as well, and any other ones, if you could provide
23 correspondence, et cetera, if you have that to further
24 elaborate on what you say that would be helpful.

25 And yet, another question for you. The response

1 given by -- I believe it was given by Petitioners this
2 morning was that, well, if this is indeed the case, if AK
3 Steel has all these issues, why does your product cost more?
4 Why does your product cost less, other products cost less?

5 MR. WEISHEIT: Mark Weisheit with Nidec. The
6 fact of the matter is the price we pay today is higher than
7 what AK has quoted to us in the past because of all of the
8 additional services they left off the table. So, when we
9 talk about the reasons for our sourcing decisions, price, in
10 fact, is not a point at all. We don't even get to the point
11 of looking at price because we need what we need when we
12 need it in a form and fashion that we need it, and they've
13 simply refused to offer that.

14 COMMISSIONER JOHANSON: All right, thank you for
15 your responses. My time is about to expire.

16 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

17 COMMISSIONER SCHMIDTLEIN: Thank you very much.
18 And I'd also like to thank the witnesses for coming today,
19 especially, the ones that have traveled a long distance,
20 foreign producers as well as the importers. It's very
21 important that you all participate in this process. And it
22 does concern me in some cases where we see a real lack of
23 participation, especially on the Respondents' side in some
24 cases.

25 But anyway, I'd like to go back to the topic that

1 I talked to the Petitioners about, which is the CRML
2 product. And the first question I have I think is best for
3 counsel, which is, if I understand correctly, you're no
4 longer arguing that CRML is a domestic-like product.
5 Correct?

6 MR. PORTER: This is Dan Porter with Curtis.
7 Yes, essentially, our position is that it doesn't matter,
8 okay. That you can either say that it includes CRML, in
9 which case you would have a tremendous intra-industry
10 competition, or you can say it is a separate like product,
11 in which case you're having competition from a substitute
12 product.

13 Our view is that it was important to get the
14 information, but we feel that it is actually, quite
15 honestly, a bit of wasted time and energy sort of debating
16 this. In our view, we win either way.

17 COMMISSIONER SCHMIDTLEIN: So, this was going to
18 be my follow-up question in terms of the criteria that the
19 Commission normally looks at when determining a
20 domestic-like product. Do you think CRML falls out under
21 any of those criteria? And if so, which one or which two?

22 MR. PORTER: Again, our position is we don't
23 think that's a useful way of going about it. We recognize
24 the Commission has to define the like product, and we
25 recognized that this was an issue. But after looking at all

1 the data and talking to all these customers we feel it was
2 one of those issues that wasn't worth fighting about.

3 What we are saying is that CRML is very much a
4 substitute product for small motor manufacturers and that
5 when they are about to build the small motor -- sorry -- a
6 variety of motors -- my colleague is correcting me -- but it
7 does appear a lot in small motors.

8 When they're about to build the motor, they have
9 a choice. They can use CRML and have certain tradeoffs, or
10 they can use NOES and have others. And it is not just
11 counsel making this argument. I refer you to -- which is
12 confidential -- Exhibit 5 of our pre-hearing brief. And if
13 you have it in front of you, I would love for you to pull it
14 out right now and look at that. This is a presentation by a
15 large purchaser. And if you just skim through the first few
16 pages, it screams out that CRML and NOES overlap, depending
17 on the application. That's our point.

18 MR. CAMERON: Commissioner, just for the record,
19 I mean we're more than happy to provide you an analysis in
20 the post-hearing brief of the factors, the like product
21 factors. We do think that it does qualify as a like
22 product.

23 That being said, the point that Dan is making is
24 our case doesn't hinge on this being a like product or not.
25 In other words, you know, you have a lot of cases that come

1 before you where the Respondents are banging on the table
2 this has got to be a like product. And the reason they're
3 doing it is because if you don't consider it in the like
4 product they're toast. Right.

5 Well, that's not what our situation is. What
6 we're saying is it's clearly a condition of competition.
7 You heard the testimony this morning from Petitioners that
8 it's a condition of competition. I mean they dance around
9 it, but ultimately once you pressed them on it, it was, well
10 yes, people use CRML in many of these applications. Well,
11 that's the point. And we do have instances, as Mr. Weisheit
12 testified this afternoon where we do have switches.

13 And they're saying, well, this is all
14 speculation. We don't think it is speculation. So, we will
15 be glad to provide that in the post-hearing brief, but the
16 point being that, yes, we do think it qualifies, but we're
17 not hinging our case on that. And it's either a like
18 product, or it's a condition of competition and that really
19 is the point.

20 COMMISSIONER SCHMIDTLEIN: Then how do you
21 respond to the fact that 5 out of the 19 purchasers said
22 that they thought CRML was a substitute for NOES, but 14 of
23 them said there was no substitute for NOES?

24 MR. CAMERON: Actually, 14 did not say there was
25 no substitute for NOES. Many of the 14 left that question

1 blank. Because one of the 14 that left the question blank
2 is sitting next to me, and actually he will also talk about
3 CRML.

4 MR. MCCULLOUGH: Commissioner Schmidtlein, I
5 think also one other point that Mr. Planert talked about it
6 all depends on the question and who you're asking it to
7 because you maybe asking a purchaser who's dealing on a
8 range of the continuum where they don't handle CRML anyway
9 and so they wouldn't even know -- they may be looking at the
10 question and considering whether CRML is a substitute for
11 their application, right. But depending on who the
12 purchaser is and what they're making, CRML is very much a
13 substitute.

14 COMMISSIONER SCHMIDTLEIN: And the fundamental
15 question is, so how much of the market do you think CRML can
16 substitute for? I asked this question of the Petitioners.
17 When you look at what's been calculated as the apparent
18 consumption or demand for NOES what is your position on how
19 much of it -- because I assume that it doesn't substitute in
20 all application of NOES.

21 MR. WEISHEIT: Mark Weisheit with Nidec.
22 Certainly, the majority of product made with electrical
23 steel are smaller motors. You tend to make a lot of smaller
24 alternators, generators, power transformers, and fewer of
25 the larger ones. Of total tonnage out there in North

1 America today probably 60 to 70 percent is made with mid to
2 low-grade NOES, which can be substituted with high-grade
3 CRML today.

4 COMMISSIONER SCHMIDTLEIN: And you think that
5 over the POI that there have been potential NOES sales lost
6 to CRML.

7 MR. WEISHEIT: Yes, we've done it ourselves. I'm
8 aware of six competitors that have done the same.

9 COMMISSIONER SCHMIDTLEIN: So, then why don't I
10 see an up tick in the information that was gathered on CRML?
11 Why don't I see an increase there if they're stealing sales,
12 taking sales from NOES why don't we see any increase in that
13 in CRML?

14 MR. BEUC: Well, as Mark had said it's a huge
15 market, especially on the cold rolled motor line, and
16 depending on the region too. You know you go to -- versus
17 Europe and the flipping back and forth, the substitution it
18 could also depend on the region and what they're strong at
19 in making NOES or making cold rolled motor line.

20 I mean I think our market for motor lam with
21 three main suppliers is 60 percent, cold rolled motor lam 20
22 percent NOES and 5 to 10 percent PO when it goes in the
23 trainer, you know NAFTA.

24 MR. CAMERON: What we'll do is -- at least from
25 our witnesses, what we'll try to do is get their percentages

1 and see how they have moved over time and see if we can get
2 you some useful data on that.

3 I mean as far as the question of the aggregate I
4 can't tell you the answer to that, other than the market was
5 down and these are big numbers. But what we can do is we
6 can talk about specifics and see whether that helps.

7 COMMISSIONER SCHMIDTLEIN: That'd be great.
8 Thank you very much. I mean this is sort of along the same
9 lines -- I'm sorry. Did someone else want to -- there are
10 so many of you out there?

11 MR. PORTER: I'm sorry. I just want to make sure
12 the point is very clear. You're asking why you don't see an
13 increase in CRML shipments, and it really is a scale. If
14 you have something, and it is common knowledge that CRML is
15 multiple times NOES, so I very small movement which would
16 maybe not be noticeable with CRML can have a huge effect on
17 NOES. And so that's why you may not see it as much in the
18 CRML data, but you are seeing it in the NOES data. It's a
19 very, very, very different scale thing. It may be a
20 one-to-one individual basis, but CRML is multiple times the
21 NOES volume.

22 COMMISSIONER SCHMIDTLEIN: I appreciate that
23 point. Well, I'm just about out of time, but I'll ask this
24 question anyway. In terms of the argument, you know we've
25 heard today statements from the various witnesses that they

1 need an alternative source of NOES. And based on your
2 statement that 60 to 70 percent of the lower grade, I think
3 is how you described it, is substitutable with CRML.

4 So, my question is, aren't those two statements
5 slightly -- if not inconsistent, how do you reconcile those
6 because isn't the point that if you need an alternative
7 source then CRML could be that alternative source for you?

8 MR. WEISHEIT: Again, I can only speak on behalf
9 of Nidec. Most of our recent designs in engineering have
10 gone either way because there are four active materials in a
11 core. We have one set of parameters to use NOES with
12 different amounts of copper and aluminum permanent magnets.
13 And in the case where we flip over and use more CRML
14 material, we just adjust the other three. It's always a
15 balance of all four. It's never just the steel.

16 COMMISSIONER SCHMIDTLEIN: Okay, my time is up.
17 Thank you.

18 CHAIRMAN BROADBENT: Can you guys talk just a
19 little bit about these things that you sent up to us?

20 MR. STEPHENS: Could you repeat the question,
21 please?

22 (Laughter.)

23 CHAIRMAN BROADBENT: I don't even have an
24 intelligent question to ask about this thing.

25 MR. STEPHENS: We call that a PM-10. It is a

1 cooling fan motor. It's attached to a plastic ejection mold
2 and cooling fan, and the two are put into a radiator system.
3 There may be two in a radiator system, usually are.

4 So, we sell that cooling fan and the cooling fan
5 motor both to our customer who puts in radiator system, a
6 radiator system, then install it to their customer, which is
7 the OEMs who are making the vehicle.

8 CHAIRMAN BROADBENT: Okay.

9 MR. STEPHENS: And just as a point of reference,
10 as I indicated the change, the laminated core that you see
11 there that's a key part of this.

12 CHAIRMAN BROADBENT: I'm sorry. The laminated
13 core is where?

14 MR. STEPHENS: In the inside.

15 CHAIRMAN BROADBENT: We have two. One is open.
16 One isn't.

17 MR. STEPHENS: The stacked laminations where are
18 they at?

19 CHAIRMAN BROADBENT: He's trying to walk off with
20 it, I think.

21 MR. STEPHENS: Please, my engineers want it back,
22 and I can't let it go to the competitors either. But the
23 lamination that goes in the armature -- the armature you've
24 got --

25 CHAIRMAN BROADBENT: Do you want to come up?

1 MR. STEPHENS: I beg your pardon?

2 CHAIRMAN BROADBENT: You want to just come up,
3 and you can point it to us. It'll be probably easier.

4 MR. STEPHENS: This is the finished motor. And
5 where it's indicated the primary components that have to do
6 with different materials, being steel and copper and
7 magnets. This is the stator unit. It's starts out as a
8 stamping and that stamping material is actually from AK
9 Steel. It's cold roll 1.2 millimeters done on a deep
10 hydrolytic press that creates the yoke or this bowl, if you
11 will. The other part's stamped out. All these perforations
12 are put in there for heat loss. The previous model didn't
13 need that. The customers came to us, and then again to
14 finish the inside and in the inside you see affixed magnets.

15 Now, the real brains of the motor, of a
16 mechanical motor -- there's lots of kinds of motors ^^^ is
17 the armature assembly, which is the windings and all the
18 rest of it. What we're talking about today is these
19 laminations. You've heard the phrase "laminations" many
20 times. You see all the different layers? Each one of those
21 is lamination. And this is a stacked core lamination. It's
22 run through a high-speed press. It's about 200-ton or
23 250-ton press, and it's very fast, about 350 strokes per
24 minute.

25 Each time it's doing that, it's stamping out one

1 lamination. You've got strip stock. You've heard about how
2 wide it can be. It's slit down. Goes into a mill -- goes
3 into a press rather. This could be smoothed out. It needs
4 to be good, consistent dimensions so there's not waviness.
5 If you've got NOES, AK's NOES were twice as the NOES of my
6 supplier. So, you can have different thickness.

7 Now, I've got a problem with the dye. So, that's
8 stamping out one lamination at a time, and you see the
9 little perforations, it's now staking them. It's a
10 mechanical staking process that's holding that together. If
11 you took that -- please don't -- but if you took your
12 fingernail, you could pry it apart. So, it's stacked
13 together until it goes into this process. It's a high-speed
14 wire winding process. It's almost blindingly fast. It's
15 amazing what goes on here.

16 So, copper, the motors, the electrical input,
17 it's got to be generated into an output. And in this case
18 our customer required a more efficient product than the
19 previous generation. We did that by getting perforations
20 for heat and we did it by changing. The previous product
21 was cold rolled. We couldn't use cold rolled any more. Had
22 to use NOES. Since it's designed by Japan, and Japan uses
23 the NOES. And as I say, this is also a global motor, so it
24 was spec'ed out for us. We have no say whatsoever and where
25 we get it. So, that's a quick, little teaching about the

1 motor itself. Anything else?

2 CHAIRMAN BROADBENT: Thank you, Mr. Stephens.

3 Really, really appreciate it.

4 MR. STEPHENS: Thank you.

5 (Applause.)

6 CHAIRMAN BROADBENT: In some of the uses for
7 NOES, and Mr. Stephens was alluding to some changes that
8 they're dealing with. I mean, overall, are the
9 manufacturing processes getting much more complicated. Are
10 you expecting more from your suppliers than maybe you did 10
11 years ago?

12 MR. STEPHENS: Constantly. Continuous
13 improvement, as you mentioned -- the guy from Emerson
14 mentioned -- continued improvement, especially the auto
15 industry, it's constant. And the customers constantly want
16 a smaller, less expensive, much smarter motor. Extremely,
17 extremely challenging.

18 CHAIRMAN BROADBENT: And is there frustration for
19 how the domestic industry is responding to some of these new
20 demands?

21 MR. STEPHENS: I'm sorry. I'm having trouble
22 hearing you.

23 CHAIRMAN BROADBENT: I'm just trying to figure
24 out where the frustration is with the domestic industry, and
25 whether it is having to do with not being able to meet the

1 new standards, or how would summarize what's going on with
2 the domestic industry?

3 MR. STEPHENS: The domestic auto industry or the
4 domestic NOES industry?

5 CHAIRMAN BROADBENT: The Petitioner.

6 MR. STEPHENS: Well, in our case we use a lot of
7 AK Steel, cold rolled, and it's fine. We buy it through
8 splitters. We don't have real direct relationship with
9 them, which is common in our industry. But as I indicated,
10 this was designed by the parent company. It's going to be
11 global motors, so it's going to use this material out of
12 Japan, which meets our specifications.

13 However, as I indicated, we're responsible for
14 North America, so we're also looking at localization. What
15 can I get locally, regionally, as one person mentioned it?
16 So, we did go out to the AK specs and looked at a comparable
17 material. There was no specific comparable material, but
18 the closest comparable material, one is a different
19 thickness. Ours is .50 and theirs was .47. That's somewhat
20 problematic. Again, because the stamping those are
21 mechanical properties, but fundamentally when we looked at
22 the electromagnetic properties the typical, as you hear
23 about core loss, and I'm not going to explain what that is,
24 but the core loss is one of the keys, not the only key, but
25 one of the keys into a motor design.

1 When you looked at the electromagnetic properties
2 between our current material, our current NOES material and
3 the most comparable AK Steel the AK Steel had a more severe
4 core loss. So, if your customer says we need to improve
5 your performance significantly. We jump through the hoop to
6 make that happen with design changes and product changes and
7 process changes, raw material changes, and then let's say
8 someone forces us to do this, or we are looking to be more
9 competitive, financially, in North America or I want to get
10 out of the Yen exchange, the Yen- dollar exchange risk,
11 which is one reason we localized, so we pursued that. But
12 we looked at their specifications. We can't go backwards,
13 so I couldn't use their material.

14 First of all, it's not one-to-one comparable, and
15 I couldn't use their material for the electromagnetic
16 property purposes alone. Then we looked at mechanical
17 properties. It was the same story. I currently have a far
18 superior product than I could get from AK in NOES.

19 CHAIRMAN BROADBENT: Other specific Department of
20 Energy regulations that will increase the demand for NOES?

21 MR. ESTES: In 2016, transformer manufacturers,
22 like ourselves, will have to meet substantially tighter
23 efficiency requirements.

24 CHAIRMAN BROADBENT: Sir, could I just interrupt.
25 Could you say your name for the record?

1 MR. ESTES: I'm sorry. Bill Estes with Emerson.

2 CHAIRMAN BROADBENT: I'm sorry to interrupt. Go
3 ahead.

4 MR. ESTES: Yes, in 2016, transformer
5 manufacturers -- today we're using a fair amount of cold
6 rolled motor laminations in those applications. And our
7 current thinking is that we're going to have to go
8 completely to NOES or NOES-type material, so yes. The
9 answer to your question is, yes, there are some fairly
10 significant changes coming.

11 CHAIRMAN BROADBENT: But that should increase the
12 demand for NOES?

13 MR. ESTES: Yes.

14 CHAIRMAN BROADBENT: Okay. All right, Vice
15 Chairman Pinkert?

16 VICE CHAIRMAN PINKERT: Thank you, Madam
17 Chairman. And I join my colleagues in thanking all of you
18 for being here.

19 I believe that in your opening statement you
20 emphasized the jump in non-subject imports toward the end of
21 the period. And I asked the Petitioners earlier today what
22 to make of that and they gave their answer, but I'm not sure
23 what you wanted us to make of that. So, I want to give you
24 the opportunity to expound on that.

25 MR. MCCULLOUGH: I think the fundamental -- I'm

1 sorry -- Matt McCullough from Curtis Mallet. I think one of
2 the fundamental take-aways from that point is, look, the
3 petitions were brought against the largest suppliers of NOES
4 to this market from offshore. Did the effects of that
5 petition, the duties did that -- where did you see the
6 increase, if you saw any at all, in NOES consumption in this
7 market? And the point being there is that there was quite a
8 substantial shift to non-subject imports, which goes back to
9 the issue, well, what are the factors in the market that
10 dictate purchasing decisions? And if it was just about
11 price, you might expect to see different trends.

12 You know, AK Steel is here filing a petition
13 seeking a more volume that they say they're losing sales
14 based on price, but what you're seeing is actually a shift
15 to other sources; primarily, for some of the factors that
16 have been discussed, non-price factors, the need for
17 alternative sources of supply, the need for different grades
18 and specifications of steel.

19 VICE CHAIRMAN PINKERT: So, as you recall, the
20 domestic industry answer, the Petitioner answer to my
21 question about that was, look, we've enjoyed significant
22 benefits already from the filing of this case. So, how
23 should I weigh your answer against that answer? Is there
24 some third element that we need to add in so that we
25 reconcile these different points?

1 MR. DURLING: Commissioner Pinkert, Jim Durling
2 with Curtis Mallet. I think the answer is actually in the
3 data because if you look at the market share table at IV-18
4 in the staff report. And these numbers are proprietary, but
5 if you look at the change in market share for domestic
6 producers compare that with the change in market share for
7 subject imports and the change in market share for
8 non-subject imports I think that data answers the question
9 for you. It basically allows you to test the two competing
10 versions of reality.

11 When you adjust on a comparable basis for market
12 share, how much of the benefit has gone to the domestic
13 industry and how much of the benefit has gone to non-subject
14 imports? So, I think the data answers the question for you.

15 VICE CHAIRMAN PINKERT: Do you wish to add
16 anything to that? No.

17 MR. MCCULLOUGH: No.

18 VICE CHAIRMAN PINKERT: Thank you. Now, as you
19 recall earlier today with the Petitioner panel, there was a
20 discussion of the ratio of subject imports to production.
21 And we had some data put on the record comparing 2010 with
22 2013. Now, I understand that 2010 is outside of our normal
23 period, but can you give us some understanding of the trend
24 line here, and why subject imports relative to production
25 should be increasing in that manner?

1 MR. PORTER: This is Dan Porter, Curtis,
2 Mallet-Prevost. I'll start and I know my colleagues will
3 follow up.

4 The difficulty is what's often apparent in these
5 cases is how different sources of supply react to changes in
6 the market. When there is a declining demand, you often
7 have producers reacting when looking at fixed time periods
8 more rapidly than you do when you have imports because if
9 they're on the boat or they're in production you can't stop
10 that.

11 And we often see this where if there is a sharp
12 decline in demand, and the stuff was ordered when the
13 expectation was demand wouldn't go down or it'd be stable,
14 you're comparing import entry versus domestic shipments, and
15 that sometimes because of the lag of imports it creates
16 different scenarios.

17 MR. MCCULLOUGH: If I could add. This is Matt
18 McCullough from Curtis Mallet. Actually, the idea of 2010
19 as context I don't mind that at all because in a certain
20 sense we addressed this in the preliminary phase as well.
21 There's still a serious disconnect between trends in subject
22 imports and the performance of AK Steel over time when you
23 look at the different periods, when imports entered at their
24 greatest volume, when AK Steel did their best, real
25 disconnects and the lack of correlation.

1 And if we're talking about 2010, there's
2 something else interesting to talk about, and I mentioned it
3 in my opening statement. I believe it was confidential
4 slide "H" that Mr. Dorn presented where he supposedly
5 controlled for certain costs to demonstrate that it can't be
6 a cost structure issue for AK Steel.

7 Well, I'm not sure he actually controlled for
8 anything because that assumes that there was something to
9 control in 2011. Obviously, you have data from 2010 from
10 their preliminary phase questionnaire response and you
11 should take a look at that. You might want to take a look
12 at footnote 10 at page VI-5 of the staff report, which goes
13 back even further in time and gives you even more context if
14 you want to talk historically about what's going on with AK
15 Steel.

16 That footnote actually indicates when and how
17 much profit AK was able to make on this product. I can't
18 talk about the dates or the amounts because it's
19 proprietary, but you might want to consider during that time
20 period what was the steel industry in the U.S. how were they
21 performing? And I think it gives you quite a lot of context
22 about how this part of AK Steel has performed over a
23 prolonged period of time, and probably helps explain why
24 you've seen the problems that customers have had with AK
25 Steel.

1 VICE CHAIRMAN PINKERT: Well let's stay within
2 the period for a moment and you will remember earlier today
3 I was asking about the cogs to sales ratio throughout the
4 period being at extremely high levels. I can't give you
5 the exact numbers off the top of my head but very high
6 levels.

7 And can an industry survive with those kinds of
8 numbers over an extended period of time even if it's only
9 the period of investigation that we are looking at.

10 MR. CAMERON: Well Commissioner, Don Cameron,
11 there's a couple of things about that. Number one, I think
12 in general that's a valid observation. Number two, their
13 response to that which gets to the structure of AK itself
14 was well yeah but, and what is the yeah but?

15 In terms of global AK it really isn't that
16 significant I mean and so that was his point about yeah,
17 normally that would be true if that's all we produce it's
18 not feasible. But that's not all we produce and therefore
19 that was not the issue, but the third and most important
20 thing is the first part of the question that you gave to
21 them this morning which is you know, I see this high costs
22 to sales ratio and my question is exactly how does subject
23 imports, how are subject imports responsible for that.

24 And that was exactly the point that we made in
25 our pre-hearing brief which was subject imports have nothing

1 to do with that given the nature of the problem with the
2 cogs to sales ratio. I mean it would be one thing if you
3 are telling me that geez you know the cost of aluminum went
4 up or the cost of whatever went up, well these guys have
5 surcharges on all of their material charges. I mean they
6 already have told us that.

7 Natural gas, I have a surcharge for natural gas.

8 Scrap went up, well okay I've got a scrap surcharge to
9 cover that, so they are covering those costs, so what's the
10 problem here and the problem is that it has nothing to do
11 with subject imports and that really gets to the issue of
12 the cogs to sales ratio and that also gets to the issue of
13 the "context" that 2010 was supposedly going to provide.
14 It doesn't provide any context at all for that issue.

15 MR. DURLING: Commissioner Pinkert this is Jim
16 Durling with Curtis. The other point to keep in mind when
17 you are looking at the cogs to sales ratio is if you look at
18 page Roman III-3 of the staff report. Again, its
19 proprietary but what this table does is it basically shows
20 the kind of overall capacity and production trends for all
21 of the products that are being produced on the same
22 equipment.

23 And I think the contrast and the trends between
24 the subject merchandise here NOES and the other products
25 that are summarized here, I think this speaks to a

1 tremendous amount to explaining what's going on with the
2 cogs ratios here because cogs is capturing a portion of kind
3 of allocated fixed costs. So whenever you have declining
4 production you are going to be absorbing more and more of
5 the fixed cost.

6 The key when you have production equipment that's
7 being used to produce multiple products you can have
8 significant declines in production of other products that
9 are, because of the way accounting works, allocating costs -
10 - the increasing period of costs are then being allocated
11 back to all of the products being used on that same
12 equipment.

13 So when you are looking at the cogs trend, it's
14 really important to understand it in light of the very
15 divergent trends here, both divergent trends and divergent
16 scale.

17 VICE CHAIRMAN PINKERT: I'm going to have to
18 stop you right there, or else the Chairman is going to stop
19 me so I appreciate your answer and you can elaborate on that
20 in the post-hearing if you like.

21 MR. DURLING: Thank you.

22 VICE CHAIRMAN PINKERT: Thank you.

23 CHAIRMAN BROADBENT: Thank you Mr. Durling.

24 Commissioner Williamson?

25 COMMISSIONER WILLIAMSON: Thank you and I want

1 to thank all of the witnesses for their testimony. Is
2 there one quick thing you want to say on that or is the
3 post-hearing sufficient?

4 MR. DURING: Jim Durling for Curtis, I think
5 we'll put it in the post-hearing just because we can talk
6 about the actual numbers then, but it was an important
7 enough point that I just wanted to raise here.

8 MR. CAMERON: Since you asked about one
9 additional point - -

10 (LAUGHTER)

11 MR. CAMERON: Well Commissioner it was an open
12 door.

13 COMMISSIONER WILLIAMSON: I didn't open it for
14 you but go ahead.

15 MR. CAMERON: One point and that is that this is
16 reason we suggested that you also look at Appendix D because
17 Appendix D goes directly to this issue when you are talking
18 about comparable products and cost structure and therefore
19 when you look at the cost structure for other producers and
20 AK it's informative, thank you, sorry.

21 COMMISSIONER WILLIAMSON: Thank you I was
22 wondering about Appendix D. While we are on that Exhibit H
23 I guess, let's see - - where they have taken out where it
24 normalized the X factory and post-hearing could you maybe
25 address or comment on this Exhibit to the extent which it

1 affects their argument that you made in your brief pages 39
2 to 43.

3 MR. CAMERON: We will do so.

4 COMMISSIONER WILLIAMSON: Okay, good thank you.
5 This morning Mr. Pfeiffer testified on behalf of the
6 Petitioners that AK Steel regularly customizes the NOES it
7 produces to customers and that it is capable of providing a
8 full range of NOES products. Let's see, who is this for, so
9 just anyone. So a number of you have talked about
10 short-comings of AK Steel and so I wanted to have you
11 discuss any of the specific short-coming of specific
12 products and do you have any records of these discussions
13 such as email exchanges, things like that.

14 In other words, there was about 45 minutes of
15 allegations of short-comings of AK Steel and I wanted to see
16 what support there is to justify all of that.

17 MR. STEWART: One of the objections that I made
18 was the width of the M19 coils and the wave on the edge.
19 We rejected, we had over a million pounds that were actually
20 rejected. Of that, some of that came in at the end of 2013
21 and they wouldn't allow us to reject it.

22 The remainder we wanted 48 inches but all we
23 could get was 45 and even the 45 that they sent us wouldn't
24 meet their own specs. Now we've reordered yesterday, I
25 authorized new orders to be placed and the only width they

1 will give us is 43 and then only with a large disclaimer as
2 to how much weight there will be that I then have to furnish
3 to my customers and say will you accept this much weight if
4 you demand an AK product.

5 COMMISSIONER WILLIAMSON: Okay, thanks.
6 Actually I was kind of looking one to the documentation that
7 could be provided post-hearing.

8 MR. CAMERON: We can do that.

9 COMMISSIONER WILLIAMSON: Okay good, and I
10 assume Petitioners will have their own responses to that.
11 Mr. Weisheit, where is your plant in St. Louis since I grew
12 up there.

13 MR. WEISHEIT: Actually I'm in Ferguson,
14 Missouri.

15 COMMISSIONER WILLIAMSON: Okay, just wondering.
16 Okay, in your testimony you mentioned that you have
17 converged a smaller product offering from NOES to CRL over
18 the past 15 years, and I was wondering has much of this
19 switch occurred since 2011?

20 MR. WEISHEIT: About the last three to four
21 thousand tons of that occurred in the past two years.

22 COMMISSIONER WILLIAMSON: That's what
23 percentage, roughly?
24 If you could tell me now or later?

25 MR. WEISHEIT: Roughly 3%. We buy about

1 110,000 tons in total.

2 COMMISSIONER WILLIAMSON: Okay so in other words
3 97% of it occurred prior to?

4 MR. WEISHEIT: Prior to, yeah.

5 COMMISSIONER WILLIAMSON: Okay I just wanted to
6 get that. The other thing was that you had talked about I
7 guess like there are four - -

8 MR. WEISHEIT: Yes relative to the NOES, the
9 3,000 tons is a much larger percentage, that's probably in
10 the neighborhood of 20 to 25% of the total.

11 MR. CAMERON: In other words, he purchases
12 100,000 total electrical of which NOES is a segment of that.

13 COMMISSIONER WILLIAMSON: Okay.

14 MR. CAMERON: Of which he took a segment of the
15 NOES segment and transferred it. It's 3% of his total
16 electrical it's approximately 20 to 25% of the NOES.

17 COMMISSIONER WILLIAMSON: Okay.

18 MR. CAMERON: Is my math correct?

19 COMMISSIONER WILLIAMSON: Good, okay. You also
20 Mr. Weisheit you also talked about four components and that
21 you could put them together in different ways and might be
22 less NOES or maybe something else. I was wondering what
23 determines how you do that mix, you say do you if you have a
24 lower price end product you might use more of one or the
25 other?

1 MR. WEISHEIT: It certainly again referring to
2 Nidec.

3 COMMISSIONER WILLIAMSON: Yeah.

4 MR. WEISHEIT: Certainly the combined price of
5 the four materials does come into play but size comes into
6 play quite a bit. When we need to go much smaller we will
7 have to redesign a smaller package size maybe require more
8 magnets, which would offset the need of either type of steel
9 and predictability. We may have to use more copper versus
10 less aluminum for thermal properties or for applications,
11 say high altitude or high temperature.

12 You have to play all four of them, active
13 materials against one another to achieve the torque and
14 rotation that comes off the back end of the motor.

15 COMMISSIONER WILLIAMSON: Okay because it's
16 really - -

17 MR. WEISHEIT: It's really customer and
18 application specific.

19 COMMISSIONER WILLIAMSON: Okay, thank you. This
20 morning the Petitioners said they belief raw material
21 surcharges are common practice in terms of production of
22 NOES and I wondered if you all agree with this.

23 MR. BEUC: No.

24 COMMISSIONER WILLIAMSON: Do you want to
25 elaborate?

1 MR. BEUC: It depends on commodities, some of
2 them yes. We buy grain oriented, non-grain oriented
3 outside of the U.S. typically not some times at a fixed
4 price all in. Even if you don't think it would be a six
5 month fixed price, it could even be a twelve month fixed
6 price.

7 COMMISSIONER WILLIAMSON: Okay.

8 MR. BEUC: It is sort of common practice on NOES
9 in the U.S. yes because we have one supplier on them that
10 initiates a surcharge.

11 COMMISSIONER WILLIAMSON: Okay, Mr. Weisheit?

12 MR. WEISHET: Yeah, speaking to our non U.S.
13 supply base, it is very common to see raw material pass
14 through with some visibility in raw materials. For
15 instance, iron ore and it's not at all unusual for us to
16 have a pricing mechanism completely tied to iron ore, maybe
17 currency fluctuations.

18 COMMISSIONER WILLIAMSON: An index.

19 MR. WEISHET: Yeah an index if you will. But it
20 is structured much differently than a surcharge that the
21 domestic producer uses. There are a lot of options out
22 there and we are open to all of them.

23 MR. BEUC: And it's very visible open and
24 discussed back and forth so it's fair.

25 COMMISSIONER WILLIAMSON: Okay, thank you.

1 Also this morning Petitioners mentioned that you did not
2 have any data regarding competition of laminations with NOES
3 and I was wondering do you all have any data or observations
4 about the nature of that competition?

5 MR. MCCULLOUGH: Matt McCullough from Curtis
6 Mallet. I wouldn't say there's no data, okay. There are
7 HTS numbers that AK Steel has identified as basket
8 categories. We would agree they are basket categories.
9 There are in fact two ten digit items. One would cover
10 motor laminations another one would cover transformer
11 laminations.

12 They would cover other parts of the motor
13 or other parts of the lamination but those laminations are
14 nonetheless in there and what I can show you from that data,
15 particularly from motor laminations is that it has increased
16 over time by as much as 25% so you know and those are
17 interesting trends, particularly when you know that these
18 parts

19 Are all going into motors right and what you are also
20 hearing is that demand for NOES in this market has somehow
21 declined, yet you have a counter trend with respect to the
22 parts that would include such laminations coming into the
23 United States.

24 That data would be at pages 58 and 57 of our
25 pre-hearing brief.

1 COMMISSIONER WILLIAMSON: Okay, thank you.
2 Just one other question, as I said I heard about 45 minutes
3 of - - I think at least 45 minutes of complaints about AK
4 Steel and then I was beginning to wonder because of course
5 if you added up all of the companies who had complaints
6 about products and this is talking about NOES being used in
7 a wide variety of products and everybody, you know there's
8 always niche markets and particularly something that has so
9 many varied uses, so I was thinking about how significant is
10 the group that I have heard from today of the total sort of
11 the manner of NOES production.

12 Because we have had cases where people scream
13 loudly about something and then you find out that's only a
14 tiny part of the market and they are also competing very
15 heavily in the commodity or more.

16 MR. CAMERON: I don't think that I would, Don
17 Cameron. I don't think that these are some of the most
18 significant buyers in the market but you guys might have the
19 honor.

20 COMMISSIONER WILLIAMSON: If you wanted to
21 provide something post-hearing so we can deduce how much
22 weight do we give to this?

23 MR. CAMERON: A lot.

24 MR. MCCULLOUGH: Matt McCullough Curtis,
25 Mallet. I think to a certain extent in our post-hearing we

1 will try to do a better job post-hearing. But we for
2 example, discussing in particular some of the manufacturing
3 affiliations we did try to quantify that amount with respect
4 to Japan and I think you can see it's quite a significant
5 amount of the total volume of imports from Japan.

6 COMMISSIONER WILLIAMSON: Yeah but some of those
7 are things that are very, you know, there's a relationship
8 between the customer and the producer that it's almost like
9 an inside track.

10 MR. MCCULLOUGH: That's correct.

11 COMMISSIONER WILLIAMSON: And that's what I'm
12 trying to sort out. My time is also running out.

13 MR. KAUFMAN: Can I just give a quick response
14 on behalf of Sweden. This is Joel Kaufman from Steptoe.
15 We've had two of our largest customers for Cogent were in
16 here today and they represents as Mr. Harper indicated over
17 93% of our imports, both of whom said that they could not
18 get the supply they needed domestically.

19 So in terms of Sweden alone, that is a very
20 significant factor.

21 COMMISSIONER WILLIAMSON: Okay.

22 MR. KAUFMAN: I think it's indicative of a
23 factor elsewhere because a lot of customers would not come
24 in and testify with one supplier in the U.S. but in terms of
25 Sweden it's a lot.

1 COMMISSIONER WILLIAMSON: Thank you and thank
2 you for those answers.

3 CHAIRMAN BROADBENT: Commissioner Johanson?

4 COMMISSIONER JOHANSON: Thank you Chairman
5 Broadbent. And my question is somewhat of a follow-up to
6 that just posed by Commissioner Williamson. Respondents
7 emphasize that some purchasers indicated that they could
8 only obtain the highly specific NOES that they required from
9 a single source. How much of the NOES, U.S. NOES market
10 will U.S. may consist of this kind of highly specific
11 demand?

12 MR. PORTER: This is Dan Porter with Curtis.
13 We will do our best in post-hearing. I guess I do want to
14 respond to something Commissioner Williamson said and that
15 is we like to, we are seeing all of these things. As my
16 colleague Matt McCullough alluded to this morning, talking
17 about non-price factors, why are the importer products being
18 purchased? And whether it's specialized material, a
19 specialized relationship, a concern about reliability, all
20 that gets to it's not because of price which is what
21 Petitioners are saying.

22 So when we - - in post-hearing we will accumulate
23 all of this, we are quite confident it will be a
24 substantial, substantial portion of the subject imports.

25 COMMISSIONER JOHANSON: All right thank you, I

1 look forward to seeing that and when you write that to the
2 extent you can, could you please discuss what are the most
3 significant products in your view that fall into this
4 category where you contend that there is no direct
5 competition between subject imports supplied and domestic
6 supply? That would be helpful.

7 And further maybe you can answer this now, maybe
8 it would be best to do post-hearing, if you could do it now
9 I would appreciate it since it's on our minds, but NOES is
10 produced apparently all over the world. There are a number
11 of countries that produce it and how much world production
12 would you say is for a specific, I'm sorry, specialized
13 production and how much is for specific buyers? Does that
14 make sense to you?

15 We have folks from all over the world here today,
16 I just - - this product is

17 MR. BEUC: I think NOES is produced all over the
18 world. To look at a specific individual company,
19 automotive, it all depends, it's hard but because every
20 time, you are continuously driving and pushing that
21 innovation. I mean when you look at the grade development
22 and the gauge out because it is weight and efficiency,
23 that's just looking at the steel, let alone the copper.
24 And we all know what the copper prices are doing but you
25 keep on setting the bar. We were at 270 now we are at 250,

1 now we are going down to 210 grade and instead of a 34 gauge
2 we are taking half of that out.

3 You are stamping more but you are using less
4 shield so it's lighter, so it all depends. It is
5 continuously improving.

6 COMMISSIONER JOHANSON: All right, thank you.
7 I look forward to your answers because I guess it's perhaps
8 best known by the Respondent's counsel here and so many
9 cases involving a product called steel, you are looking at
10 something which is arguably a peer commodity product, in
11 some cases and this apparently is I think you feel quite
12 strongly that is not the case here.

13 MR. CAMERON: I think that is an excellent
14 summary of our position and I think that it would be
15 difficult to read this record and conclude it otherwise.
16 But I think part of what Mr. Beuc and the others at the
17 table have been discussing here and why it's difficult to
18 get to quantify globally the answer to your question is that
19 a lot of the development actually is on an individual
20 product by product basis.

21 We have this product, we are trying to do the
22 following and these guys are saying we are working together
23 with our suppliers of steel and our other suppliers in order
24 to fit in to a newly developed product that you know, let's
25 just take an example of cars, because cars want to be

1 lighter. Why do cars want to be lighter? Because of
2 higher energy efficiency requirements and therefore weight
3 matters and therefore as part of that you are trying to,
4 reconfigure your, your product and this is a continuous
5 problem.

6 Would you agree with that Bill? Say yes into
7 the microphone?

8 MR. ESTES: Yes, I agree with that.

9 MR. BECKER: Commissioner Johanson it's Bruce
10 Becker with Toyota Tsusho. There's a lot - -

11 COMMISSIONER JOHANSON: Okay, thank you, if you
12 definitely raise your hand it helps out thank you.

13 MR. BECKER: I just wanted to reiterate that
14 this is kind of a broad industry application and so there
15 are many different industry operations for NOES and so the
16 notion that this is all one continuous product all serving
17 one continuous industry is kind of difficult to uphold.

18 So for example, automotive is a very, very good
19 example. Their annual turn-around for new engineering is
20 very rapid and when they approach a mill or a mill source it
21 happens quite a bit in advance. I know this you know
22 indirectly through Toyota Tsusho we serve Toyota Motors in
23 Georgetown, Kentucky.

24 When they do a kickoff it's as far as 18 months
25 to 24 months in advance of trying to quality different

1 materials and doing it through their PPAP process and it's
2 very rigorous. So for example, automotive industry
3 specific right now many automotive makers are looking at
4 aluminum to help reduce the weight of their vehicles, that's
5 just one material giant but back to NOES, there's the
6 transformer industry, there's the motor
7 Industry, there's different electronic device or electric
8 device that use this kind of material.

9 Each one has their own material spec, each
10 company has their own material spec and so talking about
11 just ASTM or some industry standard is not enough. Every
12 company has got their own qualification process for this
13 material, thank you.

14 COMMISSIONER JOHANSON: All right thank you that
15 helps out somewhat. Well this is a confusing subject.
16 This is once again when you think of steel you do think
17 often of the commodity product, there are always gradations
18 within that and in a number of investigations so I look
19 forward to reading what you all put together.

20 And this question was asked of the Petitioners
21 this morning but I think I'll ask it of you as well. I'm
22 just curious as to why you all think there's only one
23 producer of NOES in the United States. It seems like it's
24 a product which is widely used. I don't know if this
25 answer is really relevant for today but it might be, yes Mr.

1 McCullough?

2 MR. BEUC: I'm Brad Beuc with Emerson. I didn't
3 even realize U.S. Steel was in the NOES business years ago.

4 That was my first job right out of college was U.S. Steel
5 in Pittsburgh. But WCI absolutely and the Fastgo. It
6 could be the importance of the people reinvesting in people,
7 reinvesting in technology and doing what's right for the
8 business.

9 To answer Chairwoman's question on are we
10 frustrated? No, because we have some great people to go to
11 to help design, develop and going in the market. We have
12 great resources here but also in Europe, Japan, Sweden and
13 that's what we are after is connecting those NOES to create
14 a great product.

15 So back after the oil embargo, the difficulty
16 from '91 to 2000 it could be how do you reinvest, expand the
17 width, go after the value, where is the market going in the
18 next 3 to 5 years and was that a risky proposition.

19 COMMISSIONER JOHANSON: All right, thank you for
20 your response. I think I have time for just one more
21 question. The capacity of many subject countries is very
22 high to produce NOES, could you all comment on that? This
23 is something which is usually a factor in investigations.

24 MR. CAMERON: Don Cameron the capacity is high
25 but the capacity utilization is also high because I mean

1 taking the example of China Steel for instance. They are
2 selling less than 2% of their total production to the United
3 States, but motor production overseas in places like India
4 and places like Taiwan are growing and therefore I mean you
5 look at the foreign producer questionnaires and yes there is
6 capacity and there is large capacity, there is high capacity
7 utilization overall.

8 COMMISSIONER JOHANSON: All right. Thank you
9 for your answer, Mr. Cameron, and my time has expired.

10 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

11 COMMISSIONER SCHMIDTLEIN: Thank you. I just
12 wanted to follow up on Mr. Williamson's request, in terms of
13 the -- putting this into context, by quantifying some of
14 this stuff and how helpful that would be for me as well. I
15 mean I'm not trying to suggest that that will dictate the
16 answer. But it's very important to be able to put it into
17 context, because we do have a lot of witnesses here today,
18 but we need to understand what portion of the market we're
19 talking about.

20 So it was quite helpful, you know, the CRML
21 question so from Emerson. You've also mentioned that. Any
22 of the other witnesses here, you know, how much are we
23 talking about in the last three years, over the Period of
24 Investigation? Have you switched from NOES to CRML?

25 Same thing with these questions about being

1 able to source the supply from AK Steel. You know, if
2 you've complained about AK Steel in your witness statement
3 here today, I'd like to see what the numbers you're talking
4 about are. So, you know, if you're purchaser and you're
5 complaining you can't source material from AK Steel, what
6 kind of numbers are we talking about? How many thousands of
7 short times or hundreds of short times are you talking
8 about?

9 So just to put that on the record and make
10 that request for the post-hearing brief.

11 MR. CAMERON: Commissioner, I believe that
12 part of the question on this was also the quantification of
13 the significance of the people that you're talking to. In
14 other words, are you talking to a minuscule portion of the
15 market? Are you talking to a significant portion of the
16 market?

17 COMMISSIONER SCHMIDTLEIN: Right.

18 MR. CAMERON: Some of these significant
19 buyers, in terms of the consumption of this product, are not
20 buying from AK. We heard the testimony this morning by AK
21 that well, Nidec just won't buy from us because of price.
22 We go back to them and we completed everything.

23 Well, part of what we will give you in our
24 quantification is the support for the proposition that
25 indeed, they did not meet the qualifications that were

1 requested. So no, it was not a matter of price. So these
2 are the types of things --

3 COMMISSIONER SCHMIDTLEIN: And how much was
4 that sale, I mean the volume? That's what I'm curious
5 about, to put it into context.

6 MR. CAMERON: Sure.

7 COMMISSIONER SCHMIDTLEIN: I just had a couple
8 of other things I wanted to sort of tie up a loose end, if
9 you will. One of them is sort of a general question in this
10 case, and I think may be best for counsel. When you look
11 at, you know, for efficiency, let's look at the C table.
12 Some of it is confidential, some of it's not.

13 But in particular from Year 2011 to 2012, and
14 you see a decline in demand, you see a decline in U.S.
15 producers, U.S. shipments, you see a decline in non-subject
16 U.S. shipments, and we know from Appendix D, from 11 to 12,
17 we also see a decline in CRML, which of course we don't have
18 a full breakdown of that, but we see a decline.

19 But you see an increase in subject imports.
20 So can you, you know, help me understand how the Commission
21 should analyze that in terms of impact, causation?

22 MR. McCULLOUGH: Commissioner Schmidtlein,
23 it's Matt McCullough at Curtis Mallet. We tried to do a
24 little bit of that, both at the preliminary phase and again
25 in the prehearing brief. We'll obviously do more

1 post-hearing. I think the one thing you can say about some
2 of these trends is if you break it down further, you know,
3 at a more granular level, the disconnects emerge.

4 I think one of the disconnects that are
5 important is if you look at 2012, really what you see, there
6 was an increase in subject imports in the first half of
7 2012, but what you also saw was in the second half of 2012,
8 I think, a pretty significant decline, back towards base
9 levels, and then continuing decline back into 2013.

10 So from a causation standpoint and an
11 attribution standpoint and a correlation standpoint, when
12 you look at that, and you look at that break in 2012, and
13 then you also look at trends in AK Steel's performance over
14 time and particularly financially, the question of causation
15 and what's causing what, I think, becomes more clear. I
16 think you can say it's not attributed to subject imports.

17 COMMISSIONER SCHMIDTLEIN: Okay, all right.
18 And you know of course you're welcome to elaborate on that
19 in the post-hearing brief. The last thing I wanted to ask
20 about was this cumulation argument by Sweden, and in the
21 Petitioner's exhibits, you know, they include an exhibit,
22 Exhibit 15, which is based on the ITC's data, so it's public
23 information.

24 If you look at under the HTS numbers for NOES,
25 and they lay out the various widths, and maybe this is where

1 you can educate me on what is a slit product and what is a
2 wide product, that in each of these categories, you see
3 imports coming in from Sweden, except in 2011 for one of
4 them. Well, quite frankly I don't know if that's a slit
5 product or not.

6 So I guess either now or you know it's of
7 course getting late in the afternoon, how do you respond to
8 that? Because it certainly looks like there's more than
9 just slit product coming in from Sweden, and I'm sorry for
10 not looking at the right person.

11 MR. HARPER: Ron Harper from Cogent Power. I
12 guess just to answer a couple of your questions. What's the
13 difference between a slit coil and a mill coil? Generally,
14 I think it's a generic term, but most frequently defined as
15 a mill coil is something that's produced out of a rolling
16 mill. It generally has rough edges, conditions. No end
17 user could use that product in the rough edge conditions.
18 Bob talked about wavy edges and those kinds of conditions
19 are typically what comes out of a mill coil.

20 A slit coil has actually been run through a
21 slitting process that is a precision process that exacts the
22 width of the steel coil that it's set up to run. You know,
23 it can be anything from a quarter inch wide to 36 inches
24 wide or greater. So it is a bit of a generic term.

25 When we talk about slit widths, we're talking

1 about slit widths at the -- you know, in a width that's at
2 the first stage of production of our customers. So it's
3 slit to a width, in a width condition that they have asked
4 for. Most of it is under, depending on the sizes, Nidec's
5 are the largest. But it's generally under 24 inches in
6 width. But it is -- it's all over the place, depending on
7 the setup of their rotor and stator stamping process.

8 In this submission, and as I said, you know,
9 we don't sell any materials of what we would call a mill
10 coil.

11 COMMISSIONER SCHMIDTLEIN: And is that a wide?
12 I mean could you use the same terminology?

13 MR. HARPER: Yeah. People -- sorry. We're
14 so used to this terminology, we say it without thinking.

15 COMMISSIONER SCHMIDTLEIN: I know.

16 MR. HARPER: Yes. A wide coil and mill coil
17 are kind of the same thing.

18 COMMISSIONER SCHMIDTLEIN: Okay.

19 MR. HARPER: So we had -- through the Period
20 of Investigation, we identified a couple of cases where we
21 had shipped material to a European destination and delivered
22 it there, that actually had then been reimported into the
23 U.S., and in one case it actually came into the U.S. and
24 then came back into Canada.

25 I think that represented less than two percent

1 of our total shipments. That was sold to a third party who
2 we since finding that out have put restrictions on it. So
3 all of our direct sales into the U.S. were in what I call
4 the slit coil form, and the stage that the -- that our
5 customer used it at the first point of production, into
6 their press or other process.

7 But there is a couple of exceptions that we
8 identified, that were sales to a third party, to a European
9 destination that actually got re-routed here.

10 COMMISSIONER SCHMIDTLEIN: So in this -- but
11 in terms of this exhibit, where they've laid it out, and I'm
12 sorry, you know. Since we use the inches here, not the
13 millimeters, in a lot of these HTS numbers, the categories
14 are broken down, greater than or equal to 600, greater than
15 or equal to 300, the less than 600, and then less than 300
16 millimeters. Are all of those slit?

17 MR. HARPER: Anything under 600 millimeters
18 will be slit.

19 COMMISSIONER SCHMIDTLEIN: Would be slit,
20 okay.

21 MR. HARPER: 100 percent, yes.

22 COMMISSIONER SCHMIDTLEIN: Okay. All right.
23 Whoops, excuse me. My time's almost up anyway, so thank you
24 very much.

25 CHAIRMAN BROADBENT: This would be probably

1 for Mr. Huang from Baosteel, but anyone is welcome to
2 respond. I was really struck by the size of the dumping
3 margins on the all-China rate. I'm not sure if I've ever
4 seen them that high. Can someone give me any explanation?

5 MR. HUANG: Well, also we are very surprised
6 about the margin issued by the DOC. Probably, I guess, one
7 of the reasons is we have not fully participated with the
8 DOC for the investigation, because for the GOES case,
9 probably my guess is for the most case, we didn't fully
10 participate for the DOC investigation.

11 Maybe that's the reason they show some
12 ridiculous rate for the margin. Another reason is that even
13 we fully participate for the GOES case, the DOC were
14 seriously consider not to issue such kind of a high rate.
15 Do you want to add anything?

16 MR. LUNN: No. I wanted to add that it's --
17 while it is a high rate, it's not unusually high or
18 completely out of conscious for non-market economies. So it
19 has to be taken into context of the non-market economy
20 analysis that the Department of Commerce uses.

21 CHAIRMAN BROADBENT: Thank you. We do have to
22 look kind of closely at the underselling, and it looks like
23 it's imports are underselling domestic like product in about
24 74 percent of the time. Can anyone comment on that and how
25 I should evaluate the large margins of underselling,

1 instances of underselling?

2 MR. PLANERT: Yeah. Will Planert from Morris
3 Manning. I mean it is true when you add up the number of
4 instances you get to 74 percent or whatever it is. But as
5 Matt mentioned this morning in his opening, what you don't
6 see in the underselling is the type of patterns that you
7 would normally expect to see.

8 I mean if you just look at some of these
9 products, you'll see in the same product in the same
10 quarter, you may see from one import source underselling.
11 You'll see the domestic price, then you can see one or two
12 other import sources overselling, sometimes by really big
13 margins, all at the same time.

14 What that suggests to us is that for whatever
15 reason, you're not really seeing the same products competing
16 in price. Either there is a difference in the
17 specification, and as we've heard I think a lot today,
18 they're -- notwithstanding the definitions in the pricing
19 product, there are -- there are nevertheless more specific
20 customer specifications, or there's some other non-price
21 factor going on there.

22 In other words, you see in the same month for
23 the same products prices jumping all over the place. So to
24 us, we don't think that's really necessarily indicative of
25 real head to head price competition, and we tried to give

1 some examples of it in the joint brief, and we can do it
2 again.

3 But it's kind of an unusual pattern when you
4 look at it product to product, where as I said, of what is
5 ostensibly, you know, the same specific pricing product, and
6 it's coming in from three or four sources at wildly
7 divergent prices. Yes, some of them are underselling the
8 U.S., that's true, and if you've got three or four sources
9 and you start adding up the quarters, you get these numbers.

10 But is it really telling you anything about
11 price competition and about what's really happening.

12 CHAIRMAN BROADBENT: So how would you make the
13 price competition argument?

14 MR. PLANERT: Well again, I think what we
15 would suggest is that the underselling shows what it shows.
16 But I think the whole thrust of our presentation today has
17 been that price competition is not the driving factor in
18 this market, of how it gets sold and how purchasing
19 decisions are being made, that these various non-price
20 factors from different quality specifications, to
21 value-added services that are being provided, to
22 reliability, the whole litany, that's really what's driving
23 these purchasing decisions.

24 So I think what we would suggest is that the
25 underselling that is showing up in the data is not

1 significant in terms of having a material effect on the
2 market, and it's not really explaining what's going on with
3 imports, and not really explaining purchasing decisions and
4 not really explaining what's happening with domestic prices
5 or volumes.

6 MR. McCULLOUGH: Commissioner Broadbent, this
7 is Matt McCullough from Curtis Mallet. I believe you've
8 heard testimony this morning from AK Steel that they sat
9 down at a table and decided what were they going to do to
10 get back, you know, to increase shipments and get back
11 market share.

12 Well, they said, you know, their plan was they
13 were going to buy back that market share, and this is
14 something they put into, you know, they agreed upon at the
15 end of 2012 and instituted in 2013. It points back again to
16 another disconnect.

17 If you look at the subject import data, the
18 imports were declining in the second half of 2012, well
19 before they supposedly instituted this strategy to buy back
20 market share. So I mean once again, that kind of tells you
21 that there's something else going on in the market. It
22 wasn't about price competition in 2013. The imports were
23 already declining in the second half of 2012 by a fairly
24 significant amount.

25 CHAIRMAN BROADBENT: Okay. Mr. Planert, I

1 mean why -- but why is there so much underselling if really
2 this is an issue of quality and reliability of the supplier?

3 MR. PLANERT: Well again, I think part of it
4 is what's being captured in these product categories. You
5 know, the product definitions, and some of the industry
6 people may want to comment on this as well, they're sort of
7 giving you fairly broad, you know, it's a certain maximum
8 core loss, it's a width within a range, it's coated.

9 But within that, I think we've seen that
10 different producers have very specific products that they're
11 producing for very different specifications. So I'm just --
12 I'm not sure you're always comparing the same product,
13 notwithstanding the fact that when people filled out the
14 questionnaires, that's where these things fell in.

15 I mean for example, I don't remember which of
16 the products it is, but it has a maximum width of above -- I
17 don't remember what the dimension is. But we've heard today
18 that in fact there are customers in the -- that need widths
19 wider than that. Well, that means that a wider product is
20 going to get reported in the same category with a narrow
21 one, and it's going to go different ways.

22 So you know, we'll look at it again. But I
23 just ^^^^ I'm not sure that we're really comparing apples to
24 oranges.

25 MR. BECKER: Madam Chair, can I jump in here?

1 This is Bruce Becker with Toyota Tsusho. I'm just going to
2 dovetail on what you said, counsel. I guess this is the
3 questionnaire that deals with the pricing product, I mean
4 descriptions, and I think there's ten different product
5 descriptions on this list.

6 The product that I referred to in my testimony
7 today, which was a JFE product, was a .35 millimeter
8 thickness material that's not even referenced on this list,
9 and the product that David mentioned today in his testimony
10 that did not meet his specifications, his specifications
11 required for a .50.

12 So looking at these product descriptions here,
13 he could pick okay, well maybe this product fits that
14 product description. But it didn't meet the requirements of
15 what he was looking for. So you know, I think a lot of
16 these product descriptions are kind of misleading. Sorry I
17 can't think of a better word.

18 CHAIRMAN BROADBENT: Hmm.

19 MR. LaFRANKIE: This is Bob LaFrankie from
20 Hughes Hubbard, if I could comment also? Certainly, I think
21 what people are saying is some of the categories are too
22 broad. So often, particularly for Germany, there are
23 proprietary specifications by their own company, for
24 Siemens, for example, that aren't captured adequately by
25 each of the categories.

1 So they could be unique combinations of width,
2 thickness and core loss. That's one aspect. So we may have
3 to disaggregate it to the extent we can, to show that
4 there's really not the extent of under or overselling that
5 you see. Also in terms of width, we heard that the domestic
6 producers won't produce up beyond 48 inches.

7 If you translate that into millimeters, it's
8 rough 1,200. So you would see a comparison of something
9 that's 1,200 millimeters wide, with possibly something as
10 thin as 600 millimeters to 900 millimeters, and the pricing
11 could be different. So that and coating is just specified
12 as coating, and there are many different types of coating.

13 So I think not only is not always price
14 driving it, but some of the comparisons just aren't
15 comparable.

16 CHAIRMAN BROADBENT: Okay. My time has
17 expired. Vice Chairman Pinkert.

18 VICE CHAIRMAN PINKERT: Thank you, Madam
19 Chairman. Staying with this issue about underselling, I
20 understand the testimony that we've just heard about some of
21 the pricing product definitions. But if you look at AUVs,
22 domestic-like product and subject imports, they tell a very
23 similar story to the story that you've been responding to.

24 That is, it very much looks like the subject
25 import pricing is leading down the pricing that is available

1 to the domestic industry. So I want to give you a chance to
2 help us to understand that.

3 MR. CAMERON: Commissioner, we'll answer that
4 in our post-hearing, unless somebody else wants to
5 elaborate. But I must say that I'm not sure that the AUV
6 data does show leading down. It seems to me that you're
7 looking at largely parallel lines that are not moving
8 drastically. So we'll be glad to address it.

9 VICE CHAIRMAN PINKERT: At least they're not
10 blurred lines, right?

11 MR. CAMERON: At least they're not blurred,
12 no. You know, you've got to take what you can get, right.

13 VICE CHAIRMAN PINKERT: Okay.

14 MR. KAUFMAN: Vice Chairman Pinkert, if I
15 could just add briefly for Sweden, that characterization is
16 just not -- it does not apply to Sweden. Our AUVs are the
17 highest of anyone, subject or non-subject and I can't
18 characterize them in relation to the U.S. industry. But you
19 can see that data on Table C-1 as well.

20 VICE CHAIRMAN PINKERT: So would you say that
21 the AUVs are a fair proxy for the issue of underselling?

22 MR. KAUFMAN: Certainly in our case they are,
23 because I think that when you look at the AUVs, you get a
24 better sense of the prices that are being charged for the
25 Swedish imports in the U.S.

1 The pricing data for Sweden actually was, I
2 think, a little bit aberrational, and we went into that in
3 our briefs, as to why those numbers really are not
4 reflective of our pricing generally, and our pricing even
5 specifically to the customers whose pricing we reported in
6 the pricing tables, and I think in part for some of the
7 reasons that you're hearing this morning, but also in part
8 because of some specifics with respect to our customer base
9 and the products that are on the list.

10 VICE CHAIRMAN PINKERT: Thank you. Now I
11 believe that we've gotten a lot of testimony from this panel
12 about the subject imports from Sweden that are in slit form.
13 But as you recall from the earlier panel, the argument that
14 was made regarding fungibility was that if you look at
15 various countries, they're selling in slit form as well.

16 So I want to -- along the lines of the
17 questions we got from Commissioner Williamson and
18 Commissioner Schmidtlein, I want to get some sense of the
19 proportions involved here. Is Sweden much more
20 predominantly in the slit form than other countries?

21 MR. KAUFMAN: I can let Mr. Harper speak to
22 that as well, but Sweden is almost exclusively in slit form,
23 and what we were going to mention before, when you looked at
24 some of the import data, because of where they're cutting
25 the line on the widths, it could be misinterpreted that

1 Sweden is selling coils.

2 In term of Cogent, they only sell slit form.
3 Some of the slits are wider than the 600 millimeter, so it
4 could be interpreted as a coil, but that's not the case.
5 They, Cogent, do not sell wide coils to the U.S. They don't
6 sell in the spot market. That's just not their market.

7 MR. HARPER: Yeah. Ron Harper from Cogent.
8 Just to add to what Joel has said, our materials come into
9 the U.S. either from our Canadian processes or from our
10 Swedish processes. In Sweden, it's -- the material comes in
11 directly to the U.S. from a shipment into Sweden.

12 But all of the smaller customers that we have,
13 we stock material in Canada, work with them on specific
14 applications and slit it to the size, quantity and
15 specification that they want at that particular time, based
16 on the agreements that we've got.

17 So we think we offer a very specialized
18 service on the larger quantities that come in, slit directly
19 into say Nidec, Mark has done a great job of explaining how
20 that system works. It's something that -- there's a lot of
21 work to set that supply chain up to supply a just-in-time,
22 high mix, high variability process from Sweden.

23 But we found a way to make it successful and
24 make it work, and I think Mark said that he can't get that
25 offered to him locally. We do the same thing from Canada to

1 the smaller customers and some larger ones, where you know,
2 they're looking for fast turnaround so they can be more
3 competitive in terms of delivery times, etcetera, of very
4 specific products.

5 So that goes to the general statement of
6 approach and how we bring the Swedish material into the U.S.
7 We've intentionally not brought it in so that it can -- we
8 can lose track of it, and that's why we can confidently say
9 we're not selling on the spot market, because we control the
10 condition in which it enters with -- in the way I've
11 described it.

12 VICE CHAIRMAN PINKERT: My last question is
13 pretty general, but you may remember from the opening
14 statements that there was some discussion about differences
15 between this case and the GOES case. And I want to give you
16 an opportunity to try to put this, let's call it OES issue
17 in context. Is there a basic pattern for NOES and GOES, or
18 are they quite different?

19 MR. LUNN: Commissioner, this is Mark Lunn. I
20 think I'm probably the only one on this panel that was
21 involved with both cases. I do think there's a significant
22 overlap between the two cases, and I'm going to speak fairly
23 broadly because I can't remember what's proprietary and
24 what's not.

25 But as we've discussed today, both products are

1 coming off of the same lines, and that has a significant
2 impact on the cost structure for both products. So, the
3 issues we saw in GOES that related to the cost of production
4 of GOES and the circumstances that we saw in that production
5 impact NOES and well. And I think that's one of the things
6 we're seeing in the cost structure for the production of
7 NOES.

8 So, when you're talking about exports of products
9 that are coming off of the same line it's real easy to say,
10 hey, don't look at GOES. That's a different product, and we
11 know they had their issues. Don't look at them. But right
12 now what we're looking at is NOES. I understand that. But
13 when you start changing your production pattern as
14 significantly as we saw between GOES and NOES, you're going
15 to have a very significant impact on the cost structure.
16 And I think that is what is driving the situation we're
17 seeing in NOES. So, I do think they are intricately linked
18 together, and you really cannot look at one without looking
19 at the other, given AK Steel's production process.

20 VICE CHAIRMAN PINKERT: If there are no other
21 comments on that issue on this panel, I thank the panel and
22 I look forward to the post-hearing submission. Do I see any
23 hands? Okay. Thank you very much, Madam Chairman.

24 MR. BECKER: Mr. Pinkert, I'm sorry. It's Bruce
25 Becker with Toyota Tsusho. I was also able to testify at

1 the GOES hearing. And again, I don't remember what's
2 confidential and what's not, and didn't have access to it
3 anyway.

4 I concur what counsel said for Bashon Iron and
5 Steel that there is a significant overlap in terms of the
6 market. In the higher grades of NOES that I was referring
7 to in my testimony, they do dovetail with grain-oriented
8 lower grades. So, for example, a grain-oriented M-6 of a
9 thickness of .36 millimeters can be substituted by a
10 grain-oriented of the same thickness, depending on the
11 price, depending on the market.

12 So, for example, for a mill like AK Steel who
13 sells both grades, they sell both .35 NOES and they sell .35
14 millimeter GOES. These are substitutable. That means that
15 they're not going to undercut their own product so those
16 prices are linked together intricately. They're not going
17 to be separated.

18 So, for example, if an M-6 is going to be charged
19 -- I'm just going to throw a number out arbitrarily -- for
20 argument's say, let's say they charge \$2500 a ton for M-6.
21 They're definitely going to charge less than that for their
22 higher grade of NOES. So, there is a link there. That's my
23 comment. Thank you.

24 VICE CHAIRMAN PINKERT: Thank you for that. And
25 thank you Madam Chairman.

1 CHAIRMAN BROADBENT: Commissioner Williamson?

2 COMMISSIONER WILLIAMSON: Thank you. I have a
3 question on demand. According to the staff report, many
4 market participants felt that increased demands for motors
5 contributed to the decreasing demand for NOES during the
6 2011-2013 period. Nonetheless, the US GDP and some other
7 economic variables improved over this period. Are there
8 indicators that are better than GDP that can be used as
9 proxies for the NOES demand, and you also may want to
10 discuss about what markets was there NOES demand may have
11 gone down less than another. For example, was it
12 automotive, small motors, aircraft?

13 MR. BEUC: Mark probably has some other
14 indicators, Global Fixed Investment, GFI, Industrial
15 Production. I think we all look at automotive too because
16 that'll drive some of that demand and appliance.

17 MR. WEISHEIT: In the case of the Nidec business,
18 if you look at the import numbers on finished motors. I
19 don't know the HTS code off the top of my head, but for
20 small, variable speed such as ABAC and high-end appliance
21 like frontload washer/dryer a huge percentage of those
22 motors have become imported as finished products in the last
23 24 months, resulting in a much lower need for NOES material
24 because we're not producing them ourselves any more because
25 our customers have re-sourced.

1 COMMISSIONER WILLIAMSON: Why have they done
2 that?

3 MR. WEISHEIT: Our customers move, price reasons.
4 They can buy an imported, finished product at a lower price
5 than we could offer, but our demand for NOES in those market
6 segments has decreased because the business has shifted.

7 COMMISSIONER WILLIAMSON: What about looking at
8 demand by segments? You talked about the small appliances.
9 What about automotive and aircraft? I'm trying to figure
10 have there been shifts in those sectors that are reflected
11 in the demand for NOES?

12 MR. WEISHEIT: There've certainly been
13 significant shifts on the automotive side, and other people
14 here could speak more to it than I could. But with the
15 lighter weight vehicles, the smaller drive motors, the
16 traction motors, in addition to the increased
17 electrification on automobiles, seat adjust, window lift,
18 power mirrors, most of those do not use NOES materials,
19 though. Other people could speak to that better than I
20 could.

21 COMMISSIONER WILLIAMSON: To what extent, if any,
22 do you think that the loss sales and loss revenue
23 allegations confirmed by staff should factor into the
24 Commission's material injury analysis? You've already
25 talked about and disputed the pricing data and the

1 categories there. What about these?

2 MR. PORTER: Commissioner, this is Dan Porter,
3 Curtis, Mallet-Prevost. Needless to say, the loss sales,
4 and loss allegations investigations by Commission staff is a
5 very important part of very case.

6 We believe when you look at the actually a fairly
7 detailed write-up by the commission staff on the allegations
8 you come away with the opposition conclusion the Petitioners
9 were trying to convey this morning. We would submit when
10 all the pages are looked at, you do not see a preponderance
11 of confirmed loss sales and loss revenue allegations. In
12 fact, you would see the opposite.

13 So, we actually think that that part of the
14 Commission staff report, which is why we highlighted it in
15 our brief.

16 COMMISSIONER WILLIAMSON: Thank you. Are there
17 any CRML products that compete head-to-head with any of the
18 Commission's pricing products? Are there any CRML products
19 that compete head-to-head with any of the Commission's
20 pricing products that are presented in chapter 5 of the
21 staff report?

22 MR. STEWART: Can you repeat the question?

23 COMMISSIONER WILLIAMSON: You know we have
24 pricing products in chapter 5, and I was wondering whether
25 any of the -- are there CRML products that compete

1 head-to-head with any of these. I mean if you want to do it
2 post-hearing that's fine.

3 MR. STEWART: We have customers who give us a
4 spec that specifies either M-22 or M-50 or the given size,
5 and it's our choice what we send them. That means to that
6 customer CRML and M-50, which is CRML is interchangeable in
7 their mind with M-22, which is a silicon, non-oriented
8 electrical steel.

9 COMMISSIONER WILLIAMSON: Okay, so the customer
10 says either one would do.

11 MR. STEWART: He's saying either one will work.
12 You guys have all talked about motors, and I feel
13 transformers got a little slighted here, but in transformers
14 CRML is more interchangeable with certain grades of NOES and
15 it has been for a while and it continues to be. And we sell
16 more M-50, which is a better grade of CRML, now than we ever
17 did before and it's taken over some of the NOES business.

18 COMMISSIONER WILLIAMSON: Was that during the
19 period of investigation, or was this something that happened
20 earlier?

21 MR. STEWART: It's been happening for the last 10
22 years, and it continues.

23 MR. MCCULLOUGH: Commissioner Williamson, it's
24 Matt McCullough, Curtis Mallet. I encourage or was looking
25 for more direct and precise answers from AK Steel this

1 morning on the question of CRML, and I still feel like they
2 danced around it a little bit because I believe there was a
3 statement today that CRML might approach the magnet
4 properties of NOES, but would never be equal or surpass
5 that. And that's just not true. And I think all the
6 witnesses here can speak to that, but just as a fact if you
7 look at our pre-hearing brief we have a published
8 specification for CRML product from U.S. Steel and we have a
9 published specification of a NOES product from AK Steel of
10 the same gauge, right, it's a dimaxim 45 compared to a U.S.
11 Steel Q-core P-21 CRML product. And the core loss of the
12 CRML product is better than what AK Steel has its published
13 spec for NOES.

14 MR. WEISHEIT: To add to that comment, looking at
15 the list here of the 12 price products with the U.S. Steel
16 material and now the offering from Nucor out of three of
17 their facilities I would say that 9 of these 12 have CRML
18 equivalents or near equivalents that would compete as
19 alternate materials, specifically, products 2-A, 2-B, 3, 4,
20 5-A, 5-B, 6, 7, and 8 all have alternate CRML applications
21 or alternate materials.

22 COMMISSIONER WILLIAMSON: Would you say that NOES
23 is an endangered species? Let me make the question of
24 demand because we had trouble getting at that.

25 MR. CAMERON: No, but think about this. Think

1 about the 2016 energy efficiency requirements. With the
2 2000 energy efficiency requirements the testimony of this
3 panel was that actually what you should see is an increase
4 in demand in NOES over time. So, yes, you have this
5 interplay, but as the demands grow, of course, CRML could
6 improve in its energy efficiency too. I mean these are all
7 things that go into it, but I think the testimony was that
8 as these new requirements come into effect actually the
9 demand should grow rather than shrink in terms of that.

10 COMMISSIONER WILLIAMSON: And is that going to be
11 -- I think we were talking about the constant demand to get
12 better and better and more efficient and things like that.
13 So, you're saying that the demand for NOES will grow, but
14 it's got to be better NOES or better and better NOES. Is
15 that what we saying?

16 MR. BEUC: Exactly, form, fit, and function. The
17 end product what are we looking at, the most efficient,
18 lightweight, easy, speed, and motor land, NGO? What's the
19 best way? And then what'd we do with the footprint? How do
20 we get pieces of steel out, which is cost, but keep the same
21 efficiency? So, I wouldn't say it's dying at all.
22 Depending on the region, they're actually reinvesting and
23 putting a lot of capital in their facilities to expand it
24 and to be best in class.

25 COMMISSIONER WILLIAMSON: Thank you. Any further

1 comments on that? My time has just expired. Thank you for
2 those answers.

3 CHAIRMAN BROADBENT: Commissioner Johanson?

4 COMMISSIONER JOHANSON: Thank you, Chairman
5 Broadbent. I don't think this question's been answered
6 today, but Mr. Pfeiffer of AK Steel this morning stated that
7 there had been no purchases -- that no purchasers of NOES
8 has switched to CRML during the period of investigation. Do
9 you all know if that is indeed the case?

10 MR. WEISHEIT: Yes, on behalf of Nidec, we
11 ourselves have switches, and we're aware of no fewer than
12 six others who have switched in the past two years from NOES
13 low end to high grade CRML.

14 COMMISSIONER JOHANSON: All right. Thank you.
15 Could you provide documentation of that during the
16 post-hearing?

17 MR. WEISHEIT: Yes, we'll put it in the
18 post-hearing.

19 COMMISSIONER JOHANSON: Okay. Thank you. That's
20 all I had. And thank you again all of you for appearing
21 here today.

22 CHAIRMAN BROADBENT: Commissioner Schmidtlein?

23 COMMISSIONER SCHMIDTLEIN: So, at the risk of
24 belaboring a subjection, I just want to make sure I
25 understand the Swedish issue only because I mean for those

1 of you following the ITC just so you know we have a vote on
2 chlorinated ISOS tomorrow, so we're learning that industry
3 and then we have vote on boltless shelving from China on
4 Friday, and then we have a vote on rebar from Turkey and
5 Mexico on Tuesday, and then we have another hearing on
6 Wednesday on a completely different case.

7 So, I'll be reading binders that are this size in
8 five other cases we're doing now and Wednesday, so I walk
9 out of here with an understanding that's why I want to
10 belabor this. The slit product coming in from Sweden is
11 this different from slit product coming in from other of the
12 subject import countries?

13 MR. HARPER: Ron Harper from Cogent. Like we've
14 said, 100 percent of the material coming into the U.S. is in
15 the form that we've slit it at the use that our customers
16 puts it in the first step of the process. If someone else
17 is slitting it, you can take the same process and slit it in
18 Europe, Asia, or anywhere else and it comes in, in slit
19 form. So, if we've slit it to the end use, it can be slit
20 in the USA. It can be slit anywhere else in the world. So,
21 I think you'd have to look at the individual data to say is
22 it slit or is it wide coil.

23 And as Joel mentioned before, it is a difficult
24 issue when you start looking at the width as a definitive
25 characteristic of that only because we do supply material

1 that goes into a large motor or generator that's wider than
2 600 millimeter, so it goes into the press. What Mr.
3 Stephens shown you is a very small motor. Envision
4 something a hundred times that size and its got material
5 much, much wider, so that's really why it come in at a
6 different slit width.

7 So, anyone can provide slit width. The
8 difficulty is as an importer is managing the delivery time
9 on the demand. So, that's why we've developed with our
10 supply chain such a specific process. So, Nidec is a larger
11 purchasers, so we've developed over a course of time a very
12 sophisticated, highly resourced supply chain that deal with
13 their day-to-day mix issues. We provide it slit because we
14 couldn't slit it and deliver it into Nidec in a day. It
15 would take four weeks because of travel time, et cetera.

16 So, we've picked the best cost route to do that.
17 So, for our other customers, they ordered it. We slit it in
18 Canada and deliver it to them.

19 MR. KAUFMAN: Commissioner Schmidtlein, if I
20 could just add something. I think you heard testimony this
21 morning that before any of this NOES is getting used it's
22 going to be slit, and I think that came from AK Steel's
23 witness this morning, and that's absolutely correct. So,
24 the distinction we were drawing really was the difference
25 between Cogent bringing in 100 percent of their material in

1 slit form and wide coils coming into this country that then
2 are getting slit in the U.S. before ultimately being sent to
3 the customer who's going to use them and incorporate them
4 into a product.

5 And it's for that reason, primarily, that we were
6 saying that we have a different channel of distribution
7 really than the coils that are coming in, in wide form and
8 requires slitting in the U.S.

9 COMMISSIONER SCHMIDTLEIN: But there are other
10 countries sending product in that's already been slit,
11 correct, Mr. Cameron?

12 MR. KAUFMAN: That certainly was the testimony
13 this morning. I need to go back and look at the import
14 data. Our understanding from the prelim was that really
15 that was not the case. I need to go back and revisit the --
16 and I'll do that for the post-hearing brief. But our
17 understanding was that even if they do it's not in
18 significant volumes. It's not comparable to what we're
19 doing, which is 100 percent in slit form. I don't know of
20 any other country where that's happening.

21 COMMISSIONER SCHMIDTLEIN: Can any of the other
22 witnesses speak to that here?

23 MR. STEWART: I'm Bob Stewart. And of all of the
24 mills that we buy from, we only buy wide coil and we slit it
25 ourselves once we figure out what our customers need.

1 MR. BECKER: It's normal for most mills to
2 deliver their offshore product in master coil form or in
3 wide coil form and have it slit locally. The reason for
4 that is just-in-time, and I think the Cogent/Swedish
5 situation, although I can't speak to that, I'm just
6 inferring from their comments that this looks like a
7 just-in-time program where they have a very rapid lead time
8 requirement for their supply chain.

9 COMMISSIONER SCHMIDTLEIN: Okay.

10 MR. CAMERON: It is true, as Bob is saying, that
11 certainly all steel service centers or most steel service
12 centers are going to request, and this really got to the
13 testimony of laminated this afternoon about the problems
14 that they had with the widths of AK because they don't go as
15 wide as the imported widths.

16 The width is important for a steel service center
17 because the wider the steel the more efficient the
18 production can be in order to deliver the laminates and to
19 produce to spec. The wider it is the more you can get out
20 of it and the less waste. So, width is very important, so
21 that is going to be a distinguishing factor. If they're
22 saying that all of their stuff is slit that is not going to
23 be the norm for anybody, any distributor that is importing
24 -- a service center that is importing and then stamping.

25 COMMISSIONER SCHMIDTLEIN: Okay. I have no

1 further questions. Thank you very much.

2 CHAIRMAN BROADBENT: I just had a couple of quick
3 ones, one question for Mr. Stewart. Your statement about
4 the shift towards CRML during the 2011 to 2013 was it during
5 this timeframe, the 2011 to 2013 period of investigation, or
6 was the shift taking place over 5 to 10 years ago?

7 MR. STEWART: Are you talking about the shift
8 between CRML and NOES?

9 CHAIRMAN BROADBENT: Yes. Excuse me.

10 MR. STEWART: That's been going on for 10 years,
11 and it continues to go on every single day.

12 CHAIRMAN BROADBENT: And what's your sense of why
13 there were a lot of non-subject imports coming in, in
14 interim 2014?

15 MR. STEWART: I'm sorry? Can you repeat your
16 question?

17 CHAIRMAN BROADBENT: Sure. What accounts for the
18 large volume of non-subject imports that entered during the
19 interim 2014 period?

20 MR. CAMERON: What she's saying is that in the
21 interim 2014 after the petition had been filed the
22 Petitioners are saying, well, the subject imports dropped
23 off, but non-subject imports grew.

24 MR. STEWART: For anybody not covered by dumping.

25 MR. CAMERON: Correct. And that's what she's

1 asking.

2 MR. STEWART: You have to put it in simple
3 language for me. We have to have a variety of steel, and
4 we'll have to buy it from wherever we can get it.

5 CHAIRMAN BROADBENT: And just one final random
6 question to Mr. Gilson from Curtis Wright. You had
7 mentioned you had nuclear applications for some of the
8 products you make. Can you tell me what your sourcing
9 experience has been with AK Steel and why you're having
10 problems there?

11 MR. GILSON: They were our sole source supplier.
12 And when they were Armco Steel, we actually co-developed, or
13 they had the lead, but we used exclusively their coating for
14 our applications. In 2004, is when they announced that they
15 were departing from our agreed upon and established coatings
16 that we were using and that are qualified.

17 The use of the word "nuclear" probably just is to
18 emphasize the type of machines that we are making and their
19 critical function. It's more that their actual function,
20 even regardless of nuclear that requires us to use a very
21 specific coating, although we could qualify another coating
22 at a great expense and a long time to qualify that. It's
23 very important to us that we know exactly what's in that
24 formulation because some of the things that most of the
25 industry doesn't care about and I'm not faulting them, but

1 AK Steel doesn't care about either, is off gassing over a
2 period of time, sometimes up to 60 years that our pumps are
3 expected to operate. That's the service life of some of the
4 equipment that we make.

5 So, to that extent, we're very sensitive to
6 exactly what's in the formulation, chemistry-wise, in the
7 coating. And a lot of time, a lot of resources, and a lot
8 of buy-in from our customers in the defense industry had
9 bought into, yes, this make sense. You've proven it to us.
10 We accept that. And our customers aren't real accepting of
11 change for very good reasons. And so that has forced us to
12 go away from using the AK alternate coatings that they
13 developed in the 2000s.

14 Could we qualify their coating? Yes. Will they
15 tell me that what I start on a one-year qualification
16 program will be exactly what they are going to use next
17 month they assured me that they cannot tell me that, and
18 they will not rev-control the coating. So, what I'm
19 starting to qualify that could take a year and over \$100,000
20 or more to qualify may be obsolete before I go to the first
21 production run.

22 Again, I don't fault them. I'm not being
23 adversarial. It's just they reserve the right to improve
24 for other reasons perhaps their coatings and they're welcome
25 to that. My situation is I need to lock in and rev-control,

1 if you will, or have a specific formulation that's been
2 qualified. The equipment that we're talking about goes into
3 nuclear reactors and is actually a safety related issue.
4 So, that's where nuclear comes in. That's our relationship.

5 Again, I understand AK's position, but I'm also
6 stuck with, I need to know exactly what's in that coating
7 and I have no other alternative.

8 CHAIRMAN BROADBENT: Okay. Thank you, Mr.
9 Gilson.

10 More questions?

11 (No response.)

12 CHAIRMAN BROADBENT: Done? Okay. Good. All
13 right. We're going to get out of here earlier than I
14 expected.

15 Does the staff have any further questions?

16 MR. PETRONZIO: Madam Chairman, the staff has no
17 questions.

18 CHAIRMAN BROADBENT: Okay. And do the
19 petitioners have any questions for this panel?

20 MR. JONES: No questions, Madam Chairman.

21 CHAIRMAN BROADBENT: Okay. Thank you. In that
22 case, I want to thank the panel for their testimony and I'll
23 dismiss you now.

24 PARTICIPANT: Thank you, Madam Chairman.

25 CHAIRMAN BROADBENT: And with that, we'll come to

1 closing statements. And those in support of the petition
2 have eight minutes from direct and five from closing for a
3 total of 13 minutes.

4 Those in opposition to the petition have four
5 minutes from direct and five for closing for a total of nine
6 minutes.

7 As is our custom we'll combine those times. You
8 don't need to take all the time.

9 (Laughter.)

10 CHAIRMAN BROADBENT: We'll start with those in
11 support of the petition and you may begin when you're ready.

12 MR. BISHOP: Will the room please come to order?

13 CLOSING REMARKS

14 MR. DORN: I always like to begin closing
15 arguments with points of agreement when I can. And we do
16 have some points of agreement here. To begin with on like
17 products. Clear concession in the prehearing briefs that
18 they're not contesting the fact that NOES is a separate like
19 product. So there is only one domestic producer.

20 I think we also have agreement that that one
21 domestic producer is injured. I didn't hear anybody
22 suggesting to the contrary, so it all comes down to
23 causation. And contrary to what Mr. Cameron said, he is
24 toast now that this like product has been specified as NOES.

25 Because the record evidence here is really strong

1 on causation, unusually strong in my experience, and it all
2 begins with looking at the statutory criteria, what do you
3 look at first? It's the volume of subject imports. And the
4 volume of subject imports is huge here because over 90
5 percent of all imports are dumped and those dumped imports
6 have a very high share of the U.S. market from day one to
7 the last day of the period of investigation, especially if
8 you discount the pendency effects in the first half of 2014.

9 I was very surprised to hear comments about CRML
10 today regarding claimed shifts from NOES to CRML because
11 that's coming out of the blue. It's not in your record.
12 There have been lots of opportunities for people to put that
13 in the record. I mean, they asked purchasers if you
14 decreased purchases of NOES, the column there to explain
15 why. I don't think you're going to see references to people
16 shifting to CRML.

17 The lost sales allegations, the lost revenue
18 allegations. People weren't shy in giving you reasons and
19 denying an allegation. But look in the record and see if
20 you see anybody that says that the reason that AK Steel lost
21 a sale was because the purchaser had shifted to CRML. It's
22 just not there.

23 So, I don't know what they'll come up with here
24 at the last minute, I think after this point it's all
25 speculation. I think it's unfair for them to come in with

1 something that they didn't put on the record. And to the
2 extent that they put something on the record now, it's
3 inconsistent with what your other purchasers have said in
4 response to your questionnaire.

5 With regard to correlation tables, they've put
6 some clever correlation tables in their prehearing brief,
7 but those correlation tables say nothing about causation.
8 What is telling is that AK Steel's prices followed the
9 decline in the AUVs of the subject imports. That was the
10 exhibit that I think Vice Chairman Pinkert referred to. And
11 that's a clear indication of price depression. And the
12 declining financial performance from 2011 to 2013 has
13 nothing to do with GOES. It has nothing to do with other
14 factory costs. It has to do with price. And I'm not making
15 this up as argument, I'm just looking at your prehearing
16 report. The variance analysis makes clear that all of the
17 decrease in financial results in terms of operating income
18 from 2011 to 2013 is attributable to price. GOES doesn't
19 have anything to do with it and the factory costs don't have
20 anything to do with that trend.

21 With regard to pervasive underselling, you know,
22 I don't know what I would do if I was on their side because
23 the record is bad for them. They had an opportunity in the
24 preliminary phase to suggest other pricing product
25 definitions. They got the draft questionnaires, and staff

1 gave them an opportunity to propose other pricing product
2 definitions. They took advantage of that. They suggested
3 some other pricing product definitions and we have 12
4 pricing products. None of them could be satisfied with CRML
5 because CRML is a semi-processed product and obviously
6 doesn't meet any of the specs for the fully processed
7 products that are in the pricing product section. So I
8 didn't understand that comment at all.

9 But you have great coverage, as Exhibit D
10 indicates, for each of the countries. So when they're
11 talking about the fact that their niche products didn't get
12 into the pricing products, that tells you something. These
13 are outliers. A lot of what you heard today from them are
14 not supported by your record, they're not supported by the
15 data that was collected from all the purchasers and all the
16 importers. And there are major participants in the market,
17 major purchasers who were not here to testify and we will
18 surely be highlighting what they told you about this market
19 and about competition in our post-hearing brief.

20 With regard to substantial lost sales, they also
21 lost revenues. We think the evidence is robust there,
22 there are even greater lost sales and lost revenues than
23 shown in the pre-hearing report. We show you the
24 calculations in Exhibits 27 and 28 to our pre-hearing brief
25 when we add to the volumes that you have already, that your

1 staff has already identified.

2 We also have strong evidence of overlapping
3 customers as shown in our Exhibit 12. It's not like these
4 imports are serving one set of customers and AK Steel is
5 serving another set of customers. They are converging on
6 the same customers, head to head competition.

7 Also we have affidavits from AK Steel salesmen
8 describing the adverse impact of lower import prices on AK
9 Steel's volume and AK's prices. That's Exhibits 14, 34 and
10 35. We have an affidavit from Mr. Pfeiffer and Miss Vensel
11 at Exhibit 29 explaining the adverse impact of the lower
12 priced imports on AK Steel's volume and prices and we backed
13 it up with contemporaneous business records showing what
14 happened.

15 Contrary to what Mr. Cameron just told you,
16 imports did increase from the first half of 2012 to the
17 second half of 2012 relative to U.S. consumption and
18 relative to U.S. production and that's what drove AK Steel's
19 decision to do something about it, because they couldn't
20 afford to lose more market share, especially in a declining
21 market.

22 So they fought back and they lowered prices and
23 you saw from the exhibit I handed up that they weren't able
24 to regain market share in the first half of 2013. Not by
25 doing something different about their product or you know,

1 changing the quality of their product or their service or
2 anything, they just did it by lowering price.

3 And then when they backed off that strategy
4 because they couldn't suffer the declining margins, the
5 imports jumped back in and took market share away from them
6 again in the second half of 2013 and reaching a very, very
7 high level. So you have got to look at the entire record.

8 The beef Commissioner Johanson mentioned is in
9 your record right now. It's in the tabulations to the
10 purchaser's questionnaires. It's in table II-10 which you
11 referred to, that's where the beef is and I think when you
12 look at all that record evidence which we will certainly use
13 to contradict what you've heard today, that you will see
14 that this is pretty much a garden variety case where a huge
15 volume of imports with pervasive underselling have had
16 adverse volume and price effects during the entire POI and
17 have adversely affected the financial results of AK Steel.

18 This is Steve Jones device. Cannot make it work.

19 (Laughter)

20 So in terms of attenuated competition, to begin
21 with I think it's interesting that Respondents implicitly
22 concede that there are no products made by AK Steel that did
23 not face direct competition from imports. So that's an
24 important point. I mean this is not a situation where they
25 are saying the domestic industry makes some flavors that the

1 imports aren't supplying, therefore the domestic industry is
2 insulated from a portion of the imports.

3 They are not making that argument at all and in
4 fact AK Steel faces direct competition across the full array
5 of its product line. Instead the Respondents are trying to
6 explain away the huge market share and pervasive
7 underselling pointing to some niche products that they claim
8 AK Steel did not offer during the POI.

9 And it's interesting if you listen carefully to
10 the testimony, a lot of this stuff didn't even happen in the
11 period of investigation, we are talking about things
12 happening in 2008, 2004, 2005, that's very unusual. You
13 have got to really dig to pick the cherries if you have got
14 to go that far out of the POI to try to show attenuated
15 competition.

16 But as we will explain in our post-hearing brief
17 the argument is largely based on inaccurate information.
18 We'll have to deal with it allegation by allegation, which
19 we intend to do but for now I would just like to make a few
20 brief points.

21 Contrary to the German producers and Siemens, AK
22 Steel does indeed produce high permeability NOES products.
23 In fact all of AK Steel is high perm. Based on the
24 reference point in the IEC specifications used by the German
25 producers, AK's products are higher perm than comparable

1 products shown in the German producers sales catalogues, and
2 AK Steel doesn't even produce low or standard permeability
3 NOES.

4 Contrary to claims asserted by Respondents, AK
5 Steel does indeed produce NOES that has no applied
6 insulation and is used for magnetic shielding. This is
7 confirmed by the purchaser affidavit in Exhibit 5 of our
8 pre-hearing brief.

9 ThyssenKrupp in its pre-hearing brief points to
10 an instance where customer sought a C5 phosphate coating
11 without formaldehyde. AK's coating has always lacked in
12 formaldehyde but the coating had not yet been certified by
13 that customer. The customer suspended production of the
14 lamination needing that coating before AK could finish the
15 qualification process. So it's wrong to suggest that AK
16 Steel does not make that product.

17 ThyssenKrupp also points to certain NOES grades
18 containing special coatings for a specific customer. In
19 fact, AK Steel has qualified 3 specialty coating toll
20 processors to perform such extra special coatings for highly
21 specific customer requirements and AK warrants the coating
22 and maintains responsibility for the part that it sells.

23 We are going to, the information the client has
24 given me when dealing with this specification for JFE Steel
25 is above my head and we will get down in the weeds and

1 explain to you why what they say about that specification is
2 wrong and we will address that in our post-hearing brief.

3 Now Lamination Specialties testified that the AK
4 Steel's C5 coating turns black and chalky with annealing in
5 its furnaces and that only after the pre-hearing conference
6 did AK Steel approach them about trying to fix that problem.

7 Well the fact is AK Steel first heard about the problem at
8 the pre-hearing conference and then they tried to promptly
9 address the problem AK Steel supplies that same coating to
10 the universe of its customers. Lam-Spec has a unique
11 operating environment.

12 Something funny happens with the coating in its
13 operating environment but nevertheless AK Steel is working
14 hard to try to adapt its normal coating to fit the unique
15 operating environment of that customer.

16 Lam-Spec mentioned 840,000 pounds, that's not
17 thousands of short tons of course. It's 420 tons and those
18 tons I believe are all after the POI so that doesn't explain
19 any - - have any effect on causation during the POI. It
20 just shows you how the other side is stretching to make
21 mountains of out mole hills.

22 Certain Respondents have claimed that ultra-thin
23 NOES is only produced in Sweden, Japan and Germany, that's
24 not correct. Products below .2 millimeter are outside the
25 scope and AK Steel has sold .25 millimeter products since

1 2004. I could go on with several other things, but I'm
2 just going to very briefly say the purchasers that testified
3 today are missing the point.

4 AK Steel is not trying to deny any U.S. NOES
5 purchaser access to any foreign steel. All AK Steel wants
6 is a market that is not distorted with dumping and
7 subsidies, and I would hope that that would be the focus of
8 the Commission, thank you.

9 CHAIRMAN BROADBENT: Thank you Mr. Dorn.

10 MR. CAMERON: Madam Chairman, members of the
11 Commission, thank you for your time and your patience and we
12 know that you guys are busy and frankly we respect your
13 work.

14 A couple of things, first let's talk about the
15 800 pound gorilla, all right? The Chairman and Vice
16 Chairman this morning asked about the 800 pound gorilla in
17 the room. The Vice Chairman observed that the cogs to
18 sales ratio was high throughout the period, that's an
19 understatement. He asked what links the high cogs to sales
20 ratio to imports? That's a good question.

21 You didn't really get a good answer to it though.

22 It was suggested that well the variance answers this
23 totally, but the variance analysis doesn't even approach
24 addressing that issue. It was suggested that adding 2010
25 will add context to this issue. Okay, well feel free to

1 look at 2010 because it adds context to support our point
2 that yes, you have an abnormally high cogs to sale ratio and
3 it has absolutely zero to do with imports.

4 It was suggested that they normalize the other
5 factory costs in order to demonstrate that that's not the
6 problem. Okay, well actually they didn't normalize
7 anything and if you look at their exhibit it demonstrates
8 our point in spades. As discussed on pages 37 to 44 of our
9 pre-hearing brief, AK's performance is a function of
10 internal issues having nothing to do with imports.

11 And as discussed in our brief it is useful as I
12 pointed out to Commissioner Williamson to compare the
13 operations of NOES as discussed in section 6 of the staff
14 report with comparable data for CRML producers in appendix
15 D.

16 Commissioner Johanson noted that Respondent's
17 brief was pointed on a number of issues, that's right and
18 that was pointed for a very good reason because this is an
19 extraordinary case. There are issues with AK Steel and
20 suggest as counsel does, that, look, AK Steel makes
21 everything, does everything right and we haven't had any
22 rejections in the market. Well, that's not the case and
23 that is exactly the point of the testimony that you have
24 heard today.

25 According to Petitioners this case is all about

1 price. But when you look at table 2-6 it's clear the
2 product consistency, reliability of supply, quality that
3 meets industry and exceeds industry standards and
4 availability are more important to purchasers than price.

5 And according to the staff reports subject
6 countries are superior to U.S. producers in terms of product
7 range and quality exceeding industry standards. You have
8 heard a lot of that today and to your point yes, we will
9 provide the details and the evidence to substantiate that.
10 This is - - we understand that sometimes everybody comes to
11 the Commission and says wow, but you know this and this
12 happened and there is no supporting evidence. We'll give
13 you that supporting evidence and you can judge for yourself.

14 Laminations - - the discussion today regarding
15 laminations was disingenuous at best and it was a real
16 dance. Nobody said that AK Steel is a laminator or that AK
17 NOES competes with laminations. What we said and they
18 finally conceded after your follow-up questions was that
19 laminations use NOES and CRML and to the extent that
20 laminations are increasingly produced off-shore that reduces
21 the demand for NOES from laminations' productions here.

22 It's a condition of competition, just as
23 increased purchases of CRML are a condition of competition
24 in the market. So yes, it is "legally relevant" to your
25 consideration. It is a condition of competition to look at

1 with respect to the issues that you were raising which is
2 gee, why has demand fallen so much and why is it falling in
3 NOES and these are explanations. We will try and get you
4 some more information.

5 With respect to CRML it ought to be remembered
6 that Petitioners came into this hearing saying that CRML
7 does not compete with NOES period. I think we have just had
8 three hours of discussion about the extent to which CRML
9 competes with NOES. The question isn't whether it competes
10 with NOES, the question is how much?

11 But to say that it doesn't is pointedly absurd
12 and with all due respect to counsel and believe me I have a
13 lot of respect for counsel but this is part of the record.
14 This hearing is part of the record, our briefs are going to
15 be part of the record and to the extent that we have
16 additional evidence to provide to this Commission based upon
17 purchasers who have come here to give direct testimony and
18 evidence to this Commission, it is evidence on the record
19 that ought to be looked at seriously as opposed to general
20 nostrums.

21 And finally with respect to well you know,
22 pointing the tooth to what happened in 2004 and 2008 or as
23 counsel pointed out, 2010 I mean if we are going to pick
24 random dates. Yes, actually these dates are relevant,
25 things happened. The fact that if you got put on

1 allocation by the only producer in the country and you were
2 then short and lost customers and business as a result, you
3 have a long memory and obviously many of these purchasers
4 have a long memory.

5 Past is prologue and therefore yes, those events
6 are relevant here for consideration. I would like to thank
7 you very much for your attention. I'm sure that I speak
8 for both sides when saying that we do appreciate your work
9 very much and we appreciate it, thank you.

10 CHAIRMAN BROADBENT: Thank you and again I want
11 to express the Commission's appreciation to everyone who
12 participated in today's hearing. Your closing statement,
13 post-hearing brief statements responsive to the questions
14 and the requests of the Commission and corrections to the
15 transcript must be filed by October 16, 2014. Closing of
16 the record and final release of data the parties will be on
17 October 29, 2014. Final comments are due on October 31,
18 2014 and with that this hearing is adjourned, thank you.

19 (Whereupon the hearing adjourned at 4:27 p.m.)
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CERTIFICATE OF REPORTER

TITLE: Non-Oriented Electrical Steel from China, Germany, Japan, Korea, Sweden, and Taiwan

INVESTIGATION NOS.: 701-TA-506-508 and 731-TA-1238-1243 (Final)

HEARING DATE: 10/08/2014

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 10/08

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Gregory Johnson
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine
Signature of Court Reporter