UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	) Investigation Nos.:
CERTAIN CORROSION-RESISTANT STEEL PRODUCTS	) 701-TA-534-538 AND
FROM CHINA, INDIA, ITALY, KOREA, AND TAIWAN	) 731-TA-1274-1278
	(PRELIMINARY)

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KOREA, AND TAIWAN	) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Wednesday, June 24, 2015

The meeting commenced pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Douglas Corkran, Acting Director of Investigations & Supervisory Investigator, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

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Mary Messer, Investigator

Gerald Houck, International Trade Analyst

Andrew Knipe, International Economist

Jennifer Brinckhaus, Accountant/Auditor

Robin Turner, Attorney/Advisor

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Sharon Bellamy, Program Support Specialist

APPEARANCES:
Opening Remarks:
Petitioners (Alan H. Price, Wiley Rein LLP)
Respondents (Donald B. Cameron, Morris Manning & Martin LLP)

In Support of the Imposition of Antidumping and
Countervailing Duty Orders:
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Steel Dynamics, Inc. ("SDI")
John Walburg, Manager, Marketing and Sales Administration, CSI
Glenn Pushis, Vice President, Flat Rolled Group, SDI
Tommy Scruggs, General Manager of Sales, Flat Rolled Group, SDI
Roger B. Schagrin - Of Counsel

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

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Sheila Janin, Director of Coated Products, ArcelorMittal USA

Holly Hart, Legislative Director, United Steelworkers

Gina Beck, Economic Consultant, Georgetown Economic Services, LLC

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Washington, DC
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Douglas R. Matthews, Senior Vice President, North American Flat-Rolled Operations, United States Steel Corporation

Robert Y. Kopf, General Manager, Revenue Management, United States Steel Corporation

Stephen P. Vaughn - Of Counsel

In Opposition to the Imposition of Antidumping and
Countervailing Duty Orders (continued):
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POSCO
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Hyundai Steel Co., Ltd.
Dongkuk Steel Mill Co., Ltd.
Dongbu Steel Co., Ltd.
(collectively "Korean Producers")
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Group, Steel Business Strategy Department, POSCO
W. J. Lee, Manager, Hyundai Steel
Bradfore Lim, Chief Financial Officer, Dongbu Steel USA
Paul Quartararo, Vice President, Spectra Resources
Donald B. Cameron and R. Will Planert - Of Counsel

Morris Manning & Martin LLP
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Acciaieria Arvedi S.p.A.
Federacciai Federation of Italian Companies
(collectively "Italian Producers")

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Micah Daugherty, President, DOC Sales Associates

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Essar Steel India Limited, Uttam Galva Steels Limited,
Uttam Galva North America, Inc.

Stephan Schoop, Chief Executive Officer, Uttam Galva

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Danil Bain, Chief Financial Officer, Uttam Galva

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Husch Blackwell LLP

Washington, DC on behalf of

China Iron & Steel Association and Its Members

Jeffrey S. Neeley and Michael Holton - Of Counsel

Rebuttal/Closing Remarks:

Petitioners (Paul C. Rosenthal, Kelley Drye & Warren LLP and Roger B. Schagrin, Schagrin Associates)

Respondents (Julie C. Mendoza, Morris Manning & Martin LLP)

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P R O C E E D I N G S

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 Nos. 701--TA-534-538 and 731-TA-1274-1278 concerning Certain Corrosion-Resistant Steel Products from China, India, Italy, Korea, and Taiwan.

My name is Douglas Corkran. I am the Acting Director of the Office of Investigations, and I will preside at this conference.

Among those present from the Commission staff are, from my far right, Mary Messer, the Investigator; Robin Turner, the Attorney/Advisor. Beginning to my left, Andrew Knipe, the Economist; Jennifer Brinckhaus, the Accountant; and joining us shortly Gerald Houck, the Industry Analyst.

I understand that parties are aware of the 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 affiliation for the record before beginning your presentation or answering questions for the benefit of the Court Reporter.

All witnesses must be sworn in before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding time allocations should be addressed to the Secretary.

Let me also add that there will be a 10-minute break between panel presentations to allow people to prepare for the afternoon session, but there will not be a full-blown lunch break.

Are there any questions?

(No response.)

MR. CORKRAN: Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that all witnesses for today's conference have been sworn in, with the exception of Dr. Kaplan. He will be sworn in upon his arrival. There are no other preliminary matters.

MR. CORKRAN: Thank you very much.

Very well, let us proceed with the opening remarks. Mr. Price. Opening remarks on behalf of Petitions, will be by Alan H. Price, Wiley Rein.

OPENING REMARKS OF ALAN H. PRICE

MR. PRICE: Good morning, Mr. Corkran and members of the Commission staff. I am Alan Price, counsel to Nucor Corporation.

The domestic industry is here today in an effort to return fair trade to the U.S. market, which has been injured by a multi-billion dollar surge of dumped and subsidized imports from five countries: China, India, Italy, Korea, and Taiwan.

This surge has idled U.S. mills, led to layoffs, and has damaged the production, sales, profits, and market share of the U.S. industry. Indeed, the full effects of this import surge are just now becoming apparent.

With U.S. demand increasing and the domestic industry having significant available capacity, this should have been a period of sharply increasing shipments and strong profits. Instead, the domestic industry has faced an undeniable surge of subject imports.

Between 2013 and 2014, subject imports increased by more than 80 percent, with all five subject countries targeting the U.S. market with massive volumes. Subject imports have continued to surge this year and show no signs of relenting. All of the subject imports should be cumulated.

These imports were at the direct expense of the U.S. producers who have substantial capacity available. Dumped and subsidized subject imports' market share nearly doubled from 2012 to 2014, while the U.S. producers' market share fell.

It was the same story in the first quarter of this year. Subject import market share increased by about 5 percentage points as the domestic industry lost about 4. How subject imports gained this market share is clear: by selling at dumped and subsidized prices.

As subject imports accelerated into the U.S. market during the second half of 2014 and in 2015, the domestic industry was forced to lower prices in order to avoid losing additional market share and volume. Undeterred, subject producers have simply lowered prices even more in response.

Both volume and adverse price effects of the subject imports are significant. Price declines are evident across the entire CORE market and across all sales, both spot and contract. CORE contract pricing is closely tied to spot market pricing through contract renegotiations and indexing to publications such as CRU.

This means that when spot prices go down, contract prices follow with a lag. CORE is sold on the basis of price. The volume and market share gains of the imports confirm that they compete directly with the U.S. CORE industry and are a cause of injury to the U.S. industry.

There is no question in this case that there is a reasonable indication that the domestic CORE industry is materially injured and is threatened with additional material injury by reason of the subject imports. There is also no question that the industry would have done better if not for the surge of subject imports.

In fact, the domestic industry's performance has been inadequate throughout the POI and is getting much worse. Domestic producers have seen their prices plummet, their sales, production, and profits decline, their mills idled, and their workers laid off or working fewer hours--all in a growing market.

Domestic CORE consumption increased 8 percent from 2012 to 2014, and has continued to grow in 2015. In April 2015, construction spending, which drives demand for CORE applications such as appliances and HVAC [systems] reached its highest level since the Recession. And just last month, automotive sales reached their highest level in a decade.

The domestic industry's performance should be robust. However, the subject imports have taken away the benefit of growing domestic demand.

The U.S. industry is not only injured, but it is also threatened with material injury. There is little question that the surge in subject imports will continue. Each of the subject countries are export platforms with limited home markets.

Demand throughout the rest of the world is anemic. Many of their export markets can no longer absorb the massive volumes of exports from these five countries, and global over-capacity is, frankly, at an all-time high. Despite these poor conditions, the subject countries continue to expand production which will allow them to target additional corrosion-resistant steel exports to the U.S. market.

Absent the imposition of orders, there is nothing that will stop the surge of dumped and subsidized imports from continuing to injure the domestic industry.

Thank you.

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

OPENING REMARKS OF DONALD B. CAMERON

MR. CAMERON: I take it you'll recognize me without my little flash card here?

All right, thanks. Don Cameron for Respondents. Did I just really hear him say that the countries under investigation are export platforms with no domestic market? I think he's confusing us with the OCTG case. This isn't OCTG, this is CORE. There's a lot of domestic markets, a lot of other markets.

When I picked up the public version of this petition, I read the impact section to see what they were claiming. And that section was really short. And all I could see was a discussion of import volumes. Really? Well what about profits?

Well, they didn't even mention the word "profits" in the public version of the petition. Didn't mention employment, either. Now you have to admit, that is a strange injury petition even for the U.S. steel industry.

But after looking at the APO version, I kind of understood why they didn't highlight the discussion of profitability and the impact of imports on the industry beyond import volume.

Just a couple of points we'd like you to keep in mind as you listen to the testimony today.

First, it appears that between 2012 and 2013, aggregate industry operating profits increased by over 20 percent. And between 2013 and 2014, those same profits jumped again by over 20 percent. In fact, industry performance in 2014 was the best in the period. Domestic production shipments increased each year. Employment was stable.

During this time, as demand for energy pipe collapsed with oil prices, demand for hot-rolled declined. And with it, hot-rolled prices declined, as well. Scrap and iron ore prices declined. So raw material costs declined over the period leading to declining CORE prices.

I heard nothing about that in that opening statement about declining costs. It's fascinating. Import volumes. It's true that subject imports have increased, as have nonsubject imports. These increased volumes reflect strong demand for all segments of CORE, and short-term supply problems in the domestic industry that led purchasers to look for other sources of supply. And with major union contracts up for renegotiation, customers have continued to buy imports as a hedge against future supply disruptions.

Under-selling. Given the fact that the industry has improved each year, it is probably not surprising that under-selling data is mixed. There is no dramatic under-selling here on this record, and there is an abundance of over-selling by the imports. There's under-selling of levels as well that would be expected, given a segmented market and time lags required for imports. Prices declined overall with a decline in hot-rolled prices.

Attenuated competition and market segmentation. You know, we don't see much discussion of this in the petition, and we didn't hear it this morning when he talked about all competition is price. But this market is characterized by attenuated competition and market segmentation. I think that is beyond question.

Auto-grade CORE, for instance, is the most profitable segment of the domestic industry and they do well. There are subject imports of auto-grade, primarily from Korea, but those imports aren't having an impact on these producers. All of this Korean CORE is at high prices and is sold to transplants. These grades are specialty grades not offered by U.S. producers because the tolerances required exceed those generally demanded in North America.

But U.S. CORE producers do supply some CORE to these transplants as well. So the transplants have expanded demand to the benefit of both domestic producers and imports. But again, those imports aren't injuring U.S. producers.

Galvalume represents a major segment of the imports. Galvalume is produced by a number of U.S. producers, but the capacity is limited, and not all producers can or want to produce Galvalume or prepainted Galvalume.

Domestic capacity is significantly less than demand. This is important. Imports fill a need in the market. These other market segments account for a significant portion of the subject imports. This isn't the galvanized industry of 1992; this is a sophisticated industry that produces a variety of products for a variety of end uses. And simple tabulations of total imports and total domestic shipments don't touch the surface of the story.

This is not a present-injury case. Data doesn't support it. This industry is doing well. So it appears we are really talking about threat, and that case is thin as well, and based on one quarter of data.

It is true that they had a slow first quarter, but they had a slow first quarter in 2014 as well. And those who remember the mountains of snow in Boston and the general havoc caused by the weather will not be surprised that the first quarter of 2015 was slow, as construction projects were delayed and delayed again, and transportation and logistics were a mess.

So it isn't a coincidence that these events have impacted domestic core producers in a market that depends extensively on construction demand.

Thank you very much for your patience and we appreciate the opportunity to present our case.

MR. BISHOP: Will the first panel, those in support of the imposition of antidumping and countervailing duty orders please come forward and be seated.

STATEMENT OF STEPHEN P. VAUGHN

MR. VAUGHN: Thank you very much for the opportunity to appear this morning. My name is Stephen Vaughn, representing United States Steel Corporation.

I will begin with a brief overview of our case. Here are four key points to keep in mind as you consider this record.

First, in 2014 the United States market for corrosion resistant steel was overwhelmed by a surge of unfairly traded imports from China, India, Italy, South Korea, and Taiwan.

Second, in large part because of these imports, U.S. prices for corrosion resistant steel collapsed over the last year.

Third, despite robust demand the industry did significantly worse in 2015 than it had done in 2014, and it will suffer further harm in ongoing contract negotiations.

Finally, subject mills will ship even more unfairly traded goods to this market in the absence of trade relief.

Now let's focus on the volume of subject imports. As you can see here, subject imports soared from almost one-and-a-half million tons in 2013 to almost 2.75 million tons last year. Through the first three months of this year, they were on pace to exceed 3.1 million tons in 2015.

This extraordinary surge of imports is more than sufficient to show that the volume of subject imports is significant.

Here's another way to think about it. From 2014 to 2015, subject imports actually rose faster than consumption. That's right. Unfairly traded imports not only took all of the increase in consumption, they took additional sales as well.

As a result of these developments, subject foreign mills doubled their share of the U.S. market from 2012 to Q 2015. Here you can see that all of the market share gained by subject imports was lost by domestic mills.

Such evidence compels the conclusion that the volume of subject imports was significant.

Now let's look at price effects. On the left side of this slide you can see what happened to the average price of hot-dipped galvanized coil in the United States. According to CRU, that yearly average rose by $46 a ton from 2013 to 2014. This increase reflects the fact that domestic mills raised prices in response to stronger demand. But the other bar shows that the average unit value of subject imports fell.

Based on their lower prices, subject imports increased by over 84 percent from 2013 to 2014. These facts helped to explain why subject imports took so much of the market so quickly, and also shows that imports were exercising downward pressure on prices throughout the market.

This slide shows U.S. inventory volumes for all sheet products, including corrosion-resistant steel, which was the best available data on this particular topic. As you can see, by the end of last year U.S. inventories had increased significantly over the course of the year--plain evidence that the market was becoming over-supplied.

And here you see what happened as a result of the import surge. During the beginning of 2014, prices rose as domestic mills sought to benefit from stronger demand. But by the end of the year, prices were already down over $50 a ton from their peak in May. Then this year., as domestic producers were forced to respond to low-priced imports and the over-supply created by those imports weighed on the market, prices simply collapsed.

In only five months, prices fell by almost $180 a ton. As you can see here, the price effects of imports have not only been significant, they have been devastating.

Now let's consider the impact of subject imports on the domestic industry. These cases take place against the backdrop of the disastrous economic crisis that began in 2008. As you can see, domestic mills have waited years for a full recovery from that crisis.

Finally, in 2014 consumption had almost returned to 2007 levels. But dumped and subsidized imports from the subject countries prevented U.S. mills from taking fair advantage of this demand.

From 2013 to 2014, subject imports took over 60 percent of the near demand in the market. The increase in subject imports cost U.S. mills roughly $1 billion in revenues, while the total value of subject imports was over $2.3 billion. Taking so much revenue from the domestic industry plainly caused material injury.

The situation grew much worse as the year began. You have already seen that from Q1-2014 to Q1-2015, subject imports grew faster than consumption. Here you can see that as U.S. consumption grew, shipments by U.S. mills actually fell. This fact can only be attributed to subject imports, and it is compelling evidence of how they have harmed the domestic industry.

Data collected in these investigations underscores the injury suffered by U.S. mills. We just saw the demand grew from the first quarter of '14 to the first quarter of '15, but domestic producers sold less corrosion-resistant steel, saw their revenues decline, and saw their operating profits fall by almost 40 percent. These are disastrous results for an industry still feeling the effects of a major economic crisis.

And again, these results can only be explained by the impact of subject imports. Unfortunately, the situation is getting worse.

As our witnesses will tell you, a significant portion of their sales are made pursuant to annual contracts, and spot prices have fallen by hundreds of dollars per ton since those contracts were last negotiated.

As they come up for renewal, U.S. mills are having to accept much lower prices, prices negotiated in a market distorted by unfair trade. This lower contract pricing will have a significant harmful impact on the bottom line of U.S. mills.

Already we can see that 2015 is shaping up to be a disastrous year for the domestic industry. When we analyze data from Q1-2015 and compare it to data for full-year '14, we see that producers are on pace to see their profits decline by more than 60 percent, despite stronger demand.

MR. VAUGHN: Subject mills are directly responsible for this harm which is why the Commission should reach affirmative determinations.

Finally, it is clear that in the absence of trade relief a surge of imports will not only continue, but will grow. Here we see that China, by itself, has enough unused galvanizing capacity to serve over half of the U.S. market. This fact means not only that imports from China are likely to rise, but that those imports will squeeze the other subject producers forcing them to seek sales wherever possible, especially in the United States.

This is exactly what happened last year. As you can see, Chinese exports grew making it basically impossible for the other subject producers to increase their shipments to non-U.S. markets. Instead, all of the subject producers focused their efforts on flooding this market. This chart plainly shows that the threat represented by each of the subject countries, all of whom have strong incentives to increase shipments to the United States, in the absence of trade relief, producers in each subject country will continue to attack this market and the domestic industry will suffer even more harm than it already has. Therefore, we urge the commission to grant relief with respect to all subject imports.

STATEMENT OF DOUGLAS MATTHEWS

MR. MATTHEWS: Good morning. My name is Douglas Matthews. I am Senior Vice President, United States Steel Corporation's North American Flat-Rolled Operations.

I have been at U.S. Steel for almost 30 years and I have extensive experience in both production and sale of corrosion resistant steel.

Thank you for the opportunity to testify as to why these cases are so important for us.

Last year imports of corrosion resistant steel from subject countries rose by almost 1.26 million tons, an increase of 84.5 percent in only one year. Those unfairly traded imports continue to surge this year, rising by almost 34 percent from Q1 2014 to Q1 2015.

AISI data indicates that in only 15 months those imports doubled their market share taking almost 7.5 percent of this market from the domestic industry. There are many reasons why this surge in unfair trade is a disaster for the domestic producers like U.S. Steel. I would like to emphasize three.

First, in this cyclical industry we must make sufficient profits in good years to survive the inevitable downturns. For years we have waited for the U.S. economy to recover from the economic crisis that began in 2008. We are still not all the way back. Demand for corrosion resistant steel is the strongest since 2007 and yet U.S. Steel has not had a fair chance to take full advantage of this demand because of unfairly traded imports.

We will never know the new products that we could have invested in, or the number of new workers that could have been hired. What we do know is that we will never recover the profits that could have been realized in a fair market because dumped and subsidized imports cost domestic producers millions of tons in sales, and potentially billions of dollars in lost revenue. To me or to any executive in this industry that is severe material injury.

Second, the production of corrosion-resistant steel comes with significant fixed costs. Our mills are designed to run at very high levels of capacity utilization.

We cannot flip an on/off switch without major costs both economic and human.

We cannot permit foreign producers to steal even more market share because that will inevitably lead to more shutdowns and more layoffs. Since last May the U.S. spot price for corrosion-resistant steel has fallen by over $200 per ton at a time when demand was increasing.

Permit me to restate this horrific fact once again. Since last May, the U.S. spot price for corrosion resistant steel has fallen by over $200 a ton in a rising market. These price declines are a direct result of unfair trade and have materially injured U.S. mills.

Finally, the harm caused by these subject imports has only begun. The significant portion of our sales of corrosion-resistant steel are made pursuant to annual contracts. As these contracts come up for renewal, our customers have all seized on falling spot prices as reported by published indices and are forcing us to accept lower contract prices or lose volume.

As those contract prices go into effect, they have and will continue to have an immediate and negative impact on our bottom line. Given these facts, we cannot wait any longer for relief. U.S. Steel has been and continues to be materially injured from illegal imports.

On behalf of the 22,669 employees of U.S. Steel in the North American operations, we urge the Commission to give us the chance to compete in a fair market, not a market distorted by unfair trade.

Thank you.

STATEMENT OF ROBERT KOPF

MR. KOPF: Good morning. I am Robert Kopf and I serve as the general manager of Revenue Management for United States Steel Corporation.

I fully agree with the comments made by Doug Matthews. In addition to the valuable insight provided to the Commission, I would like to add a few additional points for your consideration.

First, there is a single market for corrosion-resistant steel and the effects of dumped and subsidized imports are felt throughout that market.

Accordingly, the Commission should reject the notion that our sales to automakers or any of our contract customers will somehow insulate us from the harmful effects of unfair trade. I can tell you that almost every single day we hear from contract customers who want lower prices and who use low spot prices as their principal negotiating position.

Second, it is important to note that most contracts do not guarantee volume. If a contract customer can get a cheaper deal from an unfairly traded foreign import, they can and will execute that deal even if they have a contract with us. Indeed, our contract business is being decimated right now by illegal imports.

Third, I would like to emphasize that to properly analyze the full effects of unfair trade the Commission should focus on the combined effects of all subject imports. For the most part these imports are made to standard grades, are sold to the same types of customers, and affect pricing throughout the market. These days low-price offers are the benchmark that our customers demand.

A final broader point. Everyone in this market and on the street is watching the Commission. If these cases go forward, there will be hope that our laws can bring meaningful relief and stability that will improve conditions.

If these cases do not go forward, imports will continue to surge, the integrity of our trade laws will continue to be eroded, and companies that provide products that are vital to our critical infrastructure, our way of life, and national defense will be forced to compete with cheaters supported by their governments in a horribly distorted market.

This is precisely the situation our elected officials sought to address by enacting trade enforcement laws. We need trade relief now before conditions grow even worse. We urge you to grant this relief.

Thank you.

STATEMENT OF DANIEL MULL

MR. MULL: Good morning. I am Daniel Mull, the Executive Vice President for Sales and Marketing ArcelorMittal, USA.

I've held this position for eight years and I've worked in the steel industry for 40 years. My job responsibilities include overseeing and coordinating ArcelorMittal's U.S. sales of flat-rolled steel products.

I am joined by my colleague, Sheila Janin, Director of Coated Products. We are here today to strongly support the application of antidumping and countervailing duty orders on corrosion-resistant steel imports from China, India, Italy, Korea, and Taiwan.

ArcelorMittal, USA manufacturers full range of corrosion-resistant steel products at seven facilities in Indiana, Ohio, Alabama, and Mississippi. We sell these products for use in numerous applications including for automotive construction, HVAC, appliance, and to service center customers. In early 2014, ArcelorMittal, USA completed the purchase of Thyssen Krupp's flat-rolled steel facility in Calvert, Alabama as part of a joint venture with Nippon Steel and Sumatomo Metals Corporation.

The mill provides us with an excellent platform to serve our customer base. In 2014, just as we were making this investment in Calvert, imports of corrosion-resistant steel surged into the United States. We expected to be able to take advantage of increasing U.S. demand, but the subject imports increased by 85 percent, doubled their market share at domestic industry expense, and captured virtually all of the growth in the market.

They did this with price that significantly undersold ArcelorMittal, USA across all of our products placing significant downward pressure on pricing in the United States.

Steel industry -- the track pricing for corrosion-resistant steel are down significantly this year. Prices have fallen by more than raw materials. Because demand has been strong, one would have expected pricing to have risen. So the pricing pressure we have felt clearly is not a function of demand. The poor pricing is being driven by the large and increasing supply of dumped and subsidized products at low prices.

About two years ago I testified before the Commission that I was concerned about revocation of the antidumping duty order on corrosion-resistant steel from Korea. Some of you may remember that the Korean mills indicated that they had little interest in expanding their presence in the U.S. market. The import data tells a different story.

Using aggressive pricing, the Korean producers have now built a larger volume and market share for corrosion-resistant steel than they had before the 1993 order.

Please keep in mind that all of the dumped and subsidized subject imports hurt us across all of our products and customers. We have seen significant price pressure in the spot market. And the low import prices have caused downward pricing pressure across the entire market for corrosion-resistant steel.

Our contract customers are very sophisticated and large buyers of corrosion-resistant steel. They are well aware of the market prices for this product. As the subject imports have driven down spot pricing and the market indices that reflect that pricing, large contract buyers expect new contracts to reflect those declines in market prices.

Thus, import pricing becomes both a direct and indirect leverage in contract negotiations. As a result both spot and new contract prices are subject to pricing pressure from unfair imports that undersell the domestic industry. Therefore, we will be feeling the increasingly negative effects of this surge in low-priced imports for some time to come.

Not only are we doing poorly despite increased demand, but things are likely to get worse. Demand in the rest of the world remains relatively soft. Without trade relief, the subject foreign producers will continue to look to the United States to fill their order books at the domestic industry's expense. This is a highly capital intensive industry with high fixed costs. It is also a cyclical industry. It is critical to our long-term health that we are able to achieve adequate returns on investment while the market is strong to ensure we can reinvest in the business and survive the periods of downturn. Without import relief, that will not be possible.

Thank you.

STATEMENT OF RICK BLUME

MR. BLUME: Good morning. I am Rick Blume with Nucor Corporation. And I am responsible for all the commercial activity for the Nucor Steel-making Group.

I appreciate this opportunity to explain why it is critical that orders are imposed on corrosion-resistant steel from China, India, Italy, Korea, and Taiwan.

This morning I would like to focus on corrosion-resistant steel applications driven by construction demand. Our sales for these applications which are critically important to Nucor have been pounded by rising dumped and subsidized imports from these five countries despite growing demand.

U.S. consumption of corrosion-resistant steel has grown for several years, increasing 8 percent between 2012 and 2014 and 19 percent in the first quarter of this year.

Although construction demand is still below pre-recession levels, it reached a six-year high annualized rate of $1 trillion in April of 2015. For a capital intensive industry such as ours, which is sensitive to business cycles, benefitting from these upswings is critical in order to be able to weather the downturns when they happen.

Nucor was well positioned to benefit from this rising demand. Instead we have been pummeled by a surge of dumped and subsidized imports robbing us of the chance to grow in tandem with improving construction activity. Subject imports increased a staggering 85 percent between 2012 and 2014, far surpassing any growth in domestic demand.

During this same period subject imports captured 5.5 percentage points of domestic market share all at the expense of U.S. producers. This surge has continued in 2015 with subject import volumes growing 33 percent.

As the Commission has previously found corrosion-resistant steel is overwhelmingly purchased on the basis of price. And domestic product is easily substitutable with imported product. This case is no different. Simply put, if the price is low enough, U.S.

purchasers will choose corrosion-resistant steel imports over domestic product almost every time. This is precisely what is happening.

In 2014 and interim 2015, subject import prices declined rapidly as volume surged. As a result, Nucor is struggling at a time when we should be thriving. Nucor has lost countless sales for those that we retained. Prices have fallen dramatically and in particular since January. Notably, Nucor relies on scrap for steel production and scrap prices are down. You would think that we would be earning higher profits as a result. Instead, our profits are down sharply and we expect that they will come down even further.

Both spot and contract pricing have been harmed by these imports. Respondents may tell you that contracts isolate the domestic industry from subject imports. But, of course, they do not. CORE contract pricing is closely tied to spot market pricing through indexing and contract renegotiations. When spot prices decline, contract pricing inevitably follows resulting in certain injury that merely becomes evident with a delay.

The import surge has also reduced sales volume. A large number of our contract customers are now purchasing only to the contract minimums. They are using dumped and subsidized imports to supply the rest. This is not surprising given that half of our customers can switch to subject imports without qualifying these products and even if qualification is required, the time and the effort involved is minimal.

Again, growing U.S. demand should have boosted the domestic industry's performance. Instead, Nucor's market share, production, and sales are down. Profits have weakened. Capacity utilization has suffered. And subject imports have prevented us from making important investments in our corrosion-resistant steel operations.

We have already given guidance that our second quarter earnings will be lower than expected as prices have declined faster than costs. If orders are not imposed, this harm will continue. Chinese, Indian, Italian, Korean, and Taiwanese producers continue to increase their capacity even with weak demand in their home markets and crushing global overcapacity.

At the same time they are increasingly being pushed out of other export markets by poor demand conditions, increasing imports from China and other countries and growing trade barriers. In addition, each of these five countries is heavily export oriented and continues to subsidize their producers. As a result they will surely continue to target our growing U.S. market absent import relief.

On behalf of Nucor and my 23,000 teammates, I urge the Commission to find that imports from the subject countries have injured our industry and threatened us with further material injury.

Thank you.

STATEMENT OF SCOTT LAUSCHKE

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

Prior to joining AK Steel I was Vice President and General Manager of AF Global Corporation, a manufacturer of engineered products serving the oil and gas power generation, transportation, and industrial markets. And prior to that I served 15 years at the Timpkin Company in a variety of leadership roles.

I have more than 20 years of experience in sales, customer service, and operations in the steel industry. At AK Steel I oversee all aspects of carbon and specialty steel sales as well as inside sales, customer service, and inventory planning, products and marketing, sales planning and coordination, and our international business activities.

Today I am accompanied by J. B. Chronister, AK Steel's General Manager of Products who is available to answer specific questions.

AK Steel produces a broad range of corrosion-resistant steel products which we refer to as coated steel. These coated products include hot-dipped galvanized, hot-dipped galvannealed, aluminized, and electrogalvanized steels.

AK Steel sells coated steel into all important U.S. market segments including automotive, construction, appliance, and HVAC.

In 2014 coated steel represented 46 percent of AK Steel's flat-rolled sales. AK Steel competes with subject imports in all market segments and subject imports have oversupplied the market and driven down prices in all of the aforementioned segments.

Sales negotiations for coated steel products are highly price sensitive with customers providing feedback on competing prices and permitting bidders to adjust offers. Subject imports are clearly the downward price leaders in these negotiations. Even when we are not directly competing with subject imports, the negative price effects that they cause still strongly affect our sales negotiations.

At AK Steel none of our coated products are insulated from import competition. Contract prices are heavily influenced by current market prices. We sell in both the spot market and pursuant to short-term and long-term contracts, the expirations of which are staggered throughout the year. When spot market prices are falling, our contract prices also generally fall as new contracts are negotiated and our customers seek to renegotiate their existing contracts to reflect current market prices.

In addition, many of our contracts require prices to change to reflect market price indices. That is particularly common for contracts involving steel service centers. Furthermore, even when we have fixed price contracts, customers will often seek to adjust prices downward when spot prices fall below the contract price.

Demand for coated steels is largely driven by construction activity and automotive sales. Given current demand conditions, U.S. market prices for coated products should be near record high levels. Instead, U.S. market prices have fallen sharply since the middle of last year. The reason for the price drop is obvious, subject imports jumped by 85 percent from 2013 to 2014. And increased another 34 percent from the first quarter of 2014 to the first quarter of 2015.

As subject imports have increased their market share, AK Steel has had to reduce its prices to meet the lower import prices. Such action is necessary in order to avoid losing sales volume that is needed to maintain capacity utilization and contribute to covering substantial fixed costs.

MR. LAUSCHKE: In short, the AK Steel is suffering both a significant loss of volume and negative price affects due to unfair competition from subject imports. On behalf of AK Steel and its dedicated workforce, I strongly urge the Commission to make affirmative determinations in these investigations. Thank you.

STATEMENT OF GLEN PUSHIS

MR. PUSHIS: Good morning, Mr. Corkran and members of the Commission staff. For the record, my name is Glen Pushis and I am Vice President for the Flat Roll Group of Steel Dynamics, Inc. I'm accompanied today by Mr. Tommy Scruggs, our General Manager of Sales for Flat Roll Group.

STI was founded in 1994 by a group of three executives who left Nucor Steel Corporation to start a competing company by building a Greenfield, flat rolled mini mill. I was the second employee hired by those three in July of 1994. That plant is located in Butler, Indiana. There we utilize two electric arc furnaces to continuously cast and roll hot-band sheet steel approximately half of which is further finished into cold-rolled and corrosion resistant steel.

In 2003, we purchased a facility called GalvPro in Jeffersonville, Indiana. This facility only produces corrosion-resistant steel sheet. Then in 2007, we purchased the Techs a group of three dedicated galvanizing lines located in the Pittsburgh, Pennsylvania area for over $300 million. These facilities also only produce corrosion-resistant steel sheet. Finally, in September of 2014, we purchased the Columbus, Mississippi plant from Severstal USA for $1.625 billion. While the plant in Mississippi already makes corrosion-resistant steel, we have announced a $100 million investment to add galvalum and painted steels to the Mississippi's product mix as a way to even further diversify our product offering in the South.

As you can tell, corrosion-resistant steel is an extremely important product for steel dynamics and our 76,000 associates nationwide within our company. Due to the large and increasing volumes of unfairly traded imports from these five countries, we have seen significant deterioration in prices, production volumes, and profits in our corrosion-resistant steel operations. In fact, at The Techs division, we have experienced a reduction in all three lines from four crews to three, reducing production by approximately 30 percent. Employment at these facilities has been reduced through separations due to reduced earnings and early retirements.

In Columbus, Mississippi, we are only utilizing 70 percent of our corrosion-resistant production capacity. In my 25 years of experience in the steel industry, I have seen many business cycles; however, as we still recover from the great recession of 2009, these unfairly traded imports have taken most of the improvement in demand, denying our company and our employees the opportunity to benefit from higher production rates and higher profits during the recovery so that we will be in a better position to weather the next downturn in the business cycle.

For all of these reasons, SDI, which believes we are one of the most efficient producers of corrosion-resistant steels in the world, including galavaum and painted products, ask that you make an affirmative determination of injury. Thank you.

STATEMENT OF JOHN WALBURG

MR. WALBURG: Good morning, Mr. Corkran and members of the Commission staff. My name is John Walburg. I am the Manager, Marketing and Sales Administration at California Steel Industries located in Fontana, California. I've been with CSI for 18 years. CSI was founded 30 years ago in 1984 on the footprint of the former Kaiser Steel Company.

CSI has a hot-rolling mill and we process slabs into hot-roll to utilize in our cold-rolled, galvanized and line pipe mills. CSI is one of three producers of corrosion-resistant steel on the West Coast, almost all of our sales to the spot market. During the past year, our volume and pricing on galvanized sheet has been severely hurt by a surge of unfairly traded, low-priced corrosion-resistant steel. Our production has fallen by about a third in 2015 so far as compared to 2014.

You may notice that we report the same number of CSI regular employees even though we have had this significant decline in production. CSI has a no layoff history for regular employees and we make every effort to continue that stance; therefore, when market conditions force us to cutback on mill operations, we eliminate overtime, reduce temporary employees and contractors, and stop hiring. CSI regular employees are assigned to maintenance and repair activities or in the past even community activities, so they are available when normal production returns.

By retaining our employees rather than laying them off, our investment in their training and experience is one of our most valuable assets, but it is also very costly during periods when the market damaged by unfairly traded imports fails to support our staffing levels. Imports are taking a huge share of the corrosion-resistant market. These imports are being sold at prices that are below our cost of production, even though we purchased our slabs at world market prices.

If we do not receive relief in this case, then continued losses in this product line will prevent us from making future investments in corrosion-resistant steel equipment and loss of U.S. jobs at CSI.

On behalf of the 1,000 employees at CSI, I ask the Commission to make an affirmative injury determination. Thank you.

STATEMENT OF HOLLY HART

MS. HART: Good morning. My name is Holly Hart and I am Assistant to the President and Legislative Director of the United Steel Workers, the largest industrial union in North America, and we've got over 850,000 members.

Our union's been vigilant in addressing foreign governments and companies seeking to gain an unfair advantage by violating trade rules. These actions have had a devastating affect on the nation's manufacturers and their workers, many of them, and other steel worker organized industries. As to the corrosion-resistant steel industry that we're talking about here today, the steel workers represents over 10,000 workers in eight different states and in more than a dozen plants operated by AK Steel, ArcelMittal, and US Steel.

I'm here today to voice the opinion of our members, retirees, and their families as to why it's essential that the Commission provide relief from unfairly traded imports from China, India, Italy, Korea, and Taiwan. The U.S. corrosion-resistant steel industry and its workers has faced unfair competition from numerous countries over the years. The Commission first granted trade relief in 1993 against dumped and subsidized imports of corrosion-resistant steel from a number of countries, including Korea.

Much of that relief, however, expired in 2006. And then in 2013, the remaining orders against Germany and Korea were lifted. Not long thereafter, aggressive, dumped, and subsidized imports from China, India, Italy, Korea, and Taiwan flooded the U.S. market taking sales and U.S. market share from domestic producers and severely reducing domestic prices and production of corrosion-resistant steel.

This onslaught of dumped and subsidized imports from the five subject countries threatens the economic livelihood of U.S. steel workers. As members of the industry have testified, production curtailments, layoffs have occurred during the period of investigation and will likely continue if relief isn't provided. The flood of subject imports has also caused U.S. workers to suffer reduced work hours and shrinking paychecks as employers cut back production.

As unfair imports to continue to inundate the U.S. market, those steel workers that are still employed are left to wonder whether they too will lose their jobs. Our union's been committed to restoring as many of those jobs as possible as well as to preventing further job loss. The steel workers and its members have worked closely with domestic producers to ensure the viability of the domestic industry. We've fought to save steel worker jobs and to protect the benefits of our retirees.

America steel workers can compete with imports from any country in the world as long as the competition is fair, but we alone can't stop the injury being caused by the massive overcapacity, government subsidies and unfair pricing coming from the five subject countries. That's why we're counting on the Commission to enforce the trade laws and make sure foreign producers play by the rules. Specific to the corrosion-resistant workers for the steel worker members, we have hundreds laid off with many more workers on four-day work weeks. Overtime as well as regular 40-hour work weeks are collapsed and hundreds of others are currently working under the threat of 60-day warn notices.

When analyzing the data in this case, I hope you'll keep in mind that the employment data is more than just numbers. It's hardworking Americans. And if unfairly traded imports are left unchecked, it will be these steel workers, their families and the retirees that will be the most injured.

On behalf of our union members who make corrosion-resistant steel, the retirees that depend on the health of this industry all of the communities that they support, I urge you to do the right thing and to determine that these unfair imports are injuring the U.S. industry and its workers. And I thank you.

STATEMENT OF JERRY HAUSMAN

MR. HAUSMAN: I'm Jerry Hausman, Professor of Economics at MIT. I've been involved in the steel industry since I was at high school when I worked in the Riordan Mill. And since that time, I've consulted for a number of steel companies in the U.S. and many foreign countries.

The corrosion-resistant steel industry, like other segments of the steel industry is cyclical in nature. Demand for corrosion-resistant steel follows demand in the general economy. In general, demand in the United States is currently strong. Construction has improved and automotive is particularly strong. Auto production is currently at decade highs if not all-time highs. This should be a very strong period for U.S. corrosion-resistant producers; however, because of the capital-intensive nature of steel production, steel makers must earn strong rates of return during demand peaks in order to cover required investments for the entire cycle.

The industry is currently not earning its weighted average cost of capital. In general, the industry is only earning 50 percent of its weighted average cost of capital, usually called WACC. Independent pricing data shows that corrosion-resistant steel prices have fallen sharply in 2015 to date. A CRU average U.S. Midwest price for hot-dip galv has dropped roughly $176 per ton in the first four months of this year.

If you compare May 2014 to May 2015, prices have fallen by 26 percent. The affect of CRU pricing is substantial. It reflects spot prices and is one of the primary determinants of contract pricing; therefore, while there has been a noticeable volume and quantity effect as well, the price effects have been particularly substantial.

All pricing in the market is affected, including both spot and contract pricing. This is not surprising. Spot prices are affected almost immediately. Contract pricing is affected in a variety of ways when the contract expires or is renegotiated or through built-in price adjustments based on CRU prices or another price index. This is injury according to the Commission's definition, but some of the impacts are delayed because of when contracts expire and when automatic price adjustments take place.

For instance, contracts for the auto industry are often one year, most often one year in length and we will see the impact of lower spot prices going forward. Similarly, there are no segments of the market that are protected over the period of investigation because of expiration and renegotiation of the auto contracts as I just explained. Dumped or subsidized import pricing in any one segment of the market, automotive, construction, HVAC, et cetera, affects pricing in all other sectors.

I'll next turn to injury. Harm to this industry is evident across nearly all of the Commission's injury factors. The volume of imports are up. Subject imports are up roughly 85 percent during the period. Notable increases have occurred from all five countries. This is just not a China problem or a Korea problem or an India problem. Price, when the data are compiled, we believe it will show significant levels of underselling by all five countries.

Again, in a strong market, there is no other explanation for such a sharp decline in U.S. corrosion-resistant prices. It is true that raw material prices have fallen. For instance, scrap prices and met coal prices have decreased. Nevertheless, profit margins have decreased as well as a Nucor representative just testified. Therefore, prices in corrosion-resistant steel have fallen by more than the raw material costs have fallen.

In terms of impact of imports, the surge in imports has reduced the domestic industry's sales, production, profits at all levels no matter how you measure them -- gross, operating, or net profits, capital expenditures, R&D, and head count. The industry's low profitability is even lower than one would expect, given the strength of the automobile market.

Injury also is evident from the public statements of several major domestic producers. For instance, Nucor announced on June 18 that it lowered its profit guidance for the second quarter from 25 cents to 20 cents and down from 46 cents per share in the second quarter of 2014. At the end of the first quarter, AK Steel reported lower profits and has also recently given guidance saying that it expects a net loss of 42 cents per share. U.S. Steel posted a loss of seven cents per share at the end of the first quarter when analysts were expecting a profit and U.S. Steel's revenue dropped 26 percent during this period.

Unfortunately, economic outcomes are likely to get worse in the near future. The affect of the CRU price declines down to $645 in May of this year will be felt in the months ahead.

China's growth rate has decreased from 10.5 percent to, at most, 7 percent, leading to an even greater percentage decrease in construction projects and spending and yet, steel production capacity in China and around the world continues to increase. Alternative markets such as the EU remain very weak. The EU has barely escaped falling back into recession.

Lastly, the U.S. currency is likely to remain strong, particularly in relation to the Euro and is actually gaining against the Chinese yuan, which will facilitate additional CORE exports to the U.S. market.

In terms of causation, imports are an important explanation for what we have seen in this market. So, let me summarize. The U.S. corrosion-resistant industry has been injured by subject imports. First, U.S. producers have suffered from a quantity effect. They have the excess capacity to supply 100 percent of the subject imports.

Second, the U.S. industry has suffered price effects. Imports have undersold domestic producers, prevented price increases and actually caused prices to decrease, and they decreased precipitously in 2014 second half and especially so far in 2015 up through the latest data in May of this year. These low prices are included in contracts, which are based on the CRU or spot prices.

And lastly, the industry has suffered financially and the workers have suffered as well. Profitability has remained low and decreased and the industry has failed to earn its weighted average cost of capital at a time when the auto industry has record shipments and auto sales have grown faster than the economy as a whole. Profitability in the first quarter has decreased on a year-over-year basis. Workers have been injured as lost production has meant fewer hours of work and less employment.

In terms of threat, the industry also suffers from threat. The future contract price decreases are unfortunately already baked in. As a number of witnesses have testified, contract prices are heavily influenced by CRU and spot prices and that is also consistent with my experience in the industry. And these prices have already decreased by nearly $200 a ton much faster than any decrease in costs.

Further, the subject exporters have the capacity and incentive to increase sales and lower prices. Their home market, such as China and the EU and export markets are performing much worse than the U.S. and the U.S. dollar is at a high level and prices in the U.S. make it a prime target for future export sales. Thank you.

MR. VAUGHN: That concludes our presentation.

MR. COCKRAN: Thank you very much. We very much appreciate the time and effort that you all have put into this coming to us today and the travel time that you've devoted to come here. We'll begin our questions with Ms. Messer, the investigator.

MS. MESSER: Thank you. This is Mary Messer, Office of Investigations. I also want to thank you for traveling, the company representatives to come here and present to us today. It's very helpful for us to have you here.

I'd like start off with a question, Mr. Vaughn, for you primarily based on the presentation, the overhead presentation. Much of this is based from the industry standpoint. It's based on the first quarter of 2015 data for the domestic industry, which your presentation shows that there were declines.

Mr. Cameron's opening statement basically indicated we should discount this first quarter data downturn. Can you respond to that?

MR. VAUGHN: Yes. Thank you for the chance, happy to respond. I'll make a couple of points and then some of the company people may want to jump in on this as well, but I want to be very clear that our theory of the case is is that this domestic industry suffered injury last year. We believe very strongly that it is material injury if the industry is not able to take full advantage of the improved market conditions that they saw last year, that the Commission should take into account the fact that the industry lost a big percentage of the market last year. It lost over a million tons in sales. It lost, potentially, over a billion dollars in revenues. And all those figures just relate to the increase and what happened. Last year was a good year. It should've been a very good year for them, and 60 percent -- over 60 percent of the increased demand did not go to the people sitting at this table. It went to the dumped and subsidized imports. So, that is an enormous amount of money that was lost to this industry last year.

You heard our expert witness who said the industry has got to make money over the whole business cycle if it's going to sustain itself over the long run. That means making you know enough money to justify the investments and the capital expenditures that necessary to keep the industry going.

Again, when you have a good year like 2014, the industry has to make the type of profits that it can make in a fair market. I don't think there's any way the Commission can look at this evidence and say that if the domestic industry loses that many sales and that much in revenue that it was getting a fair rate of return on its investments in 2014. So, we believe very, very strongly that the industry was hurt last year.

Now, what we're seeing this year in this quarter and why this is so important is that you are now seeing that as that effect continues to flow through the market and now it's not just the spot prices that are being affected. Now, it's starting to be picked up more in some of the contract negotiations. Now, you're starting to see an even more dramatic drop off. And again, this can only be explained by the presence of imports. That their own argument is is that raw material costs are down, so that's not the problem. Nobody disputes that demand remains strong and has even increased, so that's not the problem. Why would profits be down at all? It's only because of the subject imports. So again, that's compelling evidence.

Now, I understand Mr. Cameron makes this point about quarter-to-quarter, but what is the industry supposed to do? They're supposed to just wait and keep suffering more and more and more injury. This is an emergency situation. These people have contract negotiations going on right now and they need -- you can see in the trade press for months people have been talking about when are they going to be able to bring cases.

They could not wait any longer. That's why the cases were filed when they are, and so that's my sort of brief response. I don't know if anybody else wants to comment.

MR. BLUME: Yes, Rick Blume. I'd like to go ahead and add a few more comments that. You know what we saw last year was the surge of illegally dumped imports. And we saw that product go into service in our inventories, which started to affect that segment of our business. So, as inventories went up, buying stopped and slowed down, so we had a volume effect in 2014. And if you look at the CRU data, you'll also see that there was a price effect that began in May of 2014 and a $200 drop that the economist spoke about, in fact, started at that point. So, we saw both a volume impact and we saw a price impact. And I can tell you for our workers a couple of the panelists indicated that they have a no-layoff practice. And Nucor has a no-layoff practice, but the challenge is is that our employees we also have a pay for performance culture, which means if we're not producing tons they don't get paid. They don't get paid to the level that they got paid to. So, when you talk about injury and damage -- and again, you can ask our 23,000 employees that were impacted by what went on with these illegally traded imports.

MR. MATTHEWS: And let me just continue -- Doug Matthews from U.S. Steel. And so, when we think about what happened between 2012 and 2014, the market apparent demand grew by 1.6 million tons. And it's clear from the import data that their share of it took 1.1 million tons. So, the market growth was largely taken by the subject countries imported products.

The next key fact is the market price was at its highest in May of 2014 and continued to decline through the course of 2014 and falling off very rapidly in the first quarter of 2015. To the extent that -- to Stephen's point around the contract negotiations, contracts that were concluded by the beginning of the third quarter were largely unaffected by this decline in price, but the contracts that were concluded in the fourth quarter were negatively impacted because of the published indices pricing and the impact that imports were having on that pricing. That pricing filtered into first quarter contracts and it is hitting our bottom line now.

U.S. Steel has not pre-disclosed its second quarter earnings, but I would argue or I would suggest that once we do you will see clear evidence of we continue to be harmed in a much greater way.

MR. SCHAGRIN: This is Roger Schagrin. You know, Don in his opening comments said, "Hey, these guys are arguing that there's a lot of injury in the First Quarter 2015, but come on, there was record snowfall in Boston. You know, it's pretty facile, and that's we usually get here, but you guys are going to look at the data.

You're going to see the record snowfalls in Boston in the First Quarter 2015 didn't prevent U.S. demand from increasing in the First Quarter 2015 over the First Quarter 2014. But imports increased by more than the total increase in demand in the marketplace.

So did this industry suffer injury both from '12 to '14 based on business cycle? Yes, we'll argue that today during the hearing and our post hearing briefs.

Is the fact that this market is being overwhelmed by these imports as demand continues to increase? Don believes in the free trade think-tank people and some of the people at this Commission think that industry should wait until they're almost put out of business before they can get relief on the unfair trade laws.

And the frustration is palpable by business and by labor unions, and that's why Congress, for the first time in twenty years, is actually changing the injury statutes, and unlike the TPA votes, it's passed with overwhelming support in the House and the Senate.

So industry is tired of waiting for two or three quarters of bad results, instead of one quarter on its way to bankruptcies and plant closures. So, Ms. Messer, we shouldn't have to wait anymore. It's not the snowfall in Boston. In a period of increasing demand, this industry is showing every indicator of injury worsening, and that's why relief on the basis of a present find of injury, should occur right now.

MR. ROSENTHAL: Ms. Messer, one last comment. Paul Rosenthal. I think Mr. Cameron has been focusing in his comments on the -- what appears to be an increase in profitability over the period of investigation for the industry.

If you really though look at those numbers, and we'll look at to see more in a few days, I'm sure, you'll see that the increase that he might be pointing to begins at anemic and ends in inadequate in 2014. And it's inadequate return on investment as you heard Dr. Hausman, this industry needs to make much more money than has been made over this period of investigation, in order to make it to the inevitable downturn.

We should be at the top of the cycle making, we, the industry, making a lot more money than it's making, if it's going to make it through the downturn, which is inevitable. And that is current injury. The level of investment needed in this highly cyclical, highly capital intensive industry, is high and the returns through this entire period of investigation are relatively low and much lower than they should be, and the only reason as explained earlier is imports. So there is current injury now, despite the meager improvement in net operating profits that you see on the record.

MS. MESSER: Thank you. Carrying this a little further, when looking at the performance of the individual domestic producers, and looking at any differences between the performance of any of these, are any of these differences, could they be explained by any markets that the differences in the markets that the companies serve? For example, would it generally be expected that some companies with a greater presence in certain markets, such as the automotive market or other markets, would perform better or worse than any particular period? Would anyone like to comment?

MR. VAUGHN: Yeah. If it's okay. Stephen Vaughn. I'd like to kind of start on that. Because I think your question sort of is, it's obvious that so many people haven't seen all the different data for all the different companies. So a couple of things to keep in mind. I think, for the most part, I think you're going to find that the trends are relatively consistent; however, you can have situations, for example, partially what you discussed.

If you have a person, for example, that was more in one market than another market, that person might not be as exposed to the spot market. And so they might see slightly different trends. Okay. You could even have a situation, you know, Doug Matthews commented on, depending on when you renegotiated your contracts last year, that could have an effect on you. If one person was negotiating contracts, your bigger contracts, say, in the earlier part of the year, that might have had a difference as opposed to somebody negotiating more towards the end of the year. So there's a number of reasons why you might sort of see these types of differences. But I think that, for the most part, you know, the trends for the industry are pretty consistent.

MR. BLUME: If I could add to that, one of the other things important to bear in mind is that in contractual pricing, as you talk about potential different structures, the reality is, it's been mentioned before, that contract pricing in many cases is predicated on an index called the CRU index, so the impact that you see that occurs with illegally dumped imports to the spot market carries through the entire marketplace, so it's not isolated.

MR. KOPF: This is Rob Kopf, U.S. Steel. I guess I'd like to add the following comments. First of all, I think that differences that you might see from company to company are not related to their markets so much as the, as Mr. Blume just talked about maybe some of the price types of contracts that they get into, whether they are monthly type of adjustable contracts, whether they are quarterly adjustable type contracts, or maybe even fixed type contracts for one year.

So I think that you need to take that into account, and not so much the markets the people are serving, because, really, this is one market we're negotiating corrosion-resistant product. We're not negotiating, you know, a specific kind of corrosion-resistant product. I guess the other point that I'd like to make is that I think there's a tendency to think about annual contracts being something that are negotiated, you know, at the end of the year for January through December calendar year, and that is simply not the case.

We have -- we're basically perpetually negotiating contracts with our customers. We have annual contracts that expire at various points in the year. So we have annual contract negotiations underway right at this moment with customers. So it's not as if the prices are being impacted, you know, nine months out because of lags and all these things. These things hit us and in our bottom line and in our future bottom line based upon the timing of when these contracts expire.

MR. BLUME: I'd like to also add that when we think about contracts, as well, we're not simply talking about automotive contracts. In fact, many end-use markets rely on similar type contract mechanisms. And again, to Mr. Kopf's comment, the fact is, they adjust. Okay, and they adjust through the period. And frankly there are times when the spot market drops like it does, there's tremendous pressure to even adjust prior to a scheduled contract adjustment.

And I guess the other point that I would like to mention. One of -- An alarming trend that we saw in the last year or so, is a lot of pressure being brought to the service-center sector, to also our customers. A lot of pressure being brought to them by the end users to feather into, to blend in, illegally dumped imports. So, historically, when we would win a contract, we would expect the volume that we -- maybe a 100%, maybe whatever the supply base looked like.

But, what's happening, and we were being told this, that the service centers were being pressured to find more foreign, low-price dumped steel to blend in with our product. And to me, as a commercial guy, that was an alarming trend.

MS MESSER: What do you mean, "feather in" or "blend in" with your product? Can you --

MR. BLUME: Well, for instance, go out and also buy foreign steel. If we were awarded, say, a contract, we would ex -- may have expected a 100% of the volume, we might in fact get only 60% of the volume, and there would be a foreign source introduced in to bring down and take advantage of that low-priced steel.

MR. MATTHEWS: If I may just add just a couple of key points. So when we think about the rapid deterioration and pricing that has occurred, we have customers that are part of annual agreements that, because the pricing mechanism is not moving at the rate in which the prices are declining because of the subsidized imports, they are demanding that we reopen the contracts, and with the threat of loss of future business opportunity if we don't comply. So that's a substantial effect that we need to take into account.

In addition, it was heard that during the testimonies that contract minimums are being applied. So when we allocate our capacity, we base it off of what the expected customer forecast is for the year.

We don't go off of contract minimums. We go off the forecasted volume that they expect to receive in their facilities. Because of the rapid decline in pricing, they are moving to alternative products, which is the subsidized imports and buying only the minimum for us. It's impacting our volumes now and has been. Thank you.

MS. MESSER: Okay, so would any differences be accountable by any product differences, or is this only on price? You've said now that it's not going to -- the companies aren't going to be showing different performances because of the markets. What about product type?

MR. KOPF: Rob Kopf with U.S. Steel. I guess I'd just like to reiterate my earlier comment and I think that the changes that you would see, and the company's, specific company's financial performances is going to be more related to their product portfolio that they have with their customer base.

Customers want quarterly pricing or they want to negotiate monthly pricing. That's going to more impact the bottom line revenues and profitability of the producers here more so than getting into one market over the other. You're seeing significant changes in company profitability over time and some of it might be because one producer is maybe chosen to get more into monthly type of arrangements with customers.

Others might get into more annual type arrangement with customers. So it's not product type. It is -- it's corrosion-resistant products and that's just the mechanisms that we employ to conduct business with our customers is what's driving the change.

MS. MESSER: Okay.

MR. MATTHEWS: Just to add to that. I guess when you think about the published indices, they track, say, hot-dipped galvanized. And our customers, across all product lines, use that as a reference. They're very well educated. They understand the indices, they understand the drivers of the indices, and whenever we get engaged to negotiate, in a supply-and-demand relationship, negotiate a price, they quickly point to the changes that are occurring in the published indices, and that has an effect on every single coated product that we've produced.

MR. MULL: Dan Mull for Mittal. I would support what has been said. I'd like to also point out that this market is highly transparent today and it certainly moves at a quicker pace, just like most things do in our society, and I think the impact of spot pricing, no matter which industry we may be selling it into, certainly has an impact on all the industries over a time frame.

It may take the customer, he'll live up to his obligation for ninety days, and then want it to be reviewed. He may ask for the contract to be looked at for an extended period of time. So what is on the table may get renegotiated in the short-term in order to ensure that you continue to keep that volume maybe into 2016.

You certainly can see various negotiations opened up as a result of what has taken place in the spot market and the surge of imports have put the oversupply and drove pricing down in this marketplace.

I can't emphasize, it doesn't really matter what market you're serving or we did serve even in the Fourth Quarter, the impact what took place with the surge of imports all '14 and into '15, is having a drastic impact no matter which marketplace we're serving and which customers.

MR. SCHAGRIN: This is Roger Schagrin. I think, you know, probably we know that the Commission is going to focus on the industry-wide data. That's what the statute requires, that's what you do.

The respondents are going to want to point out, "Oh my god, you know, this company is doing different than this company and the Commission ought to figure out why he can do that," in your final investigation, you'll have more time.

But I think you are going to find, I mean already the profit margins are so slim in this industry, you're going to see the people who are losing money in the First Quarter, CSI it's already in their testimony that they had losses, are the companies that have most of their sales in the spot market.

And you've heard everybody talk about the way the contract adjustments work. So the companies that have more of their sales in the contract market, they're going to see this lag effect of the lower spot pricing translating into the contracts as they are either adjusted or renegotiated. So that as the year goes on everybody can join the merry band of companies losing money.

It's just the way -- it's just the differences in the industry between those who have most of their business in the spot market and those who have most of their business in the contract market, and that's probably what you're going to see. It's not a product mix difference, it's just a matter of how they go to the market and do business, and eventually it's going to catch up with all of them because you've heard all of these industry executives describe the translation of spot-market pricing and the contract pricing.

MR. MATTHEWS: So as a participant, U.S. Steel, as in the contract pricing arrangements, I just want to clarify Mr. Schagrin's comment. The contracts that were concluded in the Third Quarter and may come due in the Third Quarter of next year, could be -- will be more impacted as a result of the rapid decline in pricing that we've seen by the published indices. Contracts that were concluded in the Fourth Quarter or the First Quarter of this year are impacting us now. They're in our numbers; they're in the Fourth Quarter, they're in the First Quarter, and they will be with us throughout the year. It's impacting our company now.

MR. KAPLAN: Seth Kap from Cap Trade. I just looked at the confidential data as people are answering the questions and having participated in, I believe, over a hundred investigations here, you can see a lot of variation from company to company in investigations.

And, in fact, here I see less. I see the industry as a whole being damaged in 2014, not reading their cost of capital and seeing prices fall, and in particular seeing volume effects, the first factor in the statute, and seeing those effects in the inability to make the weighted average costs to capital.

But these effects are consistent across firms. And you typically will get different levels. These firms are different. Some have different production processes, some use electric arc furnaces, some are integrated firms. But what you see is consistency in fact across all the companies and that's due to the fact that these companies are facing the same prices, some in spot, some with a little lag in contract, and that's going to force its way through to the bottom line. There's significant excess capacity.

These people are all carrying the costs of the capacity to produce product, and that capacity was idle and certainly not full through the 2004 and now you see, I mean '14, and then 2015 the same effects are being translated now more to the bottom line, but it was already very low. So to sum again, I think you always see differences between firms in every investigation I've seen.

I think here that the trends are consistent, and the industry, as a whole, certainly in individual companies, are all bearing the ill effects of the surge in imports and not capable of garnering the returns that you'd expect in an end-market that is reaching peaks in the auto industry and growing rapidly in the other segments.

MS. MESSER: Thank you. I appreciate that. In past court proceedings, certain markets had indicated a preference for sourcing material in North America, particularly the automotive market. Is that -- Does that continue? Is there any limitation as to, or can this be a limitation onto potential imports because of short lead times or supply?

MR. KOPF: Rob Kopf with U.S. Steel. Specifically speaking to the automotive industry as you referenced, these are global companies. They have global manufacturing operations. They have operations in the subject countries.

There is no doubt that they have established relationships with producers in those countries, and there is no doubt that producers in those countries are capable of supplying products to every end-user of corrosion-resistant steel in this marketplace. The fact that it's required to put something on a boat and get it over here to the United States is insignificant and makes no difference.

These companies that bring product into here and stage them in front of automotive stamping lines, appliance assembly plants, or in front of roll-forming operations that produce metal building components. They are capable and they do bring inventory in, stage it here, so in fact they tend to actually have equal, if not shorter, lead times, when you think about the amount of material they have sitting here available for the end-users to take advantage of.

So, the fact of the matter is, is that people that are buying corrosion-resistant steel here, have the capability of beating us up on price, and if we don't capitulate, they will move the product to an offshore supplier and take advantage of a very low-price offer that they get from them. So it really makes no difference whatsoever.

MS. MESSER: I'd like to move to the discussion of the subject countries. You indicated in your presentation--I can't remember who--that these are countries that are export-oriented. Mr. Cameron's opening statement said that, "Well, they're not all coming to the U.S.," that they're going to other markets as well. So can you please respond to Mr. Cameron's opening statement? And, does the fact that these countries are export-oriented necessarily mean that those exports are going to be coming to the United States?

MR. VAUGHN: I'll start that off. A couple of things. First of all, when you look at this market, you can see that from -- in 2014, there were seven countries that shipped more than a 100 thousand tons of OCT, I mean of corrosion-resistant steel to the United States. There were also companies that shipped OCTG, but -- [laughter].

Out of those seven countries, these five by far had the biggest increase from 2012 to 2014. I mean, these are the problem countries. And each of them is a problem, and each of them surged. And that's why they're the five countries that are in this case.

Now, to the point about them being export-oriented. I'd really ask you to take a look at sort of that data that we showed on the last slide, and what you'll see basically is, yes, all these people export, but last year they found it very difficult to increase their exports to the rest of the world.

Partially because demand conditions in the rest of the world were troubled, particularly in places like Europe, but also because that little bar, what appears to be a little bar from China to the rest of the world, that's about, you know, I think about three or four million tons of exports, given how big China is.

So if China continues to export to the rest of the world, they're squeezing everybody else out. And China's also exporting here, so you have a situation in which these companies, these countries, they have too much capacity, they need to export, they have been exporting. Their export markets are getting squeezed elsewhere, as you can see from that bar, and so the exports come here.

And that's what's happening. That's why they're such a threat. And that's why, even though the market was oversupplied at the end of the year, even though prices were falling in the First Quarter, the exports just kept coming in, because they don't have anywhere else to go.

MR. BLUME: I'd like to add to that as well. That, as we know, the U.S. market is an open market, it's an attractive market. We've testified this morning that the end-use demand is growing. Automotive approaching record sales. You have construction rebounding finally. So it's an attractive market. It makes all the logic in the world that this is a market that the foreign producers are going to want to dump into.

MS. BECK: Ms. Messer, this is Gina Beck from GES. I think your foreign producer questionnaires are also very telling, even though the response rate is incomplete at this point.

If you look at exports to the United States compared to other countries, and you look at the rate of increase of the exports to the United States, it is very telling how quickly and what the percentage increase it is to the United States.

MR. KAPLAN: Seth Kaplan. I think the points about decreased domestic demand in China and Europe, and also the stronger dollar are all important.

I think there's another that hasn't been mentioned, and that is other the last few years the Chinese have increased exports of the number of types of steel to the EU by quite a bit. The demand has fallen off in the EU, but also there have been a number of trade actions brought in the EU against Chinese steel producers, and that also is going to raise another barrier to export of Chinese steel to the EU, which will then have a much higher incentive to redirect it to the U.S.

MR. MATTHEWS: If I could just continue on on the comment around the openness of the U.S. market. You know, so when I saw the list of respondents and witnesses that were going to be testifying this afternoon, and being curious by nature I looked up those companies and what they're all about, and one company in particular I noticed from their website said that they specialize in market penetration and establishing relationships with foreign mills so that they can bring product into this market and solve logistics challenges and satisfy the customer base that exists in this market.

Companies exist to help importers illegally dump products in our market. That's why it's an open market: the domestic industry is so vulnerable to the threat of foreign producers bringing product in here.

MR. PRICE: Alan Price, Wiley Rein. We have sat through a number of investigations where I find Mr. Cameron will say, well, there's just no capacity available to supply additional supply in the world. And yet, next year there's just enormous increases in exports from that country--particularly Korea happens to be one that comes to mind over and over again, and product line after product line, including this product line but also OCTG and a few others.

So there's obviously enormous excess capacities. In fact, the--one of the Italian producers recently just gave an interview talking about massive problems with excess capacities around the world, and enormous harms in the EU market from one of the subject suppliers here.

The excess capacity problem is enormous in these countries and globally. The capacity problems are at all-time record levels. And while it is easy to say, oh, it's China; China is pressuring all of these other producers, they're pressuring the Koreans, they're pressuring the Italians, they're pressuring the Taiwanese and the Indians and all of a variety of markets. Some of them are putting up--we're seeing a proliferation of trade barriers in other markets go up, dumping cases, or escape-clause cases starting to be erected to deal with this capacity problem.

The bottom line is, there is a massive problem with excess capacity. These countries have decided to trade unfairly by dumping and subsidizing. That capacity has caused enormous--that capacity and those exports have caused enormous harm to the U.S. industry. And there are very few prospects for any rapid growth or change.

The Chinese market is now projecting estimates to be down significantly over the next number of years, and in fact some of the CISA forecast is that China's demand will actually decline by about 15 percent structurally over the next decade. They have 500 million tons of excess capacity, including about 150 million tons which were just "found" recently in various product lines.

The Koreans have seemed to show no limitation in their ability to increase exports. Taiwan obviously has increased exports enormously to the U.S. India is building enormous amounts of new capacity and structurally has massive excess capacity. And Italy is facing very poor, anemic conditions in Europe, but also many traditional export markets for Europe such as the Middle East and Turkey have also just collapsed in a very significant way due to a variety of world events.

So the bottom line is, there is a huge problem here and that problem is getting worse not better.

MS. MESSER: Thank you.

You mentioned trade restrictions in other countries. It would be very helpful for us if you could list in your post-conference brief any of these trade restrictions in third countries that are specific to CORE.

And with that, I have no further questions. Thanks once again for coming today to present testimony.

MR. CORKRAN: Thank you, Ms. Messer. Now we will turn to Ms. Turner.

MS. TURNER: It is still "good morning." Good morning. I also thank everybody for coming on behalf of the Commission who will be reading the testimony from this hearing. They definitely appreciate having this kind of give-and-take that we are trying to ask questions for them for.

I am going to start with actually a question that starts off with actually something Mr. Vaughn said, but actually a number of the other participants have also discussed.

And I know that the petition alleges both material injury as well as threat, but--and when Mr. Vaughn responded to Ms. Messer's comment about the first quarter of 2015, he indicated that 2014 was where you had felt there was material injury. But is this a case that the commission should focus on this as a material injury case? Or is this a case that the Commission should focus on it as a threat case?

Now when I'm asking that, I know that the Commission will look at it as both, so I am not indicating that they will only--but I'm just asking in terms of how you've talked about the fourth quarter of 2014 as when more affect has occurred there is also a lot.

So if you can respond to that, and you can start off and others.

MR. VAUGHN: Yes, I'm sure a number of people will want to comment. This is Stephen Vaughn. Let me just start.

So let's start a little bit to just sort of get a sense of how this industry works. I think the testimony has been very clear that at the beginning of last year--a lot of this business is done pursuant to annual contracts. And also the testimony has also shown that contracts are negotiated throughout the year. And the testimony has also shown that during the beginning of last year people were trying to raise prices, and that up through May spot prices were generally going up.

So if we posit that in the industry in which all these contracts are being negotiated you would anticipate that therefore a fair number of annual contracts were negotiated in 2014 that were higher than the same prices negotiated in 2013, and therefore it would not necessarily be surprising that all other things being considered the domestic industry would show an increase in operating profits from '13 to '14.

However, that does not mean that the industry did not suffer material injury during 2014. The testimony also indicates that from May to December of 2014 the price was down $50 a ton.

The testimony also indicates that by the end of 2014 people were having to negotiate contracts at lower prices than they had been having to negotiate previously.

The testimony also indicates that they lost 1.2 million tons of potential sales to the increase in subject imports, and the testimony indicates that that 1.2 million tons of sales could have been worth as much as $1 billion in revenue.

So with all that in mind, that is plainly material injury.

Now moving to the first quarter of 2015, this is even more material injury. And that is not even counting, you've had extensive testimony already from these people saying that the second quarter is hurting them. They are negotiating contracts now. Those contracts are coming in in ways that are going to be affected by this.

So with all of those facts in mind, we think the evidence here for material injury is overwhelming.

Now are these guys also a major threat? Yes. There's no reason to believe that they're going to back off. There's just no evidence of that at all. I mean, they have excess capacity. They do not have good alternative markets.

They did continue to surge from the first quarter of last year to the first quarter of this year. And they are all, all five of them, up significantly over the period of investigation.

And this is an open market, and they have a lot of opportunities to come in here. So there's no question that, you know, going forward the threat is going to be there as well.

So we believe very strongly that the industry was hurt badly last year; that it was hurt in the first quarter of this year; and that it is threatened with injury going forward.

MR. SCHAGRIN: This is Roger Schagrin. I just, you know, in response to your question, this is totally a material injury case, as long as the majority of the Commission take into account the 1988 statutory directive passed by the Congress of the United States that this Commission is supposed to analyze the injury factors in the context of the business cycle.

That law was passed for a very specific reason: so that in circumstances such as this where demand increased significantly between 2012 and 2014, that this Commission is not supposed to just look at the trends in the performance of the U.S. industry, absent the change in demand.

This is an industry, corrosion-resistant sheet, which is very much subject to changes in the business cycle. And so this Commission is instructed by Congress to look and see--and there's plenty of economic analysis; you've got your own Office of Economics here; we've got two Ph.D. economists on board in this case--that allow you to see did this industry perform as well as it should have between 2012 and 2014 when there was almost a 2 million ton increase in demand? Or was it injured because 60 percent of that increase in demand was taken by unfairly traded imports?

If you do your job and follow the statute and don't just have lawyers right at the beginning of the decision, oh, we look at this in the context of the business cycle, and then only look at the trends, then you would find present material injury. And that's the answer to your question.

In '15 it's clearer, but the injury is there between '12 and '14 if you look at this industry in the context of the business cycle. And that's our argument, and that is consistent with the statute.

MS. TURNER: Mr. Blume, I think actually, if we can let him go first.

MR. BLUME: Thank you. I would add that Nucor's last major investment in corrosion products was a galvanizing line at our Decatur facility that became operational right around the time of the collapse, unfortunately. Obviously the decision was made many years prior to that to build that facility.

So we were obviously anxiously waiting for demand to come back to be able to take advantage of that and to make the adequate return on that investment.

The unfortunate part--and we've stressed it time and time again--is that that increased recovering demand was taken from us by dumped steel. And as we look at the utilization of our galvanizing lines, they have been somewhere in the 70s. And I can assure you that, had we have gone to the board and asked for approval for a facility that would run at that level, that investment would not have been approved by the board.

So there is injury. There is an effect that happened and, frankly, has happened for some period of time as we have not been able to benefit from the recovering CORE demand in the U.S.

MS. TURNER: Mr. Matthews.

MR. MATTHEWS: Thank you. Just to further expand upon that, I mean clearly I think the evidence shows that there was a pricing deterioration that occurred through the course of the year. And depending on the nature of the agreement we have with the customer, it had different degrees of impacts.

So those customers that were spot,

month-to-month, would get those prices reset and follow that trend in year 2014. So clearly that's material injury.

Secondly, from a volume standpoint if you go back to the market share that the domestic industry had in the beginning of 2014 and compare that to the market share based on apparent demand, it's a substantial decline in market share in years.

So not only was there a pricing effect that hit the bottom line, there was also a volume effect that hit the bottom line in 2014.

MS. TURNER: To follow up on that, though, for one minute, because part of what I understand the argument to be made is that, yes, on the spot market that was something immediate that has been in effect; but on the contract market--and I'm going to ask some questions about that in a second anyway--but on the contract, it's been as the contracts have come up for renewal.

So that you've seen things in the third quarter and the fourth quarter maybe in particular as well as the first quarter of 2015. So the question that I'm asking--and again I'm getting to the present versus the threat--it seems to be an evolving aspect and thus is that present? Or is that threat for purposes of--

MR. ROSENTHAL: I you don't mind, Ms. Turner, Paul Rosenthal, I would like to answer this one. Because it goes to Mr. Cameron's thesis that, gee, if you look at the data imports are increasing and profitability is increasing. So what's the problem?

The problem is that you can still have material injury even if the net operating profit-to-sales ratios don't immediately decline at the moment the imports hit the shores.

You've heard today a number of examples of how the industry has been materially injured, even though profitability is incrementally up based on the trends. And one of the things that the Commission is capable of doing is saying, we're not going to look at 2014 data for anything without getting behind it what is exactly happening in the marketplace.

And, yes, the profitability may be up slightly, but is it where it should be, as the economists have pointed out it's not. All these sales that have taken place in these contracts, even though the lost revenue from those contracts won't show up until later, doesn't mean that the injury didn't take place when that contract was signed.

So I think you have to differentiate between when the red numbers show up, or the declining numbers show up in financial results that are reported to the Commission or to the street, and when the actual injury occurred.

MS. TURNER: Just to follow up on that, isn't that though the basis for threat?

MR. ROSENTHAL: No, it's not.

MS. TURNER: Okay, I'm asking--

MR. ROSENTHAL: That was my point. And in some respects you're asking a legal question, as opposed to a practical question. And from our point of view, the legal question is, no, the injury took place when they were forced to sign a contract at a lower price. That's when--it may not be manifested in the financial results reported to the Commission until a later quarter, but it doesn't mean they weren't injured at that very time when the imports hit the shore that affected the contracts.

MR. PRICE. Okay, you go first.

MR. VAUGHN: Thanks. Stephen Vaughn for U.S. Steel. Yeah, I mean it is a legal question, Steve, how you're asking. I would say this:

You have testimony that I think is going to b e unrefuted and unrefutable testimony that right now, this year, and for some time now these people have been forced to renegotiate contracts in a market that is a distorted market. Okay?

When they sit down and they sign a contract that was affected by this, that's present material injury. If it happened in April and your data runs through March, that's still present material injury. I mean, you know this has happened. They're telling you this has happened.

If I have a contract and that contract has a downward adjustable clause, and it's adjusting downward month by month, and it's started adjusted downward say last year and we know today, the testimony, the refuted testimony today is this is going to keep adjusting as long as the imports keep coming in, then that's present material injury.

MR. PRICE: So I concur with Mr. Vaughn and Mr. Rosenthal. You know, it's a question of is there a reasonable indication--it's a very low threshold, okay, under the American Lamb standard--of material injury by reason of the imports. And that's a decision on vote day.

So we now have one quarter, based on just where we're focused on today, we have an industry that has had a significant decline in operating profits this year compared to last year. And, by the way, I don't think they actually consume a lot of the manufacturer, other than a lot of Ph.D.s up in Boston, so I don't think that's an explanation, Mr. Cameron. We can talk about that.

The bottom line here is, we have seen a significant deterioration. The industry capacity utilization is down significantly. We have lost market share to the subject imports.

Every single measure shows that there is significant harm. The industry in the first quarter of this year has a net loss. So the simple answer is: On vote day, there is evidence that there is a reasonable indication of material injury based upon the record that you have.

And you have the additional testimony, which everyone else has talked about, to say this is going to continue because this locks in. The evidence of it, you know, may show up later, but it is locked in by the structure and the nature of contracts and the way this industry works.

And we are at a point where the second quarter is essentially largely done. Companies now, four I believe, have preannounced general earnings significantly because prices have fallen much faster than raw material costs. Again, Mr. Cameron's points are wrong.

So bottom line is, every piece of evidence shows that this industry is injured by reason of--there's a reasonable indication on vote day.

MS. TURNER: Mr. Matthews.

MR. MATTHEWS: Yes, thank you.

So I'm not an attorney. I'm not competent to make a legal argument. But if I can give you information that helps to inform your decision, I would like to do that. Because as a business person, I want to just describe the impact that it's had on our business in 2014.

The confusion I think is around contracts. Contracts take various sizes and forms, various terms, various conditions, and part of those is typically a pricing mechanism, a price-changing mechanism, a volume mechanism, delivery, quality, all those types of things will go into a contract.

So if we just concentrate on volume and price. So some prices--in a pure sense, a contract that is based on fixed price for all of 2014 for the guaranteed volume would be largely unimpacted as a result of what happened during the course of 2014. That would translate into 2015, and it would show up in 2015 first-quarter numbers.

Contracts that have a price adjustment mechanism, depending on the frequency of that price adjustment mechanism, are referencing to published indices, whether that be a CRU--and let's just stay with that one for example.

So oftentimes our contract customers might actually prefer to be real-time with the market. So they're willing to take the market risk of an up and down price movement on a monthly basis.

So the prices that are set and published in the month of May would be the contract prices for the month of June. And then they would of course reset for the month of July. And volumes would follow accordingly to what the contract terms were.

So those types of contracts were impacted because of the decline from May to December of $50 a ton, they were directly impacted. And that's part of our contract portfolio. We take that risk; our customer takes that risk.

Some customers only want to bear the risk of a quarterly adjustment. They feel much more comfortable in their markets that they serve that they're able to have predictability of input prices as they price their products into their markets and the customers that they serve.

So there's a mechanism to calculate a quarterly average price. So the second quarter might be a mechanism where they do the average of the three months. They may take the middle month and use that one to set the price for the third quarter.

So to the extent that prices declined because of the oversupply of subsidized imports in the second quarter, that affected the third quarter. And third quarter was calculated in a similar fashion that would reset for the fourth quarter.

There are other ones that actually just, we start with a negotiated price and then we actually move with the indice on a percent change. So if the indice moves on a percent change, then that would move with a percent change.

So to the extent that you have different types of contracts, they had a real and negative impact on the profitability of our business in 2014, both from a pricing standpoint and from a volume as evidenced by market share loss.

MS. TURNER: That's actually extremely helpful, and actually some of what I was going to ask about contracts. So to follow up from that, recognizing just how different each of these contracts are, that some are definitely much more fixed volume, fixed price at one extreme, and the spot at the other extreme, but that the contracts themselves whether length and time or the minimum/maximums in how they're set, the pricing or the volumes set, are any of the contracts--do the contracts have minimum pricing? Or any of the ones that have adjustments to them?

MR. KOPF: Rob Kopf with U.S. Steel. I don't think that typically you find a whole heck of a lot of that kind of arrangement with pricing minimums in these contracts.

I think in fact you find very little assistance for maybe a producer in these contracts from price or volume perspectives.

I think it's important to note that, while there is an agreement that a producer and a customer enter into for an expected volume that will take place across the year, there are typically no teeth in these agreements. These are not requirements' contracts. There are minimum volume expectations, but if buyers have the ability to buy at significant advantages over the agreed-upon contract price that we have, they take advantage of that. And we have lost business already in 2014 and in 2015, even in our contract portfolio because people willingly bought dumped and subsidized imported steel in lieu of buying from a domestic producer where they have an agreed-upon contract.

MS. TURNER: So I guess the question is, how is that a contract if --

MR. KOPF: Well, I --

MS. TURNER: -- we can break it at any time --

[SIMULTANEOUS CONVERSATION]

MR. KOPF: -- I ask myself that every day.

(Laughter.)

MR. KOPF: And in all honesty, if you want to continue to do business with your customers, you have to show some good will to them in difficult times. I would hope that we would be treated the same way, but when these opportunities come in to buy steel at $200 a ton lower than our contract price, they take advantage of it.

MR. MATTHEWS: And just let me say, there are some customers -- customers do that, not all customers do that. So we don't want to characterize customers here. But some of them will take advantage of an excess supply situation where there are substantial price differences and they'll take advantage of that. Based on their company's performance, they choose to do that.

MR. PRICE: Alan Price, Wiley Rein. One technical issue about the questionnaire was that when you get to the questions about, are there contracts at fixed price? The question is, a lot of times people check -- we think people check yes because it fixed the price subject to a formula. So in essence it's sort of fixed. The question didn't nuance that in a way that readily it collected the data we think in a consistent way. So I think each customer -- each respondent may have actually handled that somewhat differently. So, again, it's one of these things you figure out as you start sitting down and looking at the questionnaire and, you know, how do we fit it in this set of boxes because it's really not exactly a fixed price or completely adjustable or completely meet or release.

MS. TURNER: Which actually follows up to a question I was going to ask. Because at first I was going to ask as well, in terms of the contract versus the spot in the different types of contracts, we have -- I've heard in some of the testimony that there definitely are differences between the different market segments, automotive versus construction versus consumer goods, et cetera. So I was going to ask how different those are. But for post-conference briefs, it would be very helpful if each of the producers here would actually go through and list out the different types of contract variables that occur, but also by noting which segment. So if you've got a truly fixed price contract in a or if it's tied to the CRU, it's got adjustments to it, if the automotive has, you know, heavily in one area, the construction, the other. So describing a little bit more as Mr. Price has indicated that the questionnaire doesn't capture all of that, at least for the producers, if you could actually provide us with that segment -- differences in segment and differences in contract types. Is that something --

MR. PRICE: What I would say is we will do our best, but, you know, we have about two days of working time as a practical matter to try to capture all of that.

MS. TURNER: Well, I'm thinking in terms of each of you will know from your own companies that in your automotive sales they're going to be mostly, you know, a contract that is going to be tied to the CRU with adjustments and it's going to be quarterly as opposed to annually. I mean, that's probably wrong, but versus the construction area. So that's what we're looking for is some more information to show differences between -- if somebody else has a response, please go ahead.

MR. LAUSCHKE: Sure, Ms. Turner, this is Scott Lauschke with AK Steel. I would say there are probably as many variations in contract terms and conditions and structure as there are customers themselves. Just about every customer at AK Steel that has either a short or a long-term contract has some specific nuances that are unique to their deal. But that said, I would say that in the automotive segment, we tend to see more fixed price agreements over the length of that contract whether it's an annual or multiyear. And some of the other segments like HVAC or appliance or consumer goods, you tend to see more variable price mechanisms where you may have an established base price, but then that adjusts based on these published indices like CRU and so forth. So that is a general trend you should see, and we will do our best to try to quantify that in our post-conference brief. But, again, if we have 500 customers on contract, we may literally have 500 different variations of terms and conditions.

MS. TURNER: Completely understood that there's definitely variations, but it's more a matter of trying to understand where there's differences that might occur.

Mr. Blume?

MR. BLUME: Yes. One thing that I would add to those comments is that, you know, we do see various pricing contract mechanisms in all of the end-use markets and while there may be some differences, the reality isn't in whether it's automotive, whether appliance, or whatever, really in many cases the terms and the mechanisms are dictated by the needs of the individual customer. So it's not -- I don't think we can say that it's an industry-wide pattern in terms of how the contracts are struck. So it really does depend upon the end use customer, what their objectives are, and recognize they deal with multiple suppliers. So in many cases I'm sure they're looking at it from a portfolio perspective. So while one company may have more of a fixed price, you know, in terms of their dealing with Nucor or another supplier, it would be a different contract mechanism. So I think that's a trend that we've seen in more recent years to have much more variety within those contract terms.

MS. TURNER: One actual additional question and I know this was something back in the 2006 or '07 corrosion case. If I remember what year it was. But there had actually been questions, particularly for the automotive industry that when they purchased that it would be purchased by a company for all of their U.S. operations. So a U.S. automotive company who is purchasing from one of the U.S. producers corrosion-resistant steel that they would buy the corrosion-resistant steel for all of their plants. Is that something that still occurs, or a purchase is made by plant by plant when they're doing their annual contracts or working on their contracts? Or is that product by product too? Sometimes it was, I believe, by model car was actually one variation that we had heard.

MR. KOPF: Rob Kopf with U.S. Steel. I would suggest that in the case of an end-user industry with multiple consumption locations and a centralized headquarters location here in the U.S., that those agreements tend to be done by a centralized procurement group and are then typically -- the details of that agreement are sort of fed out to the consumption locations for them to more or less adhere to the agreement that was put in place by the centralized purchasing location. They are typically managed, if you will, within each of the consumption locations. But I think the overwhelming pattern is that a centralized procurement group will be the one that ends up making the agreement for a quarter or for a year, or whatever the duration of the term would be.

Does that answer your question?

MS. TURNER: So if you won a contract from one of the automotive producers for whatever the term is, a quarter or a year --

MR. KOPF: Uh-huh.

MS. TURNER: -- then you would supply that company's -- all that company's corrosion-resistant steel?

MR. KOPF: That is correct. And we have HVAC manufacturers that have multiple locations around the U.S. We have appliance manufacturers that are purchasing corrosion-resistant steel and typically doing it for the entire U.S. or North American manufacturing footprint.

MS. JANIN: Sheila Janin. Sorry. When you say "all" are you asking we as suppliers, do we have 100 percent of their business? Is that what you're asking when you say we would supply all?

MS. TURNER: Yes. I mean, that was actually in the earlier one that actually was the argument that was made or actually the evidence.

MR. KOPF: Okay. So Rob Kopf. I want to amend my answer to a degree. The centralized procurement group is awarding business to particular consuming locations but by no means do they tend to award 100 percent of the business for that location to a domestic producer. They are pitting us all against each other in negotiations. They are taking opportunities to buy illegally-produced foreign steel into these locations and hold that over our head as part of the negotiating process. So it is not -- it not a case where typically a producer is going to have 100 percent of the business at that consuming location.

MR. VAUGHN: Okay. Can I just jump in for a little bit? I think what I recall from the 2006-2007 cases, and maybe this will help with the questioning, is that they were sort of making an argument that kind of you would sort of build this relationship and then once the relationship was built that volume would sort of be locked in with that company for a certain period of time. I mean, the company people can jump in more, but I think the testimony we've heard up to this point is, is that that's not what's happening now. In other words, the relationship are not sort of locked in and rigid in the way some of the testimony indicated back in the 2007 -- '06-07 timeframe.

MS. TURNER: Well, some of also was getting the purchase -- that you would win the contract for a model of a car.

MR. MULL: I believe we can put some clarification to this. Sheila, would you like to talk about parts?

MS. JANIN: Yes. So generally what will happen is within our negotiations with any of the auto accounts and this is all of us, we will be awarded pieces of platform and parts of their business. So we are awarded a part for the life of that contract generally. Hopefully it extended and hopefully we keep that part for an extended period of time. But for sure when we go through our negotiations with any of our OEM accounts they award us a piece of business that is tied to parts -- specific parts. And so if a specific part is tied to a platform, is tied to a car, and based on the sale of that car would also tie to basically the market share that any of our companies would be awarded.

MS. TURNER: Would they actually get multiple suppliers for the part?

MS. JANIN: Generally not.

MS. TURNER: Okay.

MS. JANIN: Generally not for a particular part. But we could have similar parts on different platforms and U.S. Steel could have one and we could have another one, but generally not on the same car.

MR. BLUME: It's also important to recognize though that during that life of part that there are periods in which you negotiate the price. The price changes. And in fact there's no guarantee that you're going to have the part for life. If you are deemed uneconomic and particularly against dumped steel, you can be taken off that part and that part can then be resourced.

[SIMULTANEOUS CONVERSATION]

MR. MULL: And then also, there's certainly awards to outside parts manufacturers who then are able to use qualified steel and that's certainly where imports are used and blended to provide parts when those aren't being produced by the auto companies themselves. So that's really where we find the competition and the impact of foreign steel on our products today.

MR. KOPF: Rob Kopf, U.S. Steel. I want to be very clear on this. There is a desire, I think, for the part to be awarded to the steel supplier for the life of the platform. If a platform lasts seven years, and you typically have annual negotiations that last for one year with that automobile manufacturer, you do have six opportunities or seven opportunities to lose that part over price in those negotiations. You have no guarantee that you are going to be on that part for the life of the platform. It just depends on having a negotiated and acceptable price with that automobile manufacturer in the contract term.

MR. BLUME: Which with respect to that, you can then understand the pressure that the steel producer is on, the expectation and the work and investment and the early involvement to be on a part for the life of the part, and yet, as Mr. Kopf has indicated, you have six opportunities to lose that part puts tremendous pressure when, again, you have to compete against illegally dumped imports.

MR. VAUGHN: And I'd just like to just jump in. This sort of goes back to your point about sort of these don't sound like normal contracts. And that's because they're not like normal contracts. As you can kind of see. This is sort of a repeat relationship and it's not a situation where people can sort of insist, you know, you perform or we're going to court. It's just not that type of an arrangement.

MR. MULL: We internally refer to contracts as agreements. And the agreements are often they become an umbrella agreement where pricing is going up. That's all they're going to pay. And when pricing is going down, they're going to use every other option they have to their sourcing abilities. So and that's certainly where the surge of imports have impacted our business across the board.

MS. TURNER: I think what we've been talking about in terms of right now in terms of the contracts or the parts is mostly automotive. Is there similar in the construction or the more consumer goods areas?

MR. BLUME: Well, I would say, certainly the dynamics, the market dynamics are similar. You know, again, we've talked before about the CRU. Basically the spot market index is a key reference point in all industries, it's used. Okay. And it does drive and it does create change in the contract pricing throughout the period of the contract. So from that perspective it's the competitive dynamics are the same in all of those industries.

MS. TURNER: I was thinking a little more in terms of whether in fact there was an award for just a specific part for a time period and whether there was multiple sourcing on that say the consumer goods area.

MR. MULL: There are certainly -- Dan Mull again, certainly are parts awarded in the appliance industry and the HVAC industry. But there's easily substitution there. It's more of a -- we're guaranteed we're going to have steel available for their supply chain. But substitution is very easy by any of the other qualified steel producers and certainly that includes the imports we're talking about.

MS. TURNER: Okay. Thank you.

There also had been back in the 2006-2007 case there had been comments about demand and the fact that demand -- I know demand is going up here because the economy is improving, but that the demand for the product overall particularly in the automotive area for corrosion had slowed somewhat because of the use of -- because there was a shift from larger vehicles to smaller vehicles as well as the fact of technology and maybe thinner products versus -- so is this something that is still going on in the industry or is there a slowdown of less demand is there less corrosion used in a vehicle now than there was back five years ago?

MR. KOPF: Rob Kopf with U.S. Steel. I think as vehicle manufacturers attempt to improve fuel efficiency, one of the options is to take weight out. So, yes, theoretically there can be lower per-unit levels of corrosion resistant steel in a vehicle. But I think it's very important to know that we're manufacturing record

amounts of vehicles in our country now, more so than in relation to the sales of vehicles here than back, you know, ten, 20 years ago because
there are more stamping plants now, fewer imported cars, more cars being made here. So the fact that maybe on a per-vehicle basis volumes could be going down is being more than offset by the actual consumption to cover the total demand of vehicle build here in the United States.

MR. VAUGHN: And at this point I would just like -- this is Stephen Vaughn. I would just like to clarify a little bit about our theory of the case as well which is, to the extent that they are feeling pressure from the auto companies to continue developing lighter steel, to continue developing new technology for some of those same things that you heard about in 2006-2007, that they need to make the type of returns necessary to justify those investments and to justify that research and that's why -- that goes back to your question again about whether or not they've suffered material injury and why it's so important for them to get a proper rate of return over the course of the cycle.

MS. TURNER: Thank you. Oh, was there another response?

DR. HAUSMAN: Yeah, I think one statistic you might be interested in is --

MS. TURNER: Mr. Hausman, I'm sorry.

DR. HAUSMAN: Oh, I'm sorry. Professor Hausman, MIT. If you look at automobiles from the late '70s or early '80s they had three types of steel in them. But current automobiles have over 300 types of steel. So there's been, as you've just heard, there's been a need for investment to produce all these different types of lightweight steel to be able to meet various government regulations on fuel efficiency and that necessitates a lot of investment. You have to come up with new types of steel because you're competing against aluminum and other materials. And the industry has to get its weight average cost of capital to justify this continued investment.

MS. TURNER: Thank you.

I'm sure this will get to liven up everybody. I'm going to actually ask a question that Mr. Cameron alleged this morning in his opening that there are market segments and that there's attenuated competition And that the imports to the transplants are not products produced in the United States. I can imagine that the domestic industry does not agree with that. But I would like, you know, you all to address that and give me your thoughts on those allegations that he made.

MR. CHRONISTER: J. B. Chronister from AK Steel. Yes, we do compete against imports for automotive production, and automotive application. We have over the period of investigation supplied grades for all sheet applications in automotive and we'll continue to do so moving forward. The allegation that we can't or are unable to supply to a certain particular end use, we don't see it. We'll be interested to see what the facts are in that allegation. But, AK Steel has lost volume to imports from specifically Korea and our prices have been depressed from imports. There is adverse volume and price effects that we think will be evident and we'll detail that out in our post conference brief.

MR. KOPF: Rob Kopf with U.S. Steel. I guess I won't use the word that comes to mind, it's far more colorful, but I'm going to just say, Mr. Cameron is incorrect in his statement. We have lost business that we have been producing for our car companies here to subject imports due to price.

MR. PRICE: Alan Price, Wiley Rein. As a legal matter looking at the standards for attenuation established in the Diamond Sawblades case, I don't -- I think it's fair to say that this case does not meet those standards that would be such an attenuation that would justify a negative determination.

In fact, there is significant overlap in much of the industry and therefore the argument for attenuation just has no legal merit.

MR. VAUGHN: The other thing -- Stephen Vaughn. And just following up on Alan's point, I mean, the other thing is that the testimony has already established that there's a clear connection between the base price as reported and the base spot price as reported in certain indices and the prices that are negotiated for some of these contracts. So that again shows that when the imports come into the market, and they start to affect that day's price, those lower prices then flow throughout the entire market. And that again just sort of knocks down the whole notion of attenuated competition.

MR. PRICE: Alan Price, one more point. While there's been a certain amount of focus on automotive and contract, in fact there's significant imports of domestic production all focused on construction, on service center applications, on appliances, all of which have high degrees of overlap with the subject imports and that puts aside the questionnaire. So arguments on attenuation simply don't meet the standard here. There is significant overlap in uses and channels.

MR. MULL: And this is -- I'm sorry. You go ahead Dave.

MS. TURNER: Mr. Matthews.

MR. MATTHEWS: So if I could just comment from a different angle. When we think about the type of operation that produces corrosion-resistant steels, you know, we look at the coating lines, right? So the coating lines generally have a range of products that it's capable of making. So whether that be width, thicknesses, coating weights, and those lines are designed to be able to service multiple end-use markets. So when we look at utilization levels, it's in our best interest to look at line loading and say, how do we get the best line utilization through market cycles. Because maybe construction might be off a little bit, but appliance might be stronger, or maybe we can make on some range of the auto. So there's overlap in the capabilities of the markets that each individual line can serve. Not every line can make the highest end on automotive and there's no line that's specifically designed to make just construction product. It makes the full range of products across the board.

MS. TURNER: That's very helpful. And, I mean, anything that you can elaborate on actually how the -- whether there are market segments or whether in terms of the production, actually, there is a segmentation or whether it actually would be helpful in the post-conference briefs.

I just have a few wrap-up questions. I also want to reiterate what Ms. Messer indicated about the trade measures in third countries. Please provide us anything -- Dr. Hausman indicated that there was a number in Europe, I think, the trade orders, but we need that information provided to us for the Commission to be able to take that into consideration.

If there are any -- the petition did not address related parties at all. If in your post-conference briefs you would address the issue of related parties. And also if there are any -- if you could indicate in the post-conference brief what data you think is the best data to use in any threat analysis for the Commission to use in terms of its capacity, its production in the countries, please discuss that.

And with that, I would like to thank you and it's still the morning.

MR. CORKRAN: Thank you, Ms. Turner. Mr. Knipe.

MR. KNIPE: Thank you, Mr. Corkran. Thank you all for being here. A lot of my questions have already been addressed, or you've promised to address them in your briefs.

So I just have a few. Something that Ms. Turner touched on, for the industry folks, are there any grades or gauges of corrosion-resistant steel that you do not produce or that you can't fulfill U.S. demand for?

MR. ROSENTHAL: Just to clarify. When you say --

MR. KNIPE: Sure.

MR. ROSENTHAL: For an individual company just to fulfill all of U.S. demand or -- I want to make sure how broad you're going there.

MR. KNIPE: I guess as we're looking at the data, are there any gaping holes that the imports would fulfill that you cannot?

MR. BLUME: I'd respond that, you know, certainly the industry has understood that some of the advance high strength steel grades are important to our future and to the future of our customers. So there's been not only work at the individual companies, but there's been a lot of work for a long period of time around addressing those customer needs. So the answer is simply no, there are no big gaps in product capability.

MR. MATTHEWS: Doug Matthews from U.S. Steel. So I wanted some time to think about your question, because that's a pretty broad question. So when we think about our capabilities for corrosion-resistant products, I think about -- we have lines that have the diversity to be able to make the full range of products.

So for example, we might have a line that's specifically to the max width of 48 inches, but it goes down to really light coating weight or coating gauges. So it's specifically addressing to try to compete in certain market segments. So that line likes narrow, light-gauge products.

So there's another line that actually goes out to 72 wide, and if we're loading 48 wide, we're not really getting the preferring loading out of that facility. So I try to load that line with maybe wider product. Then when I think about the coating lines that we have in our portfolio, we have the capability to make the full range of products that are in demand for the service, the North American corrosion-resistant market.

MR. KNIPE: Okay, thank you.

MR. SCHAGRIN: This is Roger Schagrin. I just, as to capability, because Mr. Cameron actually brought it up in his opening, of course there's a lot of galvalume imports. The U.S. industry can't supply the market. Well A, we would differ with the contention and we can, you know, supply you with information. In fact, it was actually in the opening statement of Mr. Pushis that at some of their lines that produce galvalume as well as other corrosion-resistant, they've actually reduced staffing levels by an entire shift, which means they can't be operating more than 75 percent capacity utilization.

So there's excess capacity within SDI to supply those galvalume products, and yet Ms. Turner refers to the 067 sunset reviews. I'm thinking of the 2012 sunset reviews, in which Mr. Cameron and his Korean clients, in order to get orders sunset on corrosion-resistant steel, said there wouldn't be increases in exports of corrosion-resistant steel to the United States if the order was sunset.

And yet if you looked at galvalume, which has its own HTS, you'll see that imports from Korea have more than doubled, and that wasn't because the U.S. industry, which is operating at very much reduced capacity utilization levels, isn't able to supply the market. It's because the Koreans, in particular, as well as imports from several other countries subject to this investigation of galvalume, are severely under-pricing the U.S. producers of that and related products.

MR. MULL: Dan Mull, Arcelor Metal. We have the capability to produce, we believe, all the products under question. You know, if there's something specific, we would certainly be glad to address that. However, certainly as an industry, there's enough capacity to produce all the products that are under question.

MR. KNIPE: Okay. Has the -- sorry to interrupt.

MR. KOPF: Rob Kopf with U.S. Steel. Just one additional comment. I think it's important to note that on certain corrosion-resistant products, that there are lines capable of making more than just one. So lines are not dedicated just to making hot-dipped galvanized. There are lines that can -- we have them in our operation that can do galvalume or galvanized.

There are lines that can do galvanized or aluminized. So based on market demand, there is plenty of capacity here to fill those lines up. Nobody's lines are full. So that's all I wanted to add.

MR. KNIPE: Has the U.S. industry experienced any supply shortages for particular kinds of corrosion-resistant steel? I'm seeing a lot of heads shaking no. Okay.

MR. KOPF: Rob Kopf with U.S. Steel. I believe that there has been ample capacity in this market to supply the demand for corrosion-resistant steel, more than -- more than what has been sold obviously, and the imports have taken a huge chunk of that.

MR. BLUME: Yeah. Rick Blume Nucor, and I think I spoke earlier to a question that in fact our capacity is very disappointing to the company and to our team mates, and we were looking at a utilization rate that's -- lies somewhere in the 70's, which is again for a heavy capital-intensive piece of equipment or facility, that's just -- those are devastating numbers.

MR. VAUGHN: And can I just comment here that I mean just the evidence shows that all of this increase in market share came at the expenses of the domestic industry.

So presumably these were customers who could have been supplied or were being supplied by the domestic industry, that are now being supplied by the subject imports.

In other words that is -- it is a direct correlation in the data. Their market share goes up, domestic industry's market share goes down, and that to me goes directly to this point about are they serving a niche that otherwise couldn't have been served.

MR. KNIPE: Okay, great. Thank you. I have three sort of general questions, one on demand, one on supply, one on price trends, and I'm thinking it may be better to address in the briefs. It is a quick turnaround in two days, but maybe the economists can tackle a lot of it.

Lots of you talked about an increase in demand for corrosion-resistant steel in the U.S. I'm wondering what the primary drivers of that have been. It is the recovery of the auto and construction industries, lower prices for corrosion-resistant steel, or are there other factors as well?

MR. ROSENTHAL: I think we'll take advantage of your opportunity to address this in the post-hearing.

MR. KNIPE: Okay.

MR. KAPLAN: Yeah. I believe that you're correct in talking about the end market growth. Autos have grown faster than the economy. Construction's recovering, and there are other end uses as well. Which makes -- I'm going to just touch base real quickly on these points, because I didn't get a chance to answer your --

Is this an injury case or is it a threat case? It is both, but it is a strong injury case. There have been quantity effects in 2004 that everyone's acknowledged and it's obvious in the staff report, based on the market share and the increased quantities. The only thing that the Respondent has been focusing on is a profit margin.

But in fact there's total profits, and if sales increased, the profits would have increased, and there's been excess capacity to do that. That is injury of lost profits from lost market share on those sales.

Second, the price effect. It's plain from the CRU data and the testimony today that the prices began falling in 2014, in the middle of the year. Those price declines directly affected the profitability of these companies. Now demand was rising because of the largest growth in automobiles and the increase in construction. But the profit margins did not increase nearly in response to what those growth rates were, because of the price effects.

So the profitabilities were depressed. Profits were lost and profit margins were suppressed, all in 2014, and that is all injurious. So you have a quantity effect, you have a price effect, you have a profit effect on the total profits. You have suppression of the profit margin, and so all of that occurred in 2014.

It is -- it is a somewhat simplistic and wooden analysis to concentrate on one percentage and walk away and say well, 2014 was fine. So this carried on for at least a year, from May through May. There's been testimony about what has happened in the second quarter.

So as a legal matter, I guess it's injuring on the day of the vote. But you've seen at a minimum consistent injury throughout the year, and what happened in 2015 was is that the increase in imports became so large that instead of seeing just the loss of profits and the suppression of profits, you actually saw a decline in margins and a decline in profits.

So it was just more injury on top of the other injury of whole period. So I just wanted to get that in in response to your question. Thank you.

MR. MATTHEWS: And we'll include more direct answers in the post-hearing brief. But I just wanted to just remind the Commission that the 2014 corrosion-resistant market was the best market since 2007. So you have this capacity in domestic industry that has been waiting for the recovery of corrosion-resistant demand, not specific to any market, but in aggregate, because this capacity services the aggregate market. It has the capability to do that.

We were denied access, denied opportunity to actually enjoy the best market since 2007 because of the subject matter imports and the effect they had on price and volume loading at our facilities. Thank you.

MR. KNIPE: Great, okay. Thanks everyone. That concludes my questions.

MR. CORKRAN: Thank you, Mr. Knipe. Ms. Brinckhaus.

MS. BRINCKHAUS: Thank you, Mr. Corkran. I'd like to join my colleagues in saying thank you to the panel for your testimony this morning. It's been very helpful. I've sent most of the U.S. producers company-specific questions, and I appreciate your time looking at those and look forward to seeing the answers, the responses I haven't seen yet.

As far as more general questions, all of the ones I had have been answered. So I just want to say thank you, and I look forward to seeing those responses.

MR. CORKRAN: Thank you Ms. Brinckhaus. Mr. Houck.

MR. HOUCK: Thank you, Mr. Corkran. I just have a couple of questions on product-related things. Mr. Matthews, you mentioned in your testimony that you felt that the imports were -- and particularly the pricing related to the CRU price and so forth was affecting all of the coated products that your company produces.

But the subject product for this investigation covers a much wider scope than that, including products perhaps that your company does not produce, and possibly not produced by any of the six companies sitting here. And judging from the witness list for this afternoon, we're likely to hear charges that your scope is too broad or possibly even a request for a separate like product.

I have no idea what's going to be said, but there's obviously something going to be said along those lines, and I just wondered if you wanted to comment on that.

MR. VAUGHN: Well Mr. Houck, I'll just -- this is Stephen Vaughn for U.S. Steel. I'll just comment. I think you're referring to some of the -- some of the other smaller players that may be heard from this afternoon.

MR. HOUCK: I'm talking about metals other than zinc and aluminum.

MR. VAUGHN: Right. So let me just say this in regard to that. This product, the scope of this product, the scope that's been put in in this case is basically the same as the scope that the Commission has looked at in the past, with one difference being that the scope has expanded to include certain microalloys, because as time has gone on, there's been a recognition by the Commission that those microalloys are rightfully part of the same like product as the carbon grades.

That's been found -- that was found in hot-rolled 17 years ago, and it's been found in cold-rolled as well. And so that's really the one change that's been made. Now in the past, the Commission looked at this product in '93 and in 2000 and 2007 and in 2012, and every time it found that it was a single like product with a single domestic industry.

So that's kind of the background with which we bring to the table. I understand there may be some specific arguments that we may hear this afternoon. But up to this -- but our position has been that the Commission is basically looking at an updated version of the scope, that in the past has always been found as a single like product and a single industry, and the Commission should reach the same decision here.

MR. HOUCK: And that there is indeed industry in the United States producing all of the products that are included within the scope?

MR. VAUGHN: Yes. Obviously to the extent people want to come in with very specific exclusion requests, that has been done in the past. I will say that before these orders were in place for many, many years, and without, you know, a great deal of controversy in that regard.

MR. MATTHEWS: Mr. Houck, if I could just comment. I think that, you know, what we heard in the opening testimony was in the book of excuses to be thrown out there, to say that the domestic industry is not capable of making certain products that the Respondents might be interested in bringing into this market.

I'd like to have examples of those. If there's specifics we can address in the post-hearing brief, we'll be glad to do that. But I can surely tell you one thing. The rate in which the imports surged into this market is not specific to something that the domestic industry cannot make. The domestic industry makes the majority if not all of those products that increased from 2012 to 2014.

MR. HOUCK: Okay, thank you. I'd just like to ask you to comment on -- because we've had a lot of discussion about contract prices, but I'd like to comment on spot prices, and your companies sell quite a lot spot, and presumably provide input to CRU or whoever that's publishing these spot prices.

So could you comment on how spot prices are negotiated or established?

MR. KOPF: Rob Kopf with U.S. Steel. I guess, you know, spot prices, I think for a lot of the industry are considered transactional negotiations, transaction by transaction or maybe monthly type of prices that you sit down and negotiate with your customers. We started feeling immense pressure last year, and you've heard plenty of people talk about harm. I think the other side is going to use all kinds of excuses, but there's one undeniable fact, and that is as you look at the CRU price for hot-tipped galvanized, it peaked in May.

That's when there was the first accelerated surge, from already high levels, of imports of corrosion-resistant steel into this country, and those imports continued to accelerate as the year progressed, driving the spot price of product down, because they were offering opportunities to buy steel hundreds of dollars a ton -- hundreds of dollars per ton lower than the domestic selling price was at that point in time.

MR. BLUME: As those prices as well, spot prices are negotiated. I agree they're transactional, and in many cases we're presented, as we talk to the buyer about the opportunity, the tonnage, we talk about pricing and competitive pricing. Obviously we talk about the pricing in the marketplace.

But in many cases, we're presented with foreign offers that are placed in front of us, and as Mr. Kopf has indicated, in many cases hundred of dollars below our pricing. Ultimately, we're asked to meet those kind of prices. So it's a very -- it's a very aggressive process, particularly when you have dumped imports as a basis for that negotiation.

MR. HOUCK: Would you say that spot pricing is more prevalent in any particular part of the market, the service center market perhaps or in some other segment of the market, as opposed to the automotive and appliance segments?

MR. CHRONISTER: J.B. Chronister from AK Steel. I'll just make a comment. I think that's really a customer question, based on what they prefer. So some customers would prefer to play spot. They'll take that risk of not locking into a longer-term agreement.

For some customers that are in the spot market, they're doing it to help take the ebbs and flows of increased or decreased demand, so that their base contract load is the level for what they think they need in normal times, a spot buy goes, above and beyond that, when they have those needs.

MR. WALBURG: John Walburg from California Steel. We sell most of our product in the spot market, and something I'd like to point out is every buyer, every person who represents their company feels that they have a fiduciary responsibility to buy competitively, and buy at the lowest possible price.

Many of our customers apologize to me for having to place orders offshore. They feel their hands are forced, because they have to purchase the material to be competitive against their competitors, who would also be buying that. You hear that from both sides. That stuff that's artificially low out there, subsidized material, is dragging down the market and forcing the buyer's hand for them to be competitive and we see that in negotiations daily. Thank you.

MR. MATTHEWS: If I can just add one more comment. So when we think about spot, I just want to remind that there is spot that is like an agreement that occurs on an individual case basis, that creates the supply and demand relationship. In terms of supply and price they're negotiated in that specific arrangement.

So when you think about it, also I'd like to ask you to think of the variable pricing component that goes along with a lot of the contract business that we have, that's driven off of the same indices that are used to establish the spot market price.

MR. HOUCK: Thank you. I have no further questions.

MR. CORKRAN: Thank you, Mr. Houck and thank you to the panel for their questions. I just have a few follow-up questions. A lot of them will revolve around price, but before I do that, I actually wanted to direct a question to Ms. Hart.

Ms. Hart you indicated that a number of mills had issued 60 day notices. I wonder if you could elaborate a little bit on that? Tell us what the process is and what meaning that has for the workers who receive that notice.

MS. HART: Well notice is part, actually by law, if a layoff of over I believe it is 100 people, and I'm not positive about that and I would have to check, is issued, a notice has to go out, giving them -- giving the employees ample notice that they are about to potentially lose their jobs.

You know, you can just imagine the feeling that gives somebody who has been working regularly for a company, to suddenly start thinking about what's going to happen in the next two months of their lives, and if they will be laid off. I don't know if that sufficiently answers your question or not, but I'd be happy to address it further.

MR. CORKRAN: How regular are such -- and actually I'll open the question up too, because I'm kind of also trying to get a sense for how regular are these notices, how much of an inevitability that they -- that the reductions will take place, any additional details?

MR. BLUME: Excuse me. If I could respond to that. Again, I want to emphasize the fact that Nucor has a no layoff practice. So you know, the issue of warn notices is not something that is immediately applicable, I think, to Nucor. But I want to stress the point that our team mates are impacted, whether it's a warn notices or -- and again, which is really not applicable to us, but in fact our production employees, every week their pay is variable.

It's based on the quantity of tons that are produced, okay. So it's not a 60 day warning. In fact, they may not get a warning at all. It might be in fact that their paycheck goes down by 30 percent next week because the orders that we expected to get, despite an increasing demand in the marketplace, are not there because they've been taken from us by illegally dumped steel.

So the worker impact is dramatic. Yes, the employees are not laid off. The good news, they maintain some of their benefits. The bad news is the fact that the orders are not there because they've been taken. Their pay next week might be impacted to a point of 30 to 50 percent.

So it's a major impact to our team mates. That's really why Nucor as a company has been very passionate about these issues. It's about our 23,000 team mates.

MR. CORKRAN: Mr. Matthews.

MR. MATTHEWS: If I could just speak to the process, you know. So U.S. Steel has issued warn notices.

You know, we go through a process that we try to avoid getting to that point, you know. So whenever we think about say a coating line, we might typically be crude to be able to support a level, a forecasted level of operations. So we would have that base crew.

Whenever we see the loadings come in that supports a higher level of operation, we might use overtime, you know, to be able to fill the crewing requirements to support that level of operation. Likewise, in a reduction of order scenario, we would reduce the crew overtime first, and then we would look at actually reducing crews.

And because of the forecasted nature of the decline in business on that particular line, we would not likely issue a warn notice. If it's maybe December or there's a lot of holidays or something, you know, we don't do that. I mean employees, we just cut the overtime back. We rationalize. We push some contractors out, you know, and then --

But if we see that it's sustainable and it's going to impair the company for a foreseeable period of time, we reach a point where we actually issue a warn notice for the employees that are affected and the rationale why, and that actually creates a conversation then with the local union, where we talk about layoff minimization plans.

So in our contract, and every company here has some different aspect of their agreements with their employees. But in our contract, we have layoff minimization, where we actually reduce the crew work week in the affected units, from five day work weeks, which would typically be 40 hour pay, down to 32 hour work weeks with zero to minimal overtime.

We invoke those actions first, and we work really hard to try to displace all the contractors out of the facility, in order to be the lowest cost in that bad business cycle that we're in. At the end of that 60-day period, if the business doesn't start to recover, then we actually move towards laying people off.

The cost to the company in the layoff process is we do lose people that get laid off. But the people that go on layoff for a period of time are paid a sub, which is some -- some agreement in our contract that causes us to have to pay some portion of their previous wage to them for a defined period of time. So they get unemployment benefits as well as sub.

So just relief in itself for the company, by laying somebody off, is not substantial, not in a short-term layoff situation.

MR. MATTHEWS: It's impactful to the employees, it's impactful to the company. It is injury.

MS. HART: If I could just elaborate. I

appreciate the detail that you provided, Mr. Matthews because, you know, for us, at least in the legislative office -- we don't see -- when warn notices happen, it generally means it's serious, because I mean layoffs do occur. Workforces are living and breathing things. They change with business cycles, but it generally --

I mean a warn notice is significant, because it signifies a number of people are being laid off and it also, you know, a larger number than would normally happen, and you know, it also -- it's a real statement, because it starts a process, and it's a process that hopefully won't come to fruition. But it really is a bellwether of bad times to come.

MR. CORCORAN: Thank you very much. I very much appreciate those responses. My next question involves pricing. It also involves some of the presentations that linked the large volume of imports and the declining prices in the United States for these products.

My question generally is how similar or how different is the U.S. market for galvanized steel than the global market. Looking at published price trends outside the United States, it seems much of the same -- much of the same price trends that have been discussed today are present outside the United States as are present inside the United States.

MR. KOPF: Rob Kopf with U.S. Steel. I would -- every, every region has, you know, significant supply demand balances and the market here in the United States is no different. There are supply and demand relationships that influence the price of product here in this market.

When we got to the point in time where imports began to surge, and we saw -- you saw Mr. Vaughn talk about inventory levels, we saw actually specific to corrosion-resistant, the same kind of percentage increase in inventory levels at the end of this year as the previous year, you saw an enormous supply imbalance based upon that surge of imports that came in, referenced several times at 85 percent higher.

There's no doubt in my mind that that's the factor that drove the price down here over $200 a ton. You'll have people talk about things like raw material prices. Well that didn't happen until far after the imports arrived. You'll have people talk about currency changes. That didn't happen until well after the imports arrived here.

The only thing you can specifically talk about that's a fact that imports surged here last year, and the minute that surge took place, the spot price of product here in this market started to plummet.

MR. ROSENTHAL: Mr. Corcoran, let me just add something if I might please. Paul Rosenthal. One of the interesting things about your comparison if you're pursuing that is that what's different about the U.S. market is demand is way up. You should see a much different pricing trend here based on demand. But as Mr. Kopf points out, supply has been overwhelming, and it's been mostly unnecessary supply for this market, due to the imports. As you've heard, they've taken market share.

So if prices are declining all around the world, they should not be declining here based on the difference in the demand in this market, and the main reason why they're falling is because of imports. That's it.

MR. VAUGHN: Yeah, if I could just comment. Just following up on what Mister -- this is Stephen Vaughn. Just following up on what Mr. Rosenthal said, so if we -- if we take a look, for example, how did galvanize prices last year, as we showed on our slide, the average U.S. price actually went up from '13 to '14, in part because of that stronger demand.

Then we saw that that has since been, you know, wiped out by the imports. Now in other markets, for example, in most of the European markets, if you look at the average annual pricing, it was down from '13 to '14 because of the worse demand situations over there. If you look at the situation in China, there's a big oversupply.

For example in '13, the average price in China was $771 a metric ton. In '14, the average price in China was $731 a metric ton. So what you had obviously going on in the world was a situation where you have an oversupply in Asia. You have a bad market type situation in Europe. You have a relatively healthy market in the United States.

U.S. mills, trying to recover from years of weakened demand, and as you can sort of hear from Mr. Matthews' testimony, really with a need to maximize that capacity utilization and maximize those profits, they're trying to raise pricing at the beginning of 2014.

Subject imports then immediately come pouring into this market, okay, not because of shortages or anything like that. That would cause pricing to spike even more, presumably if that were going on. They come in. They bring in the low pricing, and then the low pricing that you've seen in other parts of the market and some other parts of the world comes in here, and now our market is plummeting.

So I think when you kind of look at the global pricing, it links up directly with what we see and the theory that the industry witnesses have explained.

MR. SCHAGRIN: Mr. Corcoran, this is Roger Schagrin. I would just comment that I think that your conclusion that you have seen in the information that you look at on the steel industry around the world that steel prices, on a worldwide basis, have been falling consistently over the past couple of years, and that is an indicator of the fact that there is a massive amount of worldwide overcapacity for steel products.

The OECD Steel Committee has made this their principle focus. There is a massive amount of concern about how, given the fact that much of this overcapacity is state-owned and is subsidized, how it could be addressed, because then the normal market forces of company losing money, going bankrupt, mills being shut down to reduce that overcapacity aren't functioning, and many of us, including yourself, have seen many parts of this movie before, such as the 1998-2001 Asian financial crisis period, where then it was a problem of a steep decline in demand caused by the financial crisis and to be honest, and I'm as much part of the problem as the solution, we didn't take the right steps to address it as first our government but then many other governments around the world.

I think many of us see that we're in the same kind of situation, this type of overcapacity while focusing on corrosion-resistant steel in this case today, but there's overcapacity for every flat roll product, every long product, every pipe and tube product, every steel product that can come out of a blast furnace or electric furnace.

I would hope that given this Commission's knowledge of the steel industry and colleagues that you have at USTR and the Department of Commerce, that we don't repeat the same mistakes and listen to some of the free trade ideologues that you'll hear from shortly, who think oh, all the problems are going to go away and we don't have 20 steel companies left to go bankrupt and out of business like we did in '98 through 2001.

But we still have some pretty big steel companies that can go bankrupt and out of business if we don't address these problems as quickly and directly as we can.

MR. PRICE: Real quickly, Alan Price. Bluntly, no one has forced the subject producers or subject foreign suppliers to dump in order to maintain their capacity and production at the expense of the capacity and production and performance of the U.S. industry. They have caused -- they are causing injury and that's what the law is here for.

It's a pretty simple, straightforward issue. Are they dumping? Yes. Are they maintaining their capacity utilization at higher levels to try to avoid the tough measures that are -- that the market will force? Yes. The question is where is the adjustment going to occur. Is it going to be lower employment in the U.S., shutdowns in the U.S., inadequate ability to invest going forward in new technologies in the U.S.?

So then Mr. Cameron can claim they can't produce the latest generation of whatever, or are we going to have the trade laws step in -- use the trade laws in order to assure that there's a level playing field here? That's the question.

MR. VAUGHN: And Stephen Vaughn. I'd just like to jump in and make one more point, because I know we're going to hear this this afternoon. They make this argument every time. They always say they're not focused on the U.S. market, they're not, you know, this isn't some of the other products you've seen. They've got big markets elsewhere, they've got other things going on elsewhere.

That is not our theory of the case. We are not alleging that they are shipping everything they can make to the United States. It's not our theory of the case. Our theory is, as you've heard throughout, that this market, the global market, is so oversupplied that they are shipping enough to cause material injury and that they will continue to ship even more, and thereby threaten this industry with even more material injury.

So it is not the fault of the people sitting here that there's an oversupply in Asia and that the Asian market is oversupplied. It is not the fault of the people sitting here, that Europe is in a recession and that people over there are facing difficulty. These people are trying to operate in a fair market. They deserve the chance to operate in a fair market, and they shouldn't have to be hurt and injured by bad decisions that were made elsewhere.

MR. CORCORAN: Mr. Kaplan.

SK In response to your question on prices, I'm sitting here looking at the CRU data from the last 20 years, but we only have to look at it for the last 20 months, and we'll submit the information or you have access to it yourselves. But I would take a look at the prices outside of the United States.

They collect prices in Germany, Japan, China and I think what you will find was is that before the surge really hit, that the prices were significantly higher in the United States, reflecting the demand conditions in the United States, the strength of the auto and construction industries, and in fact the dumping transmitted the prices from the Chinese market and other world markets to the United States, to where now the prices in the United States have fallen, reflecting the oversupplied world market.

This is not unusual. I mean that's what -- when you have a world market that's depressed, the prices are transmitted through imports. So you have the effect of both the volume loss, and you could see the price effect and it is stark when you look at the CRU numbers.

So either we'll submit them confidentially or you have CRU and you could look at them yourselves. But they in fact have not tracked each other on top of each other closely throughout the POI. It is toward the end of the POI, consistently with the surge in imports, that you see the tracking become more close, and I think it proves the causation link as well, as another factor demonstrating it that you have on the record. That's all. Thank you.

MR. CORCORAN: Thank you all very much for your responses. I was trying to formulate a question about the sustainability of a premium in the U.S. market, but I'll pass on that. In looking at contract prices and their relationship to spot prices, what does the relationship between the indexed prices for hot-tipped galvanized and cold-rolled and hot-rolled coil?

One of the reason why I ask is I'm sure there are many different indices out there, but some of the ones appear to suggest that whatever differential there is between those products has not narrowed, and that if anything, hot-rolled an cold-rolled prices may be dropping more rapidly than galvanized. So what is the role of those, if any, of those other steel products?

MR. BLUME: Yeah. One comment I would make, certainly each of those products have their own supply-demand dynamics. So there may be some loose relationship to that, but it really ultimately depends upon the supply and demand of the product in question.

The other point that I would make is that we're seeing the same import surges in the other products that, you know, that we have seen in the core products. So you know, there's no mystery as to what's happening here in terms of the illegally dumped steel impacting prices across the sheet industry.

MR. MATTHEWS: This is Doug Matthews. I'd just like to say I agree totally with Rick's comments. You actually think about most mills have the ability to move towards the target of what returns the best value for their company. So if hot-rolled proceeds are declining, based on an indexed value, you move to more cold rolling and coated, or maybe less coated and more hot roll.

But to the point that we are seeing an import surge across each of the products, the world overcapacity is not unique to just coated products. Those same mills have the same ability to manufacture hot roll and cold roll as well, and we're analyzing that right now.

MR. CORCORAN: I appreciate that. Let mea ask this question for briefs rather than for right here, because it's, I think, an analytical question. But how does that help the Commission assess whether the price trends that you see for cold-rolled steel are being driven by the subject imports or by other factors such as, you know, the spread between hot rolled, cold rolled and galvanized? Like I say, that can be answered in your post-conference briefs.

Mr. Blume, I've got a question directly for you, because it deals with Nucor. I wonder if you could discuss the impact of Nucor's St. James Parish facility producing DRI on raw material cost for this product? There have been some very strong statements coming from Nucor about the impact that that has had on raw material cost, and I wondered if you could give a little history of that facility and how it affects scrap prices and other prices.

MR. BLUME: The St. James Parish DRI plant really was an effort by Nucor to provide a balanced raw material input to our operations, and certainly is the largest scrap consumer in America. We understood that we needed to have balance in terms of the front end of our operation. So it certainly is something that a major investment that we made. It's a strategic investment, it's a long term investment, and again, it really addresses insuring that we have -- we have access to cost effective inputs, whether it's scrap, whether it's DRI or pig iron.

So it's really more of a bigger question. I think ultimately, the impact to corrosion resistance in some respects is somewhat unrelated. The reality is we have the ability, the access to scrap to produce our products. The impact that we're talking about today is specifically to our sheet products and the supply and demand that occurs, you know, in the marketplace.

And so, you know, the overwhelming impact to our galvanized pricing is related to supply and demand, and the surge of imports, really somewhat unrelated to the raw material issue.

MR. CORCORAN: Thank you. I appreciate that response, and as Ms. Turner pointed out to me, I should probably be a little bit more specific. I'm referring to an article that was published in the April 27th American Metal Markets, but it refers to an earlier earnings conference call with Mr. Ferriola, where he suggested that the DRI plant in St. James put significant pressure on U.S. scrap markets, and there's a particular focus on the month of February 2015, which is when you're looking at the big decline in prices in 2015.

That pretty closely correlates with where that big price decline comes. So that's why I'm trying to get a sense for how important raw material prices are in setting the final price for corrosion-resistant steel.

MR. BLUME: Yeah. Well you know, I would first of all say our pricing is not based and has not been based on specifically what the raw materials. It's not simply a cost plus. Frankly, when our costs were extremely high and the market did not allow high prices, it meant that we were selling, you know, at a loss in some cases.

So to me in respect to what the pricing, the impact of pricing is somewhat irrelevant. What sets the price is the supply and demand in the marketplace.

MR. VAUGHN: Can I just --

MR. BLUME: We can attempt to address in a post-hearing brief a little more detail to that. But recognize we still remain a large consumer of scrap, and the scrap market itself has its own supply and demand dynamic. So in fact, you know, we've seen periods where exports of scrap have had a much bigger impact on scrap prices. So each of those products have their own supply/demand balance.

MR. VAUGHN: Stephen Vaughn. I'd just like to -- I think some of the other company people may want to comment on this. But just in terms of sort of, you know, how this sort of fits into kind of our theory of the case, I just want to make clear that if this market were being reflected by what was happening with raw material costs, then what you would expect to see is that prices would sort of move in line with those costs, and then you would not have much of a change in the operating margins.

Here, what you saw in the first quarter was a significant change in the operating margins, both compared to what you saw in the first quarter of 2014, and what you saw in full year '14 and in fact what you saw in other -- in other periods as well. So the -- what's happening here cannot be fully explained by what's going on in the cost.

There is something that is forcing the domestic industry to lower its prices more than its costs would otherwise warrant, and that, we believe, is the subject imports. It's very important to understand, we are not necessarily saying that every dollar of every price change is only reflected by the imports. What we are saying is that the imports are a cause of material injury within the law, that they have driven the pricing below what the pricing would have been otherwise if they were in a fair market.

And so I just want to make sure that that's clear on the record, and obviously we'll provide more detail, and other people here may want to, from the business perspective, may also want to comment on sort of cost plus type pricing.

MR. CORCORAN: Thank you. I do appreciate the distinction. Let me turn to Professor Hausman please.

DR. HAUSMAN: Yes. Professor Jerry Hausman. Basic microeconomic theory would say holding demand constant, if your marginal cost decreases because of decreased raw material cost, your profitability will go up. If demand is increasing and the demand curve is shifting outwards, then your profitability should increase even more.

So we have these two factors, raw material cost were decreasing and scrap was decreasing, and demand was increasing. So both of those factors should lead to increased profits. Yet we have seen the opposite in terms of decreased profits. So that doesn't square with microeconomic theory if, you know, you're doing markup over marginal cost pricing.

So therefore there has to be another factor, and you know, you can think of many. But the most prominent factor is the surge in imports, which took away, you know, the effect of the increased demand, as was demonstrated this morning in the slides, and also led to under-selling, as has been discussed. So if the U.S. were an isolated market, we would have definitely expected prices, excuse me, profits to go up.

But we have seen the opposite. Profit margins, net profits, operating profits, however you want to measure them, have actually decreased.

MR. MATTHEWS: If I could just add one comment. So just I'm not familiar with Nucor's DRI. I know what's publicly available.

MALE PARTICIPANT: Microphone.

MR. MATTHEWS: I'm sorry. Is it on now? So I'm not familiar with Nucor's DRI. I just know about what's publicly available. But if I think about the timing of the market in February, I think there was also a shift in AISI capacity utilization. I know that U.S. Steel was in the process of taking down substantial capacity, and I believe I heard market rumors to the effect that maybe others were doing the same around that same time frame.

The immediate impact on scrap supply would have actually had a dramatic impact on scrap pricing during that time as well.

MR. CORKRAN: I believe that finished up my questions. Let me turn to the other members of the panel just to see if there are additional questions. Additional questions, no. With that, I thank you very much for your time. I really do appreciate it. We've given you a lot to think about as you prepare your briefs and we look forward to reading that. We'll take a brief recess of 10 minutes before we start the next panel. Thank you.

(Recess taken)

MR. BISHOP: Please come to order.

MR. CORKRAN: Thank you very much and welcome back. We're looking forward to this afternoon's panel. Mr. Cameron, whenever you are ready, you may begin.

MR. CAMERON: Thank you. Why don't we start, Micah? Julie?

MS. MENDOZA: This is Julie Mendoza. So, before we turn to our witnesses from Italy, who will start our presentation, I would just like to make a few comments about what was going on in the domestic market between 2014 and 2015, and what I hope is a little broader explanation of all of the market conditions.

First of all, what we will show you and what the industry didn't tell you is that in the first quarter of 2014 there were a number of major supply disruptions by the domestic producers due both to weather conditions and also to a U.S. Steel technical issue, I guess, with their ceiling and affect on their blast furnaces. So, there were some very big supply problems in the first quarter of 2014 that really had major ramifications for a number of purchasers in the market. And we'll be getting you that information from public sources so that you can see and we'll hear testimony about it today too from our witnesses.

The second thing is that you know this put a very big pressure on the customers particularly because there are so many market segments. So, it's not like they can just get core from anybody in the industry and switch around. So, when these kinds of supply disruptions occur, they have major efects, particularly, given the segmentation of the market.

Despite those increasing imports in 2014, which came in because people were very concerned about these supply disruptions and didn't want to put themselves again in that position and they wanted to hedge against those kinds of issues coming up again. And despite the fact that imports came into the market under those circumstances, you saw that pricing was very strong and profitability was very strong through most of 2014.

Unfortunately, at the very end of 2014, I believe the last quarter, oil and gas prices absolutely tanked, which meant the OCTG market went with it. Now, hot-rolled coil suddenly was very available. Obviously, hot-rolled coil prices were declining rapidly and U.S. producers had to look at what they were going to do with this capacity they had for hot-rolling, and customers were very aware that this hot-rolled situation existed.

And the oil and gas problem really had reverberations for prices in demand throughout the entire steel industry. And you saw it in hot-rolled prices and then you saw it in corrosion-resistant prices. The series Doug was referring to -- Mr. Corkran was referring to you definitely see that with hot-rolled prices plummeting and with corrosion-resistant prices following them down.

So, basically, at the same time in late 2014, but really starting earlier in 2014, iron ore and scrap prices also began to decline significantly. And in fact, the full scrap prices absolutely dropped at the end of

January of 2014 and you see in the press a lot of producers like Nucor talking about how the second quarter they were just beginning to feel some of these advantages from these raw material cost declines because of this three-month inventory lag time.

Now, there's a three-month inventory lag time until the producers feel the benefit of these declines in raw material prices, but customers realize it right away. And as these guys can all tell you, the customers as soon as they see those raw material prices declining they're saying to their suppliers we want to see price declines because we know that you have cost recoveries from that.

So basically, what we have is a situation where a confluence of events in 2014 lead to the volume increases in 2014 from imports as people began to hedge this possibility that they'd have to go through these supply disruptions. You saw another increase in imports in the beginning of 2015, the first quarter. Why? Because people were again afraid of weather conditions and these supply disruptions reoccurring. So, you saw imports orders being placed and as a consequence, imports came in in that first quarter.

With that, I'd like to turn it over to Mr. Daughtery, who is our witness on behalf of Arvedi, an Italian producer.

STATEMENT OF MICAH DAUGHERTY

MR. DAUGHERTY: Good afternoon members of the Commission staff. Thank you for giving me the opportunity to give you my testimony. My name is Micah Daugherty. I am a U.S. agent for Arvedi Steel out of Italy for its sales of flat-rolled products here in the United States. I've worked with the company for about five years and before that I was a manufacturing consultant for steel processors.

The Arvedi export product is primarily sold into the Florida and Texas markets, which have historically been dependent upon imports of flat-rolled steel and this is mostly due to logistical concerns and costs that are associated with you know trying to get the material into these regions from domestic suppliers. As a consequence, our competitors are primarily importers such as Brazil and Mexico rather than the domestic mills.

Now, we and our customers were very surprised to see that this case was even filed against Italy since we really import very small quantities while at the same time countries like Brazil and Mexico at a much more competitive price and also charging lower prices for the same like products of Arvedi.

I want to make clear that our customers also buy from domestic mills, not just foreign sources; but due to their location and these logistical challenges that I mentioned before and a need for diversity of product from suppliers they also purchase a quite large amount of imports.

This is going to become more and more important as we run into the summer months and for these regions especially because this summer, as we all know, U.S. Steel and Marcegaglia have union contracts that are set to expire and there is always a concern of supply disruption during that time.

During 2014 and 2015, Italy became more competitive relative to other importers primarily due to the decrease in value of the Euro, but overall, our presence remains miniscule. We have focused primarily on seven or eight customers here in the United States and of those our largest customers are in Florida and in Texas and they are end users who produce steel profiles and other structural products for the construction industry as well as some other ancillary products such as containers.

Our largest customer, who accounts for about a third of the imports from Arvedi, is located in Texas and our main competitor is actually the Mexican mills. That customer built that facility in 2011. And we went through a lengthy approval process during 2013. And since then -- actually since the first quarter of 2014, we were awarded the business and became their preferred supplier. As a result, our imports did increase to supply that particular facility.

We have two other large customers. They're large for us, that is, both are based in Florida and both are end users who use our product for a variety of construction applications. One of those customers has a facility located near the Port of Tampa, and they built that facility to serve the Florida market and with the intention to use imported steel to offset these high transportation costs as well as logistical concerns from domestic suppliers. Because of the range of construction-related grades that Arvedi can provide, we were awarded this business as well.

The product is supplied in the construction segment, in general. It requires certain mechanical properties and is a range of .012 to .057 inches in thickness. Our other major suppliers are service centers in the Midwest who produce parts for the automotive industry. And keep in mind, when I say major I'm talking about 15,000 tons on an annualized basis. Total imports for Italy as a county in 2014 were only 135,000 tons, which I estimate to be less than 1 percent of total of U.S. consumption. Forty-six thousand tons in the first quarter of 2015 is what's been brought in from Italy. Brazil imports for the first quarter of 2015 were 49,000 tons and Mexican imports were 55,000 tons, so I'm still failing to understand why Italy is being included in this case.

Arvedi has one galvanizing plant, which is used to produce high-strength grades of steel, such as for automotive quality for the Italian and European markets. Arvedi has a good relationship with Fiat/Chrysler in the U.S. and supplies a number of Tier 1 and Tier 2 automotive stamping companies in the Midwest that supply the company and other automotive companies.

Arveot has an unusual production capability that allows us to galvanize hot-rolled coil down to the thickness of .032 inches rather than producing material from a cold-rolled base. And importantly, we are able to roll this hot-rolled coil into light gauges with high-strength properties by imparting dual phase capabilities. This process is becoming increasingly important to meet the specifications of auto makers who are looking to reduce the weight of their vehicles while not sacrificing the strength.

Arvedi regularly produces thicknesses from .018 inches thick all the way down to .010 inches thick, and although our automotive grades are important to the industry, our product is not suitable for an exposed application and that's basically due to the fact that we use a hot-rolled substrate rather than a cold-rolled substrate, so there are some surface concerns. Most U.S. producers, in general, have been reluctant to produce light gauge material under .018 inches and this is due to efficiency constraints. And all of our customers tell us that the U.S. producers demand hefty surcharges for light gauge material. The thinner it gets the higher the cost it is and this is mostly to offset those efficiency problems at the domestic mills.

In Europe, producers have been required to supply this lighter gauge material to their automotive and white goods customers for some time. The same is true for other suppliers outside the United States who have already had to make the change for light-gauge material and light-gauge requirements in their own domestic markets. For that reason, Mexico and Brazil are still our largest competitors in this light-gauge market rather than the U.S. producers.

And I'd like to conclude my remarks by pointing out that the corrosion-resistant market in the United States has been very profitable compared to other flat-rolled products and U.S. producers have realized remarkably strong and consistent profits in my opinion. While prices declined in the first quarter of 2015, this was primarily due to lower raw material costs, including scrap and iron ore, which have declined significantly since the second half of 2014 and into 2015.

Also, the cold weather conditions, as Ms.

Mendoza had mentioned in the beginning of 2014 and concerns that it could happen again in 2015, puts a lot of pressure on raw material supplies as it's coming out of areas you know farther north and we know how that is up there.

Unfortunately, customers they see this and they demand that these prices be reduced because they see that you know, hey, this is an opportunity for us to get a deal. So, the raw material costs declines it tends to take a while, but it does happen. And this is usually due to a lag in inventory, a lag in the cost, a lag in the time to get the material where it needs to go.

So needless to say, the first quarter of 2015 has been a challenge as well as 2014, but due to these continued declines in iron ore prices and the sudden and precipitous drop in scrap prices at the end of January of this year, both the mini mills in the U.S. and the U.S. integrated producers should've realized another major improvement in their profits by May of this year. And it takes about three months to realize that improvement in the profits and it takes about three months for that inventory to turn over.

And I have no doubt if this case continues against Italy that the only affect will be to see more and more increased imports from Mexico and Brazil. In fact, we're really already seeing these higher levels today.

Thank you very much.

STATEMENT OF DONALD BRUNSWICK

MR. BRUNSWICK: My name is Donald Brunswick. I'm Vice President and Director of Sales for Marcegaglia-USA. I've been in my current position for approximately three years and previous to this I filled many sales and was in the production supervisor position at Marcegaglia for the past five years prior to that.

Marcegaglia-USA is a fabricator and manufacturer of specialty galvanized carbon steel and structural tubing for primarily stainless steel pipe and tube. Our galvanizing tubing produced in the United States is used for manufacturing, animal confinement, turnstiles, scaffolding, greenhouses, frames for bulk containers and other specialty applications engineered by our customers.

We manufacture our galvanized tubing by forming galvanized steel strip on a continuous production mill; thus, primarily used for internal consumption. Although we mostly sourced domestically-produced galvanized steel in the past, Marcegaglia-USA presently imports from Italy some of our galvanized steel from our parent company, Marcegaglia-USA, in Italy.

I'm going to ad lib a little bit here and make a remark on some words that I've seen heard earlier or I've heard earlier today. I'm hearing a lot about the import surges in early 2014, but we fail to provide some kind of substantial evidence to why that import has happened or valid reasons. And at this time domestic suppliers -- at this time in 2014, domestic suppliers forced the hand of the consumers to look elsewhere for a contingency plan because of major shortfalls in domestic supply. We can go into more details for these reasons, but consumers such as Marcegaglia-USA cannot lose market share, customers, and revenue because of continued failed deliveries if there is so much capacity domestically why always failed delivery service?

Just to give you an example, I believe you've seen another trend as domestic suppliers in 2015 opened the doors to import due to inability to meet demand deliveries. This is a fact. One particular supplier -- I won't mention them, but they're domestic -- was 43 percent late in 2014 deliveries for Marcegaglia USA, 43 percent late. On top of this, we also import very small quantities of galvanized core steel product for a single customer that we understand supplies automotive stamping products.

Unlike the other countries under investigation, Italy is a very limited supplier of core to the U.S. market. Italy's volumes of exports during the POI has been both small, both absolutely and in relation to the overall U.S. domestic market. The vast majority of Italian steel that is exported has always gone to other European countries. Italy has been less than a marginal supplier to the U.S. market and remains on the cusp of negligibility. No one in the market that I've talked to can understand why Italy was included in this case.

Certainly, imports from Italy are insignificant in comparison to the U.S. market. To put it in perspective, Italy imported 45,000 tons in the first quarter of 2015 in a market of over 20 million tons. That's two-tenths of a percent. How could such a small supplier have an impact on U.S. producers? Canada, Mexico, and most recently Brazil are larger and have not been included in this investigation by Petitioners.

Italy, historically and today, is a negligible participant in the U.S. core market. Marcegaglia and the other Italian suppliers have always focused on their domestic market first and on exports to the EU and other export markets in Europe. Of course, they have continued to do so even during the last year and in the first quarter of 2015. However, given that steel production and steel producers are part of an increasingly international market, shifts in import and export patterns on a small scale are inevitable. The European economy had a sluggish economic recovery and the U.S. dollar appreciated sharply against the Euro over a very compressed time period, which meant the

Italian producers could sell at a higher price in the U.S. market than in Europe. In other words, this is the opposite of dumping. This phenomenon was not limited to Italy as imports from other European suppliers also increased.

France and Luxembourg both tripled their exports between 2013 and '14. And the Netherlands, Spain, and the UK all had large percentage increases in their exports to the United States as well; however, none of them, including Italy had or have had any meaningful presence in the U.S. market. These unusual circumstances that account for the growth in exports from Italy are not sustainable. Already there are clear indications that steel demand in Europe, particularly in Germany, Spain, and the UK is finally recovering. By its nature, the current strength of the dollar against the Euro is a temporary phenomenon. For these reasons, I do not expect imports from Italy to continue to increase.

As the Commission considers the role and impact of imports from Italy, it is also important to understand that there is a very large spectrum of products within the broad category of corrosion-resistant steel and not all core is the same. Domestic producers preferred to focus on wideband coils 48 inches or more and on thicker gauges. Obviously, this is because the steel output constrained by line speed if you're running wider, thicker steel your output tonnage is higher and your production efficiency increases. We all know this.

Domestic steel makers can produce narrower and thinner gauged steel, but they prefer not to and often include significant up charges for doing so. For these reasons, many customers who require a narrower and thinner gauge steel prefer to purchase imports. In the case of Marcegaglia-USA, the galvanized steel we use for our specialty galvanized tube is typically 2.5 to 3-inch strip wide. When we purchase this steel domestically, we have to pay an outside processor to re-slit the material, but when we import from Italy we're able to import pre-slit the width we require.

In addition, European standards provide a product in which chemical mechanical properties are superior to current products available in the U.S. by claim of our tube customers and not available by any domestic supplier of which I am aware. Thank you.

STATEMENT OF PAUL QUARTARARO

MR. QUARTARARO: Good afternoon. My name is Paul Quartararo. I am Vice President of Spectra Resources Corp., a distributor with facilities on the west coast and in Austin, Texas.

Spectra Resources processes and distributes a variety of steel products including corrosion-resistant steel. Spectra purchases and distributes CORE produced by various producers including Dongbu Steel of Korea, other overseas producers and U.S. producers.

Spectra Resources purchases and distributes many different steel products including hot-rolled, cold-rolled, and a variety of CORE products in all grades and sizes, but we focus on galvalume for use in the construction industry.

We purchase bare and prepainted CORE, and Spectra paints large volumes of domestic and imported materials. Over 80 percent of the CORE that Spectra purchases is galvalume. Galvalume is used primarily in the construction industry to produce steel building components including roofing, siding, and panels.

I would like to discuss a couple of things with respect to the CORE that we purchase. First, the galvalume that we process and distribute goes primarily to the construction industry. The construction industry is seasonal and the first quarter is always the lowest quarter for usage. In 2015 the harsh winter further delayed the start of the busy season in construction, with predictable results.

That said, the construction sector has been growing, and with it, demand for galvalume and other CORE used in construction. Second, there is a limitation to produce galvalume by domestic producers. While there is more than 27 million tons of capacity to produce hot dip CORE products which include galvanized, aluminized, galvanneal, and galvalume, most domestic steel producers do not have the ability to produce galvalume. Only steel producers that have a twin pot manufacturing capability can produce galvalume. As of today the total capacity to produce galvalume is just 1.25 million tons per year. There is only one domestic producer of galvalume on the west coast. At the same time, we estimate the U.S. galvalume demand exceeds two million tons. There is therefore a substantial shortfall of domestic supply and this shortfall has to be made up by imports including imports from Korea.

Our experience is that the quality that we receive from Dongbu is superior to the quality of the domestic mills. Our rejection rate of steel from Dongbu is less than .1 percent while reject rates for domestically sourced steel are closer to 1 percent.

The Korean material has superior surface, shape, and yield characteristics in our experience. The Korean galvalume is also superior to galvalume from China and India in terms of surface condition.

Finally, prices for CORE have declined as a result of significant declines in raw material prices. This includes scrap and iron ore and in particular hot-rolled coil. When demand for steel products dedicated to the oil and gas industry was strong, hot-rolled prices were strong.

Once the oil and gas market collapsed, hot-rolled prices dropped significantly as well. This created an unsustainable gap between hot-rolled prices and CORE prices. Thus, even though CORE demand has been stable and even growing, the prices declined for both domestic producers and foreign producers in response to hot-rolled steel material prices. Hot-rolled is the major cost input for CORE products.

Lead times to purchase domestic CORE are significantly less than the lead times to purchase imported CORE. Our prices are fixed at the time of purchase, but the lead time from Asia is between five to six months.

In the period between order and delivery, when the prices fall, we take a loss in our selling price compared to our purchase price. That has been the recent condition with respect to our import purchases.

Thank you.

STATEMENT OF W. J. LEE

MR. LEE: Good afternoon. My name is W. J. Lee, and I am with Hyundai Steel in Korea. I have worked for Hyundai Steel for 11 years. I am very familiar with Hyundai Steel's CORE business. Hyundai's CORE exports to the United States have had no impact on the U.S. producers of CORE.

Virtually all of the CORE that Hyundai Steel exports to the United States is automotive grade CORE that goes to Hyundai Motor and Kia Motor, which are the largest shareholders in Hyundai Steel and Hysco America. Hysco America is the exclusive importer of Hyundai Steel and the company that purchases CORE for car bodies for Hyundai Motor and Kia Motors.

Automotive CORE possesses different characteristics from CORE for structural and other commercial uses. For instance, the tolerances for automotive steel are significantly different. As a result of these quality differences, the quality standards for the galvannealed CORE used to produce both exposed and unexposed parts is manufactured to much tighter tolerances than the standards for commercial or structural quality. As a result of these quality differences, automotive grade steel typically is priced significantly higher than commercial or structural CORE.

Huysco America acts as the steel purchasing agent for Hyundai Motor and Kia Motor needs. As such, they arrange purchases from not only Korean producers, but also domestic producers as well. A significant percentage of CORE purchased by Hysco America for Hyundai Motor and Kia Motor is from domestic producers.

Hyundai Motor and Kia Motor purchase CORE from

Hyundai Steel that only Hyundai Steel can produce. The reason is that the development process for an automobile model takes place in Korea and requires approximately 24 months. During this development process, Hyundai Steel partners with Hyundai Motor and Kia Motor in designing specific parts and components for specific applications as an auto model is developed. When mass production begins, both in Korea and the United States, the auto companies continue to use Hyundai's CORE for these critical components to ensure consistency of supply and quality and to maintain control over dissemination of confidential technologies being used in their automobiles. In addition, much of the CORE exported by Hyundai Steel is not produced by domestic manufacturers to the tolerances required by Hyundai Motor and Kia Motor.

However, for more standardized parts and components, Hyundai Motor and Kia do purchase from domestic producers for their U.S. auto plants. Today, a significant portion of Hyundai Motor and Kia Motor purchases of steel is from domestic U.S. mills.

The domestic producers of CORE dominate the supply of CORE to U.S. auto producers. As the Commission heard in the recent CORE sunset case, for automakers, availability, consistency of supply, and quality are the most important attributes in making purchasing decisions.

Domestic CORE producers have a built-in advantage over imports when it comes to the lead times and reliability and stability of supply because of their proximity to the market. Hyundai Steel does not export CORE to any U.S. automobile makers other than Hyundai Motor and Kia Motor and has no plan to begin doing so.

Hyundai Motor continues to increase production with benefits for both Korean and U.S. CORE producers.

Thank you.

STATEMENT OF HYUN MI CHO

MS. CHO: Good afternoon. My name is Hyun Mi Cho and I am the Manager of the International Trade Affairs Group in the Steel Business Strategy Department at POSCO Korea. I've worked for POSCO for three years. POSCO is the largest steel producer in Korea, but is only a limited supplier of CORE to the United States. Virtually all of the CORE that POSCO exports to the U.S. is automobile grade CORE sold to foreign transplant auto manufacturers. POSCO's subsidiary, POSCO C&C, also exports prepainted galvalume and titanium microalloy steel to the U.S.

The automotive grade CORE that POSCO exports to the U.S. is very different from other types of galvanized steel. This product is not used for any other uses, and structural and commercial quality CORE is not used for automobile manufacturing. The physical characteristics and tolerances for automotive steel are different. For most types of structural and commercial CORE, the most important attribute is strength. However, for automotive steel strength is obviously important, but so are surface roughness (for steel used in exterior applications) and ductability (for steel used for stamping internal parts). In addition, automobile producers are constantly working to reduce weight in order to comply with auto mileage standards. As a result of these differences, the quality standards for automotive grade CORE is manufactured to much tighter tolerances than the standards for commercial or structural quality.

In case of POSCO, the CORE that it supplies to its U.S. auto manufacturer customers is a specialty product that is not available from domestic CORE producers. The CORE POSCO supplies for exposed parts meets special customer-specific tolerances that exceed those required by most North American auto manufacturers. Similarly, the CORE that POSCO supplies for non-exposed parts is mainly very high tensile strength steel that is being used for specific components. None of this CORE competes directly with domestically produced CORE.

POSCO C&C exports prepainted galvalume and titanium microalloy CORE to the U.S. Gavalume is used primarily in the construction industry to produce roofing, panels and siding. There is a shortfall in domestic production of prepainted galvalume. Titanium microalloy CORE is a specialized product used for exhaust systems in automobiles and this alloy component is added to enhance drawability and formability as required by the customers.

Thank you.

STATEMENT OF MR. STEPHAN SCHOOP

MR. SCHOOP: Good afternoon. I'm Stephan Schoop, Chief Executive Officer of Uttam Galva North America. I would like to use my time to supplement and reinforce some of the points you've already heard today.

In particular I want to highlight three points I believe are critical to understand the case.

One, the U.S. industry has had significant supply constraints particularly in the first quarter 2014.

Two, in addition to the lower raw material costs, that you have already heard about from others here, steel prices have declined because of lower oil and gas prices.

Three, imports play an important role as a compliment to the domestic industry products, which is needed to meet demand from downstream U.S. manufacturers.

There were some very significant developments in 2014 that impacted the U.S. steel industry, none of which had anything to do with the presence of imports in the U.S. market. Most notably we'd like to recall the harsh winter conditions early last year. As reported in the April 6, 2014 edition of the Steel Market Update, ice on the Great Lakes affected the ability of major steel producers to maintain production and meet demand. As a result of this and a series of unfortunate incidents, operations of major plants were losing a reported 30 to 35,000 tons of steel-making capacity each day. That put pressure on other mills which told U.S. customers that their supply was limited.

Severstal North America whose facilities have since been acquired by AK Steel and Steel Dynamics, issued a letter to their customers advising, and I quote, "Over the past several weeks unforeseen and unfortunate events have significantly impacted the supply of steel in the marketplace. As a result, we are experiencing a dramatic influx of orders for steel from our two mills. As much as we would like to fulfill all of the requests, our production is at capacity.

Late last year we put out a notice to our customers saying that we felt that risk in the steel supply chain was being undervalued by the market. Inventories are generally low and supply chains are tight, but production hiccups at steel mills, and delivery delays occur frequently despite best intentions.

Even after we are through the period of

restricted supply, we continue to feel that risk will be undervalued." Unquote.

And we will include a copy of that article and letter in our post-conference brief.

The historic levels of ice constrained production and distribution by other U.S. steel companies like ArcelorMittal and AK Steel. U.S. downstream fabricators were faced with much longer delivery times for their steel forcing them to supplement their raw material needs from offshore suppliers.

Our customers run factories producing products used in our daily life. A reliable supply chain is their lifeblood. They need a steady supply and assurances that they won't run out of steel and have to halt their own production because of suppliers abruptly extending lead times or, which happened too, invoking force majeure clauses in contracts for nondelivery.

That is where imports like those from Uttan Galva come in. U.S. buyers reach out to foreign mills to deal with U.S. supply constraints pretty much as advised in the mentioned 2014 letter to customers and in addition to obtain products the U.S. industry doesn't produce or does not like to produce.

With regards to steel prices in the past 12 months, the U.S. industry, just like any other industry, unexpectedly faced a significant drop in demand resulting from the steep decline of the price of oil and gas.

There is a direct correlation from our perspective between the price of oil and the price of steel products like hot-rolled and corrosion resistant. The drop in oil and gas prices meant reduced demand for steel used in oil rigs, tanks, and pipes. In fact, it was a precipitous drop in oil prices and not imports that have left U.S. mills with excess capacity.

Indian producers have been selling to the U.S. market for the last two decades, consistently focusing on niche products that has limited availability in the U.S. market, namely light gauge and very light gauge galvanized steel 0.018 inches and below. These light gauge products are primarily used in general construction products for the heating, ventilation, and air conditioning market and in specialized applications such as, for example, ceiling grids.

Uttam Galva is not in the U.S. market because it cannot sell elsewhere. We're here because there is a demand for our products that is not being met by U.S. producers, and demand for a backstop to insure reliable and competitive supply of steel so that the U.S. manufacturing base can compete with their products in the global marketplace.

Uttam Galva opened up its office in the U.S. last year to bring it closer to the customers in the market and to enhance our ability to complement, not displace, U.S. production. It's good business and exactly what the markets need. It's not unfair trade.

Thank you.

STATEMENT OF JEFFREY S. NEELEY

MR. NEELEY: I'm Jeff Neeley from the law firm of Husch Blackwell. I'm here with my colleague Michael Holton on behalf of the China Iron and Steel Association and the members that we listed in our appearance. Those members represent about 80 percent of the exports to the United States. That is, if we compare the exports that we've listed from those companies to what was in the petition in Exhibit -- I think it was Roman 112, we see that we've got 80 percent of exports. That's a very substantial amount. I think we very much represent what's going on in the Chinese industry.

A lot of what I'd like to talk about today I can't talk about because it involves confidential data and we'll just have to address that in our EPO brief. What I would suggest, however, and we've heard the word "facile" this morning, I would say the word facile also applies to the idea that we would look only at sort of what the bottom line is of what the domestic industry has given you in terms of their data. I think we need to look behind that. We need to look at it in some detail, analyze what's going on by company by company and also simply, you know, do a few reality checks to the data that we're receiving. And we'll address that because most of that, of course, is EPO information, and we'll do that in our brief.

I want to talk for a couple of minutes about China. Of course China is, you know, a major country amongst the countries that are before you today. But when we look at what's actually going on with China, we find something -- a few things that are quite significant. First of all, much of the Chinese, a very substantial amount of the Chinese exports are to the west coast. The Commission knows from past cases that the west coast is kind of a unique market particularly with regards to steel. The west coast has transportation issues, you know, shipping stuff from northwestern Indiana or from further east to the west coast is incredibly expensive. Ocean transportation is relatively cheap. And so that market is quite unique and different from other markets in the United States. And it has been and will remain such.

We're not making a regional industry argument, but we are saying that the Commission should consider the west coast market that we're selling into in terms of causation to be a different situation. A situation where there may not be sufficient supplies from the United States suppliers to supply the customers that China is supplying. And we'll provide further information in the brief on that.

Secondly, China does not primarily sell to the automotive side of the market. However, there have been exceptions to that. And we heard this morning that the U.S. industry can provide steel to, you know, virtually any kind to the big three or to anybody else. That may be true in theory, but we have some very specific information with regard to some high-strength automotive products that we were asked to provide simply because the United States producers could not provide it in any timely fashion and maybe not at all. So we'll provide that information as well. I think it shows a very different story than what we heard this morning.

Thirdly, China has primarily been selling to the construction sector of the United States. That construction sector has been doing quite well. There's a lag time, as the Commission knows, between the time that you order something from China and the time that it arrives. Much of what came in in the first quarter of 2015 was ordered in 2014. But we've seen that this was, you know, a sector that we have been asked to supply and the demand has driven that. The demand has driven it in the sense that -- and I think we'll hear more about this from Mr. Cameron and others later, but the reality is that you can't go on and say on the one hand that you're buyers are sophisticated and on the other hand say that they can simply ignore what's going on with the raw materials costs of the product. I think that the buyers in our experience have noticed that and have demanded that prices go where you would expect them to go which is downward in sync with what's going on with the raw materials.

Finally, I would just really quickly touch on the threat issue. You know, we heard this morning something about, you know, these are export-oriented countries and export-oriented industries. I mean, I thought, you know, somebody had cut and pasted from the wrong case. I mean, that's not what is going on in this industry, certainly in China nor I think in some of the other countries there. China, first of all, outside of its home market, has numerous other markets. But there's a really huge market inside China. And primarily that's where the product is going.

The vast utilization varies from company to company, but remains quite high. And listen to what the domestic industry said. You know, they talk about China like, oh, everything's falling off. Oh, it's awful and then said, "and the growth rate is 7 percent." You know, 7 percent. I think we'd take that in this country seven days a week. It is much higher than the United States. The notion that everything has gone to hell in a hand basket in China is ridiculous.

There is a very substantial amount of demand there. There will continue to be for the foreseeable future, at least in the foreseeable future that the Commission looks at. So we don't see the threat case either and we certainly don't see the current material injury case.

Thank you.

STATEMENT OF DON CAMERON

MR. CAMERON: Don Cameron speaking on behalf of Prosperity Tieh Enterprise, Limited. I have a couple of short, very short points to make. First, Prosperity Tieh is one of three major Taiwanese exporters to the United States. It has three coating lines, two paint lines. They did submit a foreign producer questionnaire to the Commission.

A significant portion of Prosperity Tieh's production and exports to the United States are galvalume. Galvalume is an important segment of the galvanized market, and as you heard earlier, there's limited galvalume capacity in the United States, and imports fill the gap in demand. Prosperity Tieh is a first tier supplier of high quality galvalume.

Finally, a significant portion of Prosperity Tieh's imports are also high strength, thin-gauge and narrow. 0.018 inches and under in thickness, 45 inches or less in width and Grade 80. Thin-gauge narrow material is also a market segment that most U.S. producers do not prefer, as earlier discussed. The reason is no efficiencies. Narrow thin-gauge core is the least efficient product the mill can produce. The same goes for Grade 80. Thank you.

STATEMENT OF MIKE HARTMAN

MR. HARTMAN: Good afternoon members of the Commission staff. My name is Mike Hartman. I am an owner and general manager of Procon Metals, Incorporated, an importer and distributor of certain corrosion-resistant metals based in Warren, Ohio. I appreciate the opportunity to testify this morning or this afternoon.

The point I wish to make today is brief, but important. There are two corrosion-resistant products, the fusion and the old nickel-plated steel and copper-plated steel, which should each be treated as separate like products if they are included in this investigation at all.

DCC is the producer of these products, and they do not produce the zinc or aluminized products described this morning. The first of these products, diffusion and the old nickel plated steel, was most recently subject of a 2013-'14 anti-dumping investigation of imports of that product from Japan.

In that investigation the Commissioner -- the

Commission concluded that this steel product was a single like product for purposes of anti-dumping analysis. That conclusion remains valid in this investigation, notwithstanding that the requested scope of this investigation is much broader.

The fusion and the old nickel-plated steel is a specialized product used primarily to manufacture cans and end caps for alkaline and lithium batteries, the use accounting for over 90 percent of U.S. consumer -- consumption of this product. The remaining ten percent of production is used for armored fuel lines. The annealing process after nickel plating produces a layer of iron nickel alloy between the steel substrate and the nickel coating, which creates a metallurgical bond making diffusion-annealed nickel plated steel particularly suited for use in these environments.

The factors used to identify a domestic like product strongly support treating diffusion-annealed nickel plated steel as a separate like product in this investigation. The product has a unique physical appearance and character. Unlike most anti-corrosion treatments, the nickel plating protects the steel surface by creating a barrier coating.

Zinc is a sacrificial protective layer, and thus when compared to a nickel plating, the two materials are not similar in how they protect the steel as a corrosion-resistant layer to that steel. The diffusion-annealed product is not interchangeable with other products.

Domestic battery manufacturers and automotive producers have rigorous processes for qualifying the fusion-annealed nickel plated steel for use in making their products. Other corrosion-resistant steel products are simply not interchangeable. The product moves through distinct channels of distribution. It is sold overwhelmingly to domestic battery producers, typically pursuant to exclusive or non-exclusive supply contracts directed at specific end uses for which the nickel-plated steel has been qualified.

Customers perceive nickel diffusion-anneal plated steel as a unique product, suited for making batteries and automotive fuel lines. They would not substitute other products for, nor would producers of other products requiring the attributes of hot-tipped galvanized, galva-annealed, aluminized or electro-galvanized contemplate using it.

The petition indicates that corrosion-resistant steels embraced therein typically sell for between 840 and 920 per ton. Diffusion-annealed nickel plated steel typically sells for at least twice as much. There is a domestic company producing diffusion-annealed nickel plated steel, Thomas Steel Strip Corporation, a Tata Company, with a single manufacturing facility in Ohio.

Thomas, which petitioned for relief in 2013-'14 anti-dumping investigation against the Japanese products, using Netherlands origin steel in their United States plant. It is the sole producer of this like product in the United States. The anti-dumping investigation of Japanese products determined that the market for this steel has unique characteristics in terms of elasticity of demand, substitutability of products and other factors.

Thomas Steel petitioned for relief from Japanese imports of diffusion-annealed steel. It did not petition then for relief from the imported volume from South Korea, and still has not, even though it has come to the table late and pledged support for a petition filed by others.

As the intent of this petition is clearly based on the millions of tons associated with zinc and aluminized coated products, the total volume of diffusion-annealed nickel plated steel imported into the United States by Procon Metals and TCC, the producer of such, would account for less than 0.08 percent of the 2.7 million tons of subject imports in 2014.

The only proper way for the Commission to evaluate diffusion-annealed nickel plated steel is to treat it as a separate like product with Thomas Steel, the only domestic producer of that said like product. Legal precedent commands it, and grouping this steel product with other corrosion-resistant steels named in the petition would not further the Commission's analysis for the purpose of the anti-dumping statute.

Furthermore, I fail to understand why this petition continues to include diffusion-annealed nickel plated steel. None of the petitioning domestic mills produces this product, or to my knowledge has any intentions of producing it in the near future. They do not represent industry making this product.

The like product factors enumerated above apply with equal force to the second product in question, copper-plated anti-corrosive steel. This is another product that listed as a core product within the anti-corrosion petition, but copper plated steel products are used extensively and almost exclusively in the production of automotive brake lines.

They have unique physical characteristics, distinct channels of trade and are subject to unique customer qualifications, and are priced at levels far above 840 to 920 per ton, as the petition has outlined. There's a single domestic identified producer of this product, Apollo Metals, an affiliate of the aforementioned Thomas Steel

Strip Corporation.

This is a material requiring customer qualifications as a precedent to award of a sales contract. It sells for a much higher price than the other corrosion-resistant steels cited in the petition. Any analysis of this product must also be treated as a separate like product.

While the domestic petitioners have told the Commission they want these products in the investigation, none of them produce them and none of the trends they've discussed this morning apply to these products. As my speaking today time was limited, I will simply note the specifications for these unique products will be listed in our company's post-hearing brief, together with an extended explanation of why these should be treated as separate like products, for which there is no reasonable indication of industry to the domestic market. I'm ready to answer any questions the Commission staff may have. Thank you for this opportunity to testify.

MR. CAMERON: Doug, just we have just one point -- a couple of points we want to make with respect to the automotive grades, since it's been such a topic this morning. We didn't say that U.S. producers cannot and do not make similar products. Similar, by the way, doesn't cut it in this industry.

They do make similar products, and there's a domestic -- as one domestic industry witness candidly explained, producers manufacture parts for a platform, and actually the statement by U.S. Steel that well, we can easily lose that if it's a seven year -- a seven year platform. We can lose it any year.

They've got to really screw up to lose it, because the reality is that they are tailoring production, an entire production line with those components and with the tolerances and with the specs of that product by that manufacturer, that that manufacturer is guaranteeing. So please, spare me the details about how oh, it's up every year.

The fact is the tolerances for some of these parts and for some of the transplants are not and cannot be reliably produced by these companies. We made that statement this morning, we made it this afternoon, and we're sticking by that statement, and we will be glad to provide you with the evidence of that statement in our post-hearing brief.

Does that mean that U.S. producers can't produce auto grade? No. Did we ever say that? No, we didn't. But it does mean that purchases in the auto market are based on factors -- I know this is going to be a revelation to you -- but other than price. Other than price factors actually factor into the purchase of auto grade steel. Fascinating concept.

This is something that this Commission is well aware of. That was the basis of the termination on sunset in 2007. That was also the basis of termination ultimately in 2012. And finally, the focus on the auto market is somewhat fascinating to me. Subject imports represented here at this table represent a minuscule -- the word minuscule is probably and overstatement -- a minuscule portion of the auto grade corrosion market.

The domestic industry is the one that owns that market, and ask them. I think it's in the questionnaires, but I'm really not sure how it's gathered. But ask them how much they are supplying of auto grade to all of their customers, because I can count on one hand the number of U.S. automobile makers that are being supplied by our clients.

And so the idea that somehow there is this huge assault on the auto grade, that's absurd, and the point that we made was no. Imports of auto grade by subject manufacturers is not having any impact on this industry. So with that, I'd like to thank you all for your time, and our panel is ready to respond to your questions. Thank you.

MR. CORCORAN: Thank you very much. Before we turn to our rotation of questioners, let me first ask my colleagues if there are any Italian-specific questions to ask. We have a flight to issue. Does anybody have an Italian question? Ms. Messer, okay.

MS. MESSER: This is Mary Messer, Office of Investigations. I just have one Italian question for Mr. Daugherty. You're with Arvada?

MR. DAUGHERTY: Arvedi.

MS. MESSER: Arvedi, I'm sorry, excuse me. Now is Arvedi the importer?

MR. DAUGHERTY: The importer of record.

MS. MESSER: The importer of record of the foreign producer?

MR. DAUGHERTY: To Arvedi is actually the foreign producer. Yes, to my knowledge, they are.

MS. MENDOZA: Let me just answer that. This is Julie Mendoza. Yes in fact they are, and I know we owe you some information.

MS. MESSER: Okay. Thank you very much.

MS. MENDOZA: They were not aware --

MS. MESSER: I have a huge hole in my data on imports from Arvedi.

MS. MENDOZA: They were not aware of the issue of DDP and some of those other issues, because they're new to this process, but we're getting it to you and we'll get it to you shortly. I meant to say something to you before.

I apologize.

MS. MESSER: Okay, thank you. Those are all the Italian-specific questions I have.

MR. KNIPE: Thank you. You heard the Petitioners mention anemic demand in the Italian market, among other places, as contributing to excess supply, and I just wanted to know if you had a response to that.

MR. DAUGHERTY: Well, I probably could answer a little bit of that. Italy is actually -- well Italy is the second largest producer of steel in Europe, and Italy has a very strong and robust domestic market. There are, you know, several automotive suppliers there which, you know, I believe all of the mills to my knowledge are involved with.

But bigger yet, one of the issues that I think mostly everybody in this room is probably aware of, several years ago the largest producer probably in Europe, which is galva, was basically shut down by the government due to environmental concerns. That put a real strain on steel supply in Europe, in which those effects are still being felt today.

Ilva is a producer of about 8-1/2 million tons of steel, and they're nowhere near probably even 50 percent of that capacity today. Arvedi, I'll speak for Arvedi, in a sense being that we are a hot roll producer, you know, and downstream. A lot of our hot roll capacity went to helping support, you know, that company in the domestic market.

Also in addition to that, and I did make some notes on this, for 2015, car sales in Europe in general are up. The demand for car sales is up. There's actually been three months consecutive we've seen continuing increases for car sales, and that's in 2015 alone. So you know, that's obviously going to put some future strain on steel demands, especially in the Italian market, because Fiat Chrysler is one of the larger, you know, is one of the larger producers. So that's definitely one of the companies involved.

The real state market is slow to come back, but it's making a comeback. The work permits, I'm trying to think of a technical term for it, but the work permits to basically to build are increasing. They have increased for 2015. So a lot of those jobs that may have been put on hold last year, and there's new jobs coming forth this year, are starting to take place.

So the construction market is picking up, which is also going to be an increase in the demand for steel in Europe, not just in Italy but in Europe in general, and all of this being said and the proof behind it is we're seeing all European suppliers basically with their lead time starting to push out eight to ten weeks. Well if you do eight to ten weeks from today, you're running into August, which is the European holiday.

So now you add another three weeks to that, so now you're looking at September probably as a lead time. So the European market, although the economy is slow to recover, much like it is here in the U.S., is recovering, and it's starting to recover with some robustness which is going to, you know, increase the demand for steel. I don't know if that answers your question but --

MR. BRUNSWICK: Mr. Knipe, this is Donald Brunswick from Marcegaglia. To expand on Mr. Daugherty's information provided to you for your question, I can gather more market intelligence specific to Italy, the producers of Italy and how the trends they see in each of their markets expand over the next year, if that would help, and I can present that to Ms. Mendoza.

MR. KNIPE: That would be great, thank you.

MR. BRUNSWICK: Okay.

MR. CORCORAN: Ms. Turner.

MS. TURNER: I have just a follow-up of one question on your testimony, Mr. Daugherty. You had indicated right at the beginning that you sell primarily into Florida and Texas markets, because they're freight-competitive, and I guess the question is is east coast markets are not also freight-competitive for Italy?

MR. DAUGHERTY: Well I mean yes and no. Yeah. It's really relative to the application. My particular market that I'm in charge of for the mill is for the Southeast and the Gulf, and that's where we started about five years ago, and that's where the largest market share is.

Up until probably two years ago or three years ago when the old Bethlehem Steel was completely shuttered, that wouldn't have been probably a concern. But you have a lot of east coast and suppliers in the Pittsburgh area that can readily get to the east coast supply better than we probably could.

I mean is it close in proximity? Yeah, absolutely it is. But the issue is is when you look at the distance between U.S. domestic suppliers in Florida or U.S. domestic suppliers in Texas, and then you look at U.S. domestic suppliers versus let's say the east coast and the Philadelphia area or so forth, there's a disparaging distance there. So it's, you know, there's a large distance between that.

MS. TURNER: So but from what you're saying, it sounds to me that what you're talking about is really not freight-competitive, because it would be just as freight competitive for you to go to Philly as it would to go to Florida from Italy.

MR. CAMERON: Freight competitive compared to domestic producers. In other words, if the domestic producer is located next door, right, then their freight is going to be much cheaper, and then so the freight element that's going to have to pay compared to what they have to pay is going to be vastly different, and therefore he's not competitive on the freight element of the cost. Is that right?

MR. DAUGHERTY: Yeah, that's correct.

MR. BRUNSWICK: And Ms. Turner, if I could expand on that as well, what he's referring to is a domestic mill such as U.S. Steel, SDI who is in the northeast, inland transportation is much more expensive than he would be able to get to the Florida markets.

MS. TURNER: I understand that aspect from it. I guess I was understanding. But he's basically willing to compete in each of those other markets. He's just finding that -- and of course I believe Nucor Steel is in the south as well.

MR. BRUNSWICK: Correct, correct.

MS. TURNER: So that's not the same thing as the Pittsburgh thing. So the fact of the matter is you're competing in each of those markets. It's really not --

MS. MENDOZA: I mean just to -- this is Julie Mendoza. Just to clarify, I think what he's saying, though, is that, you know, we have a very small amount of tonnage, right. So he's talking about where they've decided to put that tonnage, and where they've decided to put that tonnage is primarily into Florida and Texas. I mean there just isn't that much, right? So he's saying, you know, that's where they've chosen to be, because that's where they have their greatest, great advantage.

Not that they couldn't sell other places, but given the limited tonnage, they haven't. So they've focused --

MR. DAUGHERTY: Right yeah, and I'm going to expand on what Ms. Mendoza said as well. One of the issues as, you know, as a foreign supplier or foreign producer, you know, you need a certain amount of tonnage to get into a port, to make it even worthwhile going in there. It's not like, you know, we're going to ship, you know, two to three hundred tons into a port.

Those markets just weren't that appealing to us versus, you know, versus a market that's in the southeast, where the competition is really global. It's more of a global market in Texas and more of a global market in Florida.

MS. MENDOZA: Global meaning imported?

MR. DAUGHERTY: Right.

MS. TURNER: So you're competing against other imports as opposed to the domestic is what you're actually focusing your imports on?

MR. DAUGHERTY: Right, that's correct.
MS. TURNER: Thank you.
MR. CORCORAN: Okay. With that, we will resume our regular questioning order. Ms. Messer.
MS. MESSER: Thank you. This is Mary Messer, Office of Investigations. I'd like to first turn to Mr. Neeley, way back there. You had mentioned that your firms cover about 80 percent of exports.
MR. NEELEY: Right.
MS. MESSER: Now can you explain? Was this based on the number of companies listed, the amount of quantity?
MR. NEELEY: No, no, no. No, it's based on quantity, based on adding up the quantity of the people who responded, the companies that responded and dividing it by what was in Roman 112, the petition.
MS. TURNER: So 80 percent of what was provided in the petition?
MR. NEELEY: Yeah. The Petitioners alleged, you know, a certain amount of exports to the United States, and we compared what we put into that.
MS. TURNER: Can you give me an estimate as to how much they account for of the entire Chinese production capacity? Can you --
MR. NEELEY: I would have to check with the

client as to what else is in China. I don't know. I don't have that number off the top of my head.

MS. TURNER: Okay, thank you. I'd appreciate that, if you could get that to us, and I just have a couple more questions. One is for pretty much everybody to respond to, either here or in post-conference. Procon listed diffusion-annealed nickel plated steel as a separate domestic like product, and went through the factors the Commission normally analyzes in making a determination of that.

Do the other countries' representatives agree with that? Do they agree with the Petitioners? One domestic-like product, or do they have another basis on which --

MR. DAUGHERTY: Well, I mean we don't really -- to be honest with you, we don't have a position on that. They seem to have a good argument, but and we can address it in our post-hearing brief. But at the present time, we did not -- we don't object to it, but we don't have any position on it.

MS. TURNER: You don't object to Procon and what is your opinion on domestic? Do you not object to that one either?

MR. DAUGHERTY: On the domestic definition of like product?

MS. TURNER: Right.

MR. DAUGHERTY: I mean I -- we can look at it, but we -- we took the petition as it lay, and we understand what the petition is. We have disagreements about the whole thing. But to be honest with you, I don't think that there's any injury with respect to any of it. I don't care how you define it, and so that really has been our focus. It has been on like product, and we are not making like product arguments here. I don't know if anybody else is. That's up to them.

MS. TURNER: Anybody else? Okay. And I just have one other -- one other housekeeping issue. Testimony from earlier this morning indicated that there were some EU orders on steel from China, and as I've requested from that side, I will also request from Respondents to provide in their post-conference submission a listing of any trade restrictions, anti-dumping countervailing duty orders, measures in other countries that apply to the subject countries.

MR. BAIN: Hi. Daniel Bain from Uttam Galva North America. I just wanted to mention that there was an investigation in Australia.

They found a negative dumping duty for India and Australia and our company in particular, as well as Jindal, the other large Indian exporter of flat-rolled steel. So not only did we have a negative dumping duty, but at the end they found there was no injury as well, so the case was dismissed. Just to make you aware of that.

MS. MESSER: Right, thank you very much.

MR. BAIN: That just came out in the last week.

MS. MESSER: Okay. It would be helpful if you give us dates and any other specifics that you might think would be helpful for us in your post-conference submission, and with that I have nothing further. Thank you so much for the company representatives for traveling to present testimony today. We really appreciate it.

MR. CORCORAN: Thank you, Ms. Messer. Ms. Turner.

MS. TURNER: Good afternoon and yes, thank you for traveling to the ITC today and answering our questions. I have a few questions actually. Let me follow up on that last one though that Ms. Messer has, regarding the third country and any orders. Actually, in your post-conference brief if you can not only put the dates, but if there is something new that's come out, it would be great to get a copy of that attached to it, so that we can actually read it, if you've got it.

MR. CAMERON: Oh, you mean so you can actually get some details?

MS. TURNER: Yes.

MR. CAMERON: Substance, okay.

MS. TURNER: So we do look at the supporting documentation. So the -- I guess the first question has to do with domestic like product that I'm going to ask. I did want to confirm. I did get Mr. Cameron's, and I just wanted to get for the record if Ms. Jacobs and Mr. Neeley, if you can just confirm that on domestic like product, whether your clients, Ms. Mendoza as well, as long as you're --

If you would like on behalf of your client, if you would actually indicate, in terms of domestic like product, whether you were going to make an argument -- whether there was a single domestic like product or not, or whether you were going to, for purposes of the preliminary, go forward with what the petition has included.

MS. JACOBS: Sure. This is Brenda Jacobs representing the Indian industry. We were not planning on addressing the like product issue. We have plenty of other issues to focus on. Thank you.

MS. TURNER: Mr. Neeley, Ms. Mendoza.

MR. NEELEY: Yeah, Jeff Neeley. No. For the purpose of the preliminary, we're just going to accept that definition for the sake of argument and go with it. We may revisit it in the final obviously, if there is one.

MS. MENDOZA: Julie Mendoza. We don't intend to make comments with respect to like product in the preliminary.

MS. TURNER: Thank you. Mr. Peterson, I know that you are, so I've got some questions actually for you. I wanted to get the others out of the way first.

In terms of the argument that both nickel plated or copper plated are separate domestic like products, could you elaborate on how the scope in this case is any different from what the Commission had in the five year reviews, the original case and the five year reviews, and why the Commission would have a different domestic-like product in this case versus --

MR. PETERSON: Well, yes. I think it's a question of what's gone before and what's been developed in terms of this product. I don't believe the question of diffusion-annealed nickel plated came up previously. But in the 2013-2014 investigation of Japanese imports, which is Investigation 731-TA-1206, the question was asked.

We were looking at the diffusion-annealed -- the Commission was looking at the diffusion-annealed product, and said okay, what is the domestic like product, and the answer was diffusion-annealed nickel plating, who makes it? Thomas Strip Steel Corporation, the only manufacturer.

By necessity, the Commission would have to ask are there any other producers of a like product, and the answer is no. So they then -- of course the question becomes, you know, does Thomas Steel Strip produce any of the products that are being talked about today, and the answer is no. Their production is limited to the nickel-plated diffusion annealed products and to the copper-plated product, which have again, very distinct characteristics, very different pricing levels, very different market characteristics.

So I think having given that product a separate like product analysis in the Japanese investigation, and to my knowledge the only imports of it at issue in this investigation from Korea, I don't see how the Commission can come up with a different like product analysis regarding this product.

MS. TURNER: But doesn't the Commission on its domestic -- it doesn't start with the domestic industry. It starts with the domestic like product and actually it starts with the scope, and if this product is actually included in the scope, then it has to go through its six factor test in terms of the domestic like product, which the Commission has had this in its scope before, and included those products in its domestic like product because they've been included in the scope and found no reason to find a clear dividing line.

So that's where I'm -- the case you're citing to, the Japan case, started with a completely different scope. The scope was a very limited scope.

MR. PETERSON: When even one has a broader scope on a petition, as we've seen sometimes in cases involving things such as bearings, one of the questions the Commission has to ask itself is does this scope embrace one like product or more than one like product.

You're certainly not bound by whatever analysis was done in prior investigations of core products. But if you take a look at the decision in the Japanese case, I think what you're going to find is that if you say no, we're going to treat these products as part of a single like product of core steel, you simply will not make any sort of a meaningful analysis with regard to the product, and you won't make a meaningful decision regarding injury on it.

So what we're saying here is by virtue of the Commission having singled this out as a separate like product in the Japanese case, that analysis ought to be followed here, notwithstanding that the Petitioners have filed for much larger scope. One of the testimony -- one of the people testifying today said well yes, they would consider exclusion requests, and we have filed an exclusion request with the domestic producers.

But again, I see no reason to give these particular products a different like product analysis here than you did in the case involving Japan.

MS. TURNER: Okay. If you can go through the factors, and when you go through the factors, explain why this is not just because the Commission did it in the case where in fact the scope was limited to that product, but why this is different from -- with the same scopes that the Commission had in its -- it was prior to 2006, but I've got in front of me the 2006, the 2013 case, which I also do note that in the -- I believe there was a scope ruling on that case involving nickel plate back in 2005, that included -- indicated that it definitely was included in the scope.

So if you can do that in your post-conference brief, that would be great.

MR. PETERSON: We'll be happy to do that.

MS. TURNER: Thank you. So I don't have as many questions. I did want -- I did have another one here. One of -- Mr. Quartararo? I'm sorry. In your testimony, you indicated -- you estimated that the U.S. demand for galvalume was about -- exceeded two million tons per year, but you --

And you also indicated that the Korean product was superior, but that the Chinese and Indian ones were not, and I guess the question is how does the U.S. product -- I don't see that there's -- how does the U.S. product rate relative to the -- in the scheme of the four, and are there other subject imports as well?

MR. QUARTARARO: Foreign imports you mean?

MS. TURNER: Of basically you're actually concentrating here on galvalume?

MR. QUARTARARO: Yeah, I'm focusing on galvalume. I can only comment compared to the Korean material. That's where most of our experience is.

MS. TURNER: Uh-huh.

MR. QUARTARARO: And for that particular product, from our experience, we have a much lower rejection ratio or a yield loss. So it performs better compared to the domestic product, yeah.

MR. CAMERON: In his statement, he specifically refers to domestically sourced galvalume, with a rejection rate of one percent. So I mean that was what he's comparing it to. So with respect to that aspect of your question, what he's doing is he's saying is that Dongbu was superior because they had a lower rejection rate.

MS. TURNER: Okay, but he also indicates it's superior to ^^^^ the Korean product is superior to the Chinese and Indian in terms of surface conditions, and is that the most important part of that?

MR. QUARTARARO: Yes. It's one of the most important issues for when you coat and paint product, the surface condition is very important, and as I indicated, a lot of our material goes to painted product.

MS. TURNER: Okay. So if when you're importing the Korean product, you're competing against the domestics, but you're superior to that. So you're -- are there -- I guess what I'm trying to get at is the Korean product is superior to all of the other products?

MR. QUARTARARO: From 20 years of experience, it's one of my top suppliers. It's my go-to and the supplier I feel very comfortable with when buying material.

MS. TURNER: Have you seen an increase, though, in the Chinese or the Indian in terms of those -- in terms of that product?

MR. QUARTARARO: Not -- I can't really comment on that. I don't know.

MS. TURNER: So you're not competing against those? You're just competing against the domestic?

MR. QUARTARARO: I mean it has an effect, but again, I don't really know the answer to that.

MR. CAMERON: We can get you some more information in the post-hearing brief and we can answer that, because I think some of it gets into confidential information.

MS. TURNER: No, no. I mean that's perfectly fine, and what I'm just looking at here, is because you've indicated there's -- it sounds like there's niches that certain companies have, that you're saying either domestics can't supply or supply the same. But on the other hand, we've also got the Chinese and the Indians supplying that, so what ^^^^

MR. CAMERON: Right. But I think part of what he's saying in this, and again we will give you some more details in the post-hearing, because it does get into his data, but for instance, when he says that his rejection rate is lower for Dongbu, that's a significant thing.

That gets into his cost of doing business, because he's saying well yeah, I buy domestic material. It's not like he doesn't buy domestic material. He does, and there's domestic material that's good. That's fine.

But there is higher rejection rates. Higher rejection rate gets to higher cost for him and lower efficiency. So and when it gets to the Chinese and the Indians again, do they have a galvalume in the market? Yes, they do. But it is important if it is in fact of lower quality because of surface conditions.

Why? Because if it's of lower quality, then one would expect it to be discounted in the market because of that factor. So but we can give you more details in a post-hearing brief, and that will give some backup support for that statement.

MS. TURNER: Okay. That would be great.

MR. CAMERON: That works for you Paul?

MS. TURNER: As well as actually on the flip side, both the Indian and the Chinese. Do you have any comments on the statements that in fact the -- you're not necessarily, the Korean product's not necessarily competing with you? Is that a fair statement?

MR. NEELEY: Jeff Neeley. We're going to -- you know, I'd have to check with my clients as to what their views are on that.

MS. JACOBS: Brenda Jacobs. I would have to talk with some of the -- sorry. Brenda Jacobs. I would have to talk with other of the Indian companies we're representing. It's not a product for Uttam Galva.

MR. BAIN: Daniel Bain here. Uttam Galva does not actually produce galvalume. So it's not an issue, as far as galvalume is concerned.

MS. TURNER: Okay, thank you. If in the post-conference briefs then, if you can elaborate on whether there are these issues of specialty areas or superiority that one doesn't compete against the other, I'm sure I'll get some of that anyway. But if you can actually --

MR. CAMERON: But it's important to -- look. We're not saying that they don't compete. But this gets into the issue of attenuation. It does get into the issue of market segments. Is it all galvalume? Yes, it is. But do they -- do they -- and I mean it's really ironic, because now we're talking about galvalume, which is a slice of corrosion-resistant.

We've got auto grade over here, we've got galvannealed over here. We've got EGI over there, and we've got these guys saying it's really only one product. We're talking about galvalume, where we're talking about a breakdown of well, the painting superiority is here, and then we also have this grade here and yes, the U.S. fits in here.

Okay. So it isn't to say that they're not competing. Yes, they are competing, but the conditions of competition and what those -- what those products are bringing to the table in quality does have an impact with respect to what they command in price. That is really all he's saying, and that you know, these guys told us this morning for three hours that there is only basis upon which there is any competition.

I don't even know why you're collecting price data, because CRU tells you what the price is. But assuming that maybe CRU is not the definitive bible on pricing, maybe you can look at the fact that there are differences in quality that are recognized by purchasers.

Those differences are important when it comes to seeing how the market works, and with all due respect, it's interesting to hear steel producers talk about what automobile producers would say if the automobile producers were here about how they compete in the market.

But I daresay the auto producers didn't say what the U.S. steel producers said this morning about how that market works.

MS. TURNER: Since we don't have the automobile producers here --

MR. CAMERON: We will have one in our post-hearing brief.

MS. TURNER: Okay. But I did actually want to get into the contract issue a little bit, and we had actually asked a number of questions on the contract. So for the importers, if you could actually go through and discuss whether most of your -- and again, this can be in post-conference brief, but if anything you want to add here of what kinds of contracts.

Are the contracts for most of your products, are they different based on the sector you're selling into, thus meaning if you're selling mostly construction, is it going to be mostly spot market, or if it's, you know, automotive, is it mostly a contract that has -- is tied to CRU, or is -- what kind of adjustments, what kind of length?

MR. CAMERON: I think given the specificity that you are requesting, it makes a lot more sense for us to provide that information in a post-hearing brief. But I will say that the simplistic analysis that we heard this morning, that everything is based on CRU and the costs somehow never enter into the equation, is a concept that is absolutely foreign to any of the witnesses that we have talked to, that participate in this industry.

So I mean -- which is not to say that people don't benchmark and don't use benchmarks. But they also are quite aware of what's happening in the cost of the substrate that is being sold by any producer globally. So but we will be glad to give you detailed by producer, because it makes more sense in terms of a breakdown, because that also gets to the whole point that we are making, and that is that --

And it's not based upon contract or short term or whatever. I mean that -- this is simply a device for them to argue that this is a commodity product, which is basically what they're telling you this morning. They are arguing it's a commodity product.

Well, the products themselves are different, but really the only difference is whether it's a short-term, a long term or a spot market. That's the only thing that's going to distinguish the price.

Well that's nonsense. I mean we are talking about specific markets, and you can look at the auto grade, and the auto grade is much higher priced than normal hot-dipped, and there are a number of factors that go into it, including quality. And so those are the things that we will be glad to discuss in the post-hearing brief.

MS. TURNER: Well, and definitely when you do that breakdown, because you've actually made the big point of this market sectors, that are definitely different sectors, is to know it broken down by sector as well --

MR. CAMERON: We are trying to get that information with respect to thin gauge, with respect to galvalume, with respect to prepainted, so that you have a bit more clarity with respect to that. I mean you have some with respect to the importer questionnaires, but we're trying to get it from foreign producers as well. So we're trying to get a little bit more detail on that.

MS. TURNER: Okay. Well, that would be very helpful to have that. In terms of my questions then, I guess the one question that's a legal question -- it's two questions that are legal questions that are remaining, are the negligibility issue. Is this something that you want to discuss here, or put in your post-conference briefs? Ms. Mendoza, you would be the one I'd be addressing in this too.

MS. MENDOZA: We can certainly address it further in our brief, you know. As the Commission's aware, there are very specific standards about how you evaluate negligibility, and so we'll be addressing those.

Obviously, our argument is that regardless of whether we meet the three percent threshold test, it's still a question on threat at least of how these different countries are competing, and we think that the low absolute level of the imports, as well as a less than one percent estimated by our client's market share in the U.S. market are very relevant considerations, if the Commission does consider cumulation on threat.

But we will address the 12 month standard and the three percent threshold in our brief.

MS. TURNER: Thank you, and you've actually -- part of your response is that to my follow-up, which was on cumulation. Just make sure in your post-conference briefs that you address the cumulation issue.

MS. MENDOZA: Oh, we will certainly be doing that.

MS. TURNER: Well not only on your behalf, but each of the -- and with that, I'd like to thank everybody. I'm done with questions.

MR. CORCORAN: Thank you, Ms. Turner. Mr. Knipe.

MR. KNIPE: Thank you. With the increases in the sales of imported core, I'm noticing that some of them don't fall into the categories of auto construction and appliances. So I'm wondering what are these other main end uses? The second part of that question is have you noticed a change in demand for these end uses, these other end uses?

MS. MENDOZA: Julie Mendoza. And unfortunately, Don had to catch a plane, so he left; but I think you probably heard in his testimony that he talked about the fact that they use the galvanized steel for the production of pipe in the United States. They have a facility in the United States that produces pipe and they also produce pipe in Italy for a wide variety of uses -- containers and other things, but I can ask him to comment for the post-hearing brief in terms of demand -- where he sees those demand factors, but in fact, almost all of their imports are actually internally consumed to produce pipe. They don't even enter into the domestic market, per say. They're just sold from Marcegaglia Italy directly to Marcegaglia-USA and they're used to process into pipe, so there's no commercial sale of that product by that company.

MR. KNIPE: Okay. Does anybody else have a thought?

MR. CAMERON: Well, I think for the post-hearing brief what we will do is we will survey our clients and try and get a good sense of what the other is. I kind of wonder if there was any confusion by some of the importers about classification and I don't know whether that's the case or not because I think you're getting it out of the portion of the questionnaire where it asks to you classify automotive, construction and you know I don't know. So, we will go back to our guys and try and get an answer to that and we'll give you what we find out, all right?

MR. KNIPE: Okay, thanks. Thank you. A general question about the approval process, what's it take to become approved by a new customer? How long? Is there testing involved? How does that differ based on industry?

MR. DAUGHERTY: Mr. Knipe, this is Micah Daugherty. I'm going to answer, not from an automotive necessarily standpoint, but the fact that some of our product did go through a qualification process in 2013 I think it really depends on the industry, to be honest with you, and depends on the end use.

A lot of times, like in our case, there was a very restrictive gauge tolerance as well as mechanical requirements for strength that we had to meet and it wasn't a matter of you know bringing in a couple of coils. You know we had to bring in -- you know it was like a progressive trial, if you will. So, we started with a small lot so they could just test it. Then it went to a larger lot, then it went to like a production lot and it took about a year for us to actually get qualified you know for that particular customer. I don't know if that's just process.

I don't know if it's necessarily standard, but in our case that's what we faced.

MR. QUARTARARO: I'd like to make a comment as well. Typically, to get a new customer qualified it's about a six- to eight-month process. What we usually do is we'll bring a trial, a small trial order in. You know that can be a coil or two where the customer will actually have an opportunity to look at the material, inspect the material to see if it's working properly and meets their standards. So, to answer your question, it's about a six- to eight-month process.

MR. CAMERON: For the auto grade, we will get an answer in terms of at least the Korean material that goes into auto grade and we'll get you that answer.

MR. HARTMAN: This is Mike Hartman. I'll also expand upon that in the post-hearing brief. Our cycles for qualification are at least a year. If they require automotive trials, there's a pepap involved in that and that basically locks in a supplier into a specific part.

One comment I'd like to add onto that is because we're dealing with such specialized products the tin, what I know of that as well as the galvanized market, which is what I think we're talking about here, a lot of the producers have similar type equipment that they manufacture those products on so they're very interchangeable. Most of the technology that's used will be transferrable, if you will.

And the key really is is whether your product can get in there and get qualified through this trial process, but that's one of the reasons why we specified out our products are different is because they are utilized on separate pieces of equipment that are unique to that specific product and that process. So, we'll expand upon that further.

MR. KNIPE: Thank you.

MR. SCHOOP: Excuse me. Stephen Schoop.

MR. KNIPE: Sure.

MR. SCHOOP: From the Indian perspective it would be a very similar process in between six months to one year, which includes, say, the first trial lot it includes, typically, a visit to the plant in India and a reciprocal visit to the U.S. manufacturing location. So, it's a pretty elaborate process.

MR. DAUGHERTY: This is Micah Daugherty again. I'd like to add one more comment on that because pre-painted galvanized and galvaum I know I hear a lot about that. And for what it's worth on my knowledge of it that's also an extensive process. There's a matching process where you definitely have to match the colors. As the customer, they have to send a sample to the producer. The producer has to color match it. It has to be signed off. It has to be sent back. You know then there's also some issues with warranty and I think we could probably get into that in the post-hearing brief as well, but I just didn't hear anybody mention that and I thought since that's part of the scope here it should be worth mentioning.

MR. KNIPE: Okay. Then my last question, Mr. Neeley and Mr. Quartararo, you both talked about lead times, particularly, Chinese lead times can be up to five or six months. That seems like a long time. How does that affect importers ability to compete with domestic producers, particularly, in the construction market which seems so seasonal?

MR. NEELEY: I'll start. I mean I don't think I said five or six months. I think it was more like you know three or four months probably, at least in our experience; but it still is a very significant amount of time. And yes, it makes it more difficulty certainly for us to compete in that market. It's built into a lower price for sure because it's much less available in a timely manner as opposed at least in some parts of the country. So yes, it has a very significant affect I think.

MR. QUARTARARO: It's definitely a factor. You know domestic mills have the ability to ship to the customers in a much quicker and efficient way, so it does play a role. But again, I'd to emphasize that looking at the quality it kind of equals it out a little bit on our side.

MR. CAMERON: And the point he made in his direct testimony was in a period, such as today, where you have falling raw material prices and also falling core prices, if you've got a lead time of five months, you've got a problem. I mean you still have to stay in business, but the fact of the matter is you're forward ordering based upon market conditions when you're placing your order and that may or may not be the price at the time that -- the price in effect in the marketplace at the time that you import it and that's the fact of life. I mean and that's one of the things you deal with. When it's going up, life is great you know. Would you agree with that, Paul?

MR. KNIPE: Great. That's it for me. Thanks.

MR. CORKRAN: Thank you, Mr. Knipe. Ms. Brinckhaus.

MS. BRINCKHAUS: I just wanted to say thank you to the panel this afternoon. The testimony has been very interesting and very helpful and I have no questions.

MR. HOUCK: I have just one quick question for Mr. Peterson so we know what to expect. I thought I heard you say you were asking for two separate like products; is that correct, or are you asking for only one separate like product?

MR. PETERSON: I think it'll be two separate like products. One would be the nickel. One would be the copper, but they're produced by different companies in the United States although those companies aren't the common ownership, but the uses are different. And obviously the physical characteristics between nickel and ale to copper are quite different.

MR. HOUCK: Thank you very much. I have no further questions.

MR. CORKRAN: Thank you. I definitely want to thank the panel for your presentations today. I do have a few questions. One, we've talked a little bit about coating and painting product and pre-paint. I wonder if I could get a few more details on what that involves and how specialized those particular operations are?

MR. QUARTARARO: It is a highly specialized product. When you're talking about painted material, you're talking about a very high quality product. You know the best way I can give you an example is you know when you paint something, usually defects are brought out in the painting process. So, surface condition is extremely important and the quality of that surface can make a huge difference in your overall costs. So, you do have a poor surface and you can't rely on that surface and it's painted you'll have to pay an exorbitant amount to reject that coil.

So, having a high quality substrate material, which would be the coated galvalume suitable for painting, is very important and critical for when you're painting it.

And then just to address painted material, if you were buying that from overseas it's a very high quality item. It's something that's going on the outside. It's exposed to the elements. There's a warranty that comes with that material that is supplied by the overseas supplier, so if there's fading, if that roof fails it's subject to a warranty, which can be very expensive. And if that material fails and it's already in production and you know used to construct a building that's also very expensive. So, when you're looking at the painted product, whether it's the pre-painted material or as-painted you want to make sure you have a very high quality product. So, that's why, again, we focus on the material from Korea.

MR. CORKRAN: Thank you.

MS. CHO: I just have a comment. I would need to talk with our engineers to just confirm my statement, but my understanding is that the tensile strength, if it gets higher then it requires more technology and advanced skill to actually put coatings. So that when I talk with our auto engineers in our company that they indicated that it goes to the certain tensile strength and then it requires more skill to actually put the coating that is required by the auto manufacturers.

MR. CORKRAN: Thank you very much. That was very helpful. I appreciate it.

Mr. Neeley, I wanted to see if I could clarify some testimony today. I was jotting down notes and I wasn't sure I got it totally right, but we were talking about the import levels. And first you discussed imports that were arriving on the West Coast and then you were discussing imports that were used to supply construction applications. And in talking about your clients, you indicated that you know we've been asked to supply that market.

MR. NEELEY: Right.

MR. CORKRAN: So, when I was looking at the 900 plus thousand tons of material that came in I wanted to see if I could get a sense of -- what that in reference to the construction market or was that in reference to the West Coast or both?

MR. NEELEY: I'm not sure I completely understand the question. Let me give it a shot as to what I was trying to say. First, I mean the West Coast market is significant and we're working on the data right now to give you a breakout of what we think -- West Coast and stays in the West Coast. And that's quite significant we think.

Secondly, you've got the reset of it, okay? I wanted to address the automotive thing, not because it's a major part of the market necessarily for China because we don't think it is, but I'm trying to anticipate the argument of, oh well, the Chinese say they don't really supply that market which is largely true. We don't very much, but you know there is a small amount. And I wanted to make you aware of that and I wanted to make you aware that it was for specific reasons and requests. And it was not that we were aggressively going after it, but that there were requests. So, we'll clarify that.

And then you know there's the general construction market, some of which is in the West Coast, a lot of which is in the West Coast. There is some in the rest of the country, I think, but a lot of it's on the West Coast, so that's how it sort of breaks out if that helps.

MR. CORKRAN: Thank you. That clarifies it quite a bit and I appreciate that. I had an interest in this in this morning's panel, so I'm going to follow up on it again because Mr. Quartararo and Ms. Mendoza and I believe Mr. Schoop as well you all tried price trends for corrosion-resistant steel to -- in one way or another to movements in hot-rolled steel. I wondered if you could elaborate on what the ties are in those price movements as you see it.

MR. BAIN: Daniel Bain here from Uttam Galva. So, we've looked at that price trend for other reasons very carefully and you can play with the numbers, but despite what people said this morning, the price of hot-rolled and the price of galvanized is 99 percent correlated. Go, into Excel and run the correlation function and you'll see 99 percent correlation. So, it's hard to argue a causation for galvanized prices dropping from imports when there's a 99 percent correlation to the hot-rolled price. And raw materials dropped and hot-rolled prices dropped and galvanized prices dropped. So, just to point that out, take a look at it.

MR. BAIN: I can explain why as well. Look, the manufacturing cost of galvanized is directly correlated to the raw material prices for galvanized. So, the inputs to make galvanized are either hot-rolled or cold-rolled steel. There's a conversion cost in a galvanizing line and I don't care if your line is in India or China or anywhere else those costs are very similar across the board to convert cold-rolled steel to galvanized. You're annealing the steel sometimes in a furnace in a furnace line or you're running through a flux process in a non-furnace line, but let's say most lines now have furnaces and you're coating it with a thin layer in the case of hot-dip galvanizing of zinc. Zinc prices on the world market are all very correlated and so what ends up happening is the price of galvanized and the price of hot-roll in each specific market tends to move closely together.

MR. CAMERON: And when he says hot-rolled and cold-rolled as the input, if it's cold-rolled the input for the cold-rolled was hot-rolled, which again gets to your 99 percent.

MS. MENDOZA: This is Julie Mendoza. Just to elaborate on that a little bit from what they've talked to me about, you know one of the things that happened in this market is that because oil and gas prices fell so much and the demand for OCTG fell so significantly that caused a lot of excess capacity in hot-rolled coil. And the effect of that, basically, was that customers understood that the U.S. producers had a lot of extra hot-rolled coil in order to produce downstream products like galvanized.

And so that had the effect of driving down the price of hot-rolled coil first, and then as Mr. Bain's testified, it had the inevitable effect of driving down the price of corrosion-resistant as well. In fact, the only real gap you see between the prices, correct me if I'm wrong, is at the very end of 2014 when hot-rolled just moved down faster and a lag.

MR. BAIN: Yes, there a slight time lag sometimes, but again, 99 percent correlation is 99 percent correlation. And what we should see is that gap getting narrower and we don't see that if you look at the numbers.

We see that gap is staying the same.

MR. CORKRAN: Thank you very much. I appreciate that. I believe that's all my questions. Any other questions, Ms. Turner?

MS. TURNER: I just have one follow-up question actually. Ms. Cho, actually, in your testimony -- and it was actually based on a question I'd also had asked this morning about demand. In your testimony you indicated automobile producers are constantly working to reduce weight in order to comply with mileage standards. And I asked this morning and I'm asking, not only you, but others in the post-conference brief, and if you want to elaborate now. I think what you're dealing with is light-weighting -- what's known as light-weighting on this, but really gets to whether demand for corrosion in automobiles has -- we know demand is going up overall in the market, but actually where, in fact, it's sort of flatten out to some degree in terms of uses in some products or less use in some products.

MR. CAMERON: I think that it would most sense for us to get the information specifically and we get it based upon our experience with our auto producers and we'll get you that information, okay? I mean specific information. I mean I think, in general, it's true, but in terms of the specifics, all right?

MS. CHO: I mean as I'm aware we have been constantly being requested by our customers to meet specific grade that is more -- they call it AHSS grade, Advanced High Strength Steel and these are the requirements that has developed over the past years. And they are requiring more sophisticated steel for automobiles. That's my understanding.

MS. TURNER: Thank you very much for that answer. And basically, any more information you can provide in the post-conference brief would be great. With that, I'm finished.

MR. CORKRAN: Thank you very much. And thank you very much to the panel. We're going to take a five-minute recess before we move to closing statements. Thank you very much.

(Recess taken)

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

MR. CORKRAN: Welcome back, Mr. Schagrin, Mr. Rosenthal. You may begin when you are ready.

CLOSING REMARKS OF ROGER B. SCHAGRIN

MR. SCHAGRIN: Thank you, Mr. Corkran. Thank you to the entire staff for your patience today.

This is essentially for the U.S. industry both a strong volume effect and the strong price and profit effect injury case. So the Respondents had to in the afternoon session come up with excuses to try to negate both the volume and the price effect.

As to volume, their theory was that imports almost doubled in 2014. They increased by an additional million tons, and that was all because for a couple of weeks at the end of the winter of 2014 there might have been some production curtailments by the domestic industry.

There's one letter. There is no quantification of any problems. There's no information that the U.S. industry which operated at reduced capacity utilization the entire year, couldn't have made up for that. And yet that's the reason that a million tons more corrosion resistant, which increased their market share by more than 5 points when 2014 came in.

And then they have to say: As to the 40 percent increase in imports in the first quarter of 2015, the reason for that was that U.S. customers were worried that we could have another winter in 2015 like we had in 2014.

And if you were to make an affirmative determination here, we would hear next year that the reason for the 50 percent increase in 2016 would be that we were worried we were going to have a winter in 2016 too.

Well, I can assure you we are going to have continued winters. And, no, snow storms in Boston where they make Ph.D.s not steel, didn't affect either consumption or production in the United States.

And what about the West Coast? You heard them admit that a lot of their imports come into the West Coast. Were customers on the West Coast concerned about snow storms in 2014 or 2015? Why do we have an over doubling of imports in the West Coast?

Was it because the U.S. producers there were operating at full capacity? Well, CSI's testimony was they had a one-third drop in production. You have the Steelscape and UPI questionnaire response. You can look at that.

No, imports are displacing U.S. production and volume throughout the United States for one reason, and that's because they're charging lower prices for commodity products.

Now let's look at the price and profit effect. They say, well, yeah, prices were down a lot and profits were down a lot in 2015, but, you know, that's all because oil prices fell, and then OCDG demand went down. And then hot-rolled availability was more. And you add up these six different things like one of these Rube Goldberg pieces, and that's why CORE prices fell.

Okay, even if that's why CORE prices fell, then why did imports increase by 40 percent? If the U.S. industry is seeing all these lower costs, why do the imports keep pouring in here?

And the reason, which you're going to see when you look at your data, is because under-selling continues to increase in 2015, and in fact it gets worse.

Then they say, well, you know, don't make an affirmative injury determination just on this big drop in profits in the first quarter of 2015 because there's a lag between falling raw material costs and falling finished prices, and everything's going to get better in the second quarter of 2015 because that's the way these lags work.

It's like, well, then why did four U.S. producers preannounce, including my client SDI, how bad the second quarter of 2015 is going to be? Because they're getting killed by unfairly traded imports.

Now let's look at the overall injury case. Between 2012 and 2014, you see a big loss of market share for the U.S. industry which is sufficient for an injury determination. So you see the volume effects. You see price suppression. You see during a period of growth in demand mediocre profits that don't cover the industry's cost of capital during the high part of the cycle.

Between 2014 and 2015, you see demand continuing to increase. We don't have any winter issues on demand. And yet you see imports increasing faster than demand, which leads to six things;

One, lost market share.

Two, production being down.

Three, shipments being down.

Four, prices plummeting beyond any cost reduction.

Five, profits and profit margins going down by almost half.

And six, in the midst of higher demand you have workers working fewer hours and earning less wages.

All of these add up to an affirmative determination of present and material injury by reason of these surging imports. Thank you, very much.

Mr. Rosenthal?

MR. ROSENTHAL: Thank you, Mr. Schagrin.

The Commission has consistently recognized the primacy of price in the purchasing decisions by CORE customers. That has not changed. It belies logic not to mention the real world that we are living in today, that any supplier, any supplying countries would be able to double their market share who are not based on lower price. And you will see that in your database.

Mr. Schagrin mentioned all the alternative theories that the Respondents put forward. What's fascinating is, if you listen to their testimony and you don't have any actual data, you would think they were just supplying these little niche products that supply particular needs that the U.S. industry can't supply.

Yet, if you look at the data you're talking about a million tons of product. You're talking about having them take every bit of increased demand in the marketplace and more, and displacing a tremendous amount of U.S. market share.

You don't get that by supplying little niche products. You are going and taking the basic CORE products of the CORE industry, and that is what they have been doing, and that is why there's present and material injury.

And I have to turn to Ms. Turner's question earlier about what is present versus threat of injury. Let me just say a couple of things.

First of all, there's a famous epistemological question that if a tree falls in the forest and there's no one around, does it make a sound? Now I'm not a philosopher so I can't answer that question, but if a contract is signed at a lower price in 2014, but the financial results don't show up until 2015, that means the injury took place in 2014.

You cannot ignore the fact that the imports were coming in affecting contract prices last year, and having that bleed over into this year. That's a legal question, and as a lawyer you have to recognize that just because someone is shot and doesn't die immediately, it doesn't mean that injury doesn't take place when that person is shot.

Beyond that, and beyond that kind of philosophical and legal question is: What is the reality? Last year, you heard that a billion dollars in revenues were lost.

Now Everett Dirksen is famous for saying "a billion here, a billion there, pretty soon you're talking about real money." Well for an industry that needs to make money in the upside of the cycle, a billion dollars is a lot. A billion dollars is a lot of investment, it's a lot of return on the capital that it needs, and let's face it, that happened. That was a 2014 event.

Have things gotten worse? Yes. But we're still in the present material injury stage now. We're not in the threat category here. So imports began to injury the industry in 2014 and that injury continues.

We will talk about threat in a minute, but right now you have sufficient evidence on the record to show that there is present material injury.

You heard from a variety of the industry witnesses. You heard from Professor Hausman. You heard from Holly Hart. We're not just talking about financial injury which we are seeing of a billion dollars and declining profitability, and we're not just talking about the trade injury with lower capacity utilization and the like.

We're talking about workers who are being laid off who are having shorter shifts, whose income in the case of Nucor, which is related to the number of tons produced, income is going down. And we're talking about that happening right now. That is not a future event. That is present material injury.

So I think there is ample record evidence now for an affirmative finding of injury, of present injury, but if you look forward you don't have to look that far to see how dire the threat is.

We are in the downward spiral now with regard to pricing. Imports have not abated. The witness representing the Italian industry seemed to think, oh, we're not really that interested in this market; it's no big deal. If we get out, others will take our place.

Well what happened in the month of May with respect to import licenses from Italy? Thirty thousand tons were represented there, the largest volume I think you've ever seen from Italy at least in recent memory. They're not backing out of this market.

And if you look at the capacity and the capacity utilization from the Respondent countries, there's a tremendous amount of capacity. Where is that going to go?

The chart that Mr. Vaughn showed earlier today, it was page 21 on threat showing that the United States is a very attractive market to subject producers, if they had other opportunities to go elsewhere last year they chose not to take advantage of them.

The reality is, they don't really have a choice. China is in those other markets. The demand in those markets is down. There are restrictions on getting into those markets. The most attractive place to go is here.

They voted with their feet, and their tonnage in 2014. They're doing it in 2015, and they will do that in the future unless this Commission makes an affirmative determination in this case.

Thank you.

(Pause.)

CLOSING REMARKS OF JULIE MENDOZA

MS. MENDOZA: Julie Mendoza on behalf of Respondents. I just have a few final comments to make.

I think these cases really are about two things. One thing is credibility, and the other thing is the record. And I think one thing that we've seen today is that the domestic industry has gone to great lengths to deny what are obvious economic realities.

I don't understand why they would say that this is a commodity product, and then at the same time argue that every single contract that they have is specifically tailored to the particular product and the particular customer that they have.

I mean, that just really doesn't add up. And why are they so intent on not giving information about how the contracts work by arguing that it is very complicated, and then finally concluding that in fact well it really doesn't matter anyway because of course nobody enforces these contracts and they can be broken at a moment's notice.

The second thing is, they denied that raw material prices like hot-rolled coil; and iron ore and scrap have any effect on their pricing.

Now it may well be that they prefer not to price based on their costs, but it's very, very difficult to imagine that their customers who follow those indices in the steel industry aren't the ones who first start knocking and saying, hey, wait a second. You know, we're seeing these raw material prices dropping and you should be dropping your prices at the same time, particularly given what they said about contracts; that these contracts can be easily broken.

So it's very difficult to understand why they've gone to such lengths to try to make what frankly are just incredible statements.

As to our credibility on the issue of the first quarter of 2014, let me just say this: It's not an issue of a one-for-one tonnage. It's not like, oh, well U.S. Steel took out X amount of tons, so therefore X amount of imports had to come in. That's not the way it works.

I mean, what happened in this country after the Recession is that everyone was very worried about importing, particularly products like this that are very central and require that you have it just in time and continuous deliveries and reliability, which the Commission has found in other investigations.

So when you have a product like that, people were very reluctant after the recession to import. But then in the first quarter of 2014, with all of the weather problems and the production problems--and we're going to document all of this--people got worried.

It reverberated throughout the community, and they did start importing. Now people don't coordinate those imports, but people felt that they needed to have that as a hedge. And I stand by the under-selling data.

I mean if you look at it, you know, obviously imports always resell at something of a discount. But I think what you're going to see is a lot of over-selling, and some very small margins of under-selling for most of the suppliers.

So, you know, you're not seeing imports coming in and competing on the basis of price. So the question is the volumes are coming in, it's because the people believe that they need to have a diversified source of supply.

So in terms of the record, I think we have to just go back to that. And whatever the U.S. industry says about every single ton that we didn't sell we would have made $1 billion, or whatever it is, okay? The fact of the matter is that that's not the way it works. And that what the Commission has to rely on is the record in this investigation and which shows that 2014 they testified to it, was the best year they ever had since 2007.

Now I've seen them quoted as 2008, but whatever. And so that's--and that is in fact what the record shows. It shows that sales were up. It shows that prices were up. It shows that they made money.

So then the question is: In 2015, the first quarter of 2015, there were downturns. And no one is denying that. However, downturns in prices were matched. I mean, if you look at this chart that we handed out, okay, and when they start talking about May price declines, all right, that are continuing into 2015, these are raw materials. You should have these.

I mean, these are raw material prices. They are tracking the raw material prices. So I think that that really is the bigger story.

And finally, I would just like to say that, you know, this really is an industry who has had protection. Don told me this, because I don't know it, but since 1974--

right? '74? '77? Okay. And so, you know, this is a long time to protect an industry. I mean, they've had TPM. They've had safeguards. They''ve had VRAs. They've had dumping cases.

You know, at some point in time it can't simply be about competition from imports. So with that, I'll just say finally that with respect to Italy, obviously we believe that our imports are so small that they should never have been included in the first place. And it's really hard to imagine how some country that imports less than one percent of domestic consumption has any effect at all on this market.

Thank you, very much.

MR. CORKRAN: On behalf of the Commission and the staff, I would like to thank the witnesses who came here today, as well as counsel, for helping us to gain a better understanding of the product and the conditions of competition in the corrosion-resistant steel products industry.

Before concluding, please let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Monday, June 29th. If briefs contain business proprietary information, a public version is due on Tuesday, June 30th.

The Commission has tentatively scheduled its vote on these investigations for Friday, July 17th, and it will report its determinations to the Secretary of the Department of Commerce on Monday, July 20th. Commissioners' opinions will be issued on Monday, July 27th.

Thank you all for coming, and this conference is now adjourned.

(Whereupon, at 3:18 p.m., Wednesday, June 24, 2015, the conference in the above-entitled matter was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Corrosion-Resistant Steel Products from China, India, Italy, Korea, and Taiwan

INVESTIGATION NOS.: 701-TA-534-538 and 731-TA-1274-1278

HEARING DATE: 6-24-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 6-24-2015

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Gregory Johnson (orig.)

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I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

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