

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
(FINAL)

REVISED AND CORRECTED

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THE UNITED STATES

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
CERTAIN CORROSION-RESISTANT STEEL) 701-TA-534-538 AND
PRODUCTS FROM CHINA, INDIA, ITALY,) 731-TA-1274-1278
KOREA, AND TAIWAN) (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, May 26, 2016

The meeting commenced pursuant to notice at 10:02
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Meredith M.
Broadbent, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Meredith M. Broadbent (presiding)

5 Vice Chairman Dean A. Pinkert

6 Commissioner Irving A. Williamson

7 Commissioner David S. Johanson

8 Commissioner F. Scott Kieff

9 Commissioner Rhonda K. Schmidtlein

10

11

12 Staff:

13 Lisa R. Barton, Secretary to the Commission

14 Sharon Bellamy, Program Support Specialist

15 Sonia Parveen, Student Intern

16 Nadiya Samon, Student Intern

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18 Mary Messer, Investigator

19 Gerald Houck, International Trade Analyst

20 Lauren Gamache, Economist

21 Jennifer Brinckhaus, Accountant/Auditor

22 Peter Sultan, Attorney/Advisor

23 Douglas Corkran, Supervisory Investigator

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1 Congressional Appearances:

2 The Honorable Joe Donnelly, United States Senator, Indiana

3 The Honorable Peter J. Visclosky, U.S. Representative, 1st
4 District, Indiana

5 The Honorable Patrick J. Tiberi, U.S. Representative, 12th
6 District, Ohio

7 The Honorable Richard M. Nolan, U.S. Representative, 8th
8 District, Minnesota

9

10 Opening Remarks:

11 Petitioners (Paul C. Rosenthal, Kelley Drye & Warren LLP)

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

13

14 In Support of the Imposition of Antidumping and

15 Countervailing Duty Orders:

16 Schagrin Associates

17 Washington, DC

18 on behalf of

19 California Steel Industries ("CSI")

20 Steel Dynamics, Inc. ("SDI")

21 Dick Teets, President and Chief Operating Officer, SDI

22 Barry Schneider, Senior Vice President of Flat Rolled
23 Products, SDI

24 John Walburg, Manager, Marketing and Sales

25 Administration, CSI

1 Roger B. Schagrin and Christopher T. Cloutier - Of
2 Counsel

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4 Kelley Drye & Warren LLP

5 Washington, DC

6 on behalf of

7 ArcelorMittal USA LLC ("AMUSA")

8 James Baske, Chief Executive Officer, ArcelorMittal
9 North America

10 Daniel Mull, Executive Vice President of Sales and
11 Marketing, AMUSA

12 Sheila Janin, Director of Coated Products, AMUSA

13 Leo Gerard, International President, United
14 Steelworkers

15 Gina Beck, Economic Consultant, Georgetown Economic
16 Services, LLC

17 Paul C. Rosenthal, Kathleen W. Cannon and R. Alan
18 Luberda - Of Counsel

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25

1 Wiley Rein LLP

2 Washington, DC

3 on behalf of

4 Nucor Corporation

5 Rick Blume, Vice President and General Manager,

6 Commercial, Nucor Corporation

7 Scott Meredith, Director of Sales and Marketing, Flat-

8 Products, Nucor Corporation

9 Dr. Jerry A. Hausman, MacDonald Professor of Economics

10 at the Massachusetts Institute of Technology

11 Dr. Seth T. Kaplan, Senior Economic Advisor, Capital

12 Trade, Inc.

13 Alan H. Price, Timothy C. Brightbill and Maureen E.

14 Thorson - Of Counsel

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16 King & Spalding LLP

17 Washington, DC

18 on behalf of

19 AK Steel Corporation

20 Scott M. Lauschke, Vice President, Sales and Customer

21 Service, AK Steel Corporation

22 J.B. Chronister, General Manager, Products, AK Steel

23 Corporation

24 Stephen A. Jones and Stephen P. Vaughn - Of Counsel

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1 Skadden, Arps, Slate, Meagher & Flom LLP

2 Washington, DC

3 on behalf of

4 United States Steel Corporation

5 Mario Longhi, President and Chief Executive Officer,

6 United States Steel Corporation

7 Douglas R. Matthews, Senior Vice President of

8 Industrial, Service Center and Mining Solutions, United

9 States Steel Corporation

10 Robert Y. Kopf, General Manager, Revenue Management,

11 United States Steel Corporation

12 Jeffrey D. Gerrish and Nathaniel B. Bolin - Of Counsel

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15 Countervailing Duty Orders:

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18 on behalf of

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20 POSCO

21 POSCO Coated & Color Steel Co., Ltd.

22 Hyundai Steel Co., Ltd.

23 Dongkuk Steel Mill Co., Ltd.

24 Dongbu Steel Co., Ltd.

25 (collectively "Korean Producers")

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2 John Ryoo, Manager of Sales, POSCO America
3 Won Kim, Manager, Hyundai Steel Trade Affairs &
4 Planning Team
5 Stanley Shin, Sales and Procurement, Hyundai Steel
6 America
7 James P. Dougan, Vice President, Economic Consulting
8 Services LLC
9 Curtis Eward, Staff Economist, Economic Consulting
10 Services, LLC
11 Donald B. Cameron, R. Will Planert, Julie C. Mendoza
12 and Mary S. Hodgins - Of Counsel
13
14 Morris Manning & Martin LLP
15 Washington, DC
16 on behalf of
17 Marcegaglia Carbon Steel
18 Acciaieria Arvedi S.p.A.
19 Federacciai Federation of Italian Companies
20 (collectively "Italian Producers")
21 Lorenzo Biagi, Sales and Marketing Director, Processed
22 Flat Rolled Products, Marcegaglia Carbon Steel
23 Livia Schizzerotto, General Counsel Finarvedi SpA
24 Alessandro Geroldi, Export Area Manager, Acciaieria
25 Arvedi S.p.A

1 James P. Dougan, Vice President, Economic Consulting
2 Services, LLC

3 Curtis Eward, Staff Economist, Economic Consulting
4 Services, LLC

5 Julie C. Mendoza, Donald B. Cameron, R. Will Planert
6 and Mary S. Hodgins - Of Counsel

7

8 Morris Manning & Martin LLP

9 Washington, DC

10 on behalf of

11 Prosperity Tieh Enterprise Co., Ltd ("Prosperity Tieh")

12 Donald B. Cameron - Of Counsel

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14 Arent Fox

15 Washington, DC

16 on behalf of

17 Jindal South West Steel Ltd

18 Uttam Galva Steels Limited

19 Uttam Galva North America, Inc.

20 (collectively "Indian Respondents")

21 Stephen Schoop, Chief Executive Officer, Uttam Galva

22 North America, Inc.

23 Daniel Bain, Chief Financial Officer, Uttam Galva North

24 America, Inc.

25 John M. Gurley and Nancy A. Noonan - Of Counsel

1 Husch Blackwell LLP

2 Washington, DC

3 on behalf of

4 Chinese Respondents

5 Bruce Malashevich, President, Economic Consulting
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7 Jeffrey S. Neeley and Cortney O. Morgan - Of Counsel

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9 White & Case LLP

10 Washington, DC

11 on behalf of

12 Minmetals, Inc. ("Minmetals USA")

13 Adams C. Lee - Of Counsel

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15 Vorys, Sater, Seymour and Pease LLP

16 Washington, DC

17 on behalf of

18 Stemcor USA Inc. ("Stemcor")

19 Frederick P. Waite and Kimberly R. Young - Of Counsel

20

21 Rebuttal/Closing Remarks:

22 Petitioners (Roger B. Schagrín, Schagrín Associates and

23 Timothy C. Brightbill, Wiley Rein LLP)

24 Respondents (R. Will Planert, Morris Manning & Martin LLP)

25 John M. Gurley - Of Counsel

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P R O C E E D I N G S

(10:02 a.m.)

MS. BARTON: Will the room please come to order?

CHAIRMAN BROADBENT: On behalf of the U.S.

International Trade Commission I welcome you to this hearing on Investigations Number 701-534 to 538 and 731-1274 to 1278, final involving Certain Corrosion Resistant Steel Products or CORE from China, India, Italy, Korea, and Taiwan.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury by less than fair and subsidized imports of CORE from China, India, Italy, Korea, and Taiwan.

Documents concerning this hearing are available on the public distribution table. Please give all prepared testimony to the Secretary, do not place it on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of time allocations, but if you have any questions about time, please ask the Secretary.

Speakers are reminded not to refer to business proprietary information in their remarks or in answers to questions. Please speak clearly into the microphone and

1 state your name for the record so that our court reporter
2 knows who is speaking.

3 If you will be submitting documents that contain
4 information you wish classified as business confidential
5 your request should comply with Commission Rule 201.6.

6 This is the second steel hearing that we've had
7 this week and one of several that we will conduct this
8 summer.

9 The CORE market is very large with total
10 consumption of over \$17 billion in 2015. The industry
11 employs about 12,000 workers in 16 states and has reported
12 annual capacity of over 20 million tons of steel.

13 The Commission benefits from the testimony that
14 you will provide for us in helping to better understand the
15 support market and industry.

16 In 2014 I had the opportunity with my colleagues
17 to visit two plants producing different types of
18 corrosion-resistant steel. First ArcelorMittal's Cleveland,
19 Ohio integrated mill and then the Thomas Steel facility in
20 Warren, Ohio which produces a specialized type of nickel
21 plate plated steel.

22 Thanks to you who -- thanks to those of you who
23 hosted us there. We found those visits to be very
24 interesting.

25 And with that, I look forward to learning more

1 about these products today.

2 Madam Secretary, are there any preliminary
3 matters?

4 MS. BARTON: No, Madam Chairman.

5 CHAIRMAN BROADBENT: Very well. Will you please
6 announce our first Congressional witness?

7 MS. BARTON: The Honorable Joe Donnelly, United
8 States Senator, Indiana.

9 CHAIRMAN BROADBENT: Welcome, Senator Donnelly.

10 STATEMENT OF SENATOR JOE DONNELLY

11 SENATOR DONNELLY: Thank you very much. Thanks
12 to all of the members. And I want to thank you for allowing
13 me to testify on behalf of the domestic steel industry and
14 all of the families and individuals who work in these
15 plants, who go home with a paycheck so they can take care of
16 their families, so they can have a wonderful life, so they
17 can have a roof over their heads and it's critically
18 dependent on the jobs that they have.

19 I believe this investigation provides a key
20 opportunity to ensure a fair marketplace for our domestic
21 producers of steel. To achieve this goal, we must hold
22 those who use illegal trade practices accountable,
23 especially in three major trade cases before you this year
24 concerning hot-rolled, cold-rolled, and corrosion resistant
25 or CORE steel products.

1 As we all know, the domestic steel industry is in
2 the midst of the worst crisis in nearly two decades. My
3 state has been devastatingly impacted by what has occurred.
4 I have families all over our state who are out of work and
5 who are wondering what their future will be, not because
6 they did anything wrong, not because they didn't work hard,
7 not because their company didn't invest, but because other
8 companies in other parts of the world didn't follow the
9 rules and Hoosiers, folks from Indiana are out of work today
10 because of that.

11 Since global production has significantly
12 outpaced global demand, domestic producers have lost
13 significant ground, surrendering a record high 29 percent
14 market share to foreign steel in 2015.

15 The number of foreign-made steel products have
16 significantly increased in recent years including CORE,
17 hot-rolled, and cold-rolled steel.

18 CORE production, like hot-rolled and cold-rolled
19 steel is central to the success of domestic steel companies
20 and to the 24,000 friends and neighbors from my home state
21 who are directly employed by this industry. My state
22 accounts for one quarter of all domestic steel capacity and
23 produces a complete variety of steel products including CORE
24 and hot-rolled and cold-rolled. We have plants in large
25 cities like Gary, Indiana where generations of steel-worker

1 families have produced steel for more than a century. We
2 have plants in towns like Butler and Crawfordsville, where
3 small businesses throughout the community rely heavily on
4 the successes of their local plant. And all they want is to
5 be treated fairly.

6 In my travels throughout our state I've had many
7 conversations with Hoosier workers, local business owners,
8 and steel industry executives and they are really, really
9 concerned about the future. The loss of more than a
10 thousand steel jobs in Indiana last year has been on all our
11 minds. I've met the families. I've met the kids whose
12 parents no longer have that job. When this uncertainty
13 occurs, and when they don't know whether that plant is going
14 to be idled this week, next week, or at some point in the
15 very near future, they have to prepare for the worst.

16 Small businesses who reside in these communities
17 rely on the success of these companies and their workers so
18 that they can go out and buy sandwiches from the sandwich
19 shop, go shopping at the local supermarkets, keep the local
20 economy going. They can't purchase goods and services if
21 they don't have a job and a paycheck.

22 Leaders in the steel industry then also have to
23 remove their focus from innovation and growth and investment
24 in the future to make their plants more and more efficient,
25 more and more competitive. Instead, they have to direct

1 their resources toward preventing others from refusing to
2 compete by the agreed-upon rules.

3 We see unfair competition every single day. And
4 the injuries, as I said, are so extensive they're suffered
5 by my families who don't know from day-to-day whether
6 they'll have a job; If they have one this week, whether
7 they'll have one next week; Who can't plan; Who don't know
8 whether they're going to be able to pay for college tuition
9 for their children. Those are the real-life effects of what
10 happens here. To our companies, there is the threat to the
11 continued existence of many companies whether they will even
12 be viable, not only this year, but certainly if this year
13 continues like recent years, that they'll even be around in
14 the years ahead.

15 This is the destruction of the infrastructure of
16 this industry and of our country. It is the hollowing out
17 of good jobs and the chance for success and a chance for
18 these families to make that American dream come true. The
19 dream where if you work hard, and you play by the rules as
20 we played by the rules, then you ought to have a fair shot,
21 you ought to have a chance for success. And other people
22 ought not to be able to bend the rules and break the rules
23 and force you to lose your job or lose your company.

24 Strong trade policies strengthen these
25 communities and strengthens our country. We talk about the

1 loss of the middle class. The hollowing of the middle
2 class. That's what these jobs are. This ensures good
3 employment for workers and it helps maintain a level playing
4 field to foster the kind of competition that leads to robust
5 markets. It should be a shared goal of all nations to
6 participate in such a marketplace. But it only works if
7 everyone plays by the same rules.

8 And when we talk, like I said, about the middle
9 class, and about the future of America, that's what we're
10 talking about here today.

11 I urge the Commission to use all enforcement
12 tools at your disposal including those recently strengthened
13 by Congress to combat illegal trade practices.

14 Starting today, the Commission can reassure
15 families in steel towns throughout the country and can
16 reassure families throughout the country that the worst of
17 the steel crisis is behind us because strong trade policies
18 will be enforced and because of the resilience of the
19 domestic steel industry and its workers.

20 But I'll tell you that you also send a message to
21 this country, to our neighbors and friends, to people around
22 the world that we want to make sure our middle class
23 continues. That the system won't be rigged anymore. That
24 if you play fair, you can have extraordinary chances for
25 success. But if you're going to cheat, we're not going to

1 let that continue anymore.

2 I encourage the Commission to keep those families
3 in mind, to keep the ones I met in Gary, in Butler, in
4 Crawfordsville, and Merrillville, and Schererville, and
5 Michigan City, who when I see them at the supermarkets come
6 up to me and say, "Joe, why are you letting this continue?
7 Why won't our own country stand up for us? Every paycheck I
8 put in, some of my tax dollars go back and it would be nice
9 if my government fought for me once in a while." That's
10 what this is about. This is about those kids. This is
11 about our communities. This is about whether we have a
12 middle class and how we're ever going to have a middle class
13 in places like northwest Indiana if our companies aren't
14 going to be able to be viable anymore because every day
15 they're fighting an unfair battle.

16 We're asking you to help make it fair again.
17 We're asking you to stand up for those workers and those
18 families.

19 Thank you very much.

20 CHAIRMAN BROADBENT: Thank you, Senator Donnelly.

21 Are there any questions?

22 (No response.)

23 CHAIRMAN BROADBENT: Nope, no questions. You can
24 go. Thank you very much for coming today.

25 MS. BARTON: The Honorable Peter J. Visclosky,

1 United States Representative, First District, Indiana.

2 CHAIRMAN BROADBENT: Welcome, Mr. Visclosky.

3 STATEMENT OF REPRESENTATIVE PETER J. VISCLOSKY

4 REPRESENTATIVE VISCLOSKY: Thank you very much,
5 Commissioners. Thank you very much. It's good to be back
6 again this week. I do appreciate your commitment of time in
7 allowing me to testify again today on corrosion-resistant
8 steel. I do trust in your careful consideration of the
9 facts.

10 You do have my testimony before you. There are
11 three sets of pictures for illustrative purposes. Set one
12 essentially is illustrative, from my perspective, of an
13 industry that built the United States of America, supported
14 our communities, and defended our nation.

15 Set two is illustrative of the hard times the
16 industry encountered in the 1970s and 1980s with national
17 closures, again, occurring in the late '90s.

18 I would want to be very honest with you and that
19 is, if I were standing here in 1977 testifying on behalf of
20 domestic steel, I could not in all honesty say that some of
21 the injury was not self-inflicted, but that was almost two
22 generations ago and in another century. Today the injuries
23 being suffered are not self-inflicted.

24 Set three of the photographs is illustrative that
25 no one else on the planet earth makes a ton of steel more

1 efficiently than the domestic industry, 1.9 hours per ton.
2 The problem that we face as a nation is that there are 600 million
3 tons of excess steel aching to go somewhere that people use
4 to export their unemployment to the United States of
5 America.

6 I just wanted to set the stage in my perspective,
7 if you would, and as always, I do trust in your careful
8 consideration of all of the facts before you today and,
9 again, appreciate the opportunity to testify to you.

10 CHAIRMAN BROADBENT: Any questions?

11 (No response.)

12 CHAIRMAN BROADBENT: You may go. Thank you.

13 REPRESENTATIVE VISCLOSKY: Thank you very much.

14 MS. BARTON: The Honorable Richard M. Nolan,
15 United States Representative, Eighth District, Minnesota.

16 CHAIRMAN BROADBENT: Welcome, Congressman Nolan.

17 STATEMENT OF REPRESENTATIVE RICHARD M. NOLAN

18 REPRESENTATIVE NOLAN: Thank you, Madam Chair,
19 for the opportunity to testify. I promise to be brief. We
20 have votes coming up in the Congress in just a matter of a
21 couple minutes.

22 CHAIRMAN BROADBENT: I understand that.

23 REPRESENTATIVE NOLAN: But I do want to thank the
24 Commission for the work that you've done. I've had a number
25 of meetings with the White House regarding this subject and

1 they have been converts to our cause because they recognize
2 how vital mining and steel are to our national economy and
3 to our national security. The present chief of staff, Denis
4 McDonough, tells me that there's not a day go by that they
5 don't look for one or another of the ways to level this
6 playing field so that it's fair. Because as Mr. Visclosky
7 and others have said, we can compete with anyone in the
8 world on a level playing field. And that's what these
9 tariffs and taxes are all about. And the work of this
10 Commission has been exceptional in that regard and it's
11 providing great hope for us.

12 We have as many as a thousand miners and steel
13 workers up in northern Minnesota that are scheduled to go
14 back to work as a result of the temporary actions that you
15 have taken. We see the American capacity increasing. We
16 slowly see movement upward in the prices and there are just
17 tens of thousands of working men and women all around this
18 country are counting on you to make these tariffs and taxes
19 permanent.

20 So I'm here to implore you and to applaud you for
21 the work that you've done to date and to keep it going
22 forward by making these tariffs and taxes, which are not --
23 I mean, they are tariffs and taxes, but they're all about a
24 level playing field, and that's what this is all about.

25 So thank you very much and I ask unanimous

1 consent to submit my testimony for the record and if you
2 have any questions I'd be glad to take them.

3 If, not, thank you all very much.

4 CHAIRMAN BROADBENT: Thank you very much, Mr.
5 Nolan.

6 [PAUSE]

7 CHAIRMAN BROADBENT: Ms. Secretary, could you
8 call our first panel, please?

9 MS. BARTON: Thank you, Madam Chairman. Opening
10 remarks on behalf of Petitioners will be by Paul C.
11 Rosenthal from Kelley, Drye, Warren, LLP.

12 CHAIRMAN BROADBENT: Welcome.

13 OPENING REMARKS OF PAUL C. ROSENTHAL

14 MR. ROSENTHAL: Thank you.

15 Good morning, Madam Chairman and members of the
16 Commission. I'm Paul Rosenthal of Kelley, Drye, and Warren
17 representing ArcelorMittal USA and speaking on behalf of the
18 Petitioners.

19 By now everyone in this room knows that there is
20 a crisis in the steel industry. So in paraphrasing the old
21 question, we know what it is, the only question is, how
22 much?

23 How much injury is being suffered by the domestic
24 industry producing corrosion-resistant steel, also known as
25 CORE? The answer unfortunately is that there are no

1 unscathed bystanders in the havoc caused by imports of
2 dumped and subsidized steel in the United States.

3 For now I just want to focus on a few key
4 numbers, one million, two billion, 0.4 percent, and hundreds
5 of millions. I'll discuss these numbers in turn.

6 One million. That is the number of tons that the
7 subject imports increased in just one year, from 2013 to
8 2014. Actually the number is understated as the absolute
9 number increased even more. In relative terms, subject
10 imports managed to substantially increase their market share
11 in that period and almost doubled it and were on a path to
12 double that through the first quarter of 2015.

13 How is it possible to take so much volume and so
14 much market share in such a short period of time through
15 dumped and subsidized low pricing? Respondents' attempts to
16 justify their market share or grab are reminiscent of former
17 California Senator S.I. Hayakawa's remarks when he made when
18 he was debating the Panama Canal treaties in the late '70s
19 and objected to returning sovereignty to Panama and he said,
20 "It is ours, we should keep it. We stole it fair and
21 square." Well, that's exactly the approach taken by the
22 Respondents in this case. If you doubt that low, unfair
23 pricing is the way that subject imports increased their
24 sales volume, and if you doubt that competition with
25 low-import prices caused domestic producers to lower their

1 own prices to stop the hemorrhaging of their sales, take a
2 look at your staff report. It shows widespread underselling
3 by the subject imports and also establishes the primacy of
4 price in purchasing decisions.

5 In your staff report, 16 purchasers admitted that
6 they shifted purchases of CORE from the U.S. producers to
7 subject imports because of price. These purchasers account
8 for very significant volumes over 260,000 tons. And
9 Commissioner Kieff asked at the cold-rolled hearing the other
10 day, "Why are these market shares shifting like that? Where
11 is there evidence of this being done based on price?" It's
12 in your record. It was in the record in cold-rolled, it's
13 in your record here, Commissioner.

14 Moreover, 15 purchasers admitted that U.S.
15 producers had lowered prices in order to compete with
16 lower-priced imports of other countries.

17 As the Commission knows, it is not common for
18 purchasers to admit that they bought imports because of low
19 prices. These remarkable admissions against interest should
20 be highly probative of your decision in today's case.

21 We know it once again, when Respondents get on in
22 the afternoon, they're going to deny all this. All you have
23 to do is look at your record.

24 Not surprising, the impact of the price
25 underselling has been tremendous loss of revenues. In 2015

1 surging imports cost the industry \$2 billion, that's the \$2
2 billion number in sales -- in net sales. That is lost
3 revenue for just one year. Remember this is the year when
4 demand was growing and revenues should have increased in
5 this capital-intensive industry. No wonder the value
6 industry assets declined by two billion dollars, another \$2 billion
7 figure. These declines represent current material injury,
8 not threat, current injury.

9 Next number, 0.4. Now this is the ratio of net
10 profits to sales that the domestic industry achieved last
11 year. Demand was excellent. Raw material prices, which we
12 know were falling, should have caused the industry to
13 increase their profits. Instead returns were at a barely
14 breakeven level. Even this low number though is deceptive.
15 Expressed as it is in percentage terms, it masks the actual
16 decline to net revenues from 2014 to 2015 and those declines
17 were in the hundreds of millions of dollars of net -- net
18 revenues -- net profits, I should say.

19 Respondents will want you to focus on some other
20 percentages. They'll want you to stay away from net
21 profits, but this is exactly the kind of situation that the
22 Congress urged the Commission to examine closely when it
23 directed you to examine injury in the context of the
24 business cycle and to understand that an industry can be
25 injured even when it's not suffering actual losses.

1 We heard a couple days ago Respondents in the
2 cold-rolled cases denied the existence of lost sales, tried
3 to ignore extensive underselling, pretend that import volume
4 surge had not come at the expense of domestic industry and
5 suggest that the financial performance of the domestic
6 producers did not manifest injury.

7 We can expect more of the same this afternoon as
8 they try to portray an alternate universe that does not
9 exist in the record.

10 And as our witnesses will make clear,
11 unfortunately, that universe is the domestic industry that
12 the industry -- the universe of the domestic industry, its
13 workers and communities they are living in, which in the
14 future will be bleak unless the Commission reaches an
15 affirmative determination in these cases.

16 Thank you.

17 MS. BARTON: Opening remarks on behalf of
18 Respondents will be by Julie C. Mendoza from Morris,
19 Manning, and Martin, LLP.

20 OPENING REMARKS OF JULIE C. MENDOZA

21 MS. MENDOZA: Good morning. My name is Julie
22 Mendoza and I'm appearing on behalf of Respondents. Let me
23 state at the outset that no case that comes before the
24 Commission is simple, easy, and can be summed up in two
25 slides. So let's look at the evidence.

1 The Commission found in the preliminary that
2 there was a quote, "reasonable indication" end quote, of
3 threat of injury in light of the downturns of the U.S.
4 industry performance in the first quarter of 2015. So now
5 we have the data for full year 2015 and it turns out that
6 the Respondents' predictive powers were much more accurate
7 than those of the domestic industry. Full year 2015 turned
8 out to be just as strong for the industry as full year 2014.
9 Operating profits levels ratios were identical.

10 I say that profit ratios in 2014 and 2015 were
11 strong because we compared the operating profits -- the
12 operating profit ratios reported to the Commission since
13 2006 for CORE and we found that those operating ratios of
14 2014 and 2015 were consistent with the industry's average
15 performance over that extended period. The data is in
16 Exhibit 15 of our brief.

17 Did the industry's net sales values decline?
18 Yes. Did scrap and hot-rolled prices decline? Yes, they
19 did. And it's absurd to suggest that falling scrap prices
20 or hot-rolled prices do not bring down prices. Everyone in
21 the market knows that scrap prices are a benchmark used by
22 producers and purchasers alike in setting prices.

23 The important point is that the COGS to sales
24 ratio improved in 2015 for the industry. In fact, the
25 industry experienced its best COGS to sales ratio in 2015 in

1 a decade. Again, the figures are in Exhibit 15.

2 Let's talk about import volumes and volume
3 effects. Subject imports over the period increased by
4 almost one million tons -- by about one million tons. Now,
5 please look at the confidential information in our brief
6 where we calculate the tons imported by the domestic
7 industry itself. Look at the absolute volumes in 2015 of
8 what they imported. If we compare those two numbers, it
9 appears that both subject imports and U.S. producer imports
10 were responding to the same conditions of competition in the
11 U.S. market, both of them increasing imports. Certainly it
12 appears that one reason was supply problems.

13 We're not talking about supply shortages just in
14 the winter of 2014, we're talking about supply problems
15 reported by U.S. purchasers and we're talking about
16 shutdowns, idling of capacity reported not only to the
17 Commission but also in earnings calls by the U.S. producers.

18 Nucor even -- even reported that they had
19 actually benefitted from the reductions in capacity of U.S.
20 steel.

21 If there were no supply shortages in the U.S.
22 market, why did the industry import so much CORE in 2014,
23 but particularly in 2015?

24 So it's not just about the winter of 2014, but
25 that experience certainly set off bells for purchasers,

1 warning bells. The subsequent issues just confirmed the
2 potential danger. As Ford said in their brief, the U.S.
3 industry has consolidated. So Ford is more vulnerable to
4 supply problems by U.S. producers.

5 And, yes, supply problems -- consolidation of the
6 industry is also a condition of competition.

7 Let's look at the average margins of underselling
8 and see whether they demonstrate that the subject imports
9 were responding to supply problems. In fact, after
10 accounting for logistical costs and risks for imports,
11 imports are selling for about the same prices as U.S.
12 prices.

13 Can all the increase in imports be explained by
14 supply shortages? No. But the shortages do go a long way
15 toward explaining why the increase in the volumes of imports
16 in 2014 and 2015 did not have an injurious effect on the
17 industry. It also means that declines in capacity
18 utilization, production and sales must be analyzed to
19 examine whether they are due to U.S. industry supply
20 problems or imports, and if imports, whose imports?

21 When we say that there was supply problems, we're
22 not referring to the absolute capacity of the U.S.
23 producers. We mean having the right product at the right
24 time in the right place to meet the requirements of the
25 specific customers. That is what we as Americans expect.

1 American companies demand it because they're competing too
2 in their markets. When U.S. producers can't do that,
3 purchasers look for alternatives. Dumping cases can't
4 change that and we're seeing increasing imports from
5 nonsubject countries, even sources that are not controlled
6 by the U.S. industry.

7 Thank you.

8 MS. BARTON: Would the first panel, Petitioners,
9 please come forward and be seated?

10 CHAIRMAN BROADBENT: I want to welcome the panel
11 to the ITC. You may begin when you are ready.

12 STATEMENT OF STEPHEN VAUGHN

13 MR. VAUGHN: Thank you Madam Chairman. Good
14 morning. My name is Stephen Vaughn and I represent AK
15 Steel. We would like to begin the Domestic Industry's
16 presentation with a brief overview of the critical facts.
17 Here you see the key points in the case.

18 First, demand was very strong in '14 and '15.
19 Second, U.S. Mills could not take advantage of this demand
20 due to soaring imports from mills that engaged in unfair
21 trade. Third, after two years of strong demand the Domestic
22 Industry had fewer sales, lower revenues and falling
23 profits; facts that can only be explained by the surge in
24 dumped and subsidized imports.

25 Finally, Domestic Producers remain extremely

1 vulnerable and failure to grant relief will lead to
2 devastating injury. The record of evidence with respect to
3 each of these points is overwhelming. Let's start with the
4 volume of Subject Imports. From '13 to '14, apparent U.S.
5 Consumption grew by roughly 2 million tons. That fact is
6 absolutely critical to this case. Our witnesses will tell
7 you how important it is for U.S. Mills to take advantage of
8 this type of strong demand. But they could not do so here.

9 In 2014, consumption grew 10.2%. Domestic
10 production barely increased at all while Subject Imports
11 grew by more than 84%. Because of this surge, the
12 difference between the increase in Subject Imports and the
13 increase in domestic shipments was 812 thousand tons. Our
14 witnesses will tell you that those 812 thousand tons of
15 sales could have been made by domestic mills. The lost
16 sales that you see on this chart represent material injury
17 to the Domestic Industry.

18 Respondents may try to argue that they were drawn
19 to this market by alleged supply disruptions in early '14
20 but as you can see here, Subject Imports rose for seven
21 quarters in a row, from late '13 to early '15. They
22 declined only after these cases were filed. Look at this
23 chart, the first quarter of 2015 was the last full quarter
24 before the cases were filed. In that quarter, Subject
25 Imports were on pace to exceed three million tons, far above

1 the volume they reached in '14.

2 Here you can see that their market share was
3 still climbing at the beginning of 2015. If not for these
4 cases, there is no telling how high it would have gone. But
5 even with the filing of the cases and the subsequent decline
6 in Subject Imports there is no question that their volume
7 over the period of investigation was significant. Remember,
8 from '13 to '15 apparent domestic consumption increased but
9 over that period Subject Imports grew by more than 1 million
10 tons while domestic shipments actually declined.

11 You will also see here that for all the talk
12 about non-Subject Imports and the Respondents arguments,
13 those imports were small compared to the imports from the
14 Subject Mills and just as we saw in the cold-rolled case on
15 Tuesday, all of the market share taken by Subject Imports
16 came at the expense of Domestic Mills. Given these facts,
17 the Commission should find that the volume of Subject
18 Imports was significant.

19 Next, price effects. The law requires you to
20 consider underselling. Here, the record shows that Subject
21 Imports regularly and repeatedly undersold the domestic-like
22 product. This chart shows the data for the underselling
23 that was made public in the staff report. You can see an
24 analysis of the full record in our brief. To fully
25 appreciate the harm caused by Subject Imports, please pay

1 close attention to the chronology. This chart shows '13
2 and '14. U.S. Pricing Data is taken from a weighted average
3 of the spot prices for the three prices where all the data
4 was made public.

5 As you can see, U.S. Mills tried to raise prices
6 in response to higher demand but they never had a chance.
7 Subject Imports used underselling to surge into the market
8 overwhelming U.S. Mills. By the end of 2014, a huge year
9 for demand, prices were actually falling. At that point,
10 Subject Imports had already caused material injury. In
11 fact, by the end of '14 the market was oversupplied and
12 inventories were growing. Faced with soaring imports and
13 rising inventories, U.S. Mills slashed prices dramatically
14 in an effort to maintain volume.

15 As you can see here from the third quarter of '14
16 to the 2nd quarter of '15 when the cases were filed, pricing
17 simply collapsed. Still, Subject Imports kept coming. This
18 chart shows that Subject Import volumes continued to
19 increase for three full quarters, after prices had started
20 to decline, both through their underselling and the
21 oversupply they created, Subject Imports had a devastating
22 effect on price.

23 Now, let's consider impact. Let's start with the
24 lost volume. If Subject Imports had simply remained
25 constant, if U.S. Mills could have maintained their 2013

1 market share in both '14 and '15 then the Domestic Industry
2 would have sold an additional 2.7 million tons of corrosion
3 resistant steel. Even if you assume that prices would have
4 been the same, and we are certain pricing our have been more
5 favorable in the absence of unfair trade, those lost sales
6 would have been worth almost 2.3 billion dollars in revenues
7 to the Domestic Industry.

8 These facts alone show that the adverse impact of
9 Subject Imports was significant. But there's more evidence.
10 Here for example you see the demand was up but many other
11 indicators were negative. Producers' inventories were up
12 while their domestic shipments, their net sales, their unit
13 values and their revenues were all down. These trends can
14 only be explained by reference to unfair trade.

15 Senator Portman reminded you on Tuesday of the
16 importance of considering all forms of profitability. Look
17 here what Domestic Producers have left after two full years
18 of strong demand: gross profits - anemic; operating profits
19 - down; net profits - way down. Last year, over half of
20 the Domestic Producers in this industry suffered a net loss.
21 Again, Subject Imports are the only plausible explanation.

22 We believe that the evidence on present material
23 injury is compelling and therefore we don't think the
24 Commission needs to reach the issue of threat. If you do,
25 Petitioner's briefs contain extensive evidence detailing why

1 in the absence of trade relief, Subject Imports would
2 rapidly return to this market. I won't go through all of
3 that evidence but I do want to highlight three facts, none
4 of which is in dispute.

5 First, the responding foreign mills have told you
6 that they have almost six million tons of unused capacity.
7 More than twice the volume of imports they shipped last
8 year. If you don't grant trade relief that capacity could
9 and likely would be used to destroy U.S. Mills. Second, you
10 have no questionnaire data -- none -- for None. For Foreign Producers
11 who accounted for hundreds of thousands of tons in Subject
12 Imports last year, the figures on this chart relate only to
13 the data that has been made public. The complete data can
14 be found in our brief. These companies have refused to tell
15 you how much unused capacity they have.

16 Finally, it was only three years ago that the
17 Commission revoked orders on corrosion resistant steel from
18 Korea thinking that Korean import volumes would remain
19 stable. By 2015, those volumes were up 115% from 2012
20 levels. This afternoon, when Respondents ask you to trust
21 them, please remember this chart. In short, Subject Imports
22 have caused material injury to U.S. Mills and they threaten
23 further injury. The Commission should grant relief with
24 respect to all Subject Countries.

25 And now we turn to our first company witness, Mr.

1 Longhi of U.S. Steel.

2 STATEMENT OF MARIO LONGHI

3 MR. LONGHI: Madam Chair, members of the
4 Commission, good morning. I am Mario Longhi, President and
5 Chief Executive Officer of U.S. Steel Corporation. I
6 appeared before you just two days ago to tell you about the
7 crisis facing our industry and in particular about the
8 devastation brought by unfairly traded imports of
9 cold-rolled steel. Unfortunately, the story is much the
10 same for corrosion resistant steel. Specifically, vast
11 global over-capacity is leading foreign governments and
12 steel companies to use trade distorting practices to export
13 their financial woes and unemployment to the United States.

14 This has created a surge of dumped and subsidized
15 imports and caused horrific damage to the Domestic Industry
16 that should have been performing well. The financial crisis
17 that began in 2008 hit our industry very hard. For several
18 years we struggled with low demand for our corrosion
19 resistant steel. By 2014, we finally thought we were
20 emerging from this dark period. Demand in our
21 key-consuming industries for corrosion resistant steel was
22 strong and growing in 2014 and remained that way in 2015.

23 In fact, 2015 was a record year for auto sales
24 with U.S. light-vehicle sales of nearly 17.5 million units,
25 construction spending also saw robust growth, increasing by

1 double digits from 2013 to 2015. In addition, demand for
2 appliances was healthy and reached levels not seen since
3 before the financial crisis. This should have been a golden
4 opportunity for us to break free of the abysmal demand
5 conditions caused by the financial crisis.

6 With this strong demand, our sales, revenues,
7 profitability all should have increased. Instead, we
8 experienced the exact opposite due to an overwhelming surge
9 of unfairly traded imports. From 2013 to 2014, imports of
10 dumped and subsidized corrosion resistant steel from the
11 Subject Countries increased by more than one million net
12 tons, an increase of well over 80 percent in only one year.
13 Those imports overwhelmed the U.S. Market and in spite of
14 the market already being oversupplied at that point,
15 unfairly traded imports from the Subject Countries continued
16 to pour into this country in 2015.

17 This flood of imports took substantial amounts of
18 sales and market share from us and other Domestic Producers.
19 The imports also dramatically drove down prices for
20 corrosion resistant steel resulting in a direct hit to our
21 bottom line. The data you collected shows that the Domestic
22 Industry as a whole had an operating margin of just 3.7%
23 both in 2014 and 2015. More than half of the Domestic
24 Producers reported operating at a net loss in 2015. At the
25 risk of stating the obvious, these results do not even come

1 close to representing a sufficient return for a
2 capital-intensive industry like ours.

3 I'm choosing my words carefully when I say that
4 for an industry that must invest and innovate to survive,
5 these results occurring in a period of excellent demand are
6 simply catastrophic. Please consider what an additional
7 million tons of dumped and subsidized imports means in a
8 market like this. The Domestic Industry could have made
9 literally every one of those sales, resulting in billions of
10 dollars in additional revenue over the last two years. The
11 collapsing pricing resulted in even more lost revenue.

12 To me, and anyone familiar with this industry,
13 that is severe injury and the changes that Congress made to
14 the law last year recognized this. Unfortunately the injury
15 we suffered from unfairly-traded imports extends far beyond
16 just our bottom line. There has been a significant human
17 toll in the form of employee layoffs. As a result of
18 Subject Imports, we were forced to idle or shut down
19 corrosion resistant capacity at our Granite City and Great
20 Lake Works for extended periods of time.

21 Of course, the impact of unfair trade in finished
22 products is felt throughout our operations, as shown by the
23 permanent shutdown of the blast furnace at Fairfield at the
24 coke-making operations at our Granite City Works and Gary
25 Works facilities. Additionally, we've had prolonged

1 shutdowns or reduced production at a number of our other
2 operations, including the blast furnaces at each of our four
3 steel-making plants.

4 As a CEO, there is nothing worse than having to
5 shut down facilities and lay off workers. What makes it
6 even worse is that the problems we have faced have nothing
7 to do with the hard work, efficiency or other virtues that market
8 competition is supposed to promote. They have everything to
9 do with the unfair market conditions and millions of tons of
10 excess capacity created by foreign governments and their
11 steel producers.

12 I cannot overemphasize the importance of these
13 cases to our industry. The Foreign Producers at issue have
14 the means, the incentive and the intent to attack this
15 market with even greater effect going forward. If they are
16 allowed to do so there is no question you will see
17 significant additional job losses, shutdowns and
18 curtailments.

19 Let me end by saying that we do see light at the
20 end of the tunnel. Through the United States Steel's
21 Carnegie Way Initiative, we are doing the right things to
22 improve innovation, improve education and productivity and
23 efficiency. Our workers have made incredible progress and
24 sacrifices in the face of extremely difficult and often
25 unfair circumstances. The Administration and Congress have

1 taken meaningful steps to highlight the crisis facing this
2 industry and to ensure that our laws are adequate to deal
3 with a clear and present threat from unfair trade.

4 Finally, thanks to the preliminary decisions made
5 here and at the Department of Commerce we are seeing some
6 tentative but real improvements in the market. This can be
7 and should be a success story for a vital American
8 Manufacturing Industry, one that is critical to our national
9 security and to our infrastructure but that can only happen
10 if our government has the will to fully and effectively
11 enforce our laws. I urge you to grant this industry the
12 relief it so clearly deserves. Thank you.

13 STATEMENT OF JIM BASKE

14 MR. BASKE: Good morning, Madam Chairman and
15 Members of the Commission. I'm Jim Baske, CEO of
16 ArcelorMittal North America. I appreciate the opportunity
17 to testify before you today. ArcelorMittal is the world's
18 leading steel producer with an annual production capacity of
19 approximately 114 million tons. In the United States, we
20 operate 27 facilities in thirteen states and employ 20,000
21 people.

22 As you are well aware, ArcelorMittal U.S.A has
23 joined with other major U.S. Steel Producers to file
24 petitions against unfair trade across a range of flat-rolled
25 products. We did so out of necessity because the dramatic

1 surge in steel imports in 2014 and 2015 created a crisis in
2 the American Steel Industry. Importers captured 29% of the
3 U.S. Market for finished steel in 2015. The imports' surge
4 attributable to massive overcapacity in steelmaking around
5 the world has put the sustainability of our business and the
6 livelihood of our workers at risk.

7 Overall, the U.S. Steel Industry has lost 14,800
8 jobs since the beginning of 2014 according to the most
9 recent government data. We felt compelled to take action to
10 address the unfair trade practices and their negative impact
11 on our company and our employees. Our business in corrosion
12 resistant steel has suffered greatly from the negative
13 effect of unfairly traded imports.

14 We manufacture a full range of corrosion
15 resistant steels including hot-dipped galvanized,
16 electrogalvanized, galvalume and aluminized products. We
17 produce both light-gauge and heavy-gauge steel. ArcelorMittal
18 U.S.A. is a premier producer of automotive grades of
19 corrosion resistant steels including advanced high strength
20 steels. We sell our coated products for use in numerous
21 applications including the automotive, construction, HVAC,
22 appliance and service center customers.

23 In early 2014, ArcelorMittal U.S.A. completed the
24 purchase of Thyssen Krupp's flat-rolled facility in Calvert,
25 Alabama as part of a joint venture with Nippon Steel and

1 Sumitomo Metals Corporation. The mill provides us with an
2 excellent platform to serve our customer base. Just as we
3 were making this investment in Calvert, imports of corrosion
4 resistant steel surged into the United States. We expected
5 to be able to take advantage of increasing U.S. Demand at
6 the Calvert facility.

7 We were correct in projecting strong demand in
8 the U.S. Market. What we did not project was the flood of
9 low-priced imports. In 2014, Subject Imports increased by
10 85% over 2013 levels, almost doubling their market share at
11 the expense of the Domestic Industry. They captured
12 virtually all of the growth as shown in the slides in the
13 U.S. Market at our expense. The imports were able to
14 penetrate our market so quickly because they were priced at
15 levels that significantly undersold ArcelorMittal U.S.A.
16 across all of our products.

17 The unfair imports continued to increase in 2015
18 until we filed this case. While the automotive market is
19 important to ArcelorMittal U.S.A., sales for construction
20 and the rest of the market for corrosion resistant steel are
21 an essential part of our business as well. The surge in
22 unfairly-traded Subject Imports has injured us across our
23 entire customer base for corrosion-resistant steel.

24 Because demand increased from 2013 to 2015, one
25 would have expected prices to have increased as well.

1 Instead, the steel indices that track pricing for
2 corrosion-resistant steel show that the prices declined as the
3 imports surged into the market. So the pricing pressure we
4 have felt clearly is not a function of demand. The poor
5 pricing has been driven by the large and increasing supply
6 of dumped and subsidized imports sold at low prices.

7 As the low import pricing placed significant
8 downward pressure directly on spot prices, contract prices
9 were pushed down in turn. Large contract buyers expected
10 new contracts to reflect the huge spot market price declines
11 experienced in 2015. In some cases, contract customers even
12 sought to renegotiate annual contract prices in 2015 that
13 had previously been finalized on higher 2014 price levels.

14 As a result, both spot and contract prices are
15 subject to pricing pressure from unfair imports that
16 undersell the Domestic Industry. In fact, the extremely low
17 spot prices of 2015 will continue to be reflected in our
18 contracts in 2016 until they expire. Were it not for the
19 preliminary decisions in these cases, our situation would be
20 much worse. The preliminary duties have been helpful in
21 arresting the Subject Import volumes and allowing some price
22 recovery in 2016 but those price increases will be
23 short-lived if final duties are not imposed in this case.

24 Demand in the rest of the world remains
25 relatively soft. Many other markets have imposed barriers

1 to imports of corrosion-resistant steel from these Subject
2 Countries, which are also bad in their home markets. Global
3 overcapacity looms large as a continued threat to our
4 market. Without affirmative final determinations, the
5 Foreign Producers will continue to look to the United States
6 to fill their order books at the Domestic Industry's
7 expense.

8 This is a highly capital-intensive industry with
9 high fixed costs. It is also a cyclical industry. It is
10 critical to our long-term health that we are able to achieve
11 adequate returns on investment when the market is strong to
12 ensure that we can reinvest in the business and survive the
13 periods of downturn. We cannot get our losses back. Our
14 returns are not adequate now and they will not be adequate
15 without a final affirmative determination in this case.
16 Thank you.

17 STATEMENT OF DICK TEETS

18 MR. TEETS: Good morning Madam Chair and
19 Commission members, for the record my name is Richard Teets,
20 and I am the former president and COO of Steel Operations of
21 Steel Dynamics. I'm accompanied by Barry Schneider, Senior
22 Vice President of Flat-Rolled Products. I'm also one of the
23 three co-founders of Steel Dynamics.

24 Keith Busse, Mark Millet and I left Nucor in
25 1993 to start a new steel company. We had no idea that 20

1 years later, we would have grown into the fourth largest
2 steel company in the United States, with over 7,500
3 employees and sales of almost \$9 billion.

4 Corrosion-resistant steel is our company's
5 single most important steel product, produced on eight
6 galvanizing lines with a combined capacity of 3.4 million
7 tons. We utilized two lines at our original Greenfield
8 mini-mill in Butler, Indiana, as well as one line in
9 Jeffersonville, Indiana. In 2007 we purchased for over
10 \$370 million a group of three galvanizing plants in and
11 around the Pittsburgh, Pennsylvania area called the Techs,
12 which collectively have nearly one million tons of
13 galvanizing capacity.

14 In 2014, we made the largest investment in SDI's
15 history when we purchased the newest flat-rolled mini-mill
16 built in the United States from Severstal, located in
17 Columbus, Mississippi for \$1.6 billion. Given our focus on
18 the production and marketing of corrosion-resistant steels,
19 we shortly thereafter announced a \$100 million investment in
20 the Columbus, Mississippi plant to improve the capacities of
21 the two existing galvanizing lines.

22 We're adding Galvalume capacity to that plant
23 and building a state of the art coil to coil paint line.
24 Unfortunately, in 2015 we saw galvanized steel prices in the
25 United States plummet. This was contrary to the market

1 conditions with both an improving automotive market and an
2 improving construction market.

3 The primary reason for the downturn in domestic
4 volume and pricing of galvanized sheet steel in 2015 was the
5 big import surge at the end of 2014 and throughout much of
6 2015 of unfairly-traded imports from countries subject to
7 this investigation. In fact, the profits at our Mississippi
8 mill fell by 75 percent in 2015 compared to 2014, and even
9 though the Techs are extremely efficient converters of
10 cold-rolled sheet purchased from outside sources at spot
11 market prices, the Techs' profitability fell significantly.

12 The unfairly traded imports of galvanized steel
13 squeezed the margin between cold-rolled sheets and the
14 finished products in spite of low conversion costs at both
15 of these locations. I understand the Respondents have
16 claimed in their prehearing briefs that the imports of
17 Galvalume surged in 2014 and the first half of 2015 because
18 the domestic industry was unable to supply the market. I
19 can tell you that SDI had additional capacity to produce
20 Galvalume in every one of the 36 months of your POI.

21 Our Galvalume volume got killed in 2014 and the
22 first half of '15, and the idea that customers bought import
23 Galvalume for any other reason than unfairly-traded prices
24 is ridiculous. We have seen an improvement in our business
25 in 2016 because of the imposition of duties, and a

1 corresponding decrease in unfairly traded imports.

2 During my 22 years at Steel Dynamics, our
3 investments have been made always based on the prediction
4 that the U.S. government would enforce our trade laws. The
5 U.S. steel industry is plagued with worldwide over-capacity,
6 and we know that the U.S. is the most open market in the
7 world and has become the dumping ground for that
8 over-capacity.

9 As a founder, senior executive and a board
10 member, I can assure the Commission that Steel Dynamics is a
11 growth company, and that in the coming decades we expect to
12 add more high paying jobs with average compensation of
13 \$90,000 per year for non-executive steel employees.

14 Your decision in this case could very well be a
15 decision influencer as to the direction of any future growth
16 plans in our third decade in business. SDI plants and team
17 members can and are ready to compete in the marketplace for
18 corrosion-resistant steels with anyone, as long as the
19 subsidies and dumping by foreign producers are appropriately
20 offset with remedial duties. Thank you.

21 STATEMENT OF SCOTT LAUSCHKE

22 MR. LAUSCHKE: Good morning. My name is Scott
23 Lauschke. I am the Vice President of Sales and Customer
24 Service for AK Steel Corporation. I have served in the
25 domestic steel industry for 23 years, and in my current

1 position I oversee all aspects of carbon, stainless and
2 electrical steel sales. I am accompanied today by J.B.
3 Chronister, AK Steel's general manager of Products and
4 Marketing.

5 At AK Steel, we take great pride in our
6 corrosion-resistant or CORE steel products. Our customers
7 within both the automotive industry as well as within other
8 market segments routinely turn to AK Steel for products with
9 enhanced material properties and performance
10 characteristics. Examples include our family of advanced
11 high strength steels, which allow for lighter-weight and
12 more fuel-efficient automotive designs.

13 Our company has invested millions of dollars
14 over multiple years to position ourselves to produce these
15 world class corrosion-resistant products. For example, in
16 September 2014, we invested \$700 million to purchase
17 Severstal's integrated steel-making assets located in
18 Dearborn, Michigan. These assets include one of the most
19 efficient blast furnaces in the world for its size, along
20 with a state of the art hot-dipped galvanizing line.

21 As evidenced by our investment in the Dearborn
22 Works, AK Steel is committed to producing the very best
23 corrosion-resistant steel in the world, and to manufacture
24 it right here in the United States. Our company boasts an
25 outstanding workforce and a management team that is

1 committed to staying on the cutting edge of steelmaking
2 process technology.

3 When contemplating the purchase of the Dearborn
4 operations in 2014, AK Steel was right to bet on growing
5 demand for corrosion-resistant steel products. As you know,
6 these steels are used primarily for automotive and
7 construction applications. Over the Period of
8 Investigation, total U.S. light truck and automobile sales
9 grew by 12 percent.

10 Over the same period, total U.S. construction
11 spending increased by 31 percent. The record of these
12 investigations shows that domestic consumption of
13 corrosion-resistant steel grew by over 1.5 million tons from
14 2013 to 2015.

15 With this level of demand, there should have
16 been more than enough business to justify our investment in
17 Dearborn, and keep all of our facilities running at peak
18 levels. We should have earned enough profits during this
19 portion of the business cycle to better position ourselves
20 for the inevitable downturn in this highly cyclical
21 industry.

22 But unfortunately we were robbed of the
23 opportunity to take advantage of these strong market
24 conditions. Massive over-capacity in the subject countries
25 flooded the global market with low-priced steel. In 2014 and

1 2015, subject producers shipped so much corrosion-steel into
2 our home market that by the beginning of last year prices
3 were in a free-fall.

4 In many instances, we literally could not afford
5 to sell into the spot market. As a result, our sales of
6 corrosion-resistant steel were down by over 200,000 tons
7 from the levels seen in 2013, all of this during a period of
8 peak customer demand. With these conditions, we were forced
9 in late 2015 to temporarily idle our blast furnace and
10 steel-making operations in Ashland, Kentucky, and lay off
11 more than 600 people because we could not compete with
12 dumped and subsidized prices.

13 Fast forwarding to today, the preliminary duties
14 resulting from this trade case have begun to have a positive
15 impact. In the first quarter of this year, subject imports
16 were down 74 percent from the same quarter last year. In my
17 opinion and in the opinion of my colleagues throughout the
18 industry, these investigations are the sole cause of the
19 decline in unfairly-traded imports.

20 I am pleased to see that since the beginning of
21 this year, market prices have finally begun to recover. But
22 we are certainly not out of the woods yet. Although spot
23 market prices are rising, they are still not back to their
24 historical levels, and much of our contractual business now
25 remains locked in at very low price levels.

1 Because of the rapidly-falling spot prices of
2 the past one to two years, AK Steel had no choice but to
3 accept significant price reductions in every major contract
4 that has since come up for renegotiation. Many of those
5 contracts will remain in place for many months to come,
6 greatly limiting our ability to boost corporate revenues and
7 profitability in the near term.

8 This situation will only be made worse in the
9 event that we do not receive trade relief, and we are again
10 forced to negotiate contract renewals during another surge
11 of unfair trade. Please make no mistake. If our industry
12 does not obtain relief via this trade case, unfairly-traded
13 imports will certainly return.

14 I am very concerned about what will happen if,
15 after the events of the last two years, the Commission opens
16 the door to yet another surge of unfair trade. The impact
17 on our domestic steel industry will be calamitous. I
18 realize that the other side will try to convince you that
19 the problems of the last few years and the threat that hangs
20 over us today have nothing to do with subject imports.

21 Do not believe them. Our entire industry knows
22 that your decision will determine whether we will experience
23 yet another flood of unfair trade. I urge you to reach
24 affirmative determinations on all countries and provide AK
25 Steel with the opportunity to compete in a fair market.

1 Thank you.

2 STATEMENT OF RICK BLUME

3 MR. BLUME: Good morning Chairman Broadbent and
4 members of the Commission. My name is Rick Blume, and I'm
5 responsible for all commercial activity for the Nucor
6 Steelmaking Group. I appreciate this opportunity to explain
7 why it is critical that orders are imposed on
8 corrosion-resistant steel from China, India, Italy, Korea
9 and Taiwan.

10 As you've already heard, corrosion-resistant
11 steel is used primarily for automotive and construction
12 purposes. Both are critically important to Nucor, and our
13 sales have been directly harmed by dumped and subsidized
14 imports from the five subject countries.

15 Although construction demand is still below
16 pre-recession levels, it has steadily grown, reaching a six
17 year high of \$1.1 trillion in 2015. Nucor was
18 well-positioned to benefit from this rising demand, and 2015
19 should have been a great year for us. But instead, we were
20 crushed by dumped and subsidized imports, which increased
21 much faster than the growth in domestic demand.

22 Between 2013 and 2015, subject imports captured
23 market share and hundreds of millions of dollars in sales at
24 the direct expense of U.S. producers. These imports did not
25 retreat until we filed these trade cases. The Commission

1 has previously found that the corrosion-resistant steel is
2 overwhelmingly purchased on the basis of price, and domestic
3 product is easily substitutable with imported product.

4 This case is no different. In fact, purchasers
5 have candidly admitted to shifting to subject imports on a
6 price basis. Whenever U.S. producers dropped prices in an
7 attempt to keep volume and sales, subject import pricing
8 went still lower. In 2014 and 2015, subject import prices
9 fell rapidly as volume surged. These volumes declined only
10 after the petitions were filed, but the damage had already
11 been done.

12 The U.S. industry lost sales and market share,
13 was forced to shutter and idle capacity, and abandon or
14 delay critical investments and expansions, and our workers
15 were harmed by losing hours and wages. With falling costs
16 and rising demand, 2014 and 2015 should have been a time of
17 strong profits for our industry.

18 But subject imports pushed prices down faster
19 and farther than raw materials. As a result, Nucor's
20 profits fell sharply. Your data confirm that both spot and
21 contract pricing have been harmed by these imports. I've
22 testified before the Commission in numerous steel cases, and
23 I often hear claims that contracts insulate the domestic
24 industry from import competition.

25 In this case, the Commission wisely tested these

1 claims by collecting data on the same pricing products when
2 sold by contract and otherwise. The data prove what we've
3 known all along, contract pricing moves in tandem with spot
4 pricing, and buyers quickly use falling spot prices as
5 leverage in contract negotiations to lock in lower prices.

6 Further, if we have contracts in place with
7 pricing that is higher than the spot market, our customers
8 will purchase only to the contractual minimums, and use
9 dumped and subsidized imports to supply the rest. This is
10 not surprising given that half of our customers can switch
11 to subject imports without qualifying these products, and
12 even when qualification is required, the time and effort
13 involved is minimal.

14 In fact, many OEMs have pressured steel service
15 centers to blend more unfairly-traded imports into their
16 offerings in order to bring down cost. Again, growing U.S.
17 demand should have boosted the domestic industry's
18 performance. Instead, Nucor's market share, sales values,
19 profits and income all weakened in 2015, and subject imports
20 prevented us from making important investments in our
21 corrosion-resistant steel operations.

22 For example, during the Period of Investigation
23 we considered adding Galvalume capability, but determined
24 that subject imports were pushing prices so low that the
25 investment would not be worth it. Subject imports retreated

1 from the market in response to the petitions, but if orders
2 are not imposed, they will return in full force and the
3 damage done in 2014 and the first half of 2015 will get
4 worse.

5 Chinese, Indian, Italian, Korean and Taiwanese
6 producers continue to increase their capacity, even though
7 they already produce more corrosion-resistant steel than
8 their home markets can absorb. They have already shown how
9 easily and quickly they can increase imports to the U.S.
10 market, and they have every reason to do so again given that
11 U.S. prices remain well above those in the subject
12 producers' home markets.

13 In fact, I received an email this week from
14 traders who are actively sounding out buyers for subject
15 imports in the event that these cases go away. On behalf of
16 Nucor and its 24,000 team mates, I urge the Commission to
17 find that imports from subject countries have injured our
18 industry and threatened us with further material injury.
19 Thank you.

20 STATEMENT OF DOUGLAS MATTHEWS

21 MR. MATTHEWS: Madam Chair, members of the
22 Commission, good morning. My name is Douglas Matthews and I
23 am Senior Vice President of Industrial Service Center and
24 Mining Solutions for United States Steel Corporation. I
25 cannot tell you how frustrating it was to sit here on

1 Tuesday and listen to arguments from Respondents that
2 completely missed the forest for the trees.

3 Today, I am expecting that you will hear a
4 similar litany of excuses and irrelevancies from
5 Respondents, and let me tell you they are diversionary and
6 baseless, and as I might say, a smoke screen. Yes, we do
7 have cold winters. Yes, we do have maintenance just like
8 every business does. But that in no way explains the
9 millions of tons of unfairly traded imports entering this
10 market or the resulting carnage that we saw.

11 We wanted, needed and were able to supply
12 virtually every one of those sales, and the only reason we
13 did not was because of unfair trade. I applaud the
14 Commission's tenacity in seeking the truth. What actually
15 happened over the last few years is straightforward. We had
16 the best demand since 2008 financial crisis. Nonetheless,
17 we lost a huge volume of sales and a great deal of market
18 share to foreign producers represented by counsel only
19 and/or their export professionals here today.

20 Let me clarify. Respondent company witnesses
21 that you will hear from this afternoon have the primary
22 function to figure out how to export their respective
23 company's products into the U.S. market. We were forced to
24 slash our spot prices in 2014, and our contract pricing as
25 they were negotiated in an effort to regain some lost market

1 share.

2 This is obviously inconsistent with the claim of
3 shortages, because in a supply short market, prices would
4 increase. But imports kept pouring in and prices kept being
5 driven down. In the first half of 2015, pricing just
6 collapsed, and we continued to lose sales to dumped and
7 subsidized imports throughout 2015.

8 The result for us and the rest of the industry
9 has been shut downs, layoffs and dismal financial results
10 that have continued to this day. Let me quickly address a
11 few more points. First, our contract sales offer no
12 protection against unfair trade of this type. Almost all of
13 our contracts for this product last one year or less.

14 Collapsing spot pricing caused by unfair trade
15 has severely impacted every one of our contract negotiations
16 during this period. Also keep in mind that many of our
17 contracts do not guarantee volume. So if a contract
18 customer can get a better deal with unfairly traded imports,
19 they will shift to that source, even if they have a contract
20 with us.

21 Unfortunately, this happens all too often.

22

23 Second, we are fully capable and have more than
24 enough capacity to serve all aspects of this market. This
25 includes light gauge, narrow Galvalume, advanced high

1 strength steel and many other advanced corrosion-resistant
2 steel products that our customers and the market demand.
3 The subject imports are hurting our sales on all of these
4 products.

5 A strong and growing demand over the last two
6 years should have allowed us to produce and sell more
7 corrosion-resistant steel, earn a better return and continue
8 to invest in our business. Instead, we lost the entire
9 benefit of these years to dumped and subsidized imports and
10 were forced to endure shutdowns and layoffs.

11 All we want is a chance to make and sell the
12 best corrosion-resistant steel in the world under fair
13 market conditions. On behalf of the tens of thousands of
14 American workers that make up this domestic industry, we ask
15 that you enforce our trade laws to the fullest extent
16 possible. Thank you.

17 STATEMENT OF JOHN WALBURG

18 MR. WALBURG: Good morning Chairman Broadbent
19 and members of the Commission. My name is John Walburg. I
20 am the manager of Marketing and Sales Administration at
21 California Steel Industries, located in Fontana, California.
22 I have been with CSI for 19 years.

23 CSI was founded 32 years ago in 1984 on the
24 footprint of the former Kaiser Steel Company. CSI has a
25 hot-rolling mill and we process slabs into hot-rolled to

1 utilize in our cold-rolled, corrosion-resistant and line
2 pipe mills. CSI is one of three producers of
3 corrosion-resistant steel on the west coast.

4 Almost all of our sales are to the spot market.
5 In 2015, our volume and pricing on galvanized sheet was
6 severely impacted by a surge of unfairly-traded low-priced
7 corrosion-resistant steel. CSI's production fell by about a
8 third in 2015 compared to 2014. We experienced significant
9 financial hardships in 2015 across all of our product lines.

10 Galvanized was particularly impacted as a result
11 of the massive concentration of subject imports from China,
12 Korea and Taiwan into west coast ports. Many of our
13 employees began to wonder about the long-term viability of
14 CSI and the security of their jobs. The imposition of
15 duties had beneficial price and volume effects for CSI. The
16 new imposition of duties against Taiwan will help even more.

17 If CSI does not receive relief in this case, we
18 expect the importers to return to past practices of dumping
19 product into the west coast market. This will result in
20 renewed losses in this product line, which will prevent us
21 from making future investments in corrosion-resistant steel
22 equipment and decrease production and crew levels in our
23 galvanized mills.

24 On behalf of the 930 employees at CSI, I ask the
25 Commission to make an affirmative injury determination.

1 Thank you.

2 STATEMENT OF DR. JERRY HAUSMAN

3 DR. HAUSMAN: I am Jerry Hausman, Professor of
4 Economics at MIT. I was here two days ago. I've been
5 involved in the steel industry for 50 years, since I worked
6 at Weirton Steel when I was in college.

7 Next slide, please. This first slide again, as
8 two days ago, I looked at what I call the percentage gap,
9 which is the percentage subject price minus non-subject
10 AUVs. You can see that in the first half of 2013, it varied
11 between about ten, minus ten percent to minus two percent.

12 But then over time in 2014 and 2015, it steadily
13 trended downward with one exception in January 2015, and
14 reached levels of about minus 18 percent. So there's a very
15 large gap in 2014 and 2015, in which subject imports AUVs
16 were much lower than non-subject AUVs.

17 Next slide, please. This next slide directly
18 refutes what Ms. Mendoza just told the Commission ten
19 minutes ago or 30 minutes ago. These are imports and you
20 can see that the red line is non-subject imports. The blue
21 line are subject imports. Subject imports grew by
22 approximately 146 percent during the POI, which is
23 approximately 100 percent greater than non-subject imports
24 grew.

25 So this notion that they were growing at about

1 the same rate, she must do mathematics differently than what
2 we do at MIT.

3 Next, I'd like to turn to price. We know that
4 there were significant levels of under-selling by the
5 subject imports, which led to severe price declines. The
6 under-selling is about 61 percent of the time, according to
7 the staff report. In a strong market, even accounting for
8 changes in import cost, there's no other explanation for
9 what's going on except the subject imports for the
10 significant decline in prices.

11 Next slide, please. So if I look at the impact
12 of imports, we know that the industry's profitability is
13 lower than one would expect, particularly given the strength
14 of the automobile, automotive market, which is one of the
15 great largest uses of CORE. Domestic auto sales are at a
16 very high level, and they grew by 21.6 percent from 2012 to
17 2015.

18 Over the period 2013 to 2015, U.S. GDP growth
19 averaged about 2.2 percent and automobile sales averaged 7.2
20 percent. The combination of this growth should have led to
21 very good times for the steel industry. So it should have
22 been the best of times, according to Dickens. But it was
23 the worst of times, because what happened is that subject
24 imports came flooding in, drove down the price and drove
25 down the profits of the steel industry.

1 Next slide, please. So this is what happened in
2 terms of the CRU CORE prices. From mid-2014 to the end of
3 2015, they decreased by 36.3 percent. All pricing in the
4 market is affected by CRU prices. All pricing in the market
5 is affected by CRU prices.

6 Next slide, please, including both spot and
7 contract prices. Changes in CRU spot prices affect other
8 spot prices immediately, but they affect contract prices
9 with a lag when contracts are renegotiated. I find a
10 comparison of CRU prices with base prices in contracts to be
11 0.87. I also find the lag effect of changes in import
12 prices for six months in terms of overall pricing.

13 Next slide, please. So if I consider the threat
14 of future industry, we know that there is massive excess
15 capacity. So I mentioned China two days ago. Its growth
16 has dropped from 10.5 percent to approximately 6.7 percent.
17 But also something similar has happened in Korea.

18 Korea has fallen from 6.1 percent in 2010 to 2.7
19 percent in Q1 2016, just about the same percentage point
20 drop that happened in China. I note that the U.S. is the
21 second largest export market for Korean CORE, and shipment
22 productions and exports, which grew by 131 percent, all
23 increased during the POI.

24 Demand in other markets is weak and although
25 U.S. CORE prices are depressed they are still higher than CORE

1 prices in subject producers' home markets and in third
2 country markets. Lastly in terms of causation, next slide
3 please, the U.S. industry has lost significant volume. You
4 can see that from looking at the graph of imports that I
5 showed before.

6 The U.S. industry has been forced to decrease
7 prices. That arises from the 0.87 percent correlation with
8 the CRU price, and the 36 percent decline in the CRU price.
9 Significantly lower U.S. profits is a result, compared to
10 what would have and should have happened without the flood
11 of imports.

12 The Commission staff has confirmed that volume
13 has shifted and price reductions were the result of subject
14 imports. From 2014 to 2015, the CRU spot prices decreased
15 by \$169 a short ton, while U.S. producers' raw materials
16 declined by only about \$74 a short ton, less than half of
17 the price decline.

18 Lastly, foreign fighter requirements are
19 appearing in negotiations and contracts. These require U.S.
20 producers to reduce their prices to at or near the import
21 pricing levels to obtain or keep sales. Thank you.

22 STATEMENT OF LEO GERARD

23 MR. GERARD: Madam Chairman and members of the
24 Commission, my name is Leo Gerard. I'm still the president
25 of the United Steelworkers, and I want to compliment

1 Professor Hausman on a very good technical presentation.

2 Now I hope I can equate that with a very good human
3 presentation on the effect that this has on our members and
4 their families.

5 The USW is the largest industrial union in North
6 America. Our workers produce corrosion-resistant steel at
7 more than a dozen facilities. These facilities are affected
8 by what's happening in the steel industry in the cases
9 you're hearing. They're affected in places like Fairfield,
10 Alabama, Gary, Indiana, Cleveland, Ohio, East Chicago and
11 they're affected basically all over the country in more than
12 16 different facilities where our members make
13 corrosion-resistant steel.

14 The message that I have and the hope that I have
15 on behalf of those steelworkers is a simple one, one that
16 you'll end the unfair advantage that foreign governments and
17 foreign companies are gaining through their unfair trade
18 practices, and I want to say these practices are robbing,
19 literally robbing our hard-working members of their jobs,
20 their benefits, the ability to feed their families, send
21 their kids to college, buy a home or keep a home and in many
22 ways affecting their retirement in advance of their
23 retirement.

24 As the Commission is well aware, the U.S. steel
25 industry is being unfairly assaulted by unfair and

1 unfairly-traded imports in a number of steel products in
2 which you've heard some cases on. These ongoing
3 investigations on corrosion-resistant steel, hot-rolled and
4 cut to length plate, these are products that are just simply
5 the tip of the iceberg of what's going on in the steel
6 industry and what's the result of unfair trade.

7 Global over-capacity supported by unfair trade
8 practices threatens the very existence of the steel industry
9 in this country, and maybe more importantly its workers,
10 their families and the retirees that suffer the most. I
11 want to make the point that I alluded to on whatever day
12 that was, Tuesday, in more detail.

13 Our members made huge sacrifices over the last
14 two decades to make sure that there would be a steel
15 industry in this country. In many ways, our wages and
16 benefits have been flat. We just finished eight months of
17 negotiations with ArcelorMittal, and we knew. We finished
18 before that with U.S. Steel. We finished before that with
19 AK Steel.

20 We knew going into those negotiations that we
21 had to take next to nothing to keep our health care, to keep
22 our pensions and to keep the industry alive, because had we
23 struck or had they locked us out, we'd put the whole
24 industry at stake. Our members made those decisions. They
25 should not have to make those decision, because our industry

1 is being destroyed by unfair trade.

2 If I sound like I'm pissed off, I am. I don't
3 know how many times our union has been in front of this
4 Commission. It's like whack-a-mole, and if we ever lose one
5 of these cases, it's an open door for those countries and
6 those companies that are illegally dumping and being
7 subsidized into this market. It's an open door for them to
8 do more.

9 I digress a little bit because we've got the
10 same cases before you in tire. We're going to have the same
11 cases before you in aluminum. We're going to have the same
12 cases before you in glass. The system is broken and we have
13 to count on you to fix it.

14 On the bench over there is a document that we
15 brought that we think people should see, "Overcapacity: A
16 Legacy of Broken Promises." How much longer do our members
17 have to sacrifice? There comes a point in time, members of
18 the Commission, that we have nothing left to give you,
19 nothing left.

20 We're working reduced hours. We've got
21 thousands on layoff. Our members see the punishment first,
22 then the shareholders see it next, and then when you've got
23 to go to the market to get some money to try and reinvest
24 and keep the business alive after ArcelorMittal, U.S. Steel
25 and AK invested hundreds of millions of dollars, billions

1 since the last time that we had a crisis, and they're not
2 getting rewarded for those and our members are being
3 punished because of it.

4 This is the human toll. I mentioned the VEBA.
5 We negotiate profit-sharing. We negotiate that some of that
6 goes into VEBA, Voluntary Employee Benefit Association. So
7 when our members retire, they have a chance of getting some
8 health care. If we can't generate enough capital to turn a
9 profit, nothing goes into the VEBA.

10 So those workers that are here, and I want them
11 to stand again, be recognized, it's their lives that are at
12 stake. Some of them will be retired. Some of them are. If
13 you don't give us affirmative decision, you're opening the
14 door not only for continued subsidization and dumping;
15 you're inviting it, and at some point we have to tell you
16 enough is enough.

17 Slam the door shut and hopefully catch their
18 fingers in the door. So again, I want to thank you and I'm
19 not always this rambling, but I'm really ticked today, you
20 know, that this is ongoing. I was saying to Paul, I
21 remember when Lynn Williams would be here, Lloyd McBride,
22 George Becker and me for the last 15 years.

23 It's whack-a-mole, and if we ever lose one, God
24 forbid what will happen to our industry. So on behalf of
25 our members, on behalf of our retirees, on behalf of the

1 communities, on behalf of the tax structure for our school
2 boards, on behalf of our health care, on behalf of our
3 VEBAs, on behalf of our industry, I implore you, give us the
4 affirmative decision that we're entitled to get. Thank you
5 so much.

6 MR. SCHAGRIN: That completes our presentation.
7 We'll save the rest of our time for rebuttal and we're happy
8 to answer the Commission's questions. Thank you.

9 CHAIRMAN BROADBENT: Excuse me. We may have a
10 Congressional witness?

11 (Pause.)

12 CHAIRMAN BROADBENT: Madam Secretary, will you
13 announce our Congressional witness please?

14 MS. BARTON: The Honorable Patrick J. Tiberi,
15 United States Representative, 12th District, Ohio.

16 CHAIRMAN BROADBENT: Welcome, Mr. Tiberi. We've
17 had a long couple of days on this and industry, and we're
18 glad to have your statement.

19 STATEMENT OF REPRESENTATIVE PATRICK J. TIBERI

20 REPRESENTATIVE TIBERI: I've heard. Well thank
21 you. I appreciate you letting me say a few words today. I
22 appreciate the time, both Chairwoman and the members of the
23 Commission. It really is an honor to be before you today.
24 I'm sorry for the delay in getting here. A little thing
25 called votes interrupted me.

1 But it is good to be with you today, and today's
2 proceedings are very critical to my home state of Ohio as
3 you've heard already this week. The steel industry
4 obviously is important to our state and important to our
5 country, and important to our overall economy in our
6 country.

7 Over the years, the volume and complexity of
8 trade, as you know, and challenges such as combating evasion
9 of anti-dumping and countervailing duties and protecting
10 U.S. intellectual property rights have grown. They've grown
11 in my native state of Ohio.

12 Meanwhile, we are facing increasing competition
13 around the world, and it's critical to keep the flow of
14 trade moving efficiently and effectively. As you may know,
15 I was the Trade Chairman of the Ways and Means Subcommittee
16 last year. Last year, as part of the Trade Preference
17 Extension Act of 2015, the Congress acted to clarify the
18 material injury standard. I strongly supported this effort,
19 and in fact it was originally included in the Customs
20 Authorization bill which I authored.

21 There are two specific provisions in the Act
22 that I want to highlight for Commission members this
23 morning. First, we make clear that the Commission may not
24 determine that there is no material injury or threat of
25 material injury to a domestic industry merely because the

1 industry is profitable or because the performance of that
2 industry has recently improved.

3 Even when a domestic industry earns a profit,
4 that profitability may still be suppressed by the harmful
5 impact of unfair trade. This new provision makes clear that
6 domestic producers do not have to wait until they lose money
7 to seek trade relief. If it's unfair, it's unfair.

8 Second, we made clear that the Commission should
9 evaluate all relevant economic factors which have a bearing
10 on the state of the U.S. industry. The new law directs the
11 ITC to consider a greater number of injury factors including
12 gross profits, net profits, ability to service debt,
13 productivity, return on investments and capacity
14 utilization.

15 In some cases unfair trade may drive down an
16 industry's operating income, yet in other cases while the
17 industry's operating income may remain stable, certain
18 aspects of its performance such as net income or ability to
19 pay its debt may actually suffer.

20 The Commission should be sensitive to the
21 effects of unfair trade wherever they are found, and
22 Congress wanted to clarify the law on that very point. Both
23 these provisions are designed to strengthen the U.S.
24 government's enforcement and administration of U.S. trade
25 laws.

1 Congress has given this body the great
2 responsibility to enforce our anti-dumping and
3 countervailing duty laws in a manner that will lead, we
4 believe, to a better and fairer market competition
5 throughout this country. In fulfilling that
6 responsibility, I ask that you pay close attention to our
7 recent clarification of the injury standard, and to ensure
8 that our laws are strictly enforced.

9 In order for our domestic steel industry to
10 compete in the global marketplace, we must ensure our
11 foreign competitors play by the same rules, and I urge this
12 Commission to use these new rules to ensure the integrity of
13 the global trading system. I appreciate the work you do.
14 We're counting on you to help us enforce the laws that we
15 pass, and I really thank you for giving me the opportunity
16 to share with you my comments and my views this morning.
17 Thanks so much.

18 MR. ROSENTHAL: Chairman Broadbent, pardon me.
19 Paul Rosenthal. I think your staff has been informed that
20 Mr. Gerard has to leave around noon today, so if there are
21 questions for him before then, that would be a good time.
22 Thank you.

23 VICE CHAIRMAN PINKERT: Let me just go ahead and
24 ask Mr. Gerard a question. Oh, and I thank all of you for
25 being here today and helping us to understand these issues.

1 Mr. Gerard, I wrote down a quote from your
2 testimony. You were talking about the potential harmful
3 impact of industry conditions on industry retirees. And the
4 quote I have is, "In advance of their retirement." What I'm
5 wondering is, if a worker is currently retired, are his or
6 her benefits fixed? Or is there some potential impact on a
7 current retiree?

8 MR. GERARD: They are fixed at every set of
9 negotiations. And this last set of negotiations for all of
10 the major steel companies we have a relationship with, a big
11 part of the challenge in those negotiations was the amount
12 that retirees, even with the voluntary employee benefits,
13 the amount that those retirees would have to contribute in
14 addition to maintain their benefits, or change the benefit
15 structure.

16 So the less money that gets into the VEBA, the
17 more challenging that is to keep retiree benefits at the
18 next round of negotiations. So that with all the companies
19 this round, we basically went in up front and said we won't
20 be looking for wage increases. And we negotiated most of
21 that. And we negotiated profit sharing and how that would
22 work. And if prices were at a certain level, what would go
23 in. If prices went higher, what would go in.

24 So it is very, very clear to our current active
25 members that we keep the VEBA strong. Because when they

1 retire, they will be part of that VEBA. And it is very
2 important to our current retirees that we try to keep their
3 contribution for their health care after retirement as flat
4 as possible.

5 We failed this round, if you want to call it
6 that, because every one of these fuel companies--and I don't
7 want to appear that I'm being unduly negative--they weren't
8 making any damn money. And so it was very hard. And we had
9 to grind it out.

10 I think with U.S. Steel we went about three
11 months past the deadline. With AK we went a little bit past
12 the deadline. With ArcelorMittal we went five months past
13 the deadline. And we have reached tentative agreements with
14 everybody.

15 So what happens here has an effect not just on
16 those members that stayed overnight because they want you to
17 know how important this is to them; it has an effect on
18 people that can't be here, like those retirees with
19 disabilities. We've got retirees with long-term disabilities
20 that we have to support, as well.

21 So, Member of the Commission Pinkert, it is
22 urgent.

23 VICE CHAIRMAN PINKERT: Thank you.

24 Now, Dr. Hausman, can we see the impact on U.S.
25 prices for this product, of falling prices for inputs during

1 the period?

2 DR. HAUSMAN: That's on, I think it's on the last
3 slide that I had. Slide number nine. So what I found was,
4 if I look at the CRU spot prices, they decreased by \$169.
5 And then if I use the staff's calculation of raw material
6 cost, they declined by \$74. So that's where I got the
7 numbers from.

8 Also, in my post-hearing statement I have an
9 econometric model where I also estimate the effect of
10 increased imports. And I find a statistically significant
11 effect.

12 VICE CHAIRMAN PINKERT: Thank you.

13 Now there was a lot of discussion in the briefs
14 about the importance of the net income ratio versus the
15 operating income ratio. And I'm wondering if somebody can
16 explain how a difference between the net income ratio and
17 the operating income ratio might be due to the impact of
18 subject imports?

19 MR. VAUGHN: Commissioner Pinkert, this is Stephen
20 Vaughn. Some of the company people may wish to weigh in,
21 but having gone through the record, for example let's say
22 that an industry has certain costs associated with some sort
23 of charge that gets put on as a result of falling--I'm
24 trying to think of a way to say this without getting into
25 confidential data--but let's say that you have a charge that

1 gets put into your net income because of lack of volume.

2 And because of that lack of volume, for example,
3 you lose sales, and you lose production, and the value of
4 certain assets gets changed as a result of that.

5 That would tend to turn up in the net income, and
6 not so much in the operating income. And so therefore it
7 would clearly be attributable to the imports. It would
8 clearly be their fault that this had happened. But it
9 wouldn't show up in the operating income. Instead, it would
10 show up in the net income.

11 So if you have a situation, for example, where
12 people, you know, manage their--depending on how they manage
13 their operations, the full effects of the imports might show
14 up much more in the net income figures than they show up in
15 the operating income figures.

16 MR. MATTHEWS: Doug Matthews, U.S. Steel, if you
17 don't mind. So when we looked at net income, the impacts
18 that we realize of idle facility costs, so that as we're
19 losing volume to unfairly traded imports coming in, and we
20 saw that ratchet down over time, we have a certain fixed
21 cost structure that gets dispersed over fewer tons.

22 And then once we get to a point of actual idle
23 facility, we have costs that don't go away. You know, we
24 have utilities. We have to continue to keep a core group of
25 people that oversee idle facilities so that we maintain them

1 in a ready state to restart. And we incur labor costs
2 associated with that, as well.

3 So the net income is the true measure of the
4 impact of the unfairly traded imports.

5 MR. BLUME: Rick Blume, Nucor. I just wanted to
6 make a comment related to what we heard this morning about--
7 from the Respondents, about ratios. The fact of the matter
8 is, we pay employee bonuses, team mate bonuses. We pay
9 shareholder dividends with dollars, not ratios.

10 And during a period in which we should have seen
11 a very strong result, very strong profits given the demand
12 particularly in automotive, we did not see that. And again,
13 we've talked on a number of occasions about the importance
14 of that.

15 If we are not going to make the profit, if we are
16 not going to have adequate returns to capital now, when will
17 we?

18 MR. SCHAGRIN: Vice Chairman Pinkert, this is
19 Roger Schagrin. So really between operating income and net
20 income in the Commission's questionnaires, you have two main
21 items. You have interest expenses, and you have other
22 expenses. And for this industry which has billions of
23 dollars in debt, the cost of downgrades by the rating
24 agencies over the POI, a period of unbelievably low interest
25 rates--I mean, for all of us alive in this hearing room, we

1 have never seen interest rates as low in the United States
2 as the past several years.

3 And yet for this corrosion-resistant steel
4 industry, their interest expenses have been increasing
5 because their poor results in the midst of a booming market
6 has led to rating agency downgrades, and increased interest
7 costs on their debt.

8 So that is one very important item that led to
9 these increased--or decreased net income, in addition to the
10 absolute decrease in operating income.

11 And then additionally, as I think you heard from
12 Mr. Matthews, it would be a below-the-line but a real cash
13 expense when you shutter a facility and you've got to pay
14 some severance to the workers. You've got to pay some
15 additional costs. You've got to pay additional maintenance
16 of shutting down these behemoth, giant pieces of equipment,
17 and doing it safely.

18 And so I think if you look at Table 6-1 of the
19 Commission Staff Report, you can see the cash flow in this
20 industry, which is net income or loss, plus depreciation
21 because depreciation amortization is not a cash cost it's a
22 write-off of assets but not a cash expense, fell by almost
23 \$500 million from \$745 million to \$285 million.

24 That is just massive, because when these
25 companies look to put money into VEBAs, when they look to

1 reinvest capital in their plants, when they look to meet
2 their borrowing obligations, they have to do it from cash
3 flow. If you don't have cash, there's no way to pay. And
4 if you can't pay your interest, you have to file for
5 bankruptcy. That's just the way markets in the United
6 States' economy work.

7 MR. ROSENTHAL: Vice Chairman Pinkert, I want
8 to--if it's possible to amplify on anything Mr. Schagrin
9 says, I want to try.

10 Really I want to pick up on Rick Blume's point
11 and Roger's too, which is the importance of focusing on the
12 absolute numbers as opposed to the ratios. It is so easy to
13 get fixated on the percentages. And as Mr. Blume pointed
14 out, you don't pay percentages; you pay dollars that you've
15 got.

16 And the revenues, and the declining profits that
17 Mr. Schagrin talked about are very large numbers, hundreds
18 of millions of dollars. That is import-related injury.

19 MR. LONGHI: Commissioner Pinkert, I know we're
20 running close on time, but let me try to add a dimension of
21 injury that probably we didn't talk much about, but it's a
22 direct consequence of the questions you asked.

23 You are fully aware, now that we are living
24 during those times with a market that was really becoming
25 healthy, and we are attempting to participate in it to the

1 dimension that we believed we had the right to.

2 At the same time that our customers were making
3 potentially record profits, at the same time if you look at
4 the markets in general the Dow is hitting records, our
5 shares are getting crushed. Many of us lost more than 50
6 percent of value because of the negative impact on our
7 financials.

8 At the same time, we had an obligation to
9 maintain a minimum of cash flow to be able to continue our
10 operations. And in those times, the capital markets were
11 being closed to us. In many cases we didn't have access to
12 it. And whenever we could have had access to it, we were
13 being asked to pay a minimum of 20 percent interest.

14 So really we were shut out in a time of very
15 difficult conditions. So we were forced to take very
16 significant measures to maintain a minimum of cash flow to
17 stay afloat. And that is a dimension of the injury that we
18 didn't talk about.

19 If you just look at the loss of fair value that
20 we had when the markets were really peaking, it is an
21 important feature.

22 VICE CHAIRMAN PINKERT: Thank you, very much.

23 CHAIRMAN BROADBENT: Okay, we'll go to
24 Commissioner Williamson now, and then after he is finished
25 if anyone had a question for Mr. Gerard we will do that.

1 COMMISSIONER WILLIAMSON: Okay, good. Thank you,
2 Chairman. I also want to thank all the witnesses for coming
3 today.

4 Mr. Gerard, I'll start with you. On Tuesday I
5 asked you about this, and I want to see if there is anything
6 different in the corrosion market. We really haven't seen
7 much change in terms of employment levels and earnings and
8 things like that during this period, which on the one hand
9 one might say, given how bleak the picture is and the
10 impact, you talked about layoffs and things like that, I was
11 thinking you weren't seeing it in the numbers.

12 But I guess at that time you talked about the
13 other costs that were not reflected in just the employment
14 numbers. Is there anything you want to add on that? And
15 also anything particularly in regard to corrosion-resistant
16 that would be relevant?

17 MR. GERARD: In the overall industry, regardless
18 if it's corrosion-resistant or the other products you've
19 been hearing about, as I said this is just the tip of the
20 iceberg. I will reflect on discussions Mr. Longhi and I
21 have had, and Mr. Mittal himself and I have had.

22 We have an aging workforce in the steel industry
23 because of these various crises where they don't hire. So
24 that in a discussion with Mario we were talking about
25 needing to put together a training program when we thought

1 times were going to be good because of the amount of people
2 we felt would retire from the industry, and we bring new
3 blood into the industry.

4 So we needed to put a pretty comprehensive
5 effort, collectively, into training. Well we haven't had
6 any hiring because of this crisis. And people that retired
7 haven't been replaced. Plus we've got these massive
8 layoffs.

9 So when we talk about 13- or 14- or 15,000 people
10 laid off, we're not talking about the couple of thousand
11 that might have left the industry that weren't replaced, in
12 addition, because of the idle capacity and the training
13 program that we need.

14 So everything has a ripple effect through the
15 system. And clearly we were hoping when we thought times
16 were going to be good that not only would we be able to take
17 care of our retirees, but there would be new entrants into
18 the market. And we need new blood in the industry at every
19 level.

20 And that is not happening. And I fear for that.
21 And I have had discussions with ArcelorMittal and with Mr.
22 Longhi about needing to bring new entrants in. Because when
23 the old ones leave, they leave with the tricks of knowing
24 how to make this place work. You know, you just turn the
25 dial this much, you're okay. You turn the dial too much,

1 you're in doo-doo. And we need to train those folks.

2 So that is why you don't see any additional
3 hiring in a decrease.

4 MR. LAUSCHKE: Chairman Williamson, this is Scott
5 Lauschke from AK Steel. I would just like to point out on
6 this issue of number of employees over the Period of
7 Investigation, one thing you have to consider is the timing
8 of some of the various actions that have taken place.

9 So in the case of our idling, our temporarily
10 idling of our Ashland facility in Kentucky, that idling did not
11 take place until the end of 2015. It was actually the week
12 before Christmas when we idled that operation.

13 So those 600 people are on layoff right now. But
14 if you look at the statistics over the POI, that wouldn't be
15 taken into account. If we wanted to make our case look
16 better, you know, we could have, you know, idled that
17 facility earlier, I suppose, and had a stronger case before
18 you today, but that is certainly not what we are about.

19 We waited as long as absolutely possible and
20 tried to avoid that situation as much as possible. And by
21 the end of 2015, we had no choice but to idle that facility.

22 So if you consider that impact now in this year,
23 in 2016, I think you will see very different numbers.

24 MR. GERARD: And the other thing, Commissioner is,
25 as Mr. Matthews said on Tuesday, in our collective

1 agreements we have a process for getting to a layoff.
2 There's a whole bunch of what we call "layoff minimization"
3 steps that we have to work through. So that is another
4 piece of what we just said.

5 MR. MATTHEWS: And this is Doug Matthews, U.S.
6 Steel, just to follow up on the AK remarks. When we idled
7 the hot end at the Granite City facility, that was in the
8 month of December as well. And the layoffs would not have
9 been in the end-of-the-year statistics. Those would have
10 trailed over into the first quarter of 2016.

11 COMMISSIONER WILLIAMSON: Okay. Thank you. Thank
12 you for those answers. I think this question of, shall we
13 say, the failure to invest in the workforce and being able
14 to invest in the workforce, you know, that's a cost that
15 people often don't think about, as well as the fact that as
16 a country we are not investing in our workforce.

17 MR. GERARD: We were anticipating 1,300 people
18 being brought in and trained. So that cost is still laying
19 there when things eventually improve, when you give us an
20 affirmative action.

21 COMMISSIONER WILLIAMSON: Okay. Thank you for
22 those answers. I grew up in St. Louis, and I was out there
23 last week and I think I flew over Granite City and I was
24 thinking about the steel mill there.

25 I had another question for you, Mr. Gerard. You

1 know, we talked about the stagnation of wages and all for a
2 long time in this country. No one is talking about what
3 happens in terms of labor costs in the subject countries and
4 what impact does that have on their ability to be able to
5 dump, or sell at low prices in this country?

6 MR. GERARD; Well the experience that we've had
7 through the various researches we've done is that there is
8 no increased cost to them because of government
9 subsidization. And I can think of a number of countries
10 that are in this case, or in other cases, whether it has
11 been the pipe and tube case, hot-rolled case, cold-rolled
12 case, all of these, in every one of them if there's
13 increased cost through employment, that increased cost has
14 been eliminated or diminished by new forms of government
15 subsidy.

16 So in many ways, they are not having to suffer
17 with the increased cost of the increases in what they do.
18 They in fact subsidize it. And what they export in addition
19 to their steel is they export their unemployment to us.
20 They keep their people employed, regardless of what they pay
21 them, through these subsidies. And then they dump that
22 stuff here. And they export their unemployment to us.

23 It mean, it is literally that simple. It is not-
24 -as I said, I compliment the professor for a great technical
25 presentation. But once you put the human element on it, it

1 is not very complicated. Their subsidies offset any
2 increased cost they have. They dump their stuff in our
3 market and our folks have to meet that price. And if they
4 don't, they get unemployed. Or, like I said, less--I worry
5 a lot about the less money going into the VEBA. Everyone
6 deserves to be able to retire with some dignity.

7 MR. LAUSCHKE: Commissioner Williamson, Scott
8 Lauschke from AK Steel again. Another--you asked
9 specifically about labor costs in the subject countries and
10 how they compare to domestic labor costs.

11 In addition to direct labor and things like
12 health care, if you look at the other human costs, things
13 like safety and environmental compliance, and if you look at
14 our domestic industry, we spend millions of dollars every
15 year on environmental compliance, keeping our people safe,
16 keeping our communities safe, keeping the air clean.

17 You know, go to China. Breathe the air there.
18 Take a look at how they are treating their communities and
19 their people. Now that is another example of having a
20 completely different playing field.

21 We are not playing by the same set of rules. Now
22 that type of environmental compliance and that cost, that is
23 not in the scope of your investigation. I understand that.
24 But it is another example of how we are not playing by the
25 same rules, and it is harming the domestic industry

1 severely.

2 MR. ROSENTHAL: Commissioner Williamson, one last
3 point. Paul Rosenthal. One of the things that I don't
4 think everyone appreciates is that there are costs to laying
5 off people in other countries, as well. And sometimes they
6 are more. In the case of Europe in some instances. And the
7 decisions by the steel makers, they are entirely rational.
8 They will dump--if they can just cover their variable costs,
9 it's cheaper for them, and more economically sensible to run
10 their mills, keep their employees on and not incur those
11 costs, and ship literally, what Leo was talking about, their
12 unemployment to the United States.

13 So it's not irrational to say we're just going to
14 cover our costs. We are going to keep our--we are going to
15 reduce our layoff costs by keeping our employees in the
16 mills, and we'll let the U.S. mills deal with that problem.
17 And we will let the U.S. steel workers deal with that
18 problem. And that is exactly what's happened.

19 COMMISSIONER WILLIAMSON: Thank you.

20 MR. SCHAGRIN: Commissioner Williamson, Roger
21 Schagrin. I would also point out that the efficiency of
22 this industry is just phenomenal, whether it's the
23 integrated plants that have the USW, or the mini mills that
24 don't have organized workforces, your data shows that the
25 average per-ton labor cost in the industry are about \$50 a

1 ton.

2 So even if labor were free in China, India,
3 Korea, Taiwan, the cost of freight to the U.S. is far more
4 than U.S. labor costs. So no labor cost differential could
5 ever explain how foreign producers can gain market share
6 here. It is only through dumping and subsidization which
7 the Department of Commerce has found. Unbelievably
8 efficient workforce here.

9 COMMISSIONER WILLIAMSON: Thank you for those
10 answers. Why don't I reserve my time in case someone else
11 has questions for Mr. Gerard.

12 CHAIRMAN BROADBENT: Does anyone have questions
13 for Mr. Gerard? Commissioner Johanson?

14 COMMISSIONER JOHANSON: Yes, I do. Thank you,
15 Commissioner Williamson.

16 Mr. Gerard, thank you for appearing here today.
17 I would also like to thank the members of the United
18 Steelworkers who are here today. I would just like to add
19 that prior to coming to the ITC I had very little experience
20 in the area of steel, and I really appreciate you all coming
21 here, and also Respondents coming here to educate us further
22 on this industry. Because we know the decisions we make are
23 very important and impact a lot of people. So you all
24 testifying here does help us out, a lot.

25 Mr. Gerard, I know you have to run in a minute,

1 but I had one question for you. I would appreciate it if
2 you could answer it, or if your counsel could, whoever wants
3 to do so. But once again if you all could address further
4 the issue of employment levels in the U.S. CORE industry
5 during the Period of Investigation?

6 And the employment numbers are confidential, so
7 if you all would like to address this further in the
8 post-hearing brief, that would be certainly acceptable.

9 MR. GERARD: In this head I've got more secrets
10 than the head can hold, and so I would much rather that the
11 various industries' counsel answer that question. Because,
12 otherwise, I would probably break a confidence, and I don't
13 want to lose that.

14 COMMISSIONER JOHANSON: Certainly. I understand.
15 I thought that might be your response, and that's
16 understandable.

17 MR. LONGHI: Commissioner Johanson, I can just
18 mention a few numbers that we've made public. We have been
19 up to more than 9,000 people that were given notices, and we have
20 more than half of that group of people on layoffs. And as
21 recently as about a month-and-a-half ago, we went forward
22 and we were forced to reduce our support services group and
23 administrative groups by the amount of 25 percent.

24 COMMISSIONER JOHANSON: I'm sorry? What percent?
25 I did not...

1 MR. LONGHI: Twenty-five percent.

2 COMMISSIONER JOHANSON: Okay. Thank you for
3 responding.

4 MR. GERARD: If there are no other questions of
5 me, I really want to thank you for the ongoing opportunities
6 for our union to appear before the Commission, and for
7 myself personally. And I don't really apologize for my
8 outburst, but I kind of do.

9 (Laughter.)

10 CHAIRMAN BROADBENT: Thank you, Mr. Gerard. We
11 have enjoyed having you here. Thank you.

12 Commissioner Kieff--

13 COMMISSIONER JOHANSON: Oh, should I continue?

14 CHAIRMAN BROADBENT: Why don't you continue, yes.

15 COMMISSIONER JOHANSON: I still have eight minutes
16 left. In the Staff Report--and this is found on page 2-24--
17 we see a very high percentage of both domestic and import
18 shipments are produced to order.

19 How does that impact the way that we should
20 consider inventories? In other words, is it the case that
21 inventories represent less of a threat to the general
22 domestic industry if they can only be sold to one specific
23 purchaser?

24 MR. SCHAGRIN: Commissioner Johanson, this is
25 Roger Schagrin. No, because there are really two factors at

1 play here.

2 So the producing mills don't generally hold
3 inventory unless it is work in process. They produce
4 corrosion-resistant steel to orders. But for sales that go
5 to end-users, there might be some inventory held if they
6 want just-in-time delivery.

7 Given the still significant, particularly toward
8 the construction segment of the market, the inventories held
9 by service centers, that's a very significant issue for the
10 Commission to take into account in analyzing both injury and
11 threat of injury. Because the record here shows that over
12 the POI, particularly towards the end of 2014 and into the
13 first half of 2015, that essentially the distribution
14 segment of the market, or service center segment of the
15 market, was gorging on this below-market-priced imports, and
16 increasing their inventories of subject imports
17 significantly, while decreasing their purchases from the
18 domestic industry for inventory.

19 So even though the mills produce to order,
20 whether foreign or domestic, inventories held by service
21 centers and relative changes of the composition of that
22 inventory, is a significant condition of competition in this
23 industry.

24 MR. BLUME: Rick Blume, Nucor. Further to that
25 point, as we see that service centers by and large play a

1 very significant role as the portal for a lot of the
2 imports, ultimately what happens is the product that's
3 brought in, it can be what I would call "sliced and diced"
4 just to additional specifications, additional processing.

5 And so ultimately it is really the service
6 centers that help facilitate these imports. And ultimately
7 the key point I think as well as you have a very significant
8 price impact on unfairly traded imports because it's that
9 price point that is described as the market price, and the
10 competitive price that we are required to meet.

11 MR. LAUSCHKE: This is Scott Lauschke from AK
12 Steel. Just one more point on that. The inventory
13 statistics do indeed relate to service center inventories
14 and, by definition, service center inventories are fairly
15 common, fairly generic items. So yes, they are produced to
16 order. A service center has to order a gauge, a width, a
17 coating weight, but those are very general, that can go into
18 lots of different applications and all the domestic mills,
19 as well as all the mills from the subject countries are
20 capable of producing those items.

21 MR. MULL: Dan Mull, ArcelorMittal. Another
22 case in point is, often the material comes in at such a
23 price that service centers will actually agree to hold for
24 specific end-users for a longer period of time than something
25 to be turned over and then that continues to be depressing

1 pricing in the marketplace.

2 MR. MATTHEWS: Doug Matthews, US Steel, if I
3 could just add -- so I think this also gives further
4 credibility, with regard to how the domestic industry was
5 competing with subject imports, so on a regular basis, you
6 know, we might have a contract business with a service
7 center that defines minimum in name volumes for a particular
8 time period.

9 We may compete on a spot basis for a particular
10 service center. But in all cases, when we were competing
11 for that order, we found that dumped and subsidized imports
12 were lower priced and we were losing orders in late 2014 and
13 throughout 2015 and we were suffering from reduced volume
14 orders because subject imports were replacing our product.

15 COMMISSIONER JOHANSON: I would like to turn
16 this question around now, because there have been some
17 arguments made about the size of inventories held by U.S.
18 importers. And recognizing that these are confidential
19 data. For post hearing, could you characterize these
20 inventories in terms of their size relative to U.S.
21 shipments of subject imports.

22 And also, Mr. Schagrin, this is perhaps best
23 answered by you. I recall that in some pipe cases, there
24 have been arguments made about large inventories being
25 required due to the many different sizes and finishes of

1 pipe. If there are similar arguments at play in these
2 investigations, could you please elaborate on them.

3 MR. SCHAGRIN: Yes, we'll do that in the post
4 hearing, Commissioner Johanson, but I think, unlike the pipe
5 cases, that in the corrosion-resistant, particularly while
6 there is some movement through distributors for automotive
7 or other end uses, so much of the distributors' service
8 center business is focused towards the construction side of
9 the market and I believe that is primarily -- and anyone in
10 the industry can correct me if I'm wrong -- pretty much
11 standardized products that move through those service
12 centers for the construction industry. So you don't have a
13 lot of differences as you would in products such as oil
14 country tubular goods.

15 COMMISSIONER JOHANSON: All right, thank you.
16 Yes?

17 MR. KOPF: Commissioner, Rob Kopf with US Steel.
18 I'd like to add another comment regarding inventories. I
19 think generally speaking, and I know this is definitely the
20 case for our company, we get an order from a customer and we
21 make steel for it.

22 One of the devastating impacts on our inventory
23 levels is we produce steel to order for customers, yet these
24 imports come in, dumped and subsidized at subsidized values
25 and oftentimes they come in without an end-use application.

1 They just come and sit at a port.

2 There have been massive amounts of unsold,
3 imported corrosion-resistant inventories that have been
4 worked off for the last two years in this country, that the
5 longer it sits, the more discounted those prices get over
6 time and it just simply creates an environment where the
7 customers decide not to take the material that we made for
8 them to order, but instead they take the dumped product
9 that's sitting at a port unsold.

10 MR. MULL: Dan Mull, ArcelorMittal. Along the
11 lines Rob just mentioned, it is also very common practice by
12 some end-users to not honor their portion of contract
13 because they're able to pick up material from these service
14 centers' higher inventory levels, and we end up not getting
15 that volume also.

16 COMMISSIONER JOHANSON: So you're saying they do
17 not fulfill their end of the contract?

18 MR. MULL: That's correct.

19 COMMISSIONER JOHANSON: Could you, for post
20 hearing, if you could give an example of that, perhaps, and
21 submit it to us?

22 MR. MULL: Be glad to. That would be -- I'm not
23 sure you have enough time to see all of them, but I'll be
24 happy to supply some.

25 COMMISSIONER JOHANSON: Okay, that would add

1 some color, perhaps, to the argument. My time's about to
2 expire. Thank you for your responses.

3 CHAIRMAN BROADBENT: Commissioner Kieff.

4 COMMISSIONER KIEFF: Thank you very much,
5 Chairman Broadbent and my colleagues for the questions that
6 have been asked so far. It's very helpful, and thank you
7 also, of course, to the counsel and parties and witnesses
8 for preparing, traveling, presenting and following up.

9 Let me, if I could, just narrow down briefly
10 first with, I think, Mr. Rosenthal. Although we'll chat for
11 a few minutes. I hope that this conversation is helpful as
12 an opportunity to focus ideas for others, and if anyone else
13 would like to, in the post hearing, provide information,
14 that would just be wonderful.

15 I just find sometimes a dialogue with a group is
16 very hard, but a dialogue with an individual is easy, and of
17 course, time is limited. So, Mr. Rosenthal, in your opening
18 statement, you made reference to the question I had asked at
19 the last hearing, and so I wanted to follow up on that if I
20 could.

21 Can you help me understand whether the evidence
22 you were pointing to is -- how many factual inferences away
23 is that evidence from the underlying question? Is it
24 dead-on? No inferences required? Or are there some
25 inferences? And that's fine if there are inferences. Lots

1 of evidence comes with a requirement that inferences have to
2 be taken from it.

3 But I just want to ask if there are inferences,
4 would it be not prohibitively expensive to some of the
5 businesses to, in a confidential post hearing format,
6 provide perhaps some added information or documentary
7 evidence to fill some of the gaps that are otherwise bridged
8 by an inference?

9 So, for example, if there's a questionnaire
10 response that says, 'I'm a purchaser and I make my choice on
11 price,' an inference that would follow from that would be,
12 'Yeah, and the imported stuff was the lower price, and I
13 switched to an imported product, but I was really ready to
14 buy a domestic product.'

15 But you could imagine a sales team of a big, you
16 know, well-run business might have call logs from its sales
17 force or even e-mail traffic between sales force and
18 potential purchasing agents and that e-mail traffic or those
19 call logs might have more detailed information, 'Hey, my
20 former or current customer Susan or Joe or Bob, she, last
21 year, bought x number of tons from me. This year she bought
22 from my foreign competitor. We're maintaining a
23 relationship that's in her selfish interest. We do so, so
24 that she can diversify her stream. I want to maintain my
25 relationship -- just because she didn't buy from me today, I

1 want her to potentially buy from me tomorrow.'

2 It would be very natural for a sales force to
3 log into the business records of an enterprise some of those
4 kinds of notes. Do you think those exist? And do you think
5 those can be made available to us? Or is the search for
6 those not even appropriate for a decision-making body like
7 this? Those are all broad questions, but you as someone
8 who's spent a whole lot of time presenting a range of cases,
9 I would bet, you can offer some insights to me as a
10 decision-maker about whether I should even have my brain
11 tuned to that frequency or whether this is potentially
12 helpful.

13 MR. ROSENTHAL: Thank you, Commissioner Kieff.
14 Let me say that information on lost sales, lost revenues,
15 conversations with customers is quite helpful and we are now
16 required, under the Commission rules, to provide that
17 information prior to when we file our petition. And some
18 companies that I represent are better than others at keeping
19 track of those. And some sales people are better at keeping
20 track of those, but I think those are all relevant,
21 probative, etcetera.

22 One of the reasons why I emphasize the data in
23 your record in this case and the cold-rolled case, is that
24 by and large we are dealing with newer, young and fairly
25 sophisticated purchasers. They understand that if they say,

1 'I bought imports because of price,' it's not in their best
2 interest. It means it's likely to cost some money and
3 prices will go up. So it's not unusual.

4 It's a fact you should expect. Purchasers say,
5 'I bought it for seventy-two other reasons.' In fact, most
6 of the time, it's when you used to do your questions your
7 staff would send out. They'd say, 'No, no, no. I don't
8 confirm that lost sale or lost revenue allegation, because
9 they're off by a penny, or they're off by a day.' And you'd
10 have an entire record full of denials of lost sales and
11 revenue by the purchasers.

12 What's so extraordinary about the record here is
13 that some of them told the truth. And it's not in their
14 interest to do so. You had sixteen or seventeen purchasers
15 say, 'I bought imports because of lower price.' That's
16 unusual. That's wonderful from our point of view,
17 impossible to explain under respondents' theory, because
18 under respondent's theory, we're buying this because we
19 can't get this product, or it freezes in the Great Lakes or
20 freezes in Hades.

21 They have all sorts of other reasons, but here
22 you've got admissions by purchasers. That is the most
23 prohibitive thing. And you don't need any inferences there.
24 And --

25 COMMISSIONER KIEFF: So --

1 MR. ROSENTHAL: -- same thing with admissions
2 when it comes to lost revenues. That is very potent
3 evidence.

4 COMMISSIONER KIEFF: So then -- very helpful
5 context. When I then think about, let's call it the fact of
6 switching, or I think about the dialogue had that was opened
7 up by Vice-Chairman Pinkert's question about net profit, and
8 operating profit. Can you -- this is very hard for you as
9 an advocate to do, of course, but -- can you highlight for
10 me what you think to be the key points of departure between
11 you and your opponent.

12 MR. ROSENTHAL: -- the revenue or profits issue?

13 COMMISSIONER KIEFF: Well, I guess, either. Or
14 another way of asking it is, what do you think -- look. I'm
15 acutely aware that this is a massive amount of cost that the
16 two panels spend to come and presumably you're doing it
17 because you hope it's going to be outcome determinative to
18 our decision. And what I'm trying to struggle with is, what
19 is the basic nature of the disagreement between the two
20 sides? Is it factual in nature? Or is it legal or
21 economic significance of those facts that really is the
22 difference?

23 MR. ROSENTHAL: Fair enough. Let me do my best.
24 And one of the things I try to do as an advocate is
25 understand the other side's point of view and see if they

1 have any valid arguments and try to respond to them. So
2 here goes. I think what they're saying is, 'Sure their
3 imports have increased dramatically. But there are some
4 other reasons for that. And by the way, those imports
5 didn't hurt the domestic industry.' That's essentially
6 what they're saying here.

7 And what we said in cold-rolled, and we said in
8 this record today is, yes, those imports increased. And it
9 has nothing to do with those other reasons because their
10 reasons they've given before have been either
11 weather-related or claims that the domestic industry can't
12 make the product.

13 COMMISSIONER KIEFF: Or at least little to do.

14 MR. ROSENTHAL: Or little to do. I don't want
15 to be over-zealous on this, but I think the record is fairly
16 strong both here and in cold-rolled that the domestic
17 industry can make the whole range of products talked about,
18 and in fact, as I mentioned in my last comment at the last
19 hearing about how the tooth fairy was not the entity that's
20 supplying the domestic industry after the imports declined
21 in cold-rolled, the same happens to be true here.

22 You've seen the decline in the imports after the
23 imposition of the duties and what has happened is that this
24 industry can produce the Galvalume,, all those other
25 products that the respondents claim were not capable of

1 producing. And so that's evidence in the record that their
2 alternative theories don't make sense.

3 When it comes to the profit issue, their basic
4 argument is, 'Gee, net operating profit sales rate sales
5 ratio haven't changed much. They've been pretty flat over
6 the period of investigation,' and our point is: Number one,
7 the fixation on that number is --

8 COMMISSIONER KIEFF: That might be true, but
9 irrelevant.

10 MR. ROSENTHAL: It is inappropriate. It is not
11 the right number to be looking at. First of all, that
12 number, if you're looking at it, should be zooming upward,
13 and it's not. That's injury. Current injury. And even if
14 it's not zooming upwards, you still fixated on the wrong
15 number. You should be looking at, as you heard, net profits
16 and the absolute numbers versus the ratios. I see your
17 light is on, but I'm hoping that summary's helpful.

18 COMMISSIONER KIEFF: It's extremely helpful on
19 focusing the points of contact between you and the other
20 side, and that obviously helps me as someone who has to then
21 figure out what to do. So thank you very much.

22 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

23 COMMISSIONER SCHMIDTLEIN: All right, thank you
24 very much. I'd also like to thank the witnesses for being
25 here today. It's sort of like deja vu all over again, it

1 feels like, same people, same trends.

2 Um, so I wanted to start with a question about
3 the contracts, and Mr. Longhi, you testified about the
4 impact that imports are having on the renegotiation of
5 contracts. And so, I wonder -- is there a primary contract
6 period in this industry? In other words, do you generally
7 negotiate these contracts a certain time of the year or do
8 they come up for renegotiation all throughout the year.

9 MR. LONGHI: No, I would suggest that there is,
10 in a couple of the business segments, a sort of primary
11 period of time when these contract negotiations take place.
12 And they start normally at the end of the third quarter
13 going into the fourth quarter and they are somewhat
14 concluded in the early part of the following year.

15 COMMISSIONER SCHMIDTLEIN: And I assume that
16 you're talking mostly about long-term or annual contracts
17 there?

18 MR. LONGHI: Yes.

19 COMMISSIONER SCHMIDTLEIN: And short-term
20 contracts would be coming up for renewal?

21 MR. LONGHI: Yes.

22 COMMISSIONER SCHMIDTLEIN: And obviously shorter
23 than that. All right. Is that true for the other
24 companies?

25 MR. BLUME: Rick Blume, Nucor. From Nucor's

1 perspective, and I'm sure it's similar across the industry,
2 because these are the contracts that buyers are looking for.
3 They're negotiated throughout the year at various points in
4 time.

5 I think one of the key factors to remember when
6 you think about duration -- yes, in fact, there may be
7 different durations, you might have six months, you could
8 have quarterly, you could have one month, you could have
9 annual that we might describe as a contract. The key point,
10 though, is this:

11 In most cases today, in contracts, they're tied
12 to CRU pricing and index pricing. So even during that
13 duration they move. That's an important point, probably a
14 big change from maybe a decade ago, in terms of how
15 contracts were let. Mr. Mull talked about ultimately as
16 well, you know, in many cases, buyers come back and they
17 want to renegotiate the contract because spot pricing has
18 changed, changed in most part by unfairly traded imports.

19 So again, there's not this insulation effect
20 that people ascribe. It just doesn't occur.

21 COMMISSIONER SCHMIDTLEIN: So you're saying that
22 in your annual contracts, the price is actually moving with
23 the spot price within that contract? It's not just fixed to
24 the spot price that was in place at the time of negotiation?

25 MR. BLUME: Correct, but it is important to

1 remember that there would be potentially some lags in terms
2 of the pricing following the spot pricing down, but you're
3 absolutely correct.

4 COMMISSIONER SCHMIDTLEIN: And how much lag do
5 you think there is?

6 MR. BLUME: It varies. It's in that timeframe
7 of three to six months, again depending upon how the
8 contract itself was structured.

9 COMMISSIONER SCHMIDTLEIN: Okay. Mr. Longhi, I
10 think?

11 MR. LONGHI: But I would suggest that some
12 contracts are fixed for the whole year.

13 COMMISSIONER SCHMIDTLEIN: There are some. And
14 they don't move with the spot price?

15 MR. LONGHI: And they don't move with the spot
16 price.

17 COMMISSIONER SCHMIDTLEIN: Okay.

18 MR. KOPF: Commissioner, Rob Kopf with US Steel.
19 If I can add to Mr. Longhi's comments. We have contracts,
20 just as Mr. Blume said, that are negotiated at various
21 points in the year. We've just concluded contracts that
22 expired March 31st, and you would think, as the other side
23 talks about how good this market has become with prices
24 soaring to levels that, by the way, corrosion-resistant's
25 \$145 a ton below the ten-year average as we sit here in

1 2016, so I don't call that soaring above, you know, record
2 levels that they claim.

3 But the point is, is that we negotiated
4 contracts effective April 1st, in some cases, fixed price
5 contracts that Mr. Longhi just talked about and those prices
6 went down in a rising price environment that we're seeing
7 right now in the spot market. So we have contracts that
8 we're going to see -- we realize lower prices on, effective
9 April 1st, than we did on March 31st.

10 It just shows how devastating these imports
11 continue to be in this market, and those numbers don't
12 always show up in the data because we've only filed you
13 information through 2015. So it's a very long-lasting
14 effect that these have on us.

15 COMMISSIONER SCHMIDTLEIN: Okay, so maybe -- I'm
16 trying to follow you. So even just recently you're saying
17 that the spot prices are continuing to drop?

18 MR. KOPF: We have had to negotiate new
19 contracts for corrosion-resistant business.

20 COMMISSIONER SCHMIDTLEIN: Just two months ago?

21 MR. KOPF: Within the last two months where the
22 price has gone down from the last contract, yes.

23 COMMISSIONER SCHMIDTLEIN: And what's causing
24 that, since obviously, the prelim duties have gone on,
25 right?

1 MR. KOPF: We have numerous offers from
2 overseas, from subject countries that continue to pour into
3 this country, that continue to depress the prices in this
4 market.

5 COMMISSIONER SCHMIDTLEIN: So are you saying
6 that the duties haven't been effective then?

7 MR. KOPF: I'm saying that some countries have
8 been less impacted than others by the subject action. There
9 are multiple countries involved in this investigation right
10 now, so some countries have been more impacted, I would say,
11 by the initial margins and the initial preliminary
12 assessments. Others have been much more brash about it, and
13 seem to thumb their nose at what's been put in place right
14 now and continue to offer extremely low prices into this
15 market today.

16 MR. VAUGHN: Commissioner Schmidtlein, this is
17 Stephen Vaughn for AK Steel. If I could also make a point,
18 I think one thing to remember about what happened with
19 pricing over the last year is, is that pricing basically
20 went down throughout 2015. And at the end of 2015, it was
21 sort of-it was basically a trough.

22 Now there's been some increase since the end of
23 2015, but it's definitely the case that if you were talking
24 about pricing at the beginning of 2016 and you were looking
25 at prices that say had been negotiated in late '14 or early

1 '15, you might adjust those prices downward at that point.

2 MR. SCHAGRIN: Commissioner Schmidtlein, this is
3 Roger Schagrin. So in reference to Mr. Kopf speaking about
4 the effect, even after preliminary duties or, in some cases,
5 no preliminary duties, allowing some foreign producers to
6 keep quoting, and to have to keep competing with them on
7 contract business, that's the bad news. Because at the
8 preliminary phase, as the Commission is aware from the Staff
9 Report, there were no duties found at all against Taiwan,
10 the second largest exporter of corrosion-resistant steel,
11 among the subject countries, and very low, single-digit
12 margins against the Koreans who could easily eat those
13 duties themselves if they act as their own importers.

14 The good news is that we found out from the
15 Commerce Department at 6:30 p.m. yesterday--I presume the
16 Commission now has this information--is that the duties
17 against the Koreans were raised from those very low single
18 digits to ranges of 10 to nearly 50 percent. And the
19 Commerce Department found that all imports from Taiwan were
20 subject to dumping duties. It also found that an Italian
21 company excluded at the preliminary phase had dumping
22 margins based on AFA. And also increased the subsidy
23 findings against India significantly because Indian
24 producers have been subject to just single-digit margins.

25 So certainly I think it is pretty clear that

1 going forward, assuming this Commission makes an affirmative
2 injury determination, we will now have much higher duties in
3 effect in Orders against the subject imports than we have
4 had since the preliminary findings by Commerce.

5 DR. HAUSMAN: Commissioner, Jerry Hausman. Could
6 you put slide six on the--my slide six? So this is the CRU
7 price. Yes. So you can see from January 15 through
8 December 15, prices fell by over \$200 a ton.

9 And so although prices have gone up since the
10 beginning of the year, they have not recaptured the \$200 per
11 ton. So the price decrease you saw alone in 2015, not even
12 the previous price increase, decrease in 2014, has not been
13 recovered.

14 COMMISSIONER SCHMIDTLEIN: So before--

15 MR. MULL: Commissioner?

16 COMMISSIONER SCHMIDTLEIN: Yes, go ahead, Mr.
17 Mull. You're not Ms. Cannon. I'm looking at the name tag.

18 MR. MULL: Dan Mull, ArcelorMittal.

19 COMMISSIONER SCHMIDTLEIN: Thank you.

20 MR. MULL: We have a variety of types of
21 contracts, and certainly we try to spread those around
22 throughout the year in the negotiations in order to keep
23 things as balanced as we can. But for the most part, they
24 are oriented toward the end of the year, third quarter,
25 fourth quarter, for negotiations.

1 COMMISSIONER SCHMIDTLEIN: Okay.

2 MR. MULL: We do enter into firm contracts. Those
3 firm contracts, that pricing is set. So obviously some of
4 the firm contracts we entered into in December of 2015 are
5 reflecting the low pricing of the marketplace at that point
6 in time, and we will live with that throughout the balance
7 of this year.

8 COMMISSIONER SCHMIDTLEIN: So--

9 MR. MULL: That pricing was established because
10 there was an excess surge of supply that came into this
11 country and has been pushing the pricing down in the spot
12 market for an extended period of time. That excess supply,
13 as we talked about on Tuesday, supply and demand is this
14 whole business, and it drives the marketplace. There is no
15 substitution in our business for volume.

16 So the excess supply--

17 COMMISSIONER SCHMIDTLEIN: Let me ask you a
18 question about the Staff Report. So--and I have heard a
19 number of witnesses right now talk about the spot price and
20 the contract prices following that price down, and that
21 there is a lag potentially, and so forth--but in the Staff
22 Report, the Staff Report notes that the prices of pricing
23 products sold under annual long-term contracts exhibited
24 larger price declines than the pricing products sold in the
25 spot market under short-term contracts. And that is at

1 V-29.

2 Why would that be? Why would the long-term
3 annual contracts show larger price declines over time than
4 what we are seeing in the spot market? If there is a lag
5 and contract prices are generally supposedly following the
6 spot price?

7 And maybe--we can come back to that question in
8 my next round if you want to take a look at that note in the
9 Staff Report.

10 MR. VAUGHN: Well, Commissioner Schmidtlein, I
11 think, given that some of this data is obviously APO, we may
12 want to address that in some more detail in the
13 post-hearing.

14 MR. ROSENTHAL: I would like to say--Paul
15 Rosenthal--that sounds odd to me. But one way it can be
16 explained is that these contracts keep coming up at
17 different times during the course of the year.

18 So as you heard from--

19 COMMISSIONER SCHMIDTLEIN: This is annual,
20 long-term.

21 MR. ROSENTHAL: I understand. And, and what you
22 heard from Mr. Mull was that when he was negotiating
23 contracts in third- and fourth quarter of 2015, the spot
24 prices were at the lowest point because of all the inventory
25 overhang. You won't see those prices yet in the contracts

1 because you don't have them for the 2016 period.

2 But it does not make sense, based on the--unless
3 there is some timing issue here, to have that statement
4 doesn't make sense.

5 COMMISSIONER SCHMIDTLEIN: Okay, if you could take
6 a look at it, we can come back to it. Thank you.

7 CHAIRMAN BROADBENT: Okay. Mr. Longhi, could you
8 explain a little bit your relationship with some of the auto
9 companies? Ford had filed a prehearing brief expressing
10 really strong concerns about sort of if the Orders went into
11 effect they would have restricted availability of CORE.

12 They--of course it's very critical to their
13 production process. And in the brief it said:

14 Because of the dramatic consolidation of the
15 steel industry, the number of companies producing
16 corrosion-resistant steel has been reduced. When domestic
17 corrosion-resistant steel producers shut down a mill line
18 for maintenance, fire, or labor problems, or other reasons,
19 the continuous availability of CORE that is critical to
20 Ford's auto production is jeopardized.

21 Can you respond to that?

22 MR. LONGHI: Certainly. We have been a supplier
23 to them for such a long time, and I think one would be
24 hard-pressed to find a moment where we didn't fulfill our
25 obligations or commitments to them.

1 And as you've heard before, we do have sometimes
2 an issue here and there. It's not uncommon for the
3 industry. You have visited the mills. You have seen the
4 nature of intensity that is associated with producing steel.

5 But it is incredibly rare that there is going to
6 be a moment where one of these incidents may put their
7 supply in jeopardy. And we do have a well-planned
8 environment with them where we do have a number of safety
9 stocks that are there not just for eventual issues that may
10 occur with operations, but they are also there to supply
11 what they envision as the volatility of demand on their
12 side.

13 So there is a dual situation that takes place,
14 especially when you have a market that is growing. During
15 the period since the financial crisis, you can see that the
16 production of units went from 8 million units a year to
17 peaking last year at 17-1/2. And at the same time, there
18 has been a significant level of improvement in the quality
19 of products that are offered to them.

20 So all of these different things, they impact in
21 the way in which the supply happens. But there has not been
22 an instance where they have not been able to be supported.

23 On the other hand, they have a strategy to not be
24 dependent on solely one supplier. And we do have plenty of
25 capable players in the country that participate in that

1 environment, and I would offer that they can echo my
2 comments that the industry in no shape or form was ever
3 threatened from a supply perspective.

4 MR. LAUSCHKE: This is Scott Lauschke from AK
5 Steel. I am rather passionate about this topic, because
6 automotive happens to be our largest market segment. And I
7 think of all the companies represented here today in the
8 Petitioners, I am guessing that AK Steel probably has a
9 larger percentage of our total sales going into the
10 automotive market than any of our competitors.

11 So we take this market very seriously. It is the
12 industry that we are really fit to serve. And I would echo
13 what was just said. At no time during this period of
14 investigation were the automotive companies unable to get
15 the corrosion-resistant products that they needed.

16 We have right now lines with ample capacity. We
17 have a joint venture line in Monroe, Michigan, which is
18 operating at less than 50 percent utilization right now as
19 we speak. And if you look through the entire POI, the
20 industry as a whole never even approached 78 percent. We
21 never got over 78 percent utilization.

22 So to say that they have not had, or they're
23 concerned about not having enough supply domestically I
24 think is really an absurd claim. And as I read through that
25 particular submittal, multiple times that company references

1 that the suppliers right now have all this power. That they
2 have all this pricing power. And then at the very last
3 paragraph I believe their evidence of this so-called power
4 is the fact that none of the domestic mills want to really
5 sign up for long-term pricing; that they wanted to have
6 short-term agreements.

7 We wanted short-term agreements because the
8 prices that they want us to lock into are so low that it
9 would be silly for us to lock into long-term agreements.
10 Their argument is completely flawed. That evidence actually
11 supports the fact that we need more business, and they have
12 the power in this particular environment.

13 So I just don't think those claims are valid at
14 all.

15 MR. MULL: Dan Mull, ArcelorMittal--

16 MR. LONGHI: Well just one more observation. Our
17 support and operational base is not solely focused on one
18 single facility. We have capabilities that are distributed
19 throughout many different facilities. So it is not that in
20 one case of one facility having an issue that the disruption
21 would be eminent to any of the customers that we serve.

22 MR. BLUME: Rick Blume, Nucor. One comment I
23 would like to add is, certainly from our perspective it is
24 not an availability issue. I think we have some information
25 that we would like to provide in the post-hearing brief that

1 I think will provide an illustration of that point.

2 MR. PRICE: Alan Price, Wiley Rein. I just wanted
3 to add one factual item. In 2007, Ford actually came in one
4 of the corrosion-resistant sunsets and they basically said,
5 listen, we are going to buy mostly domestic, and that's our
6 long-term plan. But we want to be able to use the import
7 prices to leverage this down. So, please, they said it was
8 pricing was their fundamental reason. I don't think that's
9 really changed. They want to use every price source they
10 can come up with to try to leverage pricing down.

11 That's what they told you in 2007. I don't think
12 their core motivation has changed.

13 MR. SCHAGRIN: Commissioner Broadbent, this is
14 Roger Schagrin. One thing the Commission can do here is
15 take a look at like the counterfactual. So you have
16 customers like Ford. You're going to hear from some
17 customers this afternoon. You've heard the Respondents say
18 in their briefs, you know, that they are selling products
19 here because of lack of availability issues in the U.S. Or,
20 you know, customers want it. Or customers want, you know,
21 multiple suppliers.

22 But you've got in your data, which is at IV-34
23 and IV-35 of the Staff Report, the monthly imports. And you
24 can see, you know, after these cases were filed and
25 preliminary duties were assessed, imports from China go from

1 over 100,000 tons a month to zero. You've got big drops in
2 India. Korea doesn't drop because the margins were low.
3 They'll drop now. And even--and Taiwan drops less.

4 Overall, if you're looking at data for '16, and
5 you won't because it's outside the POI, there's been about a
6 one-third reduction in CORE imports. It's really gigantic.
7 It's what is allowing this industry to get some volume and
8 some rational pricing back.

9 And yet, look at the two biggest demand drivers
10 for this product: autos and construction. Have you read--
11 and I know you all read The Wall Street Journal and The New
12 York Times, have you heard about one auto company saying in
13 2016 we've had to not produce as many cars or trucks because
14 we can't get corrosion-resistant steel?

15 As construction, both nonresidential and
16 residential, keeps increasing, have you heard about one
17 construction company saying we can't build as many office
18 buildings, apartment buildings, university buildings, et
19 cetera, because we can't get the CORE?

20 So you have the counterfactual. These imports
21 came in there because of price, and this industry's capacity
22 utilization never exceeded 75 percent, which is why they are
23 doing so poorly. And your record demonstrates
24 that all they want is prices.

25 CHAIRMAN BROADBENT: I would just like to get to

1 one more question in my ten minutes.

2 MR. MATTHEWS: Can I just respond very quickly?

3 So I think the domestic industry has responded. We have
4 capacity and capability to support the domestic auto
5 industry's production of cars uninterrupted.

6 But I guess the key point to make is: In scope
7 today are subject imports. We're not suggesting that
8 imports that trade fairly in this market can compete with
9 the domestic industry. What we're talking about is subject
10 imports that are competing unfairly in this market and
11 limiting our ability to be a profitable business.

12 CHAIRMAN BROADBENT: Okay. Let's see. This is
13 for Mr. Vaughn. Going back to that discussion of net
14 income, I would just like to talk about it a little bit.

15 You make arguments about the types of costs that
16 we should consider when assessing net profits. To what
17 extent is the Commission able to establish a causal
18 connection between subject imports and trends in net income,
19 when net income might include a lot of costs that are not
20 limited to the operations of producing the merchandise in
21 question? Aren't we sort of double counting across all
22 these products that we're investigating here this summer?

23 MR. VAUGHN: Stephen Vaughn for AK Steel. No, I
24 don't think you're going to be double counting. I mean the
25 Commission has asked for net income data ever since I've

1 been doing these cases, and I think even before that. And
2 these people have to fill out this sort of data all the
3 time. They do it for all their other financials, and this
4 is the sort of data that they provide.

5 This is the type of data that business people--I
6 think all these business people will tell you they use this
7 data when they analyze how their industry is doing. I don't
8 think it's any different from the way they have to allocate
9 other factory costs, or the way they have to allocate their
10 labor costs, or the way they have to allocate other costs
11 that the Commission has long taken into account.

12 I just want to make two quick points here. First
13 of all, whichever measure of profitability you use in this
14 case, we should win. I mean, there was a 7.7 percent
15 increase in consumption, and yet their gross profit
16 barely moved at all. Their operating profits were actually
17 down. And the net profits were way down.

18 So there is no plausible explanation for any of
19 that other than subject imports came in and took over 2
20 million tons worth of business.

21 But having said that, is it legitimate for you
22 guys to take these things into account? Can you make the
23 causal link between an increase--you know, if 2 million tons
24 of subject imports come into the market and they take sales
25 from the domestic industry, and as a result of those sales

1 there are shut-downs, and there are costs accounting as a
2 result of those shutdowns, or there may be other fixed costs
3 that come into play that would not have come into play in
4 the absence of the subject imports, can you take that into
5 account when you look at the performance of the domestic
6 industry?

7 Absolutely. I think you can find a clear causal
8 link. I don't think anybody on this panel would say that
9 the industry's net income would be down more than 80 percent
10 if the subject imports throughout the period had been fairly
11 traded.

12 CHAIRMAN BROADBENT: Okay, my time has elapsed.
13 Commissioner Pinkert?

14 VICE CHAIRMAN PINKERT: Thank you.

15 Now I understand by the testimony that we've
16 received that if the domestic industry had not lost market
17 share to the subject imports that the domestic industry
18 would have been doing better. I get that.

19 But my question is approaching this issue from
20 the other side. Which is, looking at demand conditions in
21 the market and the fact that there was a significant
22 improvement in demand conditions during the period, did that
23 improvement in demand conditions mask harm to the industry
24 in the calculations of profits, profitability, shipments,
25 sales, and so forth?

1 MR. VAUGHN: Commissioner Pinkert--this is Stephen
2 Vaughn for AK Steel--I'll start with that. I think there is
3 no question that that is the case.

4 In other words, I don't think there's any--for
5 example, you take something like your operating income
6 number for 2015, okay? And they're going to get up here and
7 they're going to say, well, they made 3.7 percent in 2015,
8 and therefore they weren't injured.

9 As you have heard, as the testimony is, as the
10 record shows, in 2014, which was an extraordinary year for
11 demand, these guys were trying to raise prices. And your
12 record shows that their AUVs in 2014 were somewhat higher
13 than they were in 2013. They are not as high as they would
14 have been in a fair market, and they didn't make as many
15 sales as they would have made in a fair market. But they
16 were higher.

17 Now you go into 2015. Some of those contracts,
18 negotiated in 2014, are still in play. So as spot prices
19 are falling, some customers are still paying prices that
20 were negotiated in 2014. That information then gets picked
21 up and comes into your record and affects the numbers that
22 you see in terms of the AUVs and the profits for '15.

23 So you can see very clearly that if not for the
24 strong demand in '14 and the continued strong demand in '15,
25 everything would have looked worse than it actually does.

1 Now under the law you can account for all of
2 this. I mean, you can take into account and say, given the
3 increase in demand, you know, how did they do relative to
4 what they should have done?

5 And so by the time you take into account--it
6 seems to me there are two key facts in this case that the
7 other side cannot get around. They cannot explain why we
8 lost millions of tons of sales. And they cannot explain
9 why, even after two years of strong demand by almost every
10 measure, the industry's performance was either the same or
11 worse.

12 And those are just the facts. And given that
13 record, I think it is very, very easy for the Commission to
14 draw the causal link between the unfair trade and the
15 performance of the domestic industry.

16 MR. BLUME: Rick Blume, Nucor. You know, as we
17 look at this opportunity, this was it. This was the
18 opportunity-- Back here. This was the opportunity to earn
19 our--

20 VICE CHAIRMAN PINKERT: I see you.

21 MR. BLUME: Thank you. This was the opportunity.
22 This was it. This was the opportunity to return our cost of
23 capital, to be able to return, you know, an adequate return
24 to our shareholders. This was the opportunity and it was
25 missed because--and again, obviously the demand was strong

1 in the automotive market.

2 We could have done it but for the subject imports
3 that came in and cut the legs out from underneath this
4 market.

5 VICE CHAIRMAN PINKERT: Okay--

6 MR. BLUME: And if we can't do it now, if we
7 couldn't do it then during this period of strong demand,
8 I'll ask the question again: When? And our shareholders
9 will ask the question: When will you return your cost of
10 capital?

11 MR. WALBURG: This is John Walburg from
12 California Steel. I appreciate all the work that you guys
13 do and I appreciate you being here looking at a very
14 difficult subject, and I want to thank you for that. But I
15 would encourage you to look at our results.

16 We don't sell very much to contract. And we were
17 annihilated over the past couple of years. And I firmly
18 believe the reason we're here today is these people are
19 starting to deal with what we've been feeling for quite some
20 time.

21 We slashed spending over the past couple of
22 years. We've frozen people's salaries. They haven't
23 received raises in years. They cut the 401K matching for
24 our people. We haven't had profit sharing checks in years.
25 No bonuses are paid at all. Look at our results because

1 they are disastrous. And what is happening to us and other
2 people on the West Coast is coming to them. And that is why
3 we are here. Thank you.

4 MR. MATTHEWS: Commissioner Pinkert, Doug
5 Matthews, U.S. Steel. Could you put up slide 19 from our
6 presentation, please? I think it sums it up pretty well.

7 I mean so if you just do some basic kind of
8 calculations, and I believe that these are extremely
9 conservative calculations, if we were to simply maintain
10 market share that we had in 2013 with apparent consumption
11 growth over '14 and '15, we would have shipped 2.7 million
12 tons more.

13 And if we assume 2013 prices had stayed stagnant
14 over the period, but in that demand growth likely would have
15 increased, but on a conservative view, puts us at \$2.27
16 billion this industry lost because of subject imports.

17 VICE CHAIRMAN PINKERT: Thank you. Go ahead, Mr.
18 Gerrish, briefly.

19 MR. GERRISH: Thank you. Very briefly. The other
20 thing, too, just peeling back the layers and looking at the
21 underlying data, if you look at page VI-4 of the Staff
22 Report, you have operating losses for more than a third of
23 the domestic industry. You have net losses for more than
24 half of the domestic industry.

25 So clearly in a period of increasing demand, you

1 shouldn't be seeing these types of results across the
2 industry.

3 VICE CHAIRMAN PINKERT: Thank you. Now if you
4 would, can you integrate into your answer to that last
5 question the prospects for demand going forward? Okay? So
6 we talked about how the improvement in apparent consumption
7 may have masked some of the injury to the domestic industry.
8 So as we look to the future, what is going to happen to
9 demand? And how is that going to bear on the results that
10 the industry has been getting?

11 MR. VAUGHN: Stephen Vaughn for AK Steel. So let
12 me just start from sort of a legal perspective and how you
13 guys ought to think about this, and then the company people
14 can also give their perspective.

15 But in terms of how this affects you guys, if
16 you're thinking about, okay, what's going to happen with
17 demand? Well what if demand is strong? Well your record
18 shows that even in a period of strong demand they can take
19 away all these sales, they can cost people all this money,
20 and you can end up with an industry that is doing worse than
21 before. Okay?

22 So if demand is strong, they have enough supply
23 to overwhelm that. If demand is weak, or demand is not as
24 strong as it has been the last few years, then the effects
25 are just going to be devastating. Because then there's

1 really nowhere to run and nowhere to hide, and it is going
2 to be even worse injury than the injury that they have
3 already suffered.

4 VICE CHAIRMAN PINKERT: I am trying to get at what
5 is likely, going to the near future. So I understand your
6 point, Mr. Vaughn, but I want to get a little more into the
7 weeds on that one.

8 Mr. Rosenthal, did you have a comment?

9 MR. ROSENTHAL: I think the--some of the witnesses
10 have testified in the past case, and in this case as well,
11 that there is an expectation that demand in autos may
12 continue to be good for another year or so. But people
13 cannot project beyond that.

14 One thing that I think is very, very important to
15 understand from this record is that even if demand continues
16 at a decent level for the next year or so, and that is all
17 we can project at this point, the contracts that were
18 negotiated last year, as has been testified to by Mr. Baske and
19 others, they're locked in now at lower prices. So they
20 won't be able to take advantage of increases of demand real
21 quickly, and their injury will continue.

22 And I want to emphasize one point, and with all
23 respect to the Commission based on the record you had last
24 year where you only went threat, what we were saying last
25 year at this time is that these spot prices are causing

1 injury now because contracts are being negotiated over these
2 months and the decline in revenues and profits may not be
3 apparent for several months down the road, but the injury
4 took place when the spot prices were the basis of the
5 negotiations of these contracts.

6 You are seeing that injury continue. It is not a
7 threat. It is injury now, and it is going to continue
8 through the rest of this year no matter what happens because
9 those contracts have been infected by the low spot prices
10 caused by the imports.

11 VICE CHAIRMAN PINKERT: Thank you.

12 MR. LAUSCHKE: Mr. Pinkert, if I may, Scott
13 Lauschke, AK Steel. If I can try to add some perspective,
14 or at least my personal opinion on the future.

15 First of all, I don't know anyone who can read
16 the future. I wish I could. My boss asks me to do it every
17 day, and I continuously let him down.

18 VICE CHAIRMAN PINKERT: Well, the statute requires
19 sometimes that we look to the future, so--

20 MR. LAUSCHKE: That's right. But, so starting
21 with automotive, again for AK Steel automotive is our
22 largest market by far for CORE products. And as has already
23 been stated, 2015 was the best year ever in North America
24 for auto production. It is hard to beat that.

25 But the prediction is this year we will beat it

1 yet again, somewhere between 17-1/2 to 18.2 million vehicles
2 will be produced and sold in North America. That will be an
3 all-time record.

4 The likelihood of that continuing on, I'd like to
5 think that's going to continue for years and years, but
6 statistically if you just look at history, we just went
7 through a period of seven, I think, seven or eight
8 consecutive years of year-over-year growth in the automotive
9 industry.

10 That is a statistical anomaly. That cannot
11 continue forever. So--and by the way, I have just returned
12 from a supplier conference at Ford. I was maybe a couple of
13 months ago at a supplier conference of Toyota. Both of
14 their heads of sales and marketing got up and said that they
15 think, again, it will be a great year in 2016, but neither
16 would really go on record to say what is going to happen
17 beyond that. So it is hard to say.

18 Now on the construction side, probably the second
19 largest market for these CORE products, again we are looking
20 at new housing starts, about 1.2 million this year, which is
21 certainly better than it has been in the last few years, but
22 not great by historical standards.

23 If GDP continues at a 2-1/2 to 3 percent clip
24 thereabout, we are probably going to see maybe 7 to 8
25 percent growth on housing starts year-over-year for the next

1 several years. That is the general consensus right now.
2 But that would only get us to maybe, in five years that
3 might get us to 1-1/2 million houses. That is nothing like
4 the 2 million plus level that it has been historically. And
5 those are your two major markets.

6 And along with construction of course comes
7 appliances and HVAC. So you're talking modest growth, not
8 great growth, but I think the key points are what Mr. Vaughn
9 said. These imports from subject countries have proven
10 their ability to flex in and out of this market very
11 quickly.

12 I mean, they surged a million tons in the course
13 of 12 months. So if we don't get relief on these trade
14 cases, it is going to be a disaster no matter how you look
15 at it for our industry.

16 VICE CHAIRMAN PINKERT: Thank you.

17 CHAIRMAN BROADBENT: Commissioner Williamson?

18 MR. LONGHI: Just a quick add to it. Half of
19 this year is pretty much gone already and we have not been
20 able to benefit from any of the changes that have been
21 taking place which are very recent. If you will look at two
22 additional macro events that will take place going forward,
23 we're going to see that interest rates are going to go up.
24 Is it going to be next quarter, end of the year? But the
25 trend is literally there. And there is not a single other

1 place in the world where macroeconomics lead to any kind of
2 enthusiasm. There is nothing going on that is positive that
3 is going to create a global level of growth that can help
4 the economies around the world and it will negative on the
5 United States. When it comes to our particular business,
6 the level of overcapacity is going to be even bigger because
7 of the lack of growth in all the economies where those
8 operations exist today.

9 VICE CHAIRMAN PINKERT: Thank you very much.

10 CHAIRMAN BROADBENT: Commissioner Williamson?

11 COMMISSIONER WILLIAMSON: Okay. Thank you. Mr.
12 Longhi's comments lead right into this question. There is
13 reportedly a new intern in the domestic CORE market, the Big
14 River Steel Mill locate in Oceola, Arkansas. And I have two
15 questions about that.

16 Given the domestic producers' arguments that the
17 industry is vulnerable and has been injured, what conditions
18 justify a new mill?

19 And also, does this start-up plant support the
20 Respondents' arguments that the domestic industry is not
21 vulnerable?

22 MR. BLUME: Rick Blume, Nucor. You know, our
23 view of the construction at Big River was that frankly it's
24 not economically justified. I think we've been very -- very
25 public about that. I think a couple of other things that I

1 would point out, much of the financing around the equipment
2 for that facility is provided by the German government to
3 help support equipment sales. So, again, from an economic
4 perspective, we scratch our head quite frankly.

5 COMMISSIONER WILLIAMSON: Okay. That's a good
6 answer. Anyone else want to add to that?

7 MR. LONGHI: The other factor that I think you
8 need to look at that supports the argument is, you know,
9 we've been running at such a low capacity utilization for
10 quite a long time that that by itself doesn't justify that
11 there is a need for some new mill to be built because we're
12 out of capacity.

13 COMMISSIONER WILLIAMSON: Okay.

14 MR. TEETS: This is Dick Teets, Steel Dynamics.
15 And I would say that because of Big River being a mill
16 similar to some that we have and Nucor has, that they maybe
17 have a projection of low cost, they will have many
18 challenges going forward, being the newest mill having the
19 highest depreciation and so forth, but no matter how low
20 your costs are, you cannot compete -- none of us can compete
21 with unfairly traded imports and if those are gone, then at
22 least we as domestics can compete with fairly priced
23 products and then it's let's get on with the competition.
24 So they will require a fair field also.

25 COMMISSIONER WILLIAMSON: Okay. Thank you. If

1 no one wants to speak up in favor of this baby, I'll move on
2 to another question.

3 Okay. This is about post-petition effects. Some
4 of petitioners have argued that the decline in subject
5 imports in the second half of 2015 were due to the filing of
6 the petition in June 2015. Is there information that ties
7 the decline specifically to the petition and investigation
8 as opposed to some other causes? And -- yes, with that.

9 MR. SCHAGRIN: Commission Williamson, this is
10 Roger Schagrin. Yes. We think definitely as I mentioned in
11 response to an earlier question, the Commission's own data
12 in the staff report show that imports from the single
13 largest import source, China, fell from an average of
14 approximately 300,000 tons a quarter prior to the filing of
15 the petition to only 10,000 tons in the fourth quarter of
16 2015. And there is no doubt, I think, in any of the
17 Petitioners' minds that from a volume effect, because you
18 understand the lag on pricing, that the U.S. industry would
19 have shown, you know, much steeper declines in 2015 volumes
20 but for the major reduction in imports caused by the volume
21 of the petition. And I think one of the charts in Mr.
22 Vaughn's opening showed that prior to the filing of the
23 petition, these imports were gaining approximately 16
24 percent market share in Q1 2015 and then because of the
25 reports they went down.

1 COMMISSIONER WILLIAMSON: Mr. Schagrín, I
2 understand, one could say it's a coincidence, but is there
3 anything that specifically ties it? I mean, there are
4 people that said, oh, you filed the petition, we're going to
5 not import now or something like that? So I'm getting sort
6 of a --

7 MR. SCHAGRIN: Yeah, I --

8 COMMISSIONER WILLIAMSON: I mean, we know that
9 there was a decline, it's just --

10 [SIMULTANEOUS CONVERSATION]

11 MR. SCHAGRIN: -- aware that the Chinese were
12 going to get hit with really high duties and they did not
13 want to take those potential liabilities. So I think it's
14 pretty clear.

15 MR. KOPF: Rob Kopf with U.S. Steel. I think
16 what needs to be pointed out here is that there are a huge
17 number of companies out there that are eagerly anticipating
18 the result of this Commission's findings. We have instances
19 that we will put in our post-hearing brief that show that
20 people from Taiwan are waiting until after the Commission
21 makes their determinations and the Department of Commerce
22 makes their determination before they're going to start
23 offering more quantity into this market.

24 We have the Indians who are at -- Tata Steel lost
25 \$451 million last year. They continue to build a

1 value-added mill, three million metric tons a year in India
2 and this is one of those cases where I would say, past
3 results do predict future results. They will export that
4 value added to the automotive industry here or to the
5 appliance industry here or to the construction industry. So
6 --

7 COMMISSIONER WILLIAMSON: I have a bunch of
8 questions, that's why I'm cutting you off.

9 MR. KOPF: Okay.

10 COMMISSIONER WILLIAMSON: And maybe post hearing
11 if you have some specific evidence, that would be helpful.
12 Unless --

13 [SIMULTANEOUS CONVERSATION]

14 MR. VAUGHN: Commissioner Williamson, just to
15 clarify, are you asking -- are you asking for a sort of
16 direct evidence like quotes or statements or things of that
17 nature? Because, I mean, the record here is that from the
18 first quarter of 2015 to the first quarter of 2016, subject
19 imports are down over 70 percent. And there really is no
20 other plausible explanation as to why that happened.
21 Nothing else changed. Supposedly, according to their
22 theory, they were supplying all of these products that no
23 one else wanted to make. Now all of a sudden, they just
24 disappear. So --

25 COMMISSIONER WILLIAMSON: I was just --

1 MR. VAUGHN: Okay.

2 COMMISSIONER WILLIAMSON: -- usually when you
3 have a phenomenon like that, there is some direct evidence.
4 So I would say post-hearing if you have it.

5 [SIMULTANEOUS CONVERSATION]

6 MR. ROSENTHAL: No one sends goodbye notes when
7 they leave these circumstances. I'm sorry. I don't think
8 we're going to find direct evidence, but we'll do what we
9 can.

10 COMMISSIONER WILLIAMSON: Okay.

11 MR. MATTHEWS: I actually respectfully disagree
12 with that statement.

13 COMMISSIONER WILLIAMSON: Okay. Fine.

14 MR. MATTHEWS: I think it was said earlier that
15 Korean had -- Korea had a low duty, you know, with the
16 Commerce Department and its exports -- imports to the U.S.
17 barely went down. And China has a very large duty and their
18 imports went to zero. So I have not done an econometric
19 study, but data like that I would call direct evidence.

20 COMMISSIONER WILLIAMSON: Your colleagues
21 probably have some terms --

22 [SIMULTANEOUS CONVERSATION]

23 MR. MATTHEWS: Higher the duty --

24 COMMISSIONER WILLIAMSON: Let me move on --

25 [SIMULTANEOUS CONVERSATION]

1 MR. MATTHEWS: -- the greater the decrease in
2 exports, what more do you need?

3 COMMISSIONER WILLIAMSON: Okay. How did the
4 decline in imports in the second half of 2015 affect the
5 domestic industry sales?

6 And also, why did U.S. prices continue to fall
7 through the end of 2015? Mr. Mull?

8 MR. MULL: Dan Mull, ArcelorMittal.

9 COMMISSIONER WILLIAMSON: Yeah.

10 MR. MULL: Inventory overhang that it established in
11 the market and we continue as a result having to chase
12 business because we didn't have the volumes in our mills.
13 As a result we were competing for against the inventory that
14 was at lower numbers and pricing continued to drop as a
15 result.

16 MR. MATTHEWS: This is Doug Matthews, U.S. Steel.
17 I would, in addition to say that they started to decline,
18 but they didn't disappear. You know, so the offers declined
19 through the course of the balance of the second half and
20 inventories continued to build during that period of time
21 thus causing pricing -- it continues to decline. It wasn't
22 until we go to the end of 2015 that we actually started to
23 see the inventory start to shift in the opposite direction.

24 MR. LAUSCHKE: And this is Scott Lauschke with AK
25 Steel over here.

1 I think it's kind of interesting if you actually
2 look at the CRU which is one of many published indices out
3 there, if you look at -- take CRU prices week-by-week
4 through 2015, you'll see there was a period right there in
5 the summer right at the time the trade cases were filed,
6 where all of a sudden the falling prices stopped for a
7 minute, they stabilized and they actually started to go up.
8 And AK Steel and other mills actually announced price
9 increases and we started to get a bit of traction and then
10 all of a sudden they just kept plummeting. And we call that
11 the dead cat bounce. That's what the people in the press
12 call it.

13 And it was -- I think that's evidence that as
14 soon as those trade cases were filed, the market started to
15 react thinking, okay, this might be -- here it comes, they
16 may finally be shutting the doors on these illegally traded
17 imports, and you're going to finally address the situation.
18 I think as the press played out more and more with articles
19 about how long these investigations would take, and how long
20 it would be before relief finally came in, that's when the
21 market started to just, all right, we're going to be in this
22 for a long time. But I think that little bit of evidence
23 just shows a direct link between the imports and the
24 thought that if they're going to slow down how prices should
25 recover.

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

3 This question concerns imports by domestic
4 producers. What is your response to Respondent's arguments
5 that shortages in the U.S. supply are illustrated by
6 domestic producers' imports to supplement U.S. production?

7 MR. ROSENTHAL: Commissioner Williamson, Paul
8 Rosenthal. We did suggest that we'll answer some of this in
9 the post-hearing brief, but I will say that the assumption
10 underlying that claim is that these are supplementing
11 domestic production and it's not a correct assumption. I
12 can tell you -- and I'll just restate what was said publicly
13 at the hearing on Tuesday on cold-rolled, that in some
14 instances where there are historical relationships between
15 Canadian suppliers and U.S. purchasers, there happened to be
16 no change in who is producing where. It's just that those
17 particular Canadian suppliers had -- maybe had a part for an
18 automobile that was being increased in a particular time
19 period. So there wasn't any shifting of production or
20 supplementing of production.

21 As you heard earlier, there's plenty of unused
22 capacity by these producers and they weren't shifting
23 elsewhere because they couldn't supply from the U.S. base.

24 COMMISSIONER WILLIAMSON: Okay. Thank you.

25 MR. MATTHEWS: Doug Matthews, U.S. Steel. During

1 the period of investigation, we did have a subsidiary that
2 operated in Canada. Since then, that's gone under Canadian
3 bankruptcy process and is now under the supervision of the
4 Canadian court.

5 However, I could just say that as we entered into
6 negotiations with customers about obtaining orders, once we
7 achieved the orders, then we looked at which facilities
8 we're going to load them on based on how we can optimize the
9 use of our footprint, if you will. So there are a lot of
10 factors that go into that. But in all cases, those prices
11 were consistent with fair market prices in the U.S.

12 COMMISSIONER WILLIAMSON: Okay. Thank you.

13 And for post-hearing, I'm not sure how shortages
14 and other suppliers these Russians are calculating factor
15 into your capacity utilization and figures, but if there's
16 anything about capacity utilization figures that address
17 this issue of shortages in domestic supply, wouldn't mind
18 seeing it post-hearing. There may not be anything there,
19 but if there is, I would be interested in it.

20 MR. MULL: I don't believe there is, but --

21 MS. BARTON: Identify yourself, please.

22 MR. MULL: -- we would address it and put it in
23 the post-hearing brief.

24 COMMISSIONER WILLIAMSON: Okay. Thank you, Mr.
25 Mull.

1 MR. MULL: Dan Mull. Yeah, thank you.

2 COMMISSIONER WILLIAMSON: Okay. Thank you.

3 CHAIRMAN BROADBENT: Commissioner Johanson.

4 COMMISSIONER JOHANSON: Thank you, Chairman
5 Broadbent. Subject import volume increased from 2013 to
6 2014, but decreased in 2015. Likewise the volume of
7 domestic production and shipments, as well as operating
8 income increased from 2013 to 2014, but decreased in 2015
9 and this can be found in the prehearing brief's staff table
10 C-1. Respondents point this out in their prehearing briefs
11 as an indication of no correlation and no established causal
12 linkage between import levels and subject import prices and
13 the condition of the U.S. industry. Could you all please
14 respond to these data and respond to arguments indicating in
15 particular how the decline in subject import volumes after
16 2014 impacted the U.S. industry?

17 MR. VAUGHN: Commissioner Johanson, Steven
18 Vaughn, AK Steel. I'd like to -- I'd like to take that
19 question. So let's start off with what happened in 2014.
20 2014 was a big year for demand. You had consumption go up
21 by two million tons and the imports went up by over a
22 million tons. So if you look at it, if you just look at
23 2014, what you see was we went up by a very small amount. I
24 think this is still one of our slides, but for 2014, U.S.
25 shipments went up by around 400,000, 500,000 tons, they went

1 up by 812,000 tons more than that. So at that point, right
2 there, they've already taken this huge chunk of sales of the
3 domestic industry that we could have made and that is -- we
4 would argue that at that point we suffered material injury
5 by reason of imports in 2014.

6 And I can tell you that people were very
7 concerned about imports in 2014 and were looking at this
8 problem even then. So right here, this is the first year,
9 2014. That's material injury right there on that chart.
10 And if we're talking about non-subject imports, they barely
11 move, we barely moved because we were unable to take full
12 advantage of this. They took almost all of it. So that's
13 injury.

14 Now, we move to 2015 and what happens in 2015 is,
15 first thing you have to understand is, if you go, I think,
16 just a few slides over, you will see that as of right here,
17 and through the first quarter of 2015, they were going to
18 exceed 2014 levels. Okay. There's just no question about
19 that. If you go to the next slide, they had a higher market
20 share in the first quarter of '15 than they did in the first
21 quarter of '14. Okay. And then the only reason you have a
22 decline, the only reason they can say, our imports were
23 lower in 2015 than they were in 2014, is because of the
24 decline that took place after the cases were filed. Before
25 the cases were filed, they were going up. They had gone up

1 for seven quarters in a row. The last quarter they went up
2 was the second quarter of 2015, that's the quarter when
3 these cases were filed. Okay.

4 So they say they went down, but that's the reason
5 they went down. We, on the other hand, went down
6 absolutely. We actually shipped fewer tons to the market in
7 2015 than we shipped in 2013 even though the market was one
8 and a half million tons bigger in 2015 than it was in 2013.

9 Plus, because of the underselling and because of
10 the oversupply, we had a big decline in prices and so we had
11 a dramatic decline in revenues. So whether you look just at
12 2014 or whether you look at the '14 and '15 together, once
13 you account for the effect of the petitions and the
14 declining imports after the petitions, once you account for
15 all of the sales that they took from this industry, that the
16 industry otherwise could have made on its own, there's no
17 question that this evidence shows that they caused material
18 injury to the domestic industry.

19 MR. KOPF: Commissioner Johanson, Rob Kopf with
20 U.S. Steel. I guess I would like to just add to that. You
21 know, the other side conveniently likes to talk about the
22 average for 2015 being less than '14. As Mr. Vaughn was
23 just pointing out, I mean, on slide 17, I think it even
24 tells a more overwhelming story. You know, they had
25 significantly high imports coming into here all through

1 2014. The number actually went up from the highest quarter
2 in 2014 in the first quarter of 2015 and then it went up
3 again in the second quarter of 2015. They were overwhelming
4 this market with so much supply that it had nowhere to go.
5 And if you take a look at the Metal Service Center
6 statistics for corrosion-resistant steel, I mean, Service
7 Centers had -- in July of 2013 had 1.6 months of supply on
8 the ground. And by the time 2015 ended they were up to 2.2
9 months of supply. In raw numbers, it's a 14 percent
10 increase in terms of the supply of inventory that they had.

11 And as I mentioned earlier in my testimony, there
12 was unsold inventory sitting at docks that also served as
13 almost an on-demand warehouse for product. So this industry
14 had no chance to really recover at all until after these
15 orders were put in place and we had the ability to see those
16 inventories get drawn down.

17 MR. HAUSMAN: Jerry Hausman. If you would please
18 put slide 3 on the -- my slide 3. So if you do that, you'll
19 see -- I go up to -- that's it. So I go up through July of
20 2015. And it is true that if you look at the whole year,
21 you take into effect the post-filing decline, but up through
22 2015, you can see that imports are higher on average than
23 they were in 2014. And, indeed, I calculated some
24 percentages. If you look in 2014, subject imports were 63
25 percent greater than non-subject imports. However, if you

1 look at 2015 up through July, it's 90 percent higher.

2 So non-subject imports grew both in absolute
3 value and in the percentage relative to non-subject imports.

4 Then if you look at my slide number 6, you'll see
5 what happened to prices. Prices just plummeted in 2015 and
6 as I testified earlier this morning, the correlation between
7 the overall prices and the CRU price is 87 percent. So this
8 should provide you with the correlation. So just to
9 summarize, 2015 subject imports were higher, CRU price
10 plummeted, and you have a very high correlation with what
11 was going on in the U.S. industry.

12 COMMISSIONER JOHANSON: Thank you, Dr. Hausman
13 and others for answering that question.

14 This question is related. From 2013 to 2014 many
15 of the indicia of industry health improved as subject
16 imports increased such as capacity production, capacity
17 utilization, shipments, AUVs, production workers and
18 financials. How do you all reconcile these facts with your
19 contention of vulnerability?

20 MR. SCHAGRIN: Commissioner Johanson, this is
21 Roger Schagrin. So I think the comments you just stated on
22 some of the statutory injury factors as well as your earlier
23 related question on the comments by Respondents in their
24 briefs about a lack of correlation and therefore causation
25 between the changes of the imports between '13 and '14, and

1 these factors for the domestic industry, they're all
2 disregarding the incredible change in consumption that
3 occurred. I think it goes back to Vice Chairman Pinkert's
4 question before, when you have a two million ton increase
5 in demand because you have near record auto production and
6 recovering construction demand, you would expect everything
7 to do much, much better. And instead the injury is masked.
8 The increase of five points of import market share, you
9 know, is masked because, yes, they take 75 or 80 percent,
10 but not 105 percent of the increase in demand.

11 So I don't want to dwell on it, I'll just, you
12 know, finally say, there is a reason that the act was
13 changed in 1988 to require that this Commission look at all
14 these factors not just on the basis of correlation between
15 one year and the next and the statutory injury factors, but
16 that you do it in the context of the business cycle. And
17 when you have such a huge increase in demand, that will, in
18 effect, mask some of the injury caused by the big increase
19 in unfairly traded imports.

20 MR. VAUGHN: Commissioner Johanson, Steven Vaughn
21 for AK Steel. I'd just like to follow up, I agree with what
22 Mr. Schagrin said and I just want to sort of make a policy
23 point here for you guys to take into account. This is a
24 huge issue for these trade laws. The whole -- one of the
25 big questions I think the Commission has to be very

1 sensitive to is you cannot create a situation where people
2 are allowed free rein to trade unfairly in terms of rising
3 demand. You cannot be so tied to one or two measures that
4 are always going to increase in a time of rise in demand
5 like production. The only way production can fall in a time
6 of rise in demand is if the imports literally take all of --
7 you know, over 100 percent of the new sales, just as Mr.
8 Schagrin pointed out.

9 So you have got to have the flexibility to look
10 at, did they do what you would have expected them to do with
11 what was going on in demand? That is how the business
12 people look at it. That's the testimony that you've gotten
13 from everybody here. And Congress has given you the
14 flexibility because you can take all of these things into
15 account.

16 Now, here to be honest, you can look at 2013 to
17 2015, their operating income is down. Their net income is
18 down. Their sales are down. So, I mean, here you don't
19 even have to go that far. But you do have to be sensitive
20 to situations like this that when you have rising demand
21 situations, yes, some of the numbers will show a lag effect.
22 But that does not mean that foreign producers can come in
23 with massive volumes of underselling and take millions of
24 tons of sales and not hurt the domestic industry.

25 MR. ROSENTHAL: I know your time is up,

1 Commissioner Johanson, but one last point. And I think Mr.
2 Vaughn is being a little too generous by saying you have the
3 flexibility to take this into account. I think it's clear
4 that you've got to. You're required to take into account
5 this rising demand situation and what the impact is on the
6 domestic industry by the surge of low-priced imports. If
7 you don't do that, you've -- as Mr. Vaughn says, you
8 essentially eviscerate the statute in times of rising
9 demand. The converse is also true and we had these
10 discussions too, when demand has been falling, you cannot
11 attribute all of the decline in the industry's performance
12 to imports sometimes because of the decline in demand, but
13 you've got to look at the increase in demand and what
14 happened there because of the imports. And it's clear,
15 going back to Commissioner Pinkert's issue here, there has
16 been masking of this. But you can't mask a million tons
17 worth of lost sales. You can't mask the declining prices
18 and all the underselling. That's clear on the record and
19 you can't mask what the purchasers have said which is we
20 bought imports because of price.

21 COMMISSIONER JOHANSON: I thank you for your
22 responses. My time has expired.

23 CHAIRMAN BROADBENT: Commissioner Kieff?

24 COMMISSIONER KIEFF: So if I could just very
25 briefly follow up with Mr. Vaughn and Mr. Rosenthal. Am I

1 right in understanding that some if not all of what you were
2 just saying to respond to Commissioner Johanson's question
3 would be -- would have been perfectly appropriate arguments
4 and consistent with the statute even before the amendments
5 of late, correct?

6 MR. VAUGHN: Yes. This is Steven Vaughn for AK
7 Steel. I would say, absolutely. I think the statute said
8 that you were supposed to look at -- for example, you were
9 supposed to look at conditions of competition even then.

10 COMMISSIONER KIEFF: Great. Okay. No further
11 questions. Thank you very much.

12 CHAIRMAN BROADBENT: Commission Schmidtlein.

13 COMMISSIONER SCHMIDTLEIN: Okay. So going back
14 to our -- I don't want to spend very much time on it, it
15 really wasn't intended as a gotcha question about the
16 statement in the staff report in regards to the annual
17 contract and the spot prices and so forth. But if you want
18 to try to address that, I mean, honestly I thought the
19 answer was going to be, it's a bigger drop because spot
20 prices are continually going down and contract prices are
21 fixed. And then when you look at the decrease it drops
22 further because the spot prices are already gone below that.
23 So that's what I --

24 [SIMULTANEOUS CONVERSATION]

25 MR. SCHAGRIN: You did figure out, we were going

1 to tell you that in our post-hearing briefs.

2 [SIMULTANEOUS CONVERSATION]

3 [LAUGHTER]

4 COMMISSIONER SCHMIDTLEIN: That's what I thought
5 the answer was going to be.

6 MR. SCHAGRIN: Well, you figured it out.

7 COMMISSIONER SCHMIDTLEIN: I couldn't get the
8 question out because, you know, we had ten minutes here.

9 MR. SCHAGRIN: Right.

10 MR. MATTHEWS: Commissioner, if you don't mind, I
11 just wanted to --

12 MS. BARTON: Identify yourself, please.

13 MR. MATTHEWS: Doug Matthews, U.S. Steel. One
14 additional point on contracts and I think we've talked about
15 this in maybe the preliminary. So when we enter into a
16 contract with a customer, that was an intent to purchase and
17 intent to sell. And oftentimes when we have significant
18 declining pricing environments like we saw in 2015,
19 customers don't -- they make choices about we're not going
20 to make those buys or they're going to say, we're going to
21 drop below our minimums, or we're not going to buy, or we're
22 going to buy from an alternative source. And as a supplier
23 to them, we have little to no recourse to hold them
24 accountable to purchase their volumes. So that's an
25 in-period injury that does occur and unfortunately in more

1 circumstances than I'd like to talk about.

2 I just wanted --

3 COMMISSIONER SCHMIDTLEIN: Okay. Alright. Along
4 the same lines, can someone talk about how raw material
5 prices are incorporated into these contracts, if at all?
6 And how they affect contract negotiations?

7 MR. LAUSCHKE: Sure. This is Scott Lauschke with
8 AK Steel. I'll comment a few things about raw materials.

9 First of all, you know raw materials are but one
10 part of a steelmaker's total cost. They are a significant
11 part, there's no question, but if you think about it your
12 iron ore and scrap are probably your main ingredients from a
13 raw materials standpoint for steelmaking. But in addition to
14 that, there's gas. There's electricity. There's labor.
15 There's health care. There's all those safety and
16 environmental things I discussed earlier. There's your MRO
17 maintenance, operating repairs.

18 So they are certainly an important part of costs,
19 but they are a small part of the grand total. The counsel
20 for the Respondents said in her opening comments that the
21 petitioning mills here will say that raw materials have, you
22 know, no impact at all on selling prices. That is simply
23 not true.

24 I personally have never said that, and I don't
25 know anyone who has. Of course they have an impact on

1 selling prices. But they are not the sole driver of steel
2 prices, by far. If they were, I wouldn't have a job. I
3 wouldn't have to sell anything, and my customers wouldn't
4 have large purchasing teams. We would simply have prices
5 moving as scrap and iron ore moved.

6 So that is simply not true. At the end of the
7 day, it is supply and demand. I mean, it is economics 101.
8 It is supply and demand that kind of sets pricing in the
9 market.

10 COMMISSIONER SCHMIDTLEIN: So you're saying the
11 contracts do not include--in some cases with products we see
12 where contracts include a surcharge. You know--

13 MR. LAUSCHKE: Sure.

14 COMMISSIONER SCHMIDTLEIN: You know, raw material
15 prices go up and there's transparency to the cost of those
16 materials by an index or what have you--

17 MR. LAUSCHKE: Yes.

18 COMMISSIONER SCHMIDTLEIN: --and there will be a
19 surcharge in the contract. Is that the case with these
20 types?

21 MR. LAUSCHKE: Yes, as some of my colleagues
22 stated earlier when the question of contracts came up and
23 the type of contracts, for AK Steel we would be very similar
24 to what was said earlier.

25 At AK Steel we have several hundred customers

1 that are under contract. Those contracts could be 3 months,
2 6 months, 12 months. They could expire at different times
3 during the year.

4 There are some contracts that are fixed price.
5 So let's say it's an annual contract. It is literally a
6 fixed price per ton for the entire year, regardless of what
7 raw materials do.

8 A few of our contracts have
9 adjustments that are made based on what raw materials may be
10 doing. They may be like a surcharge component. Others are
11 not directly tied to raw materials but rather to CRU, to
12 spot market prices, and those can adjust monthly. They may
13 adjust quarterly. They may adjust semi-annually. So
14 there's a whole wide variety of arrangements, almost as many
15 arrangements as there are customers' contracts.

16 But at the end of the day, I think the
17 overarching driver of prices, whether they go up or down
18 over time, is supply and demand factors. And over this
19 period of investigation, clearly there has been over supply
20 and under selling. And that is the problem.

21 I always state, I will compete with anybody in
22 the world head to head as long as it is done fairly. But if
23 we have people whose costs are nowhere like ours because
24 they don't have labor costs, or they are given materials, or
25 they are being subsidized, that is not the rules we are

1 playing by so we are fighting a battle with both hands tied
2 behind our backs.

3 MR. BLUME: Rick Blume, Nucor--back here.

4 COMMISSIONER SCHMIDTLEIN: Thank you.

5 MR. BLUME: You know, to give some illustration of
6 how our mix looks, and we talked earlier, I mentioned
7 earlier the fact that the bulk of the contract that we have
8 is tied to the indices, tied to CRU indices.

9 There are a very small percentage of our
10 contracts that are tied to raw material. But frankly we are
11 talking about in the low percentages, low single-digit
12 percentages, tied to raw materials. Probably we have a
13 little bit more in terms of fixed pricing, but again in
14 single digits. The bulk of our contracts are set to the
15 index price, and ultimately are dramatically impacted by
16 unfair imports.

17 And so again, that is the key point that I think
18 we need to keep coming back to: that even though we have
19 contractual pricing, by and large it is driven by the spot
20 market, which is driven by unfair imports.

21 COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

22 Anyone else?

23 MR. TEETS: Commissioner, just one addition--

24 COMMISSIONER SCHMIDTLEIN: Identify yourself,
25 please.

1 MR. TEETS: Chairman? I'm sorry--Commissioner--

2 COMMISSIONER SCHMIDTLEIN: Just state your name
3 for the Court Reporter.

4 MR. TEETS: Dick Teets with Steel Dynamics. What
5 I wanted to just add to that was--and I think you were
6 alluding to it--there are other products not being
7 considered today that we do have surcharges based on scrap.
8 And that would be like SVQ lawn products, railroad rail, and
9 so forth. But at least at Steel Dynamics we do not have any
10 of those surcharges on flat-rolled products, and definitely
11 not on the coated products here.

12 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank
13 you.

14 Switching gears a little bit--and I'm not sure if
15 this has been asked and answered already, so I apologize if
16 it has--can the domestic producers who were importing CORE
17 during the Period of Investigation explain why they were
18 importing CORE despite the existence of excess capacity here
19 in the United States?

20 MR. ROSENTHAL: Paul Rosenthal. We explained a
21 little bit about this earlier, and will do it in more detail
22 in our post-conference brief--post-hearing brief.

23 COMMISSIONER SCHMIDTLEIN: Okay.

24 MR. MATTHEWS: Commissioner Schmidtlein, Doug
25 Matthews U.S. Steel. I stated previously that during the

1 Period of Investigation we did have a subsidiary operating
2 in Canada. And we have since--it's been deconsolidated and
3 is now under the supervision of the Canadian court.

4 However, whenever we would enter into
5 negotiations with customers for supply, oftentimes we would
6 choose after we were awarded the contract which facility we
7 would load that onto. And we would look at optimization of
8 our footprint and how the products would run across specific
9 units most efficiently and try to balance the loading, and
10 things like that.

11 So in all cases they were negotiated, fair
12 prices, and they were negotiated with pricing, and it was
13 consistent with U.S.-based pricing.

14 COMMISSIONER SCHMIDTLEIN: Okay--

15 MR. Kopf: Commissioner, Rob Kopf with U.S. Steel.
16 One other comment I would like to add to Mr. Matthews'. And
17 that is, this in no way is a one-way relationship from
18 Canada to the United States.

19 We export plenty of corrosion-resistant products
20 from the U.S. into Canada, as well. So this is not about
21 supply constraints here that we need to supplement it from
22 another country. This is about facility loading and
23 balancing and nothing else.

24 MR. MULL: Yes. And Dan Mull, ArcelorMittal. In
25 addition, many of those customers that are being supplied

1 from Canada to the United States also have operations in
2 Canada, and they may be on a similar piece of business, and
3 the customers request us to keep it on the same mill. So we
4 may be supplying the same material to produce a similar part
5 at different facilities where they have like operations.

6 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank
7 you. And then my last question--again, a slightly different
8 topic--in the Italians' brief at page 86 they talk about the
9 prices in Europe compared to the prices in the United
10 States. And that in 2014 the price gap widened.

11 Do you all agree with that statement? In 2014,
12 did prices in Europe, the difference get larger between them
13 and us here in the United States?

14 MR. LAUSCHKE: Scott Lauschke, AK Steel. I
15 actually don't have any data in front of me to support this,
16 but I would guess that's an accurate statement. Just simply
17 looking at the macro economic conditions in the United
18 States versus in Europe, Europe has been pretty lousy. Not
19 that the United States is having banner years overall, but
20 our economy compared to most other regions of the world is
21 stronger relatively speaking.

22 And I know that the steel mill conditions in
23 Europe are pretty anemic. So that would make sense. But I
24 don't have any numbers to back it up.

25 COMMISSIONER SCHMIDTLEIN: Mr. Vaughn?

1 MR. VAUGHN: Yes, Commissioner Schmidtlein, I
2 would just like to comment as well with regard to that
3 argument. I think the whole notion that someone pricing in
4 the United States somehow attracted people into this market,
5 or that they came in because of some sort of a price gap, I
6 think to the extent anyone is making that argument I think
7 the Commission should give that argument, you know, very,
8 very little weight.

9 The question is: can you compete in this market
10 fairly, regardless of what the situation is in your home
11 market? Now the price gap may be relevant in a situation
12 like, you know, if you're trying to decide whether or not
13 somebody is going to change behavior or something in the
14 past, but here these guys have a proven track record of
15 surging into this market over these two years. And that
16 surge took place at a time, you know, when they were engaged
17 in unfair trade.

18 And the results from Commerce yesterday show that
19 they were engaged in significant levels of unfair trade. And
20 that is what is really important here. I mean the idea that
21 you should sort of look behind that and, you know, they get
22 some sort of excuse, or some sort of pass because of
23 differences in price here versus there, that is just not
24 consistent with the law, or consistent with the policies
25 that underlie the law.

1 MR. PRICE: Alan Price, Wiley Rein. I actually
2 take a slightly different tack than Mr. Vaughn in responding
3 to this. When they say the U.S. market prices are
4 attractive and they're coming here, they are basically
5 saying they are coming here because of price; that they are
6 taking volume based upon price.

7 COMMISSIONER SCHMIDTLEIN: That's what it looked
8 like to me in the Italians' brief, but Mr. Vaughn just told
9 me I couldn't consider that (laughing).

10 MR. PRICE: Right. I just fundamentally disagree.

11 COMMISSIONER SCHMIDTLEIN: If it was price and not
12 supply constraints--

13 MR. PRICE: My second point is, when they say, as
14 all of the Morris Manning briefs always say in every single
15 case, well, a certain amount of--we have to undersell in
16 order to sell because of differences in transportation,
17 timelines, and things like that, they are saying: I have to
18 under sell in order to have volume.

19 They are admitting to you that under selling is
20 critical in the amount of volume they are selling, and
21 therefore it is having a volume impact.

22 So fundamentally they have confessed,
23 unwittingly, that they are here because of their under
24 selling and their volumes are up because of under selling,
25 and that is why they are coming to this market, and that is

1 having a volume effect. Putting aside the pricing effects
2 of that under selling.

3 COMMISSIONER SCHMIDTLEIN: Okay. Thank you. I
4 apologize. My--I've gone over.

5 CHAIRMAN BROADBENT: Okay. Mr. Hausman, from MIT,
6 I wanted to look at page 3 of your presentation for a
7 minute.

8 You show that nonsubject imports did not increase
9 to the same extent as subject imports.

10 DR. HAUSMAN: Yes.

11 CHAIRMAN BROADBENT: But you don't dispute that
12 nonsubject gained market share?

13 DR. HAUSMAN: I don't know whether they gained
14 market share--

15 CHAIRMAN BROADBENT: I think you can see, if you
16 look--

17 DR. HAUSMAN: I didn't do that calculation, but--

18 CHAIRMAN BROADBENT: Nonsubjects did, yeah.

19 DR. HAUSMAN: Subject imports increased by 146
20 percent, as I say here, and nonsubject increased by 48
21 percent. So there was a 100 percent difference between
22 subject imports' increase and nonsubject imports' increase.

23 CHAIRMAN BROADBENT: Right. Okay. So looking at
24 the increase in the nonsubject imports, the 40 percent at
25 the expense of domestic industry, we're not looking at that as

1 being injury in this case, right?

2 DR. HAUSMAN: Well I'm not a lawyer, but my
3 understanding is it's not injury.

4 CHAIRMAN BROADBENT: Right. What accounts for the
5 data in Table D-9 showing that an important source of
6 nonsubject imports was generally lower priced than both
7 domestic sales prices and subject import prices?
8 Nonsubjects were much lower priced than domestics.

9 DR. HAUSMAN: I lost the later part of your
10 question.

11 CHAIRMAN BROADBENT: Let me say that again. I am
12 looking at the data in Table D-9. And my question is: What
13 accounts for this data that shows that an important source
14 of nonsubject imports were very much lower priced than both
15 domestic sales prices and subject import prices?

16 MR. SCHAGRIN: Chairman Broadbent, this is Roger
17 Schagrin. I think both to your first question and--

18 CHAIRMAN BROADBENT: Well I was just asking
19 Mister--let him finish, and then--

20 DR. HAUSMAN: I haven't studied that, but since
21 CORE sells on price to a large extent, you know, I would
22 find that unsurprising as an economist. But I would need to
23 look at that further before I respond.

24 MR. SCHAGRIN: Chairman Broadbent, just to point
25 out--

1 CHAIRMAN BROADBENT: Yes, Mr. Schagrín.

2 MR. SCHAGRIN: --Professor Hausman is brilliant
3 but may not be as familiar with the changes in the cases at
4 the Commerce Department as some of us who do this,
5 unfortunately every day, but I think a lot of this analysis
6 that's in the prehearing Staff Report is going to change
7 radically for your Final Staff Report when all imports from
8 Taiwan are shifted from nonsubject to subject. It is going
9 to make massive changes in this type of analysis.

10 And we can do it in our post-hearing briefs.

11 Obviously the staff, you know, will do it for your in the
12 post-hearing, but a lot of it relates to Taiwan--

13 CHAIRMAN BROADBENT: Well, yeah, there really is
14 an interesting question there because, you know, the lower
15 priced imports didn't gain much market share relatively.
16 They were not coming in at the lower price.

17 MR. SCHAGRIN: The Taiwanese did, but we will
18 address it in our post-hearing brief.

19 CHAIRMAN BROADBENT: Okay, we will be looking for
20 that. Thanks, I appreciate it.

21 No one can tell me--I don't know if this is BPI,
22 but who is importing this stuff from Canada, these
23 nonsubjects? If it's BPI or can someone tell me for the
24 post-hearing?

25 MR. ROSENTHAL: Well I think you've heard that

1 ArcelorMittal and U.S. Steel were two of the--I don't know
2 about importers, but they're related parties in that
3 situation. You've heard a little bit of the explanation.
4 And as I said, we will give you more in the post-hearing
5 brief.

6 I do think it is fair to say that--and going back
7 to Mr. Hausman, or Professor Hausman's slide number one,
8 these imports were coming in at fair prices. So they were
9 not undercutting the market. And I do think you have to
10 distinguish between the nonsubject imports that included
11 Taiwan and the Italian product versus the imports from
12 Canada, because those were not coming in at any different
13 prices than the U.S. prices.

14 MR. GERRISH: Chairman Broadbent?

15 CHAIRMAN BROADBENT: Yes.

16 MR. GERRISH: This is Jeff Gerrish on behalf of
17 U.S. Steel. We will address that in the post-hearing brief,
18 as well.

19 CHAIRMAN BROADBENT: Okay. Alright, I am looking
20 at Figure V-5--I mean, V-3, and it is a really interesting
21 graph, to me. And my question is: What explains this
22 phenomenal relationship between the prices for hot-rolled
23 coil, cold-rolled coil, and hot-dipped galvanized steel over
24 the POI in V-3?

25 MR. VAUGHN: Commissioner--

1 CHAIRMAN BROADBENT: Figure V-3.

2 MR. VAUGHN: The graph is APO, in the public
3 version of the Staff Report. Are you referring to--

4 CHAIRMAN BROADBENT: Figure V-3.

5 MR. VAUGHN: The witnesses can't see that figure.

6 MR. PRICE: We will address that in post-hearing
7 brief. The data is actually confidential in that.

8 DR. HAUSMAN: However, I can point out something--
9 this is Jerry Hausman. This goes all the way back to the
10 201. So some of the same actors are here. But in the 201,
11 I pointed out that hot-rolled begets cold-rolled begets
12 CORE. You know, one goes into the other. And there will be
13 adjustments made by producers who profit-maximize to produce
14 more or less of one or the other depending on what the
15 margins are. That is what came out in the 201 hearing.

16 And so you would expect to have a high
17 correlation here. I don't want to talk about it because
18 I've been told that I'm not supposed to, but I'm just saying
19 that it would be--as an economist, I would expect a high
20 correlation for that reason.

21 And then beyond that, I guess I'd better talk
22 about in the post-hearing.

23 CHAIRMAN BROADBENT: I don't think the data is
24 BPI. It's just the intense correlation. That is what my
25 question would be.

1 DR. HAUSMAN: Yes, and that comes from profit
2 maximization of steelmakers. Many steelmakers can make
3 hot-rolled, and then they can make cold-rolled out of the
4 hot-rolled. And then they can make CORE --

5 CHAIRMAN BROADBENT: Well we know that, yes.

6 DR. HAUSMAN: So the profit margins--

7 CHAIRMAN BROADBENT: Which is kind of what we
8 threw at--

9 DR. HAUSMAN: Okay, this lawyer beside me is
10 saying I'm not allowed to say anything more, so I'll say it
11 in the post-hearing.

12 CHAIRMAN BROADBENT: Does the staff agree that we
13 can't talk about this?

14 MR. CORKRAN: Madam Chairman, for the benefit of
15 the witnesses the question is asking about published price
16 data series for hot-rolled, cold-rolled, and
17 corrosion-resistant steel, and the similarity in those
18 trends.

19 The exact and precise data--

20 CHAIRMAN BROADBENT: Understood.

21 MR. CORKRAN: --we can't--

22 MR. LAUSCHKE: Well, then, Madam Chairman--Scott
23 Lauschke with AK Steel--so I'm an industry participant. I
24 haven't seen the graph. But from what was just described, I
25 can imagine what it looks like and it's pretty easy to

1 discuss, I think.

2 Each of those products, whether it's hot-rolled
3 or cold-rolled or coated, each product is a bit unique.
4 They each kind of serve different end applications. But
5 many of the customers are the same, and certainly many of
6 the suppliers are the same. All three of those products are
7 pretty much produced on very similar equipment. They go
8 across the same mills. Obviously a coated product is going
9 to have a final operation that the other two product lines
10 would not have. But they are made by the same people in the
11 same buildings, and they service the same markets. They
12 have the same distribution channels.

13 So they are similar in that regard. However,
14 each product line has its own supply and demand
15 characteristics, its own unique price drivers, you know, at
16 points in the cycle. But all three of them have, throughout
17 this Period of Investigation, have been subject to the same
18 market forces, which are subsidized unfairly traded dumped
19 imports.

20 So it is unfortunate that, you know, in my career
21 at AK Steel we supply all three of those product lines and
22 I've seen prices plummet across all three. I see us losing
23 money in all three. And that is why we are here today.

24 So the percentage share, the percentage change,
25 is probably very similar from over the time, and they've all

1 gone in the wrong direction. So that's why we're here.

2 CHAIRMAN BROADBENT: Okay, but I guess if we're
3 looking at the correlation between the impact of the imports
4 in all these different product categories from all these
5 different Respondents, how can it be affecting all three
6 markets exactly the same way?

7 MR. PRICE: Alan Price, Wiley Rein. I actually
8 don't think, when we look at the data, and we'll explain why
9 in the post-hearing brief, they actually are all being
10 affected in the exact same way. You have separate supply
11 and demand characteristics in each of them. Each of them do
12 have unfair import components to them, so they will have
13 some effects of that.

14 The question is: What are the effects of these
15 unfairly traded -- unfair imports on this particular
16 marketplace? And that is what your question is. And the
17 answer is, to each of them, they have been affected.

18 There has been harm in volume. There's been harm
19 in pricing. And so they are all impacted.

20 MR. KOPF: Madam Chair, Rob Kopf with U.S. Steel.
21 If I could just add, having not seen the table myself I
22 believe these are spot indices that you're referring to. I
23 think it is important to note that we are competing with
24 these imports on corrosion-resistant, on cold-rolled, on
25 hot-rolled. I mean, we see trends, or not trends, we see

1 events in contract negotiations with our customers
2 specifically when we negotiate corrosion-resistant that defy
3 the trends in spot, based upon that specific moment in time
4 when you have subsidized and dumped imports coming in and
5 offering a corrosion-resistant price to a contract customer
6 that aren't necessarily following a trend, necessarily, that
7 a CRU or a Platt's would be publishing.

8 So I think it is important to note that, while
9 this chart may represent spot trends, we have specific
10 contract negotiations that are impacted just as much but not
11 necessarily in a trend that follows spot markets based on
12 these same imports.

13 DR. HAUSMAN: Commissioner, actually this is
14 public data. So if you could put up slide 6 from today,
15 it's the CRU price. And so I would ask you to compare this
16 to my same slide 6 from two days ago. And when you compare
17 them, you will see that there's not a perfect correlation by
18 a long shot,.

19 CHAIRMAN BROADBENT: What?

20 DR. HAUSMAN: Okay, so this is for CORE prices.

21 CHAIRMAN BROADBENT: Right.

22 DR. HAUSMAN: And from two days ago, it was for
23 cold-rolled prices, CRU.

24 CHAIRMAN BROADBENT: Okay.

25 DR. HAUSMAN: And they're both slide 6. I can't

1 put up--

2 CHAIRMAN BROADBENT: Understood. Okay.

3 DR. HAUSMAN: Okay, but if you look at them you
4 will see it is far from a perfect correlation.

5 CHAIRMAN BROADBENT: So that would be different.
6 That differs from our Staff Report.

7 DR. HAUSMAN: Yes. And these are--

8 CHAIRMAN BROADBENT: Does the Staff Report have it
9 wrong?

10 DR. HAUSMAN: No. I think it's partly the scale
11 of the Staff Report, but I would have to look into it more,
12 as I said I will.

13 CHAIRMAN BROADBENT: Sure.

14 DR. HAUSMAN: The CRU are the most widely used
15 prices in the industry. And I'm just saying they are not
16 perfectly correlated by a long shot.

17 CHAIRMAN BROADBENT: Okay. Alright, thanks.

18 Alright, let's see. I'm trying to figure out
19 sort of how we correlate the domestic industry plant
20 closures and so forth in the CORE market as opposed to
21 trends in other steel markets, which those facilities are
22 making all different products. In a facility that only
23 produced CORE we could reasonably conclude that the facility
24 closed due to issues in the CORE market.

25 But if the facility produced multiple different

1 kinds of steel products like what appears to be the case for
2 some of the major closed mills over the POI, such as
3 Fairfield, Granite City, and Gerard, do we have any kind of
4 an attribution problem here if we were to blame a factory's
5 closure on trends? You know, a factory closed and we are
6 being told it had to be because of CORE, but if that factory
7 was producing something else, too?

8 Mr. Vaughn.

9 MR. VAUGHN: Chairman Broadbent, I think the--
10 first of all, you do have an interesting situation here
11 because you have three different cases against three
12 different product lines, and they are all, we believe in all
13 three cases, the subject imports were injurious.

14 And you are correct that some of these facilities
15 made more than one of these products. And you are also
16 correct that you need to sort of show a causal link for each
17 of these cases.

18 I believe you can get there. I believe that the
19 way you can get there is that in every one of these cases
20 there is a very large amount of lost sales and lost volume
21 as a result of the subject imports, and as a result of the
22 unfair trade.

23 The testimony, the unquestioned testimony of the
24 witnesses both in the corrosion-resistant case and in the
25 cold-rolled case, and I suspect also in the hot-rolled case,

1 will be that these are industries with heavy fixed costs;
2 that they have to cover their costs, and if they lose
3 significant amounts of volume it makes it more difficult for
4 them to recover their costs.

5 So I think you can say that for each of these
6 industries there was a lot of sales that were lost. Those
7 lost sales made it more difficult for people to recover
8 their costs. And that in turn made it more likely that
9 these facilities were going to be shut down.

10 I think it is important to understand that as a
11 legal matter you are not required to find that subject
12 imports are the only cause of a particular event, or even
13 the--but, you know, they just have to simply be a cause. I
14 mean, that's the law. That's the way Congress has set it
15 up.

16 As long as they are "a cause," they are not
17 merely a tangential or incidental cause, then they can be
18 held responsible. And here, it is very easy to say with
19 respect to if you look at a facility, the facility made
20 cold-rolled, corrosion-resistant, you can say the facility
21 lost corrosion-resistant sales and that contributed to the
22 decision to shut it down.

23 The facility lost cold-rolled sales, and that
24 contributed to the decision to shut it down. So you can
25 find that correlation or that causal link with respect to

1 both of those cases.

2 MR. MATTHEWS: Commissioner, this is Doug
3 Matthews, U.S. Steel. You referenced a couple of our
4 plants, so I thought I would comment as well.

5 So as it pertains to the CORE, during the Period
6 of Investigation both the Fairfield facility, as well as the
7 Granite City facility, took shutdowns or significant reduced
8 operations of the coating facilities in those locations
9 because of the flood of imports that were coming in.

10 So let there be no mistake--

11 CHAIRMAN BROADBENT: Of what product?

12 MR. MATTHEWS: Of CORE products, Galvalume and
13 Galvanized Products were produced at both of those plant
14 locations, and we were severely impacted to the point of
15 shutdown for substantial utilization reductions during this
16 time period.

17 CHAIRMAN BROADBENT: Okay.

18 MR. GERRISH: Chairman Broadbent, one other thing
19 I'd just like to add. With U.S. Steel, they also have a
20 corrosion-resistant line at the Great Lakes Works, which is
21 continuing to be shut down at this point.

22 CHAIRMAN BROADBENT: Okay. I've got a lot of
23 hungry people here, so I've got to move it along and I
24 apologize.

25 Let's see. Commissioner Pinkert?

1 VICE CHAIRMAN PINKERT: I just have one follow-up
2 for Dr. Hausman.

3 Would you agree with the following homespun
4 wisdom, that correlation does not equal causation but it
5 ain't beanbag?

6 (Laughter.)

7 CHAIRMAN BROADBENT: It ain't what?

8 VICE CHAIRMAN PINKERT: In other words, that it
9 does have some bearing on the question of causation.

10 DR. HAUSMAN: If you--so that's one of the oldest
11 sayings in econometrics. So if you have no correlation, you
12 can't have causation. But if you have correlation, it does
13 not prove causation.?

14 VICE CHAIRMAN PINKERT: Okay. So then in your
15 analysis of Figure 5-3, could you, after you look at the
16 question of correlation, could you also address the question
17 of whether any of the lines on that graph are having causal
18 impact on other lines on that graph?

19 DR. HAUSMAN: That's already in my econometric
20 model, which you will receive.?

21 VICE CHAIRMAN PINKERT: Thank you.

22 CHAIRMAN BROADBENT: You done? Okay.

23 COMMISSIONER WILLIAMSON: Just a few questions.
24 This is for U.S. Steel, and this is for post-hearing.
25 Please respond to the claims of the Koreans, Italians, and

1 Taiwanese respondents that the shutdown and closures by U.S.
2 Steel over the Period of Investigation were part of a
3 restructuring unrelated to subject imports.

4 MR. KOPF: Commissioner Williamson, I would like
5 to--Rob Kopf with U.S. Steel--I would like to answer that,
6 please.

7 I find that claim, frankly, insulting, to have
8 the Koreans or any of the Respondents claim that there are
9 shortages of corrosion-resistant steel in this market during
10 the Period of Investigation, yet we had facilities that we
11 had to shut down, whether they were electro-galvanized
12 lines, whether they were galvalume lines, whether they were
13 galvanized lines, because they took orders from us. They
14 stole orders from us and put workers at our facilities out
15 of a job for a period of time, or still to this day.

16 So I don't understand how they can make claims
17 like that and actually be serious.

18 MR. MATTHEWS: And Commissioner, if you don't
19 mind--Doug Matthews, U.S. Steel. I would just ask the
20 question for clarification purposes, is this the Koreans in
21 the CORE case? Is this the Koreans in the cold-rolled case?
22 Or is this the Koreans in the hot-rolled case?

23 COMMISSIONER WILLIAMSON: I think this is part of
24 their--yes, okay.

25 MR. MATTHEWS: I apologize for the sarcasm there,

1 but for them flooding this market in all three of those
2 product lines has caused serious injury and caused us to
3 make decisions about footprint, future footprint operations.

4 MR. GERRISH: Commissioner Williamson, Jeff
5 Gerrish, U.S. Steel. We will say more about this in our
6 post-hearing brief, but I think, again as we said on Tuesday
7 in cold-rolled, I think it is clear that Fairfield would still
8 be up and operating today were it not for the subject
9 imports. But we will have more to say about that.

10 COMMISSIONER WILLIAMSON: Sorry I touched such a
11 nerve. Thank you.

12 Dr. Hausman, so your statement describes Foreign
13 Fighter requirements in which domestic producers have to
14 reduce prices to meet import competition. How prevalent are
15 these provisions? And how do they operate? And are they
16 similar to meet-or-release provisions?

17 DR. HAUSMAN: Well, I talked to a number of
18 executives and have seen emails, which I'm sure can be
19 provided to you under confidentiality, that will be in the
20 post-hearing brief, but I've seen numerous emails that say
21 these people want a Foreign Fighter type requirement in the
22 contract. And the corporate executives have also told me
23 the same thing.

24 I think they are very similar to meet-or-release.
25 As I understand it, it says, you know, if you can meet the

1 Foreign Fighter price, you can have the business. But
2 otherwise, I'm gone.

3 COMMISSIONER WILLIAMSON: Okay. Thanks.

4 DR. HAUSMAN: Sure.

5 COMMISSIONER WILLIAMSON: So post-hearing anything
6 that could be provided to indicate how prevalent they are,
7 and exactly how they operate. And how do they operate to
8 lower prices? Okay. Thank you.

9 This is a question on inventories, and this can
10 be done post-hearing, too. With regard to domestic
11 inventory, several respondents have pointed out that a
12 particular U.S. producer accounted for an outsized share of
13 the inventories, as well as the majority of the increase in
14 inventories from 2013 to 2015.

15 Could Domestic Producers address this issue in
16 post-hearing submissions? Strictly post-hearing.

17 And last question. Can anyone describe the
18 competition, any producers describe the competition they
19 face from subject imports in making sales to U.S.
20 automakers? So what role do the imports play in terms of
21 serving the automaker market?

22 MR. LAUSCHKE: Sure. I'd be happy to do that.
23 Scott Lauschke with AK Steel.

24 In all of our negotiations with the domestic auto
25 companies, one of the first things that we get to, the first

1 things the purchasing group puts up is a graph that looks
2 just like that one that's up on the screen now. They all
3 point to CRU, and whether it's the CRU Coated Index,
4 or the Hot-Rolled Index, or the Cold-Rolled
5 Index, that's the first thing
6 they point to. And that's where the negotiations
7 begin, and that's usually where the negotiations
8 end when pricing is down in the market.

9 All three of those product lines have been
10 clobbered. The prices have fallen precipitously, and that
11 is kind of where our contracts end up, where we end up
12 settling. We end up settling with very large price-downs.

13 And as I stated, in the cold-roll testimony two
14 days ago, is we go in in 2016 now, although we have seen
15 some good movement on the spot prices in the last few
16 months, upward trajectory, not only is it still nowhere near
17 where it needs to be, as was stated earlier, and for CORE
18 over \$140 below the 10-year average, but even still we
19 negotiated many of those contracts when we were in this
20 trough of like fourth quarter, and now we are living with
21 those prices for a whole year.

22 So the injury just continues.

23 COMMISSIONER WILLIAMSON: Now are you talking both
24 about U.S. nameplate and foreign nameplate U.S. producers?
25 Or is there a distinction--

1 MR. LAUSCHKE: Unfortunately, I am, yes. We deal
2 with--at AK Steel I believe we supply every single automaker
3 within the United States, whether they're foreign-owned or
4 domestic-owned, traditional Big Three, you know, we supply
5 all of them.

6 `In the case of Korea, just as one data point, we
7 had significant growth in products through 2013, and we were
8 on a trajectory to continue our sales of CORE products into
9 Korean auto producer. And then as soon as the rulings were
10 lifted, or the duties were lifted in 2013, we saw that
11 trajectory completely flipflop. And we've been told
12 repeatedly that our products are overpriced.

13 And we can provide you with data to support that.

14 COMMISSIONER WILLIAMSON: Okay. Thank you for
15 that.

16 MR. KOPF: Commissioner Williamson, Rob Kopf with
17 U.S. Steel. I would just like to also mention that U.S.
18 Steel in fact just lost corrosion-resistant business at
19 automakers to subject imports, and very similar to what was
20 just described by Mr. Lauschke over there. And we are
21 talking about hundreds of dollars a ton in price difference,
22 not simply over a five dollar bill. It was appalling. And
23 we will provide more detail in our post-hearing brief.

24 COMMISSIONER WILLIAMSON: Good. Okay, thank you.
25 And with that I want to thank the witnesses for their

1 testimony.

2 CHAIRMAN BROADBENT: Commissioner Johanson.

3 COMMISSIONER JOHANSON: Thank you, Chairman
4 Broadbent. And I have two more questions, and my apologies
5 for keeping you all even longer sitting there. You've been
6 there a long time. You probably could have flown to Los
7 Angeles by now.

8 (Laughter.)

9 COMMISSIONER JOHANSON: Although you would have
10 been in the window seat, because I know most of you haven't
11 stood up. So I know it's a long morning.

12 But I would like to ask a question for
13 ArcelorMittal, Mr. Baske or anyone else who would like to
14 respond to it. I would like to get a response with regard
15 to a quote found in footnote 136 of the Korean Respondents'
16 brief, which was in a newspaper called "The Northwest
17 Indiana Times."

18 This article refers to the ArcelorMittal facility
19 in Indiana Harbor as--and this is them--as being inefficient
20 and being an aged mill that is a relic of the turn of the
21 20th Century.

22 Could you all reply to that?

23 MR. MULL: Dan Mull, ArcelorMittal. I am not
24 familiar with that quote, but I would say that we are certainly
25 addressing our footprint. Part of that footprint is in

1 Indiana Harbor West. We have some of the most efficient
2 facilities as ArcelorMittal USA both in this country, but
3 also globally. We also have our Calvert facility. As we're
4 reviewing our footprint, we are certainly making some
5 investments, some of which I cannot talk about at this time
6 but would be glad to provide in the post-hearing brief on
7 the investments we are doing at Indiana Harbor.

8 Some of this is related to the labor
9 negotiations.

10 COMMISSIONER JOHANSON: Yes, Mr. Rosenthal?

11 MR. ROSENTHAL: Just one general point about plant
12 closures here versus elsewhere in the world. Everyone in
13 the domestic industry has been under pressure by imports,
14 and they are trying to be as efficient and productive as
15 they can be in their facilities.

16 But what is interesting is that if we don't shut
17 down older mills, we are criticized for that. When we do,
18 we say well you can't supply the market. What is forgotten
19 about, too, is that there are a lot of mills that could
20 still produce product and sell it in the United States but
21 because of the import pressure we are closing that capacity
22 here before the foreign producers are closing their
23 capacity.

24 Were it not for the import pressures that we
25 have, there would still be--you heard about the U.S. Steel

1 facility, but other facilities still open, and were forced
2 to close before they are because they unload their product
3 here.

4 So it is not like we have on an absolute basis
5 less efficient capacity than everybody else in the world.
6 We just happen to be forced to close it before it would be
7 optimum from our point of view.

8 COMMISSIONER JOHANSON: Alright. Thank you for
9 your responses.

10 I have just one more question. And this is
11 something that you all raised, Petitioners raised, in the
12 briefs. How, if at all, should the Commission take into
13 account separate antidumping countervailing duty
14 investigations on upstream steel sheet products such as--
15 well, specifically hot-rolled and cold-rolled steel?

16 MR. VAUGHN: Well I think--this is Stephen Vaughn
17 for AK Steel. I think, are you talking here, like these
18 investigations that are going on right now?

19 COMMISSIONER JOHANSON: Yes.

20 MR. VAUGHN: Yeah, okay. I mean for example it is
21 very relevant to the issue of threat. If China is under an
22 investigation for cold-rolled steel and the Commission
23 thinks that China has engaged in unfairly traded imports of
24 cold-rolled steel that have caused material injury, then the
25 Commission needs to take into account that if they put an

1 Order on cold-rolled steel, China will have an incentive to
2 take that cold-rolled steel and galvanize it and ship it
3 over as galvanized steel.

4 Similarly, if Korea is facing Orders on
5 hot-rolled and cold-rolled steel, then the Commission needs
6 to understand that in that case Korea will have an incentive
7 to take the hot-rolled and cold-rolled steel that it's been
8 shipping into the United States, which is enormous, and
9 galvanize that and ship that in as corrosion-resistant
10 steel.

11 So that is one way you could take it into
12 account.

13 Another way I think you could take it into
14 account goes back to some of the testimony you heard with
15 respect to the three pricing. You know, why did hot-rolled-
16 -why is hot-rolled steel declining at the same time
17 cold-rolled steel, which is declining at the same time as
18 corrosion-resistant steel? It is definitely relevant as
19 part of that analysis that all of these industries are being
20 attacked at the same time.

21 It also comes up in the context of raw materials.
22 Why are raw material prices falling at the same time that
23 corrosion-resistant steel prices are falling?

24 Well, part of what is going on is that the
25 upstream products for corrosion-resistant steel are also

1 being attacked by dumped and subsidized imports.

2 So there's a number of different ways where it
3 becomes relevant to your analysis.

4 COMMISSIONER JOHANSON: Thanks for--

5 MR. KOPF: Rob Kopf, U.S. Steel, if could just
6 remind you also, as was pointed out earlier, I mean there is
7 a demonstrated 6 million tons of excess capacity of
8 corrosion-resistant steel in the subject countries that we
9 just talked about that they can clearly divert cold-rolled,
10 hot-rolled, any other product into that unused capacity if
11 there are no Orders in place from those countries.

12 COMMISSIONER JOHANSON: All right. Thanks for
13 your response. And just for the record, this issue was
14 raised at page 53 of the ArcelorMittal brief. And that
15 concludes my questions. Thank you all again for appearing
16 here today.

17 CHAIRMAN BROADBENT: Commissioner Kieff?

18 COMMISSIONER KIEFF: I echo my thanks and yield
19 the rest of my time.

20 CHAIRMAN BROADBENT: Commissioner Schmidtlein?

21 COMMISSIONER SCHMIDTLEIN: I have no further
22 questions. I just wanted to thank the witnesses and yield
23 the rest of my time.

24 CHAIRMAN BROADBENT: I just had one last question.
25 On page 51 of the Korean Respondents' prehearing brief, they

1 argue that the Domestic Industry's operating income margins
2 were in line with historical norms, 2.8 to 4.2 percent,
3 which is the range between 2006 and 2015, with the exception
4 of 2009.

5 Do you agree with this assessment? Or you
6 probably don't agree with this assessment?

7 MR. WALBURG: This is John Walburg from California
8 Steel. Once again, as I commented before, we don't have
9 many contracts. I would encourage you to look at our
10 results. They were not in line. It was one of the worst
11 years in our history. And for us it was worse than 2009.
12 And it is happening on all products. And please take a look
13 at our data.

14 MR. VAUGHN: Commissioner, Chairman Broadbent,
15 Stephen Vaughn, AK Steel. A couple of factors that you
16 ought to take into account. I really don't think that being
17 in line with historical norms is necessarily all that
18 relevant to your analysis, in any event. I mean the
19 question before the Commission is:

20 Did this industry suffer material injury by
21 reason of dumped and subsidized imports?

22 If you find, for example--and I don't think there
23 is any way not to find this--that they cost us millions of
24 tons of sales, or millions of tons of revenues, that is
25 material injury.

1 If you find that purchasers were switching sales
2 because of lower prices being offered, that's material
3 injury.

4 If you find that there's massive underselling,
5 which is a statutory factor, that's relevant to your injury
6 analysis.

7 And so whether or not--the issue here is not, is
8 there some sort of absolute number? And unless they fall
9 out--there's some sort of decline that gets away from that
10 number, you can't make a finding of material injury. That
11 is simply not the way the statute works.

12 We would also point out that that discussion is
13 only limited to the operating income margin number. And if
14 you look at some of the other numbers in this record, you
15 will see even more dramatic decline.

16 CHAIRMAN BROADBENT: Okay. That concludes the
17 Commissioners' questions.

18 Does staff have any questions for this panel?

19 MR. CORKRAN: Douglas Corkran, Office of
20 Investigations. Thank you, Madam Chairman. Staff has no
21 additional questions.

22 CHAIRMAN BROADBENT: And then do Respondents have
23 any questions for this panel?

24 MR. CAMERON: No.

25 CHAIRMAN BROADBENT: No? Okay. Then in that

1 case, it is time for our lunch break. We will come back
2 here at three o'clock. We'll come back at three o'clock.
3 And remember the hearing room is not secure, so please don't
4 leave any of your business confidential information out.

5 And again I want to thank all the witnesses for
6 sticking with us today.

7 (Whereupon, at the hearing was recessed, to
8 reconvene at 3:00 o'clock p.m., this same day.)

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

2 (3:00 p.m.)

3 MS. BELLAMY: Will the room please come to
4 order?

5 CHAIRMAN BROADBENT: Madam Secretary, are we
6 ready to begin?

7 MS. BELLAMY: Yes, Madam Chairman. The
8 respondents for this panel is seated and has been sworn.

9 CHAIRMAN BROADBENT: Thank you, Madam
10 Secretary. I want to welcome the afternoon panel to the
11 ITC. I would like to again remind you to speak clearly into
12 the microphone and state your name for the record for the
13 benefit of our court reporter. You may begin when you're
14 ready.

15 STATEMENT OF JAMES DOUGAN

16 MR. DOUGAN: Good afternoon, Madam Chair,
17 Commissioners and staff. I am Jim Dougan of ECS and my
18 testimony today will provide an overview of the relevant
19 statutory factors of volume effects, price effects and
20 impacts on the domestic industry, and how they support a
21 negative determination of current material injury and threat
22 of injury by reason of subject imports.

23 In the preliminary investigation, the Commission
24 was unable to find even a reasonable indication of current
25 material injury by reason of subject imports. The record in

1 this final phase shows that the domestic industry is not
2 experiencing current material injury now either. In
3 presenting its case, the domestic industry points to an
4 increase in subject import volume, a decline in market share
5 and allegedly inadequate profits, but without acknowledging
6 some of the basic realities of the marketplace.

7 First, petitioners make repeated claims that the
8 subject import volumes had adverse volume effects. However,
9 no reference is made to the domestic industry supply
10 constraints in 2014 and 2015, which led to the increase in
11 subject import volumes to fill the gap left by the domestic
12 industry. More on that in a moment.

13 Second, petitioners claim that the price
14 declines experienced by the domestic industry can only be
15 attributed to subject imports. The record clearly shows
16 that U.S. producers' prices moved concurrently with the cost
17 of raw materials, irrespective of the subject import volumes
18 in degrees of underselling.

19 Finally, with respect to impact. The domestic
20 industry's financial results in 2015 were essentially
21 equivalent to the results in 2014, and were in the line with
22 the domestic industry's historical performance since at
23 least 2006 and better in several respects.

24 Finally, the domestic producers are making truly
25 significant investments in their capability to produce CORE,

1 which is a real-world signal that they are optimistic about
2 their future in this industry and are neither vulnerable to,
3 nor threatened by future injury by reason of subject
4 imports.

5 To begin, there were no adverse volume effects
6 by reason of subject imports. First, subject imports'
7 volume increased only in 2014 when the Commission found no
8 reasonable indication of current material injury. As shown
9 in prehearing report Table C-1, during 2014, the industry's
10 production and capacity utilization increased and were at
11 their highest levels of the POI.

12 The industry's reported capacity utilization in
13 both 2014 and 2015 would undoubtedly been higher if not for
14 the effect of supply disruptions that limited the practical
15 capacity of many domestic producers and drew both subject
16 and nonsubject imports into the market.

17 Interestingly, in presenting their injury case,
18 petitioners made no mention of these well-documented supply
19 disruptions. Instead, they blamed subject imports for their
20 decrease in market share, making no mention of the impact of
21 2014's cold winter on their operations. But in addition to
22 the bad weather events of 2014, the domestic industry
23 undertook extended maintenance outages and closed
24 inefficient and outdated equipment lines in 2014, 2015 and
25 2016, none of which are attributable to subject imports.

1 There are a myriad of contemporaneous press
2 articles that document these disruptions, attached to
3 respondents' prehearing brief. And much of that information
4 is public, so I'll be happy to expand on that later if you
5 like.

6 U.S. Purchaser's Questionnaires in the final
7 phase confirmed these supply disruptions. Sixteen of
8 forty-two purchasers reported supply constraints, and
9 fourteen of them, which represent a very significant percent
10 of purchases, their allegations repeated at prehearing brief
11 for our Korean respondents, Pages 29 to 31.

12 These were not fictional supply constraints.
13 They were real and they were significant. In the case of
14 U.S. Steel alone, one article noted that they lost 400,000
15 tons of production in 2014.

16 In a market dominated by a small number of U.S.
17 producers, it is no surprise that purchasers were looking
18 for flexibility of supply after the constraints they
19 experienced with the domestic industry over the POI. This
20 is further evidenced by the increase in nonsubject imports,
21 as the volume of subject imports declines, as shown in Slide
22 1, which presents subject and nonsubject sources, both in
23 absolute tons and as a percent of total imports.

24 Significantly, all of the domestic industry's
25 decline in market share in 2015 is attributable to the

1 increase in market share of nonsubject imports. As subject
2 imports' market share also declined in 2015. Moreover,
3 there is no discussion within petitioners' brief of the
4 increase in nonsubject imports over the POI or what
5 proportion of those imports came in under the control of
6 domestic producers or their related parties.

7 These volumes are quantified in Korean
8 respondents' prehearing brief at Exhibit 1. Petitioners'
9 omission is particularly telling when they also claim that
10 the industry could not afford to lose even a single ton of
11 production or shipments.

12 Shifting to price. There was no price
13 depression by reason of subject imports. Petitioners
14 claimed in their briefs that the price declines experienced
15 by the domestic industry can only be attributed to subject
16 imports. Petitioners repeatedly assert that materials,
17 changes in raw materials are unrelated to the domestic
18 industry's price movements.

19 This statement, too, ignores the basic realities
20 of the marketplace, as raw materials accounted for roughly
21 two-thirds of the industry's cost of production during the
22 POI.

23 One witness this morning said that raw materials
24 were just one part of their production costs. It may just
25 be one part, but it's one part that is two-thirds of their

1 production costs. Not surprisingly, it is evident that the
2 following raw material prices explain the price decline over
3 the POI, as U.S. producers' prices moved concurrently with
4 those costs.

5 As Slide 2 shows, U.S. producers' prices began
6 to decline along with the prices of the major raw material
7 inputs for CORE. Moreover, the purchaser questionnaire
8 responses on record support this claim. As a vast majority
9 of purchasers reported that raw materials affect their price
10 negotiations.

11 And when over two-thirds of the industry's COGS
12 is raw materials, and when the vast majority of purchasers
13 report that raw material costs affect their price
14 negotiations, it is no surprise that the prices for all
15 eight CORE pricing products moved together with the price of
16 raw materials.

17 It is this significant and sustained decline in
18 raw material prices in late 2014 and 2015, and not the
19 effect of subject imports, which explains the decline in
20 domestic industry prices over the latter part of the POI.

21 Respondents have never claimed that there is a
22 one-to-one relationship between these two. But the
23 Commission should discredit petitioners' peculiar and
24 repeated denials that raw materials are a key influence of
25 CORE prices.

1 This is especially true because there is no
2 evidence on this record that the domestic industry's prices
3 were suppressed by reason of subject imports.

4 Slide 3 shows the industry's COGS to sales
5 ratios over the past ten years. This is the metric that the
6 Commission commonly uses to assess price suppression. Not
7 only did this ratio decline over the POI by eight-tenths of
8 a percentage point, COGS to sales ratios over the POI were
9 at the lowest ratios over the past ten years.

10 Moreover, as shown at Staff Report Table 6-1,
11 raw material costs were lower as a percentage of sales in
12 2015, 61.9%, than in 2013, 64.2%, or 2014, 64%.

13 Petitioners will insist that the Commission must
14 look only at changes in unit values, but the other record
15 evidence on this point undermines this claim. And it is
16 common for the Commission to look at metrics on a percent of
17 sales basis, especially for purposes of a price suppression
18 analysis.

19 Respondents submit that the underselling on the
20 record is also not significant. And the confidential record
21 shows that the timing and frequency of underselling and the
22 quantity undersold merits further scrutiny by the
23 Commission.

24 Additionally, we believe the Commission should
25 closely examine the underselling by Canada, which is

1 explained in detail in Korean respondents confidential
2 prehearing brief and is at odds with statements this morning
3 from the petitioners' panel about the relative pricing of
4 imports from Canada versus other sources.

5 These facts, given the volume of imports from
6 Canada, and the identity of the importing parties are
7 relevant to the Commission's analysis of price effects.
8 There was no adverse impact by reason of subject imports.

9 In its preliminary determination, the Commission
10 made an affirmative threat determination based largely on
11 the concern that the decline in performance observed in the
12 first quarter of 2015 would continue without trade remedy.
13 However, as the record in the final phase shows, the
14 concerns that led the Commission to reach a threat
15 determination did not come to pass.

16 As Slide 4 shows, and as predicted by
17 respondents, the improvement observed between the first
18 quarter and full year of 2014, occurred between the first
19 quarter and full year of 2015 as well, furthering the notion
20 that there is no reasonable indication of current material
21 injury by reason of subject imports.

22 Since the same improvement occurred in the prior
23 year, the industry's improvement in 2015 cannot be
24 attributed to the filing of the case.

25 Slide 5 shows that the domestic industry's

1 performance indicators were strong over the POI and in line
2 with historical levels dating back to 2006. We provide the
3 historical data to provide context about the industry's
4 performance at different points of a business cycle and
5 period that include trade remedy for this product.

6 Furthermore, the domestic industry's operating
7 profit ratio improved over the POI from 3.5% to 3.7% in 2014
8 and 2015. And although petitioners claim that these margins
9 were woefully inadequate, as Slide 6 demonstrates, the
10 operating margins were in line with historical levels.

11 As shown by the slide, other than the recession
12 year of 2009, the domestic industry's operating profit has
13 fluctuated between 2.8 and 4.2% and average 3.5%.

14 Further, Slide 7 includes the interim periods
15 for 2014 and 2015 and as is shown, the domestic industry
16 improved from their interim levels of profitability to the
17 same operating margin in full year 2014 and 2015.

18 Petitioners' case at the prelim hinged entirely
19 on the trend observed between those two red bars. As we can
20 now see, that apparent decline was illusory. What's more,
21 as shown earlier in Slide 5, from 2013 to 2015, the domestic
22 industry experienced its best three years at the gross
23 profit level, outperforming even 2008, which was widely
24 considered to be a boom year for the domestic CORE industry.

25 The key employment indicators all rose from 2013

1 to 2015, and absent one producer, the sales volume of the
2 rest of the industry increased. Additionally, although the
3 domestic industry's market share declined, as we discussed
4 in the prehearing briefs, it was attributable to significant
5 supply disruptions in 2014 and 2015, the effects of which
6 continue into the current year.

7 Petitioners observed that the domestic
8 industry's reported capital expenditures declined over the
9 POI. However, the capital expenditures reported by the
10 domestic industry from 2013 to 2015, that appear in the
11 staff report, do not fully capture the impact of recently
12 announced investments by domestic producers and new and
13 upgraded production facilities focused on automotive CORE
14 as discussed in Korean respondents prehearing brief.

15 In addition to these significant upgrades, Big
16 River Steel will complete its construction of its new 1.3
17 billion dollar steel mill in Arkansas later in 2016. The
18 mill will have an annual capacity of 1.6 million tons of
19 specialty steels, including a 525,000 capacity for CORE.

20 Slide 8 puts this \$1.3 billion investment in
21 context. As the total domestic industry capital
22 expenditures reported to the Commission over the POI totaled
23 \$678 million, which equates to roughly half of what Big
24 River alone is investing.

25 Adding to Big River's new investment, the

1 upgrades by the other domestic producers, one would have
2 to add up capital expenditures for five years, all the way
3 back to 2011, to approach the capital expenditure levels as
4 currently announced are in process. This is shown in
5 Slide 9.

6 This level of investment evidences a strong
7 outlook for the health of the domestic CORE industry. This
8 important fact, along with the rest of the record evidence,
9 demonstrates that the domestic industry is not vulnerable
10 and that cumulated subject imports do not pose a threat of
11 imminent material injury to the domestic industry.

12 Subject import volume and market share peaked in
13 March of 2015, months before the filing of this case. And
14 data from foreign producers' questionnaires show that
15 exports to the U.S. are projected to be lower in 2016 and
16 2017 than they were in 2015.

17 The fact is, the U.S. is just not a significant
18 market for these producers, as shown at Slide 10, the dark
19 blue and light blue bars representing home market shipments,
20 which are comprised of home market commercial shipments and
21 home market internal consumption transfers. The purple bar
22 is exports to markets other than the United States, and the
23 small green bar at the top represents exports to the United
24 States.

25 As is demonstrated, the U.S. is just not a major

1 focus for these subject country exporters. While there was
2 a modest increase in subject producers' capacity over the
3 POI, it was absorbed by these producers' other markets,
4 chiefly, as you can see from this slide, their home markets.

5 Additionally, their capacity utilization rates
6 are projected to remain high or even increase. And the
7 increase in capacity is not projected to results in
8 increased shipments to the U.S. market. Given the very
9 small percentage of shipments that account for subject
10 producers' exports to the United States, it would be absurd
11 to suggest that subject producers added capacity to serve
12 the U.S. market.

13 Foreign producers' inventories, as a percent of
14 total shipments, were small and steady, at about 5% over the
15 POI, and importers' inventories declined in 2015 from their
16 levels in 2014 and we can -- I can get into this later, but
17 I think some of the data shown on inventories by petitioners
18 this morning was misleading as to the trends there.

19 As shown in Slide 11, hot-dipped galvanized
20 prices around the world have been increasing significantly
21 from their trough in December 2015. And because this is
22 demonstrably a global phenomenon, the increases in the U.S.
23 market cannot be attributed to this case. Additionally, the
24 spread between hot-dipped galvanized prices and the prices
25 of hot-rolled coil have been increasing.

1 Hyundai Motor established Hyundai Motor America
2 and Kia Motor America to produce automobiles in the United
3 States. Hyundai Motor and Kia Motor estimate that they have
4 invested over 3 billion dollars in these facilities. They
5 directly and indirectly employ approximately 10,000 workers
6 in Georgia and Alabama.

7 For auto makers like Kia and Hyundai, by far the
8 most important factors in purchasing CORE are product
9 quality and product uniformity. Different auto parts
10 require specific qualities, but flatness and no wave and low
11 reject rates are always important. Price is a
12 consideration, but quality and uniformity of CORE trump all
13 other factors.

14 Auto producers require a long approval process
15 because they want to obtain a product that is specifically
16 suited to their particular production and the longer the
17 experience with the supplier, the more confidence the auto
18 producer has in its supplier. As noted in our questionnaire
19 responses, Hyundai and Kia have been increasing purchases of
20 high strength steel and reducing purchases of low strength
21 steel as we pursue lighter, stronger automobiles.

22 For instance, we purchase significant amounts of
23 AHSS 490 and 1180 steel and other grades of AHSS Steel from
24 Korea. We note that we generally purchase AHSS CORE from
25 Hyundai Steel, POSCO and Japan because these grades are

1 difficult for many producers to produce.

2 A large part of the strategy of Hyundai Motor
3 and Kia Motor in establishing auto production in the United
4 States was to use domestically produced steel where
5 possible. Hyundai and Kia have been continuously working to
6 increase their sourcing of steel, including CORE, from
7 domestic producers. We partner with ArcelorMittal, AK Steel
8 and US Steel, although AK Steel has no high strength or AHSS
9 capability at this time. This strategy is consistent with
10 that of all U.S. automobile producers.

11 Auto companies prefer to source steel locally
12 from domestic steel producers because of the logistical
13 advantages of local supply. Local supply reduces lead times
14 and proximity makes it easier to resolve sourcing and
15 quality issues when they arise. Hyundai Motor and Kia
16 source approximately 30% of their requirements from U.S.
17 mills. At the same time, as noted in the Hyundai and Kia
18 Purchaser responses, both producers significantly reduced
19 purchases of CORE from all parties between 2014 and 2015.
20 Thank you.

21 STATEMENT OF JOHN RYOO

22 MR. RYOO: Madam Chairman and members of the
23 Commission. Good afternoon. My name is John Ryoo from
24 POSCO America. I am accompanied here by Hyein Kim, also
25 from POSCO America. POSCO America imports high strength

1 automotive grade CORE from POSCO, and electrogalvanized CORE
2 and galvalume from POSCO C&C.

3 More than 50% of POSCO America's imports of CORE
4 from Korea is automobile grade CORE sold to foreign
5 transplanted auto manufacturers. Of that, almost 40% is
6 advanced high strength steel (AHSS) grade products,
7 including grades AHSS 490 through 1180, which are generally
8 not available from U.S. producers. These grades are also
9 not interchangeable with other corrosion-resistant steel.

10 The automotive grade CORE that POSCO exports to
11 the United States is very different from other types of
12 galvanized steel. This product is not used for any other
13 uses, and structural and commercial quality CORE is not used
14 for automobile manufacturing. The physical characteristics
15 and tolerances for automotive steel are different.

16 For most types of structural and commercial
17 CORE, the most important attribute is strength. For
18 automotive steel, strength is obviously important, but so
19 are surface roughness for steel used in exterior
20 applications and ductability for steel used for stamping
21 internal parts.

22 In addition, automobile producers are constantly
23 working to reduce weight in order to comply with auto
24 mileage standards. As a result of these differences, the
25 quality standards for automotive grade CORE is manufactured

1 to much tighter tolerances than the standards for commercial
2 or structural quality.

3 Automotive purchasers have extremely specific
4 and demanding specifications for the steel that they
5 purchase and very stringent and detailed qualification
6 requirements. Auto manufacturers require separate
7 qualifications of the supplier in general, the specific
8 plant or mill that will be producing the steel, and of the
9 specific parts or components for which the steel will be
10 supplied.

11 Auto manufacturers also place great importance
12 on the ability of a supplier to be able to sustain the
13 capability to supply steel meeting the requirements over the
14 life of the vehicle for which the steel is being supplied.

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

25 The automotive sector is a separate market

1 segment that has experienced significant increases in demand
2 over the period and is projected to experience strong demand
3 through 2016. In particular, we have seen increased demand
4 for POSCO's AHSS and extra-advanced high strength steel
5 products.

6 The rest of POSCO America's imports consist
7 primarily of galvalume produced by POSCO C&C. Galvalume is
8 used primarily in the construction industry to produce steel
9 building components including roofing, siding and panels.
10 The construction sector has been growing, and with it,
11 demand for galvalume and other CORE used in construction.

12 Korean-produced galvalume is high quality and is
13 considered to be superior to the galvalume produced in other
14 subject countries in terms of surface condition, shape, and
15 yield characteristics.

16 Many U.S. producers do not produce galvalume at
17 all, as production of galvalume requires specialized
18 machinery and equipment which most domestic producers do not
19 possess. The U.S. producers that do produce do so only in
20 small quantities and cannot satisfy the increasing demand
21 for galvalume in the U.S. In addition, almost 70% of POSCO
22 America's imports of galvalume are of narrow and thin gauge
23 galvalume, which is 0.018" and thinner and less than 45
24 inches in width. There is even less domestic production of
25 this specialized product. Thank you.

1 STATEMENT OF JOHN GURLEY

2 MR. GURLY: Good afternoon. My name is John
3 Gurly of Arent Fox and I represent the Indian producers JSW
4 Limited and Uttam Galva Steels Limited. I'm here as well as
5 Uttam Galva North America. I'm here with my colleagues
6 Stephen Schoop and Daniel Bain from Uttam Galva North
7 America as well as Nancy Noonan from Arent Foxx.

8 The Commission rightly did not make a finding of
9 material injury in a preliminary phase. But we also believe
10 that the current record does not support a threat of
11 material injury and due to the significant developments both
12 in the steel market generally and for the Indian CORE market
13 specifically.

14 The Commission should not cumulate India,
15 especially for purposes of threat. Decumulation of India
16 from the subject imports is appropriate for several reasons.
17 First, CORE products manufactured by India such as light
18 gauge and very light gauge CORE intended for the HVAC sector
19 and construction sector are different from the CORE products
20 supplied to the U.S. market by most of the other subject
21 countries as well as by the domestic producers.

22 Second, imports from India are not increasing at
23 similar rates other imports but rather have held a steady
24 market share from 2013 to 2015.

25 Third, strong demand of India's home market and

1 regional markets makes it highly unlikely that imports to
2 the U.S. would increase significantly.

3 Importantly, the imposition of minimum import
4 prices on imports of hot-rolled steel and CORE by the
5 government of India have increased demand and have driven up
6 the prices of CORE price in India.

7 India is a huge market. And Indian producers
8 continue to ship the vast majority of their production to
9 their home market as well as other export markets near
10 India.

11 Lastly we would like to note that imports of
12 India have different margins of overselling and underselling
13 than other respondents, particularly in 2015. In short,
14 imports from India are very unlikely to enter the U.S. at
15 prices that would have a depressing or suppressing effect on
16 domestic prices because imports from India are comparatively
17 small, they operate in a relatively small set of niche
18 markets and they're sold at comparatively high prices.

19 Now, my colleague, Mr. Stephen Schoop of UGNA
20 will provide a few comments.

21 STATEMENT OF STEPHEN SCHOOP

22 MR. SCHOOP: Hi, my name is Stephen Schoop. I'm
23 CEO of Uttam North America here with my colleague Daniel
24 Bain, CFO of Uttam Galva North America.

25 Uttam Galva opened up its office in the U.S. in

1 2014 to bring us closer to customers in the market and to
2 enhance our ability to specifically compliment rather than
3 displace U.S. production.

4 We appreciate the opportunity to lay out our view
5 of why imports from India are not injuring or threatening
6 injury to the U.S. industry. You've already heard that the
7 U.S. industry is profitable. You've also heard that the
8 spread between hot-rolled coil and CORE is significantly
9 above average which would lead to increased profitability
10 going forward. I would like to sum my testimony about one,
11 the relationship between CORE and hot-rolled pricing, impact
12 of supply constraints, India's special niche in the U.S.
13 market, and lastly some points about market conditions for
14 CORE in India.

15 First, I will discuss the relationship between
16 CORE and hot-rolled coil. ECS already spoke on this basic
17 issue. As illustrated in slide 1, CORE and hot-rolled coil
18 are highly correlated because hot-rolled coil is ultimately
19 the main input to make CORE product. When hot-rolled
20 pricing goes up, CORE pricing goes up. If hot-rolled
21 pricing goes down, CORE pricing goes down.

22 In fact, if we look at the price relationship
23 over the last ten years, you will see that historically
24 these prices have been 99 percent correlated. If the
25 relative CORE price is so correlated to the hot-rolled price

1 how would one objectively determine whether there is injury
2 or threat of injury?

3 Clearly we should look at the spread between CORE
4 and hot-rolled.

5 Slide number 2 shows that for the past decade the
6 spread between CORE and hot-rolled price ranged between 115
7 as a low and 211 as a peak with an average of \$170 per ton.
8 At the time this case got filed the spread was actually
9 above average and in fact the average during the
10 investigation period 191 has been above the ten-year
11 average. Now, everyone can conclude for themselves, had
12 there been injury or a threat of injury, one would expect to
13 see this spread to decrease.

14 Second, the supply constraints. The domestic
15 supply of CORE has been insufficient to meet domestic demand
16 for certain products and certain geographies.

17 During the investigation period, when U.S. mills
18 were supposed to be damaged by foreign CORE, they put their
19 customers on allocation and told them that they did not have
20 sufficient supply to meet their needs. In recent months
21 this situation has become even worse for the manufacturing
22 industry that consumes CORE, particularly the light gauge or
23 very light gauge CORE products that our customers need to
24 produce their end goods.

25 On example of many is from a source called

1 American Metal Market who said, quote, "Even domestic mills
2 that could make light gauge galvanized are not keen to
3 provide a full range of sizes" unquote. The article also
4 service center source that said, quote, "That mills don't
5 even really want to do the ultra light gauge." So that
6 market is especially tight.

7 This reflects our experience on a daily basis for
8 the last six months.

9 Third, let's look at India's imports and their
10 role in the American CORE market. Our customers run
11 factories producing products used in our daily life. A
12 reliable supply chain is their life blood. They need a
13 steady and diversified supply which assures that they won't
14 run out of steel forcing them to halt their production
15 because their suppliers extend lead times or drive up their
16 import costs making their final product uncompetitive in a
17 global marketplace. That is where imports like those from
18 Uttam Galva Steel come in. U.S. suppliers reach out to
19 foreign mills to deal with the U.S. supplier constraints.
20 And in addition to obtain products that U.S. industry
21 doesn't use or doesn't like to produce.

22 Indian producers have been selling to the U.S.
23 market for the last two decades, consistently focusing on
24 niche products that have limited availability in the U.S.
25 market. Namely light gauge and very light gauge galvanized

1 steel with a thickness of 018 inches and below.

2 These light gauge products are primarily used in
3 general construction products for the heating, ventilation,
4 and air conditioning markets as well as in specialized
5 applications, for example, ceiling grates.

6 Not many U.S. steel companies focus on light
7 gauge products. Frankly, not many other foreign companies
8 do so either. Some countries do make light gauge such as
9 Korea or Taiwan, but they sell mostly to different
10 industries or focus on paint free or prepainted galvaloom
11 CORE.

12 Manufacturing light gauge CORE is a different
13 animal from manufacturing heavy gauge CORE. Most
14 galvanizing lines in North America are designed with the
15 goal to turn our large volumes of heavier gauged steels.
16 These lines are inefficient at producing light gauge and
17 because of a variety of factors including steel hang weight
18 in the large vertical furnaces, they're not set up to
19 produce quality thin gauged steel at a competitive cost.

20 To conclude on this point Uttam Galva and other
21 Indian producers are supplying the U.S. market because they
22 have found a niche product which is supplied to a niche U.S.
23 customer base heavily depending on these products.

24 Fourth and lastly, a few words about market
25 conditions for CORE in India. CORE in India is in high

1 demand. It is worth pointing out that Indian suppliers are
2 not in the U.S. market because there is overcapacity in
3 India or that there is no domestic market. On the contrary,
4 Indian CORE pricing increased over 25 percent year to date
5 as a result of strong domestic demand and as John has
6 mentioned the imposition of minimum import prices by the
7 Indian government.

8 At the same time the Indian government is --
9 excuse me, at the same time the Indian market is continuing
10 to grow. Our legal brief mentions high Indian GDP growth,
11 which is expected to be 7 to 8 percent per year going
12 forward. So while there have been capacity increases in
13 India for the last two or three years, they are focused on
14 growth in the Indian market, not the U.S.

15 Only a small percentage of Indian production goes
16 to the U.S. and in fact that percentage is declining. We
17 are here because there's demand for our product that is not
18 being met by the U.S. producers, thereby providing an
19 important backstop to ensure reliable and competitive supply
20 of thin gauged steel in the U.S.

21 I want to conclude by saying that several of our
22 customers have told us this access to our specialized
23 product has not only supported their existing operations,
24 but has allowed them to invest in building new plants and
25 expand to domestic manufacturing footprint. We are excited

1 and proud to contribute to the new manufacturing renaissance
2 in the U.S.

3 Thank you for your time.

4 STATEMENT OF JEFFREY NEELEY

5 MR. NEELY: Good afternoon, I'm Jeff Neely from
6 Husch Blackwell. I'm here today along with my colleague,
7 Cortney Morgan from Husch Blackwell and Bruce Malashevich,
8 President of ECS on behalf of the Chinese producers of CORE.

9 As I said in the cold-rolled case a couple of
10 days ago, I refer the Commission to our pre-hearing brief
11 and the testimony of Mr. Dougan regarding our analysis of
12 the lack of causation between imports and the condition of
13 the U.S. industry.

14 Much like the cold-rolled case, we see from Mr.
15 Dougan's testimony that even on a cumulated basis the U.S.
16 industry's case fails and if it fails on a cumulated basis,
17 it also fails when examining China alone.

18 I would again like to spend my time discussing
19 the only theme that the domestic industry has come up with
20 regarding China which is the overcapacity.

21 This case is not about overall steel capacity in
22 China and it's not about debating the work of USTR on that
23 issue. Fortunately, here the one limited task is simply
24 examining the issue of the threat of material injury for
25 CORE and in doing so to examine the role that excess

1 capacity may play in that threat case.

2 There is excess capacity of CORE in China, of
3 course, but the Commission should examine the specific
4 excess capacity and the facts of this case and also the
5 ultimate question which is, what's the likelihood that that
6 capacity would come this way if and where it's not imposed.
7 The overcapacity of CORE in China is not out of line with
8 overcapacity in other countries. We pointed out in our
9 pre-hearing brief that capacity in China is shown by the
10 independent source, World Steel Dynamics. It's in line with
11 domestic capacity and very similar to other countries.
12 Unlike what has been portrayed this is not some
13 out-of-control building of capacity for CORE steel with no
14 relationship to demand.

15 What's the basis of my statements about the
16 capacity of CORE in China? Well, it's the same
17 fundamentally two sources that we used in the cold-rolled
18 case. One source is the foreign producers, questionnaires
19 of my clients, the other sources is the publication World
20 Steel Dynamics. As we show in our brief, and, again,
21 without getting into confidential information, the capacity
22 utilization figures for China in World Steel Dynamics is
23 very comparable to those of other countries and further, the
24 percentages of shipments to the domestic market are very
25 high in China compared to those of exports. In fact, we

1 should mention that we think that the overall capacity
2 figures in the World Steel Dynamics publication are somewhat
3 overstated, but we're willing to accept them for the purpose
4 of this proceeding because they're based on this independent
5 source and they give the domestic industry its best case.

6 The notion that the Chinese industry is export
7 oriented is belied by the record of this case. In fact, the
8 notion that the capacity of is being built to flood the U.S.
9 market with CORE has absolutely no basis of reality. The
10 capacity plainly is and has been built to serve the internal
11 Chinese market.

12 Much of that capacity is of poor quality and it
13 can only be used internally in China. The companies who are
14 exporting to the United States are in fact, as the record
15 will show, at a higher capacity utilization rate than the
16 capacity utilization rate generally for CORE.

17 We really need to focus, we think, on this case
18 on the record evidence and not on simply speculation from
19 the other side.

20 Even if we allow for the speculation that the
21 imports somehow would return to 2014 levels, we see from the
22 data that there was no causal link between subject imports
23 and injury from any source back in 2014.

24 So to summarize the case against China on threat
25 is based on several levels of speculation starting with the

1 faulty and incorrect notion that the Chinese industry is
2 somehow export oriented and relying on speculation and
3 somehow there's going to be a huge surge in the Chinese
4 imports back to the levels of 2014. And then further
5 speculation that such surge would be injurious to the U.S.
6 industry which controls the bulk of this market.

7 We have discussed a number of things in terms of
8 economic analysis in our pre-hearing brief, we're glad to
9 discuss that here and we certainly will be discussing that
10 further in our post-hearing brief. But in summary, what I
11 would just say, there's no basis of any kind for an
12 affirmative determination in this case.

13 Thank you.

14 STATEMENT OF JULIE MENDOZA

15 MS. MENDOZA: Julie Mendoza on behalf of the
16 Italian Respondents. Before I turn over to Mr. Biagi and
17 Mr. Geraldi, I'd just like to make two very quick comments.

18 The first comment is that it's true, I did not go
19 to MIT, but I did go to the University of Chicago and we
20 learned a little of economics there.

21 And what I exactly said was that if you compare
22 the increase in imports -- subject imports -- between 2013
23 and 2015, and that's a million tons, compare that to the
24 absolute amount of U.S. producers' imports in 2015. Because
25 if their case is that every ton of steel deprives them of

1 capacity and deprives them of profits, then the same thing
2 has got to be true for all of that tonnage that they
3 themselves have brought in.

4 The second quick point is just to clarify
5 something in our brief which is that I think it's clear, but
6 let me just be sure. We did suggest that the conditions in
7 2014 and 2015 were rather unusual given demand situations in
8 Europe and given pricing in the U.S. which was very high. I
9 think that the data stands for itself, which is that Italy
10 was always very tiny. I mean, we never constituted more
11 than 1 percent of U.S. consumption even during that period
12 of time. And our witnesses are going to explain to you the
13 particulars of that situation.

14 Thank you.

15 STATEMENT OF LORENZO BIAGI

16 MR. BIAGI: Madam Chairman and members of the
17 Commission, good afternoon. My name is Lorenzo Biagi, Sales
18 and Marketing Director of Marcegaglia Carbon Steel. I have
19 come here today to personally explain why I believe that
20 galvanized steel exported to the United States by
21 Marcegaglia is not causing, and does not threaten, any
22 injury to the U.S. domestic industry.

23 Marcegaglia is a highly diversified, privately
24 held steel company. Marcegaglia was founded by the father
25 of the current owner and CEO, Mr. Antonio Marcegaglia, in

1 1959. The company began with two employees producing open
2 profiles in a garage. Today, in addition to galvanized
3 steel, Marcegaglia produces cold-rolled steel, carbon steel
4 welded tubes, cold-drawn welded tubes and refrigeration
5 tubes. Sister companies produce carbon plates, stainless
6 steel sheets and coils, welded stainless tubes, bright bars,
7 and various other stainless bars and sections.

8 In 2004, we expanded our U.S. subsidiary,
9 Marcegaglia USA, in Pittsburgh, Pennsylvania in order to
10 produce galvanized pipe and tube. Marcegaglia USA
11 manufactures specialty galvanized pipe that is used for
12 manufacturing outdoor furniture, playground equipment,
13 garage doors, intermediate bulk containers, and other
14 specialty applications. We had previously produced and sold
15 these products in Europe. When the U.S. affiliates of some
16 of those same customers requested that we supply them the
17 same products in the United States, we opted to produce the
18 pipe for the U.S. market in the United States. We actually
19 produce about 15,000 tons of pipe for specialized uses at
20 that facility and we supply the galvanized sheet from our
21 facilities in Italy. We have about 100 employees at that
22 facility and while we have struggled with profitability
23 there, we remain committed to our production in the United
24 States.

25 The primary market for our hot-dipped galvanized

1 steel is Italy, as well as Europe generally and particularly
2 EU countries. The same is true for other Italian producers.
3 None of us has ever been focused on markets outside the EU.
4 Our approach is very much like that of U.S. producers who
5 focus on the U.S. market, and export primarily to Canada,
6 and Mexico with small exports to other markets.

7 The Italian producers are not low-cost producers
8 as our cost structure is relatively high in Europe compared
9 to Asia or South America. Labor costs are comparable or
10 higher than in the United States and our energy costs are
11 certainly higher. We do not have domestic production of
12 iron ore and we have less access to scrap than the U.S.
13 producers. Therefore, it would make no sense for us to try
14 and compete with the U.S. steel industry on the basis of
15 price. Just as the U.S. producers have done, we have
16 developed the automotive and specialty side of our
17 production for the European market to be more competitive.
18 We have strong relationships with the auto makers in Europe.
19 The auto sector prefers to supply from local mills and we
20 have not even attempted to enter the automotive market in
21 the United States.

22 Given these facts, it should not be surprising
23 that Italy is a very limited supplier of CORE to the U.S.
24 market. Italy's volume of exports during the period of
25 investigation has been small, both absolutely and in

1 relation to imports generally and only about 1 percent of
2 the overall U.S. domestic market based on our internal
3 calculations. As I said, we have a very big home market in
4 the EU which has always been our focus.

5 Italy historically and today is a negligible
6 participant in the U.S. CORE market. As discussed above,
7 much of the CORE that we do export is sold to our U.S.
8 subsidiary, Marcegaglia USA, where it is used to produce
9 specialized galvanized steel tubes. We also make very
10 limited exports of galvanized coils, mainly thin gauge, to a
11 handful of unaffiliated customers in the United States.

12 The largest Italian producer, ILVA, is currently
13 in receivership. Financial and environmental issues have
14 dramatically reduced Ilva's production from 8.2 million tons
15 to about 4.7 million tons over the last 3 years. This
16 increased demand for our products in Italy and in Europe
17 generally. Other developments also suggest capacity
18 reductions in Europe. For example, the recent
19 announcements by TATA that it is considering the sale of its
20 assets in the UK or possibly their closure.

21 Given that steel production and steel producers
22 are part of an increasingly international market, shifts in
23 export and import patterns on a small scale are inevitable.
24 During the Commission's period of review, the European
25 economy had a sluggish economic recovery and the U.S. dollar

1 appreciated sharply against the Euro, over a very compressed
2 time period which meant that Italian producers could sell at
3 higher prices in the U.S. market than in Europe. In other
4 words, the opposite of dumping.

5 While the quantities have always been very small
6 from Italy, we can expect that those quantities may even
7 decline. It is unlikely that ILVA will sell anything into
8 the U.S. market given the reductions in production and the
9 uncertainty associated with its sale and restructuring. The
10 potential sale of ILVA and the attendant investments that
11 would need to be made in the hot end, make it unlikely that
12 they will achieve even the projected production level of six
13 million tons within the next two years. ILVA's reductions
14 in supply have also created some gaps in the Italian market.
15 That leaves just Arvedi, Marcegaglia and ArcelorMittal
16 Italy. It would seem unlikely to us
17 that ArcelorMittal would export to the U.S. given their
18 large U.S. operation.

19 As we discussed in the pre-hearing brief, there
20 are clear indications that steel demand in Europe,
21 particularly in Germany, Spain and the UK is finally
22 recovering. Prices are increasing all over the world and
23 exchange rates between the dollar and Euro seem to be moving
24 sideways and we do not expect any significant devaluation of
25 the Euro. Moreover, the EU is now a net importer of CORE in

1 2015.

2 You can see that even under the conditions of
3 2014/2015, we had very high capacity utilization near 100
4 percent. For these reasons, I expect imports from Italy to
5 decline but certainly not increase at all in 2016. We do
6 plan to continue to supply our U.S. pipe operation. The
7 United States has been and remains a very limited market for
8 Marcegaglia and all the Italian producers. Despite the
9 increase in our exports in 2014 and 2015, our exports to the
10 United
11 States still accounted for only a very small fraction of our
12 overall shipments.

13 Thank you.

14 STATEMENT OF ALESSANDRO GEROLDI

15 MR. GEROLDI: Madam Chairman and members of the
16 Commission, good afternoon. I am Alessandro Geroldi, Export
17 Area Manager of Acciaieria Arvedi. I am accompanied by
18 Livia Schizzerotto, who is general counsel for Arvedi
19 Group.

20 Arvedi is a highly diversified, independent,
21 family-owned steel company. In addition to galvanized
22 steel, Arvedi produces hot-rolled steel and cold-rolled
23 steel, and sister companies produce pipe and stainless steel
24 products.

25 As Mr. Biagi said, like the rest of the Italian

1 steel industry, Arvedi is focused on selling hot-dipped
2 galvanized steel in Italy and in the EU. This is our natural
3 market and it is where we believe we have a competitive
4 advantage. Our costs in Europe are as high or higher than
5 in the United States. Therefore, we are not in a position to
6 compete on the basis of price.

7 Arvedi is the largest Italian supplier but still
8 a very small supplier of CORE to the U.S. market. Arvedi's
9 exports were flat between 2014 and 2015 but in both years
10 our exports never exceeded 100,000 tons. We have a limited
11 number of U.S. customers that has not changed over the
12 period of this investigation. All of our sales are
13 produced to order.

14 In 2014 and 2015, Arvedi explored opportunities
15 in the U.S. market due to the combination of Euro/dollar
16 exchange rates and strong demand in the United States.
17 However, our available tons are very limited. You can see
18 that even under the conditions of 2014/2015, we had very
19 high capacity utilization near 100 percent.

20 Arvedi's exports to the United States have been
21 concentrated in south Florida and Texas, where our exports
22 primarily serve the construction market. Arvedi is able to
23 offer thin-gauge material, as thin as 0.012 inches, in
24 widths of 50 inches up to 60 inches in special grades.
25 Producing thin-gauge material in this width is difficult,

1 and we do not see competition from the U.S. producers for
2 these products.

3 In 2011, Arvedi started a long-term industrial
4 plan of 5 years focused on vertical integration of the
5 output coming from the Hot Rolling Mill. The investments
6 were to diversify our production into downstream products
7 and not to increase production. The introduction of these
8 new and different products has strengthened our position in
9 the European market.

10 After the recent period of crisis, the current
11 state of CORE demand in Italy and Europe is stable, and in
12 some sectors show a positive trend, particularly the
13 automotive sector. In the case of Italy, we must not forget
14 that ILVA, the main producer of flat steel, due to its
15 financial and legal troubles, has lost about 50 percent of
16 overall production, which has significantly influenced the
17 offers of CORE in the domestic and European market. Imports
18 into the EU from Asia have been small and are declining.

19 Concerning ILVA, it is in receivership under
20 management by state commissioners and operating at a reduced
21 capacity, with only 4.7 million metric tons produced for all
22 of its products in 2015 so we think they are not able to
23 export to the U.S.

24 In conclusion, in 2016 we expect to have fewer
25 tons available and we are projecting a decrease in our U.S.

1 shipments. We have explained some of this in our
2 confidential pre-hearing brief. In addition, the European
3 market is improving and ILVA has reduced its production
4 significantly. We focus on the automotive market which has
5 the strongest demand in Europe and we have an entire sales
6 staff dedicated to serve those markets. We have no sales
7 network in the U.S. and we do not intend to invest in one.

8 Thank you.

9 STATEMENT OF DONALD B. CAMERON

10 MR. CAMERON: Madam Chairman, members of the
11 Commission Don Cameron. I am appearing here on behalf of
12 Prosperity Tieh Enterprise Company Limited of Taiwan. I
13 didn't expect to be testifying today but here we are.

14 I have a few short points to make on behalf of
15 Prosperity Tieh and the Taiwanese Core Industry. First
16 Prosperity Tieh is one of the three Taiwanese exporters to
17 the United States. Prosperity Tieh has three coating lines
18 and two paint lines. Most of Prosperity Tieh's production
19 and exports to the U.S. are painted Galvalume to the
20 construction market.

21 In fact unlike all exporters except for to a
22 lesser degree Korea, Taiwan concentrated its exports in
23 Galvalume. Purchasers have noted the quality of Taiwanese
24 Galvalume and the availability of certain types of Galvalume
25 as important factors in their purchasing decisions.

1 A significant portion of Prosperity Tieh's
2 imports are also high strength thin gauge and narrow, 0.018
3 inches and under in thickness and less than 45 inches in
4 width. Grade 80 which is over 80,000 psi. Taiwan's exports
5 of narrow and thin gauge are laid out at page 4-30 of the
6 staff report. Thin gauged narrow material is a market
7 segment that most U.S. producers do not prefer to
8 participate in.

9 The mill -- the reason is mill efficiencies.
10 Narrow and thin gauge core is the least efficient product a
11 mill can produce. U.S. producers prefer to maximize the
12 tonnages produced by rolling thicker wider products. That's
13 not to say that U.S. producers don't produce this product --
14 there is U.S. production but it is limited and it is
15 concentrated. If you want to look at the details it is also
16 on 4-30 and in your individual producer responses.

17 While Galvalume is a significant portion of
18 Taiwan's exports,
19 Galvalume represents a small portion of overall U.S.
20 shipments with a limited number of U.S. producers. The
21 purchaser questionnaire responses detail the problem with
22 supply of Galvalume from domestic producers, particularly in
23 certain geographic markets. Taiwan's volume of galvanized
24 imports declined slightly in 2015 even with a negative
25 anti-dumping and CVD preliminary determination.

1 By the way the final countervailing duty
2 determination is still negative. The anti-dumping is
3 slightly over de minimis at 3.73% I believe. This is
4 further confirmation that import trends in 2015 are not
5 explained by the filing of the Petition.

6 Finally if you look at the
7 overselling/underselling for Taiwan -- Taiwan's
8 underselling/overselling margins were actually about equal
9 with low margins of underselling compared to other imports
10 and actually they have less -- they actually had more
11 overselling in the 2015 period.

12 We will expand on this in our post-hearing brief.
13 I thank you and I will be glad to answer any questions and I
14 think that that concludes the testimony of this panel.

15 MR. WAITE: Not quite.

16 MR. CAMERON: Sorry.

17 MR. WAITE: Good afternoon Madam Chairman and
18 members of the Commission. My name is Fred Waite with the
19 firm Vorys, Sater and with me is my colleague Kimberly Young
20 together with Adams Lee, of White and Case who is sitting
21 with us back here in the bleachers we are available to
22 answer any questions the Commission may have with respect to
23 critical circumstances in connection with imports of subject
24 merchandise from China, thank you.

25 CHAIRMAN BROADBENT: Thank you we will begin on

1 questioning with Commissioner Johanson.

2 COMMISSIONER JOHANSON: Thank you Chairman
3 Broadbent and I would like to thank all of the witnesses for
4 being here today, especially the foreign witnesses for
5 coming such a long way. I know you would probably rather
6 not be here but we do appreciate you're all being here to
7 educate us further on the industry and what's happening in
8 it.

9 U.S. apparent consumption was higher in 2015 than
10 in 2013 but the financial indicators of domestic producers
11 of corrosion resistant steel were lower in 2015 than in
12 2013. Please respond to the domestic producers arguments
13 that the performance of the domestic industry worsened at
14 the same time that the demand for corrosion resistant steel
15 was rising because of the impact of what they content as
16 surging low price and unfairly traded subject imports.

17 MR. DOUGAN: Commissioner Johanson Jim Dougan
18 from UCS. I guess it depends on which financial indicators
19 you are looking at. Certainly apparent consumption
20 increased between those periods. The operating income
21 margin increased between 2013 and 2015. Petitioners would
22 like you to say well don't -- operating income as a
23 percentage of sales increased from 2013 to 2015.

24 Petitioners would like you to ignore that and
25 look at the absolute numbers. So what we would say is

1 actually in terms of -- first of all there is documentation
2 that you know is in our pre-hearing briefs that we can
3 provide that much of the volume that Petitioners claim that
4 they could have fulfilled and the increase in demand that
5 they should have been able to take advantage of -- they were
6 unable to because of their own internal issues and not due
7 to subject imports.

8 And there is extensive documentation of that.
9 Also, there is the issue of the very significant quantities
10 of imports that they themselves brought in that they could
11 conceivably, presumably have produced at their U.S.
12 facilities. So leaving those points aside let's look at the
13 magnitude of the change in the financial indicators that
14 Petitioners want you to look at.

15 So don't look at the percent numbers, look at the
16 actual dollars. They say you can't pay people in percent
17 you have to look at dollars. So what is the actual change
18 in say operating income between 2013 and 2015 in dollars?
19 And it's 16 million dollars which sounds like a lot of money
20 to you or me but on a sales base of 15 billion it is de
21 minimis it is well below 1%.

22 So we are talking about this massive change --
23 all this money that went out the door that they didn't get.
24 We are talking a truly de minimis amount in that change
25 between those two periods.

1 MR. CAMERON: Commissioner if I may add one
2 thing. We heard a lot of testimony this morning about the
3 auto sector and how the implication it was never made
4 directly but they were implying that imports -- well
5 actually I guess AK did say that directly but -- that
6 imports had somehow taken not -- that subject imports had
7 taken their market share et cetera.

8 I think if you look at the data, the data simply
9 does not support that interpretation. You look at exhibit
10 19 of the Korean brief we actually aggregated the staff
11 report data and we combined that with the pre-hearing staff
12 report. What that shows is absolute dominance by the U.S.
13 industry and to the extent that they lost market share
14 between 2014 and 2015 and they didn't lose much, they lost
15 it to non-subject imports.

16 So I think it's a reasonable -- I don't -- this
17 was a big part of their presentation. Their presentation
18 was you know automobiles is our big deal and yet when you
19 look at the details of it and this is why it is important to
20 get this -- they start out with the theory that all steel is
21 fungible and all corrosion is fungible and it doesn't hold
22 up and that's why we think that a detailed analysis by
23 sector actually is helpful there.

24 MS. MENDOZA: If I could just add, Julie Mendoza
25 -- one additional thing which is you know, an important

1 factor to look at is the metal margin and I realize it is a
2 percentage but you know it really does tell you whether the
3 industry has been able to push through prices that exceed
4 their costs of the raw materials right?

5 So if you look at 2015 in fact that metal margin
6 was the best over the entire period and if you compare it to
7 even earlier periods like to 2006 it is also very favorable.
8 So I think those kinds of indicators tell you how the
9 industry is doing and as Jim said it is true that there was
10 a small loss -- I think even in percentage terms if I can
11 use percentages, is 3% something like that of loss.

12 MR. DOUGAN: Yeah the number -- I think the
13 change in absolute operating income between '13 and '15 was
14 about 17 million and this is in your variant's analysis and
15 that was far less than 1% of sales in any of the periods
16 just as a point of contact.

17 COMMISSIONER JOHANSON: Along those lines and
18 just talking about the numbers in general, could you all
19 comment on the position of the Petitioners that they would
20 have done much better if not for unfairly traded imports?
21 You might argue reading the Respondent briefs you all argued
22 in some cases that the U.S. industry is healthy and it is
23 doing very well.

24 But what about the argument that, "Look the U.S.
25 automobile market is expanding, why aren't we expanding

1 faster to more closely correlate to that?"

2 MS. MENDOZA: Well -- this is Julie Mendoza, I
3 mean you know one of the reasons we offered this historical
4 bid is because the only other -- what they are proposing is
5 purely speculative. What they said today was, "If we assume
6 that price levels in 2015 were at the same level as 2013 we
7 would have made X more amount of money." Alright well first
8 of all there's no way that price levels in 2015 are going to
9 be at the same level in 2013 when you see those charts for
10 hot-rolled prices, scrap prices, everything was falling
11 very, very fast.

12 So other than them saying we should have been
13 doing better what real evidence is there of that. I mean
14 and then they said, "Well we would have gotten every single
15 ton of those subject import volumes." Well first of all it
16 is not clear to me why losing subject import volumes has a
17 greater effect on them or even has an equal effect or has
18 any effect when they themselves are importing very
19 significant quantities and they are saying that it has no
20 effect on them because they are optimizing their footprint.

21 So you know it is all just speculation. We can
22 all say well you know if only this had happened or that had
23 happened I would have been doing better because the market
24 was better. But you know how well they did operationally
25 has to do with a number of different factors and you know,

1 just being able to project out using a couple of you know,
2 very handy or easy bases really doesn't prove anything.

3 I mean the Commission can't say, "Oh they would
4 have been doing better because demand was up so they should
5 have been doing better." I mean on what basis can you
6 conclude that? I mean that doesn't make -- you know -- do
7 you want to say something?

8 MR. CAMERON: Excuse me -- Don Cameron, just one
9 point on the auto sector since you raised the auto sector.
10 One reason is going to be because there is a trend in the
11 auto sector towards advanced high strength steel so how much
12 advanced high strength steel is being produced by U.S. auto
13 producers -- I mean by U.S. steel producers?

14 There is some but it is limited. Look at the
15 specific data with respect to 480 and 1180 or whatever on
16 the chart in the staff report. It will show U.S. shipments
17 -- commercial shipments versus everybody else's -- that's
18 one factor. Another factor as we have heard this morning is
19 non-subject imports that are imported by who -- by the
20 domestic industry.

21 On what basis did they make that choice? I mean
22 on the basis of well because we were trying to optimize our
23 commercial production. What exactly does that mean? Oh that
24 means that you chose to put the sale in Canada at the
25 expense of your U.S. operation that's fine I get it, but

1 that is exactly what it is and let's not sugar-coat it.

2 MR. DOUGAN: I have one further thing -- Jim
3 Dougan from UCS. To follow a bit on what Ms. Mendoza said
4 the historical comparison is relevant to basically test the
5 claim of we could have been doing so much better, what is
6 the basis and some of the years included in that time series
7 they had trade remedy on Korea for example.

8 The other aspect of that that is relevant is when
9 you look at the say cause to sales ratio over time and the
10 fact that it is lower now. I mean they are earning higher
11 gross margins on their cost of production. Their operating
12 profit overall is similar well that tells you that the
13 increase, the relative increase in their cost is in their
14 SG&A. It is not in their cost of sales and so I think that
15 tells you something about what the impact of subject imports
16 is in the competitive marketplace as opposed to internal
17 factors.

18 COMMISSIONER JOHANSON: Thank you Mr. Dougan, Ms.
19 Mendoza and Mr. Cameron. Also Mr. Gurley I know my time is
20 expired but you have been patiently sitting there I think
21 you wanted to say something, is that correct?

22 MR. GURLEY: I looked like I was getting ready to
23 say something?

24 COMMISSIONER JOHANSON: Yes.

25 MR. GURLEY: I'll try to think of something fast

1 but I did notice at the end of the morning session which I
2 guess was in the afternoon but the gentleman from AK Steel
3 mentioned that when he sits down with one of his customers
4 the first thing they bring out are CRU charts alright -- so
5 basically that's what we have been saying is that a lot of
6 the price rises and increases and decreases are based upon
7 the cost of hot-rolled et cetera.

8 And I think it was interesting that they made
9 that same admission in their testimony that the customer
10 didn't say, "Well I have got these Koreans or these Indians
11 or these Taiwanese in town," they are saying, "Look at the
12 CRU charts, here's the spread between the hot-rolled and
13 cold-rolled," and that's how they start the negotiation.

14 COMMISSIONER JOHANSON: Alright thank you for
15 your response and my time has expired.

16 CHAIRMAN BROADBENT: Commissioner Kieff?

17 COMMISSIONER KIEFF: Thank you Madam Chairman
18 and I join my colleagues in thanking each of you for
19 preparing and presenting and following up and I guess my 18
20 years at the University of Chicago campus followed by 4 at
21 MIT and then back at Chicago later -- no, no, no I just mean
22 to say I guess I'm confused as to which school of thought to
23 follow so instead of a deep dive into economic theory let me
24 try a legal set of questions that I hope are -- may come at
25 no surprise because they are just the same questions I was

1 asking your colleagues this morning.

2 And you know I think Miss Mendoza this may be
3 best for you but what -- help me understand the core legal
4 touch points between you and your counter parties. Is it
5 that you and by core legal I mean outcome determinative to
6 our decision. I get that there are competing narratives and
7 I presume that everyone on both sides is presenting truthful
8 information.

9 The question is what do we do with it and under
10 the statute in particular what is fatal to their case?

11 MS. MENDOZA: Well I think -- Julie Mendoza, if I
12 had to summarize it I would say this. I would say that what
13 they depend on are absolute numbers like they say imports
14 went up -- they say profits should have been higher. And I
15 think what we are saying is you can't just cite to figures
16 and calculations on the record, what you really have to show
17 is the effects on the industry. And I think what we are
18 saying is, "Yeah, we are not denying the imports were at
19 that level. We are not denying that there was some
20 underselling in the market but we think it can be accounted
21 for by logistical costs and by the fact that if there are
22 risks to importing."

23 I think particularly if you look to Italy's
24 underselling margins I mean they are tiny, they are smaller
25 than Canada's and so I think what we are saying is it is not

1 enough to just observe what is going on you also at the same
2 time legally have to say that this is having a material
3 impact on this industry and what we are talking about are
4 the material impacts.

5 I mean we are talking about did it affect their
6 profits? Were their operating profits at reasonable levels?
7 Did they make more money over their raw material costs? And
8 the answers to those are yes. I mean to some extent you
9 always have to draw inferences right because you don't have
10 any -- I don't have any direct evidence of exactly how much
11 supply problems they had and exactly which products and how
12 -- there's no way I would have that information or our
13 clients.

14 But the fact of the matter is if you are really
15 saying that you want to increase your capacity, you want to
16 keep your workers, you know, and all of that then why are
17 you importing if there is no supply issues? And I think
18 even though they try to characterize it as optimizing I mean
19 what they are really saying is certain facilities of ours
20 are more efficient than others and they produce certain
21 products better than other facilities, right?

22 I mean at the end of the day and we are not just
23 talking about Canada.

24 COMMISSIONER KIEFF: So what if it turns out that
25 both perspectives are true in the sense that they are

1 grounded in a record? Do they lose?

2 MS. MENDOZA: Yes because they haven't -- this is
3 Julie Mendoza, yes because they haven't demonstrated that in
4 fact they suffered material injury. I mean the Commission
5 you know, you have to show that. In other words you can't
6 just say, "Oh imports are up a million tons," or you can't
7 just say you know because the relevance of the imports and
8 the relevance of the supply disruptions is that those
9 imports are not having the same effect and that's our point
10 right?

11 That you know you can't just see what the
12 absolute numbers are you have to look at what the effects
13 are and what we are saying is you don't see them and you
14 don't see them in the pricing and you don't see them in the
15 volumes so yes we win because this case and again they love
16 to bring in all the other flat-rolled cases and talk about
17 you know how much imports are of the total industry and how
18 we are having all of these issues and restructuring costs
19 and all of this.

20 But you know at the end of the day this case is
21 about this particular product and obviously the Commission
22 at the pre-lim thought that this was a pretty different
23 product than hot-rolled and cold-rolled. I mean --

24 COMMISSIONER KIEFF: So on the questions of
25 degree where there might be -- you obviously have different

1 perspectives on the questions of degree they would probably
2 say whatever the degree of degree is it is above the
3 materiality threshold. And for them to lose it has to be
4 below a materiality threshold right? It doesn't have to be
5 -- we could discount to a large degree what they are saying
6 and still be compelled under the statute to decide their way
7 right?

8 MS. MENDOZA: Julie Mendoza, no I don't think so.
9 I mean you know at the end of the day it is still -- I mean
10 you still have to have a way of separating what is mere
11 competition right from what is material injury. Because of
12 course no one wants to have any competition and if you
13 eliminate competition entirely you will always do better
14 right?

15 I mean if they can get rid of -- I mean the
16 consolidation in the industry itself has improved their
17 condition significantly right? So in terms of their market
18 power and all of that so you know you have to have some
19 way of showing a difference between just a competitive
20 effect versus a material injury effect and I think the
21 Commission traditionally has done that by looking at things
22 like you know trends and effects and -- no it doesn't.

23 I mean first of all I think it would be virtually
24 impossible for them to make the case that they should have
25 been doing better or that they would have been doing better.

1 I don't know how you would do that analysis. I mean because
2 you would have to assume things like prices in 2015 being
3 the same as in 2013 which don't make any sense.

4 I mean now they have admitted that raw material
5 prices has some effect on prices so at a minimum they have
6 to admit that there is no way that prices in 2013 and 2015
7 would be the same right?

8 So how do they in fact show that they would have
9 been doing better? Because that's their problem -- their
10 problem is they are actually doing quite well historically.

11 MR. CAMERON: Commissioner if I may just one
12 comment following up on Julie. She is exactly right on this
13 and part of it was the dance -- I know it is a surprise to
14 you that I would say that isn't it. Hey look I have to go
15 back to the office so I mean I think everybody can
16 understand my position.

17 But all I am saying is this look I mean first of
18 all if we remember the dance that we had I mean it was quite
19 a tap dance on the issue of the relationship between
20 hot-rolled and the other in the hot galvanized and why did
21 those prices go between. And at one point they were
22 basically suggesting that well maybe those three prices go
23 together but that is because they are all subject to unfair
24 trade cases. Well no, it is because hot-rolled is also
25 dependent upon scrap prices, iron ore prices and coal prices

1 all of which we also detailed in our post-hearing brief.
2 There is a relationship between raw material prices, raw
3 material costs and prices.

4 The other was the issue that we had about well I
5 mean we are getting hit by all of these things and their
6 point that yes you should attribute any shut-down of any
7 facility to subject imports. Well that's a very casual way
8 of eliminating the causal nexus that you need to demonstrate
9 and that's why we need to get into the details of the
10 underselling and that kind of stuff.

11 So I do think that actually part of the
12 presentation this morning demonstrated exactly what you are
13 getting to which is you know when you start to get into the
14 details it got very fuzzy and well I have got a correlation
15 and it really won't correlate like that.

16 Well actually it does correlate like that, that's
17 what this chart that the Indians gave you was is the
18 correlation between the hot-rolled prices, hot-rolled costs
19 and the galvanized pricing. It's pretty close, 99% is
20 pretty good.

21 MR. GURLEY: This is John Gurley and I'd just
22 like to bring up the point that there are -- we talked about
23 that there are three different cases and I don't have a dog
24 in the hot-rolled fight, so I can say whatever I want, I
25 guess. But, you know, I don't know whether they're losing

1 money, making money -- let's assume that they're losing a
2 lot of money, right?

3 So if you're losing a lot of money on your
4 hot-rolled side, that means probably the hot-roll prices are
5 cheaper. But if that happens, that doesn't -- I'm not sure
6 how that affects galvanized prices, other than the fact that
7 galvanized prices are likely going to go down because raw
8 material prices are cheaper.

9 My fear in this thing is that there's kind of a
10 three-card monte going on where you have hot-rolled, the
11 cold-rolled and the CORE and they have this SGNA that's
12 being applied to all three of them and it's unclear how --
13 why their losses in hot-rolled, which probably, maybe --
14 let's say that increased their SGNA -- is now being applied
15 to CORE.

16 CORE is lucky. It's the top of the heap. And
17 so whatever happens below it, if the price goes down, then
18 their prices are going to go down in CORE. If it goes up,
19 it goes up. But what we've seen is the margins stay pretty
20 stable. And these guys should be making money with those
21 kinds of margins between them, and they have been making
22 money.

23 COMMISSIONER KIEFF: Thank you very much. I see
24 that my time is up and I'm also going to have to leave
25 early, so I'll just mention that I will be reading the

1 transcript and really appreciate everything that you're
2 providing today, as well as in the post-hearing. Thank you
3 very much.

4 CHAIRMAN BROADBENT: Commissioner Schmidtlein.

5 COMMISSIONER SCHMIDTLEIN: All right, thank you.
6 And I'd also like to thank the witnesses for being here
7 today, especially those who have traveled a long way. I
8 want to follow up on something you said, Ms. Mendoza, which
9 was that you don't have any direct evidence of supply
10 problems and so, from what I understand of the respondents'
11 argument is that imports were being pulled into the market
12 due to supply constraints.

13 And we've heard this talk about the bad winter
14 on the Great Lakes, and that the Great Lakes were frozen and
15 they couldn't get product out. So I wonder if you could
16 just walk me through -- what is your all's position on what
17 were the supply constraints? And what is the evidence then
18 in the record of those supply constraints?

19 MS. MENDOZA: Julie Mendoza. I guess I should
20 have been clear. I, I didn't mean that, by direct evidence.
21 I meant we don't have any personal evidence or know exactly
22 what happened and how many tons were out and all of that.
23 We know, from press reports, which we put in our brief, and
24 we know from earnings calls by the U.S. producers, and we
25 know from statements in trade papers that this, in fact, was

1 occurring -- plus we know from the purchaser questionnaires
2 that they -- what was the number? Thirteen out of
3 seventeen, I think.

4 MR. DOUGAN: Sixteen out of forty-two, but
5 fourteen of those had detailed responses to the supply
6 disruption they'd incurred. And --

7 MS. MENDOZA: I was referring more to the fact
8 that we wouldn't be able to calculate, you know, exactly how
9 many tons in each producer --

10 COMMISSIONER SCHMIDTLEIN: Well, I mean I guess
11 did any of the respondents have purchasers say to them
12 directly they were looking for product because they can't
13 get it due to the bad winter?

14 MS. MENDOZA: Oh, yes. I mean the press reports
15 for 2014 are overwhelming, I mean, and --

16 COMMISSIONER SCHMIDTLEIN: No, but I mean,
17 you're --

18 MS. MENDOZA: -- well we had testimony
19 yesterday, but we also have other --

20 COMMISSIONER SCHMIDTLEIN: But are there any
21 witnesses here today, any industry witnesses, who had that
22 experience?

23 MR. SCHOOP: Stephen Schoop. We definitely do
24 have evidence to that effect. So what did happen is
25 unfortunate supply outages, which drive out the lead time at

1 those mills that can supply steel. Now, if you're running a
2 factory and you're assuming that you can replenish your
3 inventory CORE product within a two-month cycle, now, this
4 is pushing out the four month and at the same time, you do
5 get a statement from your domestic mills saying, 'Sorry
6 guys,' and we have presented that for the preliminary
7 hearing.

8 'Excuse me, we are fully booked, doesn't look
9 like it's going to get better. You will have to wait for
10 your steel.' Well, you have been running your inventory on
11 two months' cycle basis, well, yes. We have directly
12 customers coming to us saying, 'I have no other choice. I
13 do need --

14 COMMISSIONER SCHMIDTLEIN: And when was that?
15 Was that in just 2014? Because --

16 MR. SCHOOP: That was the most prominent
17 experience, yeah.

18 COMMISSIONER SCHMIDTLEIN: Okay. So, and we see
19 the subject imports continuing to increase into 2015, up
20 until the first half, it looks like. So were the supply
21 constraints continuing through the first half of 2015, in
22 your view? And if so, what was the cause of that? Was it
23 the weather, continued to be the weather? Or was it
24 something else?

25 MR. SCHOOP: I'm not aware of supply constraints

1 to an equal degree or mentionable degree. But what kept
2 those buyers coming back to the info market that have
3 experienced this outage situation is that they realized, I
4 got to have different options to assure sufficient
5 inventory. And I guess it's purchasing one on one good
6 practice to have a diversified portfolio of sources, and
7 that is obviously domestic, but also international, for
8 exact reasons.

9 COMMISSIONER SCHMIDTLEIN: So in 2015, you think
10 it was more like diversity of sources that was leading
11 purchasers to buy rather than a supply constraint?

12 MR. SCHOOP: That would be my -- To my
13 knowledge, yes.

14 MR. GURLEY: It's not just one huge monolithic
15 industry, right? There's the auto sector we've seen, and so
16 they may have a different experience. India competes in the
17 light gauge and the ultra-light gauge. And so there's a
18 limited number of U.S. manufacturers which actually focus on
19 that and there's a limited number of foreign companies which
20 focus on that.

21 So if you have a shortage in that area, it's not
22 so easy to find an alternative source, because the number of
23 sources are limited.

24 COMMISSIONER SCHMIDTLEIN: Mr. Cameron?

25 MR. CAMERON: Commissioner, Hyundai Steel

1 America, which actually buys from the U.S. producers for
2 Hyundai automobiles and for Kia automobiles, does have
3 evidence for the winter of 2014 and the winter of 2015 and
4 we will supply it in the post-hearing brief, because it's
5 confidential documents. But yes, the answer is yes.

6 COMMISSIONER SCHMIDTLEIN: So what about the
7 summer of 2015? For the spring into the summer? Were there
8 supply constraints as well then, that were due to weather?

9 MR. SHIN: Yes, surely the start from 2014
10 winter and then through that 2015 all year, we had to change
11 the makers from U.S. steel to other new makers. That
12 happened through 2015 all year.

13 COMMISSIONER SCHMIDTLEIN: Okay.

14 MR. DOUGAN: Commissioner? I'm sorry, are you
15 finished, sir? Jim Dougan from ECS. There's stuff in the
16 Korean respondents prehearing brief, but it's public, so
17 some of these things I can mention. In 2015, ArcelorMittal
18 had a series of supply disruptions in March, blast furnace
19 and a hot strip mill in Cleveland were taken off-line for
20 maintenance outages in order to enhance the efficiency and
21 reliability of assets.

22 AK Steel, late in February 2015 had a fire on
23 its anneal and pickle line, in April had a two-week outage
24 at Butler Works. This is at 25, 26 and 27 of the prehearing
25 brief. US Steel idled the blast furnace in January 2015 for

1 several months to replace a caster with one purchase from
2 the defunct Sparrows Point Maryland plant, and installed a
3 new caster at another blast furnace. One of three blast
4 furnaces at Great Lakes Works in Michigan was offline for
5 about a month in August 2015.

6 So, you know, there is a number of these things
7 that -- this isn't limited to January through March of 2014.
8 This recurred again and again and again and it may have been
9 most severe -- I mean the US Steel, 400,000 tons, 400,000
10 tons in 2014. That's a big number. And that was the most
11 significant, which is why you hear the most about it. But
12 these things did not stop them.

13 MR. GURLEY: This is John Gurley. I'll just add
14 that if somebody in the U.S. is getting nervous about their
15 source of supply and they want to do something, it takes
16 several months from processing an order to getting the
17 steel, so the weather in the Great Lakes in July of 2015 may
18 have been fantastic, I don't know.

19 COMMISSIONER SCHMIDTLEIN: It usually is.

20 MR. GURLEY: But it may not have been in
21 February of 2015.

22 COMMISSIONER SCHMIDTLEIN: So help me
23 understand. Oh, go ahead. Mr. Biagi.

24 MR. BIAGI. I just wanted to add -- Lorenzo
25 Biagi -- just wanted to add and confirm that also our

1 subsidiary Marcegaglia USA wasn't being imported in the
2 beginning of 2014 by the domestic producer, for the very
3 simple reason that not being a regular buyer, they were
4 actually being put in a location because in time of supply
5 restraint or shortage, the first thing you do is you put in
6 the location, a do-not-supply your no-regular customer.
7 And that happened during the first period of 2014 and
8 continued those in 2015, because of the no-regular partner
9 on our subsidiary. And that to me is a sign of shortage and
10 certainly not overcapacity.

11 COMMISSIONER SCHMIDTLEIN: Okay. So then, help
12 me reconcile. If there were supply constraints and people
13 are worried about being able to get product and it's in a
14 period of increasing demand, then why do we see underselling
15 in the pricing products?

16 You would think that given the general
17 principles of economics and --

18 MS. MENDOZA: Well -- this is Julie Mendoza --
19 we talked about this a little bit. First of all, I think,
20 if you see -- I don't think you can really characterize most
21 of what you see as underselling once you take into account
22 logistical costs -- and we put something in our brief to
23 show how you calculate that. So I think that basically what
24 you had was import selling very close to the prices of U.S.
25 producers.

1 Now, if you are an importer, particularly a
2 small importer, your ability to set prices in the market is
3 very limited. I mean you're really a price-taker. You're
4 not going to be able to go into a market where you're not an
5 established player and insist on a big price increase.

6 MR. BIAGI: And that's exactly right as Ms.
7 Mendoza said. I mean, you know, we had to take whatever was
8 available at the time and even as underselling -- I mean
9 that is a largely upset logistic costs. I mean I think we
10 put in our brief what the cost is and therefore we believe
11 that our subsidiary has no evident advantage once we can see
12 their deliver price to their facility over the U.S. market.

13 COMMISSIONER SCHMIDTLEIN: All right, thank you.
14 My time is up.

15 MS. NOONAN: Can I just quickly add? Nancy
16 Noonan from Arent Fox. We would just say with regard to
17 India, particularly in 2015, you do not see much
18 underselling at all among the specific products that were
19 chosen.

20 CHAIRMAN BROADBENT: Commissioner Williamson.

21 COMMISSIONER WILLIAMSON: Thank you. I do want
22 to express my appreciation to all the witnesses for coming
23 today. This morning I raised this with the domestic
24 producers on that same question. Actually, do you agree
25 with the domestic producers that the filing of the petition

1 was responsible for the decline in subject imports in the
2 second half of 2015? And also, is the increasing U.S.
3 prices in 2016 attributable to the petition and the
4 preliminary determinations by Commerce?

5 MS. MENDOZA: Julie Mendoza. No, we don't
6 agree. I mean I think what you saw in the import data
7 really was that imports started to decline, or at least
8 peaked in March, and then did decline. I mean you really
9 don't see a major decline in subject imports until very,
10 like, November, December, the last quarter. If you look at
11 the quarterly data in our brief, and I think that was due
12 primarily to the potential imposition of duty. But I don't
13 think it had any effect during 2015 of any sizeable amount.
14 I don't think the people reacted to it.

15 MR. CAMERON: Commissioner? Don Cameron, just
16 one point. If you look at Slide 11 from Mr. Dougan's
17 slides, what you'll see is that, not only are the prices of
18 CORE in the United States going up, the prices are going up
19 globally. Now I don't know if it's the United States
20 industry's position that the imposition of antidumping
21 preliminary duties in CORE in the United States is
22 responsible for the increase in CORE prices globally. If
23 that is, it's a stretch and I'd like to see him prove it.
24 Okay?

25 COMMISSIONER WILLIAMSON: Okay.

1 MR. BAIN: Daniel Bain from Uttam Galva. I can
2 also answer your question with respect to our company.
3 After imposition of the duties, we continued to import at
4 similar levels and have continued and will continue to
5 import at similar levels. So it hasn't had an effect for
6 us.

7 CHAIRMAN BROADBENT: Is China on that graph?

8 MR. CAMERON: No, it's Germany, France, Spain,
9 Japan and Italy.

10 CHAIRMAN BROADBENT: So what's CORE doing in
11 China?

12 MR. CAMERON: I don't have that information, but
13 we'll see if anybody does.

14 MR. BIAGI: I'm not going to discuss about hard
15 figures, but I think with a little bit of international
16 experience, prices in China at the beginning of 2016 were
17 actually the highest in the world. We can provide hard
18 figures in the post-hearing brief, but the prices in China
19 for the domestic consumption, domestic market, it increases
20 as well as the rest of the world.

21 COMMISSIONER WILLIAMSON: Is there an
22 explanation for that?

23 MR. BIAGI: Possibly raw material costs, I don't
24 have enough knowledge of the Chinese market to explain why,
25 but it's a matter of fact that they did increase.

1 COMMISSIONER WILLIAMSON: Okay. I just wasn't
2 getting what was happening to raw material prices around the
3 world and the slow-down in their economy. That's kind of a
4 surprising result, and that's why. So if there's anything
5 to explain that would be helpful.

6 MR. SCHOOP: You're not the only one that would
7 like a full explanation. I think the whole industry is
8 wondering why that happened, so I can't give you an answer,
9 but what Lorenzo was saying is accurate. Not sure about
10 highest in the world, but unbelievably high, and it had to
11 do with a destocking experience. They did run down
12 inventories, so it's a cycle thing. They did run down
13 inventories or restocking. But if anyone does have a full
14 answer, I'd be interested to know, too.

15 COMMISSIONER WILLIAMSON: How was the winter
16 there last year, by the way?

17 Do these charts indicate maybe the prices uptick
18 in the U.S. led the other upticks? Or is that reading too
19 much into it? I like the pretty colors and all.

20 MR. DOUGAN: Commissioner, Jim Dougan. It's
21 difficult to say, because this is CRU data and we believe in
22 keeping that confidential. We've indexed it so we can maybe
23 look at that a little bit, but I'm not -- certainly by the
24 end the overall percentage increase in Italy appeared to be
25 higher in Spain with equivalent.

1 COMMISSIONER WILLIAMSON: If there's anything
2 useful to draw from that, Mr. Biagi?

3 MR. BIAGI: No, I don't think as far as Europe
4 is concerned at least for the record in particular, I don't
5 think that the U.S. had anything to do with price inflation.
6 It was simply the raw material cost, the input cost and the
7 lack of availability. As we said before, there's been a
8 significant reduction in production in Italy and that led
9 prices to increase more than the other countries in Europe.
10 Together with a growing economy in Europe, GDP is up,
11 consumption is up, so all the drivers are actually moving up
12 for the prices in Europe, independent from what happened in
13 the U.S.

14 COMMISSIONER WILLIAMSON: Okay.

15 MR. GURLEY: Commissioner, John Gurley. The
16 statistics in India are very similar to this, the same kind
17 of price increases.

18 COMMISSIONER WILLIAMSON: Of course they also
19 had the help with their MIPS program.

20 MR. GURLEY: As a respondents' lawyer, I don't
21 want to comment on anything that has to do with trade
22 restraints.

23 COMMISSIONER WILLIAMSON: [laughs] Okay, that
24 was the USDR in me coming out. Let's go to the next
25 question. This is about the market for CORE versus other

1 flat-rolled products. And this was asked earlier today.
2 See, and this is the figure of V-3 shows prices for
3 hot-rolled, cold-rolled and hot-dipped coils of 2013. It
4 appears to show prices of all three products moving in
5 tandem. Is this the case that the prices are basically
6 moving together? If so, how does one separate out what is
7 affecting CORE versus other products? And you've heard this
8 question before --

9 MR. BAIN: Daniel Bain here again, from Uttam
10 Galva. It's logical, first, that they move together,
11 because galvanized steel is basically coated hot-rolled or
12 coated cold-rolled steel, so it makes sense that if what
13 you're coating goes up or down in price, that the actual
14 galvanized steel will go along with it.

15 So I think that the point -- what Stephen Schoop
16 was pointing out in his testimony was that what should
17 happen if there's injury or you can show that there's threat
18 of injury, is you would see a margin squeeze. And you don't
19 see a margin squeeze. Actually, the margin is increasing,
20 so at the end of the day, you look at the numbers and the
21 numbers don't show margin squeeze and it speaks for itself.

22 MR. CAMERON: The other thing that I think that
23 you ought to consider. I mean at one point when they were
24 doing this tap dance earlier this morning and said, well,
25 you know, it's not only raw material costs, because they got

1 off that raw material cost discussion in about fifteen
2 seconds, and then we started into general expenses, factory
3 overhead, whatever. Right?

4 Those are not public numbers. The thing that is
5 public, that people know about, people do know what is the
6 price of scrap. That's a very valuable thing. They know
7 what the price of hot-rolled is because it's run. These
8 Are -- when you go and buy a car, it's useful to know the
9 Blue Book value of the car. Now, if you're like me, it
10 doesn't help you, but some people, it actually helps. Okay?
11 No, no, no. I fully can see that.

12 I'm just saying with -- with some people,
13 knowledge actually works. But it does -- that is an
14 important factor. That is public information. That is one
15 reason it does go in tandem. Plus, as Daniel was saying, if
16 it was 65% of the cost of galvanized, what do you expect to
17 happen? And the problem is, when it's squeezed. And when
18 it's squeezed, we always hear about that as part of an
19 injury case. That's cause of injury. You guys are causing
20 injury because my raw materials cost have been squeezed and
21 I couldn't recover my costs of raw materials. Here we have
22 the other way around and they say, 'Well, you know, raw
23 materials doesn't really have anything to do with the price
24 of galvanized.' Okay.

25 COMMISSIONER WILLIAMSON: Thank you. Anybody

1 else want to add to that? Are there any factors that are
2 different for the different products? For the one we have,
3 that are relevant to this discussion?

4 MS. MENDOZA: Certainly. I mean if you look at
5 hot-rolled, a really huge thing happened in hot-rolled,
6 which is that the oil and gas market plummeted, Okay? And
7 US Steel says this in all their earnings calls, I mean they
8 admit that in terms of the effect on hot-rolled, they just
9 had not anticipated how big that effect was going to be.

10 So when it comes to hot-rolled prices, I mean
11 they have definitely been pushed down. But the big news is,
12 that even though the hot-rolled prices have been pushed down
13 due to a lack of demand and the oil and gas sector of pipe,
14 you know, because hot-rolled producers sell the pipe
15 producers -- the amazing thing, as these guys were saying,
16 is that CORE prices have not gone down.

17 And that they have been able to maintain and
18 expand this spread, which means that they're doing just
19 fine. I mean, that's the difference I think, you know, that
20 that hot-rolled prices went down when oil and gas went down
21 and nobody was buying to make pipe and tube and yet, even
22 though this is such a high correlator with the performance
23 of CORE and pricing with CORE, they were still able to
24 maintain those CORE prices. And this is something that we
25 talked a lot about at the prelim.

1 MR. CAMERON: One other thing. You talk about
2 different conditions. Take the cold-rolled that we were
3 discussing the other day. The composition of the industry
4 is quite different in cold-rolled than it is in corrosion.
5 In cold-rolled, the one salient feature of that industry is
6 captive consumption, Okay.

7 COMMISSIONER WILLIAMSON: Okay.

8 MR. CAMERON: What do we have here in corrosion?
9 You don't have captive consumption. This is actually the
10 end product of much of that captive consumption. The
11 conditions of competition in these market sectors actually
12 are quite different. They are very. But the fact that they
13 are the hot-rolled and the cold-rolled are inputs to
14 galvanized is a very real factor and that actually doesn't
15 account for a lot of the correlation.

16 COMMISSIONER WILLIAMSON: Okay. Thank you for
17 those answers. My time has expired. Thanks.

18 CHAIRMAN BROADBENT: I had a question about the
19 lost sales, lost revenues. How do you respond to the
20 collective lost sales/revenue responses from purchasers,
21 which seem to indicate a sizeable minority of U.S.
22 purchasers that report that they had shifted sales to
23 subject imports due to price and who also reported that U.S.
24 producers had reduced prices in order to compete with lower
25 priced imports from subject countries? And that discussion

1 is at the end of Chapter 5 in the staff report.

2 MR. DOUGAN: Madam Chair, this is --
3 petitioners this morning pointed to this as, you know,
4 unusual and very damning evidence of causation and our
5 response to that would be -- is what's the materiality of
6 it?

7 I mean this goes to something that Commissioner
8 Kieff spoke to the other day. And when you look at the
9 tonnage involved, which is around 234,000 short tons, which
10 again, in isolation sounds like quite a bit. But it is a
11 very small percentage of import volume, let alone apparent
12 consumption.

13 And I have to be careful about what I can say
14 here, so we can address this more in post-hearing. But by
15 comparison, the quantity of subject imports that were
16 oversold during the POI was 403,000 short tons. Now,
17 petitioners would, I'm sure, say that the quantity and the
18 pricing products from the subject imports that oversold is a
19 small number. It's tiny.

20 But if that's tiny, the 400,000 tons is tiny,
21 well 230,000 tons is diminimus. So, in perspective, again,
22 230,000 tons sounds like a lot. But in perspective to other
23 things going on the market, we'd argue it's not material.

24 MR. GURLEY: This is John Gurley and we've dealt
25 with that in our brief, I hope, and basically gave a

1 discussion of each of the allegations, a sort of an
2 aggregate in those which there was some evidence. Some
3 purchasers said that the India might have undersold them or
4 whatever.

5 But the vast majority of cases either, the
6 purchaser didn't say anything or they've denied it. So I
7 think it, at best, the evidence is mixed, but the mixed
8 evidence fits into what Jim just said, is that even if you
9 take them for all they -- all of their allegations and
10 accept them as true, they're not material given the small
11 nature of them.

12 CHAIRMAN BROADBENT: Okay. Let's see. For Mr.
13 Cameron, on Page 47 of the Korean respondents' brief, you
14 argue that the domestic industry's operating income margins
15 do not indicate injury. Can you justify why the industry
16 would have a lack of improvement in its operating income
17 margin, despite such rising demand over the POI?

18 Is this as good as it's going to get for this
19 industry? What's the future?

20 MR. CAMERON: Jim is going to amplify this. But
21 I think the point that we were making and it was made this
22 morning in the charts, is that when you compare the
23 profitability experience of this industry over a ten-year
24 period, we're not talking about a narrow slug of time.

25 You're talking about a ten-year period, much of

1 which -- imports from Korea were under import restraints
2 through antidumping duties, and the margin profitability,
3 margins that they have right now are at, actually in the
4 upper end of the historical operating margins, operating
5 profits, not below.

6 MR. DOUGAN: Just to add to that, the reason
7 that this comparison is helpful and important is because,
8 again, if the COGS to sales ratios are now at a decade low,
9 right? This shows that they've actually increased their
10 ability to recover their production costs. There are other
11 internal factors, SG&A and other things, that have led that
12 margin to be flat.

13 But let's say that that's an allocation of some
14 corporate expenses, internal expenses, that due to volume,
15 is being spread over a smaller production volume, smaller
16 sales volume. Wouldn't that have been aided if they had
17 chosen to balance their footprint and capacity in such a way
18 to move some of the production that they are taking from
19 overseas to their U.S. facilities?

20 If the problem is, that their utilization here,
21 in their domestic facilities, is not high enough, and
22 they're blaming subject imports for that, and if their
23 profitability could've been better still, absent -- or if
24 they had had higher production volumes, our question is --
25 why are you bringing in so much from overseas?

1 And couldn't at least some of that have been
2 aiding their domestic utilization rates and by that,
3 spreading those fixed costs or those corporation costs over
4 a higher volume, reducing that contribution and increasing
5 their profit margins?

6 MR. CAMERON: The one other thing is -- it
7 strikes me that it's very interesting, you know, these --
8 we've discussed a lot of the shutdowns, temporary and
9 otherwise this morning -- and it -- I'm not going to make
10 light of that because I think shutdowns are serious things.

11 So that's not the point. Part of the point is
12 that restructuring in this industry, by its nature, does
13 involve shutdown of capacity. We heard on Tuesday that
14 Fairfield was shut down in advance, a year before it was
15 scheduled to be shut down. Well, so it was scheduled to be
16 shut down.

17 It wasn't scheduled to be shut down because of
18 subject imports. It was scheduled to be shut down because
19 the company had made a decision. The company made a
20 decision that, look, I'm going to build an electric arc
21 furnace here and I'm going to basically reposition myself
22 and to make myself more competitive. Good for them.

23 I mean, there are some very strong companies in
24 this industry and it's in these profit numbers. But then
25 all of a sudden, the shutting of Fairfield is, that's all

1 imports of corrosion-resistant -- Well, I'm sorry. That
2 just doesn't work. And the fact is that it was scheduled to
3 be shut down. And yes, they've maintained some production
4 in galvanized steel. Okay.

5 And is that less efficient now or more efficient
6 because they have to go and get the raw material from
7 somewhere else. I don't know, but I suspect that it's less
8 efficient. But that is not actually attributable to subject
9 imports of corrosion-resistant. I'm sorry. That just
10 doesn't work.

11 CHAIRMAN BROADBENT: Okay. Let's see. Mr.
12 Neeley, on behalf of the Chinese respondents, can you tell
13 me a little bit what's going on in this product in China,
14 and there's been a lot of news reports about -- first, you
15 know, huge excess capacity, low prices, and now things seem
16 to be turning around in the Chinese market, just according
17 to press reports that I see. There's some more demand
18 growth that's being fueled by the government there
19 apparently. But I don't really know. Can you tell me about
20 demand trends and prices?

21 MR. NEELEY: Yes, I can tell you a little bit,
22 and I think we can provide more information in the
23 post-hearing brief and it, with some details. But a couple
24 of things come to mind. First of all, I think everybody who
25 talks about this industry agrees that one source of

1 increased demand within China is the automobile sector.

2 We already know there's a number of automobile
3 producers in China. Those producers are doing well.
4 They're expanding and so there's increased demand there.
5 With that has come, as I understand, it's in increased
6 capacity in certain areas, basically to serve that demand.

7 At the same time and I think this has also been
8 well-documented, the Chinese government has announced
9 programs to shut down basically outdated capacity. And so
10 that's going on. And so, in some ways like United States,
11 where you've got somebody opening an operation in Arkansas
12 at the same time as other parts of the industry get shut
13 down, that's the same thing that's going on in China.

14 You've got some new capacity and you've got
15 a lot -- more capacity, as I understand it, shutting down.
16 So, but you know, sort of the devil's in the details, so
17 we'll try to give you more details, but that's sort of the
18 overview that I can give you at this point.

19 CHAIRMAN BROADBENT: For the Korean respondents,
20 Mr. Shin, why did Hyundai and Kia reduce purchases of CORE
21 between 2014 and 2015 that you mentioned at the end of your
22 testimony and I was just curious.

23 MR. CAMERON: Commissioner, Don Cameron. If
24 it's okay, we would like to provide the details of that in
25 our post-hearing brief --

1 CHAIRMAN BROADBENT: Understood, yeah.

2 MR. CAMERON: -- because we actually can give
3 you some details, but that gets into some confidential
4 information with respect to the way Hyundai Motors and Kia
5 Motors were doing their production. But we will be glad to
6 give you that information.

7 CHAIRMAN BROADBENT: Okay. My time is up, so
8 Commissioner Pinkert.

9 VICE-CHAIRMAN PINKERT: Thank you, Madam
10 Chairman. And I thank all of you for being stalwarts, late
11 in the afternoon here. I want to begin with my question
12 about operating income versus net income. We heard a lot
13 about that on the earlier panel and I know that as the
14 statute is drafted, we should consider operating income. We
15 should consider net income. But what I'm wondering is,
16 whether any difference between operating income and net
17 income should be attributed to the impact of subject
18 imports?

19 MR. DOUGAN: Our answer is no. There are a
20 couple of things to note on this point. One, some of the
21 statistics and I'm not clear about everything that was cited
22 this morning, but as we stated in our prehearing brief, we
23 believe there was some double-counting of some expenses
24 below the line in the initial staff report, so that as
25 reported in the staff report, it may actually be

1 artificially low. We can work with staff on that and sort
2 it all out. But the net income may be higher than it's
3 looking in the prehearing staff report.

4 Secondly, there was a discussion of interest
5 expenses and again, looking at the data, interest expenses
6 are not significant driver of the non-operating expenses.
7 What's really driving this are one-time nonrecurring items.
8 And what's really driving that are one-time nonrecurring
9 items in 2015, because net income was actually up between
10 '13 and '14, as you can see in Table 6-1.

11 And so these nonrecurring charges are related
12 to -- again, we have to be careful about what can say here,
13 but restructuring of operations and similar to the type of
14 situation that Mr. Cameron mentioned, you know -- in some
15 instances this is restructuring that was going to happen.
16 This is planned restructuring.

17 These are things that are happening. These are
18 real expenses, they're real costs to the people who work
19 here and from an accounting basis, this is something that
20 has to be put somewhere. But is this the result of subject
21 imports. The answer is no. This is a restructuring charge
22 that has to appear somewhere, but cannot be attributed to
23 the effect of subject imports, so that fact that you see a
24 decline in net income in 2015 that you don't see in
25 operating income, we say is completely unrelated to the

1 impact of subject imports.

2 VICE-CHAIRMAN PINKERT: Mr. Cameron.

3 MR. CAMERON: Thank you. Just one comment, and
4 it goes really to this issue, again, of the shutdowns. We
5 discussed this a little bit the other day on Tuesday, with
6 respect to RG Steel, right? RG Steel, which had been the
7 supplier of black plate OCC was, you know, it shut down
8 finally. Okay.

9 Well, nobody has credibly asserted that the
10 shutdown of RG Steel was caused by imports, subject or
11 otherwise. This RG Steel was shut down because, well, there
12 were financial issues, but it was also -- it was an
13 antiquated mill. I mean, I will give credit to the witness
14 from ArcelorMittal this morning, when asked about the quote
15 with respect to Indiana Harbor, it wasn't like he came out
16 and said it's a state-of-the-art facility, right?

17 I mean he avoided the question, he did fine.
18 It's not a criticism. He was actually somewhat honest about
19 it in saying, well, okay, so yes, we're constantly looking
20 to optimize and to improve our production facilities, which
21 is exactly right. That's what you do. That's what you do
22 as a business.

23 But again, many of these shutdowns are not
24 necessarily as a result of subject imports. But RG Steel
25 also produced a significant amount of galvalume. And that

1 galvalume was taken out of the market and that is one of the
2 factors with respect to the issue of the market for
3 galvalume. And it is RG Steel. And that was shut down
4 prior to the POI.

5 VICE-CHAIRMAN PINKERT: Thank you. Mr. Dougan,
6 if you can elaborate on your answer in the post-hearing
7 using some of that proprietary information, I think that
8 would be helpful.

9 MR. DOUGAN: Will do, Commissioner.

10 VICE-CHAIRMAN PINKERT: Thank you. Now, you
11 also remember from the earlier panel that when asked about
12 the impact of raw material costs on prices, Professor
13 Hausman emphasized that CRU spot prices from 2014 to 2015
14 decreased by about \$169 a short ton, while raw material
15 costs decreased by only \$74 a short ton.

16 So there's a gap between those two figures. And
17 he put a lot of emphasis on it, at least for that period
18 from 2014 to 2015. Is there any comment on that and his
19 reliance on CRU spot prices or on his reliance on that
20 period from 2014 to 2015?

21 MR. DOUGAN: Commissioner Pinkert, we'll have to
22 look more closely at that and unpack the comparison, because
23 obviously the \$74 a short ton you see in the raw material
24 costs for -- in the P&Ls, that's an annual number. It's an
25 average over the twelve months. It includes things, I mean

1 mostly hot-rolled and so on, but there's other things in
2 there as well, the galvanizing materials.

3 So we'll have to take a look at that, unpack it.
4 Was his comparison from January of one year to December of
5 the other, was it an average over the periods? We haven't
6 yet had a chance to unpack that, but that's something we can
7 do for post-hearing.

8 VICE-CHAIRMAN PINKERT: Thank you very much for
9 doing that.

10 MR. MENDOZA: I just wanted to add one thing,
11 which is, I noticed that they switched strategies. In the
12 cold-rolled hearing, they actually used the AUV data from
13 the staff report and compared that to the raw material
14 prices, and you know, we didn't really have a chance to
15 respond to that, but I think it's the same objection we'd
16 have to the CRU data, which is --

17 You know, the AUV data's going to be very -- you
18 cannot just compare an absolute amount, because AUV data, as
19 we all know, over time, is affected by product mix, right?
20 So if you're looking at what you sold in 2013, comparing it
21 to what you sold in 2015 and saying, okay, there's X amount
22 of dollar difference, and then you look at raw material
23 prices and it's Y amount of dollar differences --

24 You can't just say, oh, let me look at that one
25 to one because the AUV data's gonna be affected by what you

1 sold in any particular year. So I think the staff has
2 really never, in my understanding, has never used that to
3 say, oh, well, you can see that raw materials only declined
4 by, you know, declined by this much, and AUV's declined by
5 that much, because they know the AUV data isn't really
6 representing an absolute number decline, because of these
7 product mix issues.

8 And I would suggest that the CRU data probably
9 suffers from some of the same problems.

10 VICE-CHAIRMAN PINKERT: But at Chicago, they
11 look at the spot market, right?

12 MS. MENDOZA: Yes. [laughs]

13 VICE-CHAIRMAN PINKERT: Okay. Just
14 clarification on that point. [laughs]

15 MS. MENDOZA: No, we look at the AUV data.
16 [laughs]

17 VICE-CHAIRMAN PINKERT: Okay. Now, is there a
18 reason that importers of CORE would rely more on short-term
19 contracts and spot sales than U.S. producers, who would rely
20 more on the longer term contracts?

21 MR. CAMERON: Sorry. Could you repeat that
22 again?

23 VICE-CHAIRMAN PINKERT: Is there a reason that
24 importers of CORE would rely more on short-term contracts
25 and spot sales? Than U.S. producers would?

1 MS. MENDOZA: What Lorenzo just told me, and he
2 can explain, but when you're talking about the tonnages, at
3 least speaking for Italy, when you're talking about the
4 tonnages involved, they're so small, you know, they don't
5 have these large contracts with anybody in the U.S. market.
6 I don't know if you want to --

7 MR. GEROLDI: Alessandro Geroldi. It's also the
8 nature of the -- I'm speaking about the Arvedi -- is also
9 the nature of the business, the long-term contract usually,
10 even in Europe, are applied to automotive sector. We are
11 not in this business and I don't think we have a long-term
12 contract with other customers. So is the nature of our
13 business here that, even the customer doesn't like a
14 long-term contract, even in good moment of the prices.

15 MR. GURLEY: This is John Gurley. I'm sorry,
16 I'm just note in the testimony this afternoon from the
17 domestic producers -- we did hear them talk about the types
18 of contracts they had, and one of them said they
19 specifically had the ability to increase their prices,
20 depending on raw material prices, and the other one was,
21 they get to increase their price, depending on what the CRU
22 data said, which is essentially saying the same thing that
23 the hot-rolled went up or down.

24 MR. BIAGI: Lorenzo Biagi. No, I just wanted to
25 add that actually I can confirm what Alessandro said. I

1 mean we, first of all, our volume -- we are so small, and we
2 are basically filling the gap when and where the domestic
3 industry could not supply. And it was mainly the either to
4 our subsidiary or as more distributor. And by the nature of
5 the business, if you are filling a gap, if you are there
6 with more volume for a short period of time, while other
7 people cannot not supply, then by definition, you cannot get
8 into a long-term contract with them.

9 MR. DOUGAN: If I can add one thing to that.
10 The primary end-use market into which the domestic producers
11 sell is automotive, and the subject imports sell virtually
12 nothing into that. The nature of the relationship with an
13 auto manufacturer is, once the auto manufacturer has specked
14 out a part and the requirements for it for a model, for a
15 model year, they're going to want to maintain that over a
16 longer period of time.

17 Because that's such an important market for the
18 domestics, it's only stands to reason that they're going to
19 have a greater proportion of their sales being longer term
20 contracts.

21 VICE-CHAIRMAN PINKERT: Thank you.

22 CHAIRMAN BROADBENT: Commissioner Williamson.

23 COMMISSIONER WILLIAMSON: Thank you. Question
24 about respondents' capacity. In US Steel's prehearing brief
25 and ArcelorMittal's prehearing brief, domestic producers

1 argue that the amount of excess capacity reported by several
2 foreign producers in their questionnaires' responses is
3 understated. The explanation on which this argument is
4 based is bracketed as confidential, domestic producer's
5 brief. So in conference or post-hearing submission, please
6 respond to the domestic producers' arguments concerning the
7 reported capacity data.

8 MR. CAMERON: Will do, sir.

9 COMMISSIONER WILLIAMSON: Okay, thank you.
10 Question on the price effects of subject imports. The brief
11 for US Steel sets out response, it's Pages 34, 35, sets out
12 responses of numerous purchasers that subject imports were
13 responsible for declines in domestic prices. Either now or
14 in post-hearing submissions, could you address this
15 information?

16 MS. MENDOZA: We could probably more properly
17 address it in our post-hearing brief.

18 COMMISSIONER WILLIAMSON: Sure. Okay. And I'm
19 not sure if this was asked already. Of the Korean
20 respondents. Could you describe the competition you face
21 with U.S. producers for sales to the U.S. auto makers? And
22 by that, I mean both foreign and U.S. nameplate auto makers.

23 MR. CAMERON: Well, yes. We can do so. I will
24 say just, right off the bat, that the Korean -- I don't
25 believe that any of the Korean producers are selling to any

1 of the U.S. nameplate auto manufacturers. The only sales of
2 automotive are to foreign nameplate and mostly to Hyundai
3 and Kia, but we can go into detail on that.

4 COMMISSIONER WILLIAMSON: Does that mean that
5 the domestic auto makers aren't requiring the ultra-height,
6 especially products that you talked about, the high strength
7 steels and all that?

8 MR. CAMERON: No, it means that we're not
9 selling to them. I have no idea what they require. You
10 mean, like, Ford and GM and -- I honestly don't know the
11 answer to that.

12 COMMISSIONER WILLIAMSON: Okay.

13 MR. CAMERON: I suspect that they are moving
14 there as well.

15 COMMISSIONER WILLIAMSON: So you indicated that
16 Hyundai Motors and Kia buy high strength steel for Korea.
17 That is not made domestically?

18 MR. CAMERON: That's right.

19 COMMISSIONER WILLIAMSON: Got the impression.

20 MR. CAMERON: Generally, that's correct.

21 COMMISSIONER WILLIAMSON: Okay.

22 MR. CAMERON: There is -- nobody said that there
23 is not high strength steel made in the U.S. There is. High
24 strength steel is made by U.S. producers. Advanced high
25 strength steel is made by significantly fewer U.S. producers

1 and in significantly fewer grades and if you look at that
2 page that I referred to in the staff report, with respect to
3 AHSS 490 and 1180, you will see that there is very little
4 U.S. commercial shipments of those grades, which is an
5 indicator of the difference in degree to which U.S.
6 producers are actually selling those grades. That's not to
7 say that they aren't upgrading. That's not to say that they
8 aren't developing in that area.

9 MR. DOUGAN: Commissioner, if I can add to that.
10 We lay out in our prehearing brief, in Korean respondents'
11 prehearing brief, about -- we mentioned a lot of these
12 investments, the capital expenditures that the U.S.
13 producers are making that haven't entirely been captured in
14 the staff report. A lot of that is geared towards
15 automotive. It's geared towards advanced high strength
16 steel.

17 So to the degree that there are customers, there
18 are key customers are going this direction. They are
19 absolutely investing to supply them. I mean they're doing
20 it. And so that's our argument that -- they may not be
21 making it in the same degree at present, but I think as
22 their customers request it, they're investing to make it and
23 they have the ability to do so, and that's a sign of
24 optimistic outlook and not threat of injury.

25 MR. CAMERON: For instance, AK Steel does not

1 make advanced high strength steel as a commercial matter.
2 Are they developing the capability? Yes. They are. But
3 are they selling it? No, they are not. It's not -- data is
4 not commercially available right now to our -- and that's
5 our information.

6 COMMISSIONER WILLIAMSON: How long does it take
7 to develop -- and if this is confidential, it can be
8 post-hearing -- these varieties of high strength and extra
9 high strength --

10 MR. CAMERON: We can try and get you an
11 estimate. I don't -- we don't have information right now.
12 They're saying a couple of years -- we'll get you what
13 information that we can get you in our post-hearing brief.

14 MR. BIAGI: I agree. I mean I don't know what
15 is the exact time, but it's years more than months. It's
16 not something that can be ready and available within a few
17 months from the start of the development.

18 COMMISSIONER WILLIAMSON: Okay. Also, do the
19 Korean producers sell other types of CORE to Hyundai or Kia?
20 Other than the high strength? Do you want to do that
21 post-hearing, again, but --

22 MR. CAMERON: We'll do that in the post-hearing.
23 I think there is -- well, they do sell different than
24 advanced high strength steel. They also sell high strength
25 low alloy. I'm not sure that they sell that much more of

1 anything else, but we will get you the details and put it in
2 the post-hearing brief.

3 COMMISSIONER WILLIAMSON: Okay, thank you. I
4 think that's all I have for now.

5 CHAIRMAN BROADBENT: Okay, Commission Johanson.

6 COMMISSIONER JOHANSON: Thank you, Chairman
7 Broadbent. I'd like to pose two questions to the Korean
8 respondents. You all mentioned that transplanted auto
9 manufacturers from Korea and United States prefer using
10 steel from Korea. And is that because you cannot get those
11 same technical specifications in the steel from steel
12 produced in the United States?

13 MR. CAMERON: In the case of the advanced high
14 strength steel, the answer to that is yes. There are
15 specifications that they cannot get here. There are
16 specifications that they can get here, and they source in
17 Korea and there are specifications that they can get in
18 Korea and they source here. I mean, we will be glad to get
19 you more details in the post-hearing in a confidential
20 submission, the post-hearing brief, if that would help you.

21 COMMISSIONER JOHANSON: All right, yes. Thank
22 you, yes, would you like to say something?

23 MR. SHIN: Yeah, they have developed for many
24 years, especially the high strength steel, in competition
25 with U.S. steel makers, so the -- and Korean, the car makers

1 have developed the high strength steel, earlier than the
2 U.S. automakers. So we believe, I believe Korean and high
3 strength steel, its quality is more than, better than U.S.
4 steel maker so far. But now U.S. steel makers produce high
5 strength steel now. So I expect U.S. producers will get
6 more high strength steel after that.

7 COMMISSIONER JOHANSON: All right, thanks for
8 your responses. And I had another question for the Korean
9 respondents, in particular Mr. Ryoo. You had talked about
10 POSCO shipping a fairly large amount of steel to the United
11 States to the Korean industry, but I was wondering.
12 According to Ford submission, corrosion-resistant steel does
13 not necessarily travel that well. If you look at Page 7 of
14 their submission, they state "that while CORE, by its very
15 nature's not susceptible to rust. Other characteristics of
16 CORE, such as hardening, are negatively affected by long
17 shipment times from the source mill to the user plant." Is
18 that indeed the case? And does POSCO deal with that
19 situation, if that is the case?

20 MR. CAMERON: We will look at that in greater
21 detail. I think that what Ford was saying about the
22 logistics, there is a lot to that. I have heard that. I'm
23 not sure I've heard it with respect, particularly with
24 respect to automotive, but we have heard that, for instance,
25 with respect to galvalume.

1 There is a serious problem if it's sitting on
2 the dock or sitting around for a long time. And that's what
3 made the comment, I believe by Mr. Matthews with US Steel
4 about how the steel's been sitting around for two years and
5 that's going to be sold into the market and undercutting the
6 prices, well, I mean steel does have a shelf life on some of
7 these things in terms of what purchasers want. So I really,
8 I found that to be a rather fantastical description, to be
9 honest with you. But we'll get you the details with respect
10 to the logistics and Ford. I haven't talked to Ford about
11 this.

12 COMMISSIONER JOHANSON: All right. Thanks for
13 your responses. Mr. Biagi, I had a question for you.
14 Marcegaglia sells most of its steel, I believe you stated,
15 in the automotive sector in Europe and I was surprised to
16 learn, in your section dealing with cumulation, that the
17 European auto industry is actually doing quite well. This
18 is discussed in Pages 78 and 79 of the Italian brief.

19 According to an exhibit in the Italian brief,
20 auto registration in the European union has increased for
21 thirty-two straight months, and the April 2016 figures on
22 registrations were 9.1% higher than the prior year. Has the
23 health of the European auto sector resulted in increased
24 capacity utilization? Consistent with this growth in the
25 European auto sector?

1 MR. BIAGI: Yes and thank you for the question.
2 I can confirm that the auto sector in Europe has steadily
3 increased after the crisis especially in the last 2 years of
4 2013 and 2014 and 2015. The auto sector in Europe has
5 scored record growth and we are supplying a portion -- not
6 the majority of our business but the significant portion of
7 our business to the automotive sector, a sector that is
8 growing and that actually has shifted capacity and will
9 continue to shift capacity more and more towards the auto
10 sector.

11 We are also developing new grades more aligned
12 with the AHSS that the European market is actually starting
13 to use and going forward in the future that would actually
14 take a greater part of our capacity and fill out our
15 capacity utilization for next years'.

16 COMMISSIONER JOHANSON: I believe you stated in
17 your comments earlier today that Europe right now is a net
18 importer? Of corrosion-resistant steel?

19 MR. BIAGI: Correct.

20 COMMISSIONER JOHANSON: Where is most of that
21 coming from do you know?

22 MR. BIAGI: We can detail more in the
23 post-hearing brief but we have since 2014 and 2015 Italy or
24 Europe is a net importer and I can give you the detail in
25 one second. Last year we imported 100,000 ton more than

1 what we exported to Europe in 2015 we imported 600,000 ton
2 more than what we exported.

3 So the trend is actually opened up in favor of
4 being -- of Europe being a net importer.

5 COMMISSIONER JOHANSON: Okay thanks for your
6 response. Miss Mendoza?

7 MS. MENDOZA: This is Julie -- I do think that it
8 is worthwhile mentioning because I think your question kind
9 of went to this. I mean one of the things that has happened
10 in the European market is that there has been a dumping
11 order on pre-painted steel coming in from China since 2013
12 and also there is currently a dumping case being considered
13 I guess by the European community with respect to
14 corrosion-resistant steel.

15 MR. BIAGI: There has been -- Lorenzo Biagi --
16 there has been a dumping case on pre-painted steel that's
17 almost four years old. There's been a dumping case on
18 cold-rolled from China, Russia effective January, 2016.
19 There's a dumping case on hot-rolled under investigation and
20 they are considering -- the EU is considering a dumping case
21 against CORE and galvanized.

22 MS. MENDOZA: Julia Mendoza -- so I guess what we
23 were trying to say isn't -- I mean what he was trying to say
24 is that the domestic industry can't supply the entire market
25 right, there's a deficit. And then imports are coming in as

1 opposed to the way you often hear this argument that oh you
2 know, imports are flooding into the European market and
3 pushing everybody out and I mean I just wanted to make that
4 distinction.

5 Because that market for good or for bad is pretty
6 controlled in terms of imports, it is just that the European
7 market right now needs to import steel because they don't
8 have enough corrosion-resistant steel.

9 MR. BIAGI: Lorenzo Biagi -- especially in
10 southern Europe where because of what the production as we
11 said before, southern Europe that used to be -- from the
12 importer already but the experience and lack of domestic
13 production and we can barely keep up with the consumption
14 and the entire industry would not be able to keep up with
15 the automotive -- in southern Europe and that actually
16 generated a higher price or say the steepest, the pricing
17 rise as we saw before on the chart that Italy and southern
18 Europe in general had seen the steepest price increase in
19 Europe and because of a lack of production, a lack of
20 availability of material in 2016.

21 COMMISSIONER JOHANSON: Yes, thank you for your
22 response my time is about to expire so I will have a few
23 more questions when I get to those in the next round than
24 you.

25 CHAIRMAN BROADBENT: Commissioner Schmidtlein?

1 COMMISSIONER SCHMIDTLEIN: Alright thank you. I
2 just had a few questions on raw materials and you probably
3 heard me pose the question to the morning panel about how
4 the change in raw material costs is reflected in CORE
5 pricing and whether or not contracts include provisions for
6 that, whether there are surcharges or whether it is just a
7 matter of bargaining and customers demanding lower prices
8 due to lower raw material costs.

9 So I wondered if you all could speak to that as
10 well, one of the industry witnesses in your experience
11 because if I understand your case one of the primary
12 arguments is the price of CORE follows the price of raw
13 materials.

14 MS. MENDOZA: Are you asking -- I'm sorry Julie
15 Mendoza, just about contracts?

16 COMMISSIONER SCHMIDTLEIN: Well so how does that
17 translate into -- so if you are -- the principle of your
18 case is that the price of CORE follows the price of the raw
19 materials. In practical terms, how does that get
20 translated? Is there a formal provision in these contracts
21 or is it just through negotiations because there is
22 transparency? What is your all's view as to how that
23 happens?

24 MS. MENDOZA: Julie Mendoza, we don't have any
25 contracts in the U.S. market.

1 COMMISSIONER SCHMIDTLEIN: Then let's just say it
2 is your argument that it tracks raw material prices?

3 MS. MENDOZA: Yes.

4 COMMISSIONER SCHMIDTLEIN: How? How does that
5 happen?

6 MS. MENDOZA: Okay. Yes, that's fine. I just
7 wanted to clarify that we weren't --

8 COMMISSIONER SCHMIDTLEIN: It's not true
9 contracts.

10 MS. MENDOZA: Well we don't have contracts so I
11 don't know --

12 COMMISSIONER SCHMIDTLEIN: So you don't have a --

13 MS. MENDOZA: Pricing mechanism works within the
14 contracts.

15 COMMISSIONER SCHMIDTLEIN: That's fine so
16 Respondents don't have any views on how pricing mechanisms
17 work within contracts on CORE?

18 MR. CAMERON: Commissioner, Don Cameron -- I
19 don't know. I mean we heard this morning that at least with
20 the contracts that the U.S. industry was referring to they
21 had at least three experiences. One was --

22 COMMISSIONER SCHMIDTLEIN: Yeah but I would like
23 to know what the Respondent's experience is or what the
24 basis of your claims is that CORE tracks raw material cost.
25 How does that happen in practical terms?

1 MR. BAIN: Daniel Bain here from Uttam Galva and
2 Stephen you can jump in if you want to -- but look the base
3 mill set price list on a regular basis for their pricing.
4 They will set a base price for hot-rolled, a base price for
5 cold-rolled and a base price for galvanized.

6 And the base price for galvanized will typically
7 be a spread above the base price for hot-rolled and so it is
8 set by mills it is set in the market and again if that
9 margin between the two started to squeeze we would see
10 injury and people would be screaming. But the margin
11 between the two hasn't been squeezed and hot-rolled is the
12 raw material that you use to galvanize.

13 COMMISSIONER SCHMIDTLEIN: So in your view then
14 when these contracts are negotiated they are looking at what
15 that margin is? They are looking at what the price of
16 hot-rolled is and that's how their customers are demanding a
17 price for cold-rolled or CORE it's on their knowledge of
18 that?

19 MR. BAIN: For galvanized typically they will set
20 the price against the CRU galvanized price which is set by
21 mills -- it's actual transaction prices that are going on in
22 the market so what happens is the customers will actually
23 report back on a regular basis what they're transacting at
24 and then that will go back into the index.

25 So the CRU price that's listed is actually a

1 reflection of transaction price. So if I am an appliance
2 maker, an auto maker and I want to set a contract I may say
3 let's choose an index and the CRU index is very popular that
4 will help reflect what my discount plus or minus the market
5 price that other people are paying is compared to the
6 current market. So it's just a way the index --

7 COMMISSIONER SCHMITLEIN: So the contracts are
8 based on the CRU prices -- that's what you are saying. The
9 prices in the contract are based on the
10 CRU prices.

11 MR. BAIN: A lot of contracts are based on CRU
12 prices but contracts could be based on anything. Some
13 contracts could be based on fixed prices. Mills could use
14 futures to fix the price. I'm not an expert on contracting
15 pricing stuff.

16 COMMISSIONER SCHMIDTLEIN: Well I'm just trying
17 to get out if I am going to reach a conclusion that CORE
18 prices track raw material prices, what do I cite for that?
19 Am I going to cite the testimony this morning or I mean what
20 is the basis for your all's argument that connects that up?

21 MR. BAIN: Well it's even easier than that
22 because you can actually look at the historical spread
23 between hot-rolled prices and galvanized prices and that was
24 the chart that we put up a little bit earlier.

25 COMMISSIONER SCHMIDTLEIN: And just infer from

1 that that they must be connected because there is a trend?

2 MR. BAIN: It's not just infer they are 99%
3 correlated so you don't have -

4 COMMISSIONER SCHMIDTLEIN: And is this true all
5 over the world? Do prices of CORE generally track prices of
6 raw material prices?

7 MR. BAIN: Yeah I think in most industries if you
8 have a raw material price that uses an input to make
9 whatever widget you are making that you would expect to see
10 a correlation between what you sell for but especially in
11 the steel industry between the raw material price and your
12 finished goods price.

13 And when people would scream normally and say,
14 "Unfair, unfair," would be when you see a squeeze in that
15 margin. But you don't see a squeeze now in that margin you
16 see the opposite.

17 COMMISSIONER SCHMIDTLEIN: Okay go ahead --

18 MS. MENDOZA: Julie Mendoza -- we are relying on
19 the purchaser questionnaires -- the Commission this time in
20 their questionnaire specifically asked two questions with
21 respect to the effect of raw material prices. They asked
22 first, "Do raw material prices affect your price
23 negotiations and if so how," and the vast majority, vast,
24 vast majority of purchasers said, "Yes."

25 And then they asked if it is necessarily an

1 actual component of the contract itself right because that's
2 the other way it could be. And fewer people said that it
3 was an actual index or component of their contracts but the
4 vast majority of purchasers said that raw material prices
5 are a very key component in fact we cited a long list of
6 them in our questionnaire.

7 MR. DOUGAN: It's 37 out of 42.

8 MR. BIAGI: Commissioner I am sorry but we do not
9 make any contracts in the U.S. I can explain a little bit of
10 the way we do it in Europe and the need for --

11 COMMISSIONER SCHMIDTLEIN: So in Europe do they
12 track raw material prices in Europe as well?

13 MR. BIAGI: Everybody tracks raw materials,
14 prices being one of the biggest components, these figures
15 are published for everybody and it is extremely common that
16 all negotiations starts from either price of scrap or the
17 price of raw material because at the end of the day what our
18 customers are telling is us that's two-third of your input
19 costs so it is a significant input on the price.

20 So every negotiation normally starts from there
21 and it then ends up with long-term contract, they could be
22 -- then once the establish the entry point they could be CRU
23 to compete or other index based in order to track the trend
24 or fix or we even had long-term contract that were subject
25 to raw material review after a certain point in time.

1 So after six months or so they are going to track
2 where the raw material were from when we signed the contract
3 and then adjust prices upwards or downwards based on raw
4 materials.

5 COMMISSIONER SCHMIDTLEIN: Okay so let me ask you
6 before my time -- I'm sorry my time is going to run out and
7 I just want to get this question asked so we don't have to
8 go into a third round. If you look at least for me, if you
9 look at Table 3-7 in the staff report -- one question I had
10 if that's true you know that prices generally track raw
11 material prices regardless of where we are -- if we are here
12 or in Europe.

13 When you look at the export AUV's for the U.S.
14 producers they do not change so where you see across
15 2013-2014-2015 U.S. shipment AUV drops but export shipment
16 AUV does not. So why is that, like why that discrepancy?
17 Why wouldn't the price of U.S. exports also be tracking raw
18 materials?

19 MR. DOUGAN: Commissioner Schmidtlein, we can
20 look into this more for post-hearing. My suspicion is given
21 the nature of who the export shipments are by and to whom
22 they go which are you know, if this is a lot of the
23 balancing that they were talking about in that these export
24 shipments are going to related facilities overseas that
25 those are prices that are negotiated between related parties

1 but we can look at this a little bit more. And by the way
2 the product mix could be quite different.

3 COMMISSIONER SCHMIDTLEIN: So you think the
4 prices -- the AUV's that are reported here are not arms'
5 length?

6 MS. MENDOZA: Well I think they are reporting
7 their actual prices what they charged each other. I think
8 all we are saying is --

9 COMMISSIONER SCHMIDTLEIN: It's not the market
10 price.

11 MS. MENDOZA: No, I mean you know it is the same
12 reason that people generally don't treat pricing between
13 related parties as necessarily indicative of market prices
14 but we can look at that more closely. We are not saying
15 that they are not reporting the correct prices it is just
16 that they are reporting prices between related parties.

17 COMMISSIONER SCHMIDTLEIN: Okay, I'm just looking
18 at the staff report to see if we have that information right
19 here but alright I'll come back to that if I can find it,
20 thank you.

21 CHAIRMAN BROADBENT: Commissioner Pinkert?

22 VICE CHAIRMAN PINKERT: Just a couple of
23 follow-up questions concerning that argument that we heard
24 this morning that the domestic industry should have been
25 doing a lot better given the increase in apparent

1 consumption during the period.

2 Just as a technical production matter could the
3 domestic industry have had in 2015 the market share that it
4 had in 2013 at the beginning of the period?

5 MR. DOUGAN: Jim Dougan from UCS. Well on the
6 one hand I would say no given the difficulties that they had
7 with their supply shortages and constraints. On the other
8 hand maybe yes if they had chosen to produce it in their
9 domestic facilities instead of their facilities overseas.

10 VICE CHAIRMAN PINKERT: And my next question
11 relates back to the first question and that is do any of the
12 impacts or effects of the Petition show that the domestic
13 industry could have had the market share in 2015 that it had
14 in 2013? In other words does that help to seal that
15 argument up if you will?

16 MR. DOUGAN: Jim Dougan from UCS. Commissioner
17 Pinkert I'm not sure that we have enough data, a long enough
18 period for the post-Petition effects on the record. We can
19 take a look at this but you know the preliminary duties
20 didn't go into effect until late in 2015. Yes the Petition
21 was filed in June. I'm not sure we saw a great deal of
22 difference in import behavior until a little bit later in
23 the year.

24 Again because of the lead times of ordering the
25 imports so it is not certain. We can look at this a little

1 bit more. We'll try to pull out whatever data we can on the
2 record to answer your question.

3 VICE CHAIRMAN PINKERT: I would ask both the
4 Petitioner's side and the Respondent's side to look at that
5 for the post-hearing and help us to understand whether as a
6 technical production matter the domestic industry could have
7 had in 2015 the market share that they had in 2013 taking
8 into account what we have learned from the effects of the
9 Petition.

10 MR. DOUGAN: The one thing I will mention there
11 though is that any change in the domestic industry's market
12 share between '14 and '15 was attributable to an increase in
13 share by non-subject imports as opposed to -- so the actual
14 market share of subject imports declined and the share of
15 non-subject imports increased. So that would suggest that
16 there is the capability to fulfill that demand purely out of
17 the domestic facilities is not what was claimed.

18 MS. MENDOZA: Julie Mendoza, yeah I mean the same
19 point because if what we are saying is -- if you are just
20 asking, "Did they have nominal, theoretical capacity that
21 they reported to the Commission that they could have used to
22 get to those market share numbers," that's one question.

23 The other question though is could they have
24 supplied the products that were needed by the various end
25 users under the time and exact product and all of that and

1 you know our answer to that is no. Our answer to that is
2 even if you put a dumping order on these subject suppliers,
3 you are going to get non-subject imports coming in and the
4 proof of that is the U.S. producer's own behavior.

5 So I think we need to separate between
6 theoretical capacity and actually being able to produce and
7 sell that merchandise.

8 VICE CHAIRMAN PINKERT: I didn't use the word
9 capacity in my question but you are right to make that
10 distinction because what I am trying to learn from those
11 post-Petition effects is whether as a practical matter the
12 industry could have recovered that market share in 2015 that
13 it had in 2013.

14 So thank you for that clarification and with that
15 I thank the panel and I look forward to the post-hearing
16 submissions.

17 CHAIRMAN BROADBENT: Commissioner Williamson?

18 COMMISSIONER WILLIAMSON: Thank you. Following
19 on a question that Commissioner Pinkert and looking at Slide
20 1 Mr. Dougan looking at Slide 1 of your presentation,
21 particularly the bottom should we say the bottom row there.
22 You show I guess the ratio of the non-subject to subject
23 shift between 4th quarter 2015 and first quarter of 2016 and
24 I was wondering if you could sort of tell us what happened
25 to the domestic production and domestic supply?

1 Since I assume the consumption didn't drop --

2 MR. DOUGAN: Well the answer is we don't know
3 because we don't have their production on a quarterly basis
4 or shipments. We have just the annual numbers. The only
5 thing that we have on a quarterly basis would be the pricing
6 data but the coverage of that isn't enough necessarily to
7 let us know. We may be able to infer something from the
8 half year data.

9 I can take a look but we don't -- because this is
10 available from you know the U.S. import statistics we can
11 actually break it down over time like this but we don't have
12 the same granular level of detail for the U.S. producers.

13 COMMISSIONER WILLIAMSON: Okay well maybe if
14 Petitioners want to also comment on this change and what
15 this knowledge of the domestic sales shipments have to --

16 MR. DOUGAN: We can infer but as I mentioned
17 before the non-subject imports have gained share at the
18 expense of both subject and domestic production in 2015 so I
19 have to imagine the trend is continuing in 2016.

20 COMMISSIONER WILLIAMSON: Okay if you take a look
21 at that and if the Petitioners could also take a look at
22 that question and see if there is anything that we can learn
23 from that. Another thing --

24 MR. SCHOOP: Excuse me.

25 COMMISSIONER WILLIAMSON: Sure.

1 MR. SCHOOP: If I may add something to your
2 question. I don't think necessarily anything happened but I
3 think what we have to realize here is that the U.S. steel
4 buyers and any other steel buyer just have come to final and
5 definite conclusion that they do not want to be dependent on
6 one supply source, that's not just one mill but also one
7 market.

8 They do realize that they are competing with
9 their product on an international basis so it is very good
10 business practice for any U.S. manufacturer, steel consumer
11 to have a diversified portfolio. So what is happening here
12 is the clever purchasing managers that are out there and
13 they are finding alternative sources to keep their portfolio
14 -- their source and portfolio diversified.

15 I think that is what is happening here.

16 COMMISSIONER WILLIAMSON: Okay although I would
17 wonder how you can implement that strategy and the changes
18 that we have seen in the level of imports and all of that --
19 how much does that strategy explain what's going on and
20 particularly what is happening with the pricing?

21 In other words I can see that as a long-term
22 strategy but what we have in here is I think some changes
23 that are a little bit more dramatic than that.

24 MR. SCHOOP: I think the process started as early
25 as 2 years ago that steel buyers were reaching out to start

1 a trial in other origins.

2 COMMISSIONER WILLIAMSON: Just like with the
3 question of shortages and the impact and any evidence you
4 can produce to document that that's what is going on would
5 be useful post-hearing, okay.

6 I had another question about and this goes to the
7 Respondent's arguments about what the domestic producers are
8 doing in terms of their trade with Canada. Now in
9 post-hearing if you take a look at the U.S. exports and
10 imports from Canada and this also I am asking Petitioners to
11 do this and tell me whether or not looking at those volumes
12 does this support -- do those numbers support more the
13 Petitioner's argument that this is sort of like -- this is
14 the North American free trade market and you know people
15 are trading back and forth across the border or does this
16 support the Respondent's argument that basically the
17 domestic producers are hurting themselves by bringing in
18 these things from Canada?

19 MR. DOUGAN: Commissioner Williamson we will look
20 at that and our point is you know they are making this in
21 their minds and in the perfectly rational decisions to trade
22 in this way but our issue with that argument -- we don't
23 have an issue with that argument per se. The point is if
24 your domestic capacity is under-utilized and you are
25 claiming that you are under-performing overall as a result

1 of that and you have to close facilities, and laying people
2 off -- why does this balancing -- why does this normal
3 business practice not include shifting more of that balance
4 to your U.S. facilities?

5 COMMISSIONER WILLIAMSON: Well that's why I want
6 you to take a look at that exports as well as the imports.
7 And also take and Commissioner Schmidlein's question about
8 Table 3-7 may also want to pull that in too to see what.

9 MR. DOUGAN: We'll look at them.

10 COMMISSIONER WILLIAMSON: Good thank you, that's
11 all of the questions that I have and I want to thank the
12 witnesses for their testimony.

13 CHAIRMAN BROADBENT: Commissioner Johanson?

14 COMMISSIONER JOHANSON: Thank you Chairman
15 Broadbent, I have a question for the -- actually two
16 questions for the Chinese Respondents for Mr. Neeley and
17 Miss Morgan. On page 79 of the staff report it is reported
18 that the U.S. market fell from being the second largest
19 destination of Chinese exports in 2014 to the 7th largest in
20 2015. And this data is public and once again it can be
21 found in Table 7-5 -- what are the reasons for this decline?
22 Is this the result of post-Petition effects?

23 MR. NEELEY: I'd say that and then we can address
24 this perhaps in more detail when I get some more detailed
25 data in front of me -- this is Jeff Neeley. A couple of

1 things come to mind. First of all there was a decline
2 before the Petition that preceded the Petition so when
3 things that were going on in a decline I think even before
4 then which was a result of some of the problems kind of
5 receding and the need for Chinese materials not being there
6 as they had been before.

7 And at the very end of 2015 certainly there was
8 in effect the Petition there was no doubt about that but I
9 think it is both but primarily the first. It was declines
10 that had nothing to do with the Petition.

11 COMMISSIONER JOHANSON: And I don't know the
12 answer to this publicly but what were some of the factors
13 leading to the declines?

14 MR. NEELEY: Well I think it was the things that
15 we have been talking about pretty much all day. It was
16 really one of the reasons for the inquiries in 2014 and the
17 reasons for the inquiries in 2014 that led over into 2015
18 had to do with problems in the U.S. industry and then stuff
19 is in the pipeline -- people are still concerned that they
20 might not be able to get supplies so it doesn't stop
21 immediately.

22 And then after a time they realize you know maybe
23 it's not such a big problem and things start to decline.

24 COMMISSIONER JOHANSON: Such as the weather, et
25 cetera?

1 MR. NEELEY: Yeah the weather, the collapse of
2 the roof and things of that sort, yes.

3 COMMISSIONER JOHANSON: Okay thank you. Another
4 question for the Chinese Respondents -- on page 211 of the
5 staff report an importer of Chinese steel pointed to
6 difficulties that Chinese producers were having with
7 ultra-high strength steel production. Does this mean that
8 there is less competition from China in this market segment?

9 MR. NEELEY: In the United States --

10 COMMISSIONER JOHANSON: Yes.

11 MR. NEELEY: The competition for that product at
12 all.

13 COMMISSOINER JOHANSON: None at all?

14 MR. NEELEY: There might be a very little now
15 that I think about it, perhaps from one Chinese company but
16 it is very, very small.

17 COMMISSIONER JOHANSON: Okay. Thank you that
18 completes my questions and I would like to thank all of the
19 witnesses and the counsel for being here today.

20 CHAIRMAN BROADBENT: Commissioner Schmidtlein?

21 COMMISSOINER SCHMIDTLEIN: I don't really have
22 any further questions. We will follow-up with a written
23 question about the exports and similar to what Commissioner
24 Williamson said and who those exports are going to. I did
25 have -- I am curious as to why the parties are exporting to

1 affiliates, what is sort of an induced product? CORE is an
2 induced product so you are saying they exported it to their
3 affiliate to then sell?

4 But -- anyway we will follow-up in writing and I
5 would just like to thank all of the witnesses for being here
6 today.

7 CHAIRMAN BROADBENT: Okay I just had a couple of
8 extra questions here. Mr. Cameron we get the argument a lot
9 that imports increase because of supply issues and sometimes
10 the Commission agrees, sometimes they don't -- if the supply
11 shortages were caused by the weather did this adversely
12 affect purchasers' demand as well?

13 MR. CAMERON: It depended on where the purchases
14 were because there was purchaser demand that was effective
15 -- there is evidence I believe on direct for that in the
16 purchaser questionnaires and there also was testimony I
17 believe at the cold-rolled hearing about that. I mean that
18 it was not a coincidence that there was actually a decline
19 in GDP I believe that was hit -- I don't remember what it
20 was, we didn't get that.

21 CHAIRMAN BROADBENT: Okay and in that vein what
22 is your response to the fact that the industry's capacity
23 utilization was at 75%? I know we had collapsing roofs and
24 frozen lakes and stuff but there must have been other
25 facilities in the country where some of this steel could

1 have been supplied from?

2 MS. MENDOZA: Julie Mendoza, one comment I would
3 make is just you know it is pretty clear that the U.S.
4 producers are reporting nominal or theoretical capacity. I
5 mean they are reporting the capacity that exists for that
6 facility because it is obviously not being changed based on
7 any of these factors right?

8 I mean they are not reducing their capacity in
9 line with the issues that we have identified and talked
10 about -- you know all of the taking things off and all of
11 that. Because if you look at capacity reported it is
12 absolutely flat across the period. So I think one of our
13 explanations for the capacity utilization levels is that. I
14 mean we have seen that in a lot of the steel cases that you
15 know it is really nominal or theoretical capacity and the
16 industry very rarely reaches those levels.

17 So -- and if you are not adjusting it for any
18 kinds of production problems or shut-downs or idling or
19 anything like that then it is all going to show up as
20 reduced capacity utilization.

21 MR. GURLEY: This is John Gurley I would just
22 like to add that you know it also could depend on the nature
23 of the company and the consumer industry that they serve.

24 For example we are in the thin gauges we have said like a
25 thousand times and we would look at those companies more

1 closely to see how they are doing as opposed to somebody who
2 is making automotive steel which we are not doing.

3 CHAIRMAN BROADBENT: Okay alright and then my
4 final question for Mr. Dougan is the iron ore market subject
5 to global prices or more regional prices? I was just trying
6 to reconcile the difference between the published iron ore
7 prices in your slide 2. I mean we have got a figure 5-1 I
8 think that I was looking at that was confusing to me.

9 MR. DOUGAN: Madam Chair so are you asking about
10 the data at 5-1?

11 CHAIRMAN BROADBENT: I'm sorry my question is --

12 MR. DOUGAN: We could sort of all blur them
13 together but I believe you asked a similar question on
14 Tuesday so I think we will take a look, we have been
15 investigating a similar question there. I think the data
16 that are in the staff report are based on producer price
17 indexes and our data is CRU or SUB plat -- something like
18 that.

19 CHAIRMAN BROADBENT: Okay.

20 MR. DOUGAN: So we will provide an answer to you
21 as to any divergences that might exist there, we'll let you
22 know.

23 CHAIRMAN BROADBENT: Okay great. Okay and with
24 that --

25 MR. CAMERON: Madam Chairman may I just --

1 Commissioner Johanson had asked a question about
2 high-strength steel and I just wanted to -- about China, and
3 I would refer the Commissioner to page 4-30 where again it
4 breaks down the commercial shipments of AHS as 490 and 1180
5 and it shows the tonnage from China which is not -- it's not
6 commercially significant.

7 And actually Korea is the only one that is really
8 significant in that. That also shows where it says Taiwan
9 and Korea are the only significant importers of Galvalume
10 that charge is very interesting because it goes to a lot of
11 these questions about how every factory -- every bit of
12 capacity is not identical to every other bit of capacity and
13 we will expand in our post-hearing brief.

14 MR. NEELEY: Thank you Don that was exactly the
15 chart I was thinking of that I couldn't put my fingers on.

16 MR. CAMERON: You're welcome, you owe me.

17 COMMISSIONER JOHANSON: Alright thanks for your
18 response Mr. Cameron.

19 CHAIRMAN BROADBENT: Okay with that we will come
20 to closing statements. Petitioners have 3 minutes from
21 direct and 5 for closing for a total of 8 minutes and
22 Respondents have 4 minutes from direct and 5 for closing for
23 a total of 9 minutes -- oh yeah excuse me -- does staff have
24 any questions?

25 MR. CORKRAN: Douglas Corkran, Office of

1 Investigations, thank you Madam Chairman staff has no
2 additional questions.

3 CHAIRMAN BROADBENT: Okay --

4 MR. SCHAGRIN: No, we have no questions either.

5 CHAIRMAN BROADBENT: Good, alright so Respondents
6 have 4 minutes from direct and 5 from closing for a total of
7 9 minutes. As is our custom we will combine those. You
8 don't have to take all of your time. We will start with the
9 Petitioners and you can begin when you are ready.

10 MR. BRIGHTBILL: Thank you Commissioners and
11 staff.

12 MS. BELLAMY: Will the room please come to order?

13 CLOSING REMARKS OF TIMOTHY C. BRIGHTBILL

14 MR. BRIGHTBILL: Thank you Commissioners and
15 staff. We really appreciate your time over these last two
16 hearings. Just to dig right in with regard to -- in
17 response to Hyundai on Korea -- AK testified that they have
18 lost volume with the Korean automakers to imports of
19 corrosion-resistant steel from Korea and they were told that
20 the issue was price.

21 Hyundai said just now that AK Steel has no high
22 strength steel or advanced high strength capability at this
23 time. It is factually incorrect -- you can look at AK
24 Steel's annual report from last year which says we currently
25 produce virtually every grade of coated advanced

1 high-strength steel used today. They are developing the
2 next generation of advanced high strength steels to provide
3 even greater strength and formability.

4 I want to touch on supply disruptions as explored
5 by Chairman Broadbent and Commissioner Schmidtlein. The
6 anecdotal evidence that you heard about supply disruptions
7 cannot possibly explain the surge of subject imports. The
8 figures do not add up and you properly ask even if there
9 were disruptions did they continue into 2015?

10 All steel mills have down time and occasional
11 outages which they plan for but what they don't have and
12 can't have is capacity utilization of 75% as you found.
13 That is material injury it is a 6 million ton gap between
14 capacity and production. It is a real gap and that is
15 material injury.

16 With regard to underselling -- Commissioner
17 Schmidtlein again said, "If you have supply disruptions why
18 is there underselling in the market?" Miss Mendoza said,
19 "Well it's not really underselling -- it's really not that
20 significant". You found underselling of 61% by quarters,
21 72% by volume, that is very significant, that is material.

22 You asked about Galv prices in China. Prices in
23 China are the lowest in the world for hot-dipped galvanized.
24 May, 2016 China -- 505 metric dollars per metric ton -- the
25 next lowest is Taiwan that is why traders are scouting out

1 the market and lining up deals based on the outcome of these
2 investigations.

3 Also I would like to refer you now to slides 5
4 and 6 from Respondent's economist. Those slides make our
5 case very well. Slide 5 gets to the point they make the
6 point that the domestic industry's performance was good or
7 better than in the previous 7 years -- that is wrong. We
8 are not doing quite well compared to historically and what
9 Respondent's chart is missing on slide 5 is consumption of
10 corrosion-resistant steel.

11 They didn't include domestic consumption for each
12 of these years and in fact consumption in 2014 and 2015
13 is 2 million tons greater than for the period 2006-2012 so
14 we will modify that chart and submit it in the post-hearing.

15 Our performance is the same even though
16 consumption is up 2 million tons. So we are not doing well
17 and the only difference is the dumped and subsidized subject
18 imports in the market.

19 Last I just want to emphasize this is a material
20 injury case, not just a threat case. The volume and the
21 price effects are unmistakable and we are very comfortable
22 with the numbers that you and your staff developed and the
23 materiality. The lost market share is equal to about 1
24 million tons of sales or more, lost in 2014 and again in 2015
25 -- that's \$2 billion or more in lost sales revenues, we had a

1 200 per ton price decline during a period of record demand
2 that is material injury. I'll let Roger take us home.

3 CLOSING REMARKS OF ROGER B. SCHAGRIN

4 MR. SCHAGRIN: Thank you. First let me also
5 thank you for your patience. You have had two long days of
6 hearings, you have had a lot of different industry witnesses
7 and you had mostly the same lawyers and we know that lawyers
8 are annoying and none more so than myself, so really thank
9 you for your patience.

10 So looking at Respondent's slide 6 -- they really
11 make our business cycle case. You know what they show you
12 is taking in three time periods -- from '06 to '08 what was
13 happening -- consumption was increasing. Profit margins
14 increased significantly -- it's a big leap from 2.8 to 4.2.
15 From '09 to '11 what's happening? Consumption is
16 increasing. The industry goes from losses to profits. From
17 '13 to '15 what's happening? Consumption is increasing but
18 there is no change in the domestic industry performance,
19 why?

20 Did we bring cases in these other periods? No.
21 We brought cases now because this period of rising
22 consumption was not accompanied by increased profitability
23 or better domestic health and it is all because of unfairly
24 traded imports. So you know it really made our business
25 cycle argument. We didn't do better in this business cycle

1 while it was improving that's why we filed cases.

2 If you look at the business cycle as Tim said,
3 look at the volume effect. Between '13 and '15 the U.S.
4 industry lost 6 and points of market share and virtually
5 all of it was to subject imports -- very little market share
6 loss with the non-subject imports.

7 So what's their answer -- well our volume is only
8 increasing because we are selling products not made in the
9 United States like light-gauged galvanized and light-gauged
10 Galvalume. Well I hate to tell you that is Steel Dynamic's
11 specialty. They make light gauged every day. They are not
12 only the best in the United States, they are the best in the
13 world.

14 I'll guarantee they are the lowest cost producer
15 of Galvalume in the world. And as Mr. Teets testified to
16 earlier today in 2014 and the first half of 2015 they were
17 getting killed on Galvalume and we will show you that in our
18 post-hearing brief. As just as Vice Chairman Pinkert asked,
19 he said, "So as these imports were leaving the market was
20 the industry able to regain the market share?"

21 Well we are going to show you that in the first
22 quarter '16 not only were we gaining the market share in
23 Galvalume but our share in the market for all galvanized
24 with the steep production imports and increase in domestic
25 shipments is similar to 2013 so this industry has got the

1 capacity, we don't have production outage problems, we can
2 serve this market.

3 Finally let's look at profits. 9 out of 17
4 producers in this industry lost money in 2015. There were
5 net losses and the statute requires you to take them into
6 account. Cash flow is barely sufficient to cover debt
7 service. Unfortunately we have seen this move before in the
8 late '90's during the Asian financial crisis when demand was
9 booming the industry had to wait to file cases and missed
10 out on the boom.

11 Finally when relief came it was too late and in
12 2001 a lot of companies went bankrupt. We ask you today in
13 the period of strongest demand we haven't been able to take
14 advantage -- don't let Fairfield, Alabama, Granite City,
15 Illinois, Ashville, Kentucky become like Weirton and
16 Wheeling, West Virginia. You want to cry when you walk down
17 those main streets and you see every storefront and former
18 bar and restaurant is boarded up.

19 You have the power to restore health to this
20 industry and let them use this strong U.S. market. We ask
21 you to make an affirmative injury determination thank you.

22 CLOSING REMARKS OF R. WILL PLANERT

23 MR. PLANERT: Thank you Madam Chairman. We will
24 not be taking our full 9 minutes you will be happy to hear.
25 I am going to make a few remarks and then John Gurley has a

1 couple of things he wants to say.

2 I think it's clear from looking at the record in
3 this case that Petitioner's case is purely a volume case.
4 The price case when you look at the COGS to sales ratio both
5 the trends over the period and then putting those trends
6 into historic context as we did in our exhibit really don't
7 support the case for price suppression at all. They suggest
8 if anything that the COGS to sales ratio during the three
9 years of this investigation improved and was the best over
10 the last decade.

11 While the prices have moved down they have moved
12 down commensurate with raw materials costs, we think the
13 record is strong on that I won't belabor that a lot. So the
14 case really comes down to a volume case and the problem is
15 they kind of want to have it -- they don't kind of want to
16 have it -- they want to have it both ways.

17 They want on the one hand you want to believe
18 that you know the million tons of increase over the period
19 -- every one of those tons could have and should have gone
20 to them but for one thing and that's you know the supposed
21 unfair trading of the imports and but for that they should
22 have had all of that.

23 When it comes to their own imports though now
24 it's like well you know we have to optimize our footprint --
25 well what they are telling you and they are right about this

1 is you know we aren't necessarily able to supply every
2 customer or every region or every product out of our
3 domestic facilities. Either we can supply it or we can't
4 so it optimally and so we are bringing in imports to fill in
5 some of those gaps.

6 And that's probably correct and that probably
7 makes sense but that's also the explanation that we have
8 tried to give for why subject imports increased -- whether
9 it was shortages due to weather, whether it was you know
10 specific sectors of the industry for example Galvalume --
11 neither the products nor the capacity is fungible -- is
12 fully fungible.

13 So if there is a shortage in a particular period
14 of time of Galvalume on the west coast the fact that there
15 is a manufacturer in Alabama who has got a lot of excess
16 capacity for automotive that doesn't mean that they can
17 supply that need and so you know our explanation for the
18 increase in imports has not been that it's all supply
19 shortages you know, we have talked about the sectors that we
20 are selling into whether it is Galvalume, whether it is
21 specific parts of the automotive sector for the transplants
22 in the case of the Koreans and the domestic industry -- you
23 see the accurate -- the correctness of that when you see
24 that the domestic producers have done the same thing.

25 They have brought in really significant volumes

1 of imports during this very period where they are pounding
2 the table and they say they have all this unused capacity.
3 Well the question that was asked earlier stands -- if that's
4 the case and if this is all fungible why aren't you filling
5 those orders for that capacity and we think that's a fair
6 question.

7 Whether or not they are also exporting -- if they
8 are exporting that's fine but it doesn't answer the question
9 why wasn't some of this demand from the specific imports
10 being filled from their own mills and the answer they gave
11 you is translated, "Well we really couldn't do that -- at
12 least not officially."

13 Finally on the question of impact and profits I
14 think we stand by the charts that we have put in. We think
15 that looking at the industry's performance over a 10 year
16 period is very relevant and puts into context the argument
17 we should have done better. That's a period of time that
18 captures periods of increasing consumption, it captures down
19 periods, it captures periods where there was trade relief,
20 at least to some imports.

21 And what it shows we believe fairly read is that
22 the domestic industry's performance over this time and even
23 in 2015 was well within normal historic parameters and is
24 not indicative of injury. And with that I will turn it over
25 to John.

1 CLOSING REMARKS OF JOHN M. GURLEY

2 MR. GURLEY: As the bell tolls I'll try to finish
3 up. I just want to make a few comments on our continuing
4 plea to have India decumulated for purposes of threat and
5 I'll just point out some things that I have said before and
6 maybe a couple of new ones just to keep you excited.

7 One is as you know India has kept a consistent
8 market share since 2013 to '15 and questionnaire data works
9 from the projection that they are going to have declines in
10 2016 and 2017. I think it was made abundantly clear today
11 that India is not playing any significant role at all in the
12 automotive sector so we are completely out of that part.

13 We talked a lot about India being in the niche
14 market where we are selling to the ultra-light or the
15 lighten gauge segments of the market and we heard Roger talk
16 a lot about steel dynamics and they do make this light and
17 we agree with that.

18 And to the extent this competition in the
19 Americas is probably with Steel Dynamics but not all
20 companies are like Steel Dynamics and make a real focused
21 effort to make light gauge. Some of them theoretically
22 could but most of them like to make the heavy gauge and I
23 think the record reflects that.

24 And then I want to talk a little bit about what
25 makes India unique by itself. And India I'm not saying it's

1 like China because that seems to be a bad thing to be these
2 days in a trade case, but India is a booming economy it is
3 projected to have 7 to 8% increase in GDP in the next two or
4 three years.

5 The questionnaire data confirm that the vast,
6 vast majority of shipments stay in the home market and that
7 is expected to increase and questionnaire data shows that
8 would be precisely because the Indian market continues to be
9 booming. Then I would like to bring up the awkward fact
10 that they did impose some trade restraints in India.

11 They imposed import prices and safeguard -- again
12 I am not going to praise or say anything nice about import
13 restraints -- I think that's against the law but what I will
14 say is it is a condition of competition in the Indian market
15 and that already they were not focusing on the U.S. market
16 and now with increasing Indian demand and increasing GDP
17 they have an added incentive to stay in the Indian market
18 because of the trade restraints obviously.

19 And the last thing that they brought up the
20 example that prices in China are the lowest in the world. I
21 don't want to comment whether that is true or false and
22 frankly I don't care. All I really care about is what
23 prices are for my argument, what they are in India and the
24 prices in India have been good and they have gotten better
25 since the imposition of the trade -- but also because of the

1 worldwide increase that you saw on the many charts where it
2 is talking about the price in Italy, et cetera. It is a
3 worldwide phenomenon.

4 It's a good time to be a producer of the
5 galvanized steel in India. And then I want you to just --
6 even though I rarely try to brag about dumping duties but
7 yesterday the Department of Commerce found dumping duties of
8 India 3 to 4% for their companies and as you all know when
9 you calculate dumping duties it is a comparison of whole
10 market prices to U.S. prices right?

11 So what the Department of Commerce told us
12 yesterday is that your whole market prices are 3 to 4%
13 higher than your U.S. prices so when they talk about how
14 attractive the U.S. market is I want you to think about what
15 the Department of Commerce just did. They told us well okay
16 your prices in the U.S. are in fact lower than your Indian
17 prices.

18 And with that final note I would like to say
19 thank you for your attention and I hope you guys can get
20 some sleep.

21 CHAIRMAN BROADBENT: Thank you and again I want
22 to express the Commission's appreciation to everyone who
23 participated in today's hearing. Your closing statements,
24 post-hearing briefs, statements responsive to questions and
25 requests of the Commission and corrections to the transcript

1 must be filed by June 3, 2016. Closing of the record and
2 final release of data to the parties will be on June 17,
3 2016. Final comments are due on June 21, 2016 and with that
4 this hearing is adjourned.

5 (Whereupon the meeting was adjourned at 6:05
6 p.m.)

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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: 5-26-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 5-26-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Gregory Johnson
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine
Signature of Court Reporter