

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)	Investigation Nos.:
COLD-ROLLED STEEL FLAT PRODUCTS)	701-TA-540-544 and
FROM BRAZIL, CHINA, INDIA, JAPAN,)	731-TA-1283-1290
KOREA, NETHERLANDS, RUSSIA AND)	(Preliminary)
THE UNITED KINGDOM)	

Pages: 1 - 250
Place: Washington, D.C.
Date: Tuesday, August 18, 2015



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1 THE UNITED STATES INTERNATIONAL TRADE COMMISSION

2 In the Matter of:) Investigation Nos.:
 3 COLD-ROLLED STEEL FLAT PRODUCTS) 701-TA-540-544 and
 4 FROM BRAZIL, CHINA, INDIA, JAPAN,) 731-TA-1283-1290
 5 KOREA, NETHERLANDS, RUSSIA) (PRELIMINARY)
 6 AND THE UNITED KINGDOM)

7 Tuesday, August 18, 2015
 8 Hearing Room B
 9 U.S. International
 10 Trade Commission
 11 500 E Street, S.W.
 12 Washington, D.C.

13 The meeting commenced, pursuant to notice, at
 14 9:30 a.m., before the United States International Trade
 15 Commission Investigative Staff. Douglas Corkran,
 16 Supervisory Investigator, presiding.

17

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P R O C E E D I N G S

9:30 a.m

MR. BISHOP: Will the room please come to order?

MR. CORKRAN: Good morning and welcome to the United States International Trade Commission's Conference in connection with the preliminary phase of Antidumping and Countervailing Duty investigation numbers 701-TA-540 through 544 and 731-TA-1283 through 1290 concerning Cold-Rolled Steel Flat Products from Brazil, China, India, Japan, Korea, Netherlands, Russia and the United Kingdom. My name is Douglas Corkran.

I'm the Supervisory Investigator and I'll preside at this conference. Among those present for the Commission Staff are Mr. Nate Comly, anticipating Mr. Charles Yost, Michael Holdenstein the Attorney Advisor, Amy Larsen, the Economist focusing on market issues, Andrew Knipe the Economist focusing on price issues and Karen Taylor, the Industry Analyst.

I understand that parties are aware of time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and your affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter. All witnesses must be sworn

1 in before presenting testimony. I understand parties are
2 aware of the time allocations.

3 Any questions regarding time allocations should
4 be addressed to the secretary. Are there any questions?
5 Mr. Secretary, are there any preliminary matters?

6 MR. BISHOP: No Mr. Chairman.

7 MR. CORKRAN: Very well. Will you please
8 announce our embassy witnesses?

9 MR. BISHOP: Our first embassy witness is Carlos
10 Henrique Angrisani, Secretary of the Embassy of Brazil.

11 MR. CORKRAN: Mr. Secretary, when you are ready.

12 STATEMENT OF CARLOS HENRIQUE ANGRISANI

13 SECRETARY ANGRISANI: Good morning, Mr. Chairman.
14 Thank you very much. Ladies and gentleman, good morning. I
15 would like to thank the United States International Trade
16 Commission for holding this conference. It is very
17 important for the Brazilian Government.

18 MR. BISHOP: Can you pull your microphone a
19 little closer please?

20 SECRETARY ANGRISANI: Sure.

21 MR. BISHOP: Thank you.

22 SECRETARY ANGRISANI: Is this better? Ladies and
23 gentleman, good morning. I would like to thank the United
24 States International Trade Commission for holding this
25 conference. It is very important for the Brazilian

1 Government to take this opportunity to clarify the nature
2 and scope of the Brazilian programs mentioned by the
3 Petitioners.

4 Before I mention the more specific concern
5 regarding the injury analysis, allow me to highlight a more
6 general issue. In contact with the main Brazilian exporting
7 companies mentioned in the case, it has become clear as I'm
8 sure their legal counsels will also explain that many of the
9 programs being questioned should not be included in the
10 investigation. In addition to the programs not representing
11 subsidies according to the WTO Agreement on Subsidies and
12 Countervailing measures, most of the programs did not
13 benefit Brazilian exporters of the products under
14 investigation.

15 Regarding the injury analysis, the Government of
16 Brazil took notice of the fact that petitioners have asked
17 ITC to analyze the impact of investigating imports on
18 domestic U.S. Prices for a range of particular products.
19 And I quote here the petition "Petitioners believe that
20 underselling would be further evidenced in the data that the
21 commission collects on prices of particular products." It
22 mentions three specific products. Petitioners request that
23 the Commission collect pricing data on the following
24 products.

25 Product one: Cold-rolled, Carbon sheet steel

1 with a width of twenty-four to forty-eight inches in width.
2 Then product two defines the cold-rolled carbon steel sheet
3 with a width of thirty-four to seventy-two inches in width.
4 Product three: The same definition of cold-rolled carbon
5 steel sheet with a width of thirty-four to seventy two
6 inches in width and a thickness which is the variation
7 between product two and product three of 0.850.

8 The Petitioners justify the selection of these
9 models with the fact that they are the scope of a domestic
10 source which publishes Cold-Rolled Steel prices and they
11 conclude that it would be inappropriate to compare that
12 price to overall average unit values of imports of
13 cold-rolled steel as these imports include products that are
14 of higher grades with various extras. To ensure the best
15 possible comparison, it is necessary to identify the product
16 as defined by HTS number, which appears to be most like the
17 product serving as the basis for domestic prices. The most
18 comparable product defined in the HTS is HTS number
19 7209.17.0070 which covers flat-rolled products of iron-alloy
20 steel of a width of 600mm or more, cold rolled, not clad or
21 coated. In coils not further worked than cold-rolled and
22 with thickness of 0.5mm or more but not exceeding 1mm. The
23 particular product's approach was those reproduced on the
24 Producer's Questionnaire, Part Four and on the Importer's
25 Questionnaire, Part Three. Brazil agrees that modeling the

1 product under consideration and the domestic similar product
2 for purposes of price comparison is a valid methodology in
3 the pursuit of fair comparisons for injury analysis
4 purposes.

5 Notwithstanding, Brazil understands that by
6 examining the effect of domestic prices of only one part of
7 the Domestic Industry of the light product in question, the
8 ITC will fail to properly and objectively appreciate the
9 economic relationship between that part of the Industry and
10 the other parts of the industry or between one or more of
11 the parts in the whole Industry thus failing to fulfill the
12 obligations of Article 3.1 of the Antidumping Agreement.

13 In this respect, the Appellate Body has already
14 interpreted the obligation to make an objective assessment
15 under Article 3.1 of the Anti-Dumping Agreement and U.S.
16 hot-rolled steel meaning that, and I quote, "Where
17 investigating authorities undertake an examination of one
18 part of a Domestic Industry, they should in principle
19 examine in like manner all of the other parts that make up
20 the Industry as well as examine the Industry as a whole or
21 in the alternative provide a satisfactory explanation as to
22 why it is not necessary to examine directly or specifically
23 the other parts. If therefore found that an examination of
24 only certain parts of a Domestic Industry does not ensure
25 proper evaluation of the state of the Domestic Industry as a

1 whole and does not therefore satisfy the requirements of
2 objectivity in Article 3.1 of the Antidumping Agreement."

3 Brazil believes that by requesting data regarding
4 only one portion of the Domestic Industry under
5 investigation, the ITC is not conforming to the basic
6 principles of fairness which should guide an objective
7 examination in the sense of the mentioned Article 3.1 of the
8 Antidumping Agreement.

9 In U.S. hot-rolled steel, the Appellate Body
10 confirmed this thesis and I quote: "The term "objective
11 examination" is concerned with the investigative process
12 itself. The word "examination" relates in our view to the
13 way in which the evidence is gathered, inquired into and
14 subsequently evaluated. That is, it relates to the conduct
15 of investigation generally. The word "objective", which
16 qualifies the word "examination" indicates essentially that
17 the examination process must conform to the dictates of the
18 basic principles of good faith and fundamental fairness."

19 In short, an objective examination requires that
20 the Domestic Industry and the effects of dumped imports be
21 investigated in an unbiased manner, without favoring the
22 interests of any interested party or group of interested
23 parties in the investigation. The duty of the investigating
24 authority is to conduct an objective examination, recognizes
25 that the determination will be influenced by the objectivity

1 or any lack thereof of the investigative process.

2 Furthermore, Brazil fails to see how an injury
3 analysis can be objective if it is based on data which
4 provides a partial picture of what imports are being
5 investigated. Limiting the price effect analysis to imports
6 transactions of product types with the lower prices as
7 requested by the Petitioners necessarily implies
8 inconsistency with Article 3.1 of the Antidumping Agreement.

9

10 Because the injury analysis will be based on a
11 selective base of imports being investigated for the purpose
12 of price effect analysis, in particular the imports
13 transactions with the lowest prices as proposed by the
14 Petitioners, in the specific circumstances of this case, it
15 is sufficient to make out a prima facie case that the data
16 used by the ITC does not provide an accurate and unbiased
17 picture as requested by the mentioned article 3.1 of the
18 Antidumping Agreement.

19 Besides, Brazil calls attention to the fact that
20 analyzing prices for a range of products, which is narrower
21 than the domestic similar product and which does not
22 encompass all types produced by domestically is inconsistent
23 with Article 3.6 of the Antidumping Agreement. The WTO
24 Panel regarding Mexico and Corn Syrup addressed the issue of
25 allowing the determination on the basis of the portion of

1 the Domestic Industries, and I quote: "Article 3.6 does not,
2 on its face, allow a determination of injury or threat of
3 injury on the basis of the portion of the Domestic
4 Industry's production sold in one sector of the Domestic
5 Market, rather than on the basis of the industry as a
6 whole."

7 Indeed, Article 3.6 relates to a situation
8 different from that at issue here. Article 3.6 provides for
9 the situation where information concerning the production of
10 the like product, such as producer's profits and sales
11 cannot be separately identified. In such cases, Article 3.6
12 allows the authority to consider information concerning
13 production of a broader product than the like product
14 produced by the Domestic Industry, which includes the like
15 product in evaluating the effects of imports.

16 Nothing in Article 3.6 allows the investigating
17 authority to consider information concerning production of a
18 product subgroup that is narrower than the like product
19 produced by the Domestic Country. In particular, nothing in
20 Article 3.6 allows the investigating authority to limit
21 examination of injury to an analysis of the portion of
22 domestic production of the like product sold in the
23 particular market sector where competition with the dumped
24 imports is most direct.

25 Ladies and gentleman, thank you very much for

1 your attention and patience and I hope this information can
2 be of assistance to clarify the petition under examination.
3 We are available in case there is any other information we
4 can be of use for you. Thank you very much and have a good
5 day.

6 MR. CORKRAN: Thank you very much Mr. Secretary.
7 Let me turn to my colleagues to see if there are any
8 questions. No. With no questions, thank you very much for
9 your presentation. We very much appreciate it.

10 MR. BISHOP: Our next Embassy witness is
11 Alexander Zhymkhov, Deputy Head of the Economic Section of
12 the Embassy of the Russian Federation.

13 MR. CORKRAN: Mr. Zhymkhov, thank you very much.
14 We appreciate your presence here today and you may begin
15 when ready.

16 STATEMENT OF ALEXANDER ZHYMKHOV

17 MR. ZHYMKHOV: Good morning Mr. Chairman, ladies
18 and gentleman. For the record, my name is Alexander
19 Zhymkhov with the Russian Trade Representation in the U.S.A.
20 representing the Government of the Russian Federation.
21 Thank you for giving me the floor.

22 MR. BISHOP: Can you pull your mic a little bit
23 closer please, thank you.

24 MR. ZHYMKHOV: The government of the Russian
25 Federation welcomes the possibility to provide comments on

1 the sufficient evidence standard to justify the initiation
2 of the CVD investigation On Cold-Rolled Steel Products from
3 Russia. There are two general remarks I would like to draw
4 your attention to in the beginning.

5 The first one is the issue regarding the
6 threshold value of Russian imports to the U.S.A. According
7 to the U.S. statistics the share of Russian products in
8 total cold-rolled steel imports to the U.S. accounted for
9 only 3.2 percent in 2014, which is more than the threshold
10 value only for 0.2 percent. Under WTO rules, the
11 investigation period should only be the most recent twelve
12 months up to the date of the investigation.

13 The import statistics for the period since August
14 2014 to July 2015 show that the cold-rolled steel products
15 from Russia accounted only for 2.9 percent of the total
16 imports. On this basis, we consider that the investigation
17 concerning Russia should not be initiated. The second
18 remark is about accuracy regarding the sufficient evidence
19 standard provided in Article 11.2 of the WTO SCM Agreement
20 that stipulates that "simple assertion cannot be considered
21 sufficient to meet the requirements of this paragraph."

22 Article 11.3 of the Agreement provides the
23 requirement of "sufficient evidence" to justify the
24 initiation of an investigation and explicitly states that
25 the obligation of the investigating authority to review the

1 accuracy and adequacy of the evidence provided in the
2 application to determine whether the evidence is sufficient
3 to justify the initiation of an investigation.

4 We refer to China-- grain-oriented flat-rolled
5 electrical steel panel decision in the WTO Dispute
6 Settlement Body, when the U.S. pointed at missing evidence
7 of the basic subsidy elements, even prior to the initiation
8 of the countervailing duty investigation by China including
9 inaccurate information on the existence of the alleged
10 subsidies. The Panel noted that "an investigation cannot be
11 justified where, for example, there is no evidence of the
12 existence of a subsidy before an investigating authority,
13 even if such evidence is not "reasonably available" to the
14 applicant.

15 In our view, the petition lacks adequate and
16 accurate information with the respect to the alleged
17 subsidies and doesn't provide evidence that is sufficient to
18 justify the initiation of a CVD investigation in the meaning
19 of Article 11.3 of the Agreement. In this regard, we kindly
20 ask the International Trade Commission to consider and weigh
21 information and legal comments submitted by the Russian
22 Government and given the inadequate and inaccurate
23 information in the petition not to initiate the CVD
24 investigation on cold-rolled steel products from Russia.

25 Now several words concerning the alleged subsidy

1 programs, which are indicated by the U.S. industry as the
2 basis to initiate the CVD investigation. Let us start with
3 alleged Grants, where the first point is Grants for
4 technical retooling and modernization. We believe the
5 information provided by the Petitioners regarding this
6 program is not correct. First, we would like to note that
7 the WTO Notification by Russia, which is referred to by the
8 Petitioners in conjunction with the Resolution of the
9 Russian Government number 205, clearly states that the
10 grants are provided inter alia, to the Russian enterprises
11 of special metallurgy industry. We would like to emphasize
12 the word "special" which was lost in the petition. The
13 products under consideration in the petition are not related
14 to the special steel and alloys for the purposes of
15 machinery manufacturing and the military industrial complex
16 as defined in the Resolution number 205.

17 The second point is grants for export credit
18 interest for highly processed industrial goods. The subject
19 producers couldn't be qualified for support under this
20 program. Paragraph three of the Resolution of the Russian
21 Government number 357 explicitly states that the list of
22 "highly processed" industrial products is adopted by the
23 Russian Ministry of Industry and Trade. Cold-rolled steel
24 products are not included in this list in accordance with
25 the Order of the Russian Ministry of Industry and Trade

1 number 518 as of April 2012. We would like to note that the
2 Resolution 357 of June 6, which is claimed by the
3 Petitioners as an allegedly specific subsidy, is no longer
4 in effect. Hence, the information in the petition is
5 incomplete and inaccurate.

6 The third point is capital contributions to the
7 charter companies. The petition doesn't contain any
8 evidence indicating that capital contributions to charter
9 companies were in fact provided to the steel companies. It
10 should be noted that the Russian Government hasn't made any
11 contributions to charter capital or the steel companies.
12 This information is publicly available in the text of the
13 Federal Budget Law for the respective period.

14 In reply to the supplementary requests for
15 information by the U.S. Department of Commerce, the
16 Petitioners confirmed the availability of such information
17 in Federal Budget Law and noted that they are not able to
18 get translation of this Law promptly and as a result, to
19 provide necessary evidence. We find this approach
20 inadequate. The Petitioners base their allegations on
21 simple assertion unsubstantiated by relevant evidence which
22 cannot justify the initiation of investigation.

23 The fourth point is related to state problem to
24 develop industry and increase competitiveness. I would like
25 to draw your attention to the China--GOES Panel's

1 conclusion, that the general information about government
2 policy, with no direct connection to the program at issue is
3 not sufficient evidence of specificity.

4 Now I will move on to the alleged tax programs
5 where the first point is related to tax incentives and
6 special economic zones. Simple assertion that the Russian
7 producers of the subject goods benefited from this program
8 because for instance, the title of the company contains the
9 name of the region where the special economic zone operates
10 is inadequate and doesn't constitute any support in evidence
11 to the Petitioners' allegations.

12 The list of companies which operate within the
13 territory of special economic zones is publicly available on
14 the official website of JSC Russian special economic zones.
15 This information clearly confirms that the Russian producers
16 of the subject goods are not the residents of any special
17 economic zones. But the Petitioners didn't even check the
18 location of the Russian producers of the subject merchandise
19 and the list of residents of such zones.

20 The second point is tax incentives for mining
21 operations. The Petitioners state that Russian Government
22 allows two special tax deductions of costs incurred by
23 enterprises for research and development and exploration.
24 The above-mentioned tax deductions are established by
25 Articles 261 and 262 of the tax code of the Russian

1 Federation. Under these Articles, expenses for research and
2 development and exploration can be included in miscellaneous
3 expenses.

4 The tax code defines the general principals of
5 tax policy applicable for taxpayer's expense and in
6 particular principals of profit tax administration. No
7 evidence is provided by the Petitioners that this tax
8 deduction constitutes a subsidy within the WTO
9 interpretation. Moreover, the Petitioners have provided
10 only a statement that the Russian producers of the subject
11 merchandise and their subsidiaries likely received tax
12 incentives through this program. Neither the petition nor
13 additional information included any supporting evidence for
14 this statement. In our view, such wording constitutes a
15 simple assertion and could not be considered as sufficient
16 evidence to justify the initiation of investigation.

17 The next set of the alleged subsidies concerns
18 programs involving the provision of goods and services for
19 less than adequate remuneration. The Petition is
20 fundamentally flawed in that it doesn't allege in a
21 necessary degree of specificity as to natural gas,
22 electricity or freight transport. Besides, according to the
23 WTO's practices and the negotiating history of SCM
24 Agreement, energy and transportation, in this case natural
25 gas, rail and electricity, are traditionally considered a

1 part of general infrastructure and as such are not
2 actionable under countervailing duty law.

3 Regarding the provision of mining rights for less
4 than adequate remuneration, we believe that the Petitioners
5 have not demonstrated the existence of the benefit from the
6 mining rights. Although there is a reference to the U.S.
7 Department of Commerce's practice of calculating this
8 company's specific weighted average cost for iron ore and
9 coal provided by the Government, namely in Carbon Steel Flat
10 Products from India. We do not believe that based upon the
11 information in the petition it is reasonable to conclude
12 that the present benefit exists. As for alleged
13 preferential export financing by the Russian Eximbank and
14 Export Insurance Agency, we would like to note that
15 Severstal and NLMK are not users of such programs.

16 And the last point is connected with the alleged
17 Regional Government Subsidies, specifically with incentives
18 and in Lipetsk's Regional special economic zones. Neither
19 Russian producers of the subject merchandise nor their
20 subsidiaries -- the input suppliers are the residents of any
21 special economic zone. This information could be confirmed
22 by publically available information on the official website
23 of special economic zones.

24 Taking into consideration, the above-mentioned
25 reasoning, the Russian Federation does believe that unbiased

1 and objective investigating authority would not conclude
2 that the application contains sufficient evidence of the
3 existence of a subsidy in respect to all fourteen alleged
4 programs to justify initiation of CVD investigation. Thank
5 you for your attention.

6 MR. CORKRAN: Thank you very much Mr. Zhymkhov.
7 Let me turn to my colleagues to see if there are any
8 questions. No. Hearing none, thank you very much for your
9 testimony. We very much appreciate it.

10 MR. ZHMYKHOV: Thank you.

11 MR. BISHOP: Mr. Chairman, we're going to
12 continue now with opening remarks on behalf of Petitioners
13 will be by Paul C. Rosenthal, Kelley, Drye, and Warren.

14 MR. CORKRAN: Welcome to you, Mr. Rosenthal. You
15 may begin when you are ready.

16 OPENING REMARKS OF PAUL ROSENTHAL

17 MR. ROSENTHAL: Good morning Mr. Corkran and
18 members of the staff, I'm Paul Rosenthal of the law firm
19 Kelley, Drye and Warren, representing ArcelorMittal USA and
20 providing this opening statement on behalf of the
21 Petitioners.

22 We're here this morning because imports of
23 Cold-Rolled Steel from eight countries are surging into the
24 United States market, severely injuring the domestic
25 industry and threatening the livelihood of many workers.

1 I'll focus on the statutory factors in my opening this
2 morning and with respect to volume I'll note that the
3 imports of cold-rolled steel from the subject countries
4 increased dramatically over the period of investigation.

5 In absolute terms, the volume of dumped and
6 subsidized increased by one hundred twenty percent between
7 2012 and 2014. Imports continue to increase in the first
8 half of 2015 by an additional thirty-two percent over the
9 first half of 2014 levels. Subject imports also increased
10 relative to U.S. consumption and production. In fact,
11 subject import market share doubled between 2012 and 2014
12 and they continue to gain substantially more market share in
13 interim 2015.

14 As a result, the Domestic Industry's market share
15 plummeted almost all of that decline in market share was due
16 to subject imports. Indeed, as a result of the unfairly
17 traded imports, the Domestic Industry's shipments declined
18 in 2014 despite rising demand. The U.S. Industry's share of
19 apparent domestic consumption fell to its lowest level in
20 many years.

21 Regarding to price, the record shows that this
22 market share penetration by Subject Imports was obtained by
23 undercutting the U.S. Producer prices. Significant and
24 increasing underselling by these countries occurred in 2014
25 resulting in substantial subject import market share gains.

1 The rapid increase in Subject Imports and the declining
2 import prices have depressed the U.S. Producer prices.
3 Domestic prices of Cold-Rolled Steel have fallen
4 dramatically over the period of investigation.

5 This case represents a common dilemma for
6 Domestic Producers. Resist dropping prices to maintain
7 needed profitability which results in loss of sales or drop
8 prices to maintain sales volume and suffer lower revenue.
9 When cold-rolled imports first surged into the United States
10 in the second quarter of last year, they took sales and
11 gained market share. As the Domestic Producers tried to
12 maintain volume, they dropped their prices to compete with
13 imports. From June 2014 to June 2015, Domestic Producer
14 prices plunged to unsustainable levels.

15 No doubt, the respondents will claim that the
16 price declines for the Domestic Industry simply reflect a
17 decline in raw material costs. That is incorrect. With
18 demand steady and raw material costs stable or declining,
19 one would expect the Domestic Producer's financial
20 performance to be robust. Unfortunately, that has not been
21 the case. Industry profitability plunged in the first half
22 of 2015 due to the increased volume of imports at dumped and
23 subsidized prices.

24 Prices are certainly not plummeting merely as
25 result of raw material cost declines. In addition to

1 causing present material injury, the Subject Imports
2 threaten additional injury absent trade remedies. The
3 Subject Foreign Producers have massive capacity to produce
4 cold-rolled steel, but currently much of that capacity is
5 sitting idle in need of an outlet. Worse, new capacity is
6 being added as well.

7 The rapid increase in subject imports that
8 occurred in 2014 and the first half of 2015 demonstrates how
9 quickly the subject imports can increase exports to the
10 United States. This market penetration confirms their
11 interest in this market here in the U.S. Left unchecked,
12 there's no question that the market share erosion and
13 financial declines the U.S. Industry has suffered at the
14 hands of Subject Imports will become even worse, leading to
15 production shutdowns and worker layoffs. You could say more
16 production shutdowns. You will hear about them today.

17 Our witnesses this morning will discuss their
18 real-world experiences behind the data you've collected and
19 will collect. You know very well much of the Commission
20 focuses on numbers. These cases are about workers, their
21 families and their communities. This case was brought as
22 the injury from imports has been real and acute for some
23 time. The Industry and its workers cannot wait for more
24 factory doors to close and workers to be displaced.

25 As you will hear and the Commission should

1 conclude, affirmative determinations are warranted for all
2 the subject imports. Thank you.

3 MR. CORKRAN: Thank you, Mr. Rosenthal.

4 MR. BISHOP: Opening remarks on behalf of
5 respondents will be by Donald B. Cameron, Morris Manning &
6 Martin.

7 MR. CORKRAN: Welcome to Mr. Cameron. You may
8 begin when you are ready.

9 OPENING REMARKS BY DONALD B. CAMERON

10 MR. CAMERON: Hopefully this microphone works. I
11 assume everybody can hear me. Thank you, Mr. Chairman and
12 members of the staff. At the outset of the
13 corrosion-resistant hearing, we stated that there was no
14 basis for the commission to vote for present injury in that
15 case, based on the record. And the core was, at best, a
16 frat case.

17 This cold-rolled case has the same deficiencies
18 and the causation case is even weaker from the standpoint of
19 present injury and threat. Just a couple of points we'd
20 like you keep in mind as you listen to the testimony today.

21 First, roughly 60% of cold-rolled steel is
22 captively consumed to make downstream core and tinplate
23 products. Merchant market sales represent roughly 40% of
24 the industry sales. Imports compete in the merchant market,
25 but the merchant market outperformed the captive market for

1 cold-roll.

2 What's that say about the impact of subject
3 imports on the bottom line of U.S. producers, as opposed to
4 other factors impacting these same producers? Like core,
5 the best year for domestic producers of cold-rolled was
6 2014. 2014 is also the year of the highest subject imports.
7 That's some correlation.

8 In 2012, 2013, imports were not really much of a
9 factor. And industry performance was weak. In 2014,
10 temporary increases in subject imports peaked in September
11 and October of 2014 and declined monthly thereafter.

12 Yet 2014 saw a surge in domestic industry
13 financial performance despite the dislocations caused by the
14 harsh winter in 2014. And despite the continued significant
15 decline in exports by U.S. producers, which translated
16 directly to their bottom line.

17 In 2015, apparent consumption, domestic
18 shipments, exports and subject imports all declined. But
19 subject imports declined the most, and monthly import
20 volumes continued to decline since October of 2014.

21 So contrary to what petitioners say, 2015
22 imports are not increasing. They are declining. The
23 increase that they are talking about is really be comparison
24 to the first half of 2014, but if you look at it as a
25 continuum since the middle of 2015, you'll see that there

1 actually is a decline.

2 So the volume picture is far from overwhelming
3 and so, what about prices? Again, it's far from
4 overwhelming. There is neither price suppression nor price
5 depression on this record. Raw material prices for iron ore
6 and scrap declined over the period. And in 2015, prices
7 reflected those cost declines.

8 So Paul was right. We are saying that it was
9 raw materials. And we are saying that raw materials drag
10 down prices. We agree on something.

11 Moreover, the underselling that you are
12 expecting to see isn't there. To the contrary, underselling
13 and overselling are about even. The average margins of
14 underselling are small. They are consistent with the
15 margins of underselling that would be expected from imports.
16 Margins of overselling are significant, and those are
17 consistent with what you would expect to see where
18 relatively specialized and higher-valued products are
19 imported.

20 Cold-rolled steel from different countries and
21 companies compete on different bases in this market.
22 Cold-rolled is not a commodity product. Despite what we're
23 gonna hear this morning.

24 You will hear this afternoon that imports from
25 many of the countries, such as Japan and Korea are exporting

1 higher-valued cold-rolled steel, to the transplant auto
2 producers at high prices. They are also supplying black
3 plate to the only U.S. tin mill producer that does not have
4 the capability to produce its own black plate.

5 You will hear directly from that tin mill
6 producer concerning why the company requires an independent
7 supply of black plate for its own survival. Black plate was
8 excluded from the scope in 2002, but it's included here.
9 Now why is that?

10 Other suppliers barely exceed the negligibility
11 threshold. These imports are the cause of injury to the
12 U.S. industry? Seriously, you believe that? There is
13 simply no correlation between subject imports and the
14 domestic injury performance during this period.

15 This case is an overreach by the cold-roll
16 industry. There is no present injury or threat from subject
17 imports. Thank you for your time, we appreciate it.

18 MR. BISHOP: Would the panel in support of the
19 imposition of antidumping and countervailing duties please
20 come forward and be seated? Mr. Chairman, all the witnesses
21 on this panel have been sworn.

22 MR. CORKRAN: Thank you, Mr. Secretary. If
23 everybody could make sure when you're not speaking, your
24 microphone is off so that it's not picked up by the court
25 reporter. Also, please remember to state your name every

1 time you speak. Because there's a lot of people and the
2 court reporter will have trouble seeing. Thank you.

3 Thank you very much, Mr. Secretary. Mr. Price,
4 you may begin when you are ready.

5 STATEMENT OF ALAN PRICE

6 MR. PRICE: Good morning. Mr. Parker and
7 members of the commission staff, it's a pleasure to be here
8 this morning. My name is Alan Price. I'm counsel for Nucor
9 Corporation. I'm here today to give an overview in the
10 petitioner's case.

11 This industry is in crisis. The imports, the
12 subject imports have surged both absolutely and relative to
13 U.S. consumption and U.S. production. As a result, U.S.
14 industry has lost massive market share and U.S. prices and
15 profits have collapsed.

16 Not only is the industry injured, but the
17 industry is suffering from threat of material injury, as
18 their substantial excess capacity in the U.S. market is
19 exceedingly attractive.

20 At the outset, let me address a couple of
21 statutory points. With regard to cumulation, the commission
22 should cumulate all of the countries for the purposes of its
23 material injury determination. Their common products,
24 overlapped geography and overlap in time, particularly in
25 2014 and '15, where the imports surge and have the greatest

1 harm on the domestic injury. The commission should also
2 cumulate all countries for the purposes of threat.

3 Next slide. The commission should not find that
4 any of the imports from any country are negligible. Based
5 upon the official import data that, at the time we filed the
6 case, only the Netherlands has a potential negligibility
7 issue with regard to the dumping investigation and
8 potentially, the CVD case against India.

9 But as Mr. Dorn will explain, gaps in the record
10 do not permit the commission to conclude that the imports
11 from either country were negligible during the twelve months
12 preceding the petition. And in any event, the import trend
13 show that the imports from each country will imminently
14 exceed the applicable negligibility threshold.

15 The following chart shows that as subject
16 imports surged into the United States, domestic shipments
17 fell. At the same time, after rising modestly, merchant
18 market consumption also fell as imports piled up in record
19 inventories.

20 Now this import surge started actually the
21 beginning of fourth quarter of 2013 and increases
22 progressively. During this period the U.S. economy was
23 benefiting from some mild growth, in the underlying demand
24 for this product. Unfortunately, the U.S. industry, we'd
25 started to see some benefit, saw its shipment actually

1 decline due to this surge. And a large portion of this
2 surge went into inventories in 2014 and overhung the market.

3 Now, we've heard various statements about supply
4 and weather in 2014, and we did, I want to state for the
5 record, there was no shortage of domestic supply in 2014.
6 The domestic industry has consistently operated at far below
7 capacity level. And shipments in the merchant market of
8 2014 showed no impact of bad weather. In fact, first half
9 shipments in 2014 were above the same level in the prior
10 year.

11 The import increase in this case was truly
12 astounding. 120% between 2012 and 2014 and in the first
13 half of this year, it's up another 32% over 2014 first half
14 level.

15 The commission in this case should apply the
16 captive consumption provision when analyzing market shares
17 and financial impact and focus on the merchant market.
18 Demand in cold-rolled is split between sales in the merchant
19 market in internal consumption. And recent changes in the
20 law require the commission to apply the captive consumption
21 provision.

22 All of the statutory factors are met. And so we
23 will focus our discussions on the merchant market. The
24 increase in volume of subject imports relative to U.S.
25 consumption is significant.

1 Imports increase, in terms of market share, by
2 120%. This is truly an amazing increase, and the bulk of
3 the increase all happened in 2014 and 2015.

4 Okay, we know that the imports increased
5 significantly. Now we know there are subject imports and
6 nonsubject imports in this case. One of the interesting
7 things in this case is that the blue line represents
8 nonsubject imports. Prices never change materially. On the
9 other hand, the subject imports plummeted in price. Guess
10 what happens when something goes on sale? People stock up.
11 Volume is moved. It also shows one other thing. All of
12 these products are subject to the exact same global
13 supply-and-demand issues with iron ore and scrap. Those are
14 two globally-traded commodities. Because those are
15 globally-traded commodities that was the driver, then these
16 prices would have looked like these prices. But they
17 didn't. The subject imports chose to slash prices in order
18 to move volume.

19 Subject imports are a cause of spot market
20 prices declines. If you look over here, you will see that
21 the imports start to surge in. As imports surge in, spot
22 market prices start to decline progressively. We see a huge
23 collapse going on as the imports overwhelm the market.

24 Okay. When you look at the subject imports, one
25 of the fascinating things in this case is that from July

1 2014 forward, virtually every ton of increase in the subject
2 imports over the prior year levels were at the expense of
3 domestic shipments. Almost a ton-for-ton offset. This case
4 is a classic case of volume-based injury. This was imports
5 taking domestic volume from the U.S. industry.

6 Now, a large share of these imports which came
7 in, in 2014, actually went into inventories, and your data
8 shows that there was a huge increase in importer inventories
9 at the end of 2014. Your data shows that inventories at the
10 end of 2015 remain sharply above inventory levels in the
11 first half of 2014. These inventories have weighed very
12 heavily on the marketplace.

13 Now, as you look at the underselling data, there
14 is clear evidence that the underselling of the subject
15 imports have contributed to the price depression and
16 suppression in the domestic industry and the harm we've
17 seen, both on a volume and pricing basis. There are a
18 number of issues with pricing data submitted by certain
19 importers and we'll address that in our post hearing brief.

20 But, starting in 2013, subject imports began to
21 undersell domestic production in increasing quantities. In
22 2014, more than three-quarters of the subject import
23 quantity undersold the domestic production. Again, this
24 corresponds exactly with the surge in imports that rapid
25 slashing of AUVs that we saw.

1 Now, underselling does decrease in 2015,
2 particularly in the second quarter. As the domestic injury
3 was forced to slash prices in response to the market share
4 and volume it lost to the subject imports. While the
5 industry was initially was injured by the subject import
6 volumes, it then sees it prices depressed and suppressed at
7 the end of POI, as it's forced to slash prices in order to
8 maintain production.

9 The imports have adversely affected the domestic
10 industry. The domestic industry is suffering from severe
11 negative impacts from the subject imports. You see
12 declining production, sales, market share, prices, capacity
13 utilization, employment indicators and asset values. There
14 are significant operating and net losses, and we think the
15 net losses are particularly important for the commission to
16 analyze. As Congress amended the statute to indicate that
17 the commission should look at net losses also.

18 It is actual profit and losses at the net level
19 that fund companies. Clearly, the return of the industry
20 experienced inadequate returns. Just yesterday,
21 unfortunately one of the domestic producers announced the
22 shutdown of one of its cold-rolling operations. The returns
23 on this industry are inadequate at a time when the industry
24 needs to reinvest at increasing levels to meet demands for
25 new, more advanced types of steel.

1 And, in a capital intensive industry like this,
2 where this a time of somewhat improving demand in automotive
3 and construction, which are the underlying demand factors,
4 the fact that the industry is suffering increasing and
5 significant losses is devastating. This should be the
6 period when the industry earns substantial profits defined
7 in inevitable downturns.

8 Industry performance reached its worst point in
9 2015, when the subject import penetration was at its highest
10 over the POI and the subject import prices were at their
11 lowest. By any definition, this industry is suffering from
12 material injury.

13 Now let's move on to threat. With regard to
14 threat, Brazil, China, India, Korea and Russia benefit from
15 countervailable subsidies and export subsidies. The subject
16 producers have substantial excess capacity. Approximately
17 78 million tons at the end of 2014, roughly, six times the
18 merchant market in the United States, probably close to
19 equivalent to the entire ability to supply the merchant
20 markets of all consumption around the world, or close to
21 that.

22 Astounding levels of excess capacity. But, if
23 that's not enough, India, Brazil and China, especially
24 China, are adding additional capacity over the next few
25 years, despite weak demand. So this situation is only going

1 to get worse.

2 Now, the U.S. industry is suffering from
3 injurious imports across multiple product lines. Many of
4 these same countries are subject to investigation in the
5 corrosion-resisting case and hot-rolled case. In fact, all
6 ore under order currently on hot-roll. In fact, all of them
7 are subject to some type of trade relief in the United
8 States, or potential relief.

9 If the commission were to impose duties on
10 corrosion-resistant steel and/or hot-roll steel and not
11 impose duties on cold-roll steel, we think that there would
12 be product shifting into cold-roll steel. This would cause
13 injury. And, in fact, for each of these product lines,
14 cold-roll steel is, in terms of volume, is equal to or less
15 than the volume in the other product lines. So it's quite
16 easy for them to ship substantial volumes to devastate the
17 U.S. industry.

18 The subject producers have demonstrate their
19 ability to rapidly increase their exports to the United
20 States, again, the 120% increase in terms of market share,
21 the million ton increase in terms of volume, are stunning,
22 in and of themselves. This is an industry the farm
23 producers in this industry have shown themselves able and
24 capable of shifting supply to the U.S. market and therefore,
25 that factor on the statute is met.

1 The importer inventories, as we said, are up
2 sharply in this case. Year-end importer inventories were
3 much, much larger than prior years, but their inventories of
4 imports held in distribution, and you see MSCI sheet
5 inventories go up. You also, we've also based upon this
6 experiences with our customers, so customers also build
7 inventories of imports. Bottom line, it's like going to
8 Costco. When something's on sale at a low price, you buy a
9 lot more of it, and that's what the subject imports did and
10 it's throughout the supply chain at the end of 2014, and at
11 the end of the first half of 2015, again they're much higher
12 than they were in the prior half year. There are immense
13 inventories out there.

14 The subject imports are entering price that will
15 further depress and suppress U.S. prices. In fact, as we
16 pointed out in the core case, we said there was going to be
17 tremendous price collapse as a result of the subject
18 imports. Here in 2015 in the second quarter, you see a
19 tremendous collapse as prices were suppressed, and the
20 industry had to compete and had to deal with the immense
21 loss in volume due to the subject imports.

22 The industry has been unable to make critical
23 investments. Obviously the industry is not investing
24 consistent with depreciation requirements, consisting with
25 maintaining asset values, and asset values are declining.

1 Yesterday, as we said, U.S. Steel announced the closure of
2 one of the major production facilities in the United States.

3 This industry is highly vulnerable. But making
4 matters worse, after we all know that imports as they argue,
5 have a 90-day, 120-day, 150-day lead time, so the U.S.
6 industry cut its prices to try to compete. Guess what?
7 Subject imports have cut their prices again.

8 And there has been a devaluation of the RMB and
9 literally, within hours of that devaluation, Chinese
10 producers cut their export prices. Not only the Chinese
11 producers cut their export prices, but everyone in Asia
12 said, we have to cut our export prices. We have to cut our
13 import, we have to cut our prices, period. Because of the
14 enormous pressures that puts throughout the supply chain.

15 All of the subject producers are going to be
16 forced to cut prices in order to deal with the pressure put
17 on from the Chinese price cuts and the currency move.

18 Next slide. Finally, all -- while the U.S.
19 industry was seeing its shipments decline dramatically in
20 2015, first half, the subject imports actually increased
21 their shipments over the first half of the prior year.

22 These subject imports are not responding to the
23 market demand because if they were, they would be following
24 the domestic industry. They weren't. The domestic industry
25 has paid the price here and is continuing to pay a price.

1 These imports are all surging into the market all negatively
2 impacting the U.S. industry and they're a cause of not only
3 material injury, but continue to threat in the U.S. industry
4 with material injury going forward.

5 In conclusion, the Commission should make an
6 affirmative preliminary determination that the subject
7 imports are a cause of material injury and threat of
8 material injury.

9 I now turn to our first witness, Mr. Doug
10 Matthews of U.S. Steel.

11 STATEMENT OF DOUG MATTHEWS

12 MR. MATTHEWS: Thank you and good morning. My
13 name is Douglas Matthews and I am senior vice president of
14 United States Steel Corporation's North American flat-rolled
15 operations.

16 I recently testified before you and explained the
17 challenging market conditions U.S. Steel faces caused by a
18 surge in imports of dumped and subsidized corrosion
19 resistant steel. And thank you for your serious
20 consideration in that case.

21 Unfortunately the effects of unfair trade reached
22 beyond U.S. Steel's corrosion resistant products. Indeed,
23 this is why I'm here today. I'm here to testify about the
24 injury resulting from subject imports of cold-rolled steel
25 which are already devastated U.S. producers and which will

1 cause even more harm in the absence of trade relief.

2 Production of cold-rolled steel involves
3 significant fixed costs. Our plants are designed to operate
4 around the clock seven days a week and to stop production
5 only when maintenance or an upgrade is required. Demand for
6 this product is cyclical and can vary depending on the
7 overall state of the economy and market conditions for
8 downstream products like automobiles.

9 In fact, almost all of our cold-rolled sales are
10 made on the spot market and through contracts a year or less
11 in duration. Under these circumstances we must take full
12 advantage of favorable market conditions to survive the
13 inevitable downturns. But last year subject imports
14 prevented us from doing so.

15 CRU reports that 2014 was the strongest year of
16 demand for cold-rolled steel since 2008, a year that ended
17 with the onset of the economic crisis. For years the
18 American industry suffered due to weak demand. As the U.S.
19 grew out of the recent economic crisis and demand for
20 cold-rolled steel increased, U.S. Steel had an opportunity
21 to grow its business to reinvest in technology, and its
22 workers and undertake useful capital expenditures. However,
23 subject imports deprived U.S. Steel and other U.S. producers
24 of this opportunity.

25 Indeed, last year the volume of subject imports

1 rose by almost one million tons. That is more cold-rolled
2 steel than we can make at our Fairfield plant in an entire
3 year. Let me reiterate. The increase in subject imports
4 alone was more than enough to completely replace one of our
5 facilities.

6 Domestic producers lost those sales and revenue
7 and profits that would have flowed from them. We lost
8 additional revenues and profits because we had to cut
9 prices, particularly in the second half of the year.

10 In short, last year U.S. Steel could not take
11 full advantage of favorable market conditions because of
12 unfairly traded and subsidized imports of cold-rolled steel.
13 To anyone that knows this business, those facts alone are
14 enough to prove that we were injured by unfair trade. But
15 that was on the beginning of the injury we have suffered.
16 By the end of 2014, the market was clearly oversupplied with
17 inventories at very high levels. In an effort to keep our
18 mills running and our people working, we were forced to cut
19 prices by roughly \$200 per ton in the first half of this
20 year.

21 Meanwhile, dumped and subsidized imports rose by
22 almost 32 percent from the first half of 2014 to the first
23 half of 2015, taking more business from domestic producers
24 and putting more downward pressure on prices. As a result,
25 U.S. Steel was forced to cut production. From January to

1 June of 2015, U.S. Steel's production of cold-rolled steel
2 fell by almost 20 percent compared to the same period in
3 2014. At that pace, U.S. Steel's 2015 production will be
4 down over 1.2 million tons from last year.

5 The situation we face is very grave. Only
6 yesterday we were forced to announce the shutdown of all
7 steel making and rolling operations at our facility in
8 Fairfield, Alabama. A decision which was really hard.

9 Given U.S. Steel's history of more than 100 years
10 of iron making in the state of Alabama, this is a sad day
11 for our entire company and especially for the more than
12 1,000 hard-working employees who no longer have jobs due to
13 the ongoing surge in dumped and subsidized imports of
14 flat-rolled steel, including imports of cold-rolled steel
15 before you today.

16 Let me be clear, the current situation is not
17 sustainable. We cannot afford cold-rolled steel at such low
18 prices. We cannot afford to keep operating at such low
19 levels of capacity utilization. If these conditions
20 continue, there is no question that there will be further
21 shutdowns and layoffs throughout the industry. The problems
22 we face today have nothing to do with the last of hard work,
23 ingenuity, efficiency, or other virtues that market
24 competition is supposed to promote.

25 In a fair market we would be having a very solid

1 year. Underlying demand remains generally strong. We make
2 great product and we know the market better than anyone.
3 The current market conditions, however, are horribly
4 distorted. We face a significant oversupply that is the
5 direct result of dumped and subsidized products penetrating
6 the market. Until these aggressive and unfair tactics are
7 addressed, true market competition is impossible.

8 We ask for relief. We urge the Commission to
9 properly enforce the trade laws and to reach an affirmative
10 determination with respect to all subject countries.

11 Thank you for your time and your consideration.

12 STATEMENT OF ROBERT Y. KOPF

13 MR. KOPF: Good morning. I am Robert Kopf and I
14 am the general manager of Revenue Management for United
15 States States Steel Corporation. In this capacity I am very
16 familiar with U.S. Steel's efforts to sell cold-rolled
17 steel. I wholly support the testimony you have heard from
18 Mr. Matthews and I would like to emphasize a few points for
19 the Commission.

20 First, unfairly traded imports not only hurt our
21 sales on the spot market, they also harmed U.S. Steel's
22 contract negotiations. Last year the vast majority of our
23 sales of cold-rolled steel took place under contracts with
24 over 90 percent of our contract sales lasting a year or
25 less. In the last year, contract after contract has come up

1 for renewal and our customers have repeatedly used falling
2 spot market prices to pressure us into accepting
3 significantly lower contract prices.

4 U.S. Steel should not be forced to lower its
5 prices based on unfairly traded and subsidized steel
6 imports. Unfortunately, this is exactly what we have to do.
7 These lower priced contracts will continue to harm us for
8 some time to come.

9 Second, the dramatic decline in profits U.S.
10 Steel suffered this year cannot be attributed to a weakness
11 in underlying demand.

12 Two of the main drivers in cold-rolled demand are
13 the automotive and construction sectors, and both of these
14 sectors have done very well with real consumption higher
15 year over year in both of these industries. Indeed, auto
16 sales are on pace to exceed 17 million vehicles for the
17 first time since 2001. In June 2015 U.S. construction
18 spending was up 12 percent from its level in June 2014.
19 However, the surge in dumped and subsidized imports has
20 overwhelmed the U.S. market, leaving not just lower prices,
21 but also driven cold-rolled inventories higher, a fact that
22 weighs heavily on apparent consumption. Even a strong
23 market may be overwhelmed by an excess of supply, and that
24 is what we are seeing this year.

25 Third, the Commission must reject the notion that

1 the recent collapse in cold-rolled prices merely reflects
2 falling input costs. If we simply adjusted our prices in
3 response to changes in costs, our profits would stay the
4 same every year. However, this has not happened. In fact,
5 you will note that through the first half of 2015, our
6 operating profits on our merchant market sales of
7 cold-rolled steel fell 53 percent compared to the same
8 period in 2014.

9 On an annualized basis, we are on a pace to see
10 profits fall by 74 percent. These facts leave no doubt that
11 our prices were falling much faster and more dramatically
12 than our costs, just as you would expect in a market that
13 has excess supply.

14 Finally, we need trade relief to bring this
15 situation under control. Respondents may claim that market
16 conditions have stabilized and that the worst is behind us.
17 As you heard from Mr. Matthews, however, current pricing
18 levels are unsustainable for U.S. mills trying to obtain a
19 healthy rate of return. We do not need stability. On the
20 contrary, we need to see equitable market prices and to stem
21 the flow of dumped and subsidized steel imports.

22 Given that we face what appears to be a virtually
23 unlimited supply of unfair trade, effective relief is vital
24 for us to obtain fair pricing and true market competition.
25 Everyone in our industry, both producers and customers is

1 waiting to see whether the Commission will grant such relief
2 or whether the surge in unfair trade will continue.

3 Grant this relief and give us and our workers the
4 chance to recover from the harm we have already suffered.

5 Thank you very much.

6 STATEMENT OF DANIEL MULL

7 MR. MULL: Good morning. I am Daniel Mull, the
8 Executive Vice President for Sales and Marketing for
9 ArcelorMittal, USA. I've held this position for eight years
10 and have worked in the steel industry for over 40 years.

11 My job responsibilities include overseeing and
12 coordinating ArcelorMittal USA sales of flat-rolled steel
13 products.

14 I am joined by my colleague, Gordon O'Neill who
15 is director of product control for cold-rolled steel
16 products for ArcelorMittal USA. We are here today to
17 strongly support the application of antidumping and
18 countervailing duty orders on cold-rolled steel imports from
19 China, Brazil, India, Japan, Korea, Netherlands, Russia, and
20 the United Kingdom.

21 ArcelorMittal USA manufactures a full range
22 cold-rolled steel products at six facilities in Indiana,
23 Ohio, West Virginia, and Alabama. We sell these products
24 for use in numerous applications including to service
25 centers and end-user customers in the appliance, automotive,

1 containers, and construction consuming markets. A
2 significant portion of ArcelorMittal's cold-rolled steel is
3 also used for further processing into metallic coated steels
4 such as corrosion resistant steels and tin mill products.

5 In early 2014 ArcelorMittal completed the
6 purchase of Tiss and Krupps flat-rolled steel facility in
7 Calvert, Alabama as part of a joint venture with Nippon
8 Steel and Sumitomo Metal Corporation. This investment added
9 new cold-rolling capabilities to ArcelorMittal.

10 Just as we were making this investment in
11 Calvert, imports of Cold-Rolled Steel like imports of
12 corrosion resistant steel and hot-rolled steel surged into
13 the United States. We expected to be able to take advantage
14 of the healthy demand for Cold-Rolled Steel that was on the
15 rise. But subject imports increased by about one million
16 tons between 2013 and 2014. At this pace, subject imports
17 more than doubled their volume and captured the U.S. market
18 growth at the expense of the domestic industry.

19 Imports from the subject countries continued to
20 grow for the first half of 2015. The import growth has been
21 achieved with prices that undersell ArcelorMittal USA across
22 all of our cold-rolled steel products. The low import price
23 placed significant downward pressure on U.S. market prices.

24 In fact, the bottom has fallen out of pricing
25 over the last year and particularly in 2015. You can see

1 that in any index that is tracking cold-rolled steel. With
2 demand healthy, we should not have had to cut prices nearly
3 as much as we did. The poor pricing is being driven by the
4 large and increasing supply of dumped and subsidized
5 cold-rolled steel imports.

6 ArcelorMittal USA is feeling the impact of these
7 imports across our cold-rolled steel business. We have
8 experienced a significant price pressure in spot market that
9 you see reflected in the published indices. But we also are
10 feeling that pressure for our contract sales which make up a
11 significant portion of our business. Our contract customers
12 are very sophisticated and large buyers of cold-rolled
13 steel. They are well aware of the market prices for this
14 product. As the subject imports drive down spot pricing and
15 the market indices that reflect that pricing large contract
16 buyers expect new contracts to reflect those declines in the
17 market prices.

18 As we negotiate contracts in 2015, the low spot
19 market prices have been both direct and indirect leverage in
20 these negotiations. Low import prices in 2015 are going to
21 mean that we will be living with those low and injurious
22 prices for some time to come. Without relief we can expect
23 to lose further sales volume and market share to dumped and
24 subsidized imports. And we can expect continued erosion of
25 market pricing.

1 only getting worse.

2 Apparent domestic consumption of cold-rolled
3 steel increased somewhat between 2012 and 2014 before
4 declining in the first half of this year.

5 Nucor was well positioned to benefit as the
6 underlying demand drivers for cold-rolled steel, autos and
7 construction grew. Instead we were pummeled by dumped and
8 subsidized imports. While overall consumption was
9 relatively steady but showing a modest uptick, subject
10 import volumes more than doubled capturing the U.S. market
11 share at the expense of domestic producers. This import
12 surge has continued in 2015 with subject import volumes
13 growing by another 32 percent in the first half of this year
14 and taking additional market share from U.S. cold-rolled
15 producers.

16 Subject imports have been able to increase their
17 market share so significantly because they are being sold at
18 extremely low, unfairly traded prices. Price is a very
19 important factor when deciding to purchase imports or
20 domestic cold-rolled steel. And domestic product is easily
21 interchangeable with imported product. Simply put, if the
22 price is lower, U.S. producers will choose -- purchasers
23 will choose cold-rolled steel imports over domestic product.
24 This is exactly what is happening. Much of the subject
25 import surge caused by fire sale import pricing went into

1 inventories that are depressing our production and prices in
2 2015.

3 In 2014 and interim 2015 subject import prices
4 declined rapidly and their volume surged. As a result Nucor
5 is struggling at a time when it should be performing well.
6 Nucor has lost significant sales including those that we
7 included in the petition. For those sales that we were able
8 to keep, prices have fallen dramatically, especially over
9 the past year.

10 These price declines are directly tied to the
11 recent surge in subject imports. Notable Nucor relies on
12 scrap for its steel production. And scrap prices are down.
13 You would think that we would be earning higher profits as a
14 result. Instead, our profits are down sharply this year and
15 they will come down even further without relief from the
16 influx of subject imports.

17 This is because we lost volume and market share
18 to low-priced subject imports, pure and simple. Cold-rolled
19 imports are a significant cause of price decreases for
20 cold-rolled products produced in the United States. It is
21 not due to cold winters or collapses in the oil country
22 tubular goods market as you heard about at the core
23 conference.

24 The increase in the supply of unfairly
25 cold-rolled import has had and is having a direct and

1 negative effect on cold-rolled prices in the United States.

2 Both spot and contract pricing have been harmed
3 by these imports. Respondents may tell you that contracts
4 insulate the domestic industry from subject imports, but
5 they absolutely do not. Spot prices are of course the
6 starting point for negotiating new contracts as well as
7 renegotiating both short-term and longer-term contracts.

8 Even long-term contracts frequently contain
9 indexing provisions where the contract price can readjust to
10 reflect the changes in the spot market. When support prices
11 decline contract pricing inevitably follows. Contract sales
12 volumes are also suffering. Many of our contract customers
13 are now purchasing only to the contractual minimums. They
14 are using dumped and subsidized imports to supply the
15 balance of their demand. This is not surprising given that
16 most of our customers can switch to subject imports without
17 qualifying these products. Even when a qualification is
18 required, the time and effort involved is minimal.

19 Right now the domestic industry should be
20 performing well. Instead, the industry's market share
21 production, and sales are down. We have been especially hit
22 hard this year and profits have weakened substantially.

23 Subject imports have also prevented Nucor from
24 making important investments in our cold-rolled operations.
25 If orders are not imposed this harm will continue and will

1 likely worsen.

2 At the same time producers in Brazil, China,
3 India, Japan, Korea, Netherlands, Russia, and the United
4 Kingdom continue to increase their capacity despite already
5 crushing global overcapacity and weak demand in their home
6 markets. Subject producers are increasingly being pushed
7 out of other export markets by poor demand conditions, by
8 increasing imports from China and other countries, and
9 growing trade barriers. China and Russia are even facing
10 trade cases in the European Union. All of these factors are
11 causing subject producers to direct even more exports to the
12 United States which is a very open and attractive market.

13 For example, Russian cold-rolled imports exploded
14 in 2014 as Russian producers immediately shifted to
15 cold-rolled when the hot-rolled suspension agreement was
16 terminated and duties were imposed.

17 Indian cold-rolled steel imports also skyrocketed
18 increasing by nearly 400 percent in 2014 and continuing to
19 grow this year.

20 Imports from Brazil increased more than 300
21 percent further in the first half of 2015. Cold-rolled
22 producers in each of these eight subject countries are
23 heavily export oriented and they will undoubtedly continue
24 to target the U.S. market and injure the U.S. producers
25 absent import relief.

1 On behalf of Nucor and my 23,000 team mates and
2 their families, I urge the Commission to find that the
3 imports of cold-rolled steel from the subject countries have
4 injured our industry and threatened us with further material
5 injury.

6 Thank you.

7 STATEMENT OF SCOTT LAUSCHKE

8 MR. LAUSCHKE: Good morning. My name is Scott
9 Lauschke. I serve as Vice President of Sales and Customer
10 Service at AK Steel Corporation.

11 I oversee all aspects of sales and marketing,
12 customer service, and inventory planning for our carbon
13 steel and specialty steel flat products, including
14 cold-rolled steel.

15 I am also responsible for our international
16 business activities. I have over 20 years of experience in
17 sales, customer service, and operations in the steel
18 industry and I am accompanied today by J.B. Chronister, AK
19 Steel's General Manager of Products.

20 AK Steel produces a broad range of cold-rolled
21 steel products at our mills in Ohio, Indiana, Kentucky,
22 Michigan, and Pennsylvania. These cold-rolled products
23 include commercial steel, drawing steel, extra-deep drawing
24 steel, high-strength, low-alloy steel, and structural steel.

25 AK Steel sells these cold-rolled steel products

1 into all significant end-use market segments, including
2 appliance, automotive, containers, and construction.

3 In 2014, cold-rolled steel represented
4 approximately 20 percent of AK Steel's sales of flat-rolled
5 steel. Our mills are capable of producing substantially
6 more cold-rolled steel than they are currently producing.

7 We are here today because of the dramatic
8 increase in imports of dumped and subsidized cold-rolled
9 steel since 2012. The subject foreign producers have
10 offered lower prices to take market share from AK Steel and
11 other U.S. producers.

12 The increasing supply of unfairly priced imports
13 have had a severe adverse impact on AK Steel's selling
14 prices, shipment volumes, capacity utilization, and
15 financial results. Among other things, the unfairly priced
16 imports have impaired the return on numerous investments
17 that we have made in production facilities, new products,
18 and more efficient production processes.

19 In particular, AK Steel's \$700 million investment
20 to acquire the Dearborn works from Severstal in July 2014
21 has been negatively impacted by the increasing volume and
22 declining prices of dumped and subsidized imports.

23 Subject imports have resulted in lower prices,
24 shipments, production, and profits than we anticipated when
25 we acquired the cold-rolled steel operations at Dearborn

1 Works.

2 We need relief from dumped and subsidized imports
3 to obtain the full value of this investment. Cold-rolled
4 steel is produced to common industry specifications. All
5 competing suppliers must meet those specs and provide
6 high-quality steel with timely deliveries.

7 Accordingly, sales negotiation for cold-rolled
8 steel are highly price sensitive. Customers often provide
9 feedback on competing prices and permit bidders to adjust
10 offers to meet competing prices.

11 During the last few years, subject imports have
12 clearly been the downward price leader in these
13 negotiations. Even when we are not directly competing
14 against subject imports, our customers know and we know that
15 they can redirect sourcing to subject imports if our prices
16 are not in line with current market prices.

17 Thus, the dumped and subsidized imports
18 negatively impact all of our sales negotiations.

19 AK Steel competes with subject imports in all
20 market segments. None of our cold-rolled steel products are
21 insulated from import competition. A large portion of our
22 sales are to distributors and steel service centers on a
23 spot-sale basis. The spot market sales are impact directly
24 and immediately by subject imports.

25 Our contract sales are also heavily influenced by

1 the subject imports. We sell pursuant to short-term and
2 long-term contracts and the expirations of these contracts
3 are staggered throughout the year.

4 When spot market prices are falling, our contract
5 prices also tend to fall as new contracts are negotiated and
6 our customers seek to renegotiate their existing contracts
7 to reflect current market prices.

8 If we do not adjust our prices downward to
9 reflect lower spot market prices, then we lose sales volume
10 from our contract customers. In addition, the price term in
11 many of our contracts changes in relation to market price
12 indices. This is particularly common for contracts
13 involving steel service centers.

14 Furthermore, even where we have fixed-price
15 contracts, customers will often seek to adjust prices
16 downward during the term of the contract when spot prices
17 fall below the contract price. Thus, our contract business
18 is not insulated from the adverse effects of dumped and
19 subsidized imports.

20 Demand for cold-rolled steel is largely driven by
21 general economic conditions, construction activity, and
22 automotive sales.

23 Given current demand conditions, U.S. market
24 prices for cold-rolled steel should be near record high
25 levels. Instead, U.S. market prices have fallen sharply

1 during the POI, especially since the middle of 2014.

2 The reason for the price drop is obvious: Subject
3 imports jumped by 120 percent from 2012 to 2014, and
4 increased a further 32 percent in the first half of 2015
5 compared to the first half of 2014.

6 Subject imports have more than doubled their
7 share of the U.S. market since 2012. As a result, AK Steel
8 has lost substantial sales volume to subject imports.

9 In addition, AK Steel has had to reduce its
10 prices on remaining sales to meet the lower import prices.
11 This has been necessary to avoid losing additional sales
12 volume that is needed to maintain capacity utilization and
13 contribute to covering substantial fixed costs.

14 We cannot continue down this path. But if we
15 raise prices in the face of the lower priced dumped and
16 subsidized imports, we will lose additional volume to
17 subject imports. This would result in lower production,
18 lower capacity utilization, and higher per-unit fixed costs
19 which would further adversely affect our revenues and our
20 profits.

21 In response, we would need to reduce our
22 workforce, our capital expenditures, and our R&D
23 expenditures for cold-rolled steel.

24 In short, AK Steel is suffering both a
25 significant loss of volume and negative price effects due to

1 unfair competition from subject imports of cold-rolled
2 steel.

3 On behalf of AK Steel and its dedicated
4 workforce, I strongly urge the Commission to make
5 affirmative determinations in these investigations.

6 Thank you.

7 STATEMENT OF HOLLY HART

8 MS. HART: Good morning. My name is Holly Hart
9 and I am an Assistant to the International President and
10 Legislative Director of the United Steelworkers, the largest
11 industrial union in North America with over 850,000 members.

12 The USW has been steadfast in its opposition to
13 the practices of foreign governments and companies seeking
14 to gain an unfair advantage by violating the trade rules.
15 When the playing field isn't level, it is not just American
16 manufacturers that suffer tremendously but their workers and
17 families as well.

18 I am here today on behalf of our Steelworker
19 members and retirees to discuss the devastating effects that
20 unfairly traded imports of cold-rolled steel products have
21 had on the U.S. industry and its workers.

22 For our members and their families, it is
23 essential that the Commission provide trade relief from
24 dumped and subsidized imports from Brazil, China, India,
25 Japan, Korea, the Netherlands, Russia, and the United

1 Kingdom.

2 The U.S. cold-rolled steel industry and its
3 workers have faced unfair competition from numerous
4 countries over many years. The Commission first granted the
5 domestic industry trade relief in 1985 against subsidized
6 cold-rolled steel imports from Sweden. And then again in
7 1993 against dumped and subsidized cold-rolled imports from
8 a number of countries, including Korea and the Netherlands.

9 Those Orders were revoked in 2000. And
10 unfortunately aggressively dumped and subsidized imports
11 from Korea and the Netherlands have once again begun
12 flooding the U.S. market in recent years, this time along
13 with imports from Brazil, China, India, Japan, Russia, and
14 the United Kingdom.

15 They are taking sales and U.S. market share from
16 the domestic producers and severely reducing domestic prices
17 and the production of cold-rolled steel.

18 This onslaught of dumped and subsidized imports
19 from the eight subject countries threatens the economic
20 livelihood of American steelworkers. The record in this
21 case shows that employment factors, including the number of
22 workers employed in cold-rolled production and their hours
23 generally declined over the period of investigation and the
24 first half of 2015.

25 That is more than just data, as you well know.

1 Those numbers represent actual jobs for hard-working
2 Americans and less pay for them to take home to their
3 families.

4 Behind the figures on paper there's real harm
5 caused by unfairly traded imports--harm to steelworkers,
6 retirees, their families, and their communities that depend
7 and thrive on the success of these mills.

8 The Steelworkers is committed to fighting for our
9 jobs and retiree benefits, including working with the U.S.
10 producers to safeguard the viability of the industry. But
11 doing that in the face of unfairly traded imports has been
12 increasingly difficult for a while now.

13 I realize we are here today to talk about
14 cold-rolled steel products, but it can't go without mention,
15 as the domestic industry has filed three cases this year
16 along cover the major large tonnage products, corrosion
17 resistant steel, cold-rolled steel, and most recently
18 hot-rolled steel.

19 Last year, U.S. producers filed a case on steel
20 wire rod and the year before that saw cases on steel
21 reinforcing bar and oil country tubular goods.

22 Without relief, the injury will continue.
23 Production cutbacks, which we have seen in the first half of
24 2015, and will likely continue unless orders are place, will
25 mean further reduced work hours, threatened livelihoods, and

1 family budgets and job insecurity.

2 We take pride in our partnership with the
3 companies because when steel producers do well, so do
4 steelworkers. But when business suffers, our members and
5 their families are the first ones to feel the pain through
6 fewer hours and layoffs.

7 The level of concern this causes our members and
8 our leadership cannot be overstated. But we alone can't
9 stop the injury because caused by the massive overcapacity
10 government subsidized and unfair pricing coming from the
11 eight subject countries. Even as the U.S. economy continues
12 to improve, the American steel industry is facing a crisis
13 caused by others trying to export their problems here.

14 We are counting on the Commission to enforce the
15 trade laws to ensure that competition is fair. When it is,
16 there is no question that American steelworkers and the
17 products we make can compete with imports from any country
18 in the world.

19 So on behalf of our Union's members who make
20 cold-rolled steel, the retirees that depend on the health of
21 this industry, and all of the communities they support, I
22 urge you to do the right thing and determine that these
23 unfair imports are injuring the U.S. industry and its
24 workers. And thank you.

25 STATEMENT OF JOSEPH W. DORN

1 MR. DORN: Good morning. Joe Dorn for AK Steel
2 Corporation.

3 Before concluding this panel's presentation, I
4 would like to say a few words about negligibility. As you
5 know, the Commission will consider imports from a subject
6 country to be negligible for purposes of assessing material
7 injury if they account for less than 3 percent of total
8 imports of all such merchandise imported during the most
9 recent 12 months for which data are available preceding the
10 filing of the petition.

11 The threshold for countervailing duty
12 investigations involving developing countries is 4 percent.
13 For these investigations, therefore, the Commission should
14 assess negligibility for material injury based on data for
15 July 2014 to June 2015 using a 4 percent threshold for the
16 India CBD investigation, and a 3 percent threshold for all
17 other investigations, including the India antidumping
18 investigation.

19 As Mr. Price mentioned, there are no debatable
20 negligibility issues in these investigations except for the
21 Netherlands antidumping investigation and the India CBD
22 investigation.

23 Our data show that Russia exceeded the threshold
24 in the 12 months preceding the filing of the petition.
25 During July 2014 to June 2015, based on the official import

1 statistics for the HTS items identified in the scope
2 proposed in the petition, the Netherlands accounted for 2.7
3 percent of imports from all countries; and India accounted
4 for 3.5 percent of imports from all countries. Thus, based
5 on those data, both countries are extremely close to meeting
6 their thresholds. India is about 15,000 tons short; and the
7 Netherlands is about 9,000 tons short.

8 Applying the proper legal standard to the
9 existing incomplete record, the Commission should not make a
10 preliminary determination that imports from either country
11 are negligible for assessing material injury.

12 Moreover, even if the Commission were to
13 determine that these imports were negligible for material
14 injury, there is a reasonable indication that there is a
15 potential that imports will meet each country's
16 negligibility threshold during the period the Commission
17 examines for threat.

18 Thus, the Commission should not prematurely
19 terminate these investigations with respect to either
20 country. The legal standard for determining negligibility
21 in this preliminary phase is the same standard dictated by
22 the American Land Decision for the Commission's
23 determination of a material injury.

24 Thus the Commission has explained that it will
25 not terminate an investigation at the preliminary stage

1 unless, quote, "the record as a whole contains clear and
2 convincing evidence that imports are negligible," end quote
3 and, quote, "no likelihood exists that contrary evidence
4 will arise in a final investigation." End quote.

5 As already noted, both countries are extremely
6 close to their thresholds based on the official import
7 statistics for the HTS items identified in the petition.
8 Though we know that the denominator for the negligibility
9 calculation based on those data is likely overstated,
10 likewise the numerators for India and the Netherlands may be
11 understated.

12 In fact, if we instead use data just from the
13 responses to the importers questionnaires that were
14 available to petitioner's counsel as of yesterday, the
15 Netherlands clearly exceeds its threshold. India is just
16 below its threshold, notwithstanding the obvious
17 incompleteness of the import data reported for India.

18 Thus, given the gaps in the questionnaire data in
19 these preliminary investigations, clear and convincing
20 evidence of negligibility is lacking and a complete record
21 in the final investigation may show that imports from both
22 countries are not negligible.

23 In the alternative, the statute provides that the
24 Commission shall not treat imports as negligible if it
25 determines that there is a, quote, "potential," end quote,

1 that imports will eminently exceed the threshold.

2 Thus the Commission should at the very least
3 determine that clear and convincing evidence is lacking,
4 that imports from either country lack the potential to meet
5 their negligibility thresholds during the period the
6 Commission examines for threat.

7 It is virtually certain that imports of Indian
8 will exceed 4 percent as earlier as calendar year 2015.
9 Imports from India increased by 1,019 percent from 2012 to
10 2014, and 39 percent from the first half of 2014 to the
11 first half of 2015.

12 India's share of total imports increased from
13 only half a percent in 2012 to 3.1 percent in 2014, and to
14 4.7 percent in the first half of 2015.

15 Imports from the Netherlands are also likely to
16 meet their threshold in this calendar year. For example,
17 during the period of investigation the Netherlands share of
18 total imports was relatively small during January to March
19 of each year, but if imports from the Netherlands pick up in
20 the second half of 2015 in the second half of 2012, 2013,
21 and 2014, then imports from Netherlands will hit or exceed 3
22 percent for calendar year 2015 as they did in each of
23 calendar years 2012, 2013, and 2014.

24 And for Russia, if it's in dispute, the increase
25 is even more dramatic and it's clear that they are going to

1 exceed their threshold more than they do today as we go
2 forward.

3 If imports from either the Netherlands or India
4 or Russia are deemed negligible for material injury and
5 non-negligibility for threat, they should be cumulated with
6 imports from all subject countries in assessing threat.
7 Even if those other countries alone have been found to cause
8 material injury. That is how the Commission addressed
9 Taiwan in the recent OCTG investigations.

10 We will discuss these issues in detail in our
11 post-conference brief, including references to the
12 confidential record. In sum, we would like to explain that
13 no basis exists for the Commission to terminate the
14 antidumping investigation on Netherlands or the CBD
15 investigation on India.

16 That concludes the domestic industry's
17 presentation. We look forward to your questions. Thank
18 you.

19 MR. CORKRAN: Thank you very much for your
20 presentation. We really appreciate the time and effort that
21 you all have spent in coming here today.

22 I would first like to turn to Mr. Nate Comly who
23 will begin the questioning.

24 MR. COMLY: This is Nate Comly, Office of
25 Investigations. Thank you for all of you coming here and

1 testifying before us and answering our questions.

2 As usual, I will ask only a few questions in my
3 first round and allow my esteemed colleagues to ask a lot of
4 their questions, and then maybe in the second round I will
5 have some more.

6 I will start with a basic question as to what
7 import data we should use. I guess this goes more to
8 counsel. Should we use official import statistics for the
9 alloy and the non-alloy numbers, as we did in the petition?
10 Or should we include the other HTS numbers that were
11 included in the petition as a footnote? Or should we, as we
12 have done in several other cases in the past, used non-alloy
13 import numbers plus alloy numbers from the questionnaires?

14 MR. VAUGHN: This is Stephen Vaughn representing
15 U.S. Steel. I will start and other counsel can jump in.

16 I think the calculation that Mr. Dorn was using
17 in his discussion is the calculation that is close to what
18 was being--is basically the HTS schedules that were being
19 used in the petition. I think that that is basically the
20 numbers that you should go with here.

21 I thought it was interesting in the opening
22 statements from the other side, they were very clear that
23 they are shipping high-strength low-alloy products. There
24 was reference to high-strength low-alloy coming in from
25 Korea. There was a reference to high--allegedly high-end

1 products coming in from Japan.

2 So I think that in order to pick up all that
3 tonnage you're going to need to sort of use those codes.
4 And that's why we used them in the petition, and I think
5 that would make sense going forward especially at this
6 preliminary phase.

7 Now having said that, as Mr. Dorn points out, you
8 know, if you're actually talking about the negligibility
9 issue and kind of getting into sort of, you know, the whole
10 very, very detailed question about whether or not you can
11 terminate an investigation at this phase, I honestly don't
12 think you have that sort of data here. And to me you would
13 need to get even more data, like purchaser data and stuff
14 like that maybe, but certainly for purposes of market share
15 and all those sorts of things what you guys are looking at
16 here, I think the codes that we have in the petition are
17 what makes sense.

18 MR. PRICE: Alan Price, Wiley Rein, counsel for
19 Nucor Corporation. I concur that for the purposes of the
20 preliminary determination for basic market share trends, et
21 cetera, the codes that we have in the petition are what the
22 staff should use.

23 However, some of these calculations are really
24 refined and detailed, and therefore may require resorting to
25 the actual questionnaire data, and therefore that's

1 something that's going to have to be worked out.

2 So we don't even have the full set of
3 questionnaires to assess at this point. So I'm going to
4 partially reserve my answer until I have an opportunity to
5 look at that. But what I suspect is that we have an
6 incomplete record here regardless of importer data, and as a
7 result of that many of these refined questions are going to
8 have to be decided at the final determination.

9 MR. DORN: I'm Joe Dorn, AK Steel, and I agree
10 with these comments that have been made by other counsel,
11 but I'll just point out that for negligibility purposes
12 where a tenth of a percent can make a difference, what the
13 Commission has done in the past is gone deep into the
14 record, into the complete record, to make any adjustments
15 that are required to make sure that the numerator and
16 denominator match the scope as precisely as possible.

17 And given the existing record that we have
18 available to use, there are too many gaps in the record to
19 make those kind of fine-tuned adjustments.

20 MR. PRICE: Alan Price. I'll concur with Mr.
21 Dorn. In fact, for those of us involved in the OCTG case,
22 there was very extensive probing into the exact
23 questionnaires in terms of subject and non-subject product
24 for the codes weren't adequate and we think that that's
25 going to be required here, and it was something that a lot

1 of time was spent at in the final determination sorting
2 through those types of refined details.

3 MR. VAUGHN: This is Stephen Vaughn. I would just
4 like to make one more comment on the negligibility issue. I
5 was also in the OCTG case, and in this case, and I just want
6 to say this, which is this is, honestly, from my opinion
7 from petitioner's side, this is one of the most difficult
8 issues that we face because we literally at the time we file
9 the petitions, we cannot know the data that we're going to
10 be seeing.

11 And as you're already hearing here, it's very
12 difficult for us to have a complete record at the
13 preliminary phase. It's difficult to get complete importers
14 questionnaires. You don't collect data from purchasers.
15 And I do think that it is very important to go back to that
16 legal standard that Mr. Dorn was referencing.

17 The Netherlands is for all intents and purposes
18 simply the other half of Tata's operations in Western
19 Europe. If we---if the case goes forward against the UK and
20 does not go forward against the Netherlands, we will be
21 inviting increasing shipments from there.

22 With respect to India's CVD, there's just been an
23 explosion of imports from India. They are also facing trade
24 cases in corrosion resistant, which just went forward a few
25 months--a few weeks ago.

1 We know they have a long history of subsidies.
2 There's been a consistent history of ruling on subsidies.
3 So these are very, very important petitions. They are
4 petitions that the domestic industry is very serious about
5 and is very committed to, and we think--we do not think it
6 is possible for you to get to the point where there is clear
7 and convincing evidence of negligibility and no possibility
8 that that's going to change in the final.

9 So I just wanted to reiterate that point.

10 MR. PRICE: Alan Price, Wiley Rein, which is
11 starting to wander off into all negligibility discussion
12 here, but with regard to the Netherlands a couple of
13 important points exist.

14 Not only do they have the same legal counsel
15 here, but they actually have the same sales team, including
16 former Nucor sales people, selling both the Dutch and
17 products from the Netherlands and the UK in the United
18 States.

19 It is very easy for them not only to switch
20 between hot-rolled and cold-rolled between these various
21 countries, but--which are both subject to investigation and
22 subject to product shifting--but it's also easy for them to
23 shift from one country to another in these cases.

24 So we think that the Netherlands is likely to
25 eminently exceed the 3 percent threshold for a whole variety

1 of reasons, and I agree with the other comments regarding
2 India. And we believe it may well exceed the 3 percent
3 threshold right now, and India may well exceed the 4 percent
4 threshold right now also. Thank you.

5 MR. COMLY: Thank you. For now let's ignore the
6 negligibility and let's look at import stats. If we use
7 both--if we use the non-alloy HTS numbers and the alloy HTS
8 numbers, in the alloy HTS numbers how much non-subject
9 material is coming in under those numbers, do you think?

10 MR. COMLY: And I'm not looking for exact
11 numbers, just a general idea.

12 MR. VAUGHN: This is Stephen Vaughn. Again, you
13 know, we've looked at these numbers obviously carefully and
14 any -- I'll just start this off. It's difficult to say, to
15 be honest. I mean if you look for example at the alloy
16 codes that Korea is reporting, okay, they're reporting a
17 fairly significant volume of alloy shipments.

18 The AUVs that they show for their alloy
19 shipments, at least in some periods, are lower than the AUVs
20 that they show for their carbon shipments. So that would
21 seem to indicate that maybe none of it is non-subject.
22 Similarly with Japan, the AUV for the alloy shipments is
23 pretty close. It's like within maybe 50 to 100 dollars a
24 ton, the AUV for the carbon shipments.

25 So I think the company witnesses will tell you

1 they don't normally -- they don't normally keep track of a
2 distinction in their internal records between carbon and
3 microalloy. There's a lot of overlap in the marketplace
4 these days, and we think there appears to be a lot of
5 overlap in these import numbers as well.

6 MR. PRICE: Alan Price, Wiley Rein, counsel for
7 Nucor Corporation. Regarding the amount of non-subject
8 alloy, which is what you were asking, you know, it's a good
9 question. That's part of what we have figure out in this
10 investigation and what you have to figure out in this
11 investigation. When you file these cases as Petitioners,
12 unfortunately you only have so much information. I agree
13 with Mr. Vaughn. It's one of the hard times, hard things of
14 dealing with these cases.

15 We've actually filed cases where there are
16 imports showing up in the import statistics and there are
17 none coming from the countries, and you've got people to
18 admit that the products were coming from other subject
19 countries, and they were just conveniently misclassified by
20 a certain trading company that is a regular appearances,
21 that regularly appears here and I should think knows how to
22 normally classify products by country of origin.

23 Putting that aside, it is a challenge for you,
24 and I think those are one of the things that we're going to
25 have to sort out over the course of an investigation, and I

1 don't think the record will allow it to be sorted out at the
2 preliminary. Thank you.

3 MR. COMLY: For now, looking at -- using what
4 you presented, Mr. Price, in your presentation, on Slide 5
5 you noticed -- you pointed out that there was an increase in
6 subject imports, and in the opening testimony, the
7 Respondents, Mr. Cameron, noted that the imports, they argue
8 that the imports peaked in the end of 2014, and as your
9 slide shows, it shows that somewhere.

10 There we go. So it shows a peak there, and then
11 it shows a decline. Can you respond to Mr. Cameron's
12 assertions that that was a peak?

13 MR. PRICE: So we had a tremendous slowdown in
14 the world economy, really starting around 2013 in the U.S.,
15 mid- to late 2013. China starts to slow dramatically. As
16 we look at today, Japan just went back into recession as of
17 yesterday. But it's been poor anemic growth. Europe is in
18 an anemic condition, to the extent that Eurofare might be
19 projecting about a one percent growth in steel consumption
20 this year.

21 They say imports are going to get at least that
22 one percent, maybe more. This is an incredibly weak world
23 market. The U.S. is one of the few bastions of some growing
24 demand. It's not exceptional, but it is growing. Autos
25 have been growing, construction is finally showing signs of

1 recovery, and the imports surged in to really take that, you
2 know, whatever growth appeared in the marketplace.

3 I'm not sure whether I call it a peak or not.
4 What you also see is a large inventory built, and it's in
5 the record, an amazing inventory built. I've actually
6 rarely seen such a large importer inventory built in records
7 that I see before the Commission. So imports came in, they
8 surge, they have saturated the marketplace, and they
9 continue to saturate the marketplace.

10 At a time when domestic shipments basically
11 collapse, the domestic industry still faces large volumes of
12 continued imports. They didn't say oops, sorry, I went
13 away. They continue to ship very substantial volumes, and
14 the U.S. industry has now not only had -- and what we saw is
15 almost a ton for ton volume replacement from July forward of
16 imports, with an increased imports over the prior year
17 levels, with a decline of domestic shipments in the merchant
18 market almost ton for ton.

19 Those imports came in, have displaced and are
20 continuing to displace U.S. production. What started out as
21 a massive volume impact has now converted into ultimately
22 price suppression and depression in the U.S.
23 industry/prices, because it's hemorrhaging essential volume
24 at this point.

25 So bottom line here, this market has been harmed

1 and the imports caused injury, are causing injury and are
2 continuing to put enormous pressure on the domestic
3 industry. If that's not enough, we're seeing another round
4 of price cuts by many of the subject importers, as they all
5 continue to want to ship to the U.S. market, which is
6 really, even in its current state, about the most attractive
7 market in the world.

8 MR. SCHAGRIN: And Mr. Comly, this is Roger
9 Schagrin on behalf of SDI and CSI. I would make two points.
10 First, it seems somewhat hypocritical for Respondents'
11 counsel, who are always urging this Commission to look at
12 very simple correlation analysis, to all of the sudden come
13 forth in a case and say "Don't even take into account the 32
14 percent increase between first half '14 and first half '15."

15 It shouldn't exist. Just compare the trend in
16 imports between October '14 through June of '15, and even
17 though you always gather your records on behalf of interim
18 periods, on the most recent quarters, please don't try to
19 look at what is happening in the U.S. industry in the first
20 half of '15, and imports in the first half of '15 compared
21 to the first half of '14. That's the first point.

22 The second point is I would reiterate what Mr.
23 Price is saying about inventories, but I would add to it
24 it's not just the growth of importer inventories. MSCI does
25 not put out data on cold rolled specifically. They have a

1 category of flat rolled imports.

2 But what you will see in that data is when those
3 imports were surging in the fourth quarter of 2014, is that
4 the MSCI data shows big increases in total inventories held
5 and the number of months on hand. Then as you get into 2015
6 and those distributors who hold a lot of inventory, separate
7 from the importer inventories, see that the domestic
8 industry is responding by cutting prices and that their
9 inventory values are falling.

10 They say gee, we should start reducing our
11 inventories. So it's not surprising that the imports start
12 to fall somewhat from their peaks as some of their principle
13 customer service centers start reducing their inventories.
14 If you ask any of the industry experts here, who really know
15 the demand drivers, did real consumption of cold rolled
16 steel in the United States in the first half of 2015 fall
17 compared to the first half of 2014, I am sure they were all
18 saying no. Automotive production was up, construction
19 spending was up. Appliance were up; everything was up.

20 I guess maybe you're going to hear about OCTG
21 later today, like we did in corrosion resistant. What OCTG
22 has to do with corrosion resistant and cold rolled steel is
23 beyond me, but hey, Respondents have to try to be creative.
24 So the only reason that apparent consumption looks like it's
25 declining compared to real consumption is this inventory

1 situation.

2 I think you should take that into account as
3 you're doing your analysis. Thank you.

4 MR. MATTHEWS: All right. Good morning, this is
5 Doug Matthews. I'd like to further reiterate the points
6 that have been made. When you look at the rise in imports
7 that started really largely in the fourth quarter of 2013
8 and continue to grow through the course of 2015 as -- I'm
9 sorry, 2014 -- you saw the impact that we matured on price
10 and through the second half of the year.

11 We started to see very subtle declines in price.
12 However, I'd like to refer you to Slide 13, if you'd mind.
13 I'm sorry, go to Slide 10 first. Slide 10 shows that that
14 rise imports that was coming in was coming in because it was
15 buying market share. It was stealing market share. The
16 domestics started to be impacted form the volume loadings on
17 our facility, largely in the fourth quarter.

18 But in that time period from July through June,
19 July of '14 through June of '15, we lost market share of a
20 million tons. So the imports, even though the inventories
21 were going up, they were continuing to drive the price down,
22 which rolled directly into our spot prices and rolled into
23 our contract pricing on a quarter by quarter basis, and
24 ultimately culminated with reduced volumes and significantly
25 reduced prices as we went through the first half of 2015.

1 MR. VAUGHN: And then -- this is Stephen Vaughn.
2 Can I make one more point on Slide 5, which is this? What
3 that slide shows, I mean he makes the point, he says this is
4 a peak. Look at what he's talking about. He's saying that
5 they're going to stay permanently 250 percent up from where
6 they were in 2012, and we're supposed to stay permanently,
7 you know, 20 percent down from where we were in the
8 beginning of 2012.

9 So what he's saying is is that basically, we
10 have taken roughly ten percentage points of this market, and
11 as long as we keep that, you haven't suffered any injury. I
12 mean it's just an absurd argument on its face, that they are
13 going to -- that what he describes as a decline actually
14 means that they are still at extraordinarily high levels by
15 any reasonable comparison that the Commission would normally
16 use.

17 MR. DORN: Joe Dorn for AK Steel. Just one more
18 point. Looking at Slide 13, which includes the period of
19 time that Mr. Cameron's referring to. So it includes --
20 that's the data for July '14 through June '15, compared to
21 July '13 through June '14. So that includes the time where
22 he says that imports are falling off from a very, very high
23 peak.

24 But look at the impact on that time frame on the
25 last 12 months of the POI, and the shift in volume away from

1 the domestic industry to the subject imports.

2 MR. PRICE: Alan Price, Wiley Rein, and probably
3 our industry witnesses should start -- should answer some of
4 these questions, but you know, this is a capital intensive
5 industry. High volume loading on your lines are important.
6 These loss of volumes are devastating on terms of financial
7 impacts and abilities to spread costs, etcetera.

8 MR. BLUME: Rick Blume, Nucor. To add to that
9 comment, not only the financial impact but the industry as a
10 cyclical industry, but its high fixed costs is also
11 cyclical.

12 These are times in which we need to have
13 adequate returns to continue to invest in our business, and
14 when we can't do that, it puts the industry in jeopardy,
15 particularly as we find our customers wanting more and more
16 advanced high strength steels. We need investment dollars to
17 be able to buy the equipment to make the grades and to
18 invest in our business.

19 MR. COMLY: Thank you for those extensive
20 remarks. Let me shift gears here and just ask a couple of
21 questions, more towards the industry witnesses. Are the
22 U.S. producers capable of making all types of steel? So is
23 there any type of steel that's coming in that's subject
24 merchandise from subject sources that U.S. producers cannot
25 produce?

1 MR. KOPF: Yes good morning. Rob Kopf with U.S.
2 Steel. We're of the opinion that the domestic industry is
3 capable of fulfilling all of the requirements of the
4 customers here, that whether you're looking at light gauge
5 narrow product, whether you're looking at heavy wide
6 product, whether you're looking at high allowed grades, high
7 tensile strength grades, we have made investments in
8 facilities here that are capable of covering the entire
9 gamut of product that is being talked about today.

10 MR. MULL: Dan Mull, ArcelorMittal. We
11 certainly agree that the industry has the capability of
12 making all these products in the United States.

13 MR. BLUME: Rick Blume, Nucor. I would also
14 agree with my colleagues. If you look at the group of
15 producers here today, you're looking at companies that are
16 some of the best steel producers in the world, and you're
17 certainly looking at some of the most effective and
18 efficient producers in the world. I would agree as well,
19 that we can produce the wide spectrum of product.

20 MR. MATTHEWS: Doug Matthews from U.S. Steel.
21 I'd just like to further kind of reiterate the comments that
22 have already been made. But likely what you're going to
23 hear this afternoon during testimony is specific examples,
24 where people are going to cite specific products that --
25 maybe that they can't get there, just a small volume.

1 One of those products might be blackplate, for
2 example, and I know that there will be testimony by a tin
3 plate producer this afternoon. We make that product at our
4 facilities. We sell that product in dimensions that are
5 comparable to blackplate. We offer to sell blackplate to
6 the open market, and we are open for business.

7 It is not unusual in our industry for us to be
8 able to supply cold rolled substrate to a competitor's
9 operation, who has a different product line that they may be
10 serving a different market in. It's a market-based
11 transaction and we treat it as such, and we're a very
12 reliable supplier when we do.

13 I should just reiterate one additional point,
14 that our familiarity with the tin plate market also,
15 understanding what the customer expectations are, and we do
16 see that producer undercutting the tin market, based on
17 being able to get subsidized cold rolled product into this
18 country.

19 MR. COMLY: Looking at capacity and how it's
20 calculated, which is always fun, how much does that change
21 in thickness or specification affect the -- affect the
22 production capacity calculation? Should there be a wide
23 variation, or does is it small and inconsequential?

24 MR. KOPF: Rob Kopf with U.S. Steel. With
25 regards to dimensional characteristics I think is what

1 you're talking about, and capacity utilization, as we filled
2 out and probably my colleagues as well filled out, you know,
3 we rate our capacity calculations based on operating
4 facilities, so many turns per week and so many weeks per
5 year.

6 So whether that facility is operating a very
7 high cross section kind of material or a low cross section
8 of material, it really has no bearing on our reported
9 capacity utilization rates. It's simply a function of how
10 many hours we're actually putting product through that
11 facility during a given work week.

12 MR. LAUSCHKE: Scott Lauschke with AK Steel.
13 That question every mill, every facility has a design range.
14 They don't make a single size product or single gauge
15 thickness or width. They have a minimum and a maximum when
16 it comes to thicknesses and width. Generally, the thicker
17 the product, the thicker the gauge, the more tons per hour
18 you can get. The thinner the gauge, obviously less
19 throughput and overall in a given time frame.

20 If you were to run -- if you were to shift all
21 of your production from the very high end of a mill
22 capability to the very lighter end, thinner end with less
23 throughout, you might be talking, and it's going to vary
24 from mill to mill. But you might be talking about a ten
25 percent or so reduction, maybe even 15, kind of going on the

1 extreme of total throughput, total output.

2 But when you look at the industry utilization
3 rates as a whole right now, utilization rates are in the low
4 70 percentage. Every mill here has ample capacity, would
5 love to get on more light gauge business, wide width
6 business. Bring it to us please. We have fair prices, that
7 can sustain our businesses.

8 So it's not an issue of we don't have capacity.
9 We have ample capacity. We just can't compete with these
10 unfairly traded imports.

11 MR. MULL: This is Dan Mull, ArcelorMittal.
12 Certainly we have ample capacity as a company on cold
13 rolled. We have -- we are not running at full capacity on
14 our cold mills, and if you look at the industry, the wide
15 range of different types of cold mills that are in this
16 country. You know, light gauge, narrow width, wide heavy,
17 all that is available and there's ample capacity when you
18 look at the industry.

19 I think that's the important thing when we start
20 talking about this. You can't just pick one mill. You
21 really need to look at the industry as a whole, that we have
22 the capabilities as an industry to supply what we're talking
23 about.

24 MR. BLUME: Rick Blume, Nucor. One comment
25 regarding the capacity. Typically, when we rate our

1 facilities it's an average mix, and I would agree with my
2 colleagues. We have ample capacity to take on more
3 business, and I think the industry as a whole, I believe the
4 number reported was somewhere around 70 percent utilization.

5 I can tell you, in terms of investment and you
6 look at the investments that have already been made, there
7 would be no way that those investments would have been
8 approved at the kind of utilizations that we're looking at
9 today. So again, going back to the point about making
10 future investments for our business, very difficult running
11 at the sub-satisfactory levels of utilization. We have
12 sufficient capacity.

13 MR. MATTHEWS: Doug Matthews, U.S. Steel. Just
14 to further reiterate, there is no one mill that makes the
15 full range of products, nor from a strength level, nor from
16 a width or gauge standpoint. But when we look within our
17 footprint, we cover the full range.

18 So when we solicit business from customers, I
19 mean there's business that is intentionally light gauge that
20 we load onto a specific facility that designed around that
21 size range, because it is a highly productive product on
22 that particular mill. If I would try to run that on a
23 larger mill, that was on the low end of the range, then I'd
24 have the penalty of productivity impacts.

25 So when you look across the capability, I think

1 you find the domestic industry offers the full range of
2 products at competitive productivity levels.

3 MR. COMLY: Thank you, and then I'll have a
4 final question here, probably for the counsel. Can you
5 comment on the coverage we have so far of foreign producers,
6 and there's eight countries here. So if you could cover all
7 eight countries individually, that would be great.

8 MR. VAUGHN: This is Stephen Vaughn. I don't
9 want to go through getting -- I'm just thinking, I don't
10 want to get into sort of any sort of questionnaire type
11 data. But what I will say this. I'll say this, sir. I
12 think there's a lot of people who have not responded. I
13 think there's a lot of -- I think the Commission should take
14 that very, very seriously.

15 I mean I can tell you this. We spend a lot of
16 time working on these questionnaire responses. The company
17 has spent a lot of time on them. They take them very
18 seriously, and they understand it's a serious part of what
19 you guys are doing. When we get here and people have not
20 responded and they have not put data on the record, that
21 puts the burden on us.

22 We have to go out and find additional
23 information. We have to try to find out what we can. You
24 guys have to go out and get additional information. You
25 have to try to find out what you can. It's not just that it

1 affects the one producer or the one country where people
2 don't respond. A big part of the story of this case is what
3 China is doing to the rest of the world, okay.

4 If we don't have data showing how much unused --
5 if we don't have a lot of data, for example, showing how
6 much unused capacity there is in China, or showing what
7 China is doing in other markets, or showing the extent to
8 which Chinese producers are putting pressure in markets like
9 Asia, then it makes it more difficult for you to analyze,
10 for example, well what is the threat from Japan, what is the
11 threat from Korea, how are those guys being affected by
12 China?

13 That's just -- that's just one example. Same
14 thing if you don't have good coverage from Japan, if you
15 don't have good coverage from Korea. So I have been very
16 concerned in recent investigations, to be honest, about the
17 lack of responses in some of these investigations. I think
18 the Commission has to take it very seriously and has to
19 recognize that it really puts the Petitioners and the staff
20 and the Commission itself at a disadvantage, and they have
21 to take advantage of the tools that Congress has given them,
22 things like using facts available, drawing adverse
23 inferences, to let people understand that if you do not
24 participate, you will not be allowed to get the benefit of
25 that lack of participation.

1 MR. PRICE: Alan Price, Wiley Rein on behalf of
2 Nucor Corporation. I concur with Mr. Vaughn. Lack of
3 coverage in China is an important factor at this preliminary
4 determination. You know, some folks mistakenly believe
5 China's only at the low end of the market.

6 In fact, the Chinese capability is some of the
7 -- probably is also -- well is actually at the high end of
8 the market equally, and all of the subject producers make
9 everything from low end product to automotive grades
10 throughout the world. But lack of questionnaires from China
11 and some of the other folks out there is a real problem.

12 How that affects the market in terms of global
13 dynamics, how that affects the market in terms of assessing
14 cross-competition on a whole variety of issues is a real
15 significant concern. This is a preliminary determination.

16 Lack of information of such, you know, from
17 substantial foreign producers, we believe, is a reason for
18 an affirmative preliminary determination as to all
19 producers, because again it's impossible for the Commission
20 to make a full and adequate assessment of a whole variety of
21 competitive effects and dynamics out there.

22 MS. CANNON: Kathy Cannon with Kelley Drye,
23 representing ArcelorMittal. We will be addressing in detail
24 in our post-conference brief, Mr. Comly, the threat issue,
25 and providing as much information as is publicly available

1 to try to fill in the gaps in the record with regard to
2 independent data and other research we've been able to
3 gather.

4 But I would reiterate that the request of
5 counsel that the Commission not rely simply on what
6 information has been submitted, where you have quite a
7 significant void, not just with respect to China but with
8 respect to a number of other countries, that does not mirror
9 other independent data that's available.

10 Which suggests a far greater capacity, on use
11 capacity and export orientation that some of the
12 questionnaire responses suggest, and we will get into the
13 proprietary information more specifically in our brief.

14 MR. COMLY: Thank you. That's all the questions
15 I have for now.

16 MR. CORKRAN: Thank you, Mr. Comly. Mr.
17 Haldenstein.

18 MR. HALDENSTEIN: Good morning. Michael
19 Haldenstein in the Office of General Counsel. Thank you for
20 coming in today to answer our questions and to present
21 testimony. Can someone please address this point about the
22 merchant market profitability? I believe Don Cameron was
23 arguing that the industry was more profitable in the
24 merchant market and I would like some comment on the
25 significance of that fact, if it's true?

1 MR. VAUGHN: Yeah, this is Stephen Vaughn. I'll
2 just start, because that's -- obviously the company
3 witnesses haven't had a chance to see all those data. But
4 in the first place, just as an initial matter, the focus
5 should be on the merchant market, given the captive
6 production provision here.

7 But in terms of Mr. Cameron's argument,
8 obviously when you are valuing the internal consumption,
9 basically you are asked to do something that is somewhat
10 artificial. Those valuations are based on and the
11 Commission has different methodologies and there have been a
12 lot of discussions at the Commission as far as how you value
13 the internal consumption and how you value the cost
14 associated with the internal consumption.

15 But you can have a situation in which those
16 valuations are somewhat artificial. Now for example here,
17 one of the questions is -- one of the methodologies
18 involves, okay, take -- you can adjust the value based upon
19 the cost of the product that's being produced.

20 So if you have a situation where the price is
21 being internally consumed and is going to cost less to
22 produce than the product that's being sold in the merchant
23 market, then that's going to lower the reported internal
24 value for internal consumption. That's just in the
25 questionnaire, as reported by the Commission. So that can

1 then flow through and has various effects.

2 I think that what you should be doing is not so
3 much relying on the absolute comparison, but looking more at
4 the trends, and I think that what you will find is that when
5 you look at these trends, especially the trend when you
6 compare the first half of 2014 to the first half of 2015, I
7 think you will see that they are generally similar, and that
8 this shows is that no matter how you cut these data, these
9 people are doing significantly worse off now than they were
10 in the first half of '14, and significantly worse off now
11 than they did in full year '14.

12 Now what possible explanation is there for that,
13 and as you've heard, the demand has held up for the most
14 part. Part of the demand remains strong. Construction
15 demand remains strong. The problem is the price has
16 collapsed. Why did prices collapse? A big part of that has
17 to be explained by the fact that these people lost a million
18 tons worth of dumped and subsidized imports.

19 So whether you look at the merchant market,
20 which you're required to do under the statute; whether you
21 look at the open market or the barter market definitions,
22 Mr. Cameron's analysis simply doesn't hold together. There
23 can be many technical reasons why those absolute numbers
24 could be different.

25 But if the trends are similar, then what it's

1 telling you over and over and over is that imports are
2 causing material injury.

3 MR. HALDENSTEIN: Thank you. So you're
4 suggesting the trends are similar in both the merchant
5 market and the captive market? Is that what you're --

6 MR. VAUGHN: In terms of the industry's
7 profitability.

8 MR. HALDENSTEIN: Thank you.

9 I heard a reference to net losses and how the
10 Commission should analyze that. Are there any other changes
11 in the Commission's analysis as a result of the new
12 legislation and the changes in the law? Can anybody comment
13 on that?

14 MR. DORN: Joe Dorn for AK Steel. I think in
15 the legislation, Congress made it clear that the Commission
16 needs to take a broader view of financial performance than
17 just focusing on operating income margin, which is what the
18 Commission has tended to do, and you know, ignores the fact
19 that the operating income margin of five percent might be
20 great for a grocery store that has very low assets, but
21 might be awful for a steel company, which has high fixed
22 assets.

23 So I think what Congress is saying you've got to
24 be more embrative of other financial indicators, including
25 net loss, which indicates interest expense; and return on

1 investment, pay more attention to that; return on assets,
2 pay more attention to that, and not just put so much focus
3 to operating income and treat that as some kind of litmus
4 test. If you're over some magic percentage, then you're not
5 injured.

6 The Commission is also instructed not to reach a
7 negative determination just because an industry is
8 "profitable." So I think it's pointing you back to the
9 other factors, adverse volume effects, adverse price effects
10 that can be affecting financial results, but the financial
11 results could be going up or down or start at a medium level
12 or low level. In any event, the adverse price and volume
13 effects are having an adverse impact on the financial
14 results. So that's what I think Congress is telling you.

15 MR. VAUGHN: Yes, Stephen Vaughn. I'd just like
16 to hit sort of a little bit more on that last point about
17 the change about how the Commission should look at the
18 language regarding profitability, either change in
19 profitability when the domestic industry's performance is
20 improved.

21 I think this is a very important concept. I
22 think that one of the issues that the Commission, you know,
23 needs to think about, and I think what Congress is sort of
24 weighing in on here is what do you in a situation like last
25 year, where the domestic industry made the sales that it

1 made, but clearly, if you look at these data, you could have
2 made a lot more sales, okay.

3 If you talk about a million tons of sales being
4 lost, and you receive an average sales price of around \$750
5 a ton, you're talking about \$750 million in lost revenue.
6 That doesn't show up in any data set that you collect. You
7 can't see it. It's not there.

8 In fact, and so when you look at the trends, you
9 may not notice or may not be able to observe well, this
10 money disappeared or this money went away, but clearly it
11 did. I think that is what -- that's what I think Congress
12 was trying to get at with that provision. You can have a
13 situation in which somebody does better in Year B than they
14 did in Year A. But if they could have done significantly
15 better than that and were prevented from doing so by the,
16 you know, subject imports, that's material injury.

17 MR. PRICE: I agree with Mr. Vaughn. At the end
18 of the day, this should be a really golden period for the
19 U.S. industry, and we're seeing record auto production for
20 the last decade or more. We're seeing a recovery of
21 construction demand and instead we see an industry with
22 inadequate and collapsing profits, losing money.

23 We're seeing an industry whose assets are
24 declining significantly in value because they've just
25 stopped investing as a whole adequately to keep up while

1 there's demands for better products. We're seeing an
2 industry that has seen its investments not even keep up with
3 depreciation rate, let alone exceed depreciation, which is
4 probably what it should be doing right now, given the need
5 for new advanced high strength types of steel.

6 We're seeing facilities shut down. You know,
7 under Don Cameron's theory of the world, well things went up
8 at the end of 2014. There was some money made. Gee, that's
9 the end of your analysis. You can go home now, when the
10 industry probably should have earned a hell of a lot more
11 money, and saw it's -- and its profitability being robbed,
12 as sales were disappearing and there were some profit made,
13 perhaps some higher prices were capturing contracts that
14 extended into -- that affected the second half of the
15 period.

16 But the bottom line is industry performance
17 should have been much better absent the surge of imports and
18 the lost volume that occurred. That was a direct negative
19 effect. That's what Congress is trying to tell you to look
20 more at increasingly, whether it's net profits, return
21 assets, return on investment, the provision saying listen,
22 just because an industry's not losing money or things, you
23 know, in terms of injury in the definition.

24 All of those things are saying look at a much
25 more dynamic impact on the industry of the imports. So the

1 question is did these imports have a negative effect on the
2 industry, and I think the answer is a resounding yes. Did
3 they affect prices? Did they affect quantities? Did they
4 affect profits, what they would have been otherwise? The
5 answer is yes.

6 So I think the analysis is shifting, and I think
7 will be an interesting issue for the Commission to develop.
8 I think there are issues related, that perhaps the
9 questionnaires actually need to be modified for, as the
10 Commission evolves to the new law. I realize the law is
11 new, and so the questionnaires take a while to adapt, to try
12 to get to the right issues. Those are all things to be done
13 for a final determination.

14 MR. LAUSCHKE: Mr. Haldenstein, this is Scott
15 Lauschke with AK Steel. Just to put a perspective on your
16 initial question, the difference in the profitability in a
17 captive market versus the merchant market. I would say in
18 the case of AK Steel, unequivocally we have seen severe
19 deterioration and have felt harm in both the captive market
20 and in the merchant market.

21 Three weeks ago today, we were here to talk
22 about the coated corrosion resistant materials, where this
23 industry has certainly been harmed and continues to be
24 harmed. Today, we're here to talk about cold-rolled. Two
25 weeks from today, we'll be making the trip back to our

1 Nation's Capital to talk about the hot roll industry and the
2 same dynamics, same problem there.

3 Every industry that AK Steel serves, we are
4 seeing the same problem, the same root cause, unfairly
5 traded imports coming in at unfathomable levels. This is an
6 industry in crisis. Our company is in crisis, my
7 competitors are in crisis, and we just simply cannot
8 continue like this. Unfortunately, it's hitting every
9 segment in every market that we serve.

10 MR. ROSENTHAL: Paul Rosenthal, Kelley Drye.
11 Mr. Haldenstein, I want to go back to your direct question
12 about what Congress expects you to do now. It puts a
13 particular burden on you and your office to flesh out some
14 of these factors that other counsel have mentioned.

15 The Commission can understandably say look, we
16 have all these factors we've always looked at, and so what's
17 different. I think one of the major differences for you and
18 the general counsel's office, as you're helping to write the
19 reports and the Commission's opinions, is to flesh out some
20 of these other factors that the Commission has maybe
21 acknowledged in the past, maybe has thought of or mentioned
22 in passing every now and then.

23 But Congress has said you know what? We're not
24 satisfied with how the Commission has looked at these other
25 factors, the effect on investment, whether there has been a

1 negative impact, even if there is profitability. So it is
2 going to be more work for you and more work for the
3 Commission, to begin to analyze some of these other factors.

4 As mentioned, ultimately you're probably going
5 to need to change your instruments, your questionnaires for
6 gauging some of these issues. But it is going to be
7 something that while Mr. Cameron would like to wish away a
8 million tons of lost sales and say well, that has no adverse
9 impact, you're going to have to explain what impact it has,
10 if at all, and what that means in terms of the injury
11 standard.

12 MR. HALDENSTEIN: Thank you. Also, I'd like the
13 Petitioners to address related parties, either now or in
14 your post-conference brief, and indicate whether any -- how
15 the Commission should treat those related parties.

16 MR. SCHAGRIN: This is Roger Schagrin on behalf
17 of SDI and CSI. We're going to address that in our
18 post-hearing brief. We think it's best to use confidential
19 information and address it, just for the post-conference
20 brief.

21 MR. HALDENSTEIN: Thank you. I also ask that
22 you walk the Commission through any adjustments to import
23 levels for purposes negligibility, so we can understand what
24 Petitioners are asking the Commission to do, in terms of
25 what -- how the Commission should view the import levels, so

1 we can understand what adjustments you're making and why
2 you're making the adjustments. Thank you.

3 MR. DORN: We'll certainly do that our
4 post-conference.

5 MR. HALDENSTEIN: Those are all the questions I
6 have. Thank you.

7 MR. CORKRAN: Thank you, Mr. Haldenstein. Ms.
8 Larsen.

9 MS. LARSEN: Good morning or almost good
10 afternoon. Thank you for -- everyone who came and their
11 testimony so far. Mr. Cameron made a comment, this is not a
12 commodity product, and so I can get a little bit more
13 background, an understanding about how cold-rolled steel is
14 used. Are there any other specific grades or products that
15 are used exclusively in this threat application for a
16 certain market segment? Are they interchangeable? Is
17 cold-rolled steel an interchangeable that can be used in
18 automotive the same form and cut that can also be used in
19 construction?

20 MR. MATTHEWS: This is Doug Matthews, U.S.
21 Steel. So when we think about a cold-rolled product, it's
22 actually a step in the process for which it actually becomes
23 cold-roll, okay. So we take pickle band as an input and we
24 run it through a series of rolling stands, which actually
25 stretch the steel in a cold manner, such that it imparts

1 physical properties and mechanical properties.

2 So the input grade of steel is designed to be
3 able to give the output dimensional as well as performance
4 characteristics to the steel. So that's what cold-roll is.
5 So cold-roll goes into a wide range of applications,
6 depending on very narrow light gauge products that might be
7 used in the packaging industry, to maybe wider products that
8 might be medium to heavier gauge, that might be used for the
9 automobile or construction industry.

10 As we talked earlier, the facilities that we
11 have within U.S. Steel, we cover the full range of products
12 from light gauge to heavy gauge to the more premium strength
13 levels, and to the general more commodity grades that might
14 be used for general service center type industries as well.

15 And my colleague Mr. Kopf mentioned that one of
16 the unique products that is developing now in the industry,
17 and you're likely to hear from some of the Respondents, is
18 the growth of advanced high strength steels. These are
19 steels that are intended to help the auto industry meet
20 safety standards that are required of them, as well as
21 lightweight their vehicles, so that they can meet future
22 cafe standards as well.

23 We made a substantial investment at our facility
24 in Leipsic, Ohio, to install world class continuous anneal
25 line in 2012, with the most modern, state of the art

1 technology, as capable or more capable than any other
2 continuous anneal line, specifically designed to make
3 cold-roll advanced high strength steels.

4 So I can't understand how any of the Respondents
5 would claim that we lack the capability to make this
6 domestically. Does that answer your question?

7 MS. LARSEN: Yes. By U.S. producer level, does
8 each company focus on -- do they all produce, for example,
9 do they all -- are all their -- is everyone's customers the
10 same? Are U.S. producers, all of them trying to sell to
11 automobiles and therefore all of them produce this advanced
12 high strength tensile cold-rolled steel, or are there -- is
13 there a selection in only the U.S. industry where customer
14 shares might be split, depending on U.S. producers'
15 production?

16 MR. BLUME: Rick Blume, Nucor. I want to answer
17 that question by saying that the equipment that we have is
18 similar to the equipment of our competitors. Certainly in
19 the marketplace, we try to compete against the entire
20 spectrum of the cold-rolled market, and in fact we do. So
21 there is no really distinguishing factor in that regard.

22 You know, I think back to the prior question
23 about the various products, by and large the cold-rolled
24 applications and the products themselves are, as I stated
25 before, made on the same equipment to a great degree. For

1 the most part, it's interchangeable, and fundamentally the
2 key point to be raised is that the decision to purchase the
3 product is done primarily on price, regardless of where you
4 are in that product spectrum.

5 And again, coming back to why the million ton
6 loss of cold-roll sales were so devastating to the industry,
7 and why ultimately we need relief from unfairly traded
8 imports of cold-rolled.

9 MR. KOPF: Rob Kopf with U.S. Steel. If I can
10 add one more comment, just to specifically answer your
11 question on competition. I would say every -- all of my
12 competitors in this room, we are competing with them in
13 every single market that we serve. There is, you know,
14 plenty of capability and capacity for the automotive
15 industry within this room.

16 The appliance industry, the office furniture
17 industry, the construction industry, the service center
18 industry which services a lot of those industries I just
19 mentioned. So I don't think that there is necessarily a --
20 this producer does this industry, that producer does that.
21 We're all fiercely competing with each other, but even
22 moreso with the unfairly traded imports that are wrecking
23 this market as we speak.

24 MR. MATTHEWS: We talked a lot about capability
25 and volume, right. So underselling is underselling. So the

1 simple that we have subsidized, unfairly traded cold-rolled
2 imports coming into this market, and they're readily
3 available to be produced in this market. But the reason
4 they're being brought in is because they're underselling the
5 domestic market pricing.

6 That works its way back into index pricing, the
7 index pricing that you saw the massive declines, starting
8 really at the second half of 2014 and continuing throughout
9 2015, has a direct effect on the pricing structure for all
10 of the product ranges that we produce for cold-rolled
11 products.

12 So it's a volume impact and the capability
13 exists here, and it is influencing and driving down the
14 market price.

15 MS. LARSEN: Could we see the same thing for the
16 subject countries? Do each subject countries supply all the
17 same major end use markets, or do we see the Netherlands
18 somehow providing more cold steel, cold-rolled steel to a
19 certain market segment over another?

20 MR. KOPF: Rob Kopf with U.S. Steel. There is
21 capability within all of these countries to be selling
22 commodity grades of cold-rolled and what I would call more
23 refined higher grades of cold-rolled. You'll see -- you'll
24 probably hear, I mean in some of the testimony later today
25 that somebody's focusing on the higher grades of

1 cold-rolled.

2 If you can make the higher grades of
3 cold-rolled, you can make the commodity grades of
4 cold-rolled. The simple fact of the matter is is that when
5 these unfairly traded imports arrive, and even when they're
6 offered, it has market distorting effects that ripple
7 through spot markets, contract markets and every negotiation
8 that we are in in every single industry.

9 All it takes is one unfairly traded piece of
10 cold- rolled to come in here, and suddenly the automotive
11 companies, the appliance companies, the service center
12 companies and every end user there is out there and the
13 service centers, all believe that they're entitled to that
14 and will seek that from all of these countries that we're
15 talking about in scope today.

16 MS. LARSEN: Thank you for that.

17 MR. LAUSCHKE: This is Scott Lauschke with AK
18 Steel. Just to kind of expound on Mr. Kopf's answer, he's
19 absolutely correct in stating that all of the subject
20 countries have capability, full capability to supply the
21 full range of products that are in scope in this case. But
22 I think you'll also hear some of the Respondents point to
23 average unit values, and saying well if our AUV is 800 or
24 900 tons, clearly that's, you know, we're specialized, we're
25 niche and therefore we could be excluded.

1 It doesn't matter. If you're underselling by
2 \$200 a ton on a \$500 a ton product or on a \$900 a ton
3 product, the impact is the same. We are seeing that impact
4 across the full range of the products that we serve, whether
5 it's the commodity lower end or the very high priced higher
6 end products. So it's -- the issue is still the same.

7 MR. VAUGHN: Stephen Vaughn. I'd just like to
8 make kind of a technical legal point here. One of the
9 points that Mr. Cameron made in his opening statement this
10 morning was, is that when you see overselling in the pricing
11 products, the four pricing products for which you've
12 collected data, that that is a sign that they are bringing
13 in this higher end product.

14 I would respectfully submit that that is not a
15 case. It is a sign that they have not properly answered the
16 questionnaire. I mean the point of that question is to have
17 an apples to apples comparison. So if they are reporting a
18 higher end product in response to that question, then they
19 have answered the question incorrectly.

20 And so I just wanted to make that point now in
21 this, because it relates to this whole point about direct
22 competition. I think what you're hearing from the witnesses
23 here is that like on a product on blackplate, which is a
24 high end product, they're seeing underselling there, and
25 that underselling can be just as harmful as underselling in

1 any other place in the range.

2 MS. LARSEN: All right, thank you. In terms of
3 substitutes, we're seen some data and some information that
4 automobiles having -- automobile manufacturers substituting
5 aluminum for cold-rolled steel. Just so I can understand
6 the prevalence, are substitute products, you worry about
7 those options? Does that prevail in the cold-rolled steel
8 market or not so much?

9 MR. KOPF: Rob Kopf with U.S. Steel. We see the
10 threat of light weighting and people turning to other
11 materials in the automotive world, but that's why, exactly
12 why our company made a significant investment in a half
13 million ton a year continuous anneal line at Protech Coating
14 Company in Ohio, so that we can actually offer a value to
15 our customers in steel products that will actually cost less
16 than the substitutes and deliver equal if not superior value
17 and safety for those products.

18 So we're having to spend enormous amounts of
19 money to put together alternatives for our customers, to
20 still buy steel. Unfortunately, those investments that we
21 need to make are being -- we're not able to make them right
22 now, given the fact that these people are coming in and
23 taking \$750 million of revenue that this industry should
24 have used to invest in further products.

25 The fact of the matter is is that there is

1 plenty of capability here. There should be more, given the
2 fact that we're not able to compete with these unfairly
3 traded imports here.

4 MR. BLUME: Rick Blume, Nucor. I would say to
5 your question that certainly, aluminum is an alternative
6 material that's looking to take market share in the steel
7 industry. But the reality is that the real problem is
8 dumped and subsidized cold-rolled steel, by a huge
9 magnitude. That is the problem.

10 We can engage the aluminum industry. We're
11 doing that. Some of the investments that Mr. Kopf talked
12 about the industry is making. But again, it's very
13 challenging to make those kind of investments when you're
14 looking at capacity levels that are insufficient. Very
15 difficult to go to a board of directors and ask for money,
16 when you look at what's happening to the steel industry, and
17 they see what's happening with the flood of imported steel.

18 MR. LAUSCHKE: Ms. Larsen, Scott Lauschke with
19 AK Steel. Just on the topic of aluminum, because it does
20 get an awful lot of press. There's often a perception that
21 aluminum is kind of coming and taking over the world, and
22 steel's on the defense. That's really not the case.
23 Aluminum, when you look at where it's going to be used in
24 automotive components, it will be on the exposed panels and
25 it's what you see. It's the doors, it's the deck lays, it's

1 things of that nature.

2 And the ultimate goal is light weighting. The
3 ultimate goal is fuel efficiencies and cafi standards that
4 automakers are trying to achieve. The steel, the next gen
5 -- you heard a lot about advanced high strength steels and
6 next generation or third generation advanced high strength
7 steels. The kinds of developments that we in this room are
8 working on as a steel industry are ultimately targeting the
9 structural members of the car, what you don't normally see.
10 The body and weight it's called.

11 If we can get higher strength, higher ductility
12 steels into the structural members, you won't necessarily
13 need to even move to aluminum and you can keep what you see,
14 the exposed panels in steel. So the whole car can remain in
15 steel, and that's what this industry is really working on
16 aggressively.

17 To a point that was made earlier, to produce
18 those high next generation steels requires significant
19 capital investment. We know of the technology, we know how
20 to do it. We have to put the capital in to do that. If we
21 can't earn a reasonable rate of return in a market like this
22 that's strong, in a cyclical industry that only happens
23 every few years, we'll never have a chance of making those
24 products and this industry is again in crisis.

25 MS. LARSEN: Thank you. That was very helpful.

1 Yes.

2 MR. MATTHEWS: If you don't mind, Doug Matthews.

3 MS. LARSEN: Sure.

4 MR. MATTHEWS: You know, so that's a very fair
5 question, and obviously you see this morning that the
6 domestic steel industry is very attentive to. But during
7 the subject period, that wasn't substitution that was
8 occurring with the imports. It was steel products that were
9 coming in from these countries that are named. So this
10 isn't -- it isn't really pertinent to the subject period
11 that we're talking about now.

12 MS. LARSEN: I understand, thank you. There's a
13 lot of talk about contracts and spot sales, and I'm curious
14 if there's different types of purchasers that purchase via
15 contracts or that purchase via spot, or is the market the
16 same and then purchasers might have a different share of
17 contract versus spot. Does that make sense?

18 MR. BLUME: Rick Blume, Nucor. In regards to
19 that question, I think what you see is many buyers across
20 many industries buy both spot and also contracts, and they
21 also initiate contracts that have various pricing
22 mechanisms. I think one of the things that's important to
23 recognize is there was a fundamental change in how contracts
24 were structured, probably about 10-15 years ago.

25 Today, contracts as we know them in most cases

1 are tied to an index, in fact a CRU index or a Platt's
2 index. Those indexes really are a reflection of the current
3 spot market. So in fact what historically had been
4 contracts that were fixed for a year or longer period, what
5 we're seeing today is most contracts have resets that occur
6 during the period, that are based on those indexes, indices,
7 that reflect the spot market.

8 So that's how you get this negative impact not
9 only on the spot market when you have a surge of dumped
10 cold-roll into the market; it also then filters in and
11 affects the contract business that you have. So
12 fundamentally, the entire order book that you have, whether
13 it's spot or contract, is negatively impacted by dumped
14 steel.

15 MR. MULL: Dan Mull, ArcelorMittal. In addition
16 to what Rick indicated, with the dramatic impact that the
17 imports had on our pricing and the way that dropped, we saw
18 people that even had fixed contracts come to us and indicate
19 that the pricing had changed to such a degree that they
20 needed us to at least consider making changes or looking at
21 future business at risk if we didn't make changes.

22 And I think that's really an important point, is
23 that, you know, just because you have a contract, you know,
24 these customers are very important to us because volume is
25 essential in our business.

1 And most of it is repetitive business. And if
2 we don't react, then we jeopardize our future volumes and we
3 will have to figure out how to do that. So please don't
4 think that just because you have a contract, that there's
5 not any impact due to what has occurred in the short term.

6 And when we were talking earlier about the
7 aluminum substitution, let's not think that that's -- you
8 know, we're working on developing how to handle that in the
9 future vehicles. I mean, we're talking several years out.
10 That has nothing to do with what took place in the last 14
11 months. That is purely cold-rolled taking away cold-rolled
12 from the people that are sitting in this panel. And that's
13 what really negatively impacted our performance certainly in
14 the first half of 2015.

15 MR. KOPF: Rob Kopf with US Steel. One other
16 comment I'd like to make regarding contract, and that is to
17 the best of my knowledge, most of the contracts involved
18 with a mill and a customer are not a requirements contract
19 that insists that the customer purchase a fixed quantity of
20 volume for the year.

21 So despite the fact that we enter in good faith
22 into an agreement with a customer, that there's an
23 expectation that they're going to purchase so many tons of
24 steel from us in a year, if somebody comes in from overseas
25 and offers them, you know, the deal of the day at \$200 a ton

1 below our price, suddenly, we see our volume's at risk for
2 the balance of that contract because our customers will take
3 advantage of those kinds of offers that are made to them
4 from these dumped imports into this country.

5 MR. ROSENTHAL: Paul Rosenthal, Kelley Drye. I
6 want to tie this question back to the question asked by Mr.
7 Haldenstein which is, what Congress was concerned with in
8 terms of future analysis by the Commission.

9 And it comes up in this case. It came up in the
10 corrosion resistance case, I remember a dialogue of Mr.
11 Corkran, and that is is it injury when spot prices come in
12 and the contracts get to be -- will have to be renegotiated
13 at lower prices, when is that injury, when is that threat of
14 injury.

15 And I think that Congress expects the Commission
16 to be taking a broader perspective and put what's happening
17 in the real world in context. Our argument in corrosion
18 resistance and in this case and you'll hear again, is that
19 when those spot prices are affected, and the customers come
20 to the industry members and say, we want you to renegotiate
21 your prices or have an effect on future contracts, even
22 though the revenue loss doesn't occur immediately, there is
23 injury when those contracts are renegotiated at a lower
24 price than before.

25 That's an important bit of context for this case

1 and for this industry, and I think you have to start looking
2 at the contract business and spot pricing in a different way
3 than you have perhaps historically.

4 MS. LARSEN: Thank you. Do you anticipate a
5 change in the share of sales sold on a spot versus
6 short-term contract to occur in the future? Do you think
7 customers will move on -- move away from contracts and more
8 heavily towards a spot sale or will the shares stay the
9 same?

10 MR. LAUSCHKE: Scott Lauschke with AK Steel. My
11 concern, quite frankly, is that we continue to have the same
12 level of contracts only at such ridiculous prices that we're
13 doomed.

14 So as we're negotiating, as I mentioned earlier
15 in my opening remarks, a lot of our contracts, they come up
16 at different times of the year. They don't all come up
17 December 31st. They could come up June 30th, pick a date.

18 So we're constantly negotiating throughout the
19 year. And in the case of the last -- take the last six
20 months, we have negotiated numerous contracts with
21 significantly reduced prices, and, now, we've locked those
22 prices in effectively for whether it's six months, twelve
23 months, whatever the case may be.

24 And if the market does indeed start to pick up
25 and prices do start to elevate, we don't get that advantage

1 until the next contract renewal.

2 So whether we're going to go to more spot or
3 more contract, I'd say the mix will probably be the same.
4 But the outcome forward looking is that more injury will
5 occur as we lock in these agreements at these low levels.

6 MR. KOPF: Rob Kopf with US Steel. I'd like to
7 make one other comment, and it's in reference to what Mr.
8 Mull just said shortly ago. And that is it's almost the
9 question of when is a contract a contract.

10 We can negotiate a contract in good faith with a
11 customer for a 12-month period, whether it's a fixed price,
12 whether it's an adjustable price every quarter. And if that
13 customer sees the ability four months into the contract to
14 obtain much better prices because somebody from one of the
15 subject countries has come in and offered them something,
16 we're essentially now held hostage to that ridiculously low
17 cheap subsidized import offer from overseas, and we have no
18 ramification but to sit down with the customer and try and
19 negotiate something that salvages the volume and some sort
20 of price that can at least help us retain the business.

21 So these contracts oftentimes any longer aren't
22 even contracts when you have this kind of market distorting
23 practice coming in and just decimating the business that we
24 have.

25 MR. MATTHEWS: Doug Matthews on US Steel. So

1 just to further reiterate that. Or we have a choice not to
2 take the volume and let the subsidized imports replace our
3 volume to that customer. And then we're forced with
4 rationalization of our operations.

5 And when you look at industry utilization and
6 what has occurred year-to-date, you can see that a lot of
7 those hard choices were made in the first -- starting in the
8 fourth quarter of 2014, but for sure by the end of the first
9 quarter of 2015, and surely evident in our statistics in the
10 second quarter of 2015.

11 MR. BLUME: Just to add one more comment, Rick
12 Blume, Nucor, to your question about could that mix change.
13 I think we do see that mix modulate a little bit back and
14 forth.

15 The reality is, is we are -- most of us deal
16 with some of the most sophisticated buyers in the world, and
17 certainly those that know what they're doing, they
18 understand the global circumstances.

19 And I think, ultimately, in most cases in most
20 years, the degree of spot versus the degree of contract
21 really is determined by the buyer, basically, to what they
22 use their outlook for, you know, surges of imports or other
23 factors.

24 MS. LARSEN: Okay. Thank you very much for
25 that. I have no further questions.

1 MR. CORKRAN: Thank you, Ms. Larsen. Mr. Knipe?

2 MR. KNIPE: Thank you, Mr. Corkran. And thanks
3 to you all for being here. I think the benefit of having
4 such a large panel is that I've had a lot of my questions
5 answered already, but I do have a couple of quick follow-up.

6 Mr. Price, in your opening presentation, you
7 spoke about the recent evaluation of the RNB, and I'm
8 wondering if there has been any effect of that yet in the US
9 market. A lot of -- there has been some news recently about
10 Chinese steel producers reducing prices in response to that
11 new allegation.

12 MR. PRICE: Absolutely. Probably, you know, if
13 you want to know the effect of it in the marketplace, you
14 probably want to talk to one of the businessmen directly.

15 But not only has there been a lot of news of the
16 Chinese slashing their prices on steel, actually, it's
17 interesting. They slashed their prices hours before the
18 actual devaluation occurred. Kind of a coincidence, I
19 guess.

20 But within days of that, basically, we see
21 numerous reports from the Ossian countries that they're
22 going to have to slash all of their -- a lot of them are
23 saying, we're going to have to slash our prices because of
24 it flowing through there.

25 We see news reports from India saying, we're

1 going to have to slash our prices, oh, and by the way, we
2 may need to resort to safeguards or import relief ourselves
3 because their tactic of dealing with China up till now which
4 has been raising their tariff rates up to their bindings
5 because they were below their bindings for many -- for a
6 while, and they've raised them from about two percent to
7 twelve percent which is approaching their binding -- their
8 binding limit.

9 It means that they're going to have to resort to
10 other type of trade relief themselves. Everyone sees -- for
11 their own internal markets, everyone sees that there's huge
12 price pressures on the market. We have roughly right now in
13 the world on a macro basis about five to 600 million tons of
14 excess steelmaking capacity and an enormous portion of that
15 is in China, but a large portion of it is in -- throughout
16 the world, including throughout Europe and including Brazil,
17 which is going through a tremendous recession.

18 Some countries, like the Koreans and the
19 Japanese make an effort to run their mills flat out no
20 matter what and export as much as they can. You know, these
21 are attempts to basically shift their unemployment out to
22 others. And it also shows the importance of running your
23 mills full.

24 So I think the circumstances we currently see
25 and what I've heard from my clients are tremendous

1 additional price pressures are already unfolding in the
2 marketplace. And those pressures are clearly going to have
3 a continued negative effect and impact on prices from all of
4 the subject suppliers.

5 MR. KOPF: Rob Kopf with US Steel. I would
6 agree with the comments. I would characterize the market
7 right now as nervous and very cautious as a result of the
8 currency activity that's taking place in China.

9 But one thing I'd like to just point out is that
10 I think we're going to hear a lot of people citing that the
11 strength in the US Dollar is the reason why this is all
12 happening. And I couldn't disagree with that statement
13 more.

14 If you take a look at when this surge started
15 more than a year ago in Cold-Rolled, the US Dollar was much
16 weaker than it is today. And the fact that people are going
17 to cite that the dollar versus euro relationship changed at
18 the beginning of the year as a reason why suddenly things
19 have changed in terms of the global flow of steel is
20 completely ludicrous.

21 We saw a surge of imported steel back when the
22 US Dollar was much weaker and to blame it on currency is
23 just -- is not accurate.

24 MS. CANNON: Kathy Cannon on behalf of
25 ArcelorMittal. We were at a hearing last week before the

1 Commission in a product involving a fabricated steel
2 product, boltless shelving that's made from hot-rolled
3 steel.

4 One of the Commissions asked this question, and
5 one of the witnesses actually had a text message on his
6 phone from a purchaser saying, now, that you've got this
7 devaluation of the yuan, I want an exact four percent
8 reduction whenever it's going down in my prices.

9 And he said, this is happening now because they
10 know that I source from China, but it's only a question of
11 time until this exact thing flows over into the US market
12 and they're going to expect similar reductions.

13 So I think the fact that we're already seeing
14 that in other products and downstream products with respect
15 to people that are sourcing from China, it's no question
16 that it's just a recent phenomenon and it's quickly going to
17 spill over into these other products and affect US-competing
18 producers as well.

19 MR. KNIPE: Thanks for that. To the extent that
20 you have any additional information, that'd be great to see
21 in a brief.

22 Can we go back to Slide 12? I think it's just
23 one back.

24 So you heard Mr. Cameron suggest that it's
25 primarily the reduction in raw material costs that's driving

1 the price decrease. And while you say to a certain extent
2 that's -- that has an effect, it's a large important volume
3 and it's global over supply that might be a bigger driver.

4 And I'm just anticipating an argument that
5 respondents might make in the afternoon and say, well,
6 wouldn't you expect to see if imports are going down, that
7 prices are at least stabilizing?

8 MR. VAUGHN: Stephen Vaughn. No. I don't think
9 that -- the market doesn't really work like that. I mean, I
10 think there's a pretty straightforward set of facts that is
11 very consistent and it's been working throughout this whole
12 case.

13 And what you could see here is that the imports
14 start to pick up in late 2013, early 2014. Those imports go
15 into the market. That is when we start to see the volume
16 effect.

17 In other words, that's the period in the market
18 where they're coming in, they're taking sales, they're
19 taking market share. If you look, you know, that -- that's
20 where your data shows is that the market shares are really
21 going up rapidly during that time period.

22 At the same time, as you can sort of see, the
23 domestic industry is sort of trying to hold its own with
24 respect to price. Prices are sort of starting to trend
25 downward a little bit, but, for the most part, they will

1 sort of try and defend their price, as you can hear from the
2 panel today, these contract negotiations are very important.
3 Some of the contracts maybe that were negotiated earlier are
4 still in place. And so the average pricing sort of holds up
5 for a while.

6 But all that time, the volume effect is taking
7 place. Sales are being lost at \$750 million in revenue.
8 We're talking about that's being lost.

9 Okay. Now, by the time you get to the end of
10 2014, now, imports are, you know, at, you know, really
11 extraordinary levels. I mean, now, you're talking about
12 volumes, you know, in the nature of 200,000 metric tons per
13 month. At this point, the market is clearly over-supplied
14 by this point. And, now, as the testimony has been here
15 today, that starts to really pour into the inventories.

16 Okay. So that's more of a volume effect. But,
17 also, now, those inventories, as you've heard from the
18 testimony here today, that also now starts to have a price
19 effect.

20 Okay. So, now, the imports are still
21 extraordinarily high. I mean, if you compare the last few
22 months to any time period, you know, in '12 or the first
23 part of '13, these are still very, very high volumes of
24 imports.

25 Because, now, they basically have this new

1 percentage of the market and they're just trying to keep it.
2 They're just continuing to ship at these very, very high
3 levels in order to maintain the increased market share that
4 they've already gained.

5 And, in fact, if you look from first half to
6 first half, the market share is still is up. But, now, in
7 addition to that volume effect, which has now been going on
8 for about a year, now, there's this price effect because,
9 now, you've got two things that are happening.

10 One, because of the lost volume and because of
11 the fixed cost, the domestic industry can no longer afford
12 to maintain those prices. They have to get that volume
13 back.

14 You've had witness after witness after witness
15 testify, we have to cover our fixed cost, we have to cover
16 our fixed cost. So they have to finally -- they start
17 lowering their prices in response.

18 Second, remember now, you've got those
19 inventories which are weighing on the market, and that's
20 having a downward price effect and, third, you've still got
21 the new imports that are coming into the market.

22 So, now, you have the volume effect and the
23 price effect happening simultaneously and that just sort of
24 drags everything down.

25 Now, you know, Mr. Cameron's theory of the case

1 evidently is to say, the volume effect that we caused you in
2 2014, that shouldn't count as material injury, the price
3 effect that resulted from the inventory overhang and the
4 continuing under-selling in the beginning of 2015, that
5 shouldn't count as material injury.

6 We can only make a finding of material injury if
7 you can show an immediate month-to-month correlation between
8 volume and falling prices and rising market share. That's
9 not the law. That's not common sense. That's not how the
10 market works.

11 And I think this chart shows exactly what
12 happened and really underscores the injury that was caused
13 here in this case.

14 MR. SCHAGRIN: This is Roger Schagrin on behalf
15 of SDI and CSI. As the one point you made, Mr. Knipe, as to
16 Mr. Cameron's claim that at fall, that big downward trend in
17 the blue line on price is just falling raw material cost,
18 you know, the Commission has data on the industry's results,
19 financial results for the first half of '15.

20 You gathered data on changes in costs. You will
21 see the profit margins fall in the first half of 2015. So
22 if raw material costs are going down more than price, you
23 won't see a decline in profits. It's basic economics.

24 What you see in this industry is that prices are
25 falling past the raw material costs and that's why you have

1 falling profits combined with the failure to amortize on a
2 per-ton basis all of the fixed costs because you always have
3 lower volumes because you saw that the industry's volumes
4 fell in the first half of 2015.

5 So, you know, it's a nice theory. I'm sure that
6 you're going to see charts from the economists that are
7 going to be trotted out this afternoon where there's going
8 to be -- I can already predict it, I don't know if they put
9 it on the table yet, but there's going to be some chart that
10 shows scrap prices from somebody and cold-rolled prices.
11 They're going to go, look at the way they correlate, oh, end
12 of case.

13 And, you know, it's just, look, we've heard it.
14 I've been doing this for 30 years. It's the same thing in
15 every case.

16 And, yet, you know, Ms. Hart keeps losing
17 members because it's not just, you know, two lines
18 correlating. It's a decrease in an industry that has high
19 fixed costs that needs constant reinvestment or else, it
20 becomes uncompetitive, and then finally has to take the step
21 of closing down facilities, as it loses market share and
22 starts falling into losses and can't attract capital and
23 can't service its debt.

24 And that's what's happening to virtually every
25 segment of the steel industry today during this worldwide

1 over-capacity crises.

2 So I hope that answers your question.

3 MR. BLUME: Rick Blume, Nucor. Maybe in a
4 similar fashion said differently. As you look at the public
5 data, both the AMM data and you look at the CRU data of
6 cold-rolled, what you find that is very apparent is that
7 cold-rolled pricing fell first and it fell faster and
8 ultimately deeper and as we saw our profit margins decrease.

9 When people talk about why did scrap fall, scrap
10 fell because demand for scrap, the volume loss that we had,
11 had the impact on scrap.

12 MR. MATHEWS: Doug Matthews. I agree with the
13 points that are already made. If you wouldn't mind putting
14 up Slide 10, please, just to remind -- when you look at the
15 subject countries specifically, in the fourth quarter of
16 2013, started to reduce their price because they were
17 aggressively attacking market share in the US market, while
18 the non-subject imports, you continue to see relatively
19 flat.

20 So if it's a world market for supply and it's a
21 world market for raw materials, we did not see that pricing
22 effect in the non-subject imports.

23 MR. MULL: Dan Mull, ArcelorMittal. I'd like to
24 make a comment.

25 Towards the end of April after we saw pricing

1 drop 200 and some dollars in the marketplace, we announced a
2 price increase. The reaction from customers and the
3 reaction from trade journals was primarily whether we could
4 collect \$20.

5 And the main reason they didn't think we could
6 was because imports were readily available and we were
7 inviting more in. Had nothing to do with raw materials, you
8 can't justify because raw materials went down.

9 It all had to do with there was an over-supply
10 and you probably aren't going to be able to collect a lousy
11 20 bucks back because imports were readily available and
12 more were being offered.

13 And I can tell you, that's the reality of the
14 situation we're in, much more than we can talk about the
15 curves and when things change. That's how difficult it is
16 for us to try to correct this problem on our own.

17 MR. PRICE: Price, Wiley Rein. Put up Slide 7,
18 just to remind everyone of a point, and this is a point that
19 I think Mr. Schagrin made earlier.

20 Even at current levels, this is just an
21 extraordinary level of imports in terms of its absolute
22 volume. This level is highly injurious going on. This
23 level is up significantly from the first half of last year.

24 And let's remember, the excuse for the first
25 half of last year, somehow or other, was bad weather, I

1 don't know, or something like that. That was their excuse,
2 or from the core case. I imagine it'll be Don's excuse
3 again.

4 But the bottom line -- the bottom line here is
5 that we see an extraordinary amount of imports and an
6 extraordinary amount of import pressure going on, as the
7 witnesses will tell you.

8 I'm also going to go back to Slide 10 because I
9 want to say thanks to Mr. Matthews for pointing this out
10 again.

11 Hey, this is all the same set of costs going on.
12 I think the non-subject producers face the same R&R costs,
13 have the same scrap costs on all trades pretty globally.

14 This group of countries went down. That group
15 of countries did not. So, now, the choice to lower your
16 prices, it was their decision to dump and grab market share
17 in what was basically a period where the US market demand
18 levels, as we know, were generally picking up, even though
19 apparent domestic consumption starts to go on a roller
20 coaster due to import trends here, because they over-shipped
21 the market, and the rest of the world market was weak -- was
22 in a comparatively weak state.

23 Bottom line is the imports here grab share and
24 have had a tremendous negative effect. They've had huge
25 volume effects and they're having huge pricing effects. And

1 regardless of the -- and that's true regardless of whatever
2 scrap costs were or INR costs were.

3 These guys chose to dump. These guys chose to
4 lower prices. These guys are subject to this case.

5 MR. ROSENTHAL: Paul Rosenthal. One last round
6 of whackamo with the slides, please.

7 Can you go to Slide 13 one more time, please?

8 So Mr. Cameron says there's no causation. He
9 denies there's even correlation. I think he would argue
10 that these two bars next to one another are mere
11 coincidence.

12 Somehow the import market share more than
13 doubled and the US market share declined precipitously and,
14 yet, he finds no relationship between those two sets of
15 data.

16 I'm very curious to see how he's going to argue
17 that when he comes back up here. I'm sure he'll have
18 something. But what is this? Spontaneous combustion on the
19 part of the domestic industry?

20 Clearly, there's only one reason why the
21 domestic market share got lost and that's because of the
22 rising imports.

23 MR. ALAN PRICE: Alan Price Wiley Rein, one more
24 comment. Actually, go to Slide 19, while we'll take these
25 slides right now.

1 Uh, what's remarkable here is that the domestic
2 industry during the half of this year, received, obviously
3 significant declines in domestic shipments going on. It's
4 the AISI data, your data actually is very similar. It's
5 just will be -- there's site differences. I don't want to
6 go into the confidential record here. Almost everything
7 tracks on terms of your shipment data. But, domestic
8 shipments for cold-rolled were down substantially.

9 If subject supply errors were all up in what is
10 an oversupplied market, you know, bottomline is, these
11 guys, all of these imports somehow rather are grabbing share
12 and increasing volumes compared to the first half of last
13 year in what is a weakening market, and our shipments are
14 going down.

15 MR. KOPF: Rob Kopf, U.S. Steele. One other
16 comment I want to make. There's a lot of talk about
17 shipping volumes going up and down, and in my testimony I
18 talked about real consumption, and I think it's very
19 important to point out that, as you look at the metal
20 service center institute statistics year-to-date, on
21 cold-rolled specifically, cold-rolled shipments outbound
22 from service centers to their customers, the end-users, are
23 up over 2% year over year. So there is a real demand
24 increase taking place out there. The other side might argue
25 that apparent demand is down. Yes, apparent demand is down,

1 because domestic mill shipments are down and the imports
2 have actually overtaken that. That's why the numbers look
3 the way they do.

4 MR. KNIPE: Okay. Thank you for that thorough
5 explanation. [laughter] Maybe, you can defer anything else
6 you want to say to a brief, um, that concludes my questions.
7 Thanks.

8 MR. CORKRAN: Thank you, Mr. Knipe. Ms. Taylor?

9 MS. TAYLOR: Good afternoon. This is Karen
10 Taylor, Office of Industries. Uh, I think my colleagues
11 have pretty much covered the gamut here, so I have no
12 additional questions. Thank you very much for your time in
13 testifying today.

14 MR. CORKRAN: Thank you, Ms. Taylor. Mr. Yost?

15 MR. YOST: Charles Yost, Office of
16 Investigations. I join with my colleagues in welcoming you
17 and I appreciate your testimony. We were -- I've heard the
18 term "investment" far more often today than I have in, I
19 think, in any other commission hearing. And I've been
20 around almost as long as Mr. Schagrin.

21 I'd like to start out the, what I hope is a
22 dialogue on the term "investment" by asking Mr. Blume to use
23 the opportunity perhaps to expand on the comment that he
24 made that Nucor had been prevented from making investment in
25 cold-rolled. If I'm misquoting, I apologize, but I'll give

1 you the opportunity to expand on that since that was made in
2 the affirmative presentation early on this morning, and
3 several hours ago.

4 MR. BLUME: I think that most of my comments
5 will need to be a limited, given the fact that I'm sitting
6 here in a panel with my competitors. But certainly we have
7 been dissuaded from some investments. We know about the
8 trends in advanced high-strength steels. There's some
9 pieces of equipment that could be made investments that
10 could be made at this time, given the condition of the
11 industry giving where profitability is, giving our internal
12 hurdle rates from making investments and then, ultimately,
13 our expected return on assets. We're not in a position to
14 go forward with that, and again, particularly I'm talking
15 specifically in this case around the cold-rolled industry.

16 What I'd like to do is to broaden my comments in
17 the post conference brief.

18 MR. YOST: That would be welcomed, and I would
19 appreciate other members of the industry also in responding
20 to this question. What other investments would you have
21 made? I think however, you will agree with me that it's
22 difficult for the Commission to measure or to appreciate
23 investments that haven't been made, as opposed to our
24 data-intensive process, which measures investments that have
25 been made. But nonetheless, I would appreciate the

1 comments. We do have a question in the questionnaire that
2 specifically asks about specific investments that were
3 negatively affected, and that came about during our review
4 process. When we looked at the new legislation. That's a
5 number of investment-related questions in III-17.

6 Anyway, what would be a reasonable rate of
7 return for this industry, for the cold-rolled industry
8 specifically and how would you measure it?

9 MR. PRICE: Alan Price, Wiley Rein, let me say
10 it this way. I think each company has its own approach to
11 that and you're probably best off getting company-specific
12 answers on that, and I don't think anyone wants to discuss -
13 - I would advise my client not to discuss their internal
14 hurdle rates and return asset requirements, particularly
15 publicly. So, we're happy to answer, I just think from my
16 client's perspective -- .

17 MR. YOST: Okay. And again, if the other
18 members of the panel would please respond in a post
19 conference brief, that would be appreciated.

20 MR. SCHAGRIN: Mr. Yost, this is Roger Schagrin
21 on behalf of SDI. So you heard already testimony from Mr.
22 Lauschke of AK Steel, last summer -- I guess it was last
23 summer of 2014. AK Steel and SDI respectfully purchased two
24 flat-rolled assets, both of which were mills that produce
25 cold-rolled, hot-rolled and corrosion resistant, that were

1 put up for sale by Severstal. They, AK, purchased the metal
2 in Rouge, Michigan, and SDI purchased what was today the
3 most modern flat-rolled mill built in the United States in
4 Columbia, Mississippi. And I would just say that SDI said
5 at the time, that it was making the investment to broaden
6 its geographic reach, and obviously is a publicly-traded
7 company, and on behalf of the shareholders expected to make
8 a return on that investment.

9 And we'll comment in the post conference brief
10 about what to expect the return on investment would be, but
11 it's 1.6 billion dollars, and obviously, with massive
12 deterioration of pricing, you can see the data in the
13 questionnaire response and see how much profits and profit
14 margins have fallen. It's not the expected return on
15 investment, that's certainly the case. But, we will talk
16 further about it in the post conference brief.

17 MR. YOST: Thank you, Mr. Schagrín. I was going
18 to turn to that next. Of course, investment encompasses
19 acquisition, as well as capital expenditures. If you'll
20 look at any statement of cash flow for a public company,
21 those are usually the two largest single items, and I note
22 that aside from the two plants that you mentioned, the one
23 at Columbus, Mississippi and the one at Dearborn, Michigan,
24 both coming out of Severstal's portfolio. ArcelorMittal
25 also bought the one at Calvert, Alabama, from ThyssenKrupp

1 and although it doesn't concern cold-rolled, Nucor bought
2 the plant at Gallatin.

3 So, cumulatively, these are in excess of
4 probably about three billion dollars. So, is there buyer's
5 remorse looking at these purchases and I think someone on
6 the panel made the comment that the investment would not
7 have been made in the current condition.

8 MR. LAUSCHKE: Mr. Yost, this is Scott Lauschke
9 with AK Steel. Speaking on behalf of the acquisition that
10 we performed last year for the Severstal operations up in
11 Dearborn, Michigan. First I would say, we really could not
12 be more pleased with the acquisition. We bought what we
13 felt was a world class facility with world class people. We
14 had a lot of assumptions, of course, that go with any kind
15 of capital investment of that magnitude. Acquisition of
16 that magnitude at \$700 million investment, which, by the
17 way, is a very significant of our market capitalization of
18 the company at the time, so we're betting a lot on this
19 being a creative, positive move for us for the long term.

20 We had a lot of assumptions that went into that
21 business case and to our due diligence. We had stated
22 publicly that we expected to receive, for example, about \$25
23 million in synergies in the first year as a result of that
24 acquisition. We've actually, I'm pleased to report, not
25 only have we met that, we're on pace to exceed that in our

1 first year of operations, despite significantly reduced
2 volume than what we had anticipated. We're getting
3 synergies because of our operational excellence, bringing
4 very solid robust work practices to get better throughput to
5 improve product yields, to reduce scrap and rework, improve
6 the safety performance of the plants, all of those metrics
7 are incredible by any standard when you see where Severstal
8 was, and where AK is operating today, we brought just an
9 operational rigor there and it's been embraced by the
10 workforce and our union operators, and it's just an
11 outstanding story of how people work together to make things
12 really, really better.

13 That all said, the one area we absolutely got it
14 dead wrong was on the market conditions. What we expected
15 to see for market pricing and for volume, based on even
16 contractual commitments that we were told that Severstal had
17 already negotiated with numerous companies; those
18 assumptions were blown out of the water coming into 2015,
19 and they've only further deteriorated since then.

20 We'll be happy to provide the details of the
21 original business case, the assumptions we made, but despite
22 the very challenging market conditions and things that are
23 beyond our control, we do not have buyer's remorse. We're
24 very pleased to have that operation and we expect it to be a
25 very key part of our portfolio for many, many years to come.

1 MR. YOST: Thank you very much for that comment.

2 MR. SCHAGRIN: Mr. Yost, this is Roger Schagrin
3 again on behalf of SDI. So I would make three points: one,
4 similar to the comments by AK, it's just an article in, I
5 think, this week's Metal Bulletin Monthly or Magazine with
6 comments from the CEO of SDI saying how overjoyed they were
7 with the Mississippi plant that has exceeded their
8 expectations. I think all these investments were made, Mr.
9 Mull might want to talk about the investment in the Alabama
10 TK plant, with an expectation that steel demand in the
11 United States is going to grow. It has been growing as the
12 economy has recovered. There is an expectation of getting
13 return on investments.

14 At the time the acquisitions were made, I
15 remember very distinctly, there was a lot of positive
16 comments from the investment community. These are good
17 acquisitions for SDI and AK to make. We're upgrading their
18 stocks. This is going to help them, we're gonna somewhat
19 reduce domestic competition. They're gonna have cost
20 savings which were talked about. And then you look at, in
21 the end, you know at the time these acquisitions were made,
22 commentators have certain expectations and stock price went
23 up.

24 Look at the stock prices of the three
25 publicly-traded companies, maybe Nucor as well, they're a

1 little less focused on flat-rolled than AK, SDI and US
2 Steel. Their stock prices have plummeted. And that's in a
3 period of rising demand. And why is it? Because earnings
4 are down. I think SDI's second quarter earnings were down
5 about 50%, compared to last year, and that's after making an
6 acquisition and growing their business with a
7 state-of-the-art facility. And it's all because of the fact
8 that no one anticipated when they were making these
9 acquisitions a year 15 months ago, that prices in the United
10 States would plummet because of these massive surges of
11 unfairly traded imports.

12 And that's the fly in the ointment. There's
13 nothing wrong with demand. There's nothing wrong with the
14 quality of the workforce. There's nothing wrong with the
15 quality of the assets. The whole problem is the imports and
16 when earnings deteriorate, stock prices can deteriorate.
17 That makes it more difficult to acquire capital in the
18 future, because you can't go out and get equity if your
19 equity is disappearing. And one of these days these
20 interest rates increase, the ability to serve is dead, is
21 going to be a big problem because interest expenses are
22 going to go up and it's gonna be more difficult to borrow in
23 the bond markets as well.

24 MR. YOST: Okay. Thank you very much. That
25 concludes my questions.

1 MR. CORKRAN: Thank you, Mr. Yost, and thank you
2 very much to all my fellow panelists. We've had a lot of
3 very good questions, lot of a very good answers, and it's my
4 privilege to simply follow up on items that have mostly
5 already been addressed.

6 Ms. Hart, I'd like to start with you. I wonder
7 if you can give us a bit of an update on the state of labor
8 negotiations at this point in time. Just a very general
9 statement of where they stand and what the time frame is
10 going forward.

11 MS. HART: Generally they are, I can say they
12 are ongoing, and, you know, we are, our negotiating teams
13 are working to keep moving forward and that's about really
14 all I personally attest to.

15 MR. CORKRAN: Thank you. I appreciate that.
16 There's certainly been a lot in the, in the press about
17 those issues.

18 Next, this actually caught me by surprise when I
19 opened one of the publications that I like to read this
20 morning. Um, Mr. Matthews, can you tell me a little bit
21 more about what, how the situation has evolved in Fairfield?
22 What is likely to happen going forward at Fairfield? And
23 how that may impact other operations at Fairfield, such as
24 the planned electric arc furnace there?

25 MR. MATTHEWS: Sure. So, as I mentioned in my

1 opening testimony, we had to make a very difficult decision.
2 Based on the performance of the Fairfield facility. The
3 Fairfield facility on the sheet side of the business,
4 actually produces largely for hot-roll, as well as
5 cold-roll, and for coated products. So, each of the
6 products that we've talked about with the commission and
7 we'll be talking about with the Commission in the next
8 couple of weeks, have had an impact on our operation at
9 Fairfield, Alabama.

10 The decision that we came forward with yesterday
11 was that we issued a letter of intent to permanently close
12 the sheet operation, starting with the blast furnace,
13 through the cold-rolling facilities. We intend to continue
14 to operate the corrosion resistant dual line, which produces
15 galv alum and galvanized products.

16 It'll be over a thousand employees that are
17 impacted by this decision, but it felt it was absolutely
18 necessary for us to take this step, given the fact that
19 during the time period, the subject period, the facility has
20 only operated for about 95 days year to date.

21 MR. CORKRAN: Can I get some clarification on
22 that? When you said it's operated 95 days, that's out of
23 what time period are we talking about?

24 MR. MATTHEWS: Just in year-to-date alone. This
25 facility has only operated because of the impact of subject

1 imports in cold-roll, as well as core, as well as hot-roll,
2 coming in and apear overwhelming the market and from a volume
3 loss standpoint, and also from a reduction below break-even
4 pricing for that facility.

5 MR. CORKRAN: I would certainly appreciate any
6 further details you can provide in the post hearing brief on
7 the reasons for this decision. US Steel has issued a press
8 release. It is pretty straight-forward, and anything you
9 can do to expand on that would be very helpful. Thank you
10 in advance.

11 MR. MATTHEWS: Okay.

12 MR. CORKRAN: I wonder if we could go back to
13 the slide that appears on page 12 of the presentation. And
14 Mr. Blume, I'm gonna ask you a question that will probably
15 sound very familiar, because it continues to resonate, for
16 me, at any rate. Can you tell us a little bit more about
17 Nucor's DRI operations in Louisiana and, in particular, I
18 think you made the statement that you attributed the
19 movement in scrap prices largely to volume lost. But, don't
20 we also have to look at other factors, such as the effect of
21 an operational facility producing DRI?

22 MR. BLUME: Rick Blume, Nucor. I do stand by
23 the comments that I think primarily this was a
24 volume-related issue, the loss of volume as we buy our scrap
25 on a monthly basis, we saw that we didn't have the demand,

1 we didn't have the order book to keep, to purchase at the
2 same levels. I would also suggest that there are certainly
3 impacts within that market, certainly our strategy behind
4 the DRI investment was a long-term strategy that would allow
5 us to have flexibility in our operations, you know, the
6 scrap market, the iron ore market, our different
7 supply-and-demand markets. There's some relationship, some
8 broad relationship, but they certainly have their own supply
9 and demand and dynamics. So the primary rationale behind
10 the DRI plant was to have that flexibility, because, for the
11 most part, prior to that, we were very dependent upon scrap
12 purchases and again, this was a long-term raw material
13 strategy that said, let's get a portion of our raw material
14 needs in another market, in an ore based type market.

15 So, to suggest that the DRI plant was the
16 primary cause of price reduction during that time period, I
17 would also refer you to the fact that, in our plant in
18 Louisiana, we actually had the plant down. There were some
19 difficulty with the equipment. And we've been running the
20 other plant, the Trinidad plant for over a couple of years.
21 So, I don't think that we can put most of the impact on the
22 DRI facility, but, of course, it's one of the reasons why
23 we've invested in DRI. It is to have that flexibility and
24 the benefit of the economics from that. I think
25 by-and-large what we saw in terms of the scrap pricing in

1 this case was really due to the loss of demand for scrap,
2 because we lost the volume due to the subject imports.

3 MR. CORKRAN: Thank you. I certainly appreciate
4 that analysis. The next question I had is part of my
5 interest in contract prices, and the fact that they are
6 indexed. I'd like, if possible, from those involved in the
7 pricing in this industry, to provide a little context of
8 what are the indexes that are being followed? We talked
9 about CRU being one of the indexes, but is that limited to
10 just cold-rolled or, are your buyers, which have been
11 described as being very sophisticated, looking at a bundle
12 of cold-rolled prices, hot-rolled prices and
13 corrosion-resistant steel prices, and the trends for all of
14 those items, as well as principal raw materials. So I guess
15 I've laid out a series of questions, but, what is it when
16 there is an indexed contract price? What is it actually
17 indexed to?

18 MR. KOPF: Rob Kopf with US Steel. I think that
19 you reference several different things that could go into
20 the marking of a contract that has flexible pricing. I
21 think the nature of the contract arrangement between buyer
22 and seller is so unique in so many differences, it's very
23 hard to give kind of an all-encompassing answer to that.
24 You reference CRU as an index, and I would say that that is
25 used in contract prices, but it would be very difficult to

1 get into specifics about how cold-rolled prices are
2 negotiated as part of a contract without getting into their
3 proprietary information, so I think we're probably best
4 served putting something in our post hearing brief and
5 referencing it that way.

6 MR. LAUSCHKE: Mr. Corkran, this is Scott
7 Lauschke with AK Steel. To echo that comment, in fact I
8 said something very similar a few weeks ago in the core
9 testimony when I said that, you know, if we have 500
10 customers, we may literally have 500 different contractual
11 arrangements, each with its own slightly, you know, unique
12 thing, thresholds and triggers, and so forth. But, in
13 general, and this, I think this is a very accurate
14 statement, and at least it is for AK Steel.

15 In general, the most commonly used index is CRU.
16 CRU and plats are probably the two most common, but CRU
17 would be the largest. And CRU does break their pricing
18 down, or their indices down by hot-rolled, cold-rolled and
19 coated products, or what we call coated, corrosion-resistant
20 products. So those are the indices most commonly used and,
21 um, that's true for both spot-market pricing. That's, you
22 know, when spot-market tends to move, that is almost the
23 definition for spot-market. But then contractual pricing,
24 whether it's a short term contract with a service center or
25 an annual contract with an automotive OEM. Those would be

1 the indices that are most commonly tracked. And right now,
2 if you look at what's happened with core, or what's happened
3 with CRU, it's kind of like the blue line shown up there on
4 slide 12. That's the order of magnitude of the price
5 decline we've seen, 200 to 250 dollar a ton kind of
6 reductions. I think just since that slide is up, personally
7 I feel that that's an extremely telling slide. There's an
8 awful lot of data there, and I think Mr. Vaughn did an
9 exceptional job of walking us through the history of what
10 got us to where we are now. And I imagine this afternoon,
11 you may hear, well okay, see that little blue line starting
12 to take up, that means the worse is behind you, it's a good
13 day, things are starting to trend up. I just want to
14 reiterate, pick up where Mr. Vaughn left off. He got us to
15 where we are today on that chart. My biggest concern as I
16 mentioned earlier is we are now negotiating annual
17 agreements, many of which are expired right now, in the
18 middle of the year. And that's our starting point. And
19 that is what we are using to now lock in, especially with
20 some major OEM customers. As a matter of fact, my CEO and
21 I, we will be visiting with one of our single largest
22 accounts tomorrow, in fact, to negotiate a contract that has
23 just expired, and that's what we're using as a starting
24 point, and the kind of numbers that they're looking to lock
25 in for the next one year or beyond, if we locked in at that

1 rate, I'm just saying, the kind of injury that we've seen so
2 far is only going to continue to accelerate in this
3 environment.

4 MR. PRICE: Alan Price, Wiley Rein. Just sort
5 of a semi-related issue. But, Commission traditionally
6 focuses on spot-markets when it does its pricing analysis.
7 Spot-markets tend to be very homogenous in terms of what the
8 actual product is, in terms of what the terms are.
9 Commission does look at contracts, it typically doesn't use
10 the type of pricing series analysis when it looks at
11 contracts that were actually used in this investigation when
12 you attempted to do a contract, because there are lots of
13 different terms that can be entered into that, lots of
14 different issues going on in that. So, anyway, you're
15 affected, but you just heard testimony say, well each one
16 may have a different set of details negotiated in them.
17 They're very much affected by the spot-market, but the exact
18 dynamics and the way they negotiate them can be different.
19 So I'm not sure they're traditionally very good for the type
20 of pricing analysis that the commission attempted in this
21 investigation.

22 MR. VAUGHN: This is Stephen Vaughn. Just to
23 clarify this. I know you're aware of this, but just to
24 clean it up for the record. Obviously the theory of the
25 case here is not just that prices, the contract prices, were

1 affected by these indices, but also that, as Mr. Lauschke
2 just testified, as a contract gets renewed, then you're also
3 see the effects of subject imports on those negotiations.
4 And I think the testimony has been that most of the
5 contracts basically last no more than a year, so in the
6 course of a year, subject imports can have a really profound
7 impact on prices as those contracts get negotiated, and
8 those negotiated prices then carry over.

9 MR. PRICE: The contracts, where they do have a
10 pricing adjustment mechanism, often have a lag built into
11 them, so it'll be every quarter, some may adjust monthly,
12 some may adjust quarterly, but there's, you know, a variety
13 of different, whatever there's negotiated, but those put a
14 lag in it, so, it affects some of the counting of how the
15 IPC may affect, may actually calculate profits at the
16 markets.

17 MR. CORKRAN: Thank you. I appreciate that.
18 While we're talking about price trends, if I'm sitting here
19 as an analyst and I'm looking at the trend in the hot-roll
20 prices, we've heard presented very strongly today an
21 explanation for those prices. But if I am also looking at
22 cold-roll prices, corrosion-resistant steel prices, prices
23 for major inputs, what would convince me as a viewer that it
24 is, in fact, subject imports that are responsible for the
25 price trend that's observed?

1 MR. BLUME: Rick Blume, Nucor. As you look at
2 all three products, in fact, it's already been discussed
3 earlier that we have cases filed in each of those products
4 and really all you have to do in my world is look at the
5 volumes of imports that are coming in, in all those products
6 to see that we're having the same impact, you know, across
7 the sheet business, frankly, and other steel products as
8 well. So I think that -- I think the evidence is clear of
9 that.

10 And I go back to the point regarding raw
11 materials to the point that in fact in this case the subject
12 imports caused the cold-rolled pricing to drop first and
13 fastest. And, again, that's explained in a simple way. It
14 dropped first and fastest. So, you know, you look at that
15 relationship and it's very clear what's going on here.

16 MR. KOPF: Rob Kopf, U.S. Steel. I guess I'd
17 just like to point out some public data. I was reading
18 through some of my competitors' second quarter earnings and
19 as you look at scrap prices, both Nucor and SDI cited scrap
20 price -- scrap cost declines for them in the second quarter
21 going down somewhere around \$53 and 57 a ton respectively, I
22 believe. And both cited steel price declines of more than
23 \$100 a ton in the second quarter. Clearly this is not
24 cost-driven price decrease that we're facing in an industry.
25 You can look at the price changes that have been made and as

1 seen in iron ore and things like that that impact a major
2 integrated mill and they don't add up to \$247 in lower
3 cold-rolled prices like CRU, as published since May of last
4 year. So this is not a cost-oriented type of price decline.
5 It's clearly impacted by the unfairly traded imports in this
6 market.

7 MR. MATTHEWS: This is Doug Matthews, U.S. Steel.
8 If I could have slide 10 put up again. It's a very telling
9 slide and I think it needs a lot of time to digest and
10 understand it. Slide 10, please.

11 So when you look at actually the subject imports
12 and when the aggressive pricing activity started to occur,
13 it was while the U.S. market was actually increasing in
14 average price through the first five months of the year.
15 And you see even non-subject imports that are not actually
16 being as aggressive with regard to price. It is the
17 continuation of volume being offered at very unrealistically
18 low prices to capture market share and they ultimately were
19 very successful in doing that.

20 MR. DORN: And Joe Dorn for AK Steel. If we
21 could turn to slide 13, please.

22 This is labeled as a, you know, volume slide,
23 but, you know, I think any economist would say, what would
24 happen to prices if you did not have that incremental
25 increase in volume of subject imports from June -- from

1 July/June 2000 -- from July '13 and June '14 to July '15,
2 June '15. If you hadn't pushed that incremental volume in
3 the market, would that have affected market price? Of
4 course it would. Particularly in an industry where you have
5 high fixed costs because that loss of volume is increasing
6 per unit fixed cost for the domestic producers, so they have
7 tremendous incentive to lower their prices in order to
8 regain that lost market share. So while this is called a
9 volume slide, I think it tells a lot about the volume impact
10 of the imports, or the price impact of the imports.

11 MR. VAUGHN: Yeah, Doug, this is Stephen Vaughn.
12 You know, I think it's important -- I agree with all the
13 comments that have been made, I just wanted to make a couple
14 of other points.

15 I mean, in the first place, you have a lot of
16 direct testimony now on this record. People have
17 specifically testified over and over and over. We lost
18 sales to the imports. Imports came in, we couldn't compete
19 with them, we lost that business.

20 You have these data showing that market sales
21 were lost specifically to the imports. So you have
22 detailed, really almost undisputed evidence that the subject
23 imports were coming into the market, taking sales away from
24 the domestic industry and that -- and so from that it is
25 reasonable to infer that that was having some sort of an

1 impact on the pricing that was going on.

2 And the other point that I would make is that,
3 you know, prices fluctuate a lot and have fluctuated in the
4 past. But what you could show for example as significant
5 decline in prices say from 2008 to 2009, but here you have,
6 in addition to just a decline in price, you do have all of
7 this evidence about imports playing a very specific role in
8 this market, taking sales, being quoted in contract
9 negotiations, being, you know, talked about in the market
10 generally in terms of what's going to happen with the R&B
11 devaluation. And also I think you would find that if you
12 look at the trade press over the last year, there's been
13 article after article after article talking about the
14 presence of imports in the market. So this doesn't mean
15 that there's not anything else happening in the market, it
16 doesn't mean that there's not any other trends that could
17 also affect the market, but it clearly means that in
18 addition to those other things, the price effects of the
19 subject imports are real and they are significant and they
20 are harmful.

21 And so I think that is really kind of the way you
22 should be thinking about this, that in, you know, it's not
23 just a question of saying, here's this drop off, can you
24 attribute the whole drop off to imports? The question is,
25 here's this drop off, were imports a significant role in

1 that? And here I think the answer is clearly yes.

2 MR. PRICE: Alan Price Wiley Rein. I'm not an
3 economist and what the economists have always told me, well,
4 if you want to know what in typical economic terms, the
5 first and most direct effect on cold-rolled domestic prices
6 are going to be cold-rolled imports, pure and simple.
7 Everything else is indirect at best and secondary.

8 And so while Mr. Cameron and whoever else is
9 going to come up here and say, well, look at this, and it's
10 aluminum. That was a good one. I represent parts of the
11 aluminum industry too. It wasn't aluminum, I'll tell you
12 that. They'll say, oh, it was hot-rolled, or maybe it was
13 scrap, or maybe, I smell something that I can -- that
14 doesn't reach my pricing product definition, but I'm going
15 to slide it in to to try to create a purative overselling
16 and so I can claim words somehow are different.

17 The bottom line here is, cold-rolled imports have
18 the first and most direct effect on the domestic industry's
19 cold-rolled performance here. Sure, there are other things
20 out there. We're not saying it's the only thing. We're
21 just saying it's more than insignificant, unimportant, and
22 immaterial. It is a factor. This is a preliminary
23 determination. The question is, is there a reasonable
24 indication? Yes, there is a reasonable indication that the
25 imports from all of the subject suppliers are having an

1 impact on the U.S. industry, all of them are having, or
2 causing negative effects on the U.S. industry. They're all
3 impacting volume, they're all impacting price.

4 As a result, we think there should be an
5 affirmative preliminary determination.

6 MR. CORKRAN: Thank you very much. I actually
7 have a couple more questions on slides that I will probably
8 ask that they be treated as post-conference brief issues.

9 Since we're on page 13, I just wanted to -- and I
10 don't need a response right now. But I would like to know
11 in the post-conference briefs how the analysis on this page
12 squares with the testimony previously that imports that were
13 coming in were largely -- not largely, that there was a
14 large volume of imports that were entering the United States
15 that were going into importers' inventory rather than the
16 market.

17 And the other -- the other page that I would
18 request that there be a little additional analysis on is on
19 slide number 10.

20 Thank you very much.

21 I don't even know how this will factor out, but
22 if you can please take a look at this separating out the
23 non-Alloy HTS numbers and the Alloy HTS numbers. One thing
24 that strikes me on this is that the composition of subject
25 imports during the time period when they're declining quite

1 substantially reflect a much greater participation by
2 imports from China that are largely non-Alloy cold-rolled
3 steel and non-subject imports reflect greater -- relatively
4 greater participation of Canadian imports and a relatively
5 larger share of alloy products. I don't know if that will
6 affect the average unit values, but I just ask that that be
7 wrapped into the analysis.

8 (Pause.)

9 MR. CORKRAN: Let me ask if my colleagues have
10 any additional questions?

11 Thank you very much. With that I would like to
12 very much express my appreciation to the panel. It's been a
13 long morning and early afternoon. And we very much
14 appreciate your time being here.

15 Thank you.

16 (Whereupon, a lunch recess was taken to be
17 reconvened at 1:30 p.m.)

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

2 MR. CORKRAN: Mr. Secretary, are there any
3 additional matters, or are we ready to begin?

4 MR. BISHOP: Mr. Chairman, the panel in opposition
5 to the imposition of antidumping and countervailing duties
6 have been seated. All witnesses have been sworn.

7 MR. CORKRAN: Thank you, Mr. Secretary.

8 And, Mr. Cunningham, you may begin when you are
9 ready.

10 STATEMENT OF RICHARD O. CUNNINGHAM

11 MR. CUNNINGHAM: Thank you. I am Dick Cunningham
12 from Steptoe & Johnson. We are going to begin the
13 Respondent's presentation with an economic analysis by Mr.
14 Bruce Malashevich and Mr. James Dugan of Economic Consulting
15 Services.

16 As you listen to them, I would like you to focus
17 on four words. The first word is "temporary." You heard
18 the Petitioners complain about a surge in subject imports,
19 but it is clear that that increase lasted only a relatively
20 few months, seven or eight months, and ended in the
21 September-October period of 2014.

22 The second word I would like you to focus on is
23 "decline." It is striking in this case that subject imports
24 have been declining, and declining sharply, and Mr. Price's
25 chart understates that, but goes on an Index basis; they

1 have in fact declined more than 40 percent since
2 September-October 2014. And that decline has occurred for
3 almost a full year.

4 Now I was really interested this morning
5 listening to Petitioners because they have a clear view as
6 to why the increase occurred. It's the aggressive dumping,
7 market share grabbing foreign exporters doing that. But
8 what's their explanation for why it turned around and went
9 down? These are Petitioners who tell you that in the world
10 of the last two years there is excess capacity in all these
11 foreign countries. There's lower economic growth in
12 countries outside the United States, making the United
13 States the place where these countries are going to ship
14 that excess capacity. And yet imports go down 40 percent
15 and are continuing down.

16 I was kind of hoping we were going to get a
17 dumpers remorse theory out of them, but they disappointed
18 me. What it suggests to me is there was some factor
19 operating to bring an increase in imports in the first
20 two-thirds of 2014. And then that factor was no longer
21 there after September-October and imports fell. But of
22 course that's not their theory of the world.

23 The third word I would have you look at is
24 "correlation." It is very difficult to find that imports
25 have caused declines in prices, or in U.S. industry

1 operating results when those declines just don't correlate
2 with the increase in imports.

3 I emphasize this absence of correlation is
4 striking as to both prices and operating results.

5 And my final word for you to keep in mind is
6 "financials." You heard Mr. Kopf today talk about declines
7 in net income. When you see a decline in gross profit or
8 net income of U.S. producers, I suggest you ask yourself
9 whether increases in certain cost categories, categories
10 demonstrably not related to imports, may fully explain those
11 profit declines. And I would direct your attention to the
12 dollars-per-ton table of operating results in Exhibit I-13
13 of the petition and see whether changes in such things as
14 Other Factory Costs, All Other Expense Items, may more than
15 fully explain changes in the 2015 figures for Gross Profit
16 and Net Income.

17 So with your minds now fixed firmly on those four
18 important words, let me turn you to Mr. Malashevich.

19 STATEMENT OF BRUCE MALASHEVICH

20 MR. MALASHEVICH: Good afternoon, Mr. Chairman,
21 members of the staff. I am Bruce Malashevich, President of
22 Economic Consulting Services LLC. And if I could just ask,
23 Mr. Chairman, before I continue, to make sure everybody has
24 a copy of my nine public exhibits.

25 And also it would be helpful for you to have in

1 front of you the Nucor presentation, slide five in
2 particular. If someone is missing same, please let me know
3 before I begin.

4 Thank you. Okay. My professional experience
5 extends to 39 years of practice before the Commission and
6 other authorities and judicial courts in the United States
7 and many foreign jurisdictions.

8 Despite the hype in the trade press and
9 elsewhere, this case is quite simple. Let me first turn
10 your attention to my Exhibit One based on official U.S.
11 Census Bureau Import Data.

12 This chart plots the monthly trend of subject
13 imports in indexed form. The so-called surge in subject
14 imports, much emphasized by Petitioners and their
15 supporters, was really quite brief, beginning roughly from
16 the trough in January 2014, and peaking in October 2014,
17 nearly a full year before this Petition was filed.

18 Since that peak, they have been on a sharply
19 declining trend. The text of the public Petition is
20 misleadingly clever, comparing the first quarter of 2015 to
21 the trough of first quarter 2014, and thereby creating the
22 illusion of a 2015 import increase. But the monthly figures
23 show that in fact subject imports in the first quarter of
24 2015 had declined by almost 40 percent from their peak in
25 the previous quarter--excuse me, from their peak in the

1 previous October, first half, yes, forgive me. Thank you,
2 Mr. Cunningham.

3 Now look at slide five of Nucor. You will see
4 also it's very clever. The same data, same source, but they
5 present the data on a quarterly basis to prevent the
6 illusion of a softer, less steep decline in subject imports
7 in 2005[sic] than what actually occurred.

8 I submit that the monthly data in my Exhibit One
9 is much more probative on that subject. This leads to my
10 second point which concerns the Commission's usual practice
11 of seeking correlation between the growth in subject imports
12 and adverse changes in the condition of the domestic
13 industry.

14 My review of the confidential version of the
15 Petition and certain domestic producers' questionnaire
16 responses received to date confirms one of the points Mr.
17 Cunningham made earlier.

18 It is patently obvious that there is no
19 correlation in this case. Any injury suffered by the
20 domestic producers simply did not occur when imports were
21 surging.

22 In 2012 and 2013, imports were generally stable
23 or declining and were at levels in relation to apparent
24 domestic consumption that in my professional opinion cannot
25 be considered significant.

1 Any troubles experienced by the U.S. producers in
2 those years clearly were not caused by subject imports.
3 2014, the year in which the entire so-called surge occurred,
4 should be one major focus of your analysis in this case. If
5 imports were responsible for material injury to U.S.
6 producers, it would of had to be reflected in the declining
7 operating results in 2014. You should examine Petition
8 Exhibit I-XIII to determine whether that is in fact what
9 happened.

10 Finally, you should examine the first half of
11 2015 in light of the fact that subject imports declined
12 sharply during that period. If 2015 is where you find
13 declines in operating results that the U.S. producers
14 describe as material, I submit that any such injury cannot
15 be attributed to the volume of subject imports because that
16 volume was declining by 40 percent.

17 My third point relates to pricing. Petitioners
18 argue that imports injured U.S. producers in 2015 not by
19 volume but rather by forcing down U.S. producers' prices.
20 As you evaluate that issue, you should bear in mind three
21 fundamental facts.

22 First, you should consider Exhibit I-XIII to the
23 Petition which sets forth trends in the average unit values
24 of domestic producers' commercial sales, their transfers for
25 internal consumption, and of the related-party transfers.

1 If imports were forcing down U.S. industry
2 prices, you would see a significantly greater 2015 decline
3 in the AUVs of commercial market sales where imports
4 arguably could affect prices than in the AUVs of either
5 internal consumption or related-party transfers.

6 Imports of course do not compete with the latter
7 two categories. So if you see significantly greater AUV
8 declines in internal consumption and related-party
9 transfers, you must conclude that it was due to something
10 other than subject imports.

11 Forgive me. Could I ask for a brief break so we
12 can solve this [sound] problem?

13 MR. CORKRAN: Yes, can we please stop the clock?

14 (Pause for adjustments to sound system.)

15 MR. CORKRAN: Okay, Mr. Malashevich, we are going
16 to try this again and keep our fingers crossed. If you can
17 continue, we will now restart the time.

18 MR. MALASHEVICH: Okay. So we next look at the
19 last table in Petition Exhibit twelve which tracks monthly
20 prices of U.S. producers and imports from each subject
21 country. Pay particular attention to the column on USA
22 prices.

23 Remember that the so-called surge began in
24 January '14 and peaked in September-October '14. Compare
25 the USA price in December '13 to the USA price in September

1 '14. That will tell you whether the pricing received by
2 domestic producers was in fact depressed or suppressed by
3 subject imports.

4 There is no lack of other causes of the domestic
5 producers' troubles and of the brief 2014 surge in subject
6 imports. These other sources were described in great detail
7 in the plain language of SEC 10Q statements filed in the
8 first two calendar quarters of 2015 and associated earnings
9 call conferences with security analysts and in the trade
10 press.

11 Our team at ECS has reviewed literally thousands
12 of pages of these and identified numerous texts to cite in
13 post-conference briefs. Here today I will share with you
14 only a few snippets.

15 These public documents include extensive
16 discussion of how aggregate final demand for cold-rolled
17 steel remained firm through the POI through the first half
18 of 2015 when there was a massive destocking of excess
19 inventory previously built up in the hands of steel service
20 centers who, as a consequence, sharply and abruptly reduced
21 their cold-rolled steel purchases from everybody in the
22 first half of 2015.

23 My colleague, Mr. Dugan, will have more to say on
24 that subject.

25 This one-off event produced declines in both

1 subject and non-subject imports and U.S. domestic shipments.
2 My Exhibit two provides illustrative quotations to this
3 effect from certain producers, petitioners themselves, and
4 apparently they agreed in this morning's testimony.

5 In the 10Qs there's also a lengthy discussion
6 about the role of the abrupt declines in raw material costs,
7 principally iron ore, ferrous scrap, and to a lesser extent
8 energy and forcing down the price of the finished steel, and
9 then reported financial results.

10 This is extremely important for the Commission
11 staff to fully investigate and consider. In this industry
12 new materials and energy constitute a huge section of
13 variable costs, which account for the majority of factory
14 costs.

15 Mainstream economic theory dictates that pricing
16 is determined largely by changes in variable costs. My
17 exhibit three contains selected quotations from petitioners'
18 publications discussing this very phenomenon.

19 Subject imports obviously do not influence the
20 costs of iron ore, ferrous scrap, and energy in the United
21 States. The impact of these declines in material costs on
22 U.S. firms operating in 2015 was amplified by their
23 accounting treatment of those cost declines. This is a
24 particularly important point.

25 My Exhibit four contains quotations from domestic

1 producers' publications making precisely this point.
2 Essentially, the FIFO method of valuing inventory which
3 enters into the calculation of the costs of goods sold had
4 the effect of depressing reported earnings, while previously
5 purchased higher cost raw materials inventory was being
6 worked off.

7 Consequently, the earnings calls were directed in
8 part to reassuring the financial community that future
9 earnings will be more robust, as the sharply lower cost of
10 purchased materials make their way through the financial
11 accounting system. See Exhibit five.

12 This explains the disconnect that Petitioners
13 were harping on this morning as to why the financial results
14 did not improve as can be expected as raw material costs
15 declined. There simply is a disconnect in time caused by
16 accounting conventions. There was a case of Stainless Wire
17 some years ago where exactly that point largely caused the
18 decision to go negative.

19 Also relevant to the Commission's analysis of the
20 domestic industry's condition are certain catastrophic
21 events in the upstream iron making operations of several of
22 the Petitioners. These are summarized in my Exhibit six.
23 Hundreds of millions of dollars were written off against
24 earnings.

25 It is incumbent upon the Commission, and I assume

1 in particular Mr. Yost, to investigate the degree to which
2 these write-offs found their way into the profitability data
3 reported by the domestic industry in their producers
4 questionnaires.

5 On that subject, by the way, I have to note that
6 this morning was the first time I ever heard a witness for
7 the domestic industry testify that the financial information
8 submitted to the Commission in various questionnaires for
9 more than half the industry's sales were, quote,
10 "artificial," unquote.

11 So that, I'm not a lawyer, I'm a data guy, but if
12 I was a Commissioner I would have trouble rewarding
13 petitioners with an affirmative determination after
14 acknowledging that their data reported are artificial.

15 Additionally, in the latter part of the POI,
16 certain domestic producers engaged in very costly
17 acquisitions and other investments in part consisting of
18 steel producing assets formerly owned by Severstal and
19 ThyssenKrupp.

20 Mr. Yost, your question is very prescient on the
21 issue of investment. The domestic industry, on the other
22 hand, is complaining that there is a lack of incentive for
23 new investment; however, they spent several billion dollars
24 devouring up their competitors. And talk about, oh, it was
25 based on assumptions.

1 testimony will supplement that of my colleague, Mr.
2 Malashevich, and point out how an examination of the
3 relevant statutory factors of volume effects, price effects,
4 and impact on the domestic industry support a negative
5 determination of current material injury or threat of injury
6 by reason of subject imports.

7 To begin with, Petitioners place a great deal of
8 emphasis on the merchant market. In fact, they went so far
9 as to say that the Commission is required to focus on the
10 merchant market in this case.

11 They point to this as the locus of their injury
12 by subject imports. But their own questionnaire data belies
13 that story. On slide one it shows--and this is what Mr.
14 Cameron referred to earlier--a comparison of the domestic
15 industry's performance in the merchant market, including
16 exports, and questionnaire table 3-11, which was represented
17 by the red line in this chart shows better results than the
18 overall performance of the company, including the captive
19 consumption which is reported at table 3-9, and that is
20 represented in the blue line in the chart. I withheld
21 anything confidential from this.

22 I note also that this performance is despite a
23 fairly significant decline in the volume and value of export
24 shipments. Moreover, while -- this chart, the questionnaire
25 data also show that the second half of 2014, the second

1 half, precisely when subject imports were at their peak,
2 exhibited the domestic industry's strongest financial
3 performance by far.

4 We're talking hundreds of millions of dollars in
5 operating and net income in the merchant market in the
6 second half of 2014. Since the U.S. producers report on a
7 calendar basis, you can get to this simply by deducting
8 first half 2014's financial results for full year 2014
9 financial results. And while the Commission generally
10 compares part-year periods, I encourage the staff to look
11 too -- because it goes to causation.

12 These results far exceed what the returns earned
13 in 2012 and 2013 when, by Petitioners own admission, imports
14 were not much of a factor. So how could they earn these
15 profits when the imports were surging and taking jobs, and
16 ton for ton displacement, and all these horrible things that
17 were happening? How did that happen?

18 In sum, this pattern leads to the conclusion that
19 any problems the domestic industry is suffering or may
20 suffer lie not with subject imports but on internal factors.

21
22 This conclusion is further supported by the fact
23 that the data on the record do not support a finding of
24 adverse volume or price effects by reason of subject
25 imports.

1 U.S. producers' capacity and production were
2 stable from 2012 to 2014, as were total U.S. shipments.
3 Volume declines occurred in 2015, thanks to an inventory
4 overhang which was, as I will show, largely caused by the
5 U.S. producers themselves.

6 And as my colleague, Mr. Malashevich, has pointed
7 out, import volume peaked in late 2014 and has been on a
8 declining trend ever since. Likewise, while subject import
9 market share was higher in first half 2015 than in first
10 half 2014, the 2015 market share figure also represents a
11 decline because subject market share import, like the
12 volume, in the second half of 2014.

13 There was no price depression by reason of
14 subject imports. As shown at slide two, which has indexed
15 the price of product volume from the questionnaires, the
16 increase from 2013 through most of 2014 just as subject
17 import volume was increasing.

18 The price declines--the severe price declines did
19 not occur until the fourth quarter of 2014 and accelerated
20 in 2015. But as noted in the excerpts from Mr. Malashevich's
21 exhibit four, U.S. producers referenced iron ore price
22 declines ranging from 20 to 40 percent from late 2014 into
23 the second quarter of 2015.

24 The price declines observed in U.S. producers'
25 pricing data from Q-4 2014 to Q-2 2015 shown on the chart

1 are consistent with the changes in raw materials data. I
2 also invite the staff to look at the unit raw material costs
3 and the unit net sales values from the questionnaires, and
4 you will see a very similar trend as is shown here.

5 There was likewise no price suppression by reason
6 of subject imports. See slide three. Whether measures for
7 U.S. producers' overall business using data from Table 3-9,
8 or for the merchant market business using data from 3-11,
9 the results are the same. Cost to sales ratio declined from
10 2012 to 2014 and was steady between the part-year period.
11 Therefore, no price suppression.

12 The under-selling data in this case are very
13 mixed, with roughly equivalent instances of under-selling
14 and over-selling. The average margin of under-selling is
15 small, in the single digits, and it clusters in a tight
16 range across the subject countries.

17 The average margin of over-selling is much
18 larger, in the double digits. The Petitioners have
19 basically testified this morning that because there's
20 overselling it must be because someone was misreporting
21 their data willfully, but we could sort of expect them to
22 say that.

23 As you will see from the confidential record, the
24 frequency of underselling, like subject import volume and
25 market share, actually declined in the first half of 2015

1 relative to 2014. So on this metric, as on many others,
2 Petitioners' causation case falls apart.

3 Now Petitioners have argued that their decline in
4 performance during the first half of 2015 was attributable
5 to an inventory overhang created by subject imports. The
6 trade press, including articles cited by Mr. Malashevich,
7 seemed to corroborate such an overhang existed. But what
8 really created that overhang?

9 Petitioner's panels spoke of an historic increase
10 in importers' inventories, but the questionnaire data don't
11 bear that out, either in absolute tonnage or in relative
12 terms as compared to import shipments. It's just not there.

13 Is it in the service centers? Well, I remind
14 staff and the Commission that it isn't only importers that
15 ship to the service centers. In fact, imports from subject
16 countries accounted for only a small minority of shipments
17 to service centers and distributors.

18 At slide five, the questionnaire data revealed
19 that in 2014, which is the relevant year for this question,
20 when we want to know about the year-end 2014, subject
21 imports accounted for only a small minority of shipments to
22 service center distributors, basically in the hundreds of
23 thousands of tons, with U.S. producers accounting for the
24 overwhelming millions and millions of tons.

25 Therefore, to the degree that there was an

1 inventory overhang at the end of 2014 that got worked off in
2 2015, the U.S. producers themselves created it.

3 Now I will turn to the threat analysis which I
4 will address on a cumulative basis for all subject countries
5 combined. In short, none of the record evidence points to
6 the likelihood of substantially increased imports in the
7 imminent future, nor does it point to the likelihood of
8 adverse price effects in the imminent future.

9 As mentioned in the earlier testimony, subject
10 import volume and market share has been on the decline since
11 the second half of 2014, and foreign producers expect it to
12 decline further in 2016.

13 Now Petitioners might characterize foreign
14 producers' projections as inaccurate and self-serving, but
15 the fact is the United States is just not a significant
16 market for these producers.

17 This morning the gentleman from Newport
18 characterized the subject countries as, quote, "heavily
19 export oriented," quote, but in this case that is simply not
20 true. See slide six, which is an aggregation of data from
21 Table 2-10 in the Foreign Producer Questionnaires.

22 The blue bar is home market internal consumption
23 and transfers. The red bar is home market commercial
24 shipments. And the purple bar is exports to markets other
25 than the United States. It's a little hard to see with the

1 colors on here, but take my word for it. You have the hard
2 copy.

3 Finally, if you can even make it out, the tiny
4 green bar at the top represents exports to the United
5 States. It's roughly one percent of total shipments. This
6 is a stark contrast to many other cases the Commission is
7 used to seeing where the U.S. market is the major, or even
8 the primary focus of subject country exporters. In this
9 case, it's not even close.

10 While there was a small increase in capacity in
11 foreign producers, it was absorbed by these producers' other
12 markets, chiefly as mentioned above, their home markets.
13 And in any case, given the insignificance of the U.S. market
14 relative to these producers' other markets shown in slide
15 six, it would be absurd to suggest that foreign producers of
16 cold-rolled steel are adding this capacity to serve the
17 United States market.

18 Foreign producer's inventories as a percent of
19 total shipments were also small and steady, ranging from
20 roughly 2 to 2-1/2 percent over the POI. And as for
21 importers' inventories, as I mentioned earlier, they are
22 declining in 2015 relative to 2014.

23 Thus, this does not provide an indication of
24 imminent threat. Out of a cautionary data and out of
25 respect for the ticking clock, I will pause here and address

1 the remaining threat criteria in the post-conference brief.
2 But like those I have already discussed, they support a
3 negative determination. Thank you.

4 MR. CUNNINGHAM. And that brings us to Mr. Taik
5 Lee.

6 STATEMENT OF HYAN TAIK LEE

7 MR. LEE: Good afternoon. I am Hyan Taik Lee. I
8 am a Manager with the International Trade Affairs Group of
9 POSCO. I have worked for POSCO for two years. POSCO is the
10 largest steel producer in Korea.

11 Virtually all of POSCO's exports of cold-rolled
12 steel consist of High Strength, Low Allow automobile grade
13 cold-rolled steel, and black plate used to produce tin mill
14 products.

15 Before discussing POSCO, let me say something
16 about the Korean steel industry. As recently as the 2002
17 Investigation of cold-rolled steel, there were four major
18 producers of cold-rolled steel in Korea--POSCO, Dongbu
19 Steel, Union Steel, and Hyundai Steel.

20 While Union--which is now Dongkuk Steel Mill--and
21 Dongbu still produce small amounts of cold-rolled, they
22 generally produce for internal consumption for corrosion
23 resistant steel. They are no longer major players in the
24 U.S. market. This is not likely to change. POSCO and
25 Hyundai Steel are now the only significant Korean producers

1 of cold-rolled steel for export.

2 This consolidation of the Korean cold-rolled
3 industry has important implications for the Korean industry
4 and for the United States market. It means much less
5 internal competition between Korean producers for export
6 sales. In fact, there is very little, if any, overlap and
7 competition for U.S. customers.

8 Secondly, both Hyundai Steel and POSCO have
9 concentrated their exports primarily on the automotive
10 sector and, in the case of POSCO, black plate for U.S. tin
11 mill producers as well. Imports of these cold-rolled steel
12 products are not injuring U.S. producers of cold-rolled
13 steel.

14 Mr. Tennant will discuss our exports of black
15 plate and their importance to OCC and the U.S. industry.
16 Simply stated, POSCO provides an alternative supply to OCC
17 so that it can maintain itself as an independent U.S.
18 producer of tin mill products.

19 The other exports by POSCO and Hyundai are most
20 significantly comprised of cold-rolled steel for use in
21 automobile production. For automotive steel, strength is
22 obviously important, but so is ductability--for steel used
23 for stamping internal parts. In addition, automobile
24 producers are constantly working to reduce weight in order
25 to comply with auto mileage standards. As a result of these

1 differences, cold-rolled steel used to produce automobiles
2 is manufactured to much tighter tolerances and is higher
3 quality than cold-rolled for commercial or structural uses.

4 Speaking for POSCO, the automotive quality steel
5 is generally High Strength Low Alloy quality steel. This is
6 high quality cold-rolled that is not generally exported by
7 foreign mills focusing on commercial and construction grade
8 cold-rolled steel. It also tends to be relatively high
9 priced in the market.

10 I'll be glad to answer any questions. Thank you.

11 STATEMENT OF JAMES TENNANT

12 MR. TENNANT: Mr. Chairman, members of the
13 Commission staff, my name is Jim Tennant. I am the
14 President of Ohio Coatings Company located in Yorkville,
15 Ohio which is on the Ohio River bordering West Virginia just
16 above Wheeling.

17 I've been with OCC for 17 years and before that I
18 was with Wheeling Pittsburgh Steel from 1978 to 1998.
19 Accompanying me is Y. S. Bin, Executive Vice President of
20 OCC.

21 OCC employs 75 workers who live in Ohio, West
22 Virginia, and Pennsylvania. OCC is a union shop, United
23 Steel Workers.

24 OCC is one of only four remaining producers of
25 tin mill products in the United States. The others are U.S.

1 Steel, ArcelorMittal and UPI out in California. The
2 substrate of tin mill products is black plate, which
3 apparently is a product covered by these AD, C, B, D
4 petitions even though it was excluded from the scope of the
5 2002 cold-rolled investigation.

6 There are only three existing producers of black
7 plate in the United States, U.S. Steel, ArcelorMittal, and
8 UPI. Import volumes of black plate are miniscule.

9 To understand OCC a little background is
10 necessary. OCC was originally a joint venture between
11 William Pitt and TCC a Korean producer of tin plate.
12 William Pitt was acquired by S-MARK which sold it to Service
13 Stall which sold it to RG Steel. When RG Steel went
14 bankrupt S-MARK bought 50 percent of OCC out of bankruptcy
15 along with the William Pitt Yorkville facility which also
16 produced black plate.

17 OCC previously sourced its black plate from
18 Yorkville and from RG's Sparrows Point facility. When RG
19 went bankrupt, both the Yorkville facility and Sparrows
20 Point were shuttered.

21 The plan coming out of bankruptcy was to restart
22 the Yorkville plant which would have provided OCC a source
23 of black plate. But that never happened and the plant was
24 scrapped. As a result, OCC has only two viable domestic
25 source of black plate, U.S. Steel and ArcelorMittal, which

1 is located in the old Weirton facility in West Virginia.

2 Both U.S. Steel and ArcelorMittal are our
3 competitors in the tin plate market. In fact OCC is the
4 only tin plate producer that does not produce black plate.
5 As a result, we had no choice but to turn to imports of
6 black plate from Posco in Korea, Nippon Steel, and JFE in
7 Japan.

8 We still buy black plate from ArcelorMittal, but
9 we can only purchase limited quantities from ArcelorMittal
10 if OCC is to remain a viable producer of tin plate. The
11 reasons are the following:

12 First, because we compete for the same customers,
13 ArcelorMittal's price for black plate is slightly higher to
14 us in order to ensure their competitiveness with us. I
15 understand that. And it is better than U.S. Steel which
16 does not quote black plate for OCC.

17 Second, the Weirton mill that ArcelorMittal
18 operates is old. There are constant questions in the market
19 concerning whether ArcelorMittal will close the mill because
20 of its age and inefficiencies. Weirton's quality is okay,
21 but the quality of the black plate is not at the same level
22 as the black plate imported from both POSCO and the Japanese
23 producers.

24 Third, and most importantly, many of our tin
25 plate customers insist that we do not use, or that we

1 minimize the ArcelorMittal for the simple reason that they
2 need to diversify their supply in case ArcelorMittal shuts
3 down temporarily or permanently.

4 There are only three domestic tin mill producers
5 east of the Mississippi of which we are one. If we are
6 dependent on ArcelorMittal for our black plate, then there
7 are really only two, U.S. Steel and ArcelorMittal.

8 Our customers all purchase from ArcelorMittal
9 already. And they have told us that their purchases are
10 conditioned on the use of imported substrate. This is a
11 serious problem for our customers. If we are perceived to
12 be a simple extension of ArcelorMittal, they will import
13 their additional tin mill products directly rather than
14 purchase from OCC.

15 OCC believes the black plate is a separate like
16 product from other cold-rolled steel subject to this
17 investigation. Black plate is dedicated to production of
18 tin mill products. There is very little overlap for the use
19 of black plate other than for the use as substrate for tin
20 plate. Tin mill products cannot be produced without black
21 plate. Other cold-rolled cannot substitute for black plate.

22 We will provide the specific specifications that
23 we think should be considered separately but is under .0149
24 inches thick and has restricted tempers and hardness that
25 cold-rolled doesn't have. Tensile strengths and yield

1 strengths are also different.

2 Finally, black plate is either single reduced or
3 double reduced. When double reduced, it goes through a
4 separate finishing mill.

5 Imports of black plate are not injuring U.S.
6 producers of black plate. There is hardly any supplies of
7 it as I have discussed. But what puzzles me is this, major
8 U.S. producers of flat-rolled steel such as U.S. Steel,
9 ArcelorMittal, Nucor, AK, et cetera, are all alleging that
10 imports of cold-rolled steel which is now defined by them to
11 include black plate are injuring them and imports should be
12 taxed or restricted to level the playing field. So why is
13 it also necessary for these same producers to attack other
14 U.S. mills such as OCC that produce high-quality steel in
15 the United States and employ American workers to the point
16 that our existence is threatened?

17 It seems to me a peculiar way to level the
18 playing field for the U.S. steel industry that OCC is part
19 of.

20 Thank you.

21 STATEMENT of RICHARD WEINER

22 MR. WEINER: Good afternoon, my name is Richard
23 Weiner from Sidley Austin. And I appear today on behalf of
24 the Japanese producers and affiliated importers for the
25 cold-rolled steel products subject to these investigations.

1 With me today is Mr. Yoshiro Hori, Executive Vice
2 President of Nippon Steel and Sumitomo Metal, U.S.A.,
3 Tadaaki Yamaguchi, President of JFE Steel American, and Mr.
4 Scott Anderson or Davidson, Vice President of Nippon Steel
5 and Bussan Americas.

6 Mr. Hori will testify on behalf of all the
7 Japanese Mills, while Mr. Hori, Mr. Yamaguchi, and Davidson
8 will all be available to take your questions.

9 Before I turn to Mr. Hori, I would like to
10 underscore three major themes.

11 First, cold-rolled steel imports from Japan
12 satisfy demand in the U.S. market for specialized products
13 that U.S. producers are unable or persistently unwilling to
14 satisfy, particularly for ultra-high tensile products used
15 in auto manufacturing or for tin mill black plate. As such
16 cold-rolled steel imports from Japan do not compete with
17 other cold-rolled products in the U.S. market, and in these
18 circumstances the Commission should decumulate Japan in its
19 injury analysis. Once decumulated it should be evident that
20 Japanese subject imports have not been the cause of material
21 injury to the U.S. industry, because imports from Japan have
22 not increased and have heavily oversold U.S.-like products.

23 Second, any injury suffered by the U.S. industry
24 is not by reason of subject imports, but rather by reason of
25 other factors. Importantly the appreciation of the U.S.

1 dollar and the decline in raw material prices not dumped for
2 subsidized imports caused the decline in U.S. cold-rolled
3 steel prices that began in mid-2014.

4 Third, the Japanese industry is operating at high
5 capacity utilization and is focused on supplying cold-rolled
6 steel products to Asian markets. It supplies only those
7 specialized products to the U.S. market that U.S. customers
8 do not find readily available from domestic steel producers.
9 As such, imports of cold-rolled steel products from Japan do
10 not pose any threat of injury to the U.S. industry.

11 I would now like to turn the floor to Mr. Hori.

12 STATEMENT OF YOSHIRO HORI

13 MR. HORI: Good afternoon, my name is Yoshiro
14 Hori. I am Executive Vice President of Nippon Steel and
15 Sumitomo Metal U.S.A., Inc. (or NSSM USA), a subsidiary of
16 Nippon Steel and Sumitomo Metal Corporation (or NSSMC).
17 NSSMC is a worldwide leading integrated steel producer, with
18 production in more than 15 countries as well as at 16
19 steelworks in Japan.

20 I have been with NSSM USA in Chicago since 2009,
21 prior to which I worked in NSSMC's Flat Products Unit in
22 Tokyo for nine years. As a result of my experience, I have
23 intimate knowledge of the U.S. and global markets for the
24 cold-rolled steel products subject to this investigation.

25 I will speak today on behalf of all of the

1 Japanese Mills and focus on two issues: first, the limited
2 overlap in competition between cold-rolled steel imports
3 from Japan and other cold-rolled steel products available in
4 the U.S. market; and second, causes of the decline in
5 cold-rolled steel prices in the U.S. market during the
6 period of investigation.

7 First, cold-rolled steel imports from Japan
8 satisfy demand in the U.S. market for specialized products
9 that customers do not find readily available from other
10 suppliers in the United States. A substantial proportion of
11 the cold-rolled steel exports from Japan to the United
12 States are of ultra-high tensile products, a very high
13 strength steel, which are supplied to U.S. auto makers.
14 U.S. auto makers have a preference to buy steel from local
15 suppliers. Because of that preference, since the late
16 1980s, the Japanese mills have invested in joint-venture
17 partnerships with
18 U.S. steel mills in order to satisfy U.S. auto makers'
19 requests for locally produced steel. U.S. auto makers will
20 purchase imported steel only when the required products are
21 not readily available from local suppliers. That explains
22 their purchase from Japanese mills of ultra-high tensile
23 cold-rolled steel. The Japanese Mills, including NSSMC, are
24 able to provide U.S. auto makers with the mechanically
25 stable ultra-high tensile cold-rolled steel products that

1 they require and that are not readily available
2 domestically.

3 Additional quantities of cold-rolled steel
4 imports from Japan are of tin mill black plate, which is
5 essential for making tin plate used in manufacturing various
6 types of cans. Such tin mill black plate is not readily
7 available for purchase from
8 U.S. steel producers, and without the supply of such black
9 plate from Japan, our U.S. customers of this product tell us
10 that they would go out of business.

11 Because Japanese producers supply such
12 specialized cold-rolled steel products to the U.S. market
13 not readily available from U.S. steel producers, the volume
14 and the price of Japanese cold-rolled steel imports to the
15 United States have remained fairly constant during the
16 period of investigation, decoupled from the volume and the
17 price trend in the rest of the market. This circumstance
18 further reinforces the lack of competition between Japanese
19 cold-rolled products and other cold-rolled products in the
20 U.S. market.

21 Second, I would like to address why, as a general
22 matter, cold-rolled steel prices declined in the U.S. market
23 during the period of investigation. U.S. cold-rolled steel
24 prices remained relatively stable in 2012 and 2013, and
25 began declining only during the latter half of 2014. This

1 price decline coincided with an increase in total import
2 volumes, which had also remained flat until about mid-2014,
3 as Petitioners themselves acknowledge.

4 Petitioners view this correlation and attribute
5 the decline in U.S. cold-rolled steel prices to the dumping
6 and subsidization of imports. However, that is not correct.

7 Petitioners' claims overlook two critical market
8 conditions that were at work starting in the middle of 2014.
9 The first critical market condition is the sharp
10 appreciation of the U.S. dollar that began in mid-2014. As
11 reflected in the Federal Reserve's trade-weighted dollar
12 index, the U.S. dollar fluctuated within a narrow band from
13 the beginning of 2012 through the first half of 2014, and
14 then increased by about 12 percent between mid-2014 and
15 mid-2015.

16 The second critical market condition is the
17 decline in the prices of raw materials used by steel
18 manufacturers, particularly in the prices of iron ore and
19 scrap steel. Iron ore prices fell sharply by about 60
20 percent from the start of 2014 to mid-2015.

21 Further, the prices of scrap steel used by U.S.
22 mini mills were relatively flat until the middle of 2014,
23 and then declined by about 30 percent between mid-2014 and
24 mid-2015.

25 In my experience, the price of U.S. flat products

1 moves in the same direction as raw material prices. It is
2 these factors namely, the appreciation of the U.S. dollar,
3 and the decline in raw material prices and not the subject
4 imports, that caused price declines in the U.S. cold-rolled
5 steel market during the period of investigation.

6 Thank you. My colleagues and I appearing on
7 behalf of the Japanese Mills are available for your
8 questions.

9 STATEMENT OF CRAIG LEWIS

10 MR. LEWIS: Good afternoon, Mr. Corkran and
11 staff. My name is Craig Lewis with Hogan Lovells. And I'm
12 appearing here today on behalf of Companhia Siderurgica,
13 Nationale, CSN and its affiliated U.S. producer of
14 cold-rolled steel, CSN, LLC in Terra Haute, Indiana.

15 With me today is my partner Jonathan Stoel.

16 I'll focus our testimony on four points
17 pertaining to the lack of material injury and threat of
18 material injury from Brazilian imports.

19 First, Brazilian capacity. The Brazilian
20 industry includes only three significant producers of
21 cold-rolled steel, CSN, Husiminas and ArcelorMittal Brazil.
22 However, as the Department has repeatedly recognized in past
23 cases, including in the 2011 sunset review of hot-rolled
24 steel from Brazil, ArcelorMittal strictly enforces a
25 corporate policy that constrains exports to the United

1 States of its Brazilian facility. We submit that the data
2 before the Commission in this investigation confirms that
3 this policy exists and it remains in effect. ArcelorMittal
4 Brazil is simply not a factor in this investigation.

5 Second, the United States is not a major market
6 for Brazilian cold-rolled steel. You saw a slide from our
7 economists indicating that's true across the board for the
8 exporters. There's not a strong export orientation.

9 Again, the data before the Commission
10 demonstrates the exports to the U.S. market at all times
11 have accounted for a tiny portion of Brazil's total
12 shipments. In fact, in the 2011 sunset review the
13 Department found that Brazil was significantly less
14 export-oriented than other respondents that were under
15 review.

16 Brazilian producers of cold-rolled steel have
17 more attractive markets for their products, most importantly
18 the Brazilian home market and significant European
19 customers.

20 Third, Brazil's pricing data confirm the subject
21 imports from Brazil have not been the bad actor in the U.S.
22 market in terms of underselling and/or price depression or
23 suppression. We urge the staff to examine Brazil's pricing
24 data closely.

25 Finally, with respect to CSN specifically, the

1 company has invested over \$180 million in its Terra Haute
2 manufacturing facility which employs more than
3 200-well-paying American jobs. There Terra Haute facility
4 manufactures significant quantities of cold-rolled steel in
5 addition to galvanized products. As a consequence it's
6 self-evident that CSN would not and does not ship
7 cold-rolled steel to the U.S. market at prices or in
8 quantities that would compete with or cause injury to its
9 sister company. In this respect CSN's marketing policies
10 are very much like ArcelorMittal's.

11 We will, of course, elaborate further on these
12 points in our post-conference submission, however, the
13 points we are raising clearly demonstrate that imports from
14 Brazil are and will remain an insignificant factor in the
15 U.S. cold-rolled market. The Commission should reach a
16 negative determination with respect to Brazil.

17 Thank you for your time and we'd be happy to
18 answer any questions.

19 MR. CUNNINGHAM: I'm still Dick Cunningham and
20 I'm going to make two points very briefly as the time is
21 running short here.

22 I'm first going to explain to why Mr. Dorn was
23 uncharacteristically dead wrong when he told you that you do
24 not have the basis for determining that the Netherlands
25 imports are negligible. And, secondly, as to both the

1 Netherlands and the U.K., I'm going to explain to you why in
2 a separate examination of them in a threat context which you
3 could reach in various ways here, neither of them can
4 support an affirmative determination.

5 Mr. Dorn characterized the Netherlands imports as
6 very close to the 3 percent threshold. The very close that
7 he said was 2.7 percent. Commissioners looked at these
8 situations before and has never thought 2.7 percent was very
9 close at all. But it's even worse than that for Mr. Dorn
10 because the 2.7 percent is not the right figure. The right
11 figure is 2.5 percent. Why do I say that?

12 The petitioners acknowledge that they've included
13 in their petition, to get at the micro-alloy stuff, a number
14 of categories, some basket categories, that as they say, may
15 well include material other than subject material.

16 One of those categories HTS7225.90.0090 is a
17 category in which a significant portion of the Netherlands
18 imports come in and they are not in any way, shape, or form,
19 cold-rolled. They are in fact all tin rolled or all tin
20 mill. And when you get those out of there, as you must, and
21 we will demonstrate too that it's all tin mill, then you're
22 down to 2.5 percent and Mr. Dorn is not even in the
23 ballpark. He's not in the ballpark at 2.7 percent either.

24 Mr. Dorn also neglected to mention that with
25 respect to the imminence of exceeding 3 percent that the

1 imports from the Netherlands are on a declining trend and
2 have been for some time.

3 Finally, Mr. Dorn, and I think one of the other
4 petitioner witnesses raised the possibility that, gee, if
5 you enter an order against the Netherlands, but not --
6 excuse me, against the U.K., but not the Netherlands, well,
7 they're both owned by the overall Tata organization,
8 although they're totally separate companies. They'll be
9 switching the cold-rolled production and exports to the U.S.
10 that are going from the U.K., they'll switch it over to the
11 Netherlands. Can't happen.

12 Why can't it happen? The Netherlands produces
13 exports to the United States entirely continuously annealed
14 cold-rolled. The U.K., I should say, produces entirely
15 continuously annealed cold-rolled. Netherlands can't
16 produce continually annealed cold-rolled. Doesn't have the
17 line on which to do it. Can't shift it over. Moreover,
18 Netherlands, as you will see from the questionnaire response
19 has no capacity available for increasing production even if
20 you could shift something to the Netherlands.

21 So, Mr. Dorn, I'm sad to say is just plain wrong
22 on this.

23 Let me turn to what you would do if you looked
24 separately at the Dutch and the U.K. imports. I submit to
25 you, you'd have to reach a negative determination of threat.

1 I say that, and this is also relevant to the question of
2 treating them separately, because both of these companies
3 operate in a manner that is totally different, has no
4 relation to the case that the U.S. petitioners have put
5 before you. Their case is a case of commodity steel dumped
6 in here, put into here as they put in massive inventories,
7 sold on the basis of price. Both Tata U.K. and Tata
8 Netherlands operate entirely differently. They have no
9 inventories in the U.S., they don't sell into inventory
10 here. They sell to a limited group of customers which they
11 either themselves alone or in cooperation with the
12 distributor will work with the customer on dimensions, on
13 metallurgy, on specs to custom design the steel for them.
14 They do not sell except on a rolled-to-order basis. In
15 other words, they take the order, they roll it, they ship it
16 to the United States, it goes to the customer, it doesn't go
17 in inventory. It's nothing like the issue that the U.S.
18 raises with you, the U.S. petitioners raise with you as
19 what's being done wrong.

20 Moreover, in terms of the threat, the
21 Netherlands, as I said, has no available capacity. There's
22 no countervailing duty allegation as to either of these
23 countries. I suggest you check to see whether there are any
24 allegations of lost sales, lost revenues, as to either
25 country. That should confirm your view on this. And in

1 short, both of these countries, if you go to a threat
2 determination, should be treated separately and should be
3 reach a negative threat determination.

4 That concludes my presentation. Let me turn now
5 to Mr. Dugan on India.

6 MR. DOUGAN: Good afternoon. Jim Dougan of ECS
7 again. For this section, I'm appearing on behalf of Indian
8 Producer and Exporting JSW Steel limited and have just a few
9 limited remarks to make. Indian Imports' share of the U.S.
10 cold-rolled market is very small. So small indeed that it
11 cannot have any practical impact on the enormous U.S.
12 Market. Their market share is absolutely microscopic
13 relative to the U.S. Market measured as a whole and only
14 slightly larger in the context of the Merchant Market.

15 Indeed, on the basis of census bureau data,
16 India's import volume appears to be right on the cusp of
17 legal negligibility. We understand that staff is
18 considering the use of CNIF data to measure apparent
19 consumption and import volume, but in any event, the
20 Commission should and no doubt will examine carefully the
21 question of India's negligibility. Even if the Commission
22 finds that imports from India are not negligible but does
23 find, correctly in our view, that the Domestic Industry is
24 not suffering current material injury, we encourage the
25 Commission to decumulate India for purposes of its threat

1 analysis.

2 Should it do so, it will find that imports from
3 India do not threaten the U.S. Industry with imminent harm.
4 The United States is a small market for JSW, representing
5 only a tiny fraction of total shipments. Focused as it is
6 on its home market, which accounts for the vast majority of
7 its shipments, JSW has little incentive to increase its
8 exports to the United States and does not expect to do so in
9 the foreseeable future.

10 In fact, while cold-rolled production capacity in
11 India increased over the POI, exports to the United states
12 represented only a small fraction of the associated increase
13 in production, most of which was again absorbed by the home
14 market. Inventories likewise do not support an affirmative
15 threat determination. JSW's inventories as a percentage of
16 total shipments has remained low and steady over the POI and
17 the U.S. inventories of imports from India declined as a
18 percentage of shipments between the part-year periods.

19 Finally, the pricing trends do not point to
20 imminent adverse price effects by reason of imports from
21 India. The instances of underselling decreased in the first
22 six months of 2015 relative to the two prior six-month
23 periods, thus both the volume and price-oriented indicia
24 support a negative threat to determination with respect to
25 India. Thank you.

1 MR. CAMERON: That concludes our testimony.

2 MR. CUNNINGHAM: I have one housekeeping measure
3 and one more subsequent point I would like to make.
4 Housekeeping measure, I would like to have the statements
5 and graphs by the two economists entered into the record, if
6 I may. Secondly, one overview on this, you've heard a lot
7 from the smaller countries in the last three presentations
8 here.

9 I'd like to urge you to think about that in a
10 particular way. This is a dog of a case. It's not a strong
11 case. It's got no present injury, at best there is some
12 threat, even that's difficult because God, it's been
13 declining for over a year. In a case like that, the
14 Commission shouldn't in a decumulated threat context spread
15 its net really wide. There's no purpose in a case like
16 this, brining in the dinky little countries, including the
17 last four that we've just talked about here.

18 If you're going to go threat, concentrate on
19 somebody who's substantial in the market, even there you're
20 not going to get, reach an affirmative determination we
21 believe, but there's certainly no purpose in going after
22 countries like my clients or the other two clients that we
23 just discussed.

24 MR. CAMERON: That's it, I think. Right?

25 CHAIRMAN CORKRAN: Thank you very much. Before I

1 turn to my colleagues, I would like to ask a question
2 because it seems to be the logical consideration after Mr.
3 Cunningham's statement and that is we've heard a great deal
4 of testimony today, very valuable. Gives us very good
5 insight into a number of the suppliers in the U.S. Market,
6 but somebody here looking at the data might reasonably ask,
7 one of the industries that I have not heard from is the
8 source of on the order of half the volume that we're
9 discussing here and more than have of the growth over the
10 annual periods. What, as an analyst would I make of that.

11 MR. CAMERON: Don Cameron. Just to start out and
12 I'm sure that everybody else is going to chime in on this.
13 There's two things. First of all, before we get to the
14 issue of China, we have to get to the issue of whether in
15 fact there was material injury suffered by the U.S.
16 Industry. We do have the data on that. What you're largely
17 missing is the foreign producer data which I'm not going to
18 tell you is not important and not insignificant.

19 SPEAKER: Don, pull your mic closer, please.

20 MR. CAMERON: That's the first time you've ever
21 said that to me in my career here, for the record. So,
22 that's the first thing. Secondly, you do have importer
23 questionnaires with respect to imports from China. Can you
24 hear me? Alright. You do have importer questionnaires with
25 respect to China. Then going on to threat.

1 I think what you are hearing today from the
2 witnesses, both from the negligibility of people from
3 importers from Korea and from Japan is that you're really
4 hearing an argument that either A) you have specialized
5 markets that are not competing directly. I mean that is the
6 nature of your inquiry when you're looking at threat.
7 You're looking at attenuated competition.

8 In fact, to the extent that for instance you've
9 got imports that are focused on automotive and on
10 black-plate. A product that was previously excluded from
11 the scope in the last one of these investigations. All of a
12 sudden it pops up again. I mean, what's that about? That's
13 leveling the playing field? That's what these guys call
14 leveling the playing field? And their concern for the
15 American worker and the American Steel Industry? Cut me a
16 break.

17 I mean, what this is about is you can do this
18 analysis and then at the end of the day, after you've done
19 that, if you're missing data from China, yes, I think it's
20 important but it doesn't go to the issue of whether indeed
21 there is a material injury, present material injury and then
22 when you're looking at threat I think we are looking at
23 decumulated threat and I think we've given a lot of reasons
24 why decumulated threat is justified.
25 So it's a very reasonable question but I think that that's

1 the way that we would approach that question.

2 CHAIRMAN CORKRAN: Thank you. I appreciate that.
3 It just seemed like the elephant in the room that needed to
4 be addressed. With that, I'd like to turn to my colleagues
5 starting with Mr. Comly.

6 MR. COMLY: Alright, my questions won't be as.
7 Import data. I'll ask the question on what should the
8 Commission use for its import data. Should it use HTL's
9 numbers and if HTL's numbers, you know, import stats, should
10 it use alloy plus non-alloy? Should it incorporate
11 questionnaire data somehow or use only questionnaire data?

12 MR. CAMERON: I think negligibility people are
13 going to have more of a dog in that fight.

14 MR. KAUFMAN: Joel Kaufman here for Tata
15 Netherlands and Tata U.K. When we look at the import data,
16 first looking at the import data that the petitioner cited
17 for all the HTSUS categories, we're negligible. We're at
18 2.7 percent as Mr. Cunningham said. We don't believe that's
19 the right set of data for a number of reasons. We would
20 suggest a more reasonable approach would be to take the
21 cold-rolled statistics that the ITC normally reports in
22 Dataweb, alright, because that we know is cold-rolled as
23 opposed to the categories that we've added into this case
24 that may or may not include cold-rolled.

25 One of the ones that we're looking at, 7225990090

1 is also mentioned in hot-rolled, it's also mentioned in
2 tin-milled, it's also mentioned in corrosion-resistant. We
3 know that that's not a cold-rolled category. For the
4 Netherlands, it's definitely not a cold-rolled category. We
5 don't import Subject merchandise in that HTSUS number. But
6 if you go to the cold-rolled import data that you normally
7 collect, the traditional categories, our data drops and our
8 percentage drops to just over 2.5 percent.

9 So we're not getting closer to the three percent
10 threshold, we're getting farther away from the three percent
11 threshold because what we're looking at there is
12 cold-rolled. So those are the two that we would suggest
13 that you use you know, in terms of looking at the issue of
14 negligibility and they're complete. I mean, it's through
15 June. You've got that data. It's complete.

16 I would add, one thing. My understanding is what
17 the Commissioners have done is to look at the Commission's
18 Dataweb cold-rolled statistics and say wait a minute, that
19 may not include some micro-alloy stuff that we're really
20 interested in. if that is what they want to do, it seems to
21 me it is incumbent and they want to expand it to make sure
22 they include the micro-alloy, they're the ones that need to
23 give you some guidance on how to get there.

24 You can't just defer all decisions by saying
25 well, the Petitioners have given us this array of basket

1 things and some might have basket HTS categories and some of
2 them may have some micro-alloy in them but we know now and
3 we're going to demonstrate to you at least one of them has a
4 whole bunch of stuff that's not cold-rolled at all.

5 It seems to me it's incumbent on the Petitioners.
6 If they want to get micro-alloy into this case, tell you how
7 to do it. But not tell you "Okay, here it is. Big lump of
8 basket categories, you figure it out." That's just not
9 proper procedure on their part. It doesn't do the
10 Commission any good and puts all of us in a totally
11 untenable position.

12 MR. COMLY: That's great except I need to deal
13 with the data that we have.

14 MR. CUNNINGHAM: So use the Dataweb.

15 MR. COMLY: The Dataweb that you're talking about
16 would use the HTS numbers for the just would be non-alloy
17 cold-rolled. Would that be?

18 MR. CUNNINGHAM: I'm not a non-alloy man, I'm not
19 a micro-alloy guru myself so I have to defer to somebody
20 else but the Petitioner can't come in and just say "go look
21 everywhere, we can't tell you where." You've got a set of
22 data that's cold-rolled. You've used it on cold-rolled in
23 the past. The Petitioners say "we want to put something
24 else in this case". Okay, fine. Tell us how to do it.

25 MR. KAUFMAN: Mr. Comly, if I can just point out

1 to you that it doesn't matter how you do it. Whether you
2 use the cold-rolled numbers, whether you use the
3 Petitioner's HTSUS numbers. We're still below three percent
4 and we're still well below three percent. So it's not a
5 question of that if we go one way or the other we're going
6 to be over or under. We're under and for purposes of the
7 negligibility determination, that's the threshold and I
8 mean, that's what it is. They can't confuse the issue by
9 saying well, we've got all these things and maybe if you do
10 something here you might be over and say you don't have
11 enough information. You've got the information. Those
12 numbers are complete for June.

13 MR. CUNNINGHAM: I understand you've got other
14 problems too that you need to look at a set of data. I
15 always think, you know I do petitioner cases too, I always
16 think that when I do a petitioner case that I need to tell
17 the Commission and the Commerce Department how to
18 investigate the case so it will get what I want to get out
19 of the case and if they haven't done that I have a little
20 sympathy with them but not much.

21 MR. COMLY: I'll go on to my next question. I
22 may revisit that. Looking at the coverage of Foreign
23 Producers that we have, I mean the parties represented here
24 I believe we have a majority of Foreign Producers in those
25 particular countries. But looking at other countries, we

1 don't have Foreign Producers. One of them would be the
2 elephant in the room, China. How does that affect your
3 slide six, which points out the exports in the U.S. and how
4 it's an insignificant share?

5 MR. DOUGAN: Dougan, ECS. I mean I think that we
6 can say that it's true on the basis of the record that we
7 have for the countries that are provided for and produce our
8 questionnaires. With regard to China, it's actually
9 impossible to say. I wouldn't even want to speculate. Is
10 the pattern precisely the same? Is it a little bit
11 different? I have no basis for knowing the answer to that
12 question.

13 MR. CAMERON: But two things. The purpose of
14 that chart was really to go, this whole issue was raised in
15 corrosion resistant. We heard the famous referral to
16 reference to OCTG and that somehow we were going to refer to
17 OCTG. The reason we referred to OCTG in the last hearing
18 was because it was the Petitioners, not us, it was the
19 Petitioners who said "you know, this is just a total export
20 platform. These people do not have domestic sales. It's
21 all export-oriented." We said "you know, you're mixing
22 these cases up. Corrosion-resistant is not that" and it's
23 the same with this.

24 The implication has been given and this is what
25 the threat case is all about and that's why this chart is

1 relevant. With respect to threat, they are looking at this
2 and they're saying well there's all of this capacity and
3 it's all getting ready to pounce on this market. Well, if
4 that were true that chart wouldn't look like that. What
5 that chart goes to is the fact that when you're looking at
6 decumulated threat and looking at these countries and you're
7 looking at that chart, what you're seeing is you know,
8 exports to the United States really are not a big part of
9 that capacity and hasn't been a big part of that capacity.

10 So, it is relevant and it stands for what it is.
11 That chart, nobody said that that chart is representative of
12 China. Hey, if I could make it fly, I'd make it fly. It
13 doesn't fly. But it does stand for what it says and that is
14 directly pertinent to the question that is before you with
15 respect to, okay, you've got all of these industries here.
16 What is the impact of these imports on the U.S. Industry?
17 And that I think is relevant to that and to the issue of
18 threat.

19 MR. CUNNINGHAM: Can I just add, it seems to me
20 this is a reason for decumulating when you get the threat.
21 You don't have China and maybe you don't have India in some
22 parts and what you're doing then is you're looking at a
23 situation where you've got as to a majority of the
24 countries, maybe not a majority of the imports, but you've
25 got as to a whole bunch of countries. You've got adequate

1 data to decide, individually whether those countries
2 constitute a threat.

3 Other countries, you don't have that information
4 and so but that shouldn't preclude you from making a
5 decision as to the countries as to which you do have the
6 information and a way to get there is to decumulate and
7 consider these countries separately and as there are other
8 good reasons we have given for decumulation here and threat
9 anyway.

10 MR. DOUGAN: Mr. Comly, Jim Dougan, ECS. I want
11 to actually provide a correction to some things Mr.
12 Cunningham said. I do believe that you have the foreign
13 producer questionnaires that account for virtually all of
14 the exports of the United States from India.

15 MR. WEINER: This is Richard Weiner for the
16 Japanese mills. You certainly have one hundred percent
17 coverage with respect to Japanese.

18 MR. CUNNINGHAM: And with regret to Netherlands
19 and there might be a sale or two from the U.K. because there
20 is another producer there but, I think you actually may have
21 one hundred percent if not one hundred percent from the U.K.
22 as well.

23 MR. STOEL: This is Jonathan Stoel on behalf of
24 CSN. You also have full coverage for Brazil. I would point
25 out that you just recently did a sunset review of Brazil in

1 which you made some very pertinent findings about the
2 industry's export orientation as Mr. Lewis already
3 testified, you made very clarifying things about
4 ArcelorMittal Brazil and it's very strong disinclination to
5 ship to the U.S. Market and I think if you look at the data
6 for Brazil, it's no surprise just from public information
7 just how big ArcelorMittal Brazil is in terms of the
8 Brazilian Industry.

9 So you really have to think carefully about what
10 that means in terms of where Brazil is in terms as an
11 industry and its inclination to ship to the United States.

12 MR. MALASHEVICH: Bruce Malashevich. Just from a
13 statistical point of view, when you think about it. Not
14 withstanding the absence of certain information from Chinese
15 producers, think about what you have. I cannot recall a
16 case where subject imports were on a declining trend for
17 almost a full year before the case was filed. There are
18 many cases where there's a healthy debate about why imports
19 have declined after the filing. Was it the case? Was it
20 other factors?

21 Fair enough. You don't have that here and the
22 behavior of imports is one of the very relevant factors the
23 Commission has historically considered prior to the filing
24 of the case. So you have that information. Let's look at
25 the vulnerability of the domestic industry. You have my

1 exhibit eight, I believe it is, that talks about the
2 outlook. You have the quotations and I'm going to be
3 supplying dozens more from the domestic producers
4 themselves, saying yes, accounting says we had down earnings
5 but it's only because of the inventory evaluation and we
6 assure you we're going to bounce back and demand is robust.

7
8 So you have declining Subject Imports for almost
9 a year. You have a lack of vulnerability of domestic
10 industry of a favorable outlook and other standard is a
11 tendency to undersell the Domestic Industry. You have the
12 underselling data which is pretty darn good coverage
13 including imports from China and you have data on importers
14 inventories in the United States.

15 In my experience, there is this list of factors
16 the Commission is supposed to be considered, but as a
17 practical matter in the typical case those are the salient
18 characteristics driving the threat determination. What the
19 foreign capacity is and its tendency to target, if you will,
20 the U.S. Market is a relevant factor but it pales in
21 comparison in terms of the weight given to it versus those
22 factors like the pre-filing trend in Subject Imports, the
23 health of Domestic Industry, forecasts of the outlook, lack
24 of tendency to undersell to a significant degree, level of
25 importer's inventory in the United States.

1 You heard Mr. Dougan's testimony on that subject,
2 nothing dramatic there. So I personally think, as a
3 non-lawyer that, but very knowledgeable about how the
4 Commission has thought about threat. You have everything
5 you need to make a negative determination without Foreign
6 Producer's questionnaires from China.

7 MR. COMLY: Even though we don't have foreign
8 producer data from China, let's talk about the other
9 countries that do have them. The Petitioners spoke to
10 increases in capacity in subject countries, which they
11 outlined in the petition. Can each of the countries address
12 any increases that you can talk about in capacity, or plans
13 in increases in capacity?

14 MR. CAMERON: I won't -- I'll check the data and
15 we'll address it in the post-hearing brief. But my
16 recollection of the data is that if we had increases in
17 capacity in Korea, it was really small. In fact, the point
18 that we were trying to make with Mr. Lee's testimony was the
19 fact that in fact what we have is a consolidation that has
20 been going on in Korea.

21 Historically, there were four producers, major
22 producers, Dongbu and Union Steel are both rerollers. Well,
23 Dongbu now has a limited hot-rolled capacity, but
24 historically they were rerollers, and there were four major
25 producers. Well, now it turns out that Dongbu and Union

1 Steel have basically retreated to being -- producing
2 cold-rolled for their corrosion resistant mills. There's
3 very little else that is going out of there, and very little
4 coming to the United States.

5 So that you really are talking about two
6 producers now rather than four in the past. So I think that
7 it's overstated, and then that's where you get to this issue
8 of well, you know, I mean to hear the Petitioners talk, this
9 was -- all capacity is equal. Every ton of steel is a ton
10 of steel, and every ton of steel is coming here. I believe
11 we heard the testimony that if they say they're producing
12 high strength, high value steel, that means that they also
13 do and can produce commodity grade, and that's coming here
14 next.

15 Well, I think we're talking -- I know we're
16 caught in a time warp, because we're back in the 1990's
17 doing this case. But you know, they've got this kind of
18 backwards the way it's working, because what happened in
19 Korea is it actually worked, started at commodity.

20 And what have they done? They've moved up to
21 automobile. They've moved up. They're producing
22 blackplate, but mostly they're focusing on automobile and
23 blackplate, which are specialized products, and they want to
24 make an argument that imports of black plate are injuring
25 the U.S. producers. I mean seriously?

1 So every ton of steel is not -- is not
2 necessarily coming here, and what you've got is you've got
3 movement to specialized products, not movement to commodity
4 products, at least in the case of Korea, and I think I'm
5 probably speaking as well for Japan. MR. WEINER:
6 You are speaking as well for Japan. This is Richard Weiner.
7 So that was a hard act to follow. But we'll respond with
8 exact data in the post-conference submission. But rest
9 assured, that there's no vast expansion taking place of the
10 capacity in Japan, nor a tsunami of imports about to hit the
11 shores of the United States.

12 MR. CUNNINGHAM: There's nothing for you from
13 the Netherlands or the UK. We'll give you the precise
14 figures.

15 MR. LEWIS: And this is Craig Lewis for Brazil.
16 Likewise, we'll address that in the post-conference. I
17 would just echo the comments that were made before about the
18 export orientation. I think the chart that was shown
19 earlier is representative of Brazil. So even if there was
20 capacity increases, it's fatuous to assume that that means
21 an increase of exports to the United States.

22 MR. DOUGAN: Factuous is a good word. I would
23 echo Mr. Lewis' statement. But again, if you look at the
24 aggregation of the foreign producer questionnaires that we
25 do have, while there was an increase in capacity, it was

1 pretty modest, pretty slight in fact compared to what you
2 see in a lot of cases.

3 And again, given the breakdown you see on Slide
4 6, it seems fatuous or absurd or to pick your word, to say
5 that it's all coming here, or the capacity investments were
6 made or designed for the purpose of serving this market.

7

8 MR. DAVIDSON: Excuse me. This is Scott
9 Davidson. I'm with Nippon Steel/Sumikin Bussan Americas,
10 and we're an importer of black plate from Japan, sold
11 exclusively to Ohio Coatings. And just wanted to mention in
12 terms of Japanese black plate capacity, it's actually been
13 reduced in the last year, where they have taken out batch
14 annealing capacity. It's no longer available to us.

15 MR. COMLY: Thank you for all those responses.
16 It may be that those increases are in countries not
17 representative of that. So China and India.

18 MR. CAMERON: You're not really going to have
19 the Chinese. I don't know where it is, but you don't -- we
20 don't have the data on China.

21 MR. DOUGAN: You do have data on India. This is
22 Jim Dougan from ECS, and I believe counsel for India will be
23 able to respond to that in the post-conference brief. But
24 they are, you know, in aggregate it all contributes to what
25 I would characterize as a very modest increase in capacity.

1 MR. COMLY: Thank you. I think that's it for
2 now. I'll pass it on to my colleagues.

3 MR. CORKRAN: Thank you, Mr. Comly. Mr.
4 Haldenstein.

5
6 MR. HALDENSTEIN: Thank you. Michael
7 Haldenstein for the Office of the General Counsel. Good
8 afternoon and thank you for your presentations. Do we know
9 what the cause is of the increase in subject imports from
10 India and The Netherlands in 2014? The Commission may be
11 interested in why it's increased, for purpose of its
12 negligibility analysis.

13 MR. DOUGAN: Jim Dougan from ECS. On behalf of
14 JSW and having only been only been asked to represent them
15 at this conference yesterday, I will go back to counsel, who
16 is out of town, and ask them to respond to that in the
17 post-conference.

18 MR. CUNNINGHAM: Bear with me one second.
19 (Pause.)

20 MR. CUNNINGHAM: The Netherlands. The changes
21 are pretty modest. I will get you a discussion of it.

22 MR. HALDENSTEIN: Thank you. I believe I heard
23 an argument that Japan should be decumulated from Mr.
24 Weiner. Could you elaborate in your post-conference brief
25 on the nature of the product that's being shipped to the

1 United States under the Commission's cumulation factors, its
2 overlap of competition, why there's no overlap of
3 competition with the other subject imports and the domestic
4 like product?

5 MR. WEINER: We'd be happy to do so. Thank you.

6 MR. HALDENSTEIN: And I also believe I heard
7 that, was it black plate, should be a separate like product?
8 I don't know if that's also Mr. Weiner who's making that
9 argument.

10 MR. CAMERON: No, it was me.

11 MR. HALDENSTEIN: Okay. Can you --

12

13 MR. HALDENSTEIN: We'll look at that. We will
14 give you -- the legal analysis of that in the post-hearing
15 brief. It is true that in 1999, I believe, the Commission
16 treated black plate as part of the like product of
17 cold-rolled. Then in 2000 and -- it's not very illuminating
18 and it kind of hinted that there might kind of be
19 alternative uses for black plate other than tin plate,
20 without saying exactly what they were and what the scope
21 was. And then in 2002, it was excluded.

22 So we think that there is a good case to be
23 made, because the black plate industry today is not the
24 black plate industry of 1999, and so we will -- we'll
25 provide you the detailed legal analysis in the post-hearing

1 brief, and we appreciate your thinking about that issue.

2 MR. HALDENSTEIN: Thank you. Also, I asked
3 earlier about the new legislation that changed the law, the
4 Trade Preferences Act of 2015. Do Respondents believe that
5 the Commission's analysis has to change as a result of that
6 change in the law?

7 MR. CAMERON: I know that other people are going
8 to have something to say about this. I will tell you that
9 my view is that it does not. I think it's a matter of
10 emphasis. The idea that okay, they want you to look at
11 these other issues, that's fine. The Commission has always
12 looked at these other issues.

13

14 Why is it that the Commission has looked
15 previously at operating profits rather than net income?
16 Because operating profits is closer to the causal issue that
17 you're looking at, which is causation by reason of imports.
18 You can look at net losses or net profits or anything else
19 that you want to.

20 But part of the problem with these issues that
21 -- I mean I know we're going to talk about Congress having
22 drafted this legislation, but I think we're all adults here
23 in this room. So I think that a lot of the authors may be
24 sitting behind me. We fully understand that they want to
25 change the emphasis of the Commission.

1 But the one fact that doesn't change and the one
2 matter of law that doesn't change is the requirement of
3 causation, and many of these other issues like net losses or
4 net profits, again you want to look on the net line. You're
5 getting further away from the direct correlation between
6 imports and you're then starting to get into other clauses.

7 Oh okay, so what was that below the line factor
8 from? What was that from? What did that have to do with
9 imports by the way? I mean this really akin to what we were
10 suggesting with respect to the issue of emphasizing -- of
11 looking at the merchant market. This isn't new. We've done
12 this before.

13

14 Nobody here was debating about captive
15 production. Okay, you have to look at the merchant market.
16 We encourage it. Why? Because there's a disconnect between
17 the merchant market and captive. Why is that important? It
18 was interesting. When you asked the question earlier in the
19 day, counsel largely dodged it and said you know, it's
20 really about trends and don't look at that and it's not
21 significant.

22 But actually the significance and the reason we
23 pointed it out is it goes to the question again of
24 causation. So yes, looking at the merchant market is
25 useful. But we have -- we can't, we can't ignore the fact

1 that 60 percent of the production is for captive
2 consumption, and exactly what was happening when imports
3 weren't significant in the market, like 2012 and 2013?

4 What explained -- what explained the drop in
5 2013? Well, it's not imports I don't think. So exactly
6 what is going on here? That's why the overall context is
7 also important, and then focusing on the merchant market.
8 So is the new law important? Nobody's saying that it's not.
9 But the Commission has always taken into account all of
10 these things that they're now being asked to do, and the
11 Commission has done it before and they have taken these into
12 account, and those still --

13 But still the basic legal issue that you have to
14 look at is one of causation, and I would suggest to you that
15 the metrics of that have not changed.

16
17 MR. CUNNINGHAM: This is Dick Cunningham. I
18 guess when I looked at the statute when it first came out, I
19 guess the way I read it was that it was designed to give the
20 U.S. producers a clearer opportunity to come in and explain
21 how some of these other things related to the Commission's
22 analysis of imports and injury and causation, not that
23 Congress was telling you that a trend at a different line on
24 the financial statement was now the trend, whereas the one
25 you looked at primarily before was not the lines you should

1 look at.

2 But a lot of it was to make clear that if the
3 industry has a good argument, that net income is really
4 relevant here, because there's something that goes into net
5 income down below the line or operating profits. Then sure,
6 they should be able to come in and tell you that and, you
7 know, frankly I don't see that as particularly controversial
8 and I certainly have no objection to it.

9 MR. STOEL: Jonathan Stoel. Just very briefly,
10 I just wanted to say to the staff that we appreciate,
11 although it was actually a lot of extra work for our client,
12 because we had to do a domestic producer questionnaire as
13 well. We did appreciate the three different ways of
14 measuring the operating, you know, functions of the domestic
15 industry.

16
17 We think that gives you a very good way of
18 looking at how the industry is operating across different
19 parameters, and I think Mr. Dougan's already hit the point
20 that at least looking at very aggregate data, not giving any
21 confidential information, the merchant market, you know,
22 tells a very important story here that's actually quite
23 unique in the history of doing these cases. So thank you
24 for asking those questions.

25 MR. HALDENSTEIN: Thank you. I also have a

1 question about AUVs, because Petitioners seem to rely on the
2 differing AUV trends for the subject and non-subject
3 imports. Do you agree that AUVs are important in these
4 investigations?

5 MR. CUNNINGHAM: If I could -- my reaction to
6 that is AUVs are fine until you get better data. No
7 seriously, seriously. When we looked at the petition,
8 there's clear trends in AUVs from the petition that we used
9 in our argumentation, because you didn't have better data.

10 The data that's really important is the data of
11 prices in the marketplace, what competes head to head with
12 what, and you get that. You dig down into that, the
13 questionnaire responses and those are better data generally.

14 MR. DOUGAN: Jim Dougan, ECS. Mr. Haldenstein,
15 I think that the chart you're probably referring to is Slide
16 10 from Petitioners' presentation, which they went back to
17 several times. My reaction to this slide was pretty much
18 exactly Mr. Corkran's and the question that he asked. Well,
19 you know, what's the product mix? What's in here, you know?
20 What are the ACS categories?

21

22 I mean we don't necessarily know exactly, and we
23 can probably recreate it, given a little bit of time. But
24 it's not necessarily so that this really tells the apples to
25 apples story that they are -- or purport that it does. So I

1 think the pricing data in the questionnaires are good and
2 fairly robust. You've gotten a good response from a lot of
3 different folks on the domestic and the important side, and
4 there are a lot of different ways to look at that.

5 So this adds to the analysis certainly, import
6 stats. But it should all be taken into consideration, I
7 guess. But I'm not sure about this story.

8 MR. CUNNINGHAM: Dick Cunningham. Just one more
9 point about that, and that is that Canada line does have a
10 lot of pricing from companies that are related to domestic
11 producers, and that's -- I'm not in a position to tell you
12 that that distorts the data. I'm in a position to tell you
13 to be alert to whether that distorts the data.

14 MR. DOUGAN: I'm sorry. Just to add to Mr.
15 Cunningham's statement, also the Commission may want to look
16 at the pricing data that's been reported for imports from
17 Canada.

18 MR. HALDENSTEIN: Thank you. Does weather
19 affect demand for this product, because I saw a reference to
20 bad weather?

21
22 MR. CAMERON: The weather for -- the weather
23 that is being referred to is the fact that in 2014, the
24 Great Lakes froze over and there were Midwestern mills such
25 as U.S. Steel that were unable to get iron ore, and it did

1 disrupt supply. So the weather issue is really a supply
2 disruption; it's not a demand issue.

3 MR. CUNNINGHAM: Well except that it's a -- Dick
4 Cunningham. Except that it's a demand for imports issue,
5 because of the U.S. supply is disruptive and customers are
6 unable to get adequate, and I don't think this was across
7 the board. But there were certainly Mr. Malashevich's
8 articles, statements that document this.

9 There's certainly a substantial number of
10 incidents where that was the case. Customers came to us, to
11 us Tata Steel Netherlands particularly, and said "hey, we
12 need -- we need stuff goods. We'll not be able to get it
13 from U.S. industry." That split out for a while, because as
14 you said, there are longer lead times for imports than there
15 are for domestic sales.

16 So coming to an importer, to a foreign source to
17 say I need something I can't get from domestics means that
18 you're going to be delayed somewhat in getting it normally,
19 at least from a company like Tata that mills to order.

20
21 MR. HALDENSTEIN: Is there a business cycle in
22 this industry that you -- that the Petitioners seem to be
23 arguing that they're at the top of the business cycle, and
24 they should be earning robust profits? Do you disagree that
25 these are the good times or should be the good times?

1 MR. CAMERON: Well, I think that we do have the
2 automobile cycle is clearly -- automobile demand is clearly
3 relevant to this. Construction is also relevant to this.
4 So are those relevant business cycles? Yes, they are.

5 But I think what this Commission has found
6 previously is that the other major determinant and actually
7 the major determinant beyond automobiles and beyond that is
8 really the internal demand for corrosion that they have
9 internally, because again, 60 percent of the production is
10 for captive use.

11 So that historically, when I believe in the past
12 cases that the Commission has done has looked at that as
13 actually being quite determinative.

14 MR. CUNNINGHAM: I might say -- this is Dick
15 Cunningham again. I might say you've raised a question
16 that's one of the great head scratchers for the Federal
17 Reserve and the Treasury Department and all those people in
18 government and private sector who follow the U.S. economy.

19
20 We've had a recovery of sorts from the Great
21 Recession and Federal Reserve is still trying to figure out
22 whether the recovery is still going, whether it's getting
23 stronger, whether it's safe to let interest rates rise and
24 all that sort of thing. And so believe me, I'm not going to
25 give you the answer to the question, other than to say I'd

1 be a little reluctant to sit here and say well, the U.S.
2 industry is absolutely right to tell you here that we're at
3 the top of the cycle.

4 MR. MALASHEVICH: Bruce Malashevich. One
5 further point on this that I think is very instructive,
6 going back to my testimony, my reference to the London
7 Economist commodity price index, which they routinely
8 publish every week. If Petitioners' story about how profits
9 and prices should be behaving, given robust auto production,
10 better construction, etcetera, that would be affecting the
11 other commodities that enter into the economy.

12 It would be affecting aluminum, it would be
13 affecting copper. It would be affecting other -- it would
14 be affecting wood, and this is an extraordinary period in
15 world history. The fact of the matter is that when the
16 dollar strengthens, the prices for world traded goods
17 denominated in dollars and steel is one of them, behave
18 inversely, and that's going throughout the industrial
19 economy.

20 So whatever may have been true in the past just
21 doesn't apply to the current extraordinary situation in the
22 economy, any more so than the zero interest rates.

23 MR. HALDENSTEIN: Thank you. That's all the
24 questions I have.

25 MR. CORKRAN: Thank you, Mr. Haldenstein.

1 Ms. Larsen.

2 MS. LARSEN: Good afternoon, and thank you all for
3 your testimony. I have just two quick questions, more
4 follow-ups.

5 We have already heard from Mr. Weiner and Mr.
6 Cameron that Japan and Korea import--or export this
7 high-strength tensile steel, and my question is for the
8 other subject countries do they have the capability to
9 produce the whole range of products, from the higher
10 superior strength down to the commodity grades?

11 MR. LEWIS: This is Craig Lewis for CSN. I'm
12 pretty confident the answer to that is yes, but we will
13 address that, the specifics of that, in the post-conference.

14 MR. CUNNINGHAM: Netherlands and UK will get that
15 for you, but I think the answer is pretty close to yes.
16 Indeed, we can produce some things--in particular we produce
17 wider widths than the U.S. is capable of producing. We go
18 up to 81 inches. U.S. has only one mill that goes above 72
19 inches. It only goes up to 78. But aside from fine-tuning
20 things like that, I think we pretty well cover the gambit.
21 But don't rely on that answer. Rely on what I say in my
22 post-hearing brief, or post-conference brief.

23 MS. LARSEN: Will do.

24 MR. DOUGAN: Jim Dougan on behalf of JSW. I will
25 find out for the post-conference brief.

1 MS. LARSEN: Thank you. And another, just for a
2 purchasing factor question, how important are geographic
3 logistics, like locations of whether U.S. producer mills or
4 import warehousing? How important is that to the purchaser?
5 Do geographic logistics play a role in purchasing factors?

6 MR. TENNANT: This is Jim Tennant from OCC. Yes,
7 I mean geographics play a big part in us. We're in the Ohio
8 Valley. Typically most of our product--well, when we're
9 importing it there's a fairly clear channel going down
10 through the Panama and on up through the river system, the
11 Mississippi and Ohio. I mean, it's a pretty straight shot.

12 And that actually becomes about as efficient as a
13 lot of the material that would have to be brought across the
14 country somewhere. That's where, you know, one of the other
15 suppliers that we talked about was UPI. It's very difficult
16 to figure out a way to economically get that 3,000 miles
17 away, 2,500 miles away. So, yeah, geography does play a
18 part in that.

19 MS. LARSEN: Okay, thank you. I have no further
20 questions.

21 MR. CORKRAN: Thank you, Ms. Larsen. Mr. Knipe?

22 MR. KNIPE: Thank you. I just have one question,
23 as well. Thanks for your patience today.

24 But first, a request to Mr. Cunningham's data,
25 better data point. You heard some concern expressed this

1 morning that there might be some products, and specialized
2 products that are outside the definition in the
3 questionnaires included in the pricing data.

4 Your understanding of the differences between
5 commodity grade cold-rolled steel versus Tin Mill, black
6 plate, is much better than mine. So I would just ask that
7 you be aggressively cooperative as I blow up your e-mail and
8 phone asking for you and your clients to give as good a data
9 as you can so that our pricing analysis is as robust as
10 possible.

11 My question: You heard the representative from
12 the Brazilian Embassy say that the pricing data in the Qs is
13 not--or that it's selective and it's not representative of
14 the industry. You may want to address this in your briefs.
15 Do you agree with that? And what should be changed in a
16 final with regard to the pricing product definitions so that
17 they are representative of the market?

18 MR. CAMERON: I'd feel confident in saying that we
19 will address that in the post-hearing brief, because we are
20 not in a position to address it here.

21 MR. KNIPE: That would be great. Thank you.

22 MR. CUNNINGHAM: The only remark--Mr. Cunningham
23 again--the only aspect of that I'll mention to you is we had
24 a debate in answering that question as to the UK because, as
25 you know, it says box annealed, or what we call batch

1 annealed. We don't make batch annealed but it also said
2 competitive with. And it's sort of overlap competitive
3 with.

4 So that there's some differentiation there, and
5 we'll give you a little more on that. And we'll address
6 other stuff as we dig into this.

7 MR. CAMERON: I mean the pricing categories, I
8 don't know what his complaint was. So that's the reason I'm
9 deferring is I would like to see what he's saying is the
10 problem. This struck me as just one more case in which the
11 Commission has asked for data on pricing, and it seems to me
12 you've got some pretty robust data.

13 And I was somewhat taken aback when suggestion
14 was made this morning that basically you should look at the
15 under-selling data. And to the extent that it's
16 under-selling, that's correct. And to the extent that it's
17 over-selling, they're lying.

18 (Laughter.)

19 MR. CAMERON: So that, I was a big nonplussed but,
20 you know, we must persevere. I would suggest to you that
21 the data is the data. We have been getting questionnaires,
22 follow-ups, from you and the rest of the staff and we are
23 doing the best we can to respond to those questions.

24 I don't think the integrity of the data is in
25 question.

1 MR. KNIPE: Great. Thank you.

2 MR. CORKRAN: Thank you, Mr. Knipe. Ms. Taylor?

3 MS. TAYLOR: Good afternoon. Karen Taylor, Office
4 of Industries, and I would like to thank everyone who took
5 their time to testify in the afternoon panel.

6 I have a few questions. The first question
7 concerns imports from the Netherlands. And I'm not quite
8 clear on just what kind of steel we're talking about. You
9 say it's Tin Mill that's coming in, Mr. Cunningham?

10 MR. CUNNINGHAM: Within the, one of the HTS
11 categories there's nothing but Tin Mill. That would be the
12 difference between the 2.7 percent of total imports that Mr.
13 Dorn averted to, and the 2.5, slightly more than 2.5 percent
14 that is the real cold-rolled amount.

15 And so--but putting that aside, most of the rest
16 of the stuff, which is a majority of our stuff, is various
17 types of cold-rolled, mostly specially designed, and some in
18 wider widths. And we can break it down any way you want--
19 say I with my client friends cringing in the back saying
20 he's making more work for us.

21 MS. TAYLOR: All right. Thank you. Is it
22 possible for you to provide more detail on the
23 post-conference brief on just what this material is? The
24 disputed--

25 MR. CUNNINGHAM: The Tin Mill--oh, absolutely. We

1 intend to give you so much you'll fall asleep reading it.

2 (Laughter.)

3 MS. TAYLOR: Thank you, I guess.

4 (Laughter.)

5 MS. TAYLOR: All right, I'm also a little confused
6 particularly with black plate. Is the intent to ask for a
7 separate domestic like-product?

8 MR. CAMERON: Yes.

9 MS. TAYLOR: Okay. What about for the Japanese
10 mills, this very high-strength steel for automotive
11 application?

12 MR. WEINER: Richard Weiner for the Japanese
13 mills. That's our current intention, as well.

14 MS. TAYLOR: Okay. Thank you. And for I think
15 the Netherlands and the United Kingdom, if I'm remembering
16 correctly, both countries produce cold-rolled and wider
17 widths than the United States can produce?

18 MR. CUNNINGHAM: That's correct.

19 MS. TAYLOR: In your post-conference brief, can
20 you provide some information on what share of the exports
21 would be of that material?

22 MR. CUNNINGHAM: Sure.

23 MS. TAYLOR: Thank you.

24 MR. CUNNINGHAM: We are not, by the way, even
25 hinting that that should be a separate like-product. We can

1 only harass you so much.

2 MS. TAYLOR: Alright. Thank you.

3 (Laughter.)

4 MS. TAYLOR: That's all the questions I have for
5 the panel. Thank you, very much.

6 MR. CORKRAN: Thank you, Ms. Taylor. Mr. Yost?

7 MR. YOST: Thank you very much for your testimony,
8 but I have no questions. Thank you.

9 MR. CORKRAN: Thank you, Mr. Yost.

10 My first question is going to be a question for
11 post-conference briefs, not for discussion here. This case
12 has a very interesting history. We have heard a lot of
13 testimony about the importance of price in the morning, and
14 we've heard a lot of testimony about product distinctions
15 and other distinctions in the afternoon.

16 So my question for the brief would be: Can you
17 please take a look at the conditions of competition
18 identified by the Commission in its two most recent
19 investigations on cold-rolled steel and, to the extent
20 possible, discuss how the Commission's characterizations of
21 the appropriate foundations of competition are consistent
22 or inconsistent with the characterizations that you are
23 making?

24 MR. CUNNINGHAM: Could you tell me which ones
25 those are?

1 MR. CORKRAN: And I believe 1999. I believe--I
2 just got--sorry, March 2000.

3 MR. CUNNINGHAM: 2000, and 2002. And the 1746
4 case--

5 MR. CORKRAN: I'm sorry?

6 MR. CUNNINGHAM: I said, the 1746 case we had,
7 too.

8 MR. CORKRAN: The second question would be for any
9 like-product arguments, other than black plate which I've
10 got a pretty good handle on. If you can get us the
11 definition of said like-product as soon as possible, that
12 would be very helpful.

13 At this point I believe I've only heard two:
14 high-strength low alloy; and black plate.

15 With respect to the Brazilian argument that the
16 United States is not particularly important as an export
17 market, would you please address the description of the
18 state of the Brazilian steel industry from the 26th
19 Brazilian Steel Conference. They issued a letter on the
20 proceeding. The English translation of the letter is that
21 the Brazilian steel industry faces its worst crisis, and it
22 provides a level of detail about what is going on in the
23 Brazilian market.

24 Any additional documents from that proceeding
25 would also be very interesting.

1 MR. CUNNINGHAM: Happy to do that. Thank you.

2 MR. CORKRAN: In all of my paper I've become
3 swamped here, but I actually did have a question. Although
4 it's directed to the--it involves the Chinese industry, I
5 would appreciate it if any regional competitors are familiar
6 with this. I was just reading in MEPS that the Chinese
7 industry is looking at changing its business practice from
8 almost exclusive reliance on international traders to using
9 a web-based platform for sales of steel.

10 If that's anything that you're at all familiar
11 with, it would be very interesting to get additional details
12 on that.

13 MR. CAMERON: We'll see if we can find anything.

14 MR. CORKRAN: I think my last question goes to Mr.
15 Cunningham, but it's more in the form of a request for the
16 post-conference brief. I think at this point, looking at
17 some of the data that we've collected right now, we're still
18 scratching our heads a little bit over some of the alloy
19 import data that is available to us.

20 If you would, please look at Reported Imports, UK
21 Imports, and Official Imports statistics and address any
22 differences that you might see in that data. We would
23 appreciate it. And we can also touch base with you offline
24 to be more specific.

25 MR. CUNNINGHAM: Sure. Please. We'll do that.

1 MR. CORKRAN: I have no further questions, though
2 I very much appreciate the testimony of this panel. Let me
3 turn to my colleagues to see if there are additional
4 questions.

5 MR. COMLY: Just to drag this out a little
6 further, if you would respond to, let's see, whose
7 presentation was it? I can't remember. It was the
8 Petitioners presentation, I think it was, by, yes, Mr.
9 Price, on slide 16 you talked about threatened supply, and
10 it says, and I'll quote this, "The imposition of duties
11 against corrosion-resistant steel and hot-rolled steel will
12 motivate foreign producers to shift production to
13 cold-rolled steel as duties are not also imposed on
14 cold-rolled steel."

15 How would you reply to that?

16 MR. CAMERON: Isn't that a bit anticipatory? I
17 thought the hot-rolled hearing is in a couple of weeks. Was
18 I wrong about that?

19 MR. COMLY: You're not wrong, but this was about
20 threat.

21 MR. CAMERON: Oh, oh, I see. Yeah, we can look at
22 that. But, no, I don't really put much stock in that
23 analysis. I think these are separate industries. But we'll
24 analyze it further. But I was kind of struck by the
25 anticipatory nature of the analysis.

1 MR. COMLY: And my last question again is on Mr.
2 Price's presentation on slide 18. And they did talk about
3 this in the presentation. That China's recent devaluation
4 RMB is triggering a new round of price cuts. Can you talk
5 about that in your post-conference brief, and whether your
6 clients did do that? And also, how it affected their home
7 markets, particularly in the Asian producers, or the ones
8 involved in the Asian market.

9 MR. CAMERON: We'll look at it and address it.

10 MR. COMLY: Thank you. I appreciate that. That's
11 all I have.

12 MR. CORKRAN: On behalf of the Commission and the
13 staff, I would like to thank the witnesses--oh, I'm sorry.
14 Let me first dismiss the panel here, and then we will move
15 to closing statements. Thank you.

16 (Pause.)

17 We will resume the staff conference, and you may
18 begin when you are ready.

19 CLOSING REMARKS BY JOE DORN

20 MR. DORN: Thank you. Joe Dorn for AK Steel
21 Corporation.

22 To begin with, Mr. Cunningham is wrong on the
23 Netherlands with respect to negligibility. I think he
24 ignores the statutory standard here at the preliminary
25 determination stage. It's clear that the Commission will

1 not terminate an investigation at this stage unless the
2 record as a whole contains clear and convincing evidence
3 that imports are negligible and no likelihood exists that
4 contrary evidence will arise in a final investigation.

5 Now he suggests that if we remove one HTS item
6 from the official import data from the numerator of the
7 calculation the Netherlands drops to 2.5 percent. But his
8 argument really underscores the point that we don't have a
9 complete record here. Things may change.

10 What happens to the denominator if we adjust the
11 numerator with respect to that HTS item? What about other
12 changes where data has been incorrectly reported to the
13 Customs Service?

14 In this case, as in all cases, the Commission is
15 going to have to go deep and adjust the official import data
16 as required with respect to both the numerator and the
17 denominator. As Mr. Cunningham referred to later, we need
18 better data points.

19 There is also a suggestion that there may be a
20 different like-product for black plate and for perhaps
21 high-strength high alloy steel. I think I heard that. I'm
22 not sure. But the Statement of Administrative Action makes
23 clear that where there's a question about the like-product
24 definition, the Commission cannot go negative with respect
25 to negligibility in the preliminary determination because

1 the numerator and denominator are going to change with
2 respect to the final like-product definition that's adopted
3 in the final.

4 So there is no basis for the Commission to
5 determine that there's clear and convincing evidence that
6 imports of the Netherlands are negligible for present
7 injury.

8 And then when it comes to the question of threat,
9 Mr. Cunningham ignores the standard which is that this
10 Commission shall not treat import as negligible if it
11 determines that there is a potential that imports will
12 eminently meet the threshold.

13 And certainly there is a potential here with
14 respect to the Netherlands. Imports from the Netherlands
15 rose by 49 percent from 2012 to 2014. They accounted for
16 3.8 percent of imports from all countries in 2012, 4.2
17 percent of imports in 2013, 3 percent of such imports in
18 2014. So they certainly have the potential to meet or
19 exceed 3 percent. And so certainly for threat there's no
20 basis for reaching a negative determination with respect to
21 Netherlands.

22 The same arguments apply with respect to India.
23 We didn't really hear much argument on that, but as I
24 mentioned earlier the increase in imports from India is even
25 more striking, and there's certainly no question for threat.

1 And once you dig into the record you'll find out whether or
2 not when you have a complete record, whether or not the
3 threshold is met for the CVD investigation on India for
4 present injury purposes.

5 Mr. Cunningham is also wrong to suggest that the
6 120 percent increase in subject imports from 2012 to 2014,
7 and the doubling of subject imports' market share from 2012
8 to the first half of 2015, were temporary and had no adverse
9 price or volume effect; did not have any causation with
10 respect to the condition of the domestic industry.

11 As shown on slide 13 of Mr. Price's presentation,
12 the increase in subject imports displaced about a million
13 tons of U.S. producer shipments during the last 12 months of
14 the POI. That was material injury. That was direct. That
15 was temporal correlation.

16 And what did the domestic industry have to do
17 when they lost that much market share so quickly to subject
18 imports? With high fixed cost assets that they need to run
19 continuously to run efficiently, they had to reduce prices
20 in order to avoid losing even more market share.

21 So this surge in imports had both a volume and
22 price effect and adversely affected the domestic industry.

23 And, very quickly, with respect to Brazil, I was
24 just struck by the point that Mr. Lewis made that Brazil is
25 not export oriented and has more attractive markets. If

1 that is the case, why did imports from Brazil triple from
2 2013 to 2014? Why did they increase 319 percent from the
3 first half of 2014 to the first half of 2015?

4 CLOSING REMARKS BY STEPHEN VAUGHN

5 MR. VAUGHN: Stephen Vaughn. The first point the
6 other side made this afternoon was the word "temporary." I
7 think Mr. Dorn has already dealt with that.

8 The second word was "decline." Respondents claim
9 that subject imports have declined and that we had no
10 explanation for this decline. In fact, their own chart
11 shows that in May of 2015 subject imports were almost twice
12 as high as they were at the beginning of the Period of
13 Investigation. That's not much of a decline.

14 In the second place, our testimony makes it
15 obvious that the only reason that there had been any
16 reduction in imports was because domestic producers slashed
17 their own prices in order to avoid losing even greater
18 levels of market share to the subject imports.

19 Third, Respondents claimed that there was no
20 correlation between imports and injury. In fact, there was
21 immediate and direct correlation between the increase in
22 their market share and the decrease in the domestic
23 industry's market share.

24 This lost market share alone is enough to prove
25 that subject imports caused material injury to U.S. mills.

1 But there is also a strong correlation between the
2 over-supply in the market at the end of 2014 and the
3 collapse in pricing during 2015.

4 You heard our testimony this morning which said
5 underlying demand had remained strong, but there were
6 problems with excess inventory. They put on this afternoon
7 evidence showing that underlying demand was strong but that
8 there was significant destocking.

9 So I think that argument is now sold.

10 Respondent's claim that the decline in the
11 domestic industry's profits reflected changes in costs. In
12 fact, one would expect the domestic industry's per-ton
13 operating costs to increase when production falls. As our
14 witnesses repeatedly said, it is an industry with high fixed
15 costs and needs to run at high operating levels.

16 Furthermore, Respondents have completely ignored
17 the evidence of falling prices and how those prices hurt the
18 domestic industry.

19 Next, Respondents claim that the performance of
20 domestic producers in the second half of 2014 proves that
21 they were not injured by subject imports. In fact, even
22 during the second half of 2014 spot prices were falling and
23 subject imports were taking sales from domestic mills.

24 Finally, Respondents claim that the worst is
25 over, that things are getting better. In fact, the record

1 shows the domestic producers have already suffered severe
2 injury and that the lower contract prices they have been and
3 are being forced to accept will hurt their bottom line for a
4 long time to come.

5 The record here tells a simple and obvious story.
6 In late 2013 after years of relatively weak demand, U.S.
7 prices started to increase. At the same time, imports from
8 the subject countries began to surge. These facts are not
9 in dispute.

10 Throughout 2014 subject imports continued to
11 surge. In fact, subject imports rose by almost a million
12 tons from '13 to '14. All of those increased sales came at
13 the expense of domestic producers. Again, none of this
14 evidence is in dispute.

15 Meanwhile, spot prices began to fall in the
16 second half of the year. Thus, there is simply no doubt
17 that subject imports did in a very significant manner, a
18 figure of 750 million tons--\$750 million in revenue was
19 discussed this morning--prevent U.S. mills from taking full
20 advantage of market conditions last year.

21 This evidence compels a finding of material
22 injury by reason of unfair trade. But that's not all. By
23 the end of 2015 it was clear to everyone that the market was
24 over-supplied. Domestic producers made less cold-rolled
25 steel in the first half of '14 than in the first half of

1 '15. The volume of imports from non-subject countries, down
2 from the first half of '15--the first half of '14 to the
3 first half of '15. But these producers, the producers who
4 appeared before you this afternoon, they shipped more
5 cold-rolled steel into the market in the first six months of
6 this year than they did in the first six months of last
7 year. Once again, this is an undisputed fact.

8 Not surprisingly, the result has been a
9 catastrophe for the domestic industry. The only way to stop
10 this harm is to reach affirmative determinations with
11 respect to all of the subject countries.

12 You heard some of these mills described as "small
13 players" this afternoon. Last year, producers in Japan, the
14 UK, Brazil, the Netherlands, and India shipped over half a
15 million tons of dumped and subsidized cold-rolled steel to
16 this market. The first six months of this year, another
17 338,000 tons. These are not small volumes to the workers
18 who lost their jobs because of lost sales. They are not
19 small volumes to the domestic producers who had to meet
20 dumped and subsidized prices. And they are not small
21 volumes under the meaning of the statute which clearly
22 mandates cumulation in a case such as this one.

23 The only way to stop what is happening is
24 complete, across-the-board relief with respect to all of
25 these companies. That is what the record compels, and that

1 is what the Commission should find.

2 Thank you, very much.

3 MR. CORKRAN: Thank you, Mr. Dorn--Mr. Vaughn.
4 Mr. Cunningham?

5 CLOSING REMARKS OF RICHARD O. CUNNINGHAM AND DONALD CAMERON

6 MR. CUNNINGHAM: I'm going to do a quick response
7 to Mr. Dorn on negligibility. Don is going to do a quick
8 thing, and I'm going to do a few more words overall.

9 But first of all, negligibility. Mr. Dorn is
10 just wrong again. He says we want you to kick that TSU-HTS
11 category. We don't want to do that. We want to take out
12 our reports, the ones that are not cold-rolled. Leave all
13 the rest the same. His figures. His denominator. His
14 numerator, except for that. And you get 2.5 percent, and
15 there's no question as to us.

16 And let me turn to--

17 MR. CAMERON: Don Cameron. You forgot--we're not
18 going to spend the next half hour doing our entire afternoon
19 over again. I just want to respond to one thing that Mr.
20 Vaughn just said. He said, well the destocking issue is
21 settled because Respondents conceded the issue.

22 That actually is not correct. Destocking is not
23 settled. The point that we made this afternoon in the
24 presentation is that, number one, importer inventories were
25 not significantly high.

1 Number two, destocking was in the service
2 centers. And that service center sector was absolutely
3 dominated by the U.S. producers. That was the point this
4 afternoon. So, no, we do not agree on the destocking issue.

5 Thank you.

6 MR. CUNNINGHAM: I'd just like to say two things.

7
8 First of all, as you listened to Mr. Vaughn, boy,
9 it was predominantly market share. And that's a really
10 interesting issue in this case. Clearly the imports took
11 greater market share.

12 If taking greater market share justifies an
13 affirmative determination even at a time when the U.S.
14 industry records improved operating results in volume, and
15 profits, in indeed higher prices at the time the imports are
16 taking that market share, I submit to you that's not
17 consistent with the way the Commission has found the
18 distinction between a negative and an affirmative
19 determination. Market share alone just doesn't do it.

20 The second thing comes to the issue of the
21 decline. And really you ought to think about the decline.
22 They still keep using compare first quarter 2014 through
23 first quarter of 2015--first half of 2014 to first half of
24 2015, and half of what Mr. Vaughn said, and I think we
25 showed that that's not right.

1 You've got monthly declines beginning in October,
2 going down 40 percent. Big, big decline. Mr. Vaughn
3 finally tried to come up with an explanation for that, which
4 was, aha, U.S. industry jumped in and took back that market
5 share with very aggressive pricing. That's not consistent
6 with the overselling/underselling analysis that you've got.
7 You wouldn't see them taking back that pricing based on the
8 overselling/underselling, nor on that chart that they have
9 with the various countries' pricing trends compared to the
10 U.S. prices to the regular ones. Yes, all of them were
11 going down at that time. But I don't think you'll find that
12 that is an explanation.

13 I still say to you that what you've got in this
14 case is a substantial increase in imports that came for a
15 reason that's not about foreign producers' aggressive
16 marketing and pricing. It comes from a market condition.
17 And we've talked about the market condition and the lengths,
18 and the disruption in the U.S. supply and all of that.,

19 And then it turns down. And I still, you just
20 can't explain that as a phenomenon of dumping and then
21 stopping dumping. Because it's just silly. It's silly. It
22 has to be an under--and the other thing I would say about
23 the decline is that's very important for you, I've never
24 seen a threat case, never seen a threat case where the
25 Commission has gone affirmative on threat after almost a

1 year of declining import volumes with that decline having
2 reached 40 percent. I just don't see how you do it.

3 So as I said to you, there may be parts of this
4 case you can't resolve because you don't have data, but
5 there's sure as heck a lot of this case you can resolve.
6 You can resolve that this industry was doing fine when these
7 imports were increasing; that the industry had problems
8 after the imports had started really falling; that the same
9 is true with the prices, the prices in the market place were
10 affected only when imports were declining. And, I don't
11 think you can, on the overall picture, say we don't have
12 enough to look at this.

13 You may have as to certain specific countries
14 issues, and these probably are more relevant to a threat
15 thing than an overall affirmative current injury thing, but
16 you may have things that you think, well, we've got to
17 continue this case to look at some of that individual
18 country stuff on threat. But you certainly don't have a
19 basis for reaching a preliminary affirmative on injury.

20 And when you get to threat, go for the countries
21 where you can't decide the threat issue now. You've got the
22 basis for deciding the threat issue as to the majority of
23 these countries--not the majority import volume, but the
24 majority of these countries.

25 Do what you're supposed to do as a Commission.

1 Take the data you've got, and when the data allows you to
2 reach a conclusion, reach your conclusion. And as to other
3 things, maybe go ahead and continue the case to our final.
4 But you've got plenty to reach a conclusion on on the
5 present injury issue and on most of the threat issues, and
6 you ought to do it.

7 MR. CORKRAN: Thank you, very much. We very much
8 appreciate that.

9 On behalf of the Commission and the staff, I
10 would like to thank the witnesses who came here today as
11 well as counsel for helping us gain a better understanding
12 of the product and the conditions of competition in the
13 cold-rolled steel flat products industry.

14 Before concluding, please let me mention a few
15 dates to keep in mind. The deadline for submission of
16 corrections to the transcript and for submission of
17 post-conference briefs is Friday, August 21st.

18 If briefs contain business proprietary
19 information, a public version is due on Monday, August 24th.
20 The Commission has tentatively scheduled its vote on these
21 investigations for Thursday, September 10th, and it will
22 report its determinations to the Secretary of the Department
23 of Commerce on Friday, September 11th.

24 The Commissioners' opinions will be issued on
25 Friday, September 18th.

1 Thank you all for coming, and this conference is
2 adjourned.

3 (Whereupon, at 3:51 p.m., Tuesday, August 18,
4 2015, the conference in the above-entitled matter was
5 adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Cold-Rolled Steel Flat Products from Brazil, China, India, Japan, Korea, Netherlands, Russia, and the United Kingdom

INVESTIGATION NOS.: 701-TA-540-544 and 731-TA-1283-1290

HEARING DATE: 8-18-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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