



3. 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 produce 15,000 tons of pipe for specialized uses at that facility and we supply the galvanized sheet from our facilities in Italy. We have 100 employees at that facility and while we have struggled with profitability there, we remain committed to our production in the United States.

4. 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 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.

5. 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 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 so we have not even attempted to enter the automotive market in the United States

6. 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.

7. 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 have also made very limited exports of galvanized coils to a handful of unaffiliated customers in the United States.

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 Arcelor Mittal Italy. It would seem unlikely to us that Arcelor Mittal would export to the U.S. given their large U.S. operation.

11. 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 a net importer of CORE in 2015.

12. 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.

13. Thank you.