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 (FINAL) 

REVISED AND CORRECTED 

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) Investigation Nos.: 701-TA-534-538 AND 731-TA-1274-1278 (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.
APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

Chairman Meredith M. Broadbent (presiding)
Vice Chairman Dean A. Pinkert
Commissioner Irving A. Williamson
Commissioner David S. Johanson
Commissioner F. Scott Kieff
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Peter Sultan, Attorney/Advisor
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Congressional Appearances:
The Honorable Joe Donnelly, United States Senator, Indiana
The Honorable Peter J. Visclosky, U.S. Representative, 1st District, Indiana
The Honorable Patrick J. Tiberi, U.S. Representative, 12th District, Ohio
The Honorable Richard M. Nolan, U.S. Representative, 8th District, Minnesota

Opening Remarks:
Petitioners (Paul C. Rosenthal, Kelley Drye & Warren LLP)
Respondents (Julie C. Mendoza, Morris Manning & Martin LLP)

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Steel Dynamics, Inc. ("SDI")
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   Barry Schneider, Senior Vice President of Flat Rolled Products, SDI
   John Walburg, Manager, Marketing and Sales
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on behalf of

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Leo Gerard, International President, United Steelworkers

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Robert Y. Kopf, General Manager, Revenue Management,
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Hyundai Steel Co., Ltd.
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(collectively "Korean Producers")
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Curtis Eward, Staff Economist, Economic Consulting Services, LLC
Donald B. Cameron, R. Will Planert, Julie C. Mendoza and Mary S. Hodgins - Of Counsel
Morris Manning & Martin LLP
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Acciaieria Arvedi S.p.A.
Federacciai Federation of Italian Companies
(collectively "Italian Producers")
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Livia Schizzerotto, General Counsel Finarvedi SpA
Alessandro Geroldi, Export Area Manager, Acciaieria Arvedi S.p.A
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Curtis Eward, Staff Economist, Economic Consulting Services, LLC
Julie C. Mendoza, Donald B. Cameron, R. Will Planert and Mary S. Hodgins - Of Counsel

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on behalf of
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Donald B. Cameron - Of Counsel

Arent Fox
Washington, DC
on behalf of
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Uttam Galva Steels Limited
Uttam Galva North America, Inc.
(collectively "Indian Respondents")
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Daniel Bain, Chief Financial Officer, Uttam Galva North America, Inc.
John M. Gurley and Nancy A. Noonan - Of Counsel
Rebuttal/Closing Remarks:

Petitioners (Roger B. Schagrin, Schagrin Associates and Timothy C. Brightbill, Wiley Rein LLP)

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

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

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

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

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

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

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

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

And with that, I look forward to learning more
about these products today.

Madam Secretary, are there any preliminary matters?

MS. BARTON: No, Madam Chairman.

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

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

CHAIRMAN BROADBENT: Welcome, Senator Donnelly.

STATEMENT OF SENATOR JOE DONNELLY

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

I believe this investigation provides a key opportunity to ensure a fair marketplace for our domestic producers of steel. To achieve this goal, we must hold those who use illegal trade practices accountable, especially in three major trade cases before you this year concerning hot-rolled, cold-rolled, and corrosion resistant or CORE steel products.
As we all know, the domestic steel industry is in the midst of the worst crisis in nearly two decades. My state has been devastatingly impacted by what has occurred. I have families all over our state who are out of work and who are wondering what their future will be, not because they did anything wrong, not because they didn't work hard, not because their company didn't invest, but because other companies in other parts of the world didn't follow the rules and Hoosiers, folks from Indiana are out of work today because of that.

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

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

CORE production, like hot-rolled and cold-rolled steel is central to the success of domestic steel companies and to the 24,000 friends and neighbors from my home state who are directly employed by this industry. My state accounts for one quarter of all domestic steel capacity and produces a complete variety of steel products including CORE and hot-rolled and cold-rolled. We have plants in large cities like Gary, Indiana where generations of steel-worker
families have produced steel for more than a century. We have plants in towns like Butler and Crawfordsville, where small businesses throughout the community rely heavily on the successes of their local plant. And all they want is to be treated fairly.

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

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

Leaders in the steel industry then also have to remove their focus from innovation and growth and investment in the future to make their plants more and more efficient, more and more competitive. Instead, they have to direct
their resources toward preventing others from refusing to
compete by the agreed-upon rules.

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

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

Strong trade policies strengthen these
communities and strengthens our country. We talk about the
loss of the middle class. The hollowing of the middle
class. That's what these jobs are. This ensures good
employment for workers and it helps maintain a level playing
field to foster the kind of competition that leads to robust
markets. It should be a shared goal of all nations to
participate in such a marketplace. But it only works if
everyone plays by the same rules.

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

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

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

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

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

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

Thank you very much.

CHAIRMAN BROADBENT: Thank you, Senator Donnelly. Are there any questions?

(No response.)

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

MS. BARTON: The Honorable Peter J. Visclosky,
United States Representative, First District, Indiana.

CHAIRMAN BROADBENT: Welcome, Mr. Visclosky.

STATEMENT OF REPRESENTATIVE PETER J. VISCLOSKY

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

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

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

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

Set three of the photographs is illustrative that no one else on the planet earth makes a ton of steel more
efficiently than the domestic industry, 1.9 hours per ton. The problem that we face as a nation is that there are 600 million tons of excess steel aching to go somewhere that people use to export their unemployment to the United States of America.

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

CHAIRMAN BROADBENT: Any questions?

(No response.)

CHAIRMAN BROADBENT: You may go. Thank you.

REPRESENTATIVE VISCLOSKY: Thank you very much.

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

CHAIRMAN BROADBENT: Welcome, Congressman Nolan.

STATEMENT OF REPRESENTATIVE RICHARD M. NOLAN

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

CHAIRMAN BROADBENT: I understand that.

REPRESENTATIVE NOLAN: But I do want to thank the Commission for the work that you've done. I've had a number of meetings with the White House regarding this subject and
they have been converts to our cause because they recognize how vital mining and steel are to our national economy and to our national security. The present chief of staff, Denis McDonough, tells me that there's not a day go by that they don't look for one or another of the ways to level this playing field so that it's fair. Because as Mr. Visclosky and others have said, we can compete with anyone in the world on a level playing field. And that's what these tariffs and taxes are all about. And the work of this Commission has been exceptional in that regard and it's providing great hope for us.

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

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

So thank you very much and I ask unanimous
consent to submit my testimony for the record and if you
have any questions I'd be glad to take them.

If, not, thank you all very much.

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

[PAUSE]

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

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

CHAIRMAN BROADBENT: Welcome.

OPENING REMARKS OF PAUL C. ROSENTHAL

MR. ROSENTHAL: Thank you.

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

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

How much injury is being suffered by the domestic industry producing corrosion-resistant steel, also known as CORE? The answer unfortunately is that there are no
unscathed bystanders in the havoc caused by imports of
dumped and subsidized steel in the United States.

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

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

How is it possible to take so much volume and so
much market share in such a short period of time through
dumped and subsidized low pricing? Respondents' attempts to
justify their market share or grab are reminiscent of former
California Senator S.I. Hayakawa's remarks when he made when
he was debating the Panama Canal treaties in the late '70s
and objected to returning sovereignty to Panama and he said,
"It is ours, we should keep it. We stole it fair and
square." Well, that's exactly the approach taken by the
Respondents in this case. If you doubt that low, unfair
pricing is the way that subject imports increased their
sales volume, and if you doubt that competition with
low-import prices caused domestic producers to lower their
own prices to stop the hemorrhaging of their sales, take a
look at your staff report. It shows widespread underselling
by the subject imports and also establishes the primacy of
price in purchasing decisions.

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

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

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

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

Not surprising, the impact of the price
underselling has been tremendous loss of revenues. In 2015
surging imports cost the industry $2 billion, that's the $2
billion number in sales -- in net sales. That is lost
revenue for just one year. Remember this is the year when
demand was growing and revenues should have increased in
this capital-intensive industry. No wonder the value
industry assets declined by two billion dollars, another $2 billion
figure. These declines represent current material injury,
not threat, current injury.

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

Respondents will want you to focus on some other
percentages. They'll want you to stay away from net
profits, but this is exactly the kind of situation that the
Congress urged the Commission to examine closely when it
directed you to examine injury in the context of the
business cycle and to understand that an industry can be
injured even when it's not suffering actual losses.
We heard a couple days ago Respondents in the cold-rolled cases denied the existence of lost sales, tried to ignore extensive underselling, pretend that import volume surge had not come at the expense of domestic industry and suggest that the financial performance of the domestic producers did not manifest injury.

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

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

Thank you.

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

OPENING REMARKS OF JULIE C. MENDOZA

MS. MENDOZA: Good morning. My name is Julie Mendoza and I'm appearing on behalf of Respondents. Let me state at the outset that no case that comes before the Commission is simple, easy, and can be summed up in two slides. So let's look at the evidence.
The Commission found in the preliminary that there was a quote, "reasonable indication" end quote, of threat of injury in light of the downturns of the U.S. industry performance in the first quarter of 2015. So now we have the data for full year 2015 and it turns out that the Respondents' predictive powers were much more accurate than those of the domestic industry. Full year 2015 turned out to be just as strong for the industry as full year 2014. Operating profits levels ratios were identical.

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

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

The important point is that the COGS to sales ratio improved in 2015 for the industry. In fact, the industry experienced its best COGS to sales ratio in 2015 in
a decade. Again, the figures are in Exhibit 15.

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

We're not talking about supply shortages just in the winter of 2014, we're talking about supply problems reported by U.S. purchasers and we're talking about shutdowns, idling of capacity reported not only to the Commission but also in earnings calls by the U.S. producers. Nucor even -- even reported that they had actually benefitted from the reductions in capacity of U.S. steel.

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

So it's not just about the winter of 2014, but that experience certainly set off bells for purchasers,
warning bells. The subsequent issues just confirmed the potential danger. As Ford said in their brief, the U.S. industry has consolidated. So Ford is more vulnerable to supply problems by U.S. producers.

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

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

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

When we say that there was supply problems, we're not referring to the absolute capacity of the U.S. producers. We mean having the right product at the right time in the right place to meet the requirements of the specific customers. That is what we as Americans expect.
American companies demand it because they're competing too
in their markets. When U.S. producers can't do that,
purchasers look for alternatives. Dumping cases can't
change that and we're seeing increasing imports from
nonsubject countries, even sources that are not controlled
by the U.S. industry.

Thank you.

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

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

STATEMENT OF STEPHEN VAUGHN

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

First, demand was very strong in '14 and '15.

Second, U.S. Mills could not take advantage of this demand
due to soaring imports from mills that engaged in unfair
trade. Third, after two years of strong demand the Domestic
Industry had fewer sales, lower revenues and falling
profits; facts that can only be explained by the surge in
dumped and subsidized imports.

Finally, Domestic Producers remain extremely
vulnerable and failure to grant relief will lead to devastating injury. The record of evidence with respect to each of these points is overwhelming. Let's start with the volume of Subject Imports. From '13 to '14, apparent U.S. Consumption grew by roughly 2 million tons. That fact is absolutely critical to this case. Our witnesses will tell you how important it is for U.S. Mills to take advantage of this type of strong demand. But they could not do so here. In 2014, consumption grew 10.2%. Domestic production barely increased at all while Subject Imports grew by more than 84%. Because of this surge, the difference between the increase in Subject Imports and the increase in domestic shipments was 812 thousand tons. Our witnesses will tell you that those 812 thousand tons of sales could have been made by domestic mills. The lost sales that you see on this chart represent material injury to the Domestic Industry.

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

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

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

Next, price effects. The law requires you to consider underselling. Here, the record shows that Subject Imports regularly and repeatedly undersold the domestic-like product. This chart shows the data for the underselling that was made public in the staff report. You can see an analysis of the full record in our brief. To fully appreciate the harm caused by Subject Imports, please pay
close attention to the chronology. This chart shows '13 and '14. U.S. Pricing Data is taken from a weighted average of the spot prices for the three prices where all the data was made public.

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

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

Now, let's consider impact. Let's start with the lost volume. If Subject Imports had simply remained constant, if U.S. Mills could have maintained their 2013
market share in both '14 and '15 then the Domestic Industry would have sold an additional 2.7 million tons of corrosion resistant steel. Even if you assume that prices would have been the same, and we are certain pricing our have been more favorable in the absence of unfair trade, those lost sales would have been worth almost 2.3 billion dollars in revenues to the Domestic Industry.

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

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

We believe that the evidence on present material injury is compelling and therefore we don't think the Commission needs to reach the issue of threat. If you do, Petitioner's briefs contain extensive evidence detailing why
in the absence of trade relief, Subject Imports would rapidly return to this market. I won't go through all of that evidence but I do want to highlight three facts, none of which is in dispute.

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

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

And now we turn to our first company witness, Mr.
Longhi of U.S. Steel.

STATEMENT OF MARIO LONGHI

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

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

In fact, 2015 was a record year for auto sales with U.S. light-vehicle sales of nearly 17.5 million units, construction spending also saw robust growth, increasing by
double digits from 2013 to 2015. In addition, demand for
appliances was healthy and reached levels not seen since
before the financial crisis. This should have been a golden
opportunity for us to break free of the abysmal demand
conditions caused by the financial crisis.

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

This flood of imports took substantial amounts of
sales and market share from us and other Domestic Producers.
The imports also dramatically drove down prices for
corrosion resistant steel resulting in a direct hit to our
bottom line. The data you collected shows that the Domestic
Industry as a whole had an operating margin of just 3.7%
both in 2014 and 2015. More than half of the Domestic
Producers reported operating at a net loss in 2015. At the
risk of stating the obvious, these results do not even come
close to representing a sufficient return for a
capital-intensive industry like ours.

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

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

Of course, the impact of unfair trade in finished
products is felt throughout our operations, as shown by the
permanent shutdown of the blast furnace at Fairfield at the
coke-making operations at our Granite City Works and Gary
Works facilities. Additionally, we've had prolonged
shutdowns or reduced production at a number of our other
operations, including the blast furnaces at each of our four
steel-making plants.

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

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

Let me end by saying that we do see light at the
end of the tunnel. Through the United States Steel's
Carnegie Way Initiative, we are doing the right things to
improve innovation, improve education and productivity and
efficiency. Our workers have made incredible progress and
sacrifices in the face of extremely difficult and often
unfair circumstances. The Administration and Congress have
taken meaningful steps to highlight the crisis facing this industry and to ensure that our laws are adequate to deal with a clear and present threat from unfair trade.

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

STATEMENT OF JIM BASKE

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

As you are well aware, ArcelorMittal U.S.A has joined with other major U.S. Steel Producers to file petitions against unfair trade across a range of flat-rolled products. We did so out of necessity because the dramatic
A surge in steel imports in 2014 and 2015 created a crisis in the American Steel Industry. Importers captured 29% of the U.S. Market for finished steel in 2015. The imports' surge attributable to massive overcapacity in steelmaking around the world has put the sustainability of our business and the livelihood of our workers at risk.

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

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

In early 2014, ArcelorMittal U.S.A. completed the purchase of Thyssen Krupp's flat-rolled facility in Calvert, Alabama as part of a joint venture with Nippon Steel and
Sumitomo Metals Corporation. The mill provides us with an excellent platform to serve our customer base. Just as we were making this investment in Calvert, imports of corrosion resistant steel surged into the United States. We expected to be able to take advantage of increasing U.S. Demand at the Calvert facility.

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

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

Because demand increased from 2013 to 2015, one would have expected prices to have increased as well.
Instead, the steel indices that track pricing for corrosion-resistant steel show that the prices declined as the imports surged into the market. So the pricing pressure we have felt clearly is not a function of demand. The poor pricing has been driven by the large and increasing supply of dumped and subsidized imports sold at low prices.

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

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

Demand in the rest of the world remains relatively soft. Many other markets have imposed barriers
to imports of corrosion-resistant steel from these Subject Countries, which are also bad in their home markets. Global overcapacity looms large as a continued threat to our market. Without affirmative final determinations, the Foreign Producers will continue to look to the United States to fill their order books at the Domestic Industry's expense.

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

Thank you.

STATEMENT OF DICK TEETS

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

Keith Busse, Mark Millet and I left Nucor in 1993 to start a new steel company. We had no idea that 20
years later, we would have grown into the fourth largest steel company in the United States, with over 7,500 employees and sales of almost $9 billion.

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

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

We're adding Galvalume capacity to that plant and building a state of the art coil to coil paint line. Unfortunately, in 2015 we saw galvanized steel prices in the United States plummet. This was contrary to the market
conditions with both an improving automotive market and an improving construction market.

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

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

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

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

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

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

STATEMENT OF SCOTT LAUSCHKE

MR. LAUSCHKE: Good morning. My name is Scott Lauschke. I am the Vice President of Sales and Customer Service for AK Steel Corporation. I have served in the domestic steel industry for 23 years, and in my current
position I oversee all aspects of carbon, stainless and electrical steel sales. I am accompanied today by J.B. Chronister, AK Steel's general manager of Products and Marketing.

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

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

As evidenced by our investment in the Dearborn Works, AK Steel is committed to producing the very best corrosion-resistant steel in the world, and to manufacture it right here in the United States. Our company boasts an outstanding workforce and a management team that is
committed to staying on the cutting edge of steelmaking process technology.

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

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

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

But unfortunately we were robbed of the opportunity to take advantage of these strong market conditions. Massive over-capacity in the subject countries flooded the global market with low-priced steel. In 2014 and
2015, subject producers shipped so much corrosion-steel into our home market that by the beginning of last year prices were in a free-fall.

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

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

I am pleased to see that since the beginning of this year, market prices have finally begun to recover. But we are certainly not out of the woods yet. Although spot market prices are rising, they are still not back to their historical levels, and much of our contractual business now remains locked in at very low price levels.
Because of the rapidly-falling spot prices of the past one to two years, AK Steel had no choice but to accept significant price reductions in every major contract that has since come up for renegotiation. Many of those contracts will remain in place for many months to come, greatly limiting our ability to boost corporate revenues and profitability in the near term.

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

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

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

STATEMENT OF RICK BLUME

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

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

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

Between 2013 and 2015, subject imports captured market share and hundreds of millions of dollars in sales at the direct expense of U.S. producers. These imports did not retreat until we filed these trade cases. The Commission
has previously found that the corrosion-resistant steel is overwhelmingly purchased on the basis of price, and domestic product is easily substitutable with imported product.

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

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

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

In this case, the Commission wisely tested these
claims by collecting data on the same pricing products when
sold by contract and otherwise. The data prove what we've
known all along, contract pricing moves in tandem with spot
pricing, and buyers quickly use falling spot prices as
leverage in contract negotiations to lock in lower prices.

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

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

For example, during the Period of Investigation
we considered adding Galvalume capability, but determined
that subject imports were pushing prices so low that the
investment would not be worth it. Subject imports retreated
from the market in response to the petitions, but if orders are not imposed, they will return in full force and the damage done in 2014 and the first half of 2015 will get worse.

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

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

STATEMENT OF DOUGLAS MATTHEWS

MR. MATTHEWS: Madam Chair, members of the Commission, good morning. My name is Douglas Matthews and I am Senior Vice President of Industrial Service Center and Mining Solutions for United States Steel Corporation. I cannot tell you how frustrating it was to sit here on
Tuesday and listen to arguments from Respondents that completely missed the forest for the trees.

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

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

Let me clarify. Respondent company witnesses that you will hear from this afternoon have the primary function to figure out how to export their respective company's products into the U.S. market. We were forced to slash our spot prices in 2014, and our contract pricing as they were negotiated in an effort to regain some lost market
This is obviously inconsistent with the claim of shortages, because in a supply short market, prices would increase. But imports kept pouring in and prices kept being driven down. In the first half of 2015, pricing just collapsed, and we continued to lose sales to dumped and subsidized imports throughout 2015.

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

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

Unfortunately, this happens all too often.

Second, we are fully capable and have more than enough capacity to serve all aspects of this market. This includes light gauge, narrow Galvalume, advanced high
strength steel and many other advanced corrosion-resistant
steel products that our customers and the market demand.
The subject imports are hurting our sales on all of these
products.

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

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

STATEMENT OF JOHN WALBURG

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

CSI was founded 32 years ago in 1984 on the
footprint of the former Kaiser Steel Company. CSI has a
hot-rolling mill and we process slabs into hot-rolled to
utilize in our cold-rolled, corrosion-resistant and line pipe mills. CSI is one of three producers of corrosion-resistant steel on the west coast.

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

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

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

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

STATEMENT OF DR. JERRY HAUSMAN

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

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

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

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

So this notion that they were growing at about
the same rate, she must do mathematics differently than what we do at MIT.

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

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

Over the period 2013 to 2015, U.S. GDP growth averaged about 2.2 percent and automobile sales averaged 7.2 percent. The combination of this growth should have led to very good times for the steel industry. So it should have been the best of times, according to Dickens. But it was the worst of times, because what happened is that subject imports came flooding in, drove down the price and drove down the profits of the steel industry.
Next slide, please. So this is what happened in terms of the CRU CORE prices. From mid-2014 to the end of 2015, they decreased by 36.3 percent. All pricing in the market is affected by CRU prices. All pricing in the market is affected by CRU prices.

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

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

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

Demand in other markets is weak and although U.S. CORE prices are depressed they are still higher than CORE
prices in subject producers' home markets and in third
country markets. Lastly in terms of causation, next slide
please, the U.S. industry has lost significant volume. You
can see that from looking at the graph of imports that I
showed before.

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

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

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

STATEMENT OF LEO GERARD

MR. GERARD: Madam Chairman and members of the
Commission, my name is Leo Gerard. I'm still the president
of the United Steelworkers, and I want to compliment
Professor Hausman on a very good technical presentation.
Now I hope I can equate that with a very good human
presentation on the effect that this has on our members and
their families.

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

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

As the Commission is well aware, the U.S. steel
industry is being unfairly assaulted by unfair and
unfairly-traded imports in a number of steel products in which you've heard some cases on. These ongoing investigations on corrosion-resistant steel, hot-rolled and cut to length plate, these are products that are just simply the tip of the iceberg of what's going on in the steel industry and what's the result of unfair trade.

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

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

We knew going into those negotiations that we had to take next to nothing to keep our health care, to keep our pensions and to keep the industry alive, because had we struck or had they locked us out, we'd put the whole industry at stake. Our members made those decisions. They should not have to make those decision, because our industry
is being destroyed by unfair trade.

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

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

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

We're working reduced hours. We've got thousands on layoff. Our members see the punishment first, then the shareholders see it next, and then when you've got to go to the market to get some money to try and reinvest and keep the business alive after ArcelorMittal, U.S. Steel and AK invested hundreds of millions of dollars, billions
since the last time that we had a crisis, and they're not
getting rewarded for those and our members are being
punished because of it.

This is the human toll. I mentioned the VEBA.

We negotiate profit-sharing. We negotiate that some of that
goes into VEBA, Voluntary Employee Benefit Association. So
when our members retire, they have a chance of getting some
health care. If we can't generate enough capital to turn a
profit, nothing goes into the VEBA.

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

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

It's whack-a-mole, and if we ever lose one, God
forbid what will happen to our industry. So on behalf of
our members, on behalf of our retirees, on behalf of the
communities, on behalf of the tax structure for our school
boards, on behalf of our health care, on behalf of our
VEBAs, on behalf of our industry, I implore you, give us the
affirmative decision that we're entitled to get. Thank you
so much.

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

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

(Pause.)

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

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

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

STATEMENT OF REPRESENTATIVE PATRICK J. TIBERI

REPRESENTATIVE TIBERI: I've heard. Well thank
you. I appreciate you letting me say a few words today. I
appreciate the time, both Chairwoman and the members of the
Commission. It really is an honor to be before you today.
I'm sorry for the delay in getting here. A little thing
called votes interrupted me.
But it is good to be with you today, and today's proceedings are very critical to my home state of Ohio as you've heard already this week. The steel industry obviously is important to our state and important to our country, and important to our overall economy in our country.

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

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

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

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

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

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

The Commission should be sensitive to the effects of unfair trade wherever they are found, and Congress wanted to clarify the law on that very point. Both these provisions are designed to strengthen the U.S. government's enforcement and administration of U.S. trade laws.
Congress has given this body the great responsibility to enforce our anti-dumping and countervailing duty laws in a manner that will lead, we believe, to a better and fairer market competition throughout this country. In fulfilling that responsibility, I ask that you pay close attention to our recent clarification of the injury standard, and to ensure that our laws are strictly enforced.

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

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

VICE CHAIRMAN PINKERT: Let me just go ahead and ask Mr. Gerard a question. Oh, and I thank all of you for being here today and helping us to understand these issues.
Mr. Gerard, I wrote down a quote from your testimony. You were talking about the potential harmful impact of industry conditions on industry retirees. And the quote I have is, "In advance of their retirement." What I'm wondering is, if a worker is currently retired, are his or her benefits fixed? Or is there some potential impact on a current retiree?

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

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

So it is very, very clear to our current active members that we keep the VEBA strong. Because when they
retire, they will be part of that VEBA. And it is very
important to our current retirees that we try to keep their
contribution for their health care after retirement as flat
as possible.

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

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

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

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

VICE CHAIRMAN PINKERT: Thank you.

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

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

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

VICE CHAIRMAN PINKERT: Thank you.

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

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

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

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

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

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

And then once we get to a point of actual idle facility, we have costs that don't go away. You know, we have utilities. We have to continue to keep a core group of people that oversee idle facilities so that we maintain them
in a ready state to restart. And we incur labor costs
associated with that, as well.

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

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

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

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

MR. SCHAGRIN: Vice Chairman Pinkert, this is
Roger Schagrin. So really between operating income and net
income in the Commission's questionnaires, you have two main
items. You have interest expenses, and you have other
expenses. And for this industry which has billions of
dollars in debt, the cost of downgrades by the rating
agencies over the POI, a period of unbelievably low interest
rates--I mean, for all of us alive in this hearing room, we
have never seen interest rates as low in the United States
as the past several years.

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

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

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

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

    That is just massive, because when these
companies look to put money into VEBAs, when they look to
reinvest capital in their plants, when they look to meet
their borrowing obligations, they have to do it from cash
flow. If you don't have cash, there's no way to pay. And
if you can't pay your interest, you have to file for
bankruptcy. That's just the way markets in the United
States' economy work.

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

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

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

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

You are fully aware, now that we are living
during those times with a market that was really becoming
healthy, and we are attempting to participate in it to the
dimension that we believed we had the right to.

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

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

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

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

VICE CHAIRMAN PINKERT: Thank you, very much.

CHAIRMAN BROADBENT: Okay, we'll go to Commissioner Williamson now, and then after he is finished if anyone had a question for Mr. Gerard we will do that.
COMMISSIONER WILLIAMSON: Okay, good. Thank you, Chairman. I also want to thank all the witnesses for coming today.

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

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

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

We have an aging workforce in the steel industry because of these various crises where they don't hire. So that in a discussion with Mario we were talking about needing to put together a training program when we thought
times were going to be good because of the amount of people we felt would retire from the industry, and we bring new blood into the industry. So we needed to put a pretty comprehensive effort, collectively, into training. Well we haven't had any hiring because of this crisis. And people that retired haven't been replaced. Plus we've got these massive layoffs. So when we talk about 13- or 14- or 15,000 people laid off, we're not talking about the couple of thousand that might have left the industry that weren't replaced, in addition, because of the idle capacity and the training program that we need. So everything has a ripple effect through the system. And clearly we were hoping when we thought times were going to be good that not only would we be able to take care of our retirees, but there would be new entrants into the market. And we need new blood in the industry at every level. And that is not happening. And I fear for that. And I have had discussions with ArcelorMittal and with Mr. Longhi about needing to bring new entrants in. Because when the old ones leave, they leave with the tricks of knowing how to make this place work. You know, you just turn the dial this much, you're okay. You turn the dial too much,
you're in doo-doo. And we need to train those folks. So that is why you don't see any additional hiring in a decrease.

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

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

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

We waited as long as absolutely possible and tried to avoid that situation as much as possible. And by the end of 2015, we had no choice but to idle that facility. So if you consider that impact now in this year, in 2016, I think you will see very different numbers.

MR. GERARD: And the other thing, Commissioner is, as Mr. Matthews said on Tuesday, in our collective
agreements we have a process for getting to a layoff.
There's a whole bunch of what we call "layoff minimization"
steps that we have to work through. So that is another
piece of what we just said.

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

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

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

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

I had another question for you, Mr. Gerard. You
know, we talked about the stagnation of wages and all for a long time in this country. No one is talking about what happens in terms of labor costs in the subject countries and what impact does that have on their ability to be able to dump, or sell at low prices in this country?

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

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

It mean, it is literally that simple. It is not—as I said, I compliment the professor for a great technical presentation. But once you put the human element on it, it
is not very complicated. Their subsidies offset any increased cost they have. They dump their stuff in our market and our folks have to meet that price. And if they don't, they get unemployed. Or, like I said, less--I worry a lot about the less money going into the VEBA. Everyone deserves to be able to retire with some dignity.

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

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

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

We are not playing by the same set of rules. Now that type of environmental compliance and that cost, that is not in the scope of your investigation. I understand that. But it is another example of how we are not playing by the same rules, and it is harming the domestic industry
MR. ROSENTHAL: Commissioner Williamson, one last point. Paul Rosenthal. One of the things that I don't think everyone appreciates is that there are costs to laying off people in other countries, as well. And sometimes they are more. In the case of Europe in some instances. And the decisions by the steel makers, they are entirely rational. They will dump—if they can just cover their variable costs, it's cheaper for them, and more economically sensible to run their mills, keep their employees on and not incur those costs, and ship literally, what Leo was talking about, their unemployment to the United States.

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

COMMISSIONER WILLIAMSON: Thank you.

MR. SCHAGRIN: Commissioner Williamson, Roger Schagrin. I would also point out that the efficiency of this industry is just phenomenal, whether it's the integrated plants that have the USW, or the mini mills that don't have organized workforces, your data shows that the average per-ton labor cost in the industry are about $50 a
So even if labor were free in China, India, Korea, Taiwan, the cost of freight to the U.S. is far more than U.S. labor costs. So no labor cost differential could ever explain how foreign producers can gain market share here. It is only through dumping and subsidization which the Department of Commerce has found. Unbelievably efficient workforce here.

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

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

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

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

Mr. Gerard, I know you have to run in a minute,
but I had one question for you. I would appreciate it if you could answer it, or if your counsel could, whoever wants to do so. But once again if you all could address further the issue of employment levels in the U.S. CORE industry during the Period of Investigation?

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

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

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

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

COMMISSIONER JOHANSON: I'm sorry? What percent? I did not...
MR. LONGHI: Twenty-five percent.

COMMISSIONER JOHANSON: Okay. Thank you for responding.

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

(Laughter.)

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

Commissioner Kieff--

COMMISSIONER JOHANSON: Oh, should I continue?

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

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

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

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

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

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

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

MR. BLUME: Rick Blume, Nucor. Further to that point, as we see that service centers by and large play a
very significant role as the portal for a lot of the
imports, ultimately what happens is the product that's
brought in, it can be what I would call "sliced and diced"
just to additional specifications, additional processing.

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

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

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

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

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

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

And also, Mr. Schagrin, this is perhaps best answered by you. I recall that in some pipe cases, there have been arguments made about large inventories being required due to the many different sizes and finishes of
pipe. If there are similar arguments at play in these investigations, could you please elaborate on them.

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

COMMISSIONER JOHANSON: All right, thank you.

Yes?

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

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

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

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

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

MR. MULL: That's correct.

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

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

COMMISSIONER JOHANSON: Okay, that would add
some color, perhaps, to the argument. My time's about to expire. Thank you for your responses.

CHAIRMAN BROADBENT: Commissioner Kieff.

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

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

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

Can you help me understand whether the evidence you were pointing to is -- how many factual inferences away is that evidence from the underlying question? Is it dead-on? No inferences required? Or are there some inferences? And that's fine if there are inferences. Lots
of evidence comes with a requirement that inferences have to be taken from it.

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

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

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

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

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

One of the reasons why I emphasize the data in your record in this case and the cold-rolled case, is that by and large we are dealing with newer, young and fairly sophisticated purchasers. They understand that if they say,
'I bought imports because of price,' it's not in their best interest. It means it's likely to cost some money and prices will go up. So it's not unusual.

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

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

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

And --

COMMISSIONER KIEFF: So --
MR. ROSENTHAL: -- same thing with admissions when it comes to lost revenues. That is very potent evidence.

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

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

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

MR. ROSENTHAL: Fair enough. Let me do my best. And one of the things I try to do as an advocate is understand the other side's point of view and see if they
have any valid arguments and try to respond to them. So here goes. I think what they're saying is, 'Sure their imports have increased dramatically. But there are some other reasons for that. And by the way, those imports didn't hurt the domestic industry.' That's essentially what they're saying here.

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

COMMISSIONER KIEFF: Or at least little to do.

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

You've seen the decline in the imports after the imposition of the duties and what has happened is that this industry can produce the Galvalume,, all those other products that the respondents claim were not capable of
producing. And so that's evidence in the record that their alternative theories don't make sense.

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

COMMISSIONER KIEFF: That might be true, but irrelevant.

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

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

CHAIRMAN BROADBENT: Commissioner Schmidtlein.

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

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

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

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

MR. LONGHI: Yes.

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

MR. LONGHI: Yes.

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

MR. BLUME: Rick Blume, Nucor. From Nucor's
perspective, and I'm sure it's similar across the industry, because these are the contracts that buyers are looking for. They're negotiated throughout the year at various points in time.

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

In most cases today, in contracts, they're tied to CRU pricing and index pricing. So even during that duration they move. That's an important point, probably a big change from maybe a decade ago, in terms of how contracts were let. Mr. Mull talked about ultimately as well, you know, in many cases, buyers come back and they want to renegotiate the contract because spot pricing has changed, changed in most part by unfairly traded imports. So again, there's not this insulation effect that people ascribe. It just doesn't occur.

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

MR. BLUME: Correct, but it is important to
remember that there would be potentially some lags in terms
of the pricing following the spot pricing down, but you're
absolutely correct.

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

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

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

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

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

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

COMMISSIONER SCHMIDTLEIN: Okay.

MR. KOPF: Commissioner, Rob Kopf with US Steel.
If I can add to Mr. Longhi's comments. We have contracts,
just as Mr. Blume said, that are negotiated at various
points in the year. We've just concluded contracts that
expired March 31st, and you would think, as the other side
talks about how good this market has become with prices
soaring to levels that, by the way, corrosion-resistant's
$145 a ton below the ten-year average as we sit here in
2016, so I don't call that soaring above, you know, record
levels that they claim.

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

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

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

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

COMMISSIONER SCHMIDTLEIN: Just two months ago?

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

COMMISSIONER SCHMIDTLEIN: And what's causing
that, since obviously, the prelim duties have gone on,
right?
MR. KOPF: We have numerous offers from overseas, from subject countries that continue to pour into this country, that continue to depress the prices in this market.

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

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

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

Now there's been some increase since the end of 2015, but it's definitely the case that if you were talking about pricing at the beginning of 2016 and you were looking at prices that say had been negotiated in late '14 or early
'15, you might adjust those prices downward at that point.

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

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

So certainly I think it is pretty clear that
going forward, assuming this Commission makes an affirmative injury determination, we will now have much higher duties in effect in Orders against the subject imports than we have had since the preliminary findings by Commerce.

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

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

COMMISSIONER SCHMIDTLEIN: So before--

MR. MULL: Commissioner?

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

MR. MULL: Dan Mull, ArcelorMittal.

COMMISSIONER SCHMIDTLEIN: Thank you.

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

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

COMMISSIONER SCHMIDTLEIN: So--

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

So the excess supply--

COMMISSIONER SCHMIDTLEIN: Let me ask you a question about the Staff Report. So--and I have heard a number of witnesses right now talk about the spot price and the contract prices following that price down, and that there is a lag potentially, and so forth--but in the Staff Report, the Staff Report notes that the prices of pricing products sold under annual long-term contracts exhibited larger price declines than the pricing products sold in the spot market under short-term contracts. And that is at
V-29.

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

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

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

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

So as you heard from--

COMMISSIONER SCHMIDTLEIN: This is annual, long-term.

MR. ROSENTHAL: I understand. And, and what you heard from Mr. Mull was that when he was negotiating contracts in third- and fourth quarter of 2015, the spot prices were at the lowest point because of all the inventory overhang. You won't see those prices yet in the contracts
because you don't have them for the 2016 period.

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

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

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

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

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

Can you respond to that?

MR. LONGHI: Certainly. We have been a supplier to them for such a long time, and I think one would be hard-pressed to find a moment where we didn't fulfill our obligations or commitments to them.
And as you've heard before, we do have sometimes an issue here and there. It's not uncommon for the industry. You have visited the mills. You have seen the nature of intensity that is associated with producing steel. But it is incredibly rare that there is going to be a moment where one of these incidents may put their supply in jeopardy. And we do have a well-planned environment with them where we do have a number of safety stocks that are there not just for eventual issues that may occur with operations, but they are also there to supply what they envision as the volatility of demand on their side.

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

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

On the other hand, they have a strategy to not be dependent on solely one supplier. And we do have plenty of capable players in the country that participate in that
environment, and I would offer that they can echo my comments that the industry in no shape or form was ever threatened from a supply perspective.

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

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

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

So to say that they have not had, or they're concerned about not having enough supply domestically I think is really an absurd claim. And as I read through that particular submittal, multiple times that company references
that the suppliers right now have all this power. That they have all this pricing power. And then at the very last paragraph I believe their evidence of this so-called power is the fact that none of the domestic mills want to really sign up for long-term pricing; that they wanted to have short-term agreements.

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

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

MR. MULL: Dan Mull, ArcelorMittal--

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

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

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

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

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

But you've got in your data, which is at IV-34 and IV-35 of the Staff Report, the monthly imports. And you can see, you know, after these cases were filed and preliminary duties were assessed, imports from China go from
over 100,000 tons a month to zero. You've got big drops in
India. Korea doesn't drop because the margins were low.
They'll drop now. And even—and Taiwan drops less.

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

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

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

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

CHAIRMAN BROADBENT: I would just like to get to
one more question in my ten minutes.

MR. MATTHEWS: Can I just respond very quickly?

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

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

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

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

MR. VAUGHN: Stephen Vaughn for AK Steel. No, I don't think you're going to be double counting. I mean the Commission has asked for net income data ever since I've
been doing these cases, and I think even before that. And
these people have to fill out this sort of data all the
time. They do it for all their other financials, and this
is the sort of data that they provide.

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

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

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

But having said that, is it legitimate for you
guys to take these things into account? Can you make the
causal link between an increase--you know, if 2 million tons
of subject imports come into the market and they take sales
from the domestic industry, and as a result of those sales
there are shut-downs, and there are costs accounting as a
result of those shutdowns, or there may be other fixed costs
that come into play that would not have come into play in
the absence of the subject imports, can you take that into
account when you look at the performance of the domestic
industry?

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

CHAIRMAN BROADBENT: Okay, my time has elapsed.

Commissioner Pinkert?

VICE CHAIRMAN PINKERT: Thank you.

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

But my question is approaching this issue from
the other side. Which is, looking at demand conditions in
the market and the fact that there was a significant
improvement in demand conditions during the period, did that
improvement in demand conditions mask harm to the industry
in the calculations of profits, profitability, shipments,
sales, and so forth?
MR. VAUGHN: Commissioner Pinkert--this is Stephen Vaughn for AK Steel--I'll start with that. I think there is no question that that is the case.

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

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

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

So you can see very clearly that if not for the strong demand in '14 and the continued strong demand in '15, everything would have looked worse than it actually does.
Now under the law you can account for all of this. I mean, you can take into account and say, given the increase in demand, you know, how did they do relative to what they should have done?

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

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

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

VICE CHAIRMAN PINKERT: I see you.

MR. BLUME: Thank you. This was the opportunity. This was it. This was the opportunity to return our cost of capital, to be able to return, you know, an adequate return to our shareholders. This was the opportunity and it was missed because—and again, obviously the demand was strong
in the automotive market.

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

VICE CHAIRMAN PINKERT: Okay--

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

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

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

We slashed spending over the past couple of years. We've frozen people's salaries. They haven't received raises in years. They cut the 401K matching for our people. We haven't had profit sharing checks in years. No bonuses are paid at all. Look at our results because
they are disastrous. And what is happening to us and other
people on the West Coast is coming to them. And that is why
we are here. Thank you.

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

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

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

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

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

So clearly in a period of increasing demand, you
shouldn't be seeing these types of results across the
industry.

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

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

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

So if demand is strong, they have enough supply
to overwhelm that. If demand is weak, or demand is not as
strong as it has been the last few years, then the effects
are just going to be devastating. Because then there's
really nowhere to run and nowhere to hide, and it is going
to be even worse injury than the injury that they have
already suffered.

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

Mr. Rosenthal, did you have a comment?

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

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

And I want to emphasize one point, and with all
respect to the Commission based on the record you had last
year where you only went threat, what we were saying last
year at this time is that these spot prices are causing
injury now because contracts are being negotiated over these months and the decline in revenues and profits may not be apparent for several months down the road, but the injury took place when the spot prices were the basis of the negotiations of these contracts.

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

VICE CHAIRMAN PINKERT: Thank you.

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

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

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

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

But the prediction is this year we will beat it
yet again, somewhere between 17-1/2 to 18.2 million vehicles
will be produced and sold in North America. That will be an
all-time record.

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

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

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

If GDP continues at a 2-1/2 to 3 percent clip
thereabout, we are probably going to see maybe 7 to 8
percent growth on housing starts year-over-year for the next
several years. That is the general consensus right now.
But that would only get us to maybe, in five years that
might get us to 1-1/2 million houses. That is nothing like
the 2 million plus level that it has been historically. And
those are your two major markets.

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

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

VICE CHAIRMAN PINKERT: Thank you.

CHAIRMAN BROADBENT: Commissioner Williamson?

MR. LONGHI: Just a quick add to it. Half of
this year is pretty much gone already and we have not been
able to benefit from any of the changes that have been
taking place which are very recent. If you will look at two
additional macro events that will take place going forward,
we're going to see that interest rates are going to go up.
Is it going to be next quarter, end of the year? But the
trend is literally there. And there is not a single other
place in the world where macroeconomics lead to any kind of enthusiasm. There is nothing going on that is positive that is going to create a global level of growth that can help the economies around the world and it will negative on the United States. When it comes to our particular business, the level of overcapacity is going to be even bigger because of the lack of growth in all the economies where those operations exist today.

VICE CHAIRMAN PINKERT: Thank you very much.

CHAIRMAN BROADBENT: Commissioner Williamson?

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

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

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

MR. BLUME: Rick Blume, Nucor. You know, our view of the construction at Big River was that frankly it's not economically justified. I think we've been very -- very public about that. I think a couple of other things that I
would point out, much of the financing around the equipment for that facility is provided by the German government to help support equipment sales. So, again, from an economic perspective, we scratch our head quite frankly.

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

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

COMMISSIONER WILLIAMSON: Okay.

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

So they will require a fair field also.

COMMISSIONER WILLIAMSON: Okay. Thank you. If
no one wants to speak up in favor of this baby, I'll move on
to another question.

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

MR. SCHAGRIN: Commission Williamson, this is
Roger Schagrin. Yes. We think definitely as I mentioned in
response to an earlier question, the Commission's own data
in the staff report show that imports from the single
largest import source, China, fell from an average of
approximately 300,000 tons a quarter prior to the filing of
the petition to only 10,000 tons in the fourth quarter of
2015. And there is no doubt, I think, in any of the
Petitioners' minds that from a volume effect, because you
understand the lag on pricing, that the U.S. industry would
have shown, you know, much steeper declines in 2015 volumes
but for the major reduction in imports caused by the volume
of the petition. And I think one of the charts in Mr.
Vaughn's opening showed that prior to the filing of the
petition, these imports were gaining approximately 16
percent market share in Q1 2015 and then because of the
reports they went down.
COMMISSIONER WILLIAMSON: Mr. Schagrin, I understand, one could say it's a coincidence, but is there anything that specifically ties it? I mean, there are people that said, oh, you filed the petition, we're going to not import now or something like that? So I'm getting sort of a --

MR. SCHAGRIN: Yeah, I --

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

SIMULTANEOUS CONVERSATION

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

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

We have the Indians who are at -- Tata Steel lost $451 million last year. They continue to build a
value-added mill, three million metric tons a year in India and this is one of those cases where I would say, past results do predict future results. They will export that value added to the automotive industry here or to the appliance industry here or to the construction industry. So --

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

MR. KOPF: Okay.

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

[SIMULTANEOUS CONVERSATION]

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

COMMISSIONER WILLIAMSON: I was just --
MR. VAUGHN: Okay.

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

[SIMULTANEOUS CONVERSATION]

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

COMMISSIONER WILLIAMSON: Okay.

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

COMMISSIONER WILLIAMSON: Okay. Fine.

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

COMMISSIONER WILLIAMSON: Your colleagues probably have some terms --

[SIMULTANEOUS CONVERSATION]

MR. MATTHEWS: Higher the duty --

COMMISSIONER WILLIAMSON: Let me move on --

[SIMULTANEOUS CONVERSATION]
MR. MATTHEWS: -- the greater the decrease in exports, what more do you need?

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

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

MR. MULL: Dan Mull, ArcelorMittal.

COMMISSIONER WILLIAMSON: Yeah.

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

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

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

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

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

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

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

COMMISSIONER WILLIAMSON: Okay. Thank you.

MR. MATTHEWS: Doug Matthews, U.S. Steel. During
the period of investigation, we did have a subsidiary that
operated in Canada. Since then, that's gone under Canadian
bankruptcy process and is now under the supervision of the
Canadian court.

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

COMMISSIONER WILLIAMSON: Okay. Thank you.

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

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

MS. BARTON: Identify yourself, please.

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

COMMISSIONER WILLIAMSON: Okay. Thank you, Mr.

Mull.
Subject import volume increased from 2013 to 2014, but decreased in 2015. Likewise the volume of domestic production and shipments, as well as operating income increased from 2013 to 2014, but decreased in 2015 and this can be found in the prehearing brief’s staff table C-1. Respondents point this out in their prehearing briefs as an indication of no correlation and no established causal linkage between import levels and subject import prices and the condition of the U.S. industry. Could you all please respond to these data and respond to arguments indicating in particular how the decline in subject import volumes after 2014 impacted the U.S. industry?

Mr. Vaughn: Commissioner Johanson, Steven Vaughn, AK Steel. I'd like to -- I'd like to take that question. So let's start off with what happened in 2014. 2014 was a big year for demand. You had consumption go up by two million tons and the imports went up by over a million tons. So if you look at it, if you just look at 2014, what you see was we went up by a very small amount. I think this is still one of our slides, but for 2014, U.S. shipments went up by around 400,000, 500,000 tons, they went
up by 812,000 tons more than that. So at that point, right there, they've already taken this huge chunk of sales of the domestic industry that we could have made and that is -- we would argue that at that point we suffered material injury by reason of imports in 2014.

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

Now, we move to 2015 and what happens in 2015 is, first thing you have to understand is, if you go, I think, just a few slides over, you will see that as of right here, and through the first quarter of 2015, they were going to exceed 2014 levels. Okay. There's just no question about that. If you go to the next slide, they had a higher market share in the first quarter of '15 than they did in the first quarter of '14. Okay. And then the only reason you have a decline, the only reason they can say, our imports were lower in 2015 than they were in 2014, is because of the decline that took place after the cases were filed. Before the cases were filed, they were going up. They had gone up
for seven quarters in a row. The last quarter they went up
was the second quarter of 2015, that's the quarter when
these cases were filed. Okay.

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

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

MR. KOPF: Commissioner Johanson, Rob Kopf with
U.S. Steel. I guess I would like to just add to that. You
know, the other side conveniently likes to talk about the
average for 2015 being less than '14. As Mr. Vaughn was
just pointing out, I mean, on slide 17, I think it even
tells a more overwhelming story. You know, they had
significantly high imports coming into here all through
2014. The number actually went up from the highest quarter in 2014 in the first quarter of 2015 and then it went up again in the second quarter of 2015. They were overwhelming this market with so much supply that it had nowhere to go. And if you take a look at the Metal Service Center statistics for corrosion-resistant steel, I mean, Service Centers had -- in July of 2013 had 1.6 months of supply on the ground. And by the time 2015 ended they were up to 2.2 months of supply. In raw numbers, it's a 14 percent increase in terms of the supply of inventory that they had.

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

MR. HAUSMAN: Jerry Hausman. If you would please put slide 3 on the -- my slide 3. So if you do that, you'll see -- I go up to -- that's it. So I go up through July of 2015. And it is true that if you look at the whole year, you take into effect the post-filing decline, but up through 2015, you can see that imports are higher on average than they were in 2014. And, indeed, I calculated some percentages. If you look in 2014, subject imports were 63 percent greater than non-subject imports. However, if you
look at 2015 up through July, it's 90 percent higher.

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

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

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

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

MR. SCHAGRIN: Commissioner Johanson, this is Roger Schagrin. So I think the comments you just stated on some of the statutory injury factors as well as your earlier related question on the comments by Respondents in their briefs about a lack of correlation and therefore causation between the changes of the imports between '13 and '14, and
these factors for the domestic industry, they're all
disregarding the incredible change in consumption that
occurred. I think it goes back to Vice Chairman Pinkert's
question before, when you have a two million ton increase
in demand because you have near record auto production and
recovering construction demand, you would expect everything
to do much, much better. And instead the injury is masked.
The increase of five points of import market share, you
know, is masked because, yes, they take 75 or 80 percent,
but not 105 percent of the increase in demand.

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

MR. VAUGHN: Commissioner Johanson, Steven Vaughn
for AK Steel. I'd just like to follow up, I agree with what
Mr. Schagrin said and I just want to sort of make a policy
point here for you guys to take into account. This is a
huge issue for these trade laws. The whole -- one of the
big questions I think the Commission has to be very
sensitive to is you cannot create a situation where people
are allowed free rein to trade unfairly in terms of rising
demand. You cannot be so tied to one or two measures that
are always going to increase in a time of rise in demand
like production. The only way production can fall in a time
of rise in demand is if the imports literally take all of --
you know, over 100 percent of the new sales, just as Mr.
Schagrin pointed out.

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

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

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

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

CHAIRMAN BROADBENT: Commissioner Kieff?

COMMISSIONER KIEFF: So if I could just very briefly follow up with Mr. Vaughn and Mr. Rosenthal. Am I
right in understanding that some if not all of what you were just saying to respond to Commissioner Johanson's question would be -- would have been perfectly appropriate arguments and consistent with the statute even before the amendments of late, correct?

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

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

CHAIRMAN BROADBENT: Commission Schmidtlein.

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

[SIMULTANEOUS CONVERSATION]

MR. SCHAGRIN: You did figure out, we were going
to tell you that in our post-hearing briefs.

[SIMULTANEOUS CONVERSATION]

[LAUGHTER]

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

MR. SCHAGRIN: Well, you figured it out.

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

MR. SCHAGRIN: Right.

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

MS. BARTON: Identify yourself, please.

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

I just wanted --

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

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

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

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

I personally have never said that, and I don't
know anyone who has. Of course they have an impact on
selling prices. But they are not the sole driver of steel prices, by far. If they were, I wouldn't have a job. I wouldn't have to sell anything, and my customers wouldn't have large purchasing teams. We would simply have prices moving as scrap and iron ore moved.

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

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

MR. LAUSCHKE: Sure.

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

MR. LAUSCHKE: Yes.

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

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

At AK Steel we have several hundred customers
that are under contract. Those contracts could be 3 months, 6 months, 12 months. They could expire at different times during the year.

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

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

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

I always state, I will compete with anybody in the world head to head as long as it is done fairly. But if we have people whose costs are nowhere like ours because they don't have labor costs, or they are given materials, or they are being subsidized, that is not the rules we are
playing by so we are fighting a battle with both hands tied
behind our backs.

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

COMMISSIONER SCHMIDTLEIN: Thank you.

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

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

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

COMMISSIONER SCHMIDTLEIN: Okay. Thank you.

Anyone else?

MR. TEETS: Commissioner, just one addition--

COMMISSIONER SCHMIDTLEIN: Identify yourself,
please.
MR. TEETS: Chairman? I'm sorry--Commissioner--

COMMISSIONER SCHMIDTLEIN: Just state your name

for the Court Reporter.

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

COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank
you.

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

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

COMMISSIONER SCHMIDTLEIN: Okay.

MR. MATTHEWS: Commissioner Schmidtlein, Doug
Matthews U.S. Steel. I stated previously that during the
Period of Investigation we did have a subsidiary operating in Canada. And we have since—it's been deconsolidated and is now under the supervision of the Canadian court.

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

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

COMMISSIONER SCHMIDTLEIN: Okay--

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

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

MR. MULL: Yes. And Dan Mull, ArcelorMittal. In addition, many of those customers that are being supplied
from Canada to the United States also have operations in
Canada, and they may be on a similar piece of business, and
the customers request us to keep it on the same mill. So we
may be supplying the same material to produce a similar part
at different facilities where they have like operations.

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

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

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

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

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

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

And the results from Commerce yesterday show that they were engaged in significant levels of unfair trade. And that is what is really important here. I mean the idea that you should sort of look behind that and, you know, they get some sort of excuse, or some sort of pass because of differences in price here versus there, that is just not consistent with the law, or consistent with the policies that underlie the law.
MR. PRICE: Alan Price, Wiley Rein. I actually take a slightly different tack than Mr. Vaughn in responding to this. When they say the U.S. market prices are attractive and they're coming here, they are basically saying they are coming here because of price; that they are taking volume based upon price.

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

MR. PRICE: Right. I just fundamentally disagree.

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

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

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

So fundamentally they have confessed, unwittingly, that they are here because of their under selling and their volumes are up because of under selling, and that is
having a volume effect. Putting aside the pricing effects of that under selling.

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

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

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

DR. HAUSMAN: Yes.

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

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

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

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

CHAIRMAN BROADBENT: Nonsubjects did, yeah.

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

CHAIRMAN BROADBENT: Right. Okay. So looking at the increase in the nonsubject imports, the 40 percent at the expense of domestic industry, we're not looking at that as
being injury in this case, right?

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

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

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

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

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

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

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

MR. SCHAGRIN: Chairman Broadbent, just to point out--
CHAIRMAN BROADBENT: Yes, Mr. Schagrin.

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

And we can do it in our post-hearing briefs. Obviously the staff, you know, will do it for your in the post-hearing, but a lot of it relates to Taiwan--

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

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

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

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

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

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

MR. GERRISH: Chairman Broadbent?

CHAIRMAN BROADBENT: Yes.

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

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

MR. VAUGHN: Commissioner---
CHAIRMAN BROADBENT: Figure V-3.

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

CHAIRMAN BROADBENT: Figure V-3.

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

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

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

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

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

CHAIRMAN BROADBENT: I don't think the data is
BPI. It's just the intense correlation. That is what my
question would be.
DR. HAUSMAN: Yes, and that comes from profit maximization of steelmakers. Many steelmakers can make hot-rolled, and then they can make cold-rolled out of the hot-rolled. And then they can make CORE --

CHAIRMAN BROADBENT: Well we know that, yes.

DR. HAUSMAN: So the profit margins--

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

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

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

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

The exact and precise data--

CHAIRMAN BROADBENT: Understood.

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

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

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

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

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

So the percentage share, the percentage change, is probably very similar from over the time, and they've all
gone in the wrong direction. So that's why we're here.

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

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

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

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

MR. KOPF: Madam Chair, Rob Kopf with U.S. Steel. If I could just add, having not seen the table myself I believe these are spot indices that you're referring to. I think it is important to note that we are competing with these imports on corrosion-resistant, on cold-rolled, on hot-rolled. I mean, we see trends, or not trends, we see
events in contract negotiations with our customers
specifically when we negotiate corrosion-resistant that defy
the trends in spot, based upon that specific moment in time
when you have subsidized and dumped imports coming in and
offering a corrosion-resistant price to a contract customer
that aren't necessarily following a trend, necessarily, that
a CRU or a Platt's would be publishing.

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

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

CHAIRMAN BROADBENT: What?

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

CHAIRMAN BROADBENT: Right.

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

CHAIRMAN BROADBENT: Okay.

DR. HAUSMAN: And they're both slide 6. I can't
put up--


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

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

DR. HAUSMAN: Yes. And these are--

CHAIRMAN BROADBENT: Does the Staff Report have it wrong?

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

CHAIRMAN BROADBENT: Sure.

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

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

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

Mr. Vaughn.

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

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

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

The testimony, the unquestioned testimony of the
witnesses both in the corrosion-resistant case and in the
cold-rolled case, and I suspect also in the hot-rolled case,
will be that these are industries with heavy fixed costs; that they have to cover their costs, and if they lose significant amounts of volume it makes it more difficult for them to recover their costs.

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

I think it is important to understand that as a legal matter you are not required to find that subject imports are the only cause of a particular event, or even the--but, you know, they just have to simply be a cause. I mean, that's the law. That's the way Congress has set it up.

As long as they are "a cause," they are not merely a tangential or incidental cause, then they can be held responsible. And here, it is very easy to say with respect to if you look at a facility, the facility made cold-rolled, corrosion-resistant, you can say the facility lost corrosion-resistant sales and that contributed to the decision to shut it down.

The facility lost cold-rolled sales, and that contributed to the decision to shut it down. So you can find that correlation or that causal link with respect to
both of those cases.

MR. MATTHEWS: Commissioner, this is Doug Matthews, U.S. Steel. You referenced a couple of our plants, so I thought I would comment as well.

So as it pertains to the CORE, during the Period of Investigation both the Fairfield facility, as well as the Granite City facility, took shutdowns or significant reduced operations of the coating facilities in those locations because of the flood of imports that were coming in.

So let there be no mistake--

CHAIRMAN BROADBENT: Of what product?

MR. MATTHEWS: Of CORE products, Galvalume and Galvanized Products were produced at both of those plant locations, and we were severely impacted to the point of shutdown for substantial utilization reductions during this time period.

CHAIRMAN BROADBENT: Okay.

MR. GERRISH: Chairman Broadbent, one other thing I'd just like to add. With U.S. Steel, they also have a corrosion-resistant line at the Great Lakes Works, which is continuing to be shut down at this point.

CHAIRMAN BROADBENT: Okay. I've got a lot of hungry people here, so I've got to move it along and I apologize.

Let's see. Commissioner Pinkert?
VICE CHAIRMAN PINKERT: I just have one follow-up for Dr. Hausman.

Would you agree with the following homespun wisdom, that correlation does not equal causation but it ain't beanbag?

(Laughter.)

CHAIRMAN BROADBENT: It ain't what?

VICE CHAIRMAN PINKERT: In other words, that it does have some bearing on the question of causation.

DR. HAUSMAN: If you--so that's one of the oldest sayings in econometrics. So if you have no correlation, you can't have causation. But if you have correlation, it does not prove causation.

VICE CHAIRMAN PINKERT: Okay. So then in your analysis of Figure 5-3, could you, after you look at the question of correlation, could you also address the question of whether any of the lines on that graph are having causal impact on other lines on that graph?

DR. HAUSMAN: That's already in my econometric model, which you will receive.

VICE CHAIRMAN PINKERT: Thank you.

CHAIRMAN BROADBENT: You done? Okay.

COMMISSIONER WILLIAMSON: Just a few questions.

This is for U.S. Steel, and this is for post-hearing.

Please respond to the claims of the Koreans, Italians, and
Taiwanese respondents that the shutdown and closures by U.S. Steel over the Period of Investigation were part of a restructuring unrelated to subject imports.

MR. KOPF: Commissioner Williamson, I would like to--Rob Kopf with U.S. Steel--I would like to answer that, please.

I find that claim, frankly, insulting, to have the Koreans or any of the Respondents claim that there are shortages of corrosion-resistant steel in this market during the Period of Investigation, yet we had facilities that we had to shut down, whether they were electro-galvanized lines, whether they were galvalume lines, whether they were galvanized lines, because they took orders from us. They stole orders from us and put workers at our facilities out of a job for a period of time, or still to this day.

So I don't understand how they can make claims like that and actually be serious.

MR. MATTHEWS: And Commissioner, if you don't mind--Doug Matthews, U.S. Steel. I would just ask the question for clarification purposes, is this the Koreans in the CORE case? Is this the Koreans in the cold-rolled case? Or is this the Koreans in the hot-rolled case?

COMMISSIONER WILLIAMSON: I think this is part of their--yes, okay.

MR. MATTHEWS: I apologize for the sarcasm there,
but for them flooding this market in all three of those
product lines has caused serious injury and caused us to
make decisions about footprint, future footprint operations.

MR. GERRISH: Commissioner Williamson, Jeff
Gerrish, U.S. Steel. We will say more about this in our
post-hearing brief, but I think, again as we said on Tuesday
in cold-rolled, I think it is clear that Fairfield would still
be up and operating today were it not for the subject
imports. But we will have more to say about that.

COMMISSIONER WILLIAMSON: Sorry I touched such a
nerve. Thank you.

Dr. Hausman, so your statement describes Foreign
Fighter requirements in which domestic producers have to
reduce prices to meet import competition. How prevalent are
these provisions? And how do they operate? And are they
similar to meet-or-release provisions?

DR. HAUSMAN: Well, I talked to a number of
executives and have seen emails, which I'm sure can be
provided to you under confidentiality, that will be in the
post-hearing brief, but I've seen numerous emails that say
these people want a Foreign Fighter type requirement in the
contract. And the corporate executives have also told me
the same thing.

I think they are very similar to meet-or-release.

As I understand it, it says, you know, if you can meet the
Foreign Fighter price, you can have the business. But otherwise, I'm gone.

COMMISSIONER WILLIAMSON: Okay. Thanks.

DR. HAUSMAN: Sure.

COMMISSIONER WILLIAMSON: So post-hearing anything that could be provided to indicate how prevalent they are, and exactly how they operate. And how do they operate to lower prices? Okay. Thank you.

This is a question on inventories, and this can be done post-hearing, too. With regard to domestic inventory, several respondents have pointed out that a particular U.S. producer accounted for an outsized share of the inventories, as well as the majority of the increase in inventories from 2013 to 2015.

Could Domestic Producers address this issue in post-hearing submissions? Strictly post-hearing.

And last question. Can anyone describe the competition, any producers describe the competition they face from subject imports in making sales to U.S. automakers? So what role do the imports play in terms of serving the automaker market?

MR. LAUSCHKE: Sure. I'd be happy to do that.

Scott Lauschke with AK Steel.

In all of our negotiations with the domestic auto companies, one of the first things that we get to, the first
things the purchasing group puts up is a graph that looks just like that one that's up on the screen now. They all point to CRU, and whether it's the CRU Coated Index, or the Hot-Rolled Index, or the Cold-Rolled Index, that's the first thing they point to. And that's where the negotiations begin, and that's usually where the negotiations end when pricing is down in the market.

All three of those product lines have been clobbered. The prices have fallen precipitously, and that is kind of where our contracts end up, where we end up settling. We end up settling with very large price-downs.

And as I stated, in the cold-roll testimony two days ago, is we go in in 2016 now, although we have seen some good movement on the spot prices in the last few months, upward trajectory, not only is it still nowhere near where it needs to be, as was stated earlier, and for CORE over $140 below the 10-year average, but even still we negotiated many of those contracts when we were in this trough of like fourth quarter, and now we are living with those prices for a whole year.

So the injury just continues.

COMMISSIONER WILLIAMSON: Now are you talking both about U.S. nameplate and foreign nameplate U.S. producers? Or is there a distinction--
MR. LAUSCHKE: Unfortunately, I am, yes. We deal with--at AK Steel I believe we supply every single automaker within the United States, whether they're foreign-owned or domestic-owned, traditional Big Three, you know, we supply all of them.

`In the case of Korea, just as one data point, we had significant growth in products through 2013, and we were on a trajectory to continue our sales of CORE products into Korean auto producer. And then as soon as the rulings were lifted, or the duties were lifted in 2013, we saw that trajectory completely flipflop. And we've been told repeatedly that our products are overpriced.

And we can provide you with data to support that.

COMMISSIONER WILLIAMSON: Okay. Thank you for that.

MR. KOPF: Commissioner Williamson, Rob Kopf with U.S. Steel. I would just like to also mention that U.S. Steel in fact just lost corrosion-resistant business at automakers to subject imports, and very similar to what was just described by Mr. Lauschke over there. And we are talking about hundreds of dollars a ton in price difference, not simply over a five dollar bill. It was appalling. And we will provide more detail in our post-hearing brief.

COMMISSIONER WILLIAMSON: Good. Okay, thank you. And with that I want to thank the witnesses for their
testimony.

CHAIRMAN BROADBENT: Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you, Chairman Broadbent. And I have two more questions, and my apologies for keeping you all even longer sitting there. You've been there a long time. You probably could have flown to Los Angeles by now.

(Laughter.)

COMMISSIONER JOHANSON: Although you would have been in the window seat, because I know most of you haven't stood up. So I know it's a long morning.

But I would like to ask a question for ArcelorMittal, Mr. Baske or anyone else who would like to respond to it. I would like to get a response with regard to a quote found in footnote 136 of the Korean Respondents' brief, which was in a newspaper called "The Northwest Indiana Times."

This article refers to the ArcelorMittal facility in Indiana Harbor as--and this is them--as being inefficient and being an aged mill that is a relic of the turn of the 20th Century.

Could you all reply to that?

MR. MULL: Dan Mull, ArcelorMittal. I am not familiar with that quote, but I would say that we are certainly addressing our footprint. Part of that footprint is in
Indiana Harbor West. We have some of the most efficient
facilities as ArcelorMittal USA both in this country, but
also globally. We also have our Calvert facility. As we're
reviewing our footprint, we are certainly making some
investments, some of which I cannot talk about at this time
but would be glad to provide in the post-hearing brief on
the investments we are doing at Indiana Harbor.

Some of this is related to the labor

negotiations.

COMMISSIONER JOHANSON: Yes, Mr. Rosenthal?

MR. ROSENTHAL: Just one general point about plant
closures here versus elsewhere in the world. Everyone in
the domestic industry has been under pressure by imports,
and they are trying to be as efficient and productive as
they can be in their facilities.

But what is interesting is that if we don't shut
down older mills, we are criticized for that. When we do,
we say well you can't supply the market. What is forgotten
about, too, is that there are a lot of mills that could
still produce product and sell it in the United States but
because of the import pressure we are closing that capacity
here before the foreign producers are closing their
capacity.

Were it not for the import pressures that we
have, there would still be—-you heard about the U.S. Steel
facility, but other facilities still open, and were forced to close before they are because they unload their product here.

So it is not like we have on an absolute basis less efficient capacity than everybody else in the world. We just happen to be forced to close it before it would be optimum from our point of view.

COMMISSIONER JOHANSON: Alright. Thank you for your responses.

I have just one more question. And this is something that you all raised, Petitioners raised, in the briefs. How, if at all, should the Commission take into account separate antidumping countervailing duty investigations on upstream steel sheet products such as—well, specifically hot-rolled and cold-rolled steel?

MR. VAUGHN: Well I think—this is Stephen Vaughn for AK Steel. I think, are you talking here, like these investigations that are going on right now?

COMMISSIONER JOHANSON: Yes.

MR. VAUGHN: Yeah, okay. I mean for example it is very relevant to the issue of threat. If China is under an investigation for cold-rolled steel and the Commission thinks that China has engaged in unfairly traded imports of cold-rolled steel that have caused material injury, then the Commission needs to take into account that if they put an
Order on cold-rolled steel, China will have an incentive to take that cold-rolled steel and galvanize it and ship it over as galvanized steel.

Similarly, if Korea is facing Orders on hot-rolled and cold-rolled steel, then the Commission needs to understand that in that case Korea will have an incentive to take the hot-rolled and cold-rolled steel that it's been shipping into the United States, which is enormous, and galvanize that and ship that in as corrosion-resistant steel.

So that is one way you could take it into account.

Another way I think you could take it into account goes back to some of the testimony you heard with respect to the three pricing. You know, why did hot-rolled-cold-rolled steel, which is declining at the same time as corrosion-resistant steel? It is definitely relevant as part of that analysis that all of these industries are being attacked at the same time.

It also comes up in the context of raw materials. Why are raw material prices falling at the same time that corrosion-resistant steel prices are falling?

Well, part of what is going on is that the upstream products for corrosion-resistant steel are also
being attacked by dumped and subsidized imports.

So there's a number of different ways where it becomes relevant to your analysis.

COMMISSIONER JOHANSON: Thanks for--

MR. KOPF: Rob Kopf, U.S. Steel, if could just remind you also, as was pointed out earlier, I mean there is a demonstrated 6 million tons of excess capacity of corrosion-resistant steel in the subject countries that we just talked about that they can clearly divert cold-rolled, hot-rolled, any other product into that unused capacity if there are no Orders in place from those countries.

COMMISSIONER JOHANSON: All right. Thanks for your response. And just for the record, this issue was raised at page 53 of the ArcelorMittal brief. And that concludes my questions. Thank you all again for appearing here today.

CHAIRMAN BROADBENT: Commissioner Kieff?

COMMISSIONER KIEFF: I echo my thanks and yield the rest of my time.

CHAIRMAN BROADBENT: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: I have no further questions. I just wanted to thank the witnesses and yield the rest of my time.

CHAIRMAN BROADBENT: I just had one last question. On page 51 of the Korean Respondents' prehearing brief, they
argue that the Domestic Industry's operating income margins were in line with historical norms, 2.8 to 4.2 percent, which is the range between 2006 and 2015, with the exception of 2009.

Do you agree with this assessment? Or you probably don't agree with this assessment?

MR. WALBURG: This is John Walburg from California Steel. Once again, as I commented before, we don't have many contracts. I would encourage you to look at our results. They were not in line. It was one of the worst years in our history. And for us it was worse than 2009. And it is happening on all products. And please take a look at our data.

MR. VAUGHN: Commissioner, Chairman Broadbent, Stephen Vaughn, AK Steel. A couple of factors that you ought to take into account. I really don't think that being in line with historical norms is necessarily all that relevant to your analysis, in any event. I mean the question before the Commission is:

Did this industry suffer material injury by reason of dumped and subsidized imports?

If you find, for example--and I don't think there is any way not to find this--that they cost us millions of tons of sales, or millions of tons of revenues, that is material injury.
If you find that purchasers were switching sales because of lower prices being offered, that's material injury.

If you find that there's massive underselling, which is a statutory factor, that's relevant to your injury analysis.

And so whether or not--the issue here is not, is there some sort of absolute number? And unless they fall out--there's some sort of decline that gets away from that number, you can't make a finding of material injury. That is simply not the way the statute works.

We would also point out that that discussion is only limited to the operating income margin number. And if you look at some of the other numbers in this record, you will see even more dramatic decline.

CHAIRMAN BROADBENT: Okay. That concludes the Commissioners' questions.

Does staff have any questions for this panel?

MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you, Madam Chairman. Staff has no additional questions.

CHAIRMAN BROADBENT: And then do Respondents have any questions for this panel?

MR. CAMERON: No.

CHAIRMAN BROADBENT: No? Okay. Then in that
case, it is time for our lunch break. We will come back here at three o'clock. We'll come back at three o'clock. And remember the hearing room is not secure, so please don't leave any of your business confidential information out.

And again I want to thank all the witnesses for sticking with us today.

(Whereupon, at the hearing was recessed, to reconvene at 3:00 o'clock p.m., this same day.)
AFTERNOON SESSION

(3:00 p.m.)

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

CHAIRMAN BROADBENT: Madam Secretary, are we ready to begin?

MS. BELLAMY: Yes, Madam Chairman. The respondents for this panel is seated and has been sworn.

CHAIRMAN BROADBENT: Thank you, Madam Secretary. I want to welcome the afternoon panel to the ITC. I would like to again remind you to speak clearly into the microphone and state your name for the record for the benefit of our court reporter. You may begin when you're ready.

STATEMENT OF JAMES DOUGAN

MR. DOUGAN: Good afternoon, Madam Chair, Commissioners and staff. I am Jim Dougan of ECS and my testimony today will provide an overview of the relevant statutory factors of volume effects, price effects and impacts on the domestic industry, and how they support a negative determination of current material injury and threat of injury by reason of subject imports.

In the preliminary investigation, the Commission was unable to find even a reasonable indication of current material injury by reason of subject imports. The record in
this final phase shows that the domestic industry is not
experiencing current material injury now either. In
presenting its case, the domestic industry points to an
increase in subject import volume, a decline in market share
and allegedly inadequate profits, but without acknowledging
some of the basic realities of the marketplace.

First, petitioners make repeated claims that the
subject import volumes had adverse volume effects. However,
no reference is made to the domestic industry supply
constraints in 2014 and 2015, which led to the increase in
subject import volumes to fill the gap left by the domestic
industry. More on that in a moment.

Second, petitioners claim that the price
declines experienced by the domestic industry can only be
attributed to subject imports. The record clearly shows
that U.S. producers' prices moved concurrently with the cost
of raw materials, irrespective of the subject import volumes
in degrees of underselling.

Finally, with respect to impact. The domestic
industry's financial results in 2015 were essentially
equivalent to the results in 2014, and were in the line with
the domestic industry's historical performance since at
least 2006 and better in several respects.

Finally, the domestic producers are making truly
significant investments in their capability to produce CORE,
which is a real-world signal that they are optimistic about their future in this industry and are neither vulnerable to, nor threatened by future injury by reason of subject imports.

To begin, there were no adverse volume effects by reason of subject imports. First, subject imports' volume increased only in 2014 when the Commission found no reasonable indication of current material injury. As shown in prehearing report Table C-1, during 2014, the industry's production and capacity utilization increased and were at their highest levels of the POI.

The industry's reported capacity utilization in both 2014 and 2015 would undoubtedly been higher if not for the effect of supply disruptions that limited the practical capacity of many domestic producers and drew both subject and nonsubject imports into the market.

Interestingly, in presenting their injury case, petitioners made no mention of these well-documented supply disruptions. Instead, they blamed subject imports for their decrease in market share, making no mention of the impact of 2014's cold winter on their operations. But in addition to the bad weather events of 2014, the domestic industry undertook extended maintenance outages and closed inefficient and outdated equipment lines in 2014, 2015 and 2016, none of which are attributable to subject imports.
There are a myriad of contemporaneous press articles that document these disruptions, attached to respondents' prehearing brief. And much of that information is public, so I'll be happy to expand on that later if you like.

U.S. Purchaser's Questionnaires in the final phase confirmed these supply disruptions. Sixteen of forty-two purchasers reported supply constraints, and fourteen of them, which represent a very significant percent of purchases, their allegations repeated at prehearing brief for our Korean respondents, Pages 29 to 31.

These were not fictional supply constraints. They were real and they were significant. In the case of U.S. Steel alone, one article noted that they lost 400,000 tons of production in 2014.

In a market dominated by a small number of U.S. producers, it is no surprise that purchasers were looking for flexibility of supply after the constraints they experienced with the domestic industry over the POI. This is further evidenced by the increase in nonsubject imports, as the volume of subject imports declines, as shown in Slide 1, which presents subject and nonsubject sources, both in absolute tons and as a percent of total imports.

Significantly, all of the domestic industry's decline in market share in 2015 is attributable to the
increase in market share of nonsubject imports. As subject imports' market share also declined in 2015. Moreover, there is no discussion within petitioners' brief of the increase in nonsubject imports over the POI or what proportion of those imports came in under the control of domestic producers or their related parties.

These volumes are quantified in Korean respondents' prehearing brief at Exhibit 1. Petitioners' omission is particularly telling when they also claim that the industry could not afford to lose even a single ton of production or shipments.

Shifting to price. There was no price depression by reason of subject imports. Petitioners claimed in their briefs that the price declines experienced by the domestic industry can only be attributed to subject imports. Petitioners repeatedly assert that materials, changes in raw materials are unrelated to the domestic industry's price movements.

This statement, too, ignores the basic realities of the marketplace, as raw materials accounted for roughly two-thirds of the industry's cost of production during the POI.

One witness this morning said that raw materials were just one part of their production costs. It may just be one part, but it's one part that is two-thirds of their
production costs. Not surprisingly, it is evident that the following raw material prices explain the price decline over the POI, as U.S. producers' prices moved concurrently with those costs.

As Slide 2 shows, U.S. producers' prices began to decline along with the prices of the major raw material inputs for CORE. Moreover, the purchaser questionnaire responses on record support this claim. As a vast majority of purchasers reported that raw materials affect their price negotiations.

And when over two-thirds of the industry's COGS is raw materials, and when the vast majority of purchasers report that raw material costs affect their price negotiations, it is no surprise that the prices for all eight CORE pricing products moved together with the price of raw materials.

It is this significant and sustained decline in raw material prices in late 2014 and 2015, and not the effect of subject imports, which explains the decline in domestic industry prices over the latter part of the POI. Respondents have never claimed that there is a one-to-one relationship between these two. But the Commission should discredit petitioners' peculiar and repeated denials that raw materials are a key influence of CORE prices.
This is especially true because there is no
evidence on this record that the domestic industry's prices
were suppressed by reason of subject imports.

Slide 3 shows the industry's COGS to sales
ratios over the past ten years. This is the metric that the
Commission commonly uses to assess price suppression. Not
only did this ratio decline over the POI by eight-tenths of
a percentage point, COGS to sales ratios over the POI were
at the lowest ratios over the past ten years.

Moreover, as shown at Staff Report Table 6-1,
raw material costs were lower as a percentage of sales in
2015, 61.9%, than in 2013, 64.2%, or 2014, 64%.

Petitioners will insist that the Commission must
look only at changes in unit values, but the other record
evidence on this point undermines this claim. And it is
common for the Commission to look at metrics on a percent of
sales basis, especially for purposes of a price suppression
analysis.

Respondents submit that the underselling on the
record is also not significant. And the confidential record
shows that the timing and frequency of underselling and the
quantity undersold merits further scrutiny by the
Commission.

Additionally, we believe the Commission should
closely examine the underselling by Canada, which is
explained in detail in Korean respondents confidential prehearing brief and is at odds with statements this morning from the petitioners' panel about the relative pricing of imports from Canada versus other sources.

These facts, given the volume of imports from Canada, and the identity of the importing parties are relevant to the Commission's analysis of price effects. There was no adverse impact by reason of subject imports.

In its preliminary determination, the Commission made an affirmative threat determination based largely on the concern that the decline in performance observed in the first quarter of 2015 would continue without trade remedy. However, as the record in the final phase shows, the concerns that led the Commission to reach a threat determination did not come to pass.

As Slide 4 shows, and as predicted by respondents, the improvement observed between the first quarter and full year of 2014, occurred between the first quarter and full year of 2015 as well, furthering the notion that there is no reasonable indication of current material injury by reason of subject imports.

Since the same improvement occurred in the prior year, the industry's improvement in 2015 cannot be attributed to the filing of the case.

Slide 5 shows that the domestic industry's
performance indicators were strong over the POI and in line with historical levels dating back to 2006. We provide the historical data to provide context about the industry's performance at different points of a business cycle and period that include trade remedy for this product.

Furthermore, the domestic industry's operating profit ratio improved over the POI from 3.5% to 3.7% in 2014 and 2015. And although petitioners claim that these margins were woefully inadequate, as Slide 6 demonstrates, the operating margins were in line with historical levels.

As shown by the slide, other than the recession year of 2009, the domestic industry's operating profit has fluctuated between 2.8 and 4.2% and average 3.5%.

Further, Slide 7 includes the interim periods for 2014 and 2015 and as is shown, the domestic industry improved from their interim levels of profitability to the same operating margin in full year 2014 and 2015.

Petitioners' case at the prelim hinged entirely on the trend observed between those two red bars. As we can now see, that apparent decline was illusory. What's more, as shown earlier in Slide 5, from 2013 to 2015, the domestic industry experienced its best three years at the gross profit level, outperforming even 2008, which was widely considered to be a boom year for the domestic CORE industry.

The key employment indicators all rose from 2013
to 2015, and absent one producer, the sales volume of the rest of the industry increased. Additionally, although the domestic industry's market share declined, as we discussed in the prehearing briefs, it was attributable to significant supply disruptions in 2014 and 2015, the effects of which continue into the current year.

Petitioners observed that the domestic industry's reported capital expenditures declined over the POI. However, the capital expenditures reported by the domestic industry from 2013 to 2015, that appear in the staff report, do not fully capture the impact of recently announced investments by domestic producers and new and upgraded production facilities focused on automotive CORE as discussed in Korean respondents prehearing brief.

In addition to these significant upgrades, Big River Steel will complete its construction of its new 1.3 billion dollar steel mill in Arkansas later in 2016. The mill will have an annual capacity of 1.6 million tons of specialty steels, including a 525,000 capacity for CORE.

Slide 8 puts this $1.3 billion investment in context. As the total domestic industry capital expenditures reported to the Commission over the POI totaled $678 million, which equates to roughly half of what Big River alone is investing.

Adding to Big River’s new investment, the
upgrades by the other domestic producers, one would have
to add up capital expenditures for five years, all the way
back to 2011, to approach the capital expenditure levels as
currently announced are in process. This is shown in
Slide 9.

This level of investment evidences a strong
outlook for the health of the domestic CORE industry. This
important fact, along with the rest of the record evidence,
demonstrates that the domestic industry is not vulnerable
and that cumulated subject imports do not pose a threat of
imminent material industry to the domestic industry.

Subject import volume and market share peaked in
March of 2015, months before the filing of this case. And
data from foreign producers' questionnaires show that
exports to the U.S. are projected to be lower in 2016 and
2017 than they were in 2015.

The fact is, the U.S. is just not a significant
market for these producers, as shown at Slide 10, the dark
blue and light blue bars representing home market shipments,
which are comprised of home market commercial shipments and
home market internal consumption transfers. The purple bar
is exports to markets other than the United States, and the
small green bar at the top represents exports to the United
States.

As is demonstrated, the U.S. is just not a major
focus for these subject country exporters. While there was
a modest increase in subject producers' capacity over the
POI, it was absorbed by these producers' other markets,
chiefly, as you can see from this slide, their home markets.

Additionally, their capacity utilization rates
are projected to remain high or even increase. And the
increase in capacity is not projected to results in
increased shipments to the U.S. market. Given the very
small percentage of shipments that account for subject
producers' exports to the United States, it would be absurd
to suggest that subject producers added capacity to serve
the U.S. market.

Foreign producers' inventories, as a percent of
total shipments, were small and steady, at about 5% over the
POI, and importers' inventories declined in 2015 from their
levels in 2014 and we can -- I can get into this later, but
I think some of the data shown on inventories by petitioners
this morning was misleading as to the trends there.

As shown in Slide 11, hot-dipped galvanized
prices around the world have been increasing significantly
from their trough in December 2015. And because this is
demonstrably a global phenomenon, the increases in the U.S.
market cannot be attributed to this case. Additionally, the
spread between hot-dipped galvanized prices and the prices
of hot-rolled coil have been increasing.
Slide 12 shows that the HDG is trading at an increasing spread to HRC into 2016, showing a strong indication that the domestic industry's profitability is not threatened. Moreover, both of these products are currently subject to preliminary duties, so the spread cannot be attributable to any differences in that respect.

While these prices are highly correlated, as Mr. Schoop will discuss, any lack of recent correlation is favorable to the profitability of the domestic CORE industry. Thus, the data on the record do not provide an indication of current material injury or imminent threat by reason of subject imports. Thank you.

STATEMENT OF STANLEY SHIN

MR. SHIN: Madam Chairman and members of the Commission. My name is Stanley Shin, Sales and Procurement for Hyundai Steel American located in Greenville, Alabama. I am accompanied by Won Kim of Hyundai Steel. Hyundai Steel America is 100% owned by Hyundai Steel Company in Korea, and both Hyundai Motor Manufacturing Alabama and Kia Motor Manufacturing Georgia are affiliated with Hyundai Steel America and Hyundai Steel Company.

Hyundai Steel America imports over 80% of the CORE exported by Hyundai Steel to the United States, and 100% of Hyundai Steel America's CORE imports are for use by Hyundai Motor and Kia Motor.
Hyundai Motor established Hyundai Motor America and Kia Motor America to produce automobiles in the United States. Hyundai Motor and Kia Motor estimate that they have invested over 3 billion dollars in these facilities. They directly and indirectly employ approximately 10,000 workers in Georgia and Alabama.

For auto makers like Kia and Hyundai, by far the most important factors in purchasing CORE are product quality and product uniformity. Different auto parts require specific qualities, but flatness and no wave and low reject rates are always important. Price is a consideration, but quality and uniformity of CORE trump all other factors.

Auto producers require a long approval process because they want to obtain a product that is specifically suited to their particular production and the longer the experience with the supplier, the more confidence the auto producer has in its supplier. As noted in our questionnaire responses, Hyundai and Kia have been increasing purchases of high strength steel and reducing purchases of low strength steel as we pursue lighter, stronger automobiles.

For instance, we purchase significant amounts of AHSS 490 and 1180 steel and other grades of AHSS Steel from Korea. We note that we generally purchase AHSS CORE from Hyundai Steel, POSCO and Japan because these grades are
difficult for many producers to produce.

A large part of the strategy of Hyundai Motor
and Kia Motor in establishing auto production in the United
States was to use domestically produced steel where
possible. Hyundai and Kia have been continuously working to
increase their sourcing of steel, including CORE, from
domestic producers. We partner with ArcelorMittal, AK Steel
and US Steel, although AK Steel has no high strength or AHSS
capability at this time. This strategy is consistent with
that of all U.S. automobile producers.

Auto companies prefer to source steel locally
from domestic steel producers because of the logistical
advantages of local supply. Local supply reduces lead times
and proximity makes it easier to resolve sourcing and
quality issues when they arise. Hyundai Motor and Kia
source approximately 30% of their requirements from U.S.
mills. At the same time, as noted in the Hyundai and Kia
Purchaser responses, both producers significantly reduced
purchases of CORE from all parties between 2014 and 2015.
Thank you.

STATEMENT OF JOHN RYOO

MR. RYOO: Madam Chairman and members of the
Commission. Good afternoon. My name is John Ryoo from
POSCO America. I am accompanied here by Hyein Kim, also
from POSCO America. POSCO America imports high strength
automotive grade CORE from POSCO, and electrogalvanized CORE
and galvalume from POSCO C&C.

More than 50% of POSCO America's imports of CORE
from Korea is automobile grade CORE sold to foreign
transplant auto manufacturers. Of that, almost 40% is
advanced high strength steel (AHSS) grade products,
including grades AHSS 490 through 1180, which are generally
not available from U.S. producers. These grades are also
not interchangeable with other corrosion-resistant steel.

The automotive grade CORE that POSCO exports to
the United States is very different from other types of
galvanized steel. This product is not used for any other
uses, and structural and commercial quality CORE is not used
for automobile manufacturing. The physical characteristics
and tolerances for automotive steel are different.

For most types of structural and commercial
CORE, the most important attribute is strength. For
automotive steel, strength is obviously important, but so
are surface roughness for steel used in exterior
applications and ductability for steel used for stamping
internal parts.

In addition, automobile producers are constantly
working to reduce weight in order to comply with auto
mileage standards. As a result of these differences, the
quality standards for automotive grade CORE is manufactured
to much tighter tolerances than the standards for commercial
or structural quality.

    Automotive purchasers have extremely specific
and demanding specifications for the steel that they
purchase and very stringent and detailed qualification
requirements. Auto manufacturers require separate
qualifications of the supplier in general, the specific
plant or mill that will be producing the steel, and of the
specific parts or components for which the steel will be
supplied.

    Auto manufacturers also place great importance
on the ability of a supplier to be able to sustain the
capability to supply steel meeting the requirements over the
life of the vehicle for which the steel is being supplied.

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

    The automotive sector is a separate market
segment that has experienced significant increases in demand
over the period and is projected to experience strong demand
through 2016. In particular, we have seen increased demand
for POSCO's AHSS and extra-advanced high strength steel
products.

The rest of POSCO America's imports consist
primarily of galvalume produced by POSCO C&C. Galvalume is
used primarily in the construction industry to produce steel
building components including roofing, siding and panels.
The construction sector has been growing, and with it,
demand for galvalume and other CORE used in construction.

Korean-produced galvalume is high quality and is
considered to be superior to the galvalume produced in other
subject countries in terms of surface condition, shape, and
yield characteristics.

Many U.S. producers do not produce galvalume at
all, as production of galvalume requires specialized
machinery and equipment which most domestic producers do not
possess. The U.S. producers that do produce do so only in
small quantities and cannot satisfy the increasing demand
for galvalume in the U.S. In addition, almost 70% of POSCO
America's imports of galvalume are of narrow and thin gauge
galvalume, which is 0.018" and thinner and less than 45
inches in width. There is even less domestic production of
this specialized product. Thank you.
STATEMENT OF JOHN GURLEY

MR. GURLY: Good afternoon. My name is John Gurley of Arent Fox and I represent the Indian producers JSW Limited and Uttam Galva Steels Limited. I'm here as well as Uttam Galva North America. I'm here with my colleagues Stephen Schoop and Daniel Bain from Uttam Galva North America as well as Nancy Noonan from Arent Foxx.

The Commission rightly did not make a finding of material injury in a preliminary phase. But we also believe that the current record does not support a threat of material injury and due to the significant developments both in the steel market generally and for the Indian CORE market specifically.

The Commission should not cumulate India, especially for purposes of threat. Decumulation of India from the subject imports is appropriate for several reasons. First, CORE products manufactured by India such as light gauge and very light gauge CORE intended for the HVAC sector and construction sector are different from the CORE products supplied to the U.S. market by most of the other subject countries as well as by the domestic producers.

Second, imports from India are not increasing at similar rates other imports but rather have held a steady market share from 2013 to 2015.

Third, strong demand of India's home market and
regional markets makes it highly unlikely that imports to the U.S. would increase significantly.

Importantly, the imposition of minimum import prices on imports of hot-rolled steel and CORE by the government of India have increased demand and have driven up the prices of CORE price in India.

India is a huge market. And Indian producers continue to ship the vast majority of their production to their home market as well as other export markets near India.

Lastly we would like to note that imports of India have different margins of overselling and underselling than other respondents, particularly in 2015. In short, imports from India are very unlikely to enter the U.S. at prices that would have a depressing or suppressing effect on domestic prices because imports from India are comparatively small, they operate in a relatively small set of niche markets and they're sold at comparatively high prices.

Now, my colleague, Mr. Stephen Schoop of UGNA will provide a few comments.

STATEMENT OF STEPHEN SCHOOP

MR. SCHOOP: Hi, my name is Stephen Schoop. I'm CEO of Uttam North America here with my colleague Daniel Bain, CFO of Uttam Galva North America.

Uttam Galva opened up its office in the U.S. in
2014 to bring us closer to customers in the market and to enhance our ability to specifically compliment rather than displace U.S. production.

We appreciate the opportunity to lay out our view of why imports from India are not injuring or threatening injury to the U.S. industry. You've already heard that the U.S. industry is profitable. You've also heard that the spread between hot-rolled coil and CORE is significantly above average which would lead to increased profitability going forward. I would like to sum my testimony about one, the relationship between CORE and hot-rolled pricing, impact of supply constraints, India's special niche in the U.S. market, and lastly some points about market conditions for CORE in India.

First, I will discuss the relationship between CORE and hot-rolled coil. ECS already spoke on this basic issue. As illustrated in slide 1, CORE and hot-rolled coil are highly correlated because hot-rolled coil is ultimately the main input to make CORE product. When hot-rolled pricing goes up, CORE pricing goes up. If hot-rolled pricing goes down, CORE pricing goes down.

In fact, if we look at the price relationship over the last ten years, you will see that historically these prices have been 99 percent correlated. If the relative CORE price is so correlated to the hot-rolled price
how would one objectively determine whether there is injury
or threat of injury?

Clearly we should look at the spread between CORE
and hot-rolled.

Slide number 2 shows that for the past decade the
spread between CORE and hot-rolled price ranged between 115
as a low and 211 as a peak with an average of $170 per ton.
At the time this case got filed the spread was actually
above average and in fact the average during the
investigation period 191 has been above the ten-year
average. Now, everyone can conclude for themselves, had
there been injury or a threat of injury, one would expect to
see this spread to decrease.

Second, the supply constraints. The domestic
supply of CORE has been insufficient to meet domestic demand
for certain products and certain geographies.

During the investigation period, when U.S. mills
were supposed to be damaged by foreign CORE, they put their
customers on allocation and told them that they did not have
sufficient supply to meet their needs. In recent months
this situation has become even worse for the manufacturing
industry that consumes CORE, particularly the light gauge or
very light gauge CORE products that our customers need to
produce their end goods.

On example of many is from a source called
American Metal Market who said, quote, "Even domestic mills that could make light gauge galvanized are not keen to provide a full range of sizes" unquote. The article also service center source that said, quote, "That mills don't even really want to do the ultra light gauge." So that market is especially tight.

This reflects our experience on a daily basis for the last six months.

Third, let's look at India's imports and their role in the American CORE market. Our customers run factories producing products used in our daily life. A reliable supply chain is their life blood. They need a steady and diversified supply which assures that they won't run out of steel forcing them to halt their production because their suppliers extend lead times or drive up their import costs making their final product uncompetitive in a global marketplace. That is where imports like those from Uttam Galva Steel come in. U.S. suppliers reach out to foreign mills to deal with the U.S. supplier constraints. And in addition to obtain products that U.S. industry doesn't use or doesn't like to produce.

Indian producers have been selling to the U.S. market for the last two decades, consistently focusing on niche products that have limited availability in the U.S. market. Namely light gauge and very light gauge galvanized
steel with a thickness of 018 inches and below.

These light gauge products are primarily used in general construction products for the heating, ventilation, and air conditioning markets as well as in specialized applications, for example, ceiling grates.

Not many U.S. steel companies focus on light gauge products. Frankly, not many other foreign companies do so either. Some countries do make light gauge such as Korea or Taiwan, but they sell mostly to different industries or focus on paint free or prepainted galvaloom CORE.

Manufacturing light gauge CORE is a different animal from manufacturing heavy gauge CORE. Most galvanizing lines in North America are designed with the goal to turn our large volumes of heavier gauged steels. These lines are inefficient at producing light gauge and because of a variety of factors including steel hang weight in the large vertical furnaces, they're not set up to produce quality thin gauged steel at a competitive cost.

To conclude on this point Uttam Galva and other Indian producers are supplying the U.S. market because they have found a niche product which is supplied to a niche U.S. customer base heavily depending on these products.

Fourth and lastly, a few words about market conditions for CORE in India. CORE in India is in high
demand. It is worth pointing out that Indian suppliers are not in the U.S. market because there is overcapacity in India or that there is no domestic market. On the contrary, Indian CORE pricing increased over 25 percent year to date as a result of strong domestic demand and as John has mentioned the imposition of minimum import prices by the Indian government.

At the same time the Indian government is -- excuse me, at the same time the Indian market is continuing to grow. Our legal brief mentions high Indian GDP growth, which is expected to be 7 to 8 percent per year going forward. So while there have been capacity increases in India for the last two or three years, they are focused on growth in the Indian market, not the U.S.

Only a small percentage of Indian production goes to the U.S. and in fact that percentage is declining. We are here because there's demand for our product that is not being met by the U.S. producers, thereby providing an important backstop to ensure reliable and competitive supply of thin gauged steel in the U.S.

I want to conclude by saying that several of our customers have told us this access to our specialized product has not only supported their existing operations, but has allowed them to invest in building new plants and expand to domestic manufacturing footprint. We are excited
and proud to contribute to the new manufacturing renaissance in the U.S.

Thank you for your time.

STATEMENT OF JEFFREY NEELEY

MR. NEELY: Good afternoon, I'm Jeff Neely from Husch Blackwell. I'm here today along with my colleague, Cortney Morgan from Husch Blackwell and Bruce Malashevich, President of ECS on behalf of the Chinese producers of CORE.

As I said in the cold-rolled case a couple of days ago, I refer the Commission to our pre-hearing brief and the testimony of Mr. Dougan regarding our analysis of the lack of causation between imports and the condition of the U.S. industry.

Much like the cold-rolled case, we see from Mr. Dougan's testimony that even on a cumulated basis the U.S. industry's case fails and if it fails on a cumulated basis, it also fails when examining China alone.

I would again like to spend my time discussing the only theme that the domestic industry has come up with regarding China which is the overcapacity.

This case is not about overall steel capacity in China and it's not about debating the work of USTR on that issue. Fortunately, here the one limited task is simply examining the issue of the threat of material injury for CORE and in doing so to examine the role that excess
capacity may play in that threat case.

There is excess capacity of CORE in China, of course, but the Commission should examine the specific excess capacity and the facts of this case and also the ultimate question which is, what's the likelihood that that capacity would come this way if and where it's not imposed.

The overcapacity of CORE in China is not out of line with overcapacity in other countries. We pointed out in our pre-hearing brief that capacity in China is shown by the independent source, World Steel Dynamics. It's in line with domestic capacity and very similar to other countries.

Unlike what has been portrayed this is not some out-of-control building of capacity for CORE steel with no relationship to demand.

What's the basis of my statements about the capacity of CORE in China? Well, it's the same fundamentally two sources that we used in the cold-rolled case. One source is the foreign producers, questionnaires of my clients, the other sources is the publication World Steel Dynamics. As we show in our brief, and, again, without getting into confidential information, the capacity utilization figures for China in World Steel Dynamics is very comparable to those of other countries and further, the percentages of shipments to the domestic market are very high in China compared to those of exports. In fact, we
should mention that we think that the overall capacity figures in the World Steel Dynamics publication are somewhat overstated, but we're willing to accept them for the purpose of this proceeding because they're based on this independent source and they give the domestic industry its best case.

The notion that the Chinese industry is export oriented is belied by the record of this case. In fact, the notion that the capacity of is being built to flood the U.S. market with CORE has absolutely no basis of reality. The capacity plainly is and has been built to serve the internal Chinese market.

Much of that capacity is of poor quality and it can only be used internally in China. The companies who are exporting to the United States are in fact, as the record will show, at a higher capacity utilization rate than the capacity utilization rate generally for CORE.

We really need to focus, we think, on this case on the record evidence and not on simply speculation from the other side.

Even if we allow for the speculation that the imports somehow would return to 2014 levels, we see from the data that there was no causal link between subject imports and injury from any source back in 2014.

So to summarize the case against China on threat is based on several levels of speculation starting with the
faulty and incorrect notion that the Chinese industry is somehow export oriented and relying on speculation and somehow there's going to be a huge surge in the Chinese imports back to the levels of 2014. And then further speculation that such surge would be injurious to the U.S. industry which controls the bulk of this market.

We have discussed a number of things in terms of economic analysis in our pre-hearing brief, we're glad to discuss that here and we certainly will be discussing that further in our post-hearing brief. But in summary, what I would just say, there's no basis of any kind for an affirmative determination in this case.

Thank you.

STATEMENT OF JULIE MENDOZA

MS. MENDOZA: Julie Mendoza on behalf of the Italian Respondents. Before I turn over to Mr. Biagi and Mr. Geraldi, I'd just like to make two very quick comments.

The first comment is that it's true, I did not go to MIT, but I did go to the University of Chicago and we learned a little of economics there.

And what I exactly said was that if you compare the increase in imports -- subject imports -- between 2013 and 2015, and that's a million tons, compare that to the absolute amount of U.S. producers' imports in 2015. Because if their case is that every ton of steel deprives them of
capacity and deprives them of profits, then the same thing
has got to be true for all of that tonnage that they
themselves have brought in.

The second quick point is just to clarify
something in our brief which is that I think it's clear, but
let me just be sure. We did suggest that the conditions in
2014 and 2015 were rather unusual given demand situations in
Europe and given pricing in the U.S. which was very high. I
think that the data stands for itself, which is that Italy
was always very tiny. I mean, we never constituted more
than 1 percent of U.S. consumption even during that period
of time. And our witnesses are going to explain to you the
particulars of that situation.

Thank you.

STATEMENT OF LORENZO BIAGI

MR. BIAGI: Madam Chairman and members of the
Commission, good afternoon. My name is Lorenzo Biagi, Sales
and Marketing Director of Marcegaglia Carbon Steel. I have
come here today to personally explain why I believe that
galvanized steel exported to the United States by
Marcegaglia is not causing, and does not threaten, any
injury to the U.S. domestic industry.

Marcegaglia is a highly diversified, privately
held steel company. Marcegaglia was founded by the father
of the current owner and CEO, Mr. Antonio Marcegaglia, in
1959. The company began with two employees producing open
profiles in a garage. Today, in addition to galvanized
steel, Marcegaglia produces cold-rolled steel, carbon steel
welded tubes, cold-drawn welded tubes and refrigeration
tubes. Sister companies produce carbon plates, stainless
steel sheets and coils, welded stainless tubes, bright bars,
and various other stainless bars and sections.

In 2004, we expanded our U.S. subsidiary,
Marcegaglia USA, in Pittsburgh, Pennsylvania in order to
produce galvanized pipe and tube. Marcegaglia USA
manufactures specialty galvanized pipe that is used for
manufacturing outdoor furniture, playground equipment,
garage doors, intermediate bulk containers, and other
specialty applications. We had previously produced and sold
these products in Europe. When the U.S. affiliates of some
of those same customers requested that we supply them the
same products in the United States, we opted to produce the
pipe for the U.S. market in the United States. We actually
produce about 15,000 tons of pipe for specialized uses at
that facility and we supply the galvanized sheet from our
facilities in Italy. We have about 100 employees at that
facility and while we have struggled with profitability
there, we remain committed to our production in the United
States.

The primary market for our hot-dipped galvanized
steel is Italy, as well as Europe generally and particularly EU countries. The same is true for other Italian producers. None of us has ever been focused on markets outside the EU. Our approach is very much like that of U.S. producers who focus on the U.S. market, and export primarily to Canada, and Mexico with small exports to other markets.

The Italian producers are not low-cost producers as our cost structure is relatively high in Europe compared to Asia or South America. Labor costs are comparable or higher than in the United States and our energy costs are certainly higher. We do not have domestic production of iron ore and we have less access to scrap than the U.S. producers. Therefore, it would make no sense for us to try and compete with the U.S. steel industry on the basis of price. Just as the U.S. producers have done, we have developed the automotive and specialty side of our production for the European market to be more competitive. We have strong relationships with the auto makers in Europe. The auto sector prefers to supply from local mills and we have not even attempted to enter the automotive market in the United States.

Given these facts, it should not be surprising that Italy is a very limited supplier of CORE to the U.S. market. Italy's volume of exports during the period of investigation has been small, both absolutely and in
relation to imports generally and only about 1 percent of
the overall U.S. domestic market based on our internal
calculations. As I said, we have a very big home market in
the EU which has always been our focus.

Italy historically and today is a negligible
participant in the U.S. CORE market. As discussed above,
much of the CORE that we do export is sold to our U.S.
subsidiary, Marcegaglia USA, where it is used to produce
specialized galvanized steel tubes. We also make very
limited exports of galvanized coils, mainly thin gauge, to a
handful of unaffiliated customers in the United States.

The largest Italian producer, ILVA, is currently
in receivership. Financial and environmental issues have
dramatically reduced Ilva's production from 8.2 million tons
to about 4.7 million tons over the last 3 years. This
increased demand for our products in Italy and in Europe
generally. Other developments also suggest capacity
reductions in Europe. For example, the recent
announcements by TATA that it is considering the sale of its
assets in the UK or possibly their closure.

Given that steel production and steel producers
are part of an increasingly international market, shifts in
export and import patterns on a small scale are inevitable.
During the Commission's period of review, the European
economy had a sluggish economic recovery and the U.S. dollar
appreciated sharply against the Euro, over a very compressed
time period which meant that Italian producers could sell at
higher prices in the U.S. market than in Europe. In other
words, the opposite of dumping.

While the quantities have always been very small
from Italy, we can expect that those quantities may even
decline. It is unlikely that ILVA will sell anything into
the U.S. market given the reductions in production and the
uncertainty associated with its sale and restructuring. The
potential sale of ILVA and the attendant investments that
would need to be made in the hot end, make it unlikely that
they will achieve even the projected production level of six
million tons within the next two years. ILVA's reductions
in supply have also created some gaps in the Italian market.
That leaves just Arvedi, Marcegaglia and ArcelorMittal
Italy. It would seem unlikely to us
that ArcelorMittal would export to the U.S. given their
large U.S. operation.

As we discussed in the pre-hearing brief, there
are clear indications that steel demand in Europe,
particularly in Germany, Spain and the UK is finally
recovering. Prices are increasing all over the world and
exchange rates between the dollar and Euro seem to be moving
sideways and we do not expect any significant devaluation of
the Euro. Moreover, the EU is now a net importer of CORE in
2015.

You can see that even under the conditions of 2014/2015, we had very high capacity utilization near 100 percent. For these reasons, I expect imports from Italy to decline but certainly not increase at all in 2016. We do plan to continue to supply our U.S. pipe operation. The United States has been and remains a very limited market for Marcegaglia and all the Italian producers. Despite the increase in our exports in 2014 and 2015, our exports to the United States still accounted for only a very small fraction of our overall shipments.

Thank you.

STATEMENT OF ALESSANDRO GEROLDI

MR. GEROLDI: Madam Chairman and members of the Commission, good afternoon. I am Alessandro Geroldi, Export Area Manager of Acciaieria Arvedi. I am accompanied by Livia Schizzerotto, who is general counsel for Arvedi Group.

Arvedi is a highly diversified, independent, family-owned steel company. In addition to galvanized steel, Arvedi produces hot-rolled steel and cold-rolled steel, and sister companies produce pipe and stainless steel products.

As Mr. Biagi said, like the rest of the Italian
steel industry, Arvedi is focused on selling hot-dipped
galvanized steel in Italy and in the EU. This is our natural
market and it is where we believe we have a competitive
advantage. Our costs in Europe are as high or higher than
in the United States. Therefore, we are not in a position to
compete on the basis of price.

Arvedi is the largest Italian supplier but still
a very small supplier of CORE to the U.S. market. Arvedi's
exports were flat between 2014 and 2015 but in both years
our exports never exceeded 100,000 tons. We have a limited
number of U.S. customers that has not changed over the
period of this investigation. All of our sales are
produced to order.

In 2014 and 2015, Arvedi explored opportunities
in the U.S. market due to the combination of Euro/dollar
exchange rates and strong demand in the United States.
However, our available tons are very limited. You can see
that even under the conditions of 2014/2015, we had very
high capacity utilization near 100 percent.

Arvedi's exports to the United States have been
concentrated in south Florida and Texas, where our exports
primarily serve the construction market. Arvedi is able to
offer thin-gauge material, as thin as 0.012 inches, in
widths of 50 inches up to 60 inches in special grades.
Producing thin-gauge material in this width is difficult,
and we do not see competition from the U.S. producers for these products.

In 2011, Arvedi started a long-term industrial plan of 5 years focused on vertical integration of the output coming from the Hot Rolling Mill. The investments were to diversify our production into downstream products and not to increase production. The introduction of these new and different products has strengthened our position in the European market.

After the recent period of crisis, the current state of CORE demand in Italy and Europe is stable, and in some sectors show a positive trend, particularly the automotive sector. In the case of Italy, we must not forget that ILVA, the main producer of flat steel, due to its financial and legal troubles, has lost about 50 percent of overall production, which has significantly influenced the offers of CORE in the domestic and European market. Imports into the EU from Asia have been small and are declining.

Concerning ILVA, it is in receivership under management by state commissioners and operating at a reduced capacity, with only 4.7 million metric tons produced for all of its products in 2015 so we think they are not able to export to the U.S.

In conclusion, in 2016 we expect to have fewer tons available and we are projecting a decrease in our U.S.
We have explained some of this in our confidential pre-hearing brief. In addition, the European market is improving and ILVA has reduced its production significantly. We focus on the automotive market which has the strongest demand in Europe and we have an entire sales staff dedicated to serve those markets. We have no sales network in the U.S. and we do not intend to invest in one.

Thank you.

STATEMENT OF DONALD B. CAMERON

MR. CAMERON: Madam Chairman, members of the Commission Don Cameron. I am appearing here on behalf of Prosperity Tieh Enterprise Company Limited of Taiwan. I didn't expect to be testifying today but here we are.

I have a few short points to make on behalf of Prosperity Tieh and the Taiwanese Core Industry. First Prosperity Tieh is one of the three Taiwanese exporters to the United States. Prosperity Tieh has three coating lines and two paint lines. Most of Prosperity Tieh's production and exports to the U.S. are painted Galvalume to the construction market.

In fact unlike all exporters except for to a lesser degree Korea, Taiwan concentrated its exports in Galvalume. Purchasers have noted the quality of Taiwanese Galvalume and the availability of certain types of Galvalume as important factors in their purchasing decisions.
A significant portion of Prosperity Tieh's imports are also high strength thin gauge and narrow, 0.018 inches and under in thickness and less than 45 inches in width. Grade 80 which is over 80,000 psi. Taiwan's exports of narrow and thin gauge are laid out at page 4-30 of the staff report. Thin gauged narrow material is a market segment that most U.S. producers do not prefer to participate in.

The mill -- the reason is mill efficiencies. Narrow and thin gauge core is the lease efficient product a mill can produce. U.S. producers prefer to maximize the tonnages produced by rolling thicker wider products. That's not to say that U.S. producers don't produce this product -- there is U.S. production but it is limited and it is concentrated. If you want to look at the details it is also on 4-30 and in your individual producer responses.

While Galvalume is a significant portion of Taiwan's exports, Galvalume represents a small portion of overall U.S. shipments with a limited number of U.S. producers. The purchaser questionnaire responses detail the problem with supply of Galvalume from domestic producers, particularly in certain geographic markets. Taiwan's volume of galvanized imports declined slightly in 2015 even with a negative anti-dumping and CVD preliminary determination.
By the way the final countervailing duty
determination is still negative. The anti-dumping is
slightly over de minimis at 3.73% I believe. This is
further confirmation that import trends in 2015 are not
explained by the filing of the Petition.

Finally if you look at the
overselling/underselling for Taiwan -- Taiwan's
underselling/overselling margins were actually about equal
with low margins of underselling compared to other imports
and actually they have less -- they actually had more
overselling in the 2015 period.

We will expand on this in our post-hearing brief.

I thank you and I will be glad to answer any questions and I
think that that concludes the testimony of this panel.

MR. WAITE: Not quite.

MR. CAMERON: Sorry.

MR. WAITE: Good afternoon Madam Chairman and
members of the Commission. My name is Fred Waite with the
firm Vorys, Sater and with me is my colleague Kimberly Young
together with Adams Lee, of White and Case who is sitting
with us back here in the bleachers we are available to
answer any questions the Commission may have with respect to
critical circumstances in connection with imports of subject
merchandise from China, thank you.

CHAIRMAN BROADBENT: Thank you we will begin on
questioning with Commissioner Johanson.

COMMISSIONER JOHANSON: Thank you Chairman Broadbent and I would like to thank all of the witnesses for being here today, especially the foreign witnesses for coming such a long way. I know you would probably rather not be here but we do appreciate you're all being here to educate us further on the industry and what's happening in it.

U.S. apparent consumption was higher in 2015 than in 2013 but the financial indicators of domestic producers of corrosion resistant steel were lower in 2015 than in 2013. Please respond to the domestic producers arguments that the performance of the domestic industry worsened at the same time that the demand for corrosion resistant steel was rising because of the impact of what they content as surging low price and unfairly traded subject imports.

MR. DOUGAN: Commissioner Johanson Jim Dougan from UCS. I guess it depends on which financial indicators you are looking at. Certainly apparent consumption increased between those periods. The operating income margin increased between 2013 and 2015. Petitioners would like you to say well don't -- operating income as a percentage of sales increased from 2013 to 2015.

Petitioners would like you to ignore that and look at the absolute numbers. So what we would say is
actually in terms of -- first of all there is documentation that you know is in our pre-hearing briefs that we can provide that much of the volume that Petitioners claim that they could have fulfilled and the increase in demand that they should have been able to take advantage of -- they were unable to because of their own internal issues and not due to subject imports.

And there is extensive documentation of that.

Also, there is the issue of the very significant quantities of imports that they themselves brought in that they could conceivably, presumably have produced at their U.S. facilities. So leaving those points aside let's look at the magnitude of the change in the financial indicators that Petitioners want you to look at.

So don't look at the percent numbers, look at the actual dollars. They say you can't pay people in percent you have to look at dollars. So what is the actual change in say operating income between 2013 and 2015 in dollars? And it's 16 million dollars which sounds like a lot of money to you or me but on a sales base of 15 billion it is de minimis it is well below 1%.

So we are talking about this massive change -- all this money that went out the door that they didn't get. We are talking a truly de minimis amount in that change between those two periods.
MR. CAMERON: Commissioner if I may add one thing. We heard a lot of testimony this morning about the auto sector and how the implication it was never made directly but they were implying that imports -- well actually I guess AK did say that directly but -- that imports had somehow taken not -- that subject imports had taken their market share et cetera.

I think if you look at the data, the data simply does not support that interpretation. You look at exhibit 19 of the Korean brief we actually aggregated the staff report data and we combined that with the pre-hearing staff report. What that shows is absolute dominance by the U.S. industry and to the extent that they lost market share between 2014 and 2015 and they didn't lose much, they lost it to non-subject imports.

So I think it's a reasonable -- I don't -- this was a big part of their presentation. Their presentation was you know automobiles is our big deal and yet when you look at the details of it and this is why it is important to get this -- they start out with the theory that all steel is fungible and all corrosion is fungible and it doesn't hold up and that's why we think that a detailed analysis by sector actually is helpful there.

MS. MENDOZA: If I could just add, Julie Mendoza -- one additional thing which is you know, an important
factor to look at is the metal margin and I realize it is a
percentage but you know it really does tell you whether the
industry has been able to push through prices that exceed
their costs of the raw materials right?

So if you look at 2015 in fact that metal margin
was the best over the entire period and if you compare it to
even earlier periods like to 2006 it is also very favorable.
So I think those kinds of indicators tell you how the
industry is doing and as Jim said it is true that there was
a small loss -- I think even in percentage terms if I can
use percentages, is 3% something like that of loss.

MR. DOUGAN: Yeah the number -- I think the
change in absolute operating income between '13 and '15 was
about 17 million and this is in your variant's analysis and
that was far less than 1% of sales in any of the periods
just as a point of contact.

COMMISSIONER JOHANSON: Along those lines and
just talking about the numbers in general, could you all
comment on the position of the Petitioners that they would
have done much better if not for unfairly traded imports?
You might argue reading the Respondent briefs you all argued
in some cases that the U.S. industry is healthy and it is
doing very well.

But what about the argument that, "Look the U.S.
avtomobile market is expanding, why aren't we expanding
faster to more closely correlate to that?"

MS. MENDOZA: Well -- this is Julie Mendoza, I mean you know one of the reasons we offered this historical bid is because the only other -- what they are proposing is purely speculative. What they said today was, "If we assume that price levels in 2015 were at the same level as 2013 we would have made X more amount of money." Alright well first of all there's no way that price levels in 2015 are going to be at the same level in 2013 when you see those charts for hot-rolled prices, scrap prices, everything was falling very, very fast.

So other than them saying we should have been doing better what real evidence is there of that. I mean and then they said, "Well we would have gotten every single ton of those subject import volumes." Well first of all it is not clear to me why losing subject import volumes has a greater effect on them or even has an equal effect or has any effect when they themselves are importing very significant quantities and they are saying that it has no effect on them because they are optimizing their footprint.

So you know it is all just speculation. We can all say well you know if only this had happened or that had happened I would have been doing better because the market was better. But you know how well they did operationally has to do with a number of different factors and you know,
just being able to project out using a couple of you know, very handy or easy bases really doesn't prove anything. I mean the Commission can't say, "Oh they would have been doing better because demand was up so they should have been doing better." I mean on what basis can you conclude that? I mean that doesn't make -- you know -- do you want to say something?

MR. CAMERON: Excuse me -- Don Cameron, just one point on the auto sector since you raised the auto sector. One reason is going to be because there is a trend it the auto sector towards advanced high strength steel so how much advanced high strength steel is being produced by U.S. auto producers -- I mean by U.S. steel producers? There is some but it is limited. Look at the specific data with respect to 480 and 1180 or whatever on the chart in the staff report. It will show U.S. shipments -- commercial shipments versus everybody else's -- that's one factor. Another factor as we have heard this morning is non-subject imports that are imported by who -- by the domestic industry.

On what basis did they make that choice? I mean on the basis of well because we were trying to optimize our commercial production. What exactly does that mean? Oh that means that you chose to put the sale in Canada at the expense of your U.S. operation that's fine I get it, but
that is exactly what it is and let's not sugar-coat it.

MR. DOUGAN: I have one further thing -- Jim Dougan from UCS. To follow a bit on what Ms. Mendoza said the historical comparison is relevant to basically test the claim of we could have been doing so much better, what is the basis and some of the years included in that time series they had trade remedy on Korea for example.

The other aspect of that that is relevant is when you look at the say cause to sales ratio over time and the fact that it is lower now. I mean they are earning higher gross margins on their cost of production. Their operating profit overall is similar well that tells you that the increase, the relative increase in their cost is in their SG&A. It is not in their cost of sales and so I think that tells you something about what the impact of subject imports is in the competitive marketplace as opposed to internal factors.

COMMISSIONER JOHANSON: Thank you Mr. Dougan, Ms. Mendoza and Mr. Cameron. Also Mr. Gurley I know my time is expired but you have been patiently sitting there I think you wanted to say something, is that correct?

MR. GURLEY: I looked like I was getting ready to say something?

COMMISSIONER JOHANSON: Yes.

MR. GURLEY: I'll try to think of something fast
but I did notice at the end of the morning session which I
guess was in the afternoon but the gentleman from AK Steel
mentioned that when he sits down with one of his customers
the first thing they bring out are CRU charts alright -- so
basically that's what we have been saying is that a lot of
the price rises and increases and decreases are based upon
the cost of hot-rolled et cetera.

And I think it was interesting that they made
that same admission in their testimony that the customer
didn't say, "Well I have got these Koreans or these Indians
or these Taiwanese in town," they are saying, "Look at the
CRU charts, here's the spread between the hot-rolled and
cold-rolled," and that's how they start the negotiation.

COMMISSIONER JOHANSON: Alright thank you for
your response and my time has expired.

CHAIRMAN BROADBENT: Commissioner Kieff?

COMMISSIONER KIEFF: Thank you Madam Chairman
and I join my colleagues in thanking each of you for
preparing and presenting and following up and I guess my 18
years at the University of Chicago campus followed by 4 at
MIT and then back at Chicago later -- no, no, no I just mean
to say I guess I'm confused as to which school of thought to
follow so instead of a deep dive into economic theory let me
try a legal set of questions that I hope are -- may come at
no surprise because they are just the same questions I was
asking your colleagues this morning.

And you know I think Miss Mendoza this may be best for you but what -- help me understand the core legal touch points between you and your counter parties. Is it that you and by core legal I mean outcome determinative to our decision. I get that there are competing narratives and I presume that everyone on both sides is presenting truthful information.

The question is what do we do with it and under the statute in particular what is fatal to their case?

MS. MENDOZA: Well I think -- Julie Mendoza, if I had to summarize it I would say this. I would say that what they depend on are absolute numbers like they say imports went up -- they say profits should have been higher. And I think what we are saying is you can't just cite to figures and calculations on the record, what you really have to show is the effects on the industry. And I think what we are saying is, "Yeah, we are not denying the imports were at that level. We are not denying that there was some underselling in the market but we think it can be accounted for by logistical costs and by the fact that if there are risks to importing."

I think particularly if you look to Italy's underselling margins I mean they are tiny, they are smaller than Canada's and so I think what we are saying is it is not
enough to just observe what is going on you also at the same
time legally have to say that this is having a material
impact on this industry and what we are talking about are
the material impacts.

I mean we are talking about did it affect their
profits? Were their operating profits at reasonable levels? Did they make more money over their raw material costs? And the answers to those are yes. I mean to some extent you always have to draw inferences right because you don't have any -- I don't have any direct evidence of exactly how much supply problems they had and exactly which products and how -- there's no way I would have that information or our clients.

But the fact of the matter is if you are really saying that you want to increase your capacity, you want to keep your workers, you know, and all of that then why are you importing if there is no supply issues? And I think even though they try to characterize it as optimizing I mean what they are really saying is certain facilities of ours are more efficient than others and they produce certain products better than other facilities, right?

I mean at the end of the day and we are not just talking about Canada.

COMMISSIONER KIEFF: So what if it turns out that both perspectives are true in the sense that they are
grounded in a record? Do they lose?

MS. MENDOZA: Yes because they haven't -- this is Julie Mendoza, yes because they haven't demonstrated that in fact they suffered material injury. I mean the Commission you know, you have to show that. In other words you can't just say, "Oh imports are up a million tons," or you can't just say you know because the relevance of the imports and the relevance of the supply disruptions is that those imports are not having the same effect and that's our point right?

That you know you can't just see what the absolute numbers are you have to look at what the effects are and what we are saying is you don't see them and you don't see them in the pricing and you don't see them in the volumes so yes we win because this case and again they love to bring in all the other flat-rolled cases and talk about you know how much imports are of the total industry and how we are having all of these issues and restructuring costs and all of this.

But you know at the end of the day this case is about this particular product and obviously the Commission at the pre-lim thought that this was a pretty different product than hot-rolled and cold-rolled. I mean --

COMMISSIONER KIEFF: So on the questions of degree where there might be -- you obviously have different
perspectives on the questions of degree they would probably
say whatever the degree of degree is it is above the
materiality threshold. And for them to lose it has to be
below a materiality threshold right? It doesn't have to be
-- we could discount to a large degree what they are saying
and still be compelled under the statute to decide their way
right?

MS. MENDOZA: Julie Mendoza, no I don't think so.
I mean you know at the end of the day it is still -- I mean
you still have to have a way of separating what is mere
competition right from what is material injury. Because of
course no one wants to have any competition and if you
eliminate competition entirely you will always do better
right?

I mean if they can get rid of -- I mean the
consolidation in the industry itself has improved their
condition significantly right? So in terms of their market
power and all of that so you know you have to have some
way of showing a difference between just a competitive
effect versus a material injury effect and I think the
Commission traditionally has done that by looking at things
like you know trends and effects and -- no it doesn't.

I mean first of all I think it would be virtually
impossible for them to make the case that they should have
been doing better or that they would have been doing better.
I don't know how you would do that analysis. I mean because you would have to assume things like prices in 2015 being the same as in 2013 which don't make any sense.

I mean now they have admitted that raw material prices has some effect on prices so at a minimum they have to admit that there is no way that prices in 2013 and 2015 would be the same right?

So how do they in fact show that they would have been doing better? Because that's their problem -- their problem is they are actually doing quite well historically.

MR. CAMERON: Commissioner if I may just one comment following up on Julie. She is exactly right on this and part of it was the dance -- I know it is a surprise to you that I would say that isn't it. Hey look I have to go back to the office so I mean I think everybody can understand my position.

But all I am saying is this look I mean first of all if we remember the dance that we had I mean it was quite a tap dance on the issue of the relationship between hot-rolled and the other in the hot galvanized and why did those prices go between. And at one point they were basically suggesting that well maybe those three prices go together but that is because they are all subject to unfair trade cases. Well no, it is because hot-rolled is also dependent upon scrap prices, iron ore prices and coal prices
all of which we also detailed in our post-hearing brief.

There is a relationship between raw material prices, raw
material costs and prices.

The other was the issue that we had about well I
mean we are getting hit by all of these things and their
point that yes you should attribute any shut-down of any
facility to subject imports. Well that's a very casual way
of eliminating the causal nexus that you need to demonstrate
and that's why we need to get into the details of the
underselling and that kind of stuff.

So I do think that actually part of the
presentation this morning demonstrated exactly what you are
getting to which is you know when you start to get into the
details it got very fuzzy and well I have got a correlation
and it really won't correlate like that.

Well actually it does correlate like that, that's
what this chart that the Indians gave you was is the
correlation between the hot-rolled prices, hot-rolled costs
and the galvanized pricing. It's pretty close, 99% is
pretty good.

MR. GURLEY: This is John Gurley and I'd just
like to bring up the point that there are -- we talked about
that there are three different cases and I don't have a dog
in the hot-rolled fight, so I can say whatever I want, I
guess. But, you know, I don't know whether they're losing
money, making money -- let's assume that they're losing a
lot of money, right?

So if you're losing a lot of money on your
hot-rolled side, that means probably the hot-roll prices are
cheaper. But if that happens, that doesn't -- I'm not sure
how that affects galvanized prices, other than the fact that
galvanized prices are likely going to go down because raw
material prices are cheaper.

My fear in this thing is that there's kind of a
three-card monte going on where you have hot-rolled, the
cold-rolled and the CORE and they have this SGNA that's
being applied to all three of them and it's unclear how --
why their losses in hot-rolled, which probably, maybe --
let's say that increased their SGNA -- is now being applied
to CORE.

CORE is lucky. It's the top of the heap. And
so whatever happens below it, if the price goes down, then
their prices are going to go down in CORE. If it goes up,
it goes up. But what we've seen is the margins stay pretty
stable. And these guys should be making money with those
kinds of margins between them, and they have been making
money.

COMMISSIONER KIEFF: Thank you very much. I see
that my time is up and I'm also going to have to leave
early, so I'll just mention that I will be reading the
transcript and really appreciate everything that you're
providing today, as well as in the post-hearing. Thank you
very much.

CHAIRMAN BROADBENT: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: All right, thank you.
And I'd also like to thank the witnesses for being here
today, especially those who have traveled a long way. I
want to follow up on something you said, Ms. Mendoza, which
was that you don't have any direct evidence of supply
problems and so, from what I understand of the respondents'
argument is that imports were being pulled into the market
due to supply constraints.

And we've heard this talk about the bad winter
on the Great Lakes, and that the Great Lakes were frozen and
they couldn't get product out. So I wonder if you could
just walk me through -- what is your all's position on what
were the supply constraints? And what is the evidence then
in the record of those supply constraints?

MS. MENDOZA: Julie Mendoza. I guess I should
have been clear. I, I didn't mean that, by direct evidence.
I meant we don't have any personal evidence or know exactly
what happened and how many tons were out and all of that.
We know, from press reports, which we put in our brief, and
we know from earnings calls by the U.S. producers, and we
know from statements in trade papers that this, in fact, was
occurring -- plus we know from the purchaser questionnaires that they -- what was the number? Thirteen out of seventeen, I think.

MR. DOUGAN: Sixteen out of forty-two, but fourteen of those had detailed responses to the supply disruption they'd incurred. And --

MS. MENDOZA: I was referring more to the fact that we wouldn't be able to calculate, you know, exactly how many tons in each producer --

COMMISSIONER SCHMIDTLEIN: Well, I mean I guess did any of the respondents have purchasers say to them directly they were looking for product because they can't get it due to the bad winter?

MS. MENDOZA: Oh, yes. I mean the press reports for 2014 are overwhelming, I mean, and --

COMMISSIONER SCHMIDTLEIN: No, but I mean, you're --

MS. MENDOZA: -- well we had testimony yesterday, but we also have other --

COMMISSIONER SCHMIDTLEIN: But are there any witnesses here today, any industry witnesses, who had that experience?

MR. SCHOOP: Stephen Schoop. We definitely do have evidence to that effect. So what did happen is unfortunate supply outages, which drive out the lead time at
those mills that can supply steel. Now, if you're running a factory and you're assuming that you can replenish your inventory CORE product within a two-month cycle, now, this is pushing out the four month and at the same time, you do get a statement from your domestic mills saying, 'Sorry guys,' and we have presented that for the preliminary hearing.

'Excuse me, we are fully booked, doesn't look like it's going to get better. You will have to wait for your steel.' Well, you have been running your inventory on two months' cycle basis, well, yes. We have directly customers coming to us saying, 'I have no other choice. I do need --

COMMISSIONER SCHMIDTLEIN: And when was that?

Was that in just 2014? Because --

MR. SCHOOP: That was the most prominent experience, yeah.

COMMISSIONER SCHMIDTLEIN: Okay. So, and we see the subject imports continuing to increase into 2015, up until the first half, it looks like. So were the supply constraints continuing through the first half of 2015, in your view? And if so, what was the cause of that? Was it the weather, continued to be the weather? Or was it something else?

MR. SCHOOP: I'm not aware of supply constraints
to an equal degree or mentionable degree. But what kept
those buyers coming back to the info market that have
experienced this outage situation is that they realized, I
got to have different options to assure sufficient
inventory. And I guess it's purchasing one on one good
practice to have a diversified portfolio of sources, and
that is obviously domestic, but also international, for
exact reasons.

COMMISSIONER SCHMIDTLEIN: So in 2015, you think
it was more like diversity of sources that was leading
purchasers to buy rather than a supply constraint?

MR. SCHOOP: That would be my -- To my
knowledge, yes.

MR. GURLEY: It's not just one huge monolithic
industry, right? There's the auto sector we've seen, and so
they may have a different experience. India competes in the
light gauge and the ultra-light gauge. And so there's a
limited number of U.S. manufacturers which actually focus on
that and there's a limited number of foreign companies which
focus on that.

So if you have a shortage in that area, it's not
so easy to find an alternative source, because the number of
sources are limited.

COMMISSIONER SCHMIDTLEIN: Mr. Cameron?

MR. CAMERON: Commissioner, Hyundai Steel
America, which actually buys from the U.S. producers for
Hyundai automobiles and for Kia automobiles, does have
evidence for the winter of 2014 and the winter of 2015 and
we will supply it in the post-hearing brief, because it's
confidential documents. But yes, the answer is yes.

COMMISSIONER SCHMIDTLEIN: So what about the
summer of 2015? For the spring into the summer? Were there
supply constraints as well then, that were due to weather?

MR. SHIN: Yes, surely the start from 2014
winter and then through that 2015 all year, we had to change
the makers from U.S. steel to other new makers. That
happened through 2015 all year.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. DOUGAN: Commissioner? I'm sorry, are you
finished, sir? Jim Dougan from ECS. There's stuff in the
Korean respondents prehearing brief, but it's public, so
some of these things I can mention. In 2015, ArcelorMittal
had a series of supply disruptions in March, blast furnace
and a hot strip mill in Cleveland were taken off-line for
maintenance outages in order to enhance the efficiency and
reliability of assets.

AK Steel, late in February 2015 had a fire on
its anneal and pickle line, in April had a two-week outage
at Butler Works. This is at 25, 26 and 27 of the prehearing
brief. US Steel idled the blast furnace in January 2015 for
several months to replace a caster with one purchase from
the defunct Sparrows Point Maryland plant, and installed a
new caster at another blast furnace. One of three blast
furnaces at Great Lakes Works in Michigan was offline for
about a month in August 2015.

So, you know, there is a number of these things
that -- this isn't limited to January through March of 2014.
This recurred again and again and again and it may have been
most severe -- I mean the US Steel, 400,000 tons, 400,000
tons in 2014. That's a big number. And that was the most
significant, which is why you hear the most about it. But
these things did not stop them.

MR. GURLEY: This is John Gurley. I'll just add
that if somebody in the U.S. is getting nervous about their
source of supply and they want to do something, it takes
several months from processing an order to getting the
steel, so the weather in the Great Lakes in July of 2015 may
have been fantastic, I don't know.

COMMISSIONER SCHMIDTLEIN: It usually is.

MR. GURLEY: But it may not have been in
February of 2015.

COMMISSIONER SCHMIDTLEIN: So help me
understand. Oh, go ahead. Mr. Biagi.

MR. BIAGI. I just wanted to add -- Lorenzo
Biagi -- just wanted to add and confirm that also our
subsidiary Marcegaglia USA wasn't being imported in the beginning of 2014 by the domestic producer, for the very simple reason that not being a regular buyer, they were actually being put in a location because in time of supply restraint or shortage, the first thing you do is you put in the location, a do-not-supply your no-regular customer. And that happened during the first period of 2014 and continued those in 2015, because of the no-regular partner on our subsidiary. And that to me is a sign of shortage and certainly not overcapacity.

COMMISSIONER SCHMIDTLEIN: Okay. So then, help me reconcile. If there were supply constraints and people are worried about being able to get product and it's in a period of increasing demand, then why do we see underselling in the pricing products?

You would think that given the general principles of economics and --

MS. MENDOZA: Well -- this is Julie Mendoza -- we talked about this a little bit. First of all, I think, if you see -- I don't think you can really characterize most of what you see as underselling once you take into account logistical costs -- and we put something in our brief to show how you calculate that. So I think that basically what you had was import selling very close to the prices of U.S. producers.
Now, if you are an importer, particularly a small importer, your ability to set prices in the market is very limited. I mean you're really a price-taker. You're not going to be able to go into a market where you're not an established player and insist on a big price increase.

MR. BIAGI: And that's exactly right as Ms. Mendoza said. I mean, you know, we had to take whatever was available at the time and even as underselling -- I mean that is a largely upset logistic costs. I mean I think we put in our brief what the cost is and therefore we believe that our subsidiary has no evident advantage once we can see their deliver price to their facility over the U.S. market.

COMMISSIONER SCHMIDTLEIN: All right, thank you. My time is up.

MS. NOONAN: Can I just quickly add? Nancy Noonan from Arent Fox. We would just say with regard to India, particularly in 2015, you do not see much underselling at all among the specific products that were chosen.

CHAIRMAN BROADBENT: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. I do want to express my appreciation to all the witnesses for coming today. This morning I raised this with the domestic producers on that same question. Actually, do you agree with the domestic producers that the filing of the petition
was responsible for the decline in subject imports in the second half of 2015? And also, is the increasing U.S. prices in 2016 attributable to the petition and the preliminary determinations by Commerce?

MS. MENDOZA: Julie Mendoza. No, we don't agree. I mean I think what you saw in the import data really was that imports started to decline, or at least peaked in March, and then did decline. I mean you really don't see a major decline in subject imports until very, like, November, December, the last quarter. If you look at the quarterly data in our brief, and I think that was due primarily to the potential imposition of duty. But I don't think it had any effect during 2015 of any sizeable amount. I don't think the people reacted to it.

MR. CAMERON: Commissioner? Don Cameron, just one point. If you look at Slide 11 from Mr. Dougan's slides, what you'll see is that, not only are the prices of CORE in the United States going up, the prices are going up globally. Now I don't know if it's the United States industry's position that the imposition of antidumping preliminary duties in CORE in the United States is responsible for the increase in CORE prices globally. If that is, it's a stretch and I'd like to see him prove it. Okay?

COMMISSIONER WILLIAMSON: Okay.
MR. BAIN: Daniel Bain from Uttam Galva. I can also answer your question with respect to our company. After imposition of the duties, we continued to import at similar levels and have continued and will continue to import at similar levels. So it hasn't had an effect for us.

CHAIRMAN BROADBENT: Is China on that graph?
MR. CAMERON: No, it's Germany, France, Spain, Japan and Italy.
CHAIRMAN BROADBENT: So what's CORE doing in China?
MR. CAMERON: I don't have that information, but we'll see if anybody does.
MR. BIAGI: I'm not going to discuss about hard figures, but I think with a little bit of international experience, prices in China at the beginning of 2016 were actually the highest in the world. We can provide hard figures in the post-hearing brief, but the prices in China for the domestic consumption, domestic market, it increases as well as the rest of the world.
COMMISSIONER WILLIAMSON: Is there an explanation for that?
MR. BIAGI: Possibly raw material costs, I don't have enough knowledge of the Chinese market to explain why, but it's a matter of fact that they did increase.
COMMISSIONER WILLIAMSON: Okay. I just wasn't getting what was happening to raw material prices around the world and the slow-down in their economy. That's kind of a surprising result, and that's why. So if there's anything to explain that would be helpful.

MR. SCHOOPE: You're not the only one that would like a full explanation. I think the whole industry is wondering why that happened, so I can't give you an answer, but what Lorenzo was saying is accurate. Not sure about highest in the world, but unbelievably high, and it had to do with a destocking experience. They did run down inventories, so it's a cycle thing. They did run down inventories or restocking. But if anyone does have a full answer, I'd be interested to know, too.

COMMISSIONER WILLIAMSON: How was the winter there last year, by the way?

Do these charts indicate maybe the prices uptick in the U.S. led the other upticks? Or is that reading too much into it? I like the pretty colors and all.

MR. DOUGAN: Commissioner, Jim Dougan. It's difficult to say, because this is CRU data and we believe in keeping that confidential. We've indexed it so we can maybe look at that a little bit, but I'm not -- certainly by the end the overall percentage increase in Italy appeared to be higher in Spain with equivalent.
COMMISSIONER WILLIAMSON: If there's anything useful to draw from that, Mr. Biagi?

MR. BIAGI: No, I don't think as far as Europe is concerned at least for the record in particular, I don't think that the U.S. had anything to do with price inflation. It was simply the raw material cost, the input cost and the lack of availability. As we said before, there's been a significant reduction in production in Italy and that led prices to increase more than the other countries in Europe. Together with a growing economy in Europe, GDP is up, consumption is up, so all the drivers are actually moving up for the prices in Europe, independent from what happened in the U.S.

COMMISSIONER WILLIAMSON: Okay.

MR. GURLEY: Commissioner, John Gurley. The statistics in India are very similar to this, the same kind of price increases.

COMMISSIONER WILLIAMSON: Of course they also had the help with their MIPS program.

MR. GURLEY: As a respondents' lawyer, I don't want to comment on anything that has to do with trade restraints.

COMMISSIONER WILLIAMSON: [laughs] Okay, that was the USDR in me coming out. Let's go to the next question. This is about the market for CORE versus other
flat-rolled products. And this was asked earlier today.

See, and this is the figure of V-3 shows prices for
hot-rolled, cold-rolled and hot-dipped coils of 2013. It
appears to show prices of all three products moving in
tandem. Is this the case that the prices are basically
moving together? If so, how does one separate out what is
affecting CORE versus other products? And you've heard this
question before --

    MR. BAIN: Daniel Bain here again, from Uttam
Galva. It's logical, first, that they move together,
because galvanized steel is basically coated hot-rolled or
coated cold-rolled steel, so it makes sense that if what
you're coating goes up or down in price, that the actual
galvanized steel will go along with it.

    So I think that the point -- what Stephen Schoop
was pointing out in his testimony was that what should
happen if there's injury or you can show that there's threat
of injury, is you would see a margin squeeze. And you don't
see a margin squeeze. Actually, the margin is increasing,
so at the end of the day, you look at the numbers and the
numbers don't show margin squeeze and it speaks for itself.

    MR. CAMERON: The other thing that I think that
you ought to consider. I mean at one point when they were
doing this tap dance earlier this morning and said, well,
you know, it's not only raw material costs, because they got
off that raw material cost discussion in about fifteen
seconds, and then we started into general expenses, factory
overhead, whatever. Right?

Those are not public numbers. The thing that is
public, that people know about, people do know what is the
price of scrap. That's a very valuable thing. They know
what the price of hot-rolled is because it's run. These
Are -- when you go and buy a car, it's useful to know the
Blue Book value of the car. Now, if you're like me, it
doesn't help you, but some people, it actually helps. Okay?
No, no, no. I fully can see that.

I'm just saying with -- with some people,
knowledge actually works. But it does -- that is an
important factor. That is public information. That is one
reason it does go in tandem. Plus, as Daniel was saying, if
it was 65% of the cost of galvanized, what do you expect to
happen? And the problem is, when it's squeezed. And when
it's squeezed, we always hear about that as part of an
injury case. That's cause of injury. You guys are causing
injury because my raw materials cost have been squeezed and
I couldn't recover my costs of raw materials. Here we have
the other way around and they say, 'Well, you know, raw
materials doesn't really have anything to do with the price
of galvanized.' Okay.

COMMISSIONER WILLIAMSON: Thank you. Anybody
else want to add to that? Are there any factors that are
different for the different products? For the one we have,
that are relevant to this discussion?

MS. MENDOZA: Certainly. I mean if you look at
hot-rolled, a really huge thing happened in hot-rolled,
which is that the oil and gas market plummeted, Okay? And
US Steel says this in all their earnings calls, I mean they
admit that in terms of the effect on hot-rolled, they just
had not anticipated how big that effect was going to be.

So when it comes to hot-rolled prices, I mean
they have definitely been pushed down. But the big news is,
that even though the hot-rolled prices have been pushed down
due to a lack of demand and the oil and gas sector of pipe,
you know, because hot-rolled producers sell the pipe
producers -- the amazing thing, as these guys were saying,
is that CORE prices have not gone down.

And that they have been able to maintain and
expand this spread, which means that they're doing just
fine. I mean, that's the difference I think, you know, that
that hot-rolled prices went down when oil and gas went down
and nobody was buying to make pipe and tube and yet, even
though this is such a high correlator with the performance
of CORE and pricing with CORE, they were still able to
maintain those CORE prices. And this is something that we
talked a lot about at the prelim.
MR. CAMERON: One other thing. You talk about
different conditions. Take the cold-rolled that we were
discussing the other day. The composition of the industry
is quite different in cold-rolled than it is in corrosion.
In cold-rolled, the one salient feature of that industry is
captive consumption, Okay.

COMMISSIONER WILLIAMSON: Okay.

MR. CAMERON: What do we have here in corrosion?
You don't have captive consumption. This is actually the
end product of much of that captive consumption. The
conditions of competition in these market sectors actually
are quite different. They are very. But the fact that they
are the hot-rolled and the cold-rolled are inputs to
galvanized is a very real factor and that actually doesn't
account for a lot of the correlation.

COMMISSIONER WILLIAMSON: Okay. Thank you for
those answers. My time has expired. Thanks.

CHAIRMAN BROADBENT: I had a question about the
lost sales, lost revenues. How do you respond to the
collective lost sales/revenue responses from purchasers,
which seem to indicate a sizeable minority of U.S.
purchasers that report that they had shifted sales to
subject imports due to price and who also reported that U.S.
producers had reduced prices in order to compete with lower
priced imports from subject countries? And that discussion
is at the end of Chapter 5 in the staff report.

MR. DOUGAN: Madam Chair, this is --

petitioners this morning pointed to this as, you know, unusual and very damning evidence of causation and our response to that would be -- is what's the materiality of it?

I mean this goes to something that Commissioner Kieff spoke to the other day. And when you look at the tonnage involved, which is around 234,000 short tons, which again, in isolation sounds like quite a bit. But it is a very small percentage of import volume, let alone apparent consumption.

And I have to be careful about what I can say here, so we can address this more in post-hearing. But by comparison, the quantity of subject imports that were oversold during the POI was 403,000 short tons. Now, petitioners would, I'm sure, say that the quantity and the pricing products from the subject imports that oversold is a small number. It's tiny.

But if that's tiny, the 400,000 tons is tiny, well 230,000 tons is diminimus. So, in perspective, again, 230,000 tons sounds like a lot. But in perspective to other things going on the market, we'd argue it's not material.

MR. GURLEY: This is John Gurley and we've dealt with that in our brief, I hope, and basically gave a
discussion of each of the allegations, a sort of an
aggregate in those which there was some evidence. Some
purchasers said that the India might have undersold them or
whatever.

But the vast majority of cases either, the
purchaser didn't say anything or they've denied it. So I
think it, at best, the evidence is mixed, but the mixed
evidence fits into what Jim just said, is that even if you
take them for all they -- all of their allegations and
accept them as true, they're not material given the small
nature of them.

CHAIRMAN BROADBENT: Okay. Let's see. For Mr.
Cameron, on Page 47 of the Korean respondents' brief, you
argue that the domestic industry's operating income margins
do not indicate injury. Can you justify why the industry
would have a lack of improvement in its operating income
margin, despite such rising demand over the POI?

Is this as good as it's going to get for this
industry? What's the future?

MR. CAMERON: Jim is going to amplify this. But
I think the point that we were making and it was made this
morning in the charts, is that when you compare the
profitability experience of this industry over a ten-year
period, we're not talking about a narrow slug of time.

You're talking about a ten-year period, much of
which -- imports from Korea were under import restraints through antidumping duties, and the margin profitability, margins that they have right now are at, actually in the upper end of the historical operating margins, operating profits, not below.

MR. DOUGAN: Just to add to that, the reason that this comparison is helpful and important is because, again, if the COGS to sales ratios are now at a decade low, right? This shows that they've actually increased their ability to recover their production costs. There are other internal factors, SG&A and other things, that have led that margin to be flat.

But let's say that that's an allocation of some corporate expenses, internal expenses, that due to volume, is being spread over a smaller production volume, smaller sales volume. Wouldn't that have been aided if they had chosen to balance their footprint and capacity in such a way to move some of the production that they are taking from overseas to their U.S. facilities?

If the problem is, that their utilization here, in their domestic facilities, is not high enough, and they're blaming subject imports for that, and if their profitability could've been better still, absent -- or if they had had higher production volumes, our question is -- why are you bringing in so much from overseas?
And couldn't at least some of that have been aiding their domestic utilization rates and by that, spreading those fixed costs or those corporation costs over a higher volume, reducing that contribution and increasing their profit margins?

MR. CAMERON: The one other thing is -- it strikes me that it's very interesting, you know, these -- we've discussed a lot of the shutdowns, temporary and otherwise this morning -- and it -- I'm not going to make light of that because I think shutdowns are serious things.

So that's not the point. Part of the point is that restructuring in this industry, by its nature, does involve shutdown of capacity. We heard on Tuesday that Fairfield was shut down in advance, a year before it was scheduled to be shut down. Well, so it was scheduled to be shut down.

It wasn't scheduled to be shut down because of subject imports. It was scheduled to be shut down because the company had made a decision. The company made a decision that, look, I'm going to build an electric arc furnace here and I'm going to basically reposition myself and to make myself more competitive. Good for them.

I mean, there are some very strong companies in this industry and it's in these profit numbers. But then all of a sudden, the shutting of Fairfield is, that's all
imports of corrosion-resistant -- Well, I'm sorry. That just doesn't work. And the fact is that it was scheduled to be shut down. And yes, they've maintained some production in galvanized steel. Okay.

And is that less efficient now or more efficient because they have to go and get the raw material from somewhere else. I don't know, but I suspect that it's less efficient. But that is not actually attributable to subject imports of corrosion-resistant. I'm sorry. That just doesn't work.

CHAIRMAN BROADBENT: Okay. Let's see. Mr. Neeley, on behalf of the Chinese respondents, can you tell me a little bit what's going on in this product in China, and there's been a lot of news reports about -- first, you know, huge excess capacity, low prices, and now things seem to be turning around in the Chinese market, just according to press reports that I see. There's some more demand growth that's being fueled by the government there apparently. But I don't really know. Can you tell me about demand trends and prices?

MR. NEELEY: Yes, I can tell you a little bit, and I think we can provide more information in the post-hearing brief and it, with some details. But a couple of things come to mind. First of all, I think everybody who talks about this industry agrees that one source of
increased demand within China is the automobile sector.

We already know there's a number of automobile producers in China. Those producers are doing well. They're expanding and so there's increased demand there. With that has come, as I understand, it's in increased capacity in certain areas, basically to serve that demand.

At the same time and I think this has also been well-documented, the Chinese government has announced programs to shut down basically outdated capacity. And so that's going on. And so, in some ways like United States, where you've got somebody opening an operation in Arkansas at the same time as other parts of the industry get shut down, that's the same thing that's going on in China.

You've got some new capacity and you've got a lot -- more capacity, as I understand it, shutting down. So, but you know, sort of the devil's in the details, so we'll try to give you more details, but that's sort of the overview that I can give you at this point.

CHAIRMAN BROADBENT: For the Korean respondents, Mr. Shin, why did Hyundai and Kia reduce purchases of CORE between 2014 and 2015 that you mentioned at the end of your testimony and I was just curious.

MR. CAMERON: Commissioner, Don Cameron. If it's okay, we would like to provide the details of that in our post-hearing brief --
CHAIRMAN BROADBENT:  Understood, yeah.

MR. CAMERON:  -- because we actually can give you some details, but that gets into some confidential information with respect to the way Hyundai Motors and Kia Motors were doing their production. But we will be glad to give you that information.

CHAIRMAN BROADBENT:  Okay. My time is up, so Commissioner Pinkert.

VICE-CHAIRMAN PINKERT: Thank you, Madam Chairman. And I thank all of you for being stalwarts, late in the afternoon here. I want to begin with my question about operating income versus net income. We heard a lot about that on the earlier panel and I know that as the statute is drafted, we should consider operating income. We should consider net income. But what I'm wondering is, whether any difference between operating income and net income should be attributed to the impact of subject imports?

MR. DOUGAN:  Our answer is no. There are a couple of things to note on this point. One, some of the statistics and I'm not clear about everything that was cited this morning, but as we stated in our prehearing brief, we believe there was some double-counting of some expenses below the line in the initial staff report, so that as reported in the staff report, it may actually be
artificially low. We can work with staff on that and sort it all out. But the net income may be higher than it's looking in the prehearing staff report.

Secondly, there was a discussion of interest expenses and again, looking at the data, interest expenses are not significant driver of the non-operating expenses. What's really driving this are one-time nonrecurring items. And what's really driving that are one-time nonrecurring items in 2015, because net income was actually up between '13 and '14, as you can see in Table 6-1.

And so these nonrecurring charges are related to -- again, we have to be careful about what can say here, but restructuring of operations and similar to the type of situation that Mr. Cameron mentioned, you know -- in some instances this is restructuring that was going to happen. This is planned restructuring.

These are things that are happening. These are real expenses, they're real costs to the people who work here and from an accounting basis, this is something that has to be put somewhere. But is this the result of subject imports. The answer is no. This is a restructuring charge that has to appear somewhere, but cannot be attributed to the effect of subject imports, so that fact that you see a decline in net income in 2015 that you don't see in operating income, we say is completely unrelated to the
impact of subject imports.

VICE-CHAIRMAN PINKERT: Mr. Cameron.

MR. CAMERON: Thank you. Just one comment, and it goes really to this issue, again, of the shutdowns. We discussed this a little bit the other day on Tuesday, with respect to RG Steel, right? RG Steel, which had been the supplier of black plate OCC was, you know, it shut down finally. Okay.

Well, nobody has credibly asserted that the shutdown of RG Steel was caused by imports, subject or otherwise. This RG Steel was shut down because, well, there were financial issues, but it was also -- it was an antiquated mill. I mean, I will give credit to the witness from ArcelorMittal this morning, when asked about the quote with respect to Indiana Harbor, it wasn't like he came out and said it's a state-of-the-art facility, right?

I mean he avoided the question, he did fine. It's not a criticism. He was actually somewhat honest about it in saying, well, okay, so yes, we're constantly looking to optimize and to improve our production facilities, which is exactly right. That's what you do. That's what you do as a business.

But again, many of these shutdowns are not necessarily as a result of subject imports. But RG Steel also produced a significant amount of galvalume. And that
galvalume was taken out of the market and that is one of the factors with respect to the issue of the market for galvalume. And it is RG Steel. And that was shut down prior to the POI.

VICE-CHAIRMAN PINKERT: Thank you. Mr. Dougan, if you can elaborate on your answer in the post-hearing using some of that proprietary information, I think that would be helpful.

MR. DOUGAN: Will do, Commissioner.

VICE-CHAIRMAN PINKERT: Thank you. Now, you also remember from the earlier panel that when asked about the impact of raw material costs on prices, Professor Hausman emphasized that CRU spot prices from 2014 to 2015 decreased by about $169 a short ton, while raw material costs decreased by only $74 a short ton.

So there's a gap between those two figures. And he put a lot of emphasis on it, at least for that period from 2014 to 2015. Is there any comment on that and his reliance on CRU spot prices or on his reliance on that period from 2014 to 2015?

MR. DOUGAN: Commissioner Pinkert, we'll have to look more closely at that and unpack the comparison, because obviously the $74 a short ton you see in the raw material costs for -- in the P&Ls, that's an annual number. It's an average over the twelve months. It includes things, I mean
mostly hot-rolled and so on, but there's other things in
there as well, the galvanizing materials.

So we'll have to take a look at that, unpack it.

Was his comparison from January of one year to December of
the other, was it an average over the periods? We haven't
yet had a chance to unpack that, but that's something we can
do for post-hearing.

VICE-CHAIRMAN PINKERT: Thank you very much for
doing that.

MR. MENDOZA: I just wanted to add one thing,
which is, I noticed that they switched strategies. In the
cold-rolled hearing, they actually used the AUV data from
the staff report and compared that to the raw material
prices, and you know, we didn't really have a chance to
respond to that, but I think it's the same objection we'd
have to the CRU data, which is --

You know, the AUV data's going to be very -- you
cannot just compare an absolute amount, because AUV data, as
we all know, over time, is affected by product mix, right?
So if you're looking at what you sold in 2013, comparing it
to what you sold in 2015 and saying, okay, there's X amount
of dollar difference, and then you look at raw material
prices and it's Y amount of dollar differences --

You can't just say, oh, let me look at that one
to one because the AUV data's gonna be affected by what you
sold in any particular year. So I think the staff has really never, in my understanding, has never used that to say, oh, well, you can see that raw materials only declined by, you know, declined by this much, and AUV's declined by that much, because they know the AUV data isn't really representing an absolute number decline, because of these product mix issues.

And I would suggest that the CRU data probably suffers from some of the same problems.

VICE-CHAIRMAN PINKERT: But at Chicago, they look at the spot market, right?

MS. MENDOZA: Yes. [laughs]

VICE-CHAIRMAN PINKERT: Okay. Just clarification on that point. [laughs]

MS. MENDOZA: No, we look at the AUV data.

[laughs]

VICE-CHAIRMAN PINKERT: Okay. Now, is there a reason that importers of CORE would rely more on short-term contracts and spot sales than U.S. producers, who would rely more on the longer term contracts?

MR. CAMERON: Sorry. Could you repeat that again?

VICE-CHAIRMAN PINKERT: Is there a reason that importers of CORE would rely more on short-term contracts and spot sales? Than U.S. producers would?
MS. MENDOZA: What Lorenzo just told me, and he can explain, but when you're talking about the tonnages, at least speaking for Italy, when you're talking about the tonnages involved, they're so small, you know, they don't have these large contracts with anybody in the U.S. market. I don't know if you want to --

MR. GEROLDI: Alessandro Geroldi. It's also the nature of the -- I'm speaking about the Arvedi -- is also the nature of the business, the long-term contract usually, even in Europe, are applied to automotive sector. We are not in this business and I don't think we have a long-term contract with other customers. So is the nature of our business here that, even the customer doesn't like a long-term contract, even in good moment of the prices.

MR. GURLEY: This is John Gurley. I'm sorry, I'm just note in the testimony this afternoon from the domestic producers -- we did hear them talk about the types of contracts they had, and one of them said they specifically had the ability to increase their prices, depending on raw material prices, and the other one was, they get to increase their price, depending on what the CRU data said, which is essentially saying the same thing that the hot-rolled went up or down.

MR. BIAGI: Lorenzo Biagi. No, I just wanted to add that actually I can confirm what Alessandro said. I
mean we, first of all, our volume -- we are so small, and we are basically filling the gap when and where the domestic industry could not supply. And it was mainly the either to our subsidiary or as more distributor. And by the nature of the business, if you are filling a gap, if you are there with more volume for a short period of time, while other people cannot not supply, then by definition, you cannot get into a long-term contract with them.

MR. DOUGAN: If I can add one thing to that. The primary end-use market into which the domestic producers sell is automotive, and the subject imports sell virtually nothing into that. The nature of the relationship with an auto manufacturer is, once the auto manufacturer has specked out a part and the requirements for it for a model, for a model year, they're going to want to maintain that over a longer period of time.

Because that's such an important market for the domestics, it's only stands to reason that they're going to have a greater proportion of their sales being longer term contracts.

VICE-CHAIRMAN PINKERT: Thank you.

CHAIRMAN BROADBENT: Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. Question about respondents' capacity. In US Steel's prehearing brief and ArcelorMittal's prehearing brief, domestic producers
argue that the amount of excess capacity reported by several
foreign producers in their questionnaires' responses is
understated. The explanation on which this argument is
based is bracketed as confidential, domestic producer's
brief. So in conference or post-hearing submission, please
respond to the domestic producers' arguments concerning the
reported capacity data.

MR. CAMERON: Will do, sir.

COMMISSIONER WILLIAMSON: Okay, thank you.

Question on the price effects of subject imports. The brief
for US Steel sets out response, it's Pages 34, 35, sets out
responses of numerous purchasers that subject imports were
responsible for declines in domestic prices. Either now or
in post-hearing submissions, could you address this
information?

MS. MENDOZA: We could probably more properly
address it in our post-hearing brief.

COMMISSIONER WILLIAMSON: Sure. Okay. And I'm
not sure if this was asked already. Of the Korean
respondents. Could you describe the competition you face
with U.S. producers for sales to the U.S. auto makers? And
by that, I mean both foreign and U.S. nameplate auto makers.

MR. CAMERON: Well, yes. We can do so. I will
say just, right off the bat, that the Korean -- I don't
believe that any of the Korean producers are selling to any
of the U.S. nameplate auto manufacturers. The only sales of
automotive are to foreign nameplate and mostly to Hyundai
and Kia, but we can go into detail on that.

COMMISSIONER WILLIAMSON: Does that mean that
the domestic auto makers aren't requiring the ultra-height,
especially products that you talked about, the high strength
steels and all that?

MR. CAMERON: No, it means that we're not
selling to them. I have no idea what they require. You
mean, like, Ford and GM and -- I honestly don't know the
answer to that.

COMMISSIONER WILLIAMSON: Okay.

MR. CAMERON: I suspect that they are moving
there as well.

COMMISSIONER WILLIAMSON: So you indicated that
Hyundai Motors and Kia buy high strength steel for Korea.
That is not made domestically?

MR. CAMERON: That's right.

COMMISSIONER WILLIAMSON: Got the impression.

MR. CAMERON: Generally, that's correct.

COMMISSIONER WILLIAMSON: Okay.

MR. CAMERON: There is -- nobody said that there
is not high strength steel made in the U.S. There is. High
strength steel is made by U.S. producers. Advanced high
strength steel is made by significantly fewer U.S. producers
and in significantly fewer grades and if you look at that page that I referred to in the staff report, with respect to AHSS 490 and 1180, you will see that there is very little U.S. commercial shipments of those grades, which is an indicator of the difference in degree to which U.S. producers are actually selling those grades. That's not to say that they aren't upgrading. That's not to say that they aren't developing in that area.

MR. DOUGAN: Commissioner, if I can add to that. We lay out in our prehearing brief, in Korean respondents' prehearing brief, about -- we mentioned a lot of these investments, the capital expenditures that the U.S. producers are making that haven't entirely been captured in the staff report. A lot of that is geared towards automotive. It's geared towards advanced high strength steel.

So to the degree that there are customers, there are key customers are going this direction. They are absolutely investing to supply them. I mean they're doing it. And so that's our argument that -- they may not be making it in the same degree at present, but I think as their customers request it, they're investing to make it and they have the ability to do so, and that's a sign of optimistic outlook and not threat of injury.

MR. CAMERON: For instance, AK Steel does not
make advanced high strength steel as a commercial matter. Are they developing the capability? Yes. They are. But are they selling it? No, they are not. It's not -- data is not commercially available right now to our -- and that's our information.

COMMISSIONER WILLIAMSON: How long does it take to develop -- and if this is confidential, it can be post-hearing -- these varieties of high strength and extra high strength --

MR. CAMERON: We can try and get you an estimate. I don't -- we don't have information right now. They're saying a couple of years -- we'll get you what information that we can get you in our post-hearing brief.

MR. BIAGI: I agree. I mean I don't know what is the exact time, but it's years more than months. It's not something that can be ready and available within a few months from the start of the development.

COMMISSIONER WILLIAMSON: Okay. Also, do the Korean producers sell other types of CORE to Hyundai or Kia? Other than the high strength? Do you want to do that post-hearing, again, but --

MR. CAMERON: We'll do that in the post-hearing. I think there is -- well, they do sell different than advanced high strength steel. They also sell high strength low alloy. I'm not sure that they sell that much more of
anything else, but we will get you the details and put it in
the post-hearing brief.

COMMISSIONER WILLIAMSON: Okay, thank you. I
think that's all I have for now.

CHAIRMAN BROADBENT: Okay, Commission Johanson.

COMMISSIONER JOHANSON: Thank you, Chairman
Broadbent. I'd like to pose two questions to the Korean
respondents. You all mentioned that transplanted auto
manufacturers from Korea and United States prefer using
steel from Korea. And is that because you cannot get those
same technical specifications in the steel from steel
produced in the United States?

MR. CAMERON: In the case of the advanced high
strength steel, the answer to that is yes. There are
specifications that they cannot get here. There are
specifications that they can get here, and they source in
Korea and there are specifications that they can get in
Korea and they source here. I mean, we will be glad to get
you more details in the post-hearing in a confidential
submission, the post-hearing brief, if that would help you.

COMMISSIONER JOHANSON: All right, yes. Thank
you, yes, would you like to say something?

MR. SHIN: Yeah, they have developed for many
years, especially the high strength steel, in competition
with U.S. steel makers, so the -- and Korean, the car makers
have developed the high strength steel, earlier than the U.S. automakers. So we believe, I believe Korean and high strength steel, its quality is more than, better than U.S. steel maker so far. But now U.S. steel makers produce high strength steel now. So I expect U.S. producers will get more high strength steel after that.

COMMISSIONER JOHANSON: All right, thanks for your responses. And I had another question for the Korean respondents, in particular Mr. Ryoo. You had talked about POSCO shipping a fairly large amount of steel to the United States to the Korean industry, but I was wondering. According to Ford submission, corrosion-resistant steel does not necessarily travel that well. If you look at Page 7 of their submission, they state "that while CORE, by its very nature's not susceptible to rust. Other characteristics of CORE, such as hardening, are negatively affected by long shipment times from the source mill to the user plant." Is that indeed the case? And does POSCO deal with that situation, if that is the case?

MR. CAMERON: We will look at that in greater detail. I think that what Ford was saying about the logistics, there is a lot to that. I have heard that. I'm not sure I've heard it with respect, particularly with respect to automotive, but we have heard that, for instance, with respect to galvalume.
There is a serious problem if it's sitting on
the dock or sitting around for a long time. And that's what
made the comment, I believe by Mr. Matthews with US Steel
about how the steel's been sitting around for two years and
that's going to be sold into the market and undercutting the
prices, well, I mean steel does have a shelf life on some of
these things in terms of what purchasers want. So I really,
I found that to be a rather fantastical description, to be
honest with you. But we'll get you the details with respect
to the logistics and Ford. I haven't talked to Ford about
this.

COMMISSIONER JOHANSON: All right. Thanks for
your responses. Mr. Biagi, I had a question for you.
Marecaglia sells most of its steel, I believe you stated,
in the automotive sector in Europe and I was surprised to
learn, in your section dealing with cumulation, that the
European auto industry is actually doing quite well. This
is discussed in Pages 78 and 79 of the Italian brief.

According to an exhibit in the Italian brief,
auto registration in the European union has increased for
thirty-two straight months, and the April 2016 figures on
registrations were 9.1% higher than the prior year. Has the
health of the European auto sector resulted in increased
capacity utilization? Consistent with this growth in the
European auto sector?
MR. BIAGI: Yes and thank you for the question. I can confirm that the auto sector in Europe has steadily increased after the crisis especially in the last 2 years of 2013 and 2014 and 2015. The auto sector in Europe has scored record growth and we are supplying a portion -- not the majority of our business but the significant portion of our business to the automotive sector, a sector that is growing and that actually has shifted capacity and will continue to shift capacity more and more towards the auto sector.

We are also developing new grades more aligned with the AHSS that the European market is actually starting to use and going forward in the future that would actually take a greater part of our capacity and fill out our capacity utilization for next years'.

COMMISSIONER JOHANSON: I believe you stated in your comments earlier today that Europe right now is a net importer? Of corrosion-resistant steel?

MR. BIAGI: Correct.

COMMISSIONER JOHANSON: Where is most of that coming from do you know?

MR. BIAGI: We can detail more in the post-hearing brief but we have since 2014 and 2015 Italy or Europe is a net importer and I can give you the detail in one second. Last year we imported 100,000 ton more than
what we exported to Europe in 2015 we imported 600,000 ton
more than what we exported.

So the trend is actually opened up in favor of
being -- of Europe being a net importer.

COMMISSIONER JOHANSON: Okay thanks for your
response. Miss Mendoza?

MS. MENDOZA: This is Julie -- I do think that it
is worthwhile mentioning because I think your question kind
of went to this. I mean one of the things that has happened
in the European market is that there has been a dumping
order on pre-painted steel coming in from China since 2013
and also there is currently a dumping case being considered
I guess by the European community with respect to
corrosion-resistant steel.

MR. BIAGI: There has been -- Lorenzo Biagi --
there has been a dumping case on pre-painted steel that's
almost four years old. There's been a dumping case on
cold-rolled from China, Russia effective January, 2016.
There's a dumping case on hot-rolled under investigation and
they are considering -- the EU is considering a dumping case
against CORE and galvanized.

MS. MENDOZA: Julia Mendoza -- so I guess what we
were trying to say isn't -- I mean what he was trying to say
is that the domestic industry can't supply the entire market
right, there's a deficit. And then imports are coming in as
opposed to the way you often hear this argument that oh you
know, imports are flooding into the European market and
pushing everybody out and I mean I just wanted to make that
distinction.

Because that market for good or for bad is pretty
controlled in terms of imports, it is just that the European
market right now needs to import steel because they don't
have enough corrosion-resistant steel.

MR. BIAGI: Lorenzo Biagi -- especially in
southern Europe where because of what the production as we
said before, southern Europe that used to be -- from the
importer already but the experience and lack of domestic
production and we can barely keep up with the consumption
and the entire industry would not be able to keep up with
the automotive -- in southern Europe and that actually
generated a higher price or say the steepest, the pricing
rise as we saw before on the chart that Italy and southern
Europe in general had seen the steepest price increase in
Europe and because of a lack of production, a lack of
availability of material in 2016.

COMMISSIONER JOHANSON: Yes, thank you for your
response my time is about to expire so I will have a few
more questions when I get to those in the next round than
you.

CHAIRMAN BROADBENT: Commissioner Schmidtlein?
COMMISSIONER SCHMIDTLEIN: Alright thank you. I just had a few questions on raw materials and you probably heard me pose the question to the morning panel about how the change in raw material costs is reflected in CORE pricing and whether or not contracts include provisions for that, whether there are surcharges or whether it is just a matter of bargaining and customers demanding lower prices due to lower raw material costs.

So I wondered if you all could speak to that as well, one of the industry witnesses in your experience because if I understand your case one of the primary arguments is the price of CORE follows the price of raw materials.

MS. MENDOZA: Are you asking -- I'm sorry Julie Mendoza, just about contracts?

COMMISSIONER SCHMIDTLEIN: Well so how does that translate into -- so if you are -- the principle of your case is that the price of CORE follows the price of the raw materials. In practical terms, how does that get translated? Is there a formal provision in these contracts or is it just through negotiations because there is transparency? What is your all's view as to how that happens?

MS. MENDOZA: Julie Mendoza, we don't have any contracts in the U.S. market.
COMMISSIONER SCHMIDTLEIN: Then let's just say it is your argument that it tracks raw material prices?

MS. MENDOZA: Yes.

COMMISSIONER SCHMIDTLEIN: How? How does that happen?

MS. MENDOZA: Okay. Yes, that's fine. I just wanted to clarify that we weren't --

COMMISSIONER SCHMIDTLEIN: It's not true contracts.

MS. MENDOZA: Well we don't have contracts so I don't know --

COMMISSIONER SCHMIDTLEIN: So you don't have a --

MS. MENDOZA: Pricing mechanism works within the contracts.

COMMISSIONER SCHMIDTLEIN: That's fine so Respondents don't have any views on how pricing mechanisms work within contracts on CORE?

MR. CAMERON: Commissioner, Don Cameron -- I don't know. I mean we heard this morning that at least with the contracts that the U.S. industry was referring to they had at least three experiences. One was --

COMMISSIONER SCHMIDTLEIN: Yeah but I would like to know what the Respondent's experience is or what the basis of your claims is that CORE tracks raw material cost.

How does that happen in practical terms?
MR. BAIN: Daniel Bain here from Uttam Galva and
Stephen you can jump in if you want to -- but look the base
mill set price list on a regular basis for their pricing.
They will set a base price for hot-rolled, a base price for
cold-rolled and a base price for galvanized.

And the base price for galvanized will typically
be a spread above the base price for hot-rolled and so it is
set by mills it is set in the market and again if that
margin between the two started to squeeze we would see
injury and people would be screaming. But the margin
between the two hasn't been squeezed and hot-rolled is the
raw material that you use to galvanize.

COMMISSIONER SCHMIDTLEIN: So in your view then
when these contracts are negotiated they are looking at what
that margin is? They are looking at what the price of
hot-rolled is and that's how their customers are demanding a
price for cold-rolled or CORE it's on their knowledge of
that?

MR. BAIN: For galvanized typically they will set
the price against the CRU galvanized price which is set by
mills -- it's actual transaction prices that are going on in
the market so what happens is the customers will actually
report back on a regular basis what they're transacting at
and then that will go back into the index.

So the CRU price that's listed is actually a
reflection of transaction price. So if I am an appliance
maker, an auto maker and I want to set a contract I may say
let's choose an index and the CRU index is very popular that
will help reflect what my discount plus or minus the market
price that other people are paying is compared to the
current market. So it's just a way the index --

COMMISSIONER SCHMITLEIN: So the contracts are
based on the CRU prices -- that's what you are saying. The
prices in the contract are based on the
CRU prices.

MR. BAIN: A lot of contracts are based on CRU
prices but contracts could be based on anything. Some
contracts could be based on fixed prices. Mills could use
futures to fix the price. I'm not an expert on contracting
pricing stuff.

COMMISSIONER SCHMIDTLEIN: Well I'm just trying
to get out if I am going to reach a conclusion that CORE
prices track raw material prices, what do I cite for that?
Am I going to cite the testimony this morning or I mean what
is the basis for your all's argument that connects that up?

MR. BAIN: Well it's even easier than that
because you can actually look at the historical spread
between hot-rolled prices and galvanized prices and that was
the chart that we put up a little bit earlier.

COMMISSIONER SCHMIDTLEIN: And just infer from
that they must be connected because there is a trend?

MR. BAIN: It's not just infer they are 99% correlated so you don't have -

COMMISSIONER SCHMIDTLEIN: And is this true all over the world? Do prices of CORE generally track prices of raw material prices?

MR. BAIN: Yeah I think in most industries if you have a raw material price that uses an input to make whatever widget you are making that you would expect to see a correlation between what you sell for but especially in the steel industry between the raw material price and your finished goods price.

And when people would scream normally and say, "Unfair, unfair," would be when you see a squeeze in that margin. But you don't see a squeeze now in that margin you see the opposite.

COMMISSIONER SCHMIDTLEIN: Okay go ahead --

MS. MENDOZA: Julie Mendoza -- we are relying on the purchaser questionnaires -- the Commission this time in their questionnaire specifically asked two questions with respect to the effect of raw material prices. They asked first, "Do raw material prices affect your price negotiations and if so how," and the vast majority, vast, vast majority of purchasers said, "Yes."

And then they asked if it is necessarily an
actual component of the contract itself right because that's the other way it could be. And fewer people said that it was an actual index or component of their contracts but the vast majority of purchasers said that raw material prices are a very key component in fact we cited a long list of them in our questionnaire.

MR. DOUGAN: It's 37 out of 42.

MR. BIAGI: Commissioner I am sorry but we do not make any contracts in the U.S. I can explain a little bit of the way we do it in Europe and the need for --

COMMISSIONER SCHMIDTLEIN: So in Europe do they track raw material prices in Europe as well?

MR. BIAGI: Everybody tracks raw materials, prices being one of the biggest components, these figures are published for everybody and it is extremely common that all negotiations starts from either price of scrap or the price of raw material because at the end of the day what our customers are telling is us that's two-thirds of your input costs so it is a significant input on the price.

So every negotiation normally starts from there and it then ends up with long-term contract, they could be -- then once the establish the entry point they could be CRU to compete or other index based in order to track the trend or fix or we even had long-term contract that were subject to raw material review after a certain point in time.
So after six months or so they are going to track where the raw material were from when we signed the contract and then adjust prices upwards or downwards based on raw materials.

COMMISSIONER SCHMIDTLEIN: Okay so let me ask you before my time -- I'm sorry my time is going to run out and I just want to get this question asked so we don't have to go into a third round. If you look at least for me, if you look at Table 3-7 in the staff report -- one question I had if that's true you know that prices generally track raw material prices regardless of where we are -- if we are here or in Europe.

When you look at the export AUV's for the U.S. producers they do not change so where you see across 2013-2014-2015 U.S. shipment AUV drops but export shipment AUV does not. So why is that, like why that discrepancy? Why wouldn't the price of U.S. exports also be tracking raw materials?

MR. DOUGAN: Commissioner Schmidtlein, we can look into this more for post-hearing. My suspicion is given the nature of who the export shipments are by and to whom they go which are you know, if this is a lot of the balancing that they were talking about in that these export shipments are going to related facilities overseas that those are prices that are negotiated between related parties
but we can look at this a little bit more. And by the way
the product mix could be quite different.

COMMISSIONER SCHMIDTLEIN: So you think the
prices -- the AUV's that are reported here are not arms'
length?

MS. MENDOZA: Well I think they are reporting
their actual prices what they charged each other. I think
all we are saying is --

COMMISSIONER SCHMIDTLEIN: It's not the market
price.

MS. MENDOZA: No, I mean you know it is the same
reason that people generally don't treat pricing between
related parties as necessarily indicative of market prices
but we can look at that more closely. We are not saying
that they are not reporting the correct prices it is just
that they are reporting prices between related parties.

COMMISSIONER SCHMIDTLEIN: Okay, I'm just looking
at the staff report to see if we have that information right
here but alright I'll come back to that if I can find it,
thank you.

CHAIRMAN BROADBENT: Commissioner Pinkert?

VICE CHAIRMAN PINKERT: Just a couple of
follow-up questions concerning that argument that we heard
this morning that the domestic industry should have been
doing a lot better given the increase in apparent
consumption during the period.

Just as a technical production matter could the domestic industry have had in 2015 the market share that it had in 2013 at the beginning of the period?

MR. DOUGAN: Jim Dougan from UCS. Well on the one hand I would say no given the difficulties that they had with their supply shortages and constraints. On the other hand maybe yes if they had chosen to produce it in their domestic facilities instead of their facilities overseas.

VICE CHAIRMAN PINKERT: And my next question relates back to the first question and that is do any of the impacts or effects of the Petition show that the domestic industry could have had the market share in 2015 that it had in 2013? In other words does that help to seal that argument up if you will?

MR. DOUGAN: Jim Dougan from UCS. Commissioner Pinkert I'm not sure that we have enough data, a long enough period for the post-Petition effects on the record. We can take a look at this but you know the preliminary duties didn't go into effect until late in 2015. Yes the Petition was filed in June. I'm not sure we saw a great deal of difference in import behavior until a little bit later in the year.

Again because of the lead times of ordering the imports so it is not certain. We can look at this a little
bit more. We'll try to pull out whatever data we can on the
record to answer your question.

VICE CHAIRMAN PINKERT: I would ask both the
Petitioner's side and the Respondent's side to look at that
for the post-hearing and help us to understand whether as a
technical production matter the domestic industry could have
had in 2015 the market share that they had in 2013 taking
into account what we have learned from the effects of the
Petition.

MR. DOUGAN: The one thing I will mention there
though is that any change in the domestic industry's market
share between '14 and '15 was attributable to an increase in
share by non-subject imports as opposed to -- so the actual
market share of subject imports declined and the share of
non-subject imports increased. So that would suggest that
there is the capability to fulfill that demand purely out of
the domestic facilities is not what was claimed.

MS. MENDOZA: Julie Mendoza, yeah I mean the same
point because if what we are saying is -- if you are just
asking, "Did they have nominal, theoretical capacity that
they reported to the Commission that they could have used to
get to those market share numbers," that's one question.
The other question though is could they have
supplied the products that were needed by the various end
users under the time and exact product and all of that and
you know our answer to that is no. Our answer to that is even if you put a dumping order on these subject suppliers, you are going to get non-subject imports coming in and the proof of that is the U.S. producer's own behavior.

So I think we need to separate between theoretical capacity and actually being able to produce and sell that merchandise.

VICE CHAIRMAN PINKERT: I didn't use the word capacity in my question but you are right to make that distinction because what I am trying to learn from those post-Petition effects is whether as a practical matter the industry could have recovered that market share in 2015 that it had in 2013.

So thank you for that clarification and with that I thank the panel and I look forward to the post-hearing submissions.

CHAIRMAN BROADBENT: Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you. Following on a question that Commissioner Pinkert and looking at Slide 1 Mr. Dougan looking at Slide 1 of your presentation, particularly the bottom should we say the bottom row there. You show I guess the ratio of the non-subject to subject shift between 4th quarter 2015 and first quarter of 2016 and I was wondering if you could sort of tell us what happened to the domestic production and domestic supply?
Since I assume the consumption didn't drop --

MR. DOUGAN: Well the answer is we don't know because we don't have their production on a quarterly basis or shipments. We have just the annual numbers. The only thing that we have on a quarterly basis would be the pricing data but the coverage of that isn't enough necessarily to let us know. We may be able to infer something from the half year data.

I can take a look but we don't -- because this is available from you know the U.S. import statistics we can actually break it down over time like this but we don't have the same granular level of detail for the U.S. producers.

COMMISSIONER WILLIAMSON: Okay well maybe if Petitioners want to also comment on this change and what this knowledge of the domestic sales shipments have to --

MR. DOUGAN: We can infer but as I mentioned before the non-subject imports have gained share at the expense of both subject and domestic production in 2015 so I have to imagine the trend is continuing in 2016.

COMMISSIONER WILLIAMSON: Okay if you take a look at that and if the Petitioners could also take a look at that question and see if there is anything that we can learn from that. Another thing --

MR. SCHOOP: Excuse me.

COMMISSIONER WILLIAMSON: Sure.
MR. SCHOOP: If I may add something to your question. I don't think necessarily anything happened but I think what we have to realize here is that the U.S. steel buyers and any other steel buyer just have come to final and definite conclusion that they do not want to be dependent on one supply source, that's not just one mill but also one market.

They do realize that they are competing with their product on an international basis so it is very good business practice for any U.S. manufacturer, steel consumer to have a diversified portfolio. So what is happening here is the clever purchasing managers that are out there and they are finding alternative sources to keep their portfolio -- their source and portfolio diversified.

I think that is what is happening here.

COMMISSIONER WILLIAMSON: Okay although I would wonder how you can implement that strategy and the changes that we have seen in the level of imports and all of that -- how much does that strategy explain what's going on and particularly what is happening with the pricing?

In other words I can see that as a long-term strategy but what we have in here is I think some changes that are a little bit more dramatic than that.

MR. SCHOOP: I think the process started as early as 2 years ago that steel buyers were reaching out to start
a trial in other origins.

COMMISSIONER WILLIAMSON: Just like with the question of shortages and the impact and any evidence you can produce to document that that's what is going on would be useful post-hearing, okay.

I had another question about and this goes to the Respondent's arguments about what the domestic producers are doing in terms of their trade with Canada. Now in post-hearing if you take a look at the U.S. exports and imports from Canada and this also I am asking Petitioners to do this and tell me whether or not looking at those volumes does this support -- do those numbers support more the Petitioner's argument that this is sort of like -- this is the North American free trade market and you know people are trading back and forth across the border or does this support the Respondent's argument that basically the domestic producers are hurting themselves by bringing in these things from Canada?

MR. DOUGAN: Commissioner Williamson we will look at that and our point is you know they are making this in their minds and in the perfectly rational decisions to trade in this way but our issue with that argument -- we don't have an issue with that argument per se. The point is if your domestic capacity is under-utilized and you are claiming that you are under-performing overall as a result
of that and you have to close facilities, and laying people
off -- why does this balancing -- why does this normal
business practice not include shifting more of that balance
to your U.S. facilities?

COMMISSIONER WILLIAMSON: Well that's why I want
you to take a look at that exports as well as the imports.
And also take and Commissioner Schmidtlein's question about
Table 3-7 may also want to pull that in too to see what.

MR. DOUGAN: We'll look at them.

COMMISSIONER WILLIAMSON: Good thank you, that's
all of the questions that I have and I want to thank the
witnesses for their testimony.

CHAIRMAN BROADBENT: Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you Chairman
Broadbent, I have a question for the -- actually two
questions for the Chinese Respondents for Mr. Neeley and
Miss Morgan. On page 79 of the staff report it is reported
that the U.S. market fell from being the second largest
destination of Chinese exports in 2014 to the 7th largest in
2015. And this data is public and once again it can be
found in Table 7-5 -- what are the reasons for this decline?
Is this the result of post-Petition effects?

MR. NEELEY: I'd say that and then we can address
this perhaps in more detail when I get some more detailed
data in front of me -- this is Jeff Neeley. A couple of
things come to mind. First of all there was a decline before the Petition that preceded the Petition so when things that were going on in a decline I think even before then which was a result of some of the problems kind of receding and the need for Chinese materials not being there as they had been before.

And at the very end of 2015 certainly there was in effect the Petition there was no doubt about that but I think it is both but primarily the first. It was declines that had nothing to do with the Petition.

COMMISSIONER JOHANSON: And I don't know the answer to this publicly but what were some of the factors leading to the declines?

MR. NEELEY: Well I think it was the things that we have been talking about pretty much all day. It was really one of the reasons for the inquiries in 2014 and the reasons for the inquiries in 2014 that led over into 2015 had to do with problems in the U.S. industry and then stuff is in the pipeline -- people are still concerned that they might not be able to get supplies so it doesn't stop immediately.

And then after a time they realize you know maybe it's not such a big problem and things start to decline.

COMMISSIONER JOHANSON: Such as the weather, et cetera?
MR. NEELEY: Yeah the weather, the collapse of the roof and things of that sort, yes.

COMMISSIONER JOHANSON: Okay thank you. Another question for the Chinese Respondents -- on page 211 of the staff report an importer of Chinese steel pointed to difficulties that Chinese producers were having with ultra-high strength steel production. Does this mean that there is less competition from China in this market segment?

MR. NEELEY: In the United States --

COMMISSIONER JOHANSON: Yes.

MR. NEELEY: The competition for that product at all.

COMMISSIONER JOHANSON: None at all?

MR. NEELEY: There might be a very little now that I think about it, perhaps from one Chinese company but it is very, very small.

COMMISSIONER JOHANSON: Okay. Thank you that completes my questions and I would like to thank all of the witnesses and the counsel for being here today.

CHAIRMAN BROADBENT: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: I don't really have any further questions. We will follow-up with a written question about the exports and similar to what Commissioner Williamson said and who those exports are going to. I did have -- I am curious as to why the parties are exporting to
affiliates, what is sort of an induced product? CORE is an induced product so you are saying they exported it to their affiliate to then sell?

But -- anyway we will follow-up in writing and I would just like to thank all of the witnesses for being here today.

CHAIRMAN BROADBENT: Okay I just had a couple of extra questions here. Mr. Cameron we get the argument a lot that imports increase because of supply issues and sometimes the Commission agrees, sometimes they don't -- if the supply shortages were caused by the weather did this adversely affect purchasers' demand as well?

MR. CAMERON: It depended on where the purchases were because there was purchaser demand that was effective -- there is evidence I believe on direct for that in the purchaser questionnaires and there also was testimony I believe at the cold-rolled hearing about that. I mean that it was not a coincidence that there was actually a decline in GDP I believe that was hit -- I don't remember what it was, we didn't get that.

CHAIRMAN BROADBENT: Okay and in that vein what is your response to the fact that the industry's capacity utilization was at 75%? I know we had collapsing roofs and frozen lakes and stuff but there must have been other facilities in the country where some of this steel could
have been supplied from?

MS. MENDOZA: Julie Mendoza, one comment I would make is just you know it is pretty clear that the U.S. producers are reporting nominal or theoretical capacity. I mean they are reporting the capacity that exists for that facility because it is obviously not being changed based on any of these factors right?

I mean they are not reducing their capacity in line with the issues that we have identified and talked about -- you know all of the taking things off and all of that. Because if you look at capacity reported it is absolutely flat across the period. So I think one of our explanations for the capacity utilization levels is that. I mean we have seen that in a lot of the steel cases that you know it is really nominal or theoretical capacity and the industry very rarely reaches those levels.

So -- and if you are not adjusting it for any kinds of production problems or shut-downs or idling or anything like that then it is all going to show up as reduced capacity utilization.

MR. GURLEY: This is John Gurley I would just like to add that you know it also could depend on the nature of the company and the consumer industry that they serve.

For example we are in the thin gauges we have said like a thousand times and we would look at those companies more
closely to see how they are doing as opposed to somebody who
is making automotive steel which we are not doing.

CHAIRMAN BROADBENT: Okay alright and then my
final question for Mr. Dougan is the iron ore market subject
to global prices or more regional prices? I was just trying
to reconcile the difference between the published iron ore
prices in your slide 2. I mean we have got a figure 5-1 I
think that I was looking at that was confusing to me.

MR. DOUGAN: Madam Chair so are you asking about
the data at 5-1?

CHAIRMAN BROADBENT: I'm sorry my question is --

MR. DOUGAN: We could sort of all blur them
together but I believe you asked a similar question on
Tuesday so I think we will take a look, we have been
investigating a similar question there. I think the data
that are in the staff report are based on producer price
indexes and our data is CRU or SUB plat -- something like
that.

CHAIRMAN BROADBENT: Okay.

MR. DOUGAN: So we will provide an answer to you
as to any divergences that might exist there, we'll let you
know.

CHAIRMAN BROADBENT: Okay great. Okay and with
that --

MR. CAMERON: Madam Chairman may I just --
Commissioner Johanson had asked a question about high-strength steel and I just wanted to -- about China, and I would refer the Commissioner to page 4-30 where again it breaks down the commercial shipments of AHS as 490 and 1180 and it shows the tonnage from China which is not -- it's not commercially significant.

And actually Korea is the only one that is really significant in that. That also shows where it says Taiwan and Korea are the only significant importers of Galvalume that charge is very interesting because it goes to a lot of these questions about how every factory -- every bit of capacity is not identical to every other bit of capacity and we will expand in our post-hearing brief.

MR. NEELEY: Thank you Don that was exactly the chart I was thinking of that I couldn't put my fingers on.

MR. CAMERON: You're welcome, you owe me.

COMMISSIONER JOHANSON: Alright thanks for your response Mr. Cameron.

CHAIRMAN BROADBENT: Okay with that we will come to closing statements. Petitioners have 3 minutes from direct and 5 for closing for a total of 8 minutes and Respondents have 4 minutes from direct and 5 for closing for a total of 9 minutes -- oh yeah excuse me -- does staff have any questions?

MR. CORKRAN: Douglas Corkran, Office of
Investigations, thank you Madam Chairman staff has no additional questions.

CHAIRMAN BROADBENT: Okay --

MR. SCHAGRIN: No, we have no questions either.

CHAIRMAN BROADBENT: Good, alright so Respondents have 4 minutes from direct and 5 from closing for a total of 9 minutes. As is our custom we will combine those. You don't have to take all of your time. We will start with the Petitioners and you can begin when you are ready.

MR. BRIGHTBILL: Thank you Commissioners and staff.

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

CLOSING REMARKS OF TIMOTHY C. BRIGHTBILL

MR. BRIGHTBILL: Thank you Commissioners and staff. We really appreciate your time over these last two hearings. Just to dig right in with regard to -- in response to Hyundai on Korea -- AK testified that they have lost volume with the Korean automakers to imports of corrosion-resistant steel from Korea and they were told that the issue was price.

Hyundai said just now that AK Steel has no high strength steel or advanced high strength capability at this time. It is factually incorrect -- you can look at AK Steel's annual report from last year which says we currently produce virtually every grade of coated advanced...
high-strength steel used today. They are developing the
next generation of advanced high strength steels to provide
even greater strength and formability.

I want to touch on supply disruptions as explored
by Chairman Broadbent and Commissioner Schmidtlein. The
anecdotal evidence that you heard about supply disruptions
cannot possibly explain the surge of subject imports. The
figures do not add up and you properly ask even if there
were disruptions did they continue into 2015?

All steel mills have down time and occasional
outages which they plan for but what they don't have and
can't have is capacity utilization of 75% as you found.
That is material injury it is a 6 million ton gap between
capacity and production. It is a real gap and that is
material injury.

With regard to underselling -- Commissioner
Schmidtlein again said, "If you have supply disruptions why
is there underselling in the market?" Miss Mendoza said,
"Well it's not really underselling -- it's really not that
significant". You found underselling of 61% by quarters,
72% by volume, that is very significant, that is material.

You asked about Galv prices in China. Prices in
China are the lowest in the world for hot-dipped galvanized.
May, 2016 China -- 505 metric dollars per metric ton -- the
next lowest is Taiwan that is why traders are scouting out
the market and lining up deals based on the outcome of these
investigations.

Also I would like to refer you now to slides 5
and 6 from Respondent's economist. Those slides make our
case very well. Slide 5 gets to the point they make the
point that the domestic industry's performance was good or
better than in the previous 7 years -- that is wrong. We
are not doing quite well compared to historically and what
Respondent's chart is missing on slide 5 is consumption of
corrosion-resistant steel.

They didn't include domestic consumption for each
of these years and in fact consumption in 2014 and 2015
is 2 million tons greater than for the period 2006-2012 so
we will modify that chart and submit it in the post-hearing.

Our performance is the same even though
consumption is up 2 million tons. So we are not doing well
and the only difference is the dumped and subsidized subject
imports in the market.

Last I just want to emphasize this is a material
injury case, not just a threat case. The volume and the
price effects are unmistakable and we are very comfortable
with the numbers that you and your staff developed and the
materiality. The lost market share is equal to about 1
million tons of sales or more, lost in 2014 and again in 2015
-- that's $2 billion or more in lost sales revenues, we had a
200 per ton price decline during a period of record demand that is material injury. I'll let Roger take us home.

CLOSING REMARKS OF ROGER B. SCHAGRIN

MR. SCHAGRIN: Thank you. First let me also thank you for your patience. You have had two long days of hearings, you have had a lot of different industry witnesses and you had mostly the same lawyers and we know that lawyers are annoying and none more so than myself, so really thank you for your patience.

So looking at Respondent's slide 6 -- they really make our business cycle case. You know what they show you is taking in three time periods -- from '06 to '08 what was happening -- consumption was increasing. Profit margins increased significantly -- it's a big leap from 2.8 to 4.2.

From '09 to '11 what's happening? Consumption is increasing. The industry goes from losses to profits. From '13 to '15 what's happening? Consumption is increasing but there is no change in the domestic industry performance, why?

Did we bring cases in these other periods? No. We brought cases now because this period of rising consumption was not accompanied by increased profitability or better domestic health and it is all because of unfairly traded imports. So you know it really made our business cycle argument. We didn't do better in this business cycle
while it was improving that's why we filed cases.

    If you look at the business cycle as Tim said, 
look at the volume effect. Between '13 and '15 the U.S.
industry lost 6 and   points of market share and virtually
all of it was to subject imports -- very little market share
loss with the non-subject imports.

    So what's their answer -- well our volume is only
increasing because we are selling products not made in the
United States like light-gauged galvanized and light-gauged
Galvalume. Well I hate to tell you that is Steel Dynamic's
specialty. They make light gauged every day. They are not
only the best in the United States, they are the best in the
world.

    I'll guarantee they are the lowest cost producer
of Galvalume in the world. And as Mr. Teets testified to
earlier today in 2014 and the first half of 2015 they were
going killed on Galvalume and we will show you that in our
post-hearing brief. As just as Vice Chairman Pinkert asked,
he said, "So as these imports were leaving the market was
the industry able to regain the market share?"

    Well we are going to show you that in the first
quarter '16 not only were we gaining the market share in
Galvalume but our share in the market for all galvanized
with the steep production imports and increase in domestic
shipments is similar to 2013 so this industry has got the
capacity, we don't have production outage problems, we can
serve this market.

Finally let's look at profits. 9 out of 17
producers in this industry lost money in 2015. There were
net losses and the statute requires you to take them into
account. Cash flow is barely sufficient to cover debt
service. Unfortunately we have seen this move before in the
late '90's during the Asian financial crisis when demand was
booming the industry had to wait to file cases and missed
out on the boom.

Finally when relief came it was too late and in
2001 a lot of companies went bankrupt. We ask you today in
the period of strongest demand we haven't been able to take
advantage -- don't let Fairfield, Alabama, Granite City,
Illinois, Ashville, Kentucky become like Weirton and
Wheeling, West Virginia. You want to cry when you walk down
those main streets and you see every storefront and former
bar and restaurant is boarded up.

You have the power to restore health to this
industry and let them use this strong U.S. market. We ask
you to make an affirmative injury determination thank you.

CLOSING REMARKS OF R. WILL PLANERT

MR. PLANERT: Thank you Madam Chairman. We will
not be taking our full 9 minutes you will be happy to hear.
I am going to make a few remarks and then John Gurley has a
couple of things he wants to say.

I think it's clear from looking at the record in this case that Petitioner's case is purely a volume case. The price case when you look at the COGS to sales ratio both the trends over the period and then putting those trends into historic context as we did in our exhibit really don't support the case for price suppression at all. They suggest if anything that the COGS to sales ratio during the three years of this investigation improved and was the best over the last decade.

While the prices have moved down they have moved down commensurate with raw materials costs, we think the record is strong on that I won't belabor that a lot. So the case really comes down to a volume case and the problem is they kind of want to have it -- they don't kind of want to have it -- they want to have it both ways.

They want on the one hand you want to believe that you know the million tons of increase over the period -- every one of those tons could have and should have gone to them but for one thing and that's you know the supposed unfair trading of the imports and but for that they should have had all of that.

When it comes to their own imports though now it's like well you know we have to optimize our footprint -- well what they are telling you and they are right about this
is you know we aren't necessarily able to supply every
customer or every region or every product out of our
domestic facilities. Either we can supply it or we can't
so it optimally and so we are bringing in imports to fill in
some of those gaps.

    And that's probably correct and that probably
makes sense but that's also the explanation that we have
tried to give for why subject imports increased -- whether
it was shortages due to weather, whether it was you know
specific sectors of the industry for example Galvalume --
neither the products nor the capacity is fungible -- is
fully fungible.

    So if there is a shortage in a particular period
of time of Galvalume on the west coast the fact that there
is a manufacturer in Alabama who has got a lot of excess
capacity for automotive that doesn't mean that they can
supply that need and so you know our explanation for the
increase in imports has not been that it's all supply
shortages you know, we have talked about the sectors that we
are selling into whether it is Galvalume, whether it is
specific parts of the automotive sector for the transplants
in the case of the Koreans and the domestic industry -- you
see the accurate -- the correctness of that when you see
that the domestic producers have done the same thing.

    They have brought in really significant volumes
of imports during this very period where they are pounding
the table and they say they have all this unused capacity.
Well the question that was asked earlier stands -- if that's
the case and if this is all fungible why aren't you filling
those orders for that capacity and we think that's a fair
question.

Whether or not they are also exporting -- if they
are exporting that's fine but it doesn't answer the question
why wasn't some of this demand from the specific imports
being filled from their own mills and the answer they gave
you is translated, "Well we really couldn't do that -- at
least not officially."

Finally on the question of impact and profits I
think we stand by the charts that we have put in. We think
that looking at the industry's performance over a 10 year
period is very relevant and puts into context the argument
we should have done better. That's a period of time that
captures periods of increasing consumption, it captures down
periods, it captures periods where there was trade relief,
at least to some imports.

And what it shows we believe fairly read is that
the domestic industry's performance over this time and even
in 2015 was well within normal historic parameters and is
not indicative of injury. And with that I will turn it over
to John.
CLOSING REMARKS OF JOHN M. GURLEY

MR. GURLEY: As the bell tolls I'll try to finish up. I just want to make a few comments on our continuing plea to have India decumulated for purposes of threat and I'll just point out some things that I have said before and maybe a couple of new ones just to keep you excited.

One is as you know India has kept a consistent market share since 2013 to '15 and questionnaire data works from the projection that they are going to have declines in 2016 and 2017. I think it was made abundantly clear today that India is not playing any significant role at all in the automotive sector so we are completely out of that part.

We talked a lot about India being in the niche market where we are selling to the ultra-light or the lighten gauge segments of the market and we heard Roger talk a lot about steel dynamics and they do make this light and we agree with that.

And to the extent this competition in the Americas is probably with Steel Dynamics but not all companies are like Steel Dynamics and make a real focused effort to make light gauge. Some of them theoretically could but most of them like to make the heavy gauge and I think the record reflects that.

And then I want to talk a little bit about what makes India unique by itself. And India I'm not saying it's
like China because that seems to be a bad thing to be these
days in a trade case, but India is a booming economy it is
projected to have 7 to 8% increase in GDP in the next two or
three years.

The questionnaire data confirm that the vast,

vast majority of shipments stay in the home market and that

is expected to increase and questionnaire data shows that

would be precisely because the Indian market continues to be

booming. Then I would like to bring up the awkward fact

that they did impose some trade restraints in India.

They imposed import prices and safeguard -- again

I am not going to praise or say anything nice about import

restraints -- I think that's against the law but what I will

say is it is a condition of competition in the Indian market

and that already they were not focusing on the U.S. market

and now with increasing Indian demand and increasing GDP

they have an added incentive to stay in the Indian market

because of the trade restraints obviously.

And the last thing that they brought up the

example that prices in China are the lowest in the world. I
don't want to comment whether that is true or false and

frankly I don't care. All I really care about is what

prices are for my argument, what they are in India and the

prices in India have been good and they have gotten better

since the imposition of the trade -- but also because of the
worldwide increase that you saw on the many charts where it
is talking about the price in Italy, et cetera. It is a
worldwide phenomenon.

It's a good time to be a producer of the
galvanized steel in India. And then I want you to just --
even though I rarely try to brag about dumping duties but
yesterday the Department of Commerce found dumping duties of
India 3 to 4% for their companies and as you all know when
you calculate dumping duties it is a comparison of whole
market prices to U.S. prices right?

So what the Department of Commerce told us
yesterday is that your whole market prices are 3 to 4%
higher than your U.S. prices so when they talk about how
attractive the U.S. market is I want you to think about what
the Department of Commerce just did. They told us well okay
your prices in the U.S. are in fact lower than your Indian
prices.

And with that final note I would like to say
thank you for your attention and I hope you guys can get
some sleep.

CHAIRMAN BROADBENT: Thank you and again I want
to express the Commission's appreciation to everyone who
participated in today's hearing. Your closing statements,
post-hearing briefs, statements responsive to questions and
requests of the Commission and corrections to the transcript
must be filed by June 3, 2016. Closing of the record and final release of data to the parties will be on June 17, 2016. Final comments are due on June 21, 2016 and with that this hearing is adjourned.

(Whereupon the meeting was adjourned at 6:05 p.m.)
CERTIFICATE OF REPORTER

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INVESTIGATION NOS.: 701-TA-534-538 and 731-TA-1274-1278

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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.

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