



RUTGERS

Economic Issues

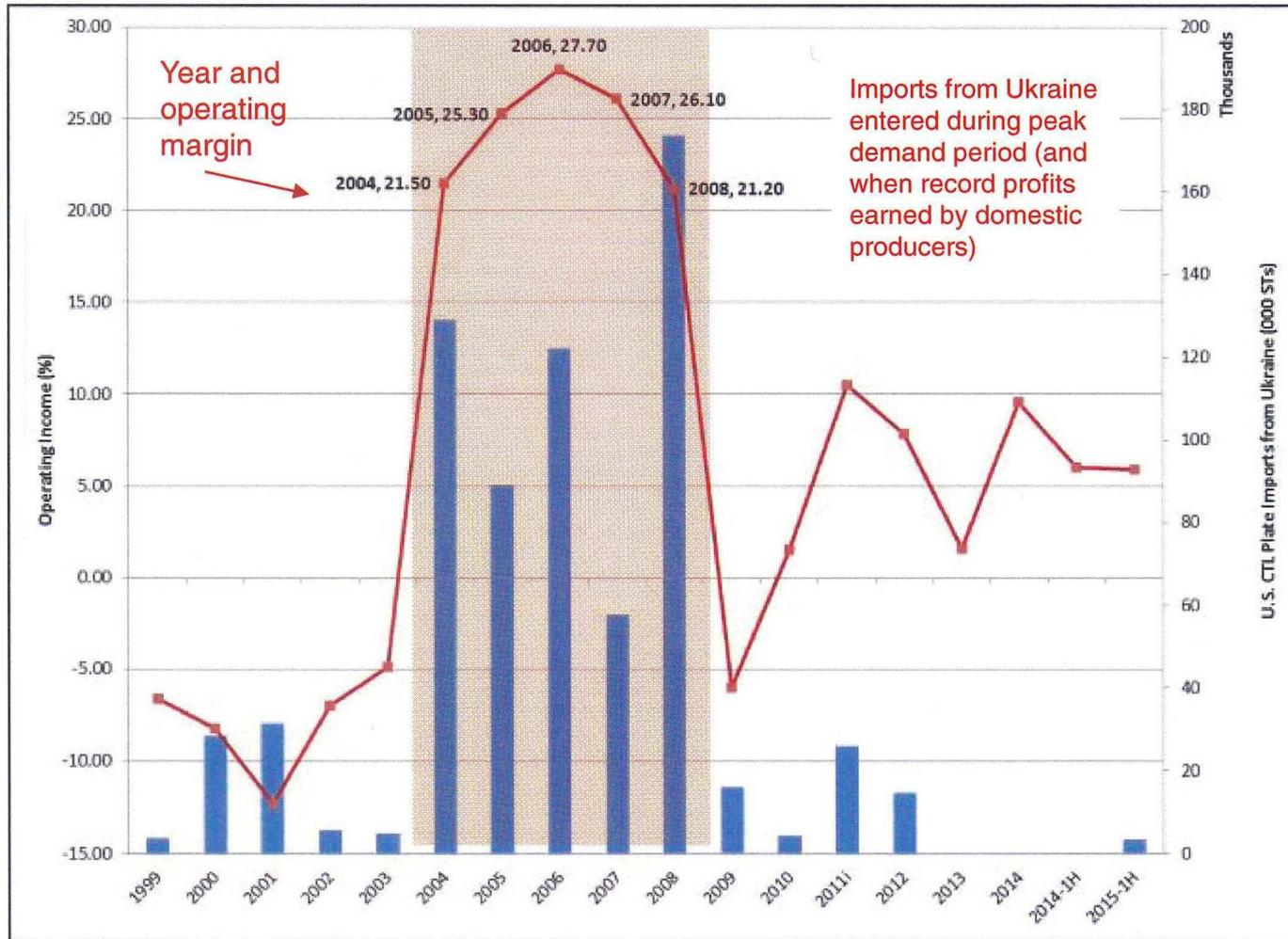
Cut-To-Length Carbon Steel Plate from China, Russia, and Ukraine
Inv. Nos. 731-TA-753, 754, and 756 (Third Review)

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Volume of imports from Ukraine were low during the period of review

- “Low” is an over-statement, minuscule is a better word
- Larger volume shipped during 2004-08 were due to unbelievably tight market conditions in U.S. market

Longer Run View on Ukraine Supply



Source: Prehearing Staff Report (public), Table I-1 (1994- 2008); Table C-1 (2012-present)
 USITC Publication 4296, Table C-1 (2009-2011-1H)

Operating Margins on left y-axis
 STs on right y-axis

Import Volume from Ukraine

	Domestic Operating Income (%)	Domestic Capacity Util (%)	Imports from Ukraine (ST)
2004	21.5	76.2	129,159
2005	25.3	74.7	89,275
2006	27.7	81.7	122,420
2007	26.1	80.9	57,700
2008	21.2	78.9	173,945
2009	-6.0	47.6	16,138
2010	1.5	63.1	4,346

Volumes below quota

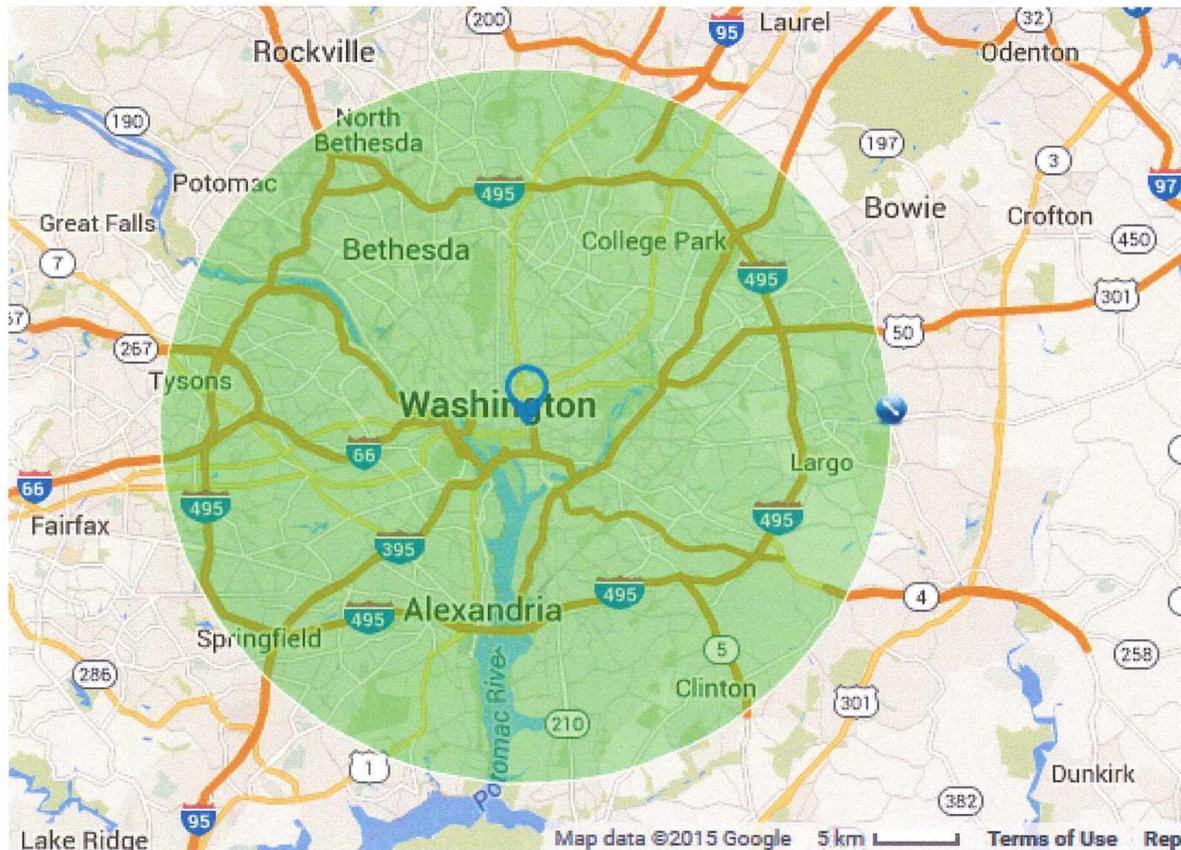
These volumes were supplied when

- 1) Widespread shortages in U.S. market
- 2) Ukraine not at war

It is difficult for Ukraine to export significant quantities to the United States

- Nominal capacity greatly over-states [practical](#) capacity
- Even assuming reliable raw materials availability, electricity, etc., Ukraine mills produce limited range of CTL plate products
 - [Product specs more suitable for EU markets](#)
- War has complicated logistics of delivery
- Existing trading relationships

The War Not an Abstract Concept for Mills in Mariupol



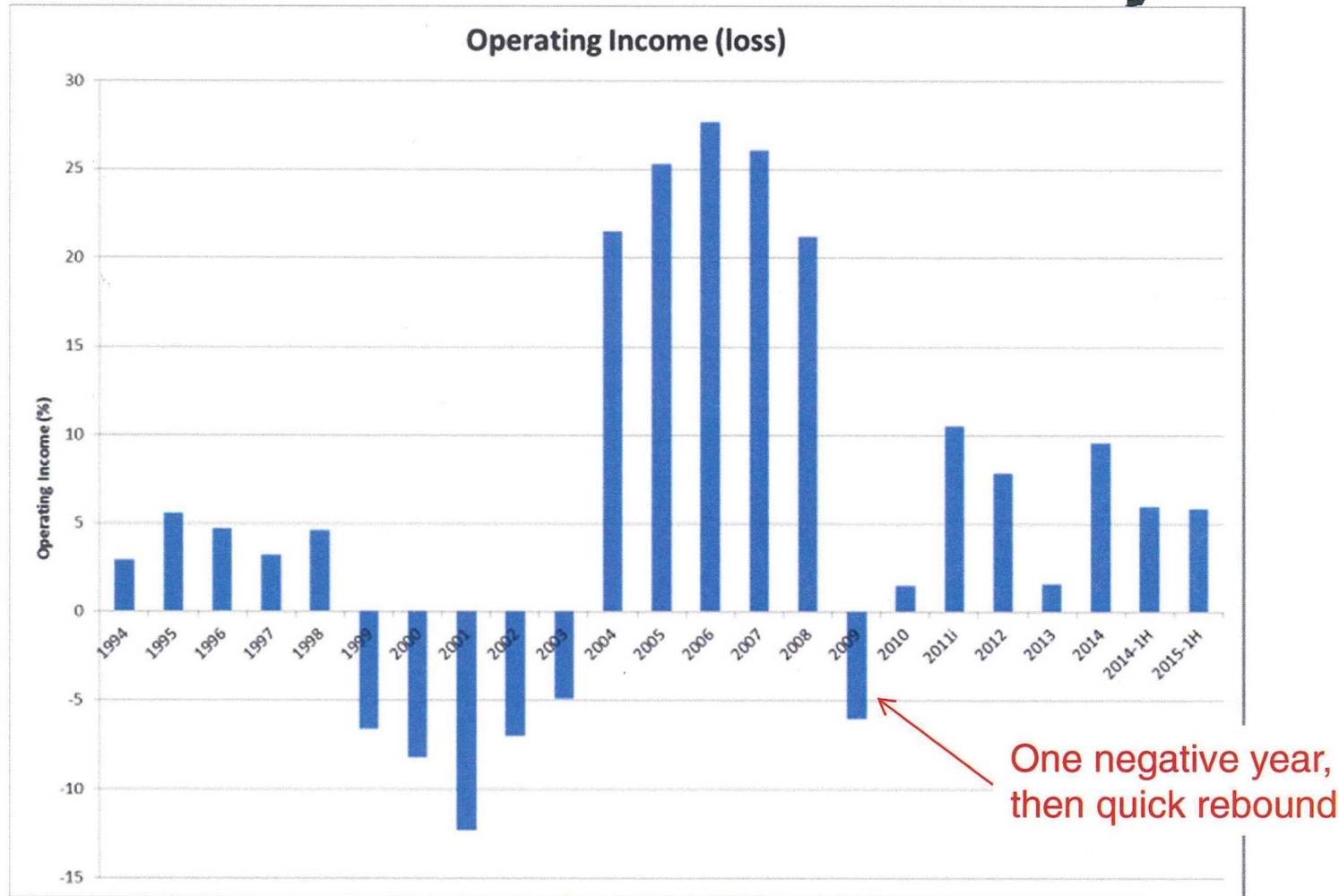
Reports are front line is 20km from Mariupol

Green circle denotes 20km from central DC

Some key changes since previous reviews

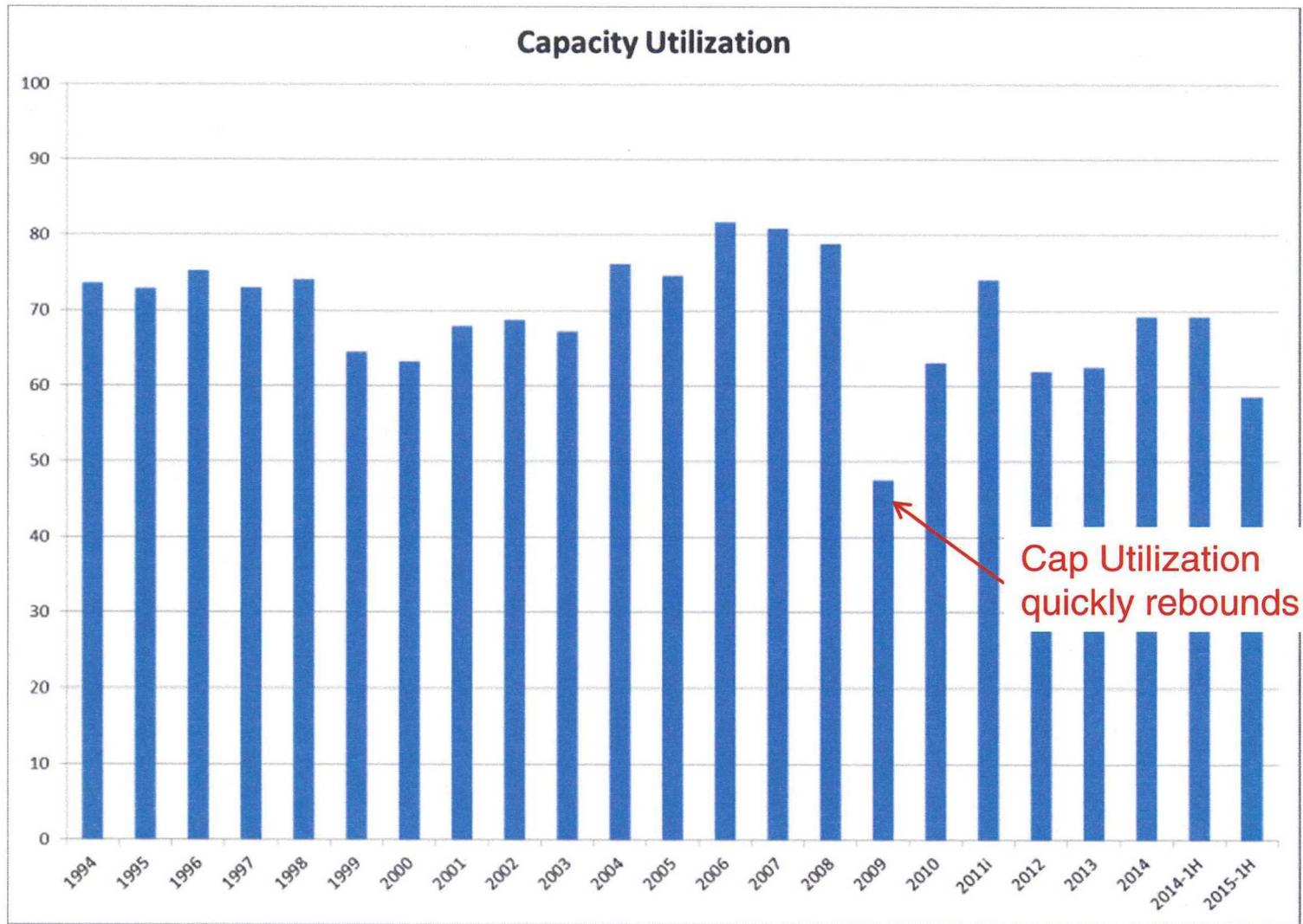
- Ukrainian War
- Sustained recovery of U.S. economy since Great Recession
 - CTL consumption
 - 2009-2014: +107%
 - 2012-2014: +10.2%
 - Construction & Infrastructure demand rising

U.S. Producers Recovered Quickly - I



Source: Prehearing Staff Report (public), Table I-1 (1994- 2008); Table C-1 (2012-present); USITC Publication 4296, Table C-1 (2009-2011-1H)

U.S. Producers Recovered Quickly - II



Source: Prehearing Staff Report (public), Table I-1 (1994- 2008); Table C-1 (2012-present); USITC Publication 4296, Table C-1 (2009-2011-1H)

Non-subject suppliers are already fully serving the needs of U.S. buyers

- Ukraine primarily competes with other import suppliers
- U.S. buyers have always purchased 80% or more of their CTL plate from domestic firms

Domestic Buyer Dilemma

Given non-subject supply will U.S. buyers opt for an uncertain delivery from Ukraine?

Non-Subject Supplier	Ukraine
<ul style="list-style-type: none">• Known entity• Finish quality • Chemistry known• Reliable delivery terms<ul style="list-style-type: none">• Date• Does not pass through war zone• Raw material supply	<ul style="list-style-type: none">• “New” to many customers• Quality ranked below U.S. and non-subject• Chemistry limited• Highly uncertain delivery terms<ul style="list-style-type: none">• Delivery Date?• Will it arrive at all?• Will it be produced?

Given availability of non-subject supply will U.S. buyers opt for an uncertain delivery from Ukraine?

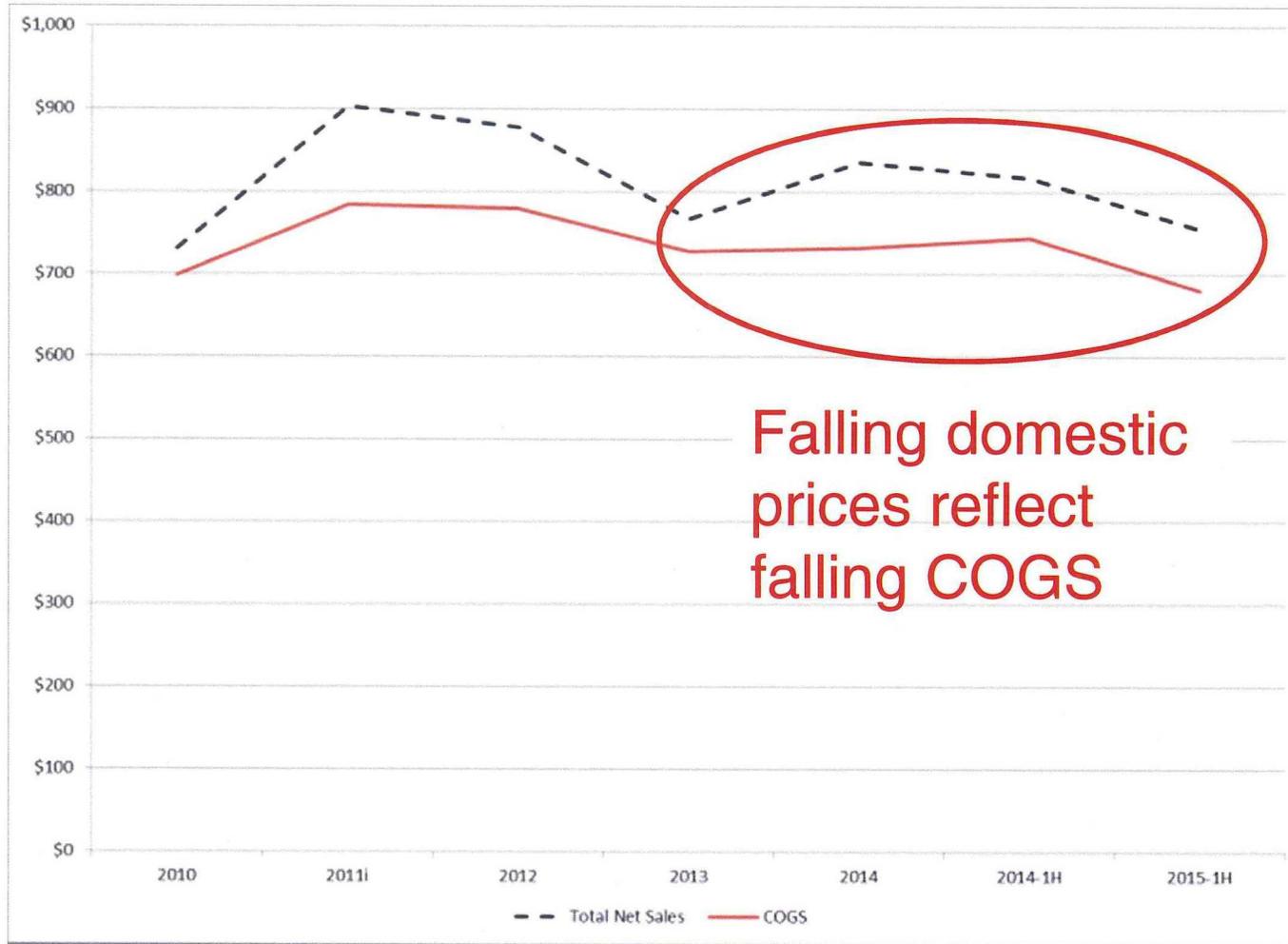
War and non-subject supply means Ukraine not desirable for

- Any time sensitive needs
- A range of quality, dimensional, chemistry specs
- Any buyer unwilling to risk being left at the alter

Impact of Revocation – Not Vulnerable

- **Domestic Industry not Vulnerable**
 - This is the 3rd sunset review
 - Original finding: threat
 - U.S. industry has restructured and strengthened
 - 20%+ operating margins: 2004-08
 - Downturn caused by the Great Recession
- **Domestic Industry has strong pricing power**
 - Prices are down, but that reflects lower COGS

U.S. Industry Maintains Strong Pricing Power



Falling domestic prices reflect falling COGS

Domestic Industry Not Vulnerable

- Domestic Industry – Not Vulnerable
 - Significant New Production Facilities
 - ArcelorMittal's new plate heat treating line at Burns, Indiana
 - SSAB's new heat treat facility in Mobile, Alabama
 - Nucor's new 120,000 ST normalizing line

Claymont Closure Says Nothing about the Health of U.S. industry

- **Claymont**
 - Very old mill (1917)
 - Very high cost mill / Environmental problems
 - Long plagued by financial troubles
 - Numerous owners, including multiple foreign owners (owned by China from 1988-2005).
 - Shut-down multiple times over the years
 - Burdened by debt
 - 2005: Purchased by private equity firm (H.I.G. Capital), \$74M
 - Issued debt, then paid dividends to H.I.G. Management
 - Saddled the facility with unsustainable debt (\$400/ton)
 - 2007: Sold to Evraz for \$564M

Domestic Industry Exports Reflect Competitiveness

Volume (short ton)

	2012	2013	2014	Jan-June 2014	Jan-June 2015
Exports (STs)	696,518	587,828	737,116	373,551	285,017
Share of total shipments	8.9	7.4	9.0	9.1	7.8

Unit value (\$ per short ton)

	2012	2013	2014	Jan-June 2014	Jan-June 2015
U.S. shipments	\$839	\$743	\$811	\$794	\$731
Export shipments	\$847	\$749	\$841	\$814	\$739

Future Prospects

- Industry has grown significantly since original order
 - Capacity: 9.1M → 12M STs
 - Production: 6.7M → 8.4M STs
 - Has shuttered inefficient mills
 - Upgraded capacity and capability
- Costs will remain low (raw materials)
- Strong and persistent pricing power