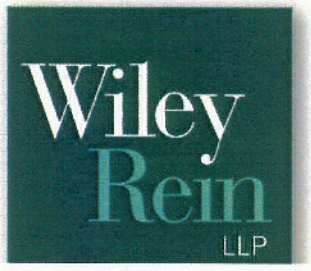

Certain Steel Grating from the People's Republic of China

Inv. Nos. 701-TA-465 and 731-TA-1161 (Final)

Slides to Accompany the Testimony of the Domestic Industry's Witnesses

Domestic Industry Issues

- **Like Product:** Should be coextensive with the scope of the investigation.
- **Related Parties:** Petitioners have requested that one U.S. producer be excluded due to its import activities.
- **Domestic industry:** Includes the producers of certain steel bar grating panels.
- Does not include: service centers, distributors, fabricators.

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Conditions of Competition

- **Demand:**
  - Real demand for CSG is highly correlated with activity in certain key sectors of non-residential construction including manufacturing, power, transportation, commercial, and highways and streets construction.
  - Activity in these key nonresidential sectors held up better than residential construction, the general economy, and other sectors of non-residential construction until mid-2009 but have fallen significantly since then.
  - In fact, in 1Q 2010, "Nonresidential construction starts fell to their lowest level in 50 years."
  - Nonresidential construction "typically lags the general economy by about 18 months." (FMI Construction Outlook)

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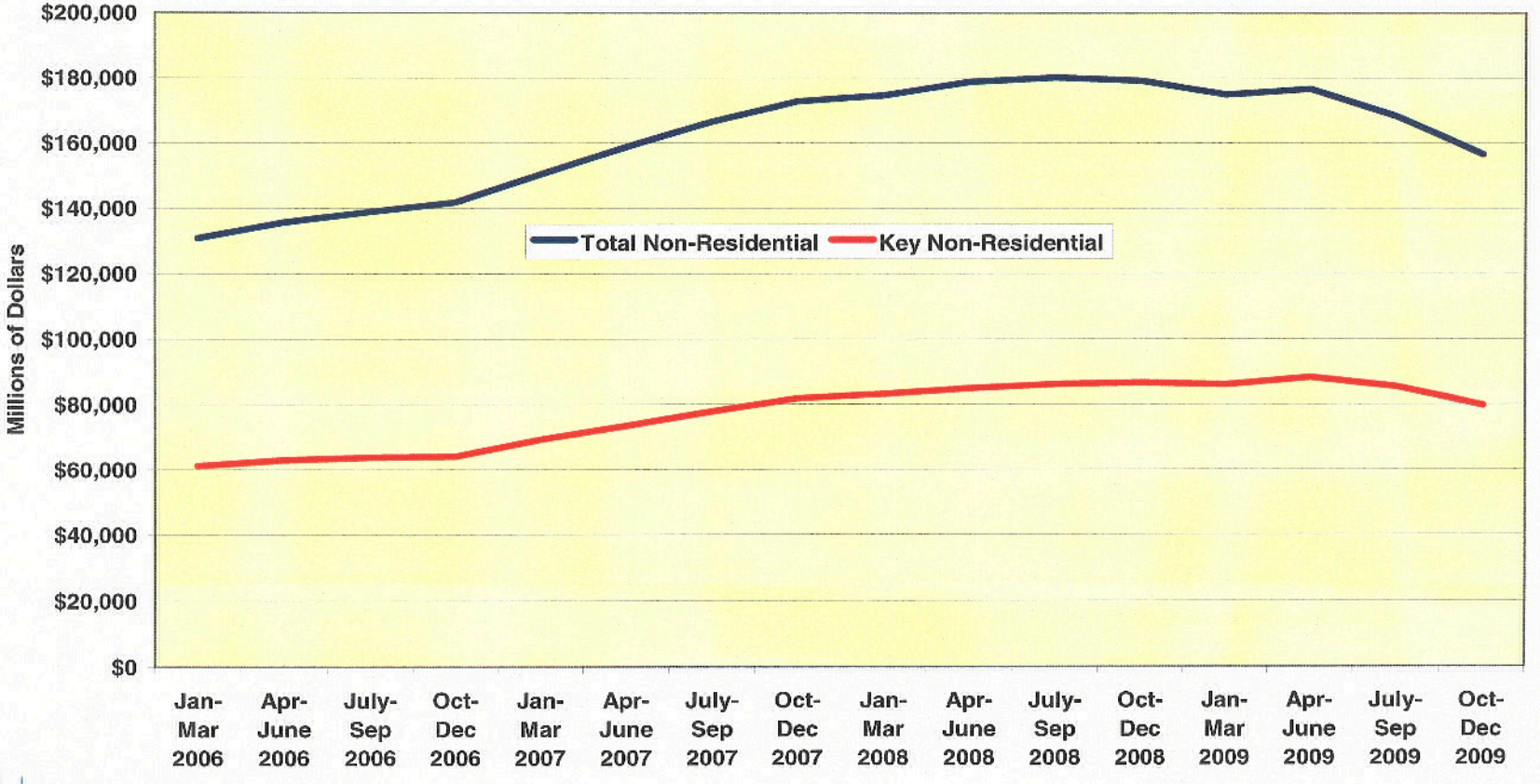
Conditions of Competition

Value Put Into Place of Total Non-Residential Construction and Key Non-Residential Construction Sectors (Seaonally Adjusted)



Source: U.S. Department of Commerce, Bureau of the Census.

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Conditions of Competition

- **Supply:**
  - **The domestic industry can fully supply the U.S. market.**
  - **Chinese producers have massive capacity.**
  - **Chinese import volumes resulting in a massive overhang of subject merchandise.**
  - **CSG is highly interchangeable.**
  - **CSG is sold primarily on the basis of price.**

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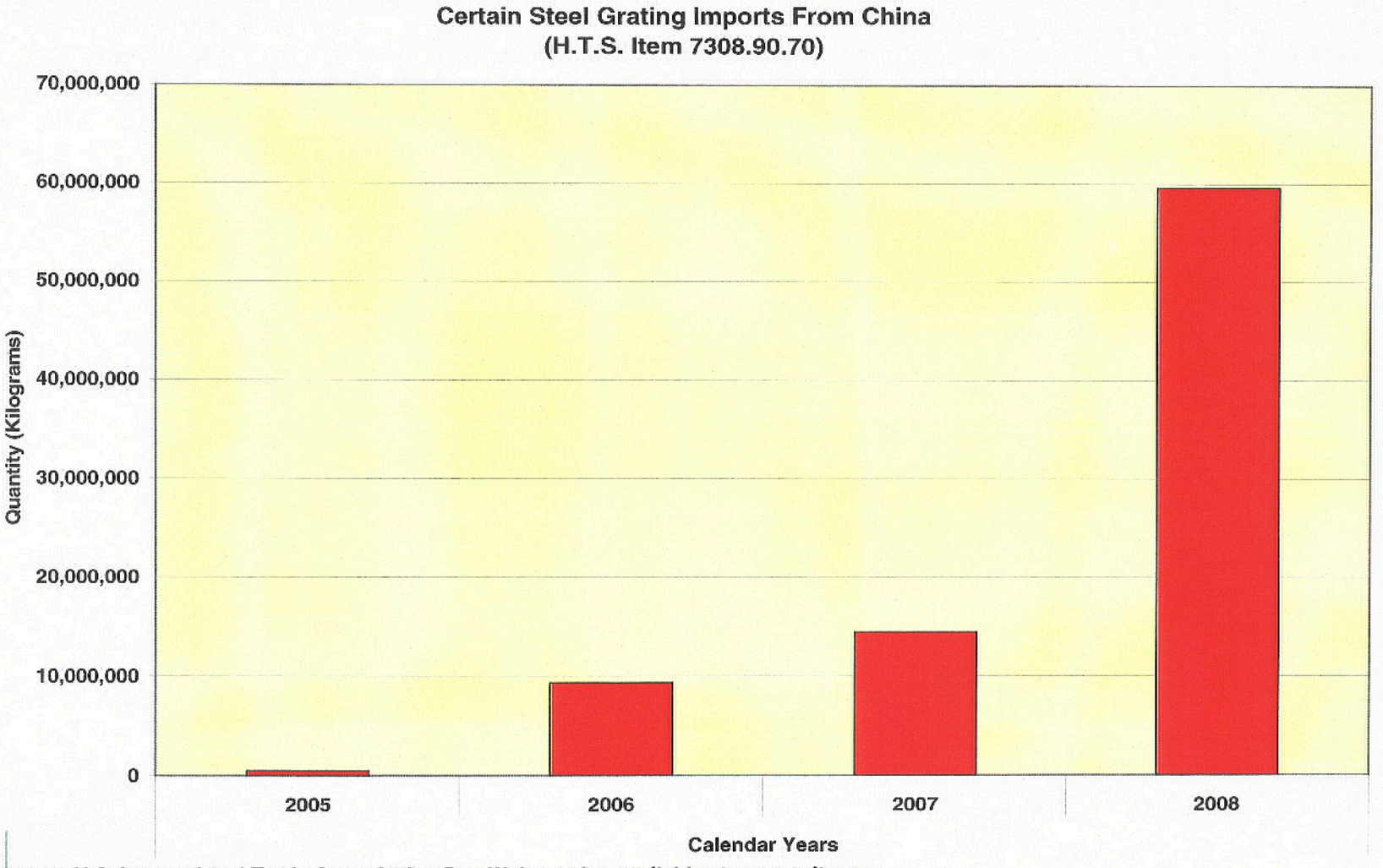
Volume of Subject Imports



Source: U.S. International Trade Commission DataWeb service available at www.usitc.gov

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Volume of Subject Imports

- Subject imports increased 313 percent in 2008, far in excess of demand.
- Subject import market share reached 27 percent in 2008, at the expense of the U.S. industry.
- The staff has confirmed that significant volumes of these subject imports led directly to lost sales for the domestic industry while others reduced the industry's revenues significantly.
- Nonsubject imports were steady or slowing declining during the POI.
- Inventory from the 2008 surge was sold into the U.S. market in 2009, causing injury.

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Price Effects

- Purchasing decisions are overwhelmingly driven by price.
- "Price was the most frequently reported first and second factor" affecting purchasing decisions (Staff Report at II-9).
- Overwhelming majority of purchasers "always" or "usually" purchased the lowest priced CSG.
- Consistent and substantial underselling: "prices for CSG imported from China were below those for U.S.-produced CSG in 42 of 51 instances; margins of underselling ranged from 4.8 to 48.7 percent" (Staff Report at V-16).

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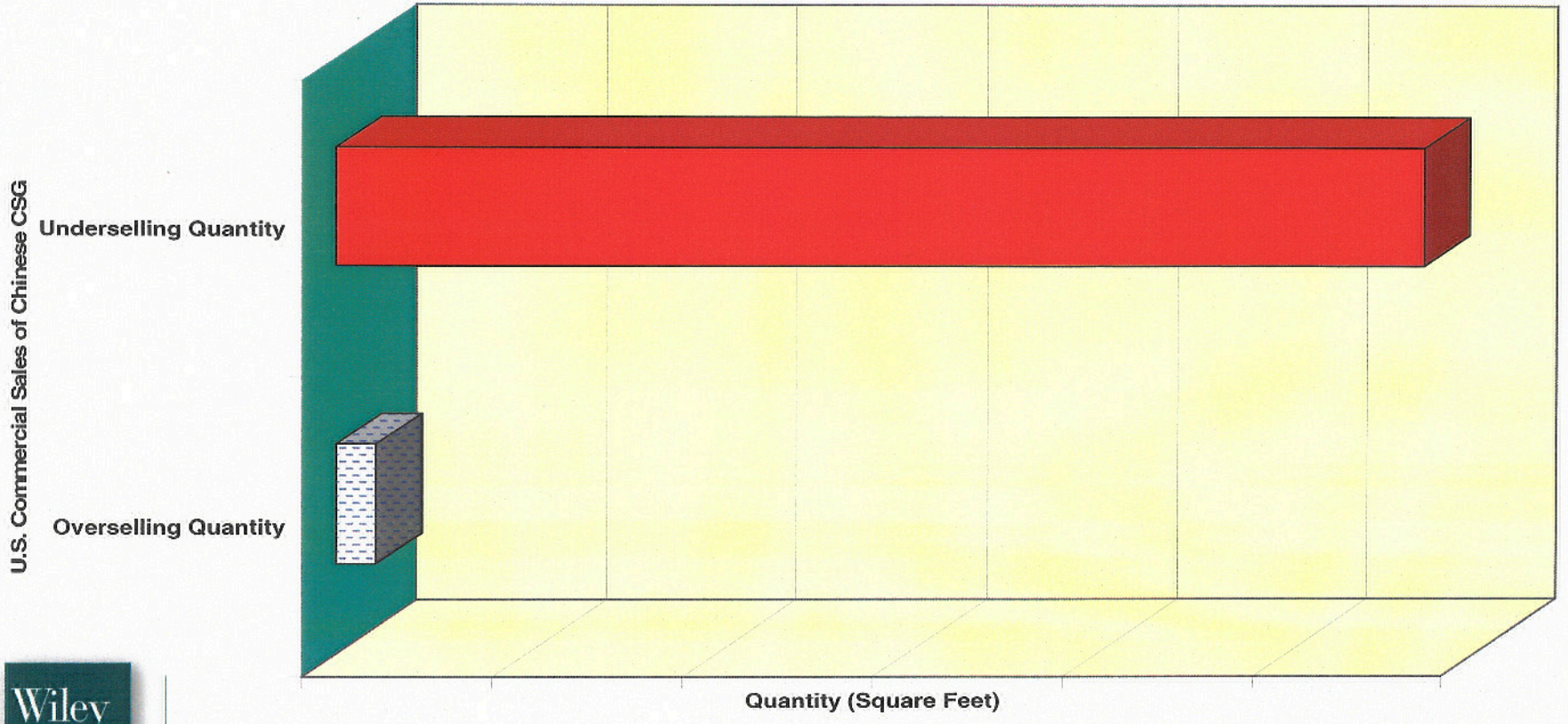
Price Effects

Virtually All Of The Chinese CSG Was Sold During Periods Of Underselling (Which Averaged 20.6 Percent Over The POI)



Source: Prehearing Staff Report at V-6 - V-10 and V-17.

Material Injury

- The domestic industry has deteriorated during the POI, and since the preliminary determination.
- One domestic producer stopped production in 2008.
- Other domestic producers have laid off workers, and cut shifts and production.
- Operating profits have declined significantly in 2009 whether measured in dollars, per unit, or per dollar of sales.
- Capacity utilization is only 37%.

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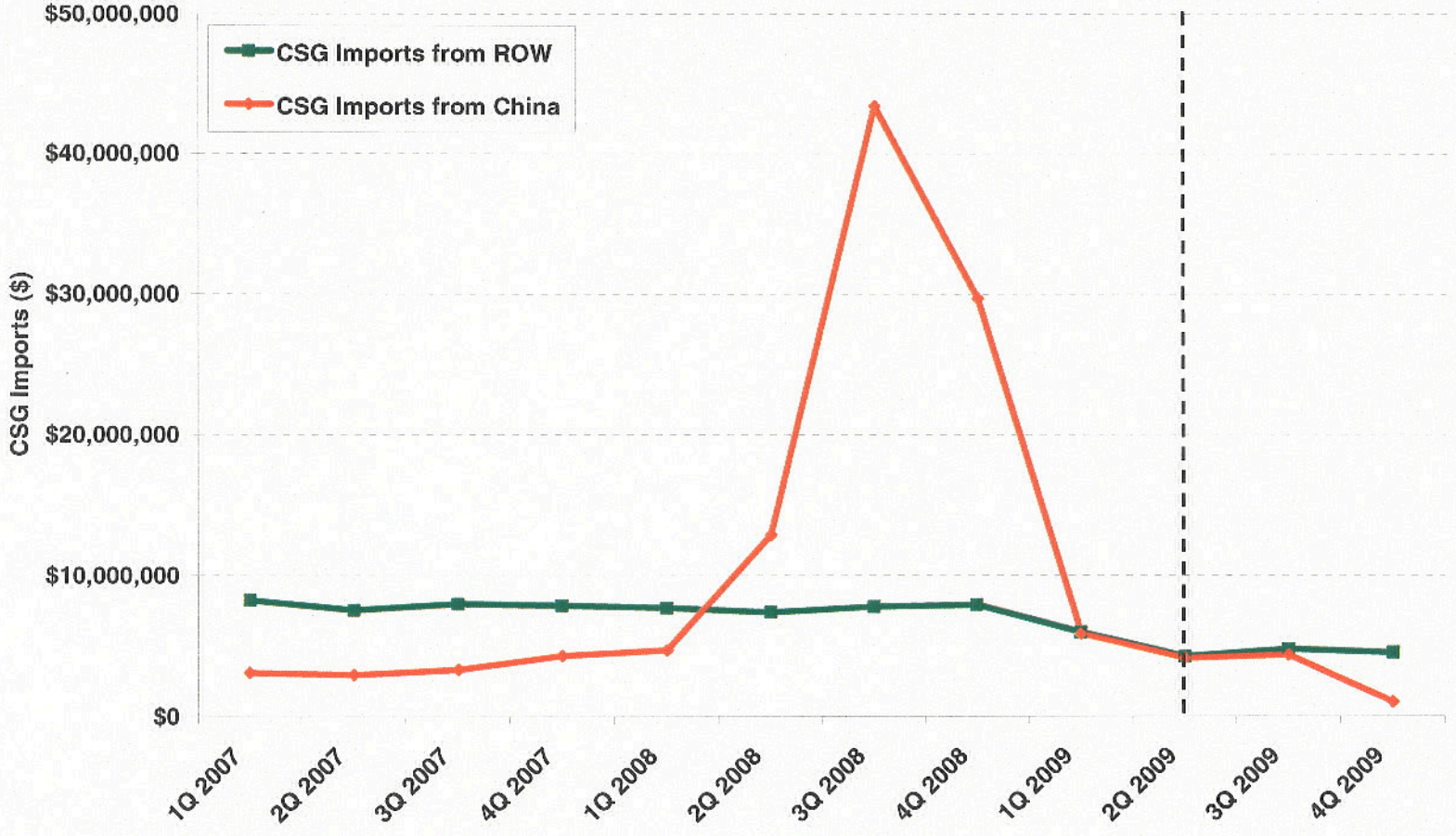
Material Injury

Statutory Indicia of Material Injury	2008-09 Percent Change*
U.S. Producers'	
Production	-23.9
Capacity Utilization*	-9.3
U.S. Shipments Quantity	-25.8
U.S. Shipments Value	-37.5
U.S. Shipments Unit Value	-15.8
Production Workers (Number)	-13.9
Hours Worked	-14.4
Wages Paid	-19.4
Productivity (kilograms per hour)	-11.2
Unit Operating Profit ($/kg.)	-72.1
Operating Profit Margin (%)*	-9.8

* Percentage point change for percent items.

Source: Public Prehearing Staff Report at C-1, Table C-3

Causation



Sources:
[1] Construction Data: U.S. Census Bureau available at http://www.economicindicators.gov.
[2] Import Data: U.S. ITC available at http://dataweb.usitc.gov.
Notes:
[3] Import data is for HTS Code: 7308.90.70.

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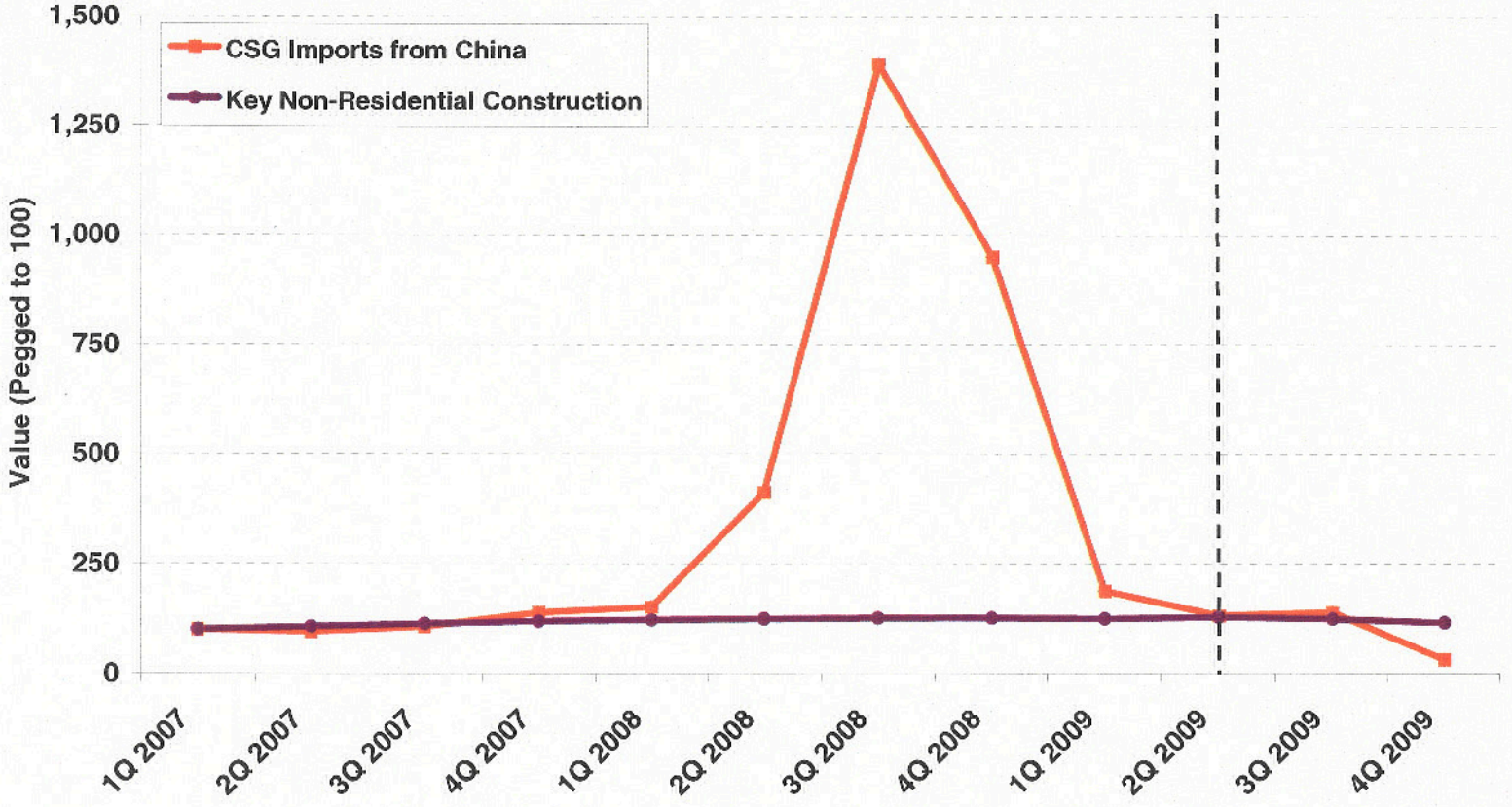
Causation



Sources:
[1] Construction Data: U.S. Census Bureau available at http://www.economicindicators.gov.
[2] Import Data: U.S. ITC available at http://dataweb.usitc.gov.
Notes:
[3] Import data is for HTS Code: 7308.90.70.
[4] Construction data is seasonally adjusted.
[5] Key industries include manufacturing, power, transportation, commercial, and highways and streets construction.

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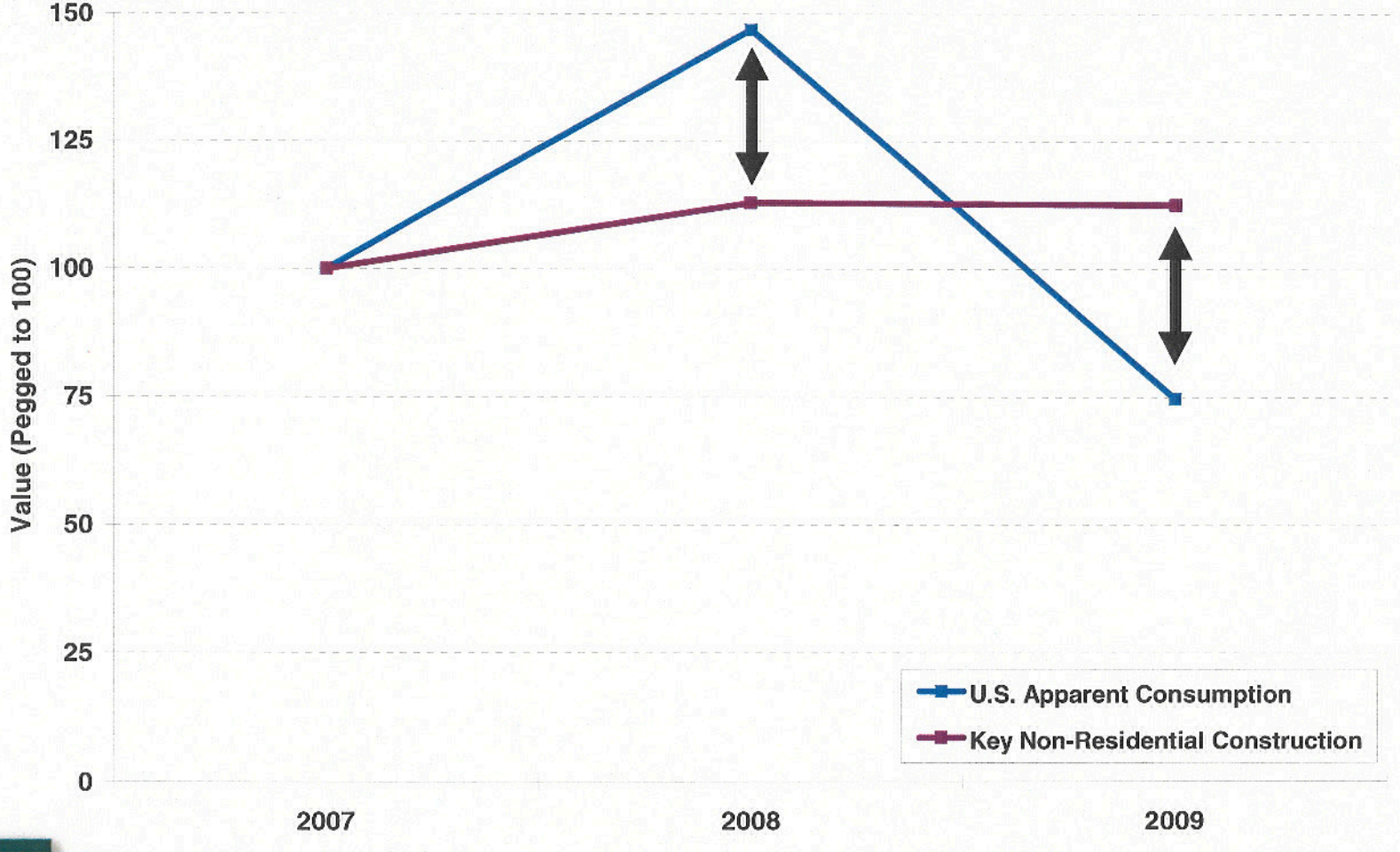
Causation



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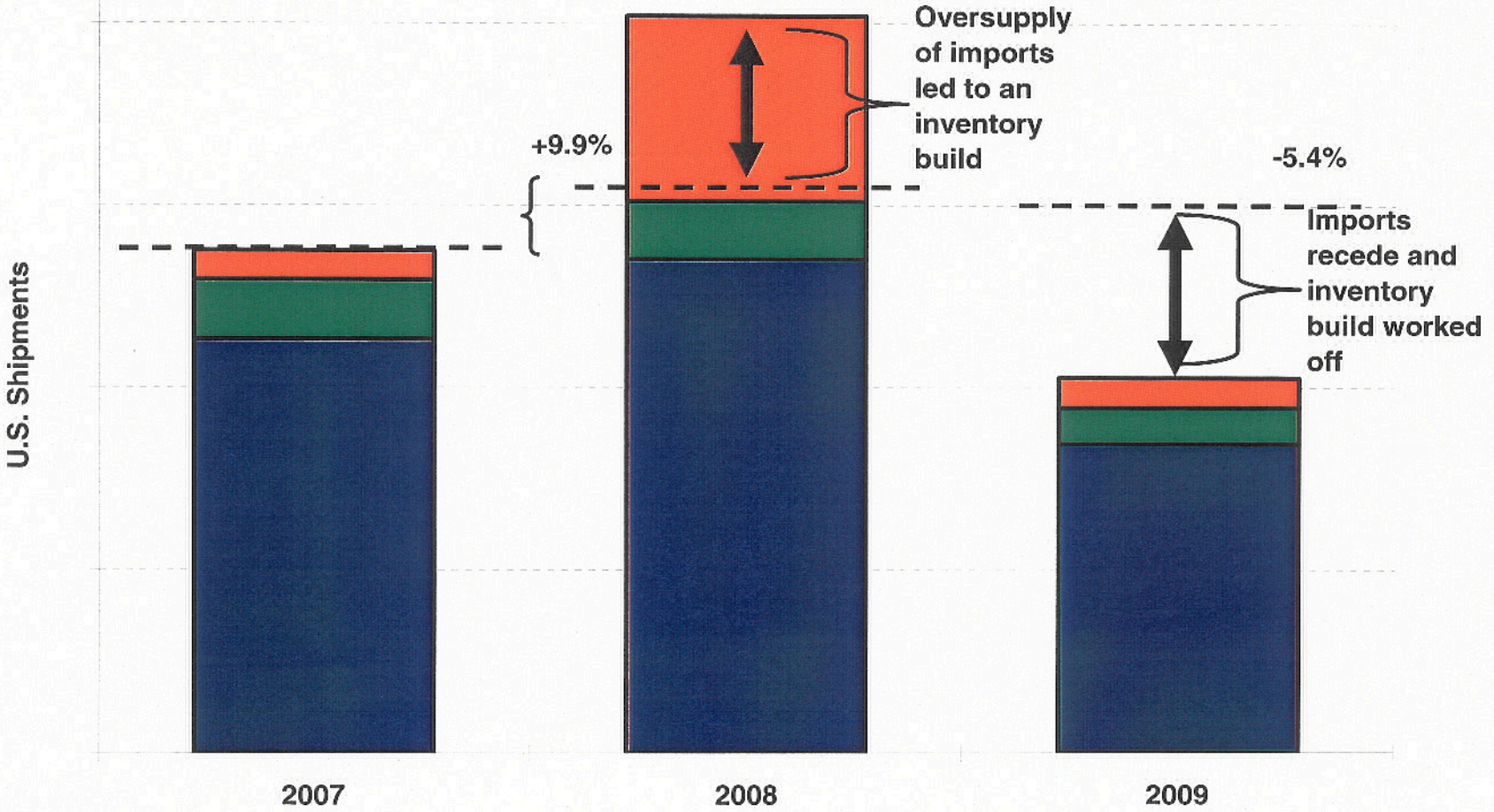
Notes:
Key industries include manufacturing, power, transportation, commercial, and highways and streets construction.

Causation



Note "- - - - - - - -": percent change in value put in place for non-residential construction.

U.S. Imports from China
U.S. Imports from ROW
U.S. Shipments

Causation

	2008	2009
Lost Sales	x	
Lost Revenue	x	
Lost Market Share	x	
Price Suppression	x	x
Price Depression		x
Lost Profits	x	x
Falling Profit Margins		x
Firm Exit	x	
Decrease in Employment		x
Decrease in Capacity Utilization	x	x

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Subject Imports Threaten Additional Material Injury

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Subject Imports Threaten Additional Material Injury

- The domestic industry is vulnerable:
  - Production, capacity utilization, employment, shipments, prices, revenues, profits, and capital expenditures are all down compared to previous levels.
  - Non-residential construction will not recover in the reasonably foreseeable future.
  - Prices for steel, the principal raw material for CSG, have been increasing.
  - During the POI, the Chinese imports systematically undersold U.S.-produced CSG, suppressed and depressed U.S. CSG prices, and took sales and revenues from the domestic industry.
  - In a recession, the harmful effects of subject imports are exacerbated.

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Subject Imports Threaten Additional Material Injury

- The Chinese CSG industry is export oriented.
- The Chinese CSG industry benefits from export subsidies and other policies to encourage or mandate exports.
- The Chinese CSG industry has demonstrated its ability to rapidly increase exports to the U.S. (regardless of actual demand conditions here).
- The Chinese CSG industry remains active in the North American market, as demonstrated by conditions in Canada.

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Subject Imports Threaten Additional Material Injury

- Chinese CSG capacity:
  - Petitioners requested research on Chinese market.
  - Analysis of only the largest producers of steel grating in China confirms capacity of 1.1 million tons (975 million kilograms).
  - Total estimate of large and medium-sized producers: confirmed capacity of 2 million tons (1.8 billion kilograms).
  - This would swamp the U.S. market several times over.

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Threat and Post-Petition Effects

- According to a well-known source for international steel news that the Commission has relied on in the past:
  - "The United States government's anti-dumping/countervailing duty probe against Chinese steel grating makers has already affected producers' exports, . . . learns. . . . A source in eastern China says that his company's exports to the US have been reduced since earlier this year when he began to hear rumours about a possible investigation." (December 2009)

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