



## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of: )  
 ) Investigation Nos.:  
 CERTAIN STAINLESS STEEL ) 701-TA-376, 377 and 379  
 PLATE FROM BELGIUM, CANADA, ) and  
 ITALY, KOREA, SOUTH AFRICA, ) 731-TA-788-793 (Review)  
 AND TAIWAN )

Wednesday,  
 March 30, 2005

Room No. 101  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The hearing commenced, pursuant to notice, at 9:31 a.m. before the Commissioners of the United States International Trade Commission, the Honorable STEPHEN KOPLAN, Chairman, presiding.

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P R O C E E D I N G S

(9:31 a.m.)

CHAIRMAN KOPLAN: Good morning. On behalf of the United States International Trade Commission, I welcome you to this hearing on Investigation Nos. 701-TA-376, 377 and 379 and 731-TA-788-793 (Review), Certain Stainless Steel Plate From Belgium, Canada, Italy, Korea, South Africa, and Taiwan.

The purpose of these five-year review investigations is to determine whether the revocation of the antidumping and countervailing duty orders covering certain stainless steel plate from Belgium, Canada, Italy, Korea, South Africa, and Taiwan would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

Schedules setting forth the presentation of this hearing, notice of investigation and transcript order forms are available at the Secretary's desk. All prepared testimony should be given to the Secretary. Do not place testimony directly on the public distribution table.

As all written material will be entered in full into the record, it need not be read to us at this time. All witnesses must be sworn in by the

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1 Secretary before presenting testimony.

2 I understand the parties are aware of the  
3 time allocations. Any questions regarding the time  
4 allocations should be directed to the Secretary. All  
5 witnesses must be sworn in by the Secretary before  
6 presenting testimony. I see that I've said that  
7 twice. I just wanted to emphasize it.

8 Finally, if you will be submitting documents  
9 that contain information you wish classified as  
10 business confidential, your requests should comply  
11 with Commission Rule 201.6.

12 Madam Secretary, are there any preliminary  
13 matters?

14 MS. ABBOTT: No, Mr. Chairman.

15 CHAIRMAN KOPLAN: Very well. Let's proceed  
16 with the opening remarks.

17 MS. ABBOTT: Opening remarks in support of  
18 continuation of Orders will be by David A. Hartquist,  
19 Collier Shannon Scott.

20 CHAIRMAN KOPLAN: Good morning.

21 MR. HARTQUIST: Mr. Chairman, members of the  
22 Commission, Commission staff, I am David A. Hartquist  
23 of Collier Shannon Scott representing the Petitioners  
24 in this proceeding.

25 CHAIRMAN KOPLAN: Maybe you could move that

1 a little bit closer.

2 MR. HARTQUIST: Much has been said lately  
3 about conditions in the steel industry generally as if  
4 one set of conditions applied equally to all parts of  
5 a generic industry. As you know, the so-called steel  
6 industry is really many different industries, each  
7 with its own set of conditions of competition.

8 Six years ago, the stainless steel coiled  
9 plate industry came before the Commission when demand  
10 for its product was strong, but dumped imports were  
11 surging, undercutting domestic prices and causing  
12 significant price depression. As a result, when the  
13 industry's fortunes should have been rising, it lost  
14 money, and the Commission found material injury.

15 With the discipline of the Orders, the  
16 industry once again began to be profitable because  
17 pricing was able to recover somewhat. Things were in  
18 fact good enough that when President Bush initiated  
19 his Section 201 program in 2001 the stainless steel  
20 coiled plate industry declined to participate and  
21 elected instead to rely upon the discipline of the  
22 Orders in effect.

23 Unfortunately with a weaker overall market  
24 after 9-11, the industry endured several more  
25 difficult years until 2004 when for the first time

1 since 2000 the industry had a decent year. We once  
2 again had strong demand and the effective discipline  
3 of the Orders.

4 This is an industry that is recovering, but  
5 has not yet recovered from the material injury this  
6 Commission found. This is not an industry that has  
7 undergone major structural changes, though there have  
8 been some closures and some upgrades. It is more  
9 productive and efficient, but in general the same  
10 factors drive the industry today as drove it in the  
11 year the Orders were issued. The industry still must  
12 sell its product above cost and achieve a reasonable  
13 return on investment.

14 In 1998, the industry could not do that in a  
15 strong market because of subject imports. In 2004,  
16 the industry's situation improved somewhat, helped by  
17 the Orders, but one profitable year in four does not  
18 make a healthy industry. If these Orders are revoked,  
19 injury is very likely to recur and quickly.

20 Why? In part because the record shows that  
21 subject producers are export oriented, and China is an  
22 important market for them. Also, prices are  
23 significantly lower in China than in the U.S. or  
24 almost anywhere else in the world, so absent the  
25 Orders the incentive is to sell in the U.S. again.

1           As China rapidly adds stainless capacity,  
2           substantial capacity, subject countries will have no  
3           choice but to export less to China and move more to  
4           the U.S. China itself will become a net exporter.

5           There's been a shift to cut plate, a product  
6           not covered, from coiled plate because of the Orders,  
7           even though the economics strongly favor coiled plate.  
8           If the Orders come off, subject producers will likely  
9           shift back into coiled plate.

10           Subject producers are waiting to pounce on  
11           the U.S. market. For example, I was recently  
12           contacted by an investment group interested in  
13           restarting the shuttered Atlas stainless mill up in  
14           Tracy, Quebec, wondering whether the Orders would  
15           remain intact.

16           The Commerce Department has found that if  
17           the Orders are revoked and the imports of coiled plate  
18           do come into the U.S. market they will come in at  
19           significantly dumped prices, only this time raw  
20           material costs are at historic highs, and the industry  
21           would face a crippling cost/price squeeze.

22           The domestic stainless steel coiled plate  
23           industry sits on a knife's edge in 2005. It is  
24           vulnerable. With the Orders in place, the industry  
25           has its first opportunity in a decade to reap the full

1 benefit at the top of the demand cycle. Without the  
2 Orders, the domestic industry will face a significant  
3 adverse impact by the end of this year.

4 We respectfully urge the Commission to make  
5 an affirmative determination and continue the Orders  
6 in effect. Thank you.

7 CHAIRMAN KOPLAN: Thank you, Mr. Hartquist.

8 MS. ABBOTT: Opening remarks in support of  
9 revocation of Orders will be by Donald B. Cameron,  
10 Kaye Scholer.

11 CHAIRMAN KOPLAN: Good morning, Mr. Cameron.

12 MR. CAMERON: Good morning, Mr. Chairman,  
13 members of the Commission. I must say it's a pleasure  
14 to appear here today.

15 I do want to suggest though that since we  
16 have the first nice day in about five months that we  
17 might want to consider having class outside. I  
18 realize it's outside the scope of this. I just wanted  
19 to raise it for future consideration if we ever have  
20 another nice day.

21 CHAIRMAN KOPLAN: We'll adjourn at the  
22 conclusion of your opening remarks.

23 MR. CAMERON: There we go. Actually I think  
24 that that may be appropriate because after this I  
25 don't know that we really need to do much more, but in

1 the spirit of cooperation, for the record, Don  
2 Cameron, law firm of Kaye Scholer, appearing on behalf  
3 of POSCO and joint Respondents.

4 A summary of Petitioners' case can be found  
5 at page 2 of their prehearing brief. It's pretty  
6 simple. According to them, the domestic industry  
7 producing stainless steel plate and coil "is not  
8 fundamentally different from the industry that existed  
9 in 1999, the year of the Orders."

10 Our response to this is pretty simple. You  
11 have got to be kidding me. As you listen to the  
12 testimony today and as you review the data, ask  
13 yourself whether the theory is that this is the same  
14 industry with standards scrutiny.

15 First, the domestic industry producing  
16 stainless steel plate before you today is far  
17 different from the industry that this Commission  
18 analyzed in 1999. At that time there were six  
19 producers, and the industry was not globally  
20 competitive.

21 Today, through restructuring, consolidation  
22 and massive investment this industry is concentrated,  
23 dominates the U.S. market and is highly competitive.  
24 It is competitive in this market, as well as in  
25 international markets. One indication of its

1 competitiveness, as Dr. Crandall will discuss, is its  
2 significant participation in export markets. This  
3 industry is internationally competitive and a  
4 successful competitor in global markets.

5 In 1999, MAS was a far different company and  
6 was not the industry leader that it is today. All of  
7 its capacity is essentially new and efficient.  
8 Allegheny has likewise made major investments to  
9 improve their competitiveness.

10 In summary, this industry is not vulnerable.  
11 The domestic industry before you is internationally  
12 competitive. The presence or absence of these Orders  
13 has no impact on the condition of this industry.

14 Secondly, the global market of today is also  
15 far different from the global market in 1999. The  
16 original investigations and Orders occurred in the  
17 context of the Asia financial crisis. That was an  
18 extraordinary economic event, and one consequence of  
19 it was that it distorted trade flows and increased  
20 exports of a number of products to the United States  
21 and Europe. That was then, and this is now.

22 The reason Orders get reviewed in sunset  
23 proceedings is because conditions change. Industries  
24 change. That is certainly the case here. Not only is  
25 this industry restructured, but today it is strong,

1 and there has been growth in the industry worldwide.  
2 The global economy is strong.

3 China has emerged as the strongest growth  
4 market for stainless steel plate, a market in which  
5 all major producers are participating. Global  
6 economic growth, as well as growth in the Chinese  
7 market, are projected to continue.

8 In terms of this industry, prices of subject  
9 merchandise are high. The global industry is  
10 producing at or near full capacity. In other words,  
11 the removal of these Orders will not result in a  
12 sudden shift in trade or otherwise adversely affect  
13 this industry.

14 Finally, while the domestic industry  
15 suggests that high raw material prices are hurting  
16 U.S. producers and their global competitiveness, we  
17 suggest that the situation is quite the opposite.  
18 This is not a labor intensive industry in which U.S.  
19 producers face a structural disadvantage vis-a-vis  
20 foreign competitors with lower labor costs.

21 To the contrary, this is an industry where  
22 raw materials are a major cost factor, and raw  
23 materials are globally priced. As a result, subject  
24 merchandise is also globally priced, and U.S.  
25 producers do not face a built-in disadvantage vis-a-

1 vis their foreign competitors.

2 Combine that with the fact that the U.S.  
3 industry is modernized and therefore should be far  
4 more productive than the industry this Commission  
5 analyzed in 1999, and you have an industry that is  
6 fully competitive and not vulnerable to imports.  
7 Under these circumstances, these Orders should be  
8 terminated.

9 Thank you very much.

10 CHAIRMAN KOPLAN: Thank you.

11 Madam Secretary?

12 MS. ABBOTT: The first panel in support of  
13 continuation of Orders, please come forward.

14 Mr. Chairman, all witnesses have been sworn.  
15 (Witnesses sworn.)

16 CHAIRMAN KOPLAN: Thank you. You may  
17 proceed, Mr. Hartquist.

18 MR. HARTQUIST: Thank you, Mr. Chairman.  
19 While we're getting settled up here I'll introduce our  
20 panel to you. The first witness will be Dr. Jack W.  
21 Shilling, Executive Vice President and Chief Technical  
22 Officer of Allegheny Technologies, who will lay out  
23 the basic case for us.

24 He'll be followed by Thomas Schmitt, Sales  
25 Manager for Flat Products for North American

1 Stainless. Then on my left, Terry Hartford, Senior  
2 Vice President, Commercial, of Allegheny Technologies;  
3 followed by Tom Conway, International Vice President  
4 of the United Steelworkers of America; then Edward  
5 Blot, president of Ed Blot & Associates, a consultant  
6 to the Petitioners; Kathleen Cannon of Collier Shannon  
7 on legal issues; and Mike Kerwin of Georgetown  
8 Economic Services with respect to the economic  
9 testimony.

10 We'll begin this morning with Dr. Shilling.

11 CHAIRMAN KOPLAN: Dr. Shilling, if you could  
12 turn your name plate around so it faces forward?

13 Thanks. You may proceed.

14 MR. SHILLING: Thank you. Good morning,  
15 members of the Commission, ladies and gentlemen. I am  
16 Jack Schilling, Executive Vice President and Chief  
17 Technical Officer of Allegheny Technologies, a  
18 domestic producer of stainless coil plate. I am also  
19 Chairman of SSINA, the Specialty Steel Industry of  
20 North America.

21 In my testimony today I will try to make the  
22 Commission and staff fully aware of how important the  
23 existing antidumping and countervailing duty orders  
24 are to the U.S. producers of coiled plate, their  
25 market and their investment as the industry enters the

1 last half of this decade, a period that is critical to  
2 its survival and growth.

3 Let me begin by mentioning that I testified  
4 at the original hearing in front of the Commission in  
5 1999. At that time I was president of Allegheny  
6 Ludlum, and back then, as we document in our brief,  
7 the industry was in the midst of recovering from a  
8 recession only to find our market being taken away  
9 from us by unfairly priced imports.

10 We stated at the time that this pricing  
11 behavior was producing significant financial harm to  
12 the industry, and the Commission agreed with us. As a  
13 result of the Orders related to this case, the playing  
14 field was leveled and the industry began to recover.

15 The belief that unfair pricing in these  
16 commodity products, the belief that it would be  
17 restrained, helped us at Allegheny move forward with  
18 acquisitions of stainless plate facilities in 1998,  
19 1999 and 2004 to improve our productivity and maintain  
20 domestic capacity.

21 We consciously chose not to be part of the  
22 Section 201 investigation in 2001, believing firmly  
23 that the administration of U.S. unfair trade laws was  
24 sufficient to allow us to bring our investments to  
25 fruition. Unfortunately, before the industry had an

1 opportunity to earn its cost of capital over a  
2 reasonable time period a significant recession hit the  
3 entire U.S. manufacturing industry, exacerbated by the  
4 totally unpredicted impact of September 11.

5 Demand from end markets plummeted, and the  
6 market no longer supported adequate production levels  
7 of stainless steel coiled plate from either our  
8 acquisitions or our existing facilities. Consistent  
9 with our experience, the period from the last half of  
10 2000 through 2003 has been characterized by a  
11 Department of Commerce report on manufacturing as a  
12 severe recession for U.S. manufacturing marked by a  
13 slow pace of recovery.

14 As we sit before you today, the economy,  
15 particularly the component related to manufacturing,  
16 is just beginning to recover. In essence, we have  
17 lost four years of opportunity to play on a level  
18 playing field, become sufficiently profitable and earn  
19 our cost of capital. Just when we are entering such a  
20 period of recovery, this sunset review is occurring.

21 That these years of import relief occurred  
22 during the extraordinary slow recovery of  
23 manufacturing from the recession is why these next  
24 five years are so critical to Allegheny and the  
25 industry.

1           The rationalization and payoff of Allegheny  
2 Technology's, AK's and North American's investments  
3 and acquisitions and the industry's return to  
4 profitability have been delayed by this prolonged  
5 recession. This last year, 2004, was the first year  
6 the industry may have been profitable as a whole, and  
7 still two of four producers lost money on an operating  
8 basis.

9           Contrary to what our opponents claim, our  
10 base prices for coiled plate are still not back to  
11 1998 levels, and the data the staff reported on,  
12 return on investment, is still unacceptable. It will  
13 take more than one reasonable year before this  
14 industry can be deemed no longer susceptible to  
15 injury.

16           This industry needs more time with the  
17 continued absence of unfair trade to permit the  
18 industry to realize the benefit from the modernizing  
19 investments and consolidations we have made in U.S.  
20 facilities.

21           Nevertheless, the ITC must decide if the  
22 trading behavior that existed before will reemerge if  
23 these Orders are rescinded. To me there is absolutely  
24 no doubt that this will occur for three simple  
25 reasons.

1                   First, the Respondent suppliers have a  
2                   global business strategy that is based on exporting  
3                   significant quantities of commodity products such as  
4                   the subject material. They have built and continue to  
5                   build capacity in excess of their domestic demand,  
6                   sometimes subsidized, and then proceed to find a  
7                   global market for their products.

8                   Because of the commodity nature of this  
9                   product, their ability to penetrate the U.S. market is  
10                  totally dependent on price. This was proven to be  
11                  true in the original trade case, and this behavior  
12                  will occur again in the absence of these Orders.

13                  Second, the prices for stainless steel  
14                  coiled plate are generally higher in this country than  
15                  in other significant export markets like Asia. That  
16                  makes this market more attractive than others absent  
17                  the Orders.

18                  A Respondent not subject to antidumping  
19                  Orders can make more in this market than in other  
20                  markets and still undersell the domestic industry.  
21                  Furthermore, each of the Respondent producers has  
22                  either a well-established trade network in customer  
23                  contacts in this country or access to traders who do.

24                  The third reason is that events in the  
25                  Chinese market dictate that the Respondents will have

1 no choice and every incentive to return to the U.S.  
2 market in force. While China has experienced huge,  
3 unprecedented growth in their requirements for flat-  
4 rolled stainless steel over the last four years, they  
5 have also invested in a huge increase in supply.

6 The forecasted increase in stainless melting  
7 and hot-rolling capacity in China through 2007 is  
8 unprecedented in the history of this product. China  
9 is projected to reach three million tons of stainless  
10 melt capacity this year, an increase of 50 percent  
11 compared to last year, and to reach just under eight  
12 million tons by 2007.

13 To put this in perspective, China's melt  
14 capacity today is about 50 percent larger than  
15 required to supply the entire U.S. market for flat-  
16 rolled stainless and is projected to reach a level  
17 that is approximately three times the size of the U.S.  
18 market by 2007.

19 Until now, excess Chinese demand has been  
20 satisfied by significant imports from the Respondent  
21 countries and other suppliers. Thus, China provided a  
22 very good alternative to the U.S. market for subject  
23 producers over the last four years, but that is about  
24 to change.

25 In the very near future, one or two years at

1 the most, China will have built so much stainless  
2 melting and hot-rolling capacity that it will switch  
3 from being a net importer to a net exporter of  
4 stainless coiled plate products. Our own sources at  
5 our joint venture in China indicate that the turning  
6 point could come as early as the beginning of 2007.

7 If these Orders are rescinded, not only will  
8 imports from subject countries flow back into the U.S.  
9 at unfairly low prices as stated above, but in  
10 addition they will be pushed into the U.S. market  
11 because access to the China market will be  
12 significantly curtailed.

13 Many of the foreign producers under Order  
14 depend on exports to China, but have already seen  
15 their exports to that country decline significantly in  
16 2004, even as those subject producers themselves add  
17 significant capacity.

18 As China supplies more of its own needs,  
19 other exporters' capacity will have to find someplace  
20 to go. The primary market for these homeless exports  
21 will be the U.S. market, especially if the Orders are  
22 revoked. On top of that, we can expect China to  
23 become a principal competitor in the U.S. coil plate  
24 market as it has in so many products.

25 That is why we can maintain with assurance

1 that the U.S. market will again be the go-to market  
2 for excess stainless plate production absent these  
3 Orders. What is already a strong incentive to come to  
4 the U.S. market absent these Orders will vary soon  
5 become a necessity for the subject imports. This is  
6 the paramount condition of competition U.S. coiled  
7 plate producers face in the next few years.

8 In conclusion, I would like to assure the  
9 Commission that we as an industry are ready to compete  
10 with the world, including China. This industry is not  
11 against imports. All we ask is that they be fairly  
12 priced and in compliance with U.S. laws and WTO  
13 agreements.

14 We can never be prepared for, nor can we  
15 compete in the long run with proven unfair trade.  
16 Please retain the Orders so that we can finally return  
17 to a sustained period of profitability.

18 Thank you.

19 MR. HARTQUIST: Thank you. We turn to Mr.  
20 Schmitt.

21 MR. SCHMITT: Thank you. Good morning. Mr.  
22 Chairman, members of the Commission, my name is Tom  
23 Schmitt. I am Sales Manager of Flat Products for  
24 North American Stainless, a position I've held since  
25 1999.

1                   Prior to working at North American  
2 Stainless, I was Marketing Manager for Main Steel  
3 Polishing and the Inside Sales Manager at Washington  
4 Steel Corporation. In total, I've spent 25 years of  
5 my career in sales and marketing of stainless steel  
6 flat products, including stainless plate and coils.

7                   North American Stainless is located in  
8 Ghent, Kentucky, and has been in the business of  
9 making stainless steel products since 1990. NAS is a  
10 world class manufacturer of stainless steel products  
11 and is competitive with any producer in the world.

12                  NAS is aware that foreign producers of coil  
13 plate have had a consistent practice of dumping  
14 stainless steel plate in the U.S. market. The  
15 imposition of duties on stainless steel coil plate  
16 from the subject countries has been extremely  
17 important to our company.

18                  We were able to improve our profitability  
19 significantly in 1999 and 2000 after the cases were  
20 won. We were also successful in bringing on stream a  
21 new melt shop in 2002 that some of you saw during your  
22 recent plant tour of North American Stainless. In  
23 NAS' view, if the Orders are lifted it is likely that  
24 the pricing discipline that currently exists in the  
25 U.S. market would diminish and prices would decline.

1           This morning I would like to focus on the  
2 conditions we face in competing for sales of coil  
3 plate and the effect of that return of unfairly traded  
4 imports will have on our industry.

5           Let me begin with the nature of the product  
6 and its impact on the selling process. Coiled plate  
7 is a commodity that is sold in the United States on  
8 basis of price. This product is produced to meet  
9 certain specifications and, meeting those  
10 specifications, is interchangeable whether produced by  
11 NAS, another domestic producer or a foreign producer.

12           Although certain purchases subject producers  
13 do a certification process before purchasing, the coil  
14 plate, to my knowledge, no domestic producer or  
15 subject foreign producer has experienced difficulty in  
16 obtaining certification.

17           I know of no U.S. producer or subject  
18 importer that has suffered long-term participation  
19 loss from a major purchaser for quality reasons or the  
20 inability to meet these specifications. As a result,  
21 the market for coiled plate is highly price sensitive,  
22 and small differences in price lead to winning or  
23 losing a sale.

24           Another important condition of competition  
25 is that most sales of coil plate take place on the

1 spot market. We generally do not see long-term or  
2 even many short-term contracts. The absence of  
3 contracts enables importers to rapidly increase sales  
4 of plate based on unfair, low-priced offers.

5 If the Orders are revoked, it is likely that  
6 this pricing discipline that currently exists in the  
7 market would evaporate completely and prices would  
8 drop. If this were to occur, U.S. production of  
9 stainless steel coil plate would again decline. We  
10 would experience lost sales to imports.

11 We do not want to be in a position where we  
12 are experiencing declining sales and production as we  
13 were in the original investigation. North American  
14 Stainless has significant excess capacity to produce  
15 stainless steel coil plate and could produce  
16 substantially higher volumes than we are currently  
17 producing. There is no shortage of coil plate  
18 produced by U.S. companies.

19 North American Stainless also exports coil  
20 plate, but the volume of our exports dropped off in  
21 2004. Our export volume declined because there is  
22 less opportunity for exports as the world market is  
23 getting more saturated as hot-rolled capacity grows.  
24 This is why the continuation of these Orders is  
25 essential. We must be able to sell our products in

1 our own market.

2 I would also like to mention that NAS  
3 produces an extensive spectrum of stainless steel coil  
4 plate products, including wide width plate. We  
5 produce 60-inch wide coil plate, and this 60-inch  
6 product competes directly against the wide plate  
7 imported from Belgium, including 72-inch plate. If  
8 revocation of these Orders occurred, our company would  
9 be severely injured by the increase in imports of low-  
10 priced wide width plate from Belgium.

11 Respondents contend that any potential  
12 increase in imports that may occur after revocation  
13 will be relatively small and cannot possibly have an  
14 impact on the domestic industry. This is simply  
15 untrue. Even a small volume of unfairly priced  
16 product can affect our entire market because even a  
17 small number of low-priced sales often establish a  
18 benchmark for that product. Further, the large  
19 foreign producer capacity for this product does not  
20 indicate the import volumes would be small if the  
21 Orders were revoked.

22 In summary, these Orders have been and  
23 continue to be very important to North American  
24 Stainless. Without the continuation of the pricing  
25 discipline of these Orders, we would expect to see an

1 increase in low-priced imports causing reduced prices  
2 and thus a reduction in our profitability. Our  
3 production and shipment level would also suffer and  
4 decline. In addition, NAS' existing investments and  
5 any continued investment would be in jeopardy.

6 We believe a continuation of these Orders is  
7 crucial to the stainless steel coil plate industry in  
8 the United States and urge you to continue the Orders  
9 for an additional five years. Thank you.

10 MR. HARTQUIST: Thank you, Tom.

11 Terry Hartford?

12 MR. HARTFORD: Good morning, members of the  
13 Commission, ladies and gentlemen. My name is Terry  
14 Hartford. I'm the Senior Vice President, Commercial,  
15 Allegheny Technologies. As the title states, I  
16 oversee the marketing and sale of numerous Allegheny  
17 products, among them stainless coil plate.

18 In fact, I have spent most of my career in  
19 the marketing part of the stainless steel business,  
20 holding positions of Marketing Manager; General  
21 Manager, Stainless Strip; Vice President, Allegheny  
22 Rodney Strip Division; president, Allegheny Rodney;  
23 and most recently Senior Vice President, Commercial.

24 My current position includes responsibility  
25 for the marketing and sales of all Allegheny Ludlum

1 products, including stainless plate and coil. I have  
2 been with Allegheny Ludlum for more than 23 years.

3 My colleague and competitor, Tom Schmitt,  
4 emphasized the commodity nature of these plate  
5 products and the importance of price in their sales.  
6 The importance of having a competitive price is  
7 brought home every day to me as a marketer of these  
8 products.

9 In preparation for this hearing, I had the  
10 chance to review the public version of the ITC report.  
11 It was especially interesting and I think highly  
12 relevant that the views of purchasers of stainless  
13 coil plate agree with ours as to the importance of  
14 price and purchasing decisions and as to the  
15 substitutability of our products and those of our  
16 competitors, including the foreign producers who were  
17 subject to the duties.

18 I would urge the Commission to keep these  
19 overriding facts in mind when considering the claims  
20 of the Belgian interest that their 72-inch coil plate  
21 imports fulfill a need U.S. producers cannot satisfy.  
22 As the producers and purchasers state in your report,  
23 product range as a factor ranks fairly low in this  
24 commodity product market.

25 In fact, price is identified by purchasers

1 as the most important factor in selecting a supplier,  
2 and it will be price, lower price, by which the  
3 foreign producers will compete to get back market  
4 share if the Orders are terminated.

5 It is true that the widest coil plate U.S.  
6 producers can roll is 60 inches wide, but it is also a  
7 fact that the true market for stainless coil plate in  
8 the 72-inch width is very small. Most of these  
9 imports are used in applications common to our 48- and  
10 60-inch wide products and compete directly with them.

11 U.S. producers can and do compete against  
12 the Belgian material every day with our products  
13 because the Belgian product is sold at a competitive  
14 price to ours. If the Orders are revoked, the  
15 increase in imports from Belgium will erode the price  
16 of the 48- and 60-inch products made by U.S. mills, as  
17 well the other imports consisting of narrower  
18 material. Product range just isn't that important.  
19 Price is.

20 Finally, I can also state with unfortunate  
21 certainty that if the Orders are lifted against the  
22 six countries, prices in the U.S. market will decline,  
23 and exports from these producers that are currently  
24 going to China will be diverted back here. That will  
25 happen whether or not China completes the massive

1 investments it is currently making in stainless  
2 capacity.

3 Whether China becomes a net exporter of  
4 stainless or not, exports will still be diverted  
5 because U.S. prices for hot-rolled coils are  
6 appreciably higher than prices in the China market as  
7 shown in our brief and as I know from being involved  
8 in the stainless market in China myself.

9 In closing, I would like to reiterate what  
10 other witnesses have said as to the importance of  
11 retaining these Orders. For the industry, 2004 was  
12 the first year in the last four in which results could  
13 support operations and justify investments already  
14 made for these coil products. Further, the  
15 profitability for 2004 alone is not sufficient to  
16 support future capital investments.

17 Finally, this good demand year was not  
18 without its downside. Raw material prices escalated  
19 in 2004 and are still at historically high levels. So  
20 far 2005, although positive, is not as good a demand  
21 year as 2004. Because those raw material prices  
22 remain high, the fortunes of our industry would  
23 deteriorate very quickly if duties were removed and  
24 foreign producers could again enter the market at  
25 aggressive low prices.

1 Thank you for your attention.

2 MR. HARTQUIST: Thank you, Terry.

3 We now move to Tom Conway of United  
4 Steelworkers of America.

5 MR. CONWAY: Good morning, Mr. Chairman and  
6 members of the Commission. My name is Thomas Conway.  
7 I'm the International Vice President of Steelworkers.  
8 Our union represents the steelworkers of Allegheny  
9 Ludlum, including those previously employed at the  
10 former J&L Specialty Steel facility. The union was a  
11 co-Petitioner in the original investigations.

12 I'm here today to express our concerns  
13 regarding the possible revocation of the antidumping  
14 and countervailing duty Orders on the stainless steel  
15 plate and coil. They've served as a strong deterrent  
16 against the unfairly traded imports. You've just  
17 heard from the two largest domestic producers of  
18 stainless coil and plate what the Orders mean to them.  
19 I'd like to talk to you about what the Orders mean to  
20 our members and why it's so crucial that the Orders be  
21 continued.

22 At the time of the original investigation, a  
23 surge in the unfairly traded imports from the subject  
24 countries devastated the U.S. stainless steel coil  
25 plate industry and caused serious injury to U.S.

1 steelworkers.

2 A lot of highly skilled, hardworking  
3 steelworkers lost their jobs, saw their work hours and  
4 their paychecks cut as the employers were forced to  
5 cut back in the face of continued lost sales and  
6 revenue as a result of the unfair imports. The job  
7 losses experienced by this industry are high-quality  
8 jobs that require sophisticated skills from these  
9 steelworkers responsible for running equipment worth  
10 tens of millions of dollars.

11 Since 1999, the union and its members had  
12 been working to assist the producers' recovery efforts  
13 so that they can remain globally competitive. In late  
14 1999 and 2000, we began to feel the beneficial effects  
15 of the Orders, and the industry's condition improved.  
16 Thus, we had strong hope the U.S. jobs will no longer  
17 be threatened.

18 Unfortunately, this was not the case. In  
19 2001 and continuing through 2003, the market for  
20 stainless steel flat-rolled products, including coil  
21 plate, collapsed and the industry's condition  
22 deteriorated significantly despite the presence of the  
23 Orders.

24 As a result, the domestic stainless steel  
25 plate facilities in Pennsylvania and Ohio were closed,

1 resulting in layoffs that significantly damaged the  
2 livelihood of those workers, their families, the  
3 communities in which they lived.

4 In our ongoing efforts to ensure that this  
5 industry can survive and prosper under fair trade  
6 conditions, our union recently entered into a new  
7 progressive labor agreement with Allegheny Ludlum in  
8 connection with the acquisition of the former J&L  
9 Specialty Steel facilities.

10 The agreement includes a significant  
11 reduction in management, an ongoing reduction in the  
12 hourly workforce based on a retirement inducement  
13 program, broad workplace flexibility, expanded  
14 responsibilities and modifications to the healthcare  
15 coverage for both the active, as well as the retired  
16 workforce. The healthcare of the former J&L employees  
17 will now be covered through a VEBA trust, which is  
18 partially funded by the acquiring company, Allegheny  
19 Ludlum.

20 The acquisition resulted in a significant  
21 reduction in the workforce at the newly acquired  
22 facilities. Unfortunately, additional cuts were  
23 necessary at the existing Allegheny facilities as  
24 well. As a result, we have agreed to significantly  
25 reduce the workforce over the next two and a half

1 years through the early retirement program.

2 The union's members have done all we can to  
3 ensure the viability of this industry. We have fought  
4 to save the U.S. jobs and give our remaining workers a  
5 chance to secure some benefits for our many retirees  
6 who were so cruelly harmed by the loss of the benefits  
7 earned over a lifetime of work in a challenging  
8 environment.

9 Without the continuation of the pricing  
10 discipline of the Orders, unfairly traded imports will  
11 surge into the U.S. market at low prices, preventing  
12 the domestic industry from benefitting from a  
13 stabilized market and completing its return to health.

14 In summary, these Orders have been and  
15 continue to be very important to U.S. steelworkers.  
16 Had the Orders not been in place, the job losses and  
17 injury to our steelworkers would have been much more  
18 severe. The continuation of these Orders is crucial  
19 to the stainless steel plate industry in the United  
20 States, and I urge you to continue the antidumping and  
21 countervailing duty Orders on stainless steel plate  
22 and coil.

23 Thank you. I appreciate the opportunity to  
24 talk with you this morning.

25 MR. HARTQUIST: Thank you, Mr. Conway.

1                   We move now to Ed Blot.

2                   MR. BLOT: Good morning, Mr. Chairman and  
3 members of the Commission. My name is Edward Blot,  
4 and I am president of Ed Blot & Associates. My  
5 company provides consulting services and training  
6 seminars to North American producers, distributors and  
7 consumers of stainless steel and nickel alloys.

8                   As a regular part of those services, I  
9 provide market analysis and forecasts concerning  
10 stainless products. Prior to opening my consulting  
11 business, I spent over 25 years with Armco and  
12 Republic in various stainless sales and marketing  
13 positions. I am happy to again be before the  
14 Commission to discuss the stainless coil plate  
15 industry.

16                   This morning I will review the history of  
17 the U.S. stainless coil plate market and present my  
18 forecast for the next few years. I will also discuss  
19 how the Orders have led to product form shifting from  
20 coil plate to cut plate and how the economics of the  
21 coil plate market dictate that those tons will likely  
22 shift back to coil plate should the Orders against the  
23 subject countries be revoked.

24                   Now may I direct your attention to Chart 1  
25 on your handout. This graph shows apparent

1 consumption of stainless coil plate from 1995 through  
2 2004, along with my forecast through 2007. The  
3 consumption trend since 1995 is relatively flat at  
4 about 125,000 tons with a downward trend during the  
5 period from 1999 to 2003 and consumption spikes  
6 occurring in 1995, 1997 and again in 2004.

7           The apparent growth in consumption the last  
8 year was fueled by three major factors. First, the  
9 manufacturing recession in the U.S. ended in late  
10 2003, and consumers began purchasing for many capital  
11 goods projects that had been on hold for two to three  
12 years due to the recession.

13           Second, the entire supply chain was building  
14 inventory in addition to placing orders for the  
15 capital goods and consumer goods requirements. Third,  
16 as prices started to increase, primarily due to raw  
17 material costs, the major purchasers of coil plate --  
18 distributors and pipe manufacturers -- were placing  
19 additional orders to ensure that they could supply the  
20 end users at the lowest cost prior to implementing  
21 their increases.

22           As you can see from my chart, I am  
23 forecasting a five percent decline in consumption in  
24 2005, a return to the 2004 consumption level in 2006,  
25 followed by another decline in 2007. The decrease in

1 consumption in 2005 is due primarily to the leveling  
2 off of inventories that are currently in excess at the  
3 distributors and pipe manufacturers. This is the same  
4 pattern that occurred after the apparent consumption  
5 spikes in 1995 and 1997.

6 The five percent drop is a fairly large drop  
7 in the growth rate. If consumers start to draw down  
8 inventories again, it could be enough to arrest much  
9 of the predicted growth. The market has shown over  
10 the last decade that it can turn very quickly.

11 I further forecast a significant increase in  
12 subject imports if the Orders are revoked. You have  
13 heard Dr. Shilling's testimony regarding China moving  
14 quickly from a net importer to a net exporter.  
15 Subject foreign producers have emphasized their  
16 commitment to their home markets in China. Those  
17 producers have gone to other markets where they have  
18 both an opportunity to sell, but don't have the  
19 pricing discipline of the antidumping Order and not  
20 because those markets were better.

21 From the staff report you will note that  
22 non-subject imports have been increasing in the U.S.  
23 market since implementing of the Orders. Why?  
24 Because when you are unencumbered by an antidumping  
25 Order the higher prices of the U.S. market,

1 particularly over those in China, are preferred. You  
2 can take the growth in non-subject imports in the U.S.  
3 market as a predictor of what subject imports would do  
4 without the Orders.

5           There is every economic reason for the  
6 subject imports to shift back to the U.S. market and  
7 resume underselling this price sensitive commodity to  
8 get their market share back. This will even be more  
9 true once China is saturated in the near future and  
10 all the hot-rolled coil tonnage supplied to China by  
11 the Asian and European mills must find a new home.

12           Note that most imports are sold through  
13 trading companies who seek out new low-cost material  
14 when dumping duties are assessed against their current  
15 suppliers. Those traders will again seek supply from  
16 the subject countries if the Orders are lifted. Other  
17 companies, like Arcelor and ThyssenKrupp, have well-  
18 established sales networks in the U.S. and can  
19 immediately take advantage of any lifting of the  
20 Orders.

21           Given that the Korean, Belgian and Italian  
22 producers have all been adding capacity that could  
23 produce stainless steel plate coil, they are very  
24 likely to do so. By the way, according to recent  
25 press reports prices and demand are already softening

1 in Europe, which will make the U.S. market even more  
2 attractive to subject imports, so while consumption is  
3 expected to increase modestly again next year, 2006,  
4 the domestic industry will not reap the volume rebound  
5 if the Orders are revoked.

6 Now I'd like to address your attention to  
7 the table taken from the industry brief at Exhibit 15.  
8 This table lists stainless coil plate and cut plate  
9 from the countries subject to these Orders since the  
10 time of the original investigation. As you can  
11 clearly see, once the Orders were issued coil plate  
12 shipments from the subject countries decreased as  
13 expected. However, there was a significant increase  
14 in imports of cut plate from the same countries  
15 producing coil.

16 The major purchasers of coil plate are  
17 distributors and pipe manufacturers. These service  
18 centers prefer to inventory coil plate over cut plate  
19 because they have equipment to cut the coil into any  
20 desired length by their end user. The pipe  
21 manufacturers purchase coil plate in the width  
22 required to produce a pipe or two. The coil plate is  
23 continuously fed into a roll-forming, welding and cut-  
24 to-length line to give the exact pipe or tube length  
25 required.

1           There are two major advantages of coil plate  
2 versus cut plate. First, the purchase price of plate  
3 coil is approximately \$80 per ton less than purchasing  
4 a plate that is cut from that same coil from the same  
5 producing mill. Second, the additional cost advantage  
6 of coil plate to the purchaser is flexibility.

7           The distributors can offer any length to the  
8 end user without additional cost. The pipe  
9 manufacturers can also produce the exact length  
10 required using a coil plate. Should they require a  
11 smaller width for their application, they can even  
12 flip the coil plate and still continuously feed their  
13 operation.

14           With the Orders in place for coil plate, the  
15 subject foreign producers were able to shift to cut  
16 plate. They could easily offer the purchaser a cut  
17 plate from coil at the same price they offered the  
18 plate in that coil. The cost increase of producing  
19 cut plate from coil included in a yield loss can  
20 easily be absorbed to offset duties in excess of three  
21 percent.

22           The advantage to the purchaser would be to  
23 eliminate processing costs of plate coils into cut  
24 plate, and the loss of flexibility would be offset by  
25 the price. If the Orders are eliminated, however, the

1 economics revert to a preference to coil plate.

2 So my forecast for coil plate versus cut  
3 plate from the countries with Orders depends upon the  
4 outcome of these hearings. If the Orders are revoked,  
5 the volume of coil plate from these countries will  
6 likely increase significantly based on the shift from  
7 cut to coil plate alone.

8 This increase in subject import volume and  
9 market share, along with the corresponding loss in  
10 pricing discipline, will have a negative effect on the  
11 domestic industry's profitability and return on  
12 recently invested capital.

13 Thank you.

14 MR. HARTQUIST: Mike Kerwin will now present  
15 economic testimony.

16 MR. KERWIN: Good morning. I am Michael  
17 Kerwin of Georgetown Economic Services. This morning  
18 I'd like to discuss the vulnerable condition of the  
19 domestic industry and factors indicating that large  
20 volumes of low-priced stainless steel coiled plate  
21 will return to the U.S. market from the subject  
22 countries in the event of revocation.

23 In their brief, the Respondents imply that  
24 since these Orders were put into place the domestic  
25 industry has enjoyed five wonderful years of increased

1 prices and shipment volumes and healthy profitability.  
2 In making these arguments, however, the Respondents  
3 have conveniently glossed over the first four years of  
4 the five-year period of review.

5 In fact, if you examine the five-year period  
6 of review as a whole, many indicators of industry  
7 health did not improve much, if at all. For example,  
8 the annual shipment volume of the domestic industry in  
9 the 2000 to 2004 period of review was actually about  
10 seven percent lower on average than during the 1997 to  
11 1999 period.

12 While the Respondents argue that the  
13 domestic industry has benefitted from "very favorable  
14 market conditions" in point of fact average annual  
15 consumption of stainless coiled plate was  
16 significantly lower in the post Order period than in  
17 the original period of investigation.

18 After regaining profitability in the first  
19 full year after the imposition of the Order, the  
20 industry fell into the red for the following three  
21 years. While the industry returned to profitability  
22 in 2004, the operating return in that year was well  
23 below that at the high point of the original period of  
24 investigation. Indeed, for the 2000 to 2004 post  
25 Order period as a whole, the industry showed an

1 operating loss.

2 This is not the very healthy domestic  
3 industry that the Respondents have portrayed. One  
4 good year cannot return an industry to health,  
5 particularly an industry as capital intensive as this  
6 one.

7 In fact, as you've just heard from Mr. Blot,  
8 it appears that 2005 will not be as good of a year as  
9 2004 as domestic consumption is likely to decline  
10 reflecting the overstocking of distributors last year.  
11 This forecast is already being borne out in the  
12 marketplace as the representatives of the domestic  
13 industry have noted.

14 Against this backdrop, the Commission must  
15 now consider how the potential revocation of these  
16 Orders would affect the domestic industry. While the  
17 Respondents would have you believe that the subject  
18 producers in this case would have no motivation or  
19 incentive to return to the U.S. market in significant  
20 volumes, their reasoning on this is simply not  
21 credible.

22 Although China has sopped up much of the  
23 world's growing output of stainless plate and coil  
24 during the period of review, China's imports of this  
25 commodity are already in decline. China's stainless

1 flat-rolled industry is growing at a phenomenal pace.  
2 Stainless slab melting capacity in China, for example,  
3 roughly tripled from 2002 to 2004, will double again  
4 by 2006 and then will double again in 2007, by which  
5 time China will have by far the world's largest  
6 stainless melting capacity.

7           As one of the executives of North American  
8 Stainless characterized it, China is accomplishing in  
9 one or two years what NAS took 15 years to do at its  
10 Kentucky facility, and in China it is occurring at  
11 seven or eight different mills. This is  
12 industrialization on a pace and scale never seen  
13 before.

14           The implications of this growth are clear.  
15 Any subject producer that tells you that his company  
16 will not ship to the U.S. market in the event of  
17 revocation because of the wonderful growth  
18 opportunities in exporting to China is in denial or  
19 delusional. Just because a foreign producer has  
20 increased its exports of stainless plate to China in  
21 the last few years, there is no reason to believe that  
22 such shipments will fill order books in coming years.

23           In point of fact, the situation is even more  
24 dramatic than the numbers imply. Because most  
25 producers of stainless steel plate also produce

1 stainless steel sheet and strip on the same equipment  
2 and because sheet and strip is the dominant flat-  
3 rolled product, if even a small amount of the subject  
4 producers' capacity were to be shifted toward coiled  
5 plate the potential volumes vis-a-vis product shifting  
6 would be enormous.

7 Further, as was noted by Mr. Hartford,  
8 prices in China are typically the lowest in the world,  
9 so wholly aside from these capacity expansions there  
10 is very good reason for subject producers to  
11 immediately shift their exports from China to the  
12 United States in the event of revocation.

13 The reduction in stainless plate imports  
14 into China will present a major problem for the  
15 subject producers. Public statistics show that  
16 exports of stainless plate to China from each of the  
17 subject countries other than Canada increased  
18 dramatically from 2000 to 2003, showing anywhere from  
19 two- to 57-fold increases.

20 Significantly, however, four out of these  
21 five countries saw a decline in exports to China in  
22 2004. As exports to China have increased, each of the  
23 main producers in the subject countries has undertaken  
24 massive capital expansions to augment their production  
25 capacity in stainless flat-rolled products, including

1 coiled plate.

2           For example, independent sources note that  
3 Belgian producer U&A and Korean producer POSCO both  
4 expanded their slab melting capacity by over 400,000  
5 tons in 2003. The industries in Italy, Taiwan and  
6 South Africa have also expanded melt capacity over the  
7 last two years, and Taiwan and South Africa are  
8 projected to continue to do so over the next few  
9 years. Most of these companies have also increased  
10 their annealing and pickling capacity.

11           As exports to China dwindle, this output  
12 will have to be directed somewhere, and that  
13 destination will be the U.S. market if these Orders  
14 are revoked. In fact, given the large capacity  
15 increases at the subject producers, the volume shifts  
16 to the U.S. market in the event of revocation are  
17 likely to be much larger than at the time of the  
18 original investigation.

19           Respondents' arguments as to the minimal  
20 volume and price effects of the subject imports in the  
21 event of revocation are in large part supported by a  
22 flawed and tangential economic analysis. As an  
23 initial example, while the Commission staff report  
24 shows that the domestic industry had low capacity  
25 utilization throughout the period of review, the

1 Respondents' analysis asserts that "domestic producers  
2 have been operating at essentially full capacity"  
3 since 2001.

4 This assertion is based on nothing more than  
5 a gut feeling that the industry should have been able  
6 to produce more stainless plate in the face of price  
7 increases in 2004. In truth, the data show clearly  
8 that the domestic industry has had and continues to  
9 have sufficient capacity both in terms of melting and  
10 hot-rolling capacity to significantly increase its  
11 output of stainless plate.

12 The second example of inapposite reasoning  
13 embodied in the Respondents' economic analysis is the  
14 implication that financial results at the corporate  
15 level and stock prices should somehow override the  
16 evidence placed on the record in this review on the  
17 specific operations of stainless plate and coils.

18 It is the Commission's practice to gather  
19 and analyze the data of the U.S. industry producing  
20 the domestic like product, in this case stainless  
21 steel plate and coils. Operating results at the  
22 corporate level or even at the level of overall  
23 stainless flat-rolled operations are not of relevance.  
24 Rather, it is the product specific data as developed  
25 and presented in the Commission staff report that are

1 most probative and relevant.

2 Finally, the Respondents' analysis asserts  
3 that the current weakened condition of the U.S. dollar  
4 will act to limit subject import volumes in the event  
5 of revocation. This assumption has already been  
6 belied during the period of review.

7 While the dollar lost 29 percent of its  
8 value in relation to the euro between 2001 and 2004,  
9 the public data show that imports of stainless plate  
10 from Belgium increased in every year over this period  
11 and more than doubled from 2001 to 2004. Imports from  
12 Canada also showed a large increase over this period  
13 despite a 16 percent devaluation of the U.S. dollar in  
14 relation to the Canadian dollar.

15 Given that these increases in subject import  
16 volumes have been the exact opposite of what would  
17 have been expected in relation to the value of the  
18 dollar, it is clear that these subject producers have  
19 not been deterred by exchange rate trends. In the  
20 face of past action, it can be concluded that if the  
21 current Orders were to be revoked exchange rate trends  
22 would not prevent the return of subject imports in  
23 large volumes.

24 Thank you very much. That concludes my  
25 testimony.

1                   MR. HARTQUIST: And our last witness this  
2 morning will be Kathy Cannon.

3                   MS. CANNON: Good morning. I am Kathleen  
4 Cannon with Collier Shannon Scott, and this morning I  
5 would like to address one legal issue, the cumulation  
6 of subject imports.

7                   My task is made easier this morning because  
8 Respondents' joint brief does not contest that the  
9 legal predicates to cumulation in a sunset review, the  
10 simultaneous initiation of reviews of subject imports  
11 and the likely competition of subject imports with one  
12 another and with the domestic like product, are met in  
13 this case.

14                   Respondents argue only that there would be  
15 no discernable adverse impact from imports of specific  
16 subject countries if the Orders were revoked and that  
17 differences in conditions of competition among subject  
18 imports do not justify cumulation in this case.

19                   These arguments lack merit. The record does  
20 not show that imports from any subject country will  
21 have no discernable adverse impact on the domestic  
22 industry if the Orders are revoked. We have set forth  
23 in our brief discrete facts pertaining to the ability  
24 of foreign producers in each subject country to  
25 significantly increase the volume of exports to the

1 United States if revocation occurs.

2 Without getting into proprietary material or  
3 a country-by-country analysis today, I can summarize  
4 the evidence as including not only maintained but  
5 increased capacity and production of stainless plate  
6 by subject foreign producers, a demonstrated ability  
7 and incentive on the part of subject producers to  
8 shift subject plate from third country export markets  
9 to the United States, the ability and incentive of  
10 subject producers to engage in product shifting and a  
11 continued heavy reliance on exports by the subject  
12 producers.

13 No subject country has closed or altered  
14 production facilities in such a way that the  
15 significant volumes of imports that entered the United  
16 States five years ago could not recur. The sole  
17 subject producer to idle production of stainless plate  
18 during the review period, Canadian producer Atlas  
19 Stainless, is actively pursuing a new owner with an  
20 eye toward resuming operations depending on the  
21 outcome of this sunset review.

22 The only unique argument advanced by  
23 Respondent on the discernable adverse impact issue is  
24 the claim by Belgian producer U&A that its sales of  
25 predominantly wide width material could not possibly

1 affect U.S. producers.

2 As Mr. Schmitt testified, however, NAS makes  
3 60-inch wide plate, which competes directly against  
4 the imported wide width product from Belgium. As Mr.  
5 Hartford testified, Allegheny's 48-inch wide material  
6 also competes directly against the wider width product  
7 from Belgium.

8 Finally, as U&A concedes, its production of  
9 stainless plate is not limited to wide width product,  
10 but includes narrower widths as well. In fact, before  
11 the Orders were imposed a significant portion of  
12 imports from Belgium were in this narrower width  
13 product, and they would be again if revocation  
14 occurred.

15 As a matter of law, Respondents' arguments  
16 as to why their imports would likely have no  
17 discernable adverse impact are also misplaced. The  
18 Korean and Italian Respondents rely heavily on their  
19 low volumes of imports once the Orders were imposed to  
20 contend that such imports are of minimal volume and  
21 would have no discernable adverse impact.

22 As the SAA recognizes, however, a sunset  
23 analysis is counterfactual and must look at what the  
24 imports are likely to do once the status quo changes  
25 and the Orders are revoked. That imports from Korea

1 and Italy have been of much lower volumes post Order  
2 than they were pre Order says only that the foreign  
3 producers are unable to continue to sell into the U.S.  
4 market at the same volume levels without dumping.

5 Respondents' overall attempt to equate the  
6 no discernable adverse impact analysis with the  
7 ultimate injury inquiry rather than treating it as the  
8 much lower threshold inquiry that it is is directly  
9 inconsistent with the Court's holding in the Usinor  
10 Industeel case.

11 Turning next to the statutory predicates to  
12 cumulation, the record demonstrates the likelihood of  
13 competition among subject imports and between imports  
14 in the U.S. product based on the fungible nature of  
15 stainless plate and the consistent statements by  
16 purchasers that price is the key factor to determining  
17 sales. Nothing has changed in these respects from the  
18 original investigation.

19 Similarly, subject imports and the U.S.  
20 product continue to be sold through the same channel  
21 of distribution, through distributors, and there is no  
22 indication that the likely geographic overlap and  
23 simultaneous market presence found in the original  
24 investigation would change if revocation occurred.

25 Recognizing that the statutory criteria are

1 met, Respondents urge the Commission to exercise its  
2 discretion not to cumulate on the basis of allegedly  
3 distinct conditions of competition. What is curious  
4 about these arguments is that despite their protest to  
5 the contrary, the very factors Respondents cite in an  
6 effort to distinguish themselves from one another  
7 point out the common conditions of competition they  
8 face.

9 For example, they point to lower export  
10 volumes to the United States after the Orders were  
11 issued. They cite low dumping levels issued by  
12 Commerce in administrative reviews that supposedly  
13 reflect their fair trading behavior, but ignore the  
14 minimal or lower volumes at which they were able to  
15 sell stainless plate at their prices. They also  
16 ignore Commerce's projected much higher levels of  
17 dumping that would be likely to occur if revocation  
18 takes place.

19 In terms of future competitive conditions,  
20 they each cite expanding demand for plate in other  
21 global markets, particularly China, and increased  
22 exports to those third country markets instead of the  
23 United States.

24 On the other hand, they ignore critical  
25 conditions of competition they share such as the

1 highly substitutable nature of all subject imports and  
2 the export orientation of these foreign producers.

3           These common competitive conditions would  
4 likely cause a collective shift of subject imports to  
5 the United States if revocation occurred and therefore  
6 warrant cumulation of imports in this case.

7           Thank you.

8           MR. HARTQUIST: That completes our  
9 testimony.

10           CHAIRMAN KOPLAN: Thank you. We appreciate  
11 your direct presentation, and we'll start the  
12 questioning with Commissioner Lane.

13           COMMISSIONER LANE: Good morning, everybody.  
14 Mr. Cameron, I'd rather be in here listening all about  
15 stainless steel than being outside.

16           Mr. Shilling, I'd like to clarify something  
17 that you said in your direct. I think you said that  
18 the return on the investment is unacceptable, and I  
19 didn't understand whether you were saying the return  
20 itself was unacceptable or that the information was  
21 inaccurate and unacceptable.

22           MR. SHILLING: Sorry about the confusion if  
23 there was any there. We're talking about the return  
24 itself as a return on the invested capital was  
25 unacceptable.

1                   COMMISSIONER LANE: Okay. You aren't  
2 questioning what the statistics show?

3                   MR. SHILLING: That's correct. I was not.

4                   COMMISSIONER LANE: Okay. Thank you.

5                   My next two questions would go to Mr. Blot  
6 and Mr. -- I'm sorry. I can't remember names. Oh,  
7 well. I'll figure it out.

8                   If the United States economy is growing  
9 faster than our trading partners, which makes of  
10 course the U.S. market a more attractive place to do  
11 business, how will this affect the behavior of the  
12 subject imports if the Orders are revoked?

13                   MR. BLOT: Could you? I'm sorry. I  
14 couldn't quite -- this is Ed Blot, by the way, is how  
15 the name is pronounced.

16                   COMMISSIONER LANE: Okay. I'm sorry.

17                   MR. BLOT: That's okay, Commissioner Lane.  
18 If you could repeat that question again? I wasn't  
19 quite sure your point that you were making.

20                   COMMISSIONER LANE: If we look at the U.S.  
21 economy and we look at the economies elsewhere, it's  
22 apparent at least to me that the U.S. economy is  
23 growing faster than say the economies in Europe, so if  
24 that is true how is that going to affect the behavior  
25 of the subject imports if the Orders are revoked?

1           MR. BLOT: This is again Ed Blot. As I said  
2 in my testimony, if you're going to have the economies  
3 in the other countries declining they're going to look  
4 to the U.S. to be able to shift more products here and  
5 so that's exactly what they'll do.

6           COMMISSIONER LANE: In looking at the data,  
7 it looked like that there was an increase in non-  
8 subject imports, so if the Orders are revoked what do  
9 you expect to happen between the non-subject imports  
10 and the subject imports in this market, and can you  
11 tell me why whatever you think will happen?

12           MR. BLOT: Again, this is Ed Blot, and I  
13 will answer that question to the best of my knowledge.

14           Well, what you've got, in my testimony I  
15 indicated that when the Orders were issued the non-  
16 subject countries all of a sudden started to increase  
17 their shipments into the U.S. That's because trading  
18 companies really are the one that handle most of the  
19 imports that come in so if their current source of  
20 supply has a dumping Order against them they will then  
21 look to find another supplier who can bring in  
22 material. That has been established, and you have  
23 seen those non-subject country imports increase.

24           Those countries are not going to want to  
25 give up the business that they've established, so what

1 you're going to have, you're going to have them  
2 wanting to do more. You're going to have the  
3 countries if the Orders are revoked, they're going to  
4 want to get back to the positions that they had and so  
5 you're going to have the two of them grabbing a bigger  
6 share of the U.S. market going forward.

7 MR. KERWIN: Commissioner Lane, could I add  
8 a point?

9 COMMISSIONER LANE: Yes, Mr. Kerwin. I'm  
10 sorry. I finally remembered your name. I'm sorry.

11 MR. KERWIN: My name is hidden, and I'm  
12 sorry about that.

13 I think I'd just like to add to what Mr.  
14 Blot said, which is I think it's pretty clear from  
15 what's going on in the Chinese market in terms of the  
16 development of indigenous capacity there, melt  
17 capacity and production capacity, that nearly every  
18 producer in the world is going to be in this same  
19 position, that the U.S. market is going to stand as  
20 the market of choice.

21 As you noticed and as you mentioned, our  
22 growth rate has been higher than most of the other  
23 developed countries of the world, and as the Chinese  
24 growth and its demand for this product has pulled  
25 exports from all over the world into their market, an

1 analogous situation will occur here.

2 I think what you've seen is that despite the  
3 increase in non-subject imports over the past five  
4 years, the Orders have had a price disciplining  
5 effect. If those Orders are revoked, not only will  
6 you still have the non-subject producers in here; you  
7 will have all the subject producers returning, and  
8 you'll have an absolute free-for-all.

9 In instances like that, typically what we  
10 see is that they'll race to the bottom. The lowest  
11 priced product that comes in from a subject country  
12 will lead the race down to the bottom, and the non-  
13 subject producers, non-subject countries, will follow.

14 COMMISSIONER LANE: Okay. Thank you.

15 MR. HARTFORD: Commissioner Lane?

16 COMMISSIONER LANE: Mr. Hartford?

17 MR. HARTFORD: Yes. May I add to that,  
18 please?

19 COMMISSIONER LANE: Yes.

20 MR. HARTFORD: We do indeed believe that  
21 imports will increase if the Orders are lifted. We  
22 believe they'll increase from the subject countries on  
23 the basis of price, and I think several folks in their  
24 testimony today indicated the reasons why.

25 I think one additional point that's

1 important to mention is that since the imposition of  
2 the Orders in 1999, ThyssenKrupp, which operates  
3 facilities in Germany and also in Italy, both of those  
4 facilities with the ability to make stainless coil  
5 plate, shifted their production capacity of coil plate  
6 destined for the U.S. market from Italy to Germany,  
7 and we've seen the German imports of coil plate into  
8 this country increase.

9 We believe that if the Orders are lifted  
10 that will open the gates again for the Italians to  
11 resume production of stainless coil plate destined for  
12 this market, and it's important to note that the  
13 Italians have also increased their production capacity  
14 to make these products in Italy and so they'll be able  
15 to direct product into this country from both Germany  
16 and Italy, and it would be a net increase in those  
17 products coming in.

18 COMMISSIONER LANE: Okay. One of you  
19 mentioned that demand was down in 2005 as compared to  
20 2004. To what do you attribute that?

21 MR. BLOT: Commissioner Lane, Ed Blot again.  
22 I'm the one who gave you the forecast --

23 COMMISSIONER LANE: Okay.

24 MR. BLOT: -- that the market will be down  
25 approximately five percent this year over last year.

1                   There were three basic reasons. You have to  
2 look at the reasons that the market increased last  
3 year. There were three of them that I mentioned in my  
4 testimony. One of them was the fact that they were  
5 building, the distributors and the pipe manufacturers  
6 were building inventories, okay?

7                   What's happening right now, and they were  
8 doing that for the reasons I mentioned. What's  
9 happening now is that there's going to be a destocking  
10 of those inventories. In other words, the end user  
11 that's making the final fabricated part did not really  
12 consume as much as the statistics show because the  
13 first statistic that we see is the first order of  
14 purchase, whether it was with a distributor or pipe  
15 manufacturer. Then they make a product, sell a  
16 product downstream.

17                   In other words, they sell it to somebody  
18 else, who is now fabricating a product who is now  
19 selling to a subassembly to an assembly, so the bottom  
20 line is that the total consumption of those end  
21 products was not consumed out of the distribution  
22 network.

23                   The distributors, the pipe manufacturers,  
24 they were increasing their inventory faster than they  
25 were selling out, and that destocking is what's going

1 to be occurring this year.

2 COMMISSIONER LANE: And when did they start  
3 increasing their inventory?

4 MR. BLOT: The inventory started to increase  
5 very late 2003, but mostly starting in the beginning  
6 of 2004.

7 COMMISSIONER LANE: Okay. Thank you.

8 MR. SCHMITT: Commissioner, if I may?

9 COMMISSIONER LANE: Yes.

10 MR. SCHMITT: Tom Schmitt. We've already  
11 seen the decrease in sales in the coiled plate.

12 COMMISSIONER LANE: A decrease?

13 MR. SCHMITT: A decrease definitely from  
14 2004 to 2005. We've already seen it, and here it is  
15 only March.

16 COMMISSIONER LANE: Okay. Thank you. I see  
17 my yellow light. I'll wait until my next round.  
18 Thank you, Mr. Chairman.

19 CHAIRMAN KOPLAN: Thank you, Commissioner.  
20 Commissioner Pearson?

21 COMMISSIONER PEARSON: Thank you, Mr.  
22 Chairman.

23 Welcome to this panel. I always enjoy  
24 learning about new things. This gives me another  
25 opportunity.

1 I'd like to discuss the whole question of  
2 production capacity because as I understand the  
3 testimony this morning it's being stated I think quite  
4 clearly by Mr. Kerwin that there is additional  
5 production capacity in the United States that has not  
6 been utilized.

7 Looking at the relatively favorable margins  
8 that existed in 2004, the question I have is why? Mr.  
9 Shilling, do you have thoughts on that? Did Allegheny  
10 produce less stainless steel plate in 2004 than it  
11 could have? If so, why?

12 MR. SHILLING: Commissioner, I think the  
13 fellow who is directly responsible for that at  
14 Allegheny is Terry Hartford. I think it would be good  
15 since he's here to have him answer that question if  
16 it's okay with you.

17 COMMISSIONER PEARSON: That would be fine.  
18 Mr. Hartford?

19 MR. HARTFORD: Allegheny sold more stainless  
20 plate coil in 2004 than it did in 2003.

21 With the capacity increases that we  
22 completed last year with the asset purchase of the  
23 former J&L company, we will have additional capacity  
24 available to make more stainless plate coil. We can  
25 melt more. We can hot-roll more. We can finish more.

1                   COMMISSIONER PEARSON: That's a relatively  
2 recent development then based on that acquisition?

3                   MR. HARTFORD: That is a recent development,  
4 but even prior to that we would have had excess  
5 capacity to make additional stainless plate coil. It  
6 becomes a mixed question based upon other products  
7 that we are selling.

8                   COMMISSIONER PEARSON: Okay. Given the  
9 attractive margins that prevailed in 2004, why didn't  
10 Allegheny then produce and sell more?

11                  MR. SHILLING: It's basically a question of  
12 the size of the market. There's only so much market  
13 there, and it was being supplied by the existing  
14 producers in a free market situation. That's how I  
15 would answer that question. There's only so many  
16 orders out there.

17                  Stainless is not an elastic market. I mean,  
18 you can't just sell more stainless by better  
19 advertising. There's only so much being built and  
20 constructed that uses stainless steel.

21                  COMMISSIONER PEARSON: Okay. But it's not a  
22 factor of some other constraint in the mill such that  
23 if you were to produce more stainless steel plate and  
24 coil you of necessity would need to produce less of  
25 something else and thus the revenues for the firm

1 overall would not be maximized if you shifted to more  
2 stainless steel plate and coil. Could you comment on  
3 that?

4 MR. HARTFORD: Today we could shift. We  
5 could sell more stainless plate and coils without  
6 sacrificing the sales of other products. We have  
7 capacity to take incremental coil plate business with  
8 sacrificing other business.

9 COMMISSIONER PEARSON: Okay. Perhaps in  
10 post-hearing you might elaborate on that and give us  
11 some idea of how much more could be sold without  
12 cutting into the sales of other products.

13 MR. HARTFORD: We'll be glad to.

14 COMMISSIONER PEARSON: Thanks. Mr. Schmitt,  
15 could you comment on behalf of NAS?

16 MR. SCHMITT: Sure. Thank you for coming to  
17 visit us.

18 COMMISSIONER PEARSON: I enjoyed it very  
19 much.

20 MR. SCHMITT: We can produce a lot more CMP  
21 hot-rolled. We did produce more in 2004 than 2003.  
22 We were limited by the market, as Dr. Shilling said.  
23 We would like to sell more, but the market wasn't  
24 there. We have the ability to produce quite a bit  
25 more CMP if necessary.

1                   COMMISSIONER PEARSON: Right. Is that also  
2 without cutting into some other product that could be  
3 sold?

4                   MR. SCHMITT: Right now it would have no  
5 effect on any other product that we would sell. If we  
6 were able to sell more CMP, we would do it.

7                   COMMISSIONER PEARSON: And are those  
8 comments also applicable to calendar 2004?

9                   MR. SCHMITT: Yes. In 2004, we sold as much  
10 as we could. We sold what the market would take.

11                   COMMISSIONER PEARSON: But not as much as  
12 you could have produced?

13                   MR. SCHMITT: We could have produced more.  
14 Yes, sir. We just couldn't sell it.

15                   COMMISSIONER PEARSON: Okay. In this  
16 current market then in which we have overcapacity for  
17 production in the United States, we still see efforts  
18 to expand capacity investing more capital in an  
19 already oversupplied market. Is that correct? If so,  
20 what explains it?

21                   MR. HARTFORD: I can comment on that. The  
22 changes, the additional investments that we made last  
23 year, were geared toward more efficiently producing,  
24 more cost effectively producing these products as  
25 opposed to necessarily expanding the capacity.

1           The incremental capacity that is available  
2 might be a slightly higher cost than our core  
3 operating capacity, but it is there nonetheless.

4           COMMISSIONER PEARSON: Okay. So the  
5 argument would be that in investing to increase  
6 efficiency there also was capacity increase that went  
7 along with that, but the overall effect would be to  
8 reduce the production cost in the future?

9           MR. HARTFORD: That's correct.

10          COMMISSIONER PEARSON: Mr. Shilling?

11          MR. SHILLING: Yes. Just an example that's  
12 reported, and it's public information, that ATI  
13 actually shuttered melt capacity in this intervening  
14 time period because of the situation that you're  
15 talking about.

16          COMMISSIONER PEARSON: Well, I confess I  
17 found it challenging to interpret what was going on  
18 during the period of review with facilities being  
19 closed and other facilities being opened and  
20 consolidation and shifting within the industry. I  
21 mean, all of you lived through that.

22          MR. SHILLING: Yes.

23          COMMISSIONER PEARSON: You're going to  
24 understand it a heck of a lot better than I do, but it  
25 looks to me like we come out, and we're at this point

1 now with larger capacity than we had at the start,  
2 substantially larger sales, and it's just not obvious  
3 to me how much excess production capacity is there.

4 I understand that we get into making  
5 arbitrary decisions in terms of how we allocate  
6 capacity when we put together these numbers, but it's  
7 just not clear to me how much real capacity is there  
8 if demand should rise further.

9 MR. SHILLING: Well, I certainly speak for  
10 ATI. If you combine ATI and J&L together and look at  
11 it backwards in time, the total melt capacity for the  
12 combined companies is less today than it was  
13 previously. Previously the combined companies had  
14 operated three melt shops, and today they operate two.

15 COMMISSIONER PEARSON: Mr. Schmitt? Anyone  
16 else? Further comments?

17 Okay. If there is clarification, Mr.  
18 Hartquist or Mr. Kerwin, that could be brought to this  
19 issue in the post-hearing, by all means let's do it  
20 because it seems to me like I'm not understanding this  
21 to the degree that I would like to. How about that?

22 MR. HARTQUIST: We'll be happy to comment  
23 further.

24 COMMISSIONER PEARSON: Okay. Thank you.  
25 There's been some discussion about prices for

1 stainless in the United States versus overseas and  
2 I think more than one person mentioned that the United  
3 States has higher prices on average. Why is that?  
4 I mean, if this is a commodity product, why wouldn't  
5 we see prices equilibrate around the world as  
6 arbitrage to bring the market into line? Why is there  
7 a structural situation that gives us a higher price in  
8 the United States, if indeed that's a correct  
9 representation of what's been said?

10 Mr. Kerwin?

11 MR. KERWIN: I'll start. I think probably a  
12 number of people might want to comment on this, but  
13 one of the things that you see, first of all, our  
14 economy is growing faster than most of the other  
15 developed economies of the world. Secondly, in China,  
16 you have already such a free-for-all of so many  
17 participating exporting manufacturers from around the  
18 world going into that market that the pricing  
19 situation there is quite low, probably the lowest  
20 major market in the world, just because of the level  
21 of extreme competition.

22 In relation to Europe, I don't think that  
23 U.S. pricing is dramatically different and depending  
24 on what's going on with the exchange rate trends and  
25 so forth, at times you've got parity, so it depends

1 what region you're looking at. Typically, Asian  
2 regional prices tend to be lower than those in Europe,  
3 but the European prices tend not to be radically  
4 different from those in the United States.

5 COMMISSIONER PEARSON: Are the U.S. prices  
6 higher in part due to the antidumping and  
7 countervailing duty orders that are in place?

8 MR. KERWIN: That would certainly be a  
9 factor in relation to China. It's an example of what  
10 can go on when sort of out-of-control competition goes  
11 on between exporting manufacturers and that type of  
12 behavior could be anticipated in this market, if the  
13 price discipline of the orders was not here.

14 COMMISSIONER PEARSON: Okay. But if the  
15 higher price is related to the orders and the orders  
16 were revoked, wouldn't the price equilibrate with the  
17 rest of the world on the incentive to bring product  
18 into the United States be reduced?

19 My time has expired, maybe we'll have to  
20 come back to this in the next round.

21 CHAIRMAN KOPLAN: You can get the answer to  
22 that.

23 COMMISSIONER PEARSON: Okay.

24 Mr. Magrath?

25 MR. MAGRATH: Thank you. I'm sorry. What

1 would equilibrate the price would be the increased  
2 volumes of the subject imports coming back into the  
3 United States. These orders have had a price  
4 discipline, as we have testified, and revoking these  
5 orders would lead to lower prices and aggressive low  
6 price offerings by the subject countries as they  
7 attempted to get back into the market.

8 MS. CANNON: Could I just add one point,  
9 Commissioner Pearson?

10 This is a similar situation to what we  
11 actually saw in the grain-oriented electrical steel  
12 case where imports into other country markets were at  
13 lower prices and the commission recognized they would  
14 likely come back in here, also at lower prices, but  
15 the critical point, I think, is that the prices are so  
16 much lower in places like China that what imports can  
17 do is come in here that undercut U.S. producer prices,  
18 but are still higher than in China, giving them  
19 therefore an incentive to come here, but also hurting  
20 U.S. producers because they start forcing U.S. prices  
21 down. So I think it's the differential that's  
22 important there.

23 COMMISSIONER PEARSON: Okay. Thank you.

24 And, Mr. Chairman, thank you for your  
25 indulgence.

1                   CHAIRMAN KOPLAN: No problem.

2                   And than you all for your testimony and your  
3 answers to the question thus far.

4                   Let me begin with a brief question, if  
5 I could, for Mr. Conway.

6                   You mentioned the recent negotiations with  
7 regard to Allegheny. My question is simply between  
8 now and 2008, will the USWA be involved in any new  
9 negotiations or agreements with U.S. stainless steel  
10 plate producers?

11                  MR. CONWAY: We don't see any on the  
12 horizon. If there's another acquisition, another  
13 merger, but we have an agreement in place now until  
14 2008.

15                  CHAIRMAN KOPLAN: Okay. Thank you for that.

16                  Now, if I could come back to the issue of  
17 width, wide width and domestically-produced product,  
18 talking about Belgium, this is, I think, for  
19 Mr. Hartford and Mr. Schmitt. If I can just walk  
20 through this, on page 10 of the respondent interested  
21 parties' pre-hearing brief, they state the following,  
22 and I know I'm going to be hearing about this this  
23 afternoon, that "Belgium imports enter the market at  
24 prices comparable or in excess of  
25 domestically-produced steel and are directed at a

1 segment of the U.S. market that is not serviced by the  
2 domestic industry."

3 They continue on on the next page and say,  
4 "Moreover, virtually all of the stainless steel plate  
5 entering the U.S. from Belgium is sold in widths that  
6 domestic producers do not and cannot make."

7 I note that the confidential staff report,  
8 chapter 2, page 4, points out that Belgium is one of  
9 only two countries that can supply and is supplying  
10 72-inch wide stainless steel plate to the U.S. market.

11 The staff report indicates that stainless  
12 steel plate is commonly produced in the United States  
13 in widths of 60 inches or less, and that's in chapter  
14 1, page 23.

15 Respondents conclude by arguing that  
16 "Belgium imports are merely filling a critical need  
17 that cannot be met by any domestic producer."

18 I realize that your position is that plate  
19 in narrower widths competes with and can be  
20 substituted for the wide with material. That's at  
21 page 33 of your brief. And this morning, what I heard  
22 was that with regard to NAS, you all make 60-inch  
23 plate that does compete in fact directly with wide  
24 width plate from Belgium and that Allegheny has  
25 48-inch plate that competes in a similar fashion.

1                   My request is this: for the years 2003 and  
2                   2004, could you all submit to us documentation as to  
3                   those transactions where your 48-inch plate and your  
4                   60-inch plate competed directly with Belgium product?  
5                   I'm making that request -- I think that would be of  
6                   Mr. Hartford and Mr. Schmitt.

7                   You're nodding, but I need it for the  
8                   record, Mr. Schmitt. Are you agreeing to submit that  
9                   information? I realize it's business confidential,  
10                  but --

11                  MR. SCHMITT: Yes. We can look at that.  
12                  Most of our sales go to service centers. The service  
13                  centers have an option to buy 48, 60 or 72-wide plate.  
14                  It comes down to cost.

15                  CHAIRMAN KOPLAN: So you don't know what  
16                  happens to it after that, whether it's actually  
17                  competing directly with the Belgium product?

18                  MR. SCHMITT: Most of the time, the material  
19                  is fabricated. We sell it to service centers. They  
20                  inquire with us, they're making smaller parts, what  
21                  the best yields come out. So it's based on cost. So  
22                  if they have a part that's going to yield well out of  
23                  48-wide, they might choose a 48-wide. If they have a  
24                  part that yields better out of a 60-wide, it would  
25                  come out of 60-wide. And then if they had another one

1 that came out of 72-wide, they would choose a 72-wide.  
2 Again, most of our sales -- we get an inquiry from a  
3 customer --

4 CHAIRMAN KOPLAN: Excuse me. I didn't catch  
5 that.

6 MR. SCHMITT: I said if we would receive an  
7 inquiry from a customer and he would say I needed so  
8 much 48, so much 60, so much 72, the vast majority of  
9 the time we say we don't produce 72, and he'll say,  
10 okay, give me the 60 wide price. It comes down to the  
11 price of the product and how he's going to make his  
12 part.

13 So to pull out specifically how much that's  
14 affected in that market, I have to think that through  
15 some more.

16 CHAIRMAN KOPLAN: So you really don't know  
17 the answer to that.

18 MR. SCHMITT: Sitting here today, I don't  
19 have an answer for that directly. No, sir.

20 CHAIRMAN KOPLAN: Okay. I appreciate that.  
21 And, Mr. Hartford, how about you?

22 MR. HARTFORD: My comments are similar to  
23 Mr. Schmitt's in some respects. I think what we could  
24 provide, we can identify those specific examples where  
25 we knowingly competed against a 72-wide product being

1 supplied to a customer. We can look at those things  
2 for '03 and '04 and we could submit those  
3 confidentially in the post-hearing brief or in some  
4 fashion.

5 CHAIRMAN KOPLAN: You can do that?

6 MR. HARTFORD: Yes.

7 CHAIRMAN KOPLAN: But, Mr. Schmitt, you  
8 don't think you can do that?

9 MR. SCHMITT: Let me just go back and talk  
10 with our people some more.

11 CHAIRMAN KOPLAN: Okay. Yes. I would  
12 appreciate that.

13 MR. SCHMITT: I'll review it.

14 MR. HARTFORD: And I think also in that we  
15 would describe to you what Mr. Schmitt was describing  
16 and that is in many ways the actual marketing of these  
17 products to the end consumer is done via a service  
18 center who was a customer of ours as opposed to  
19 directly from us to a customer. We do sell some of  
20 these products directly to a manufacturer, but the  
21 majority of the product is sold through a service  
22 center and then that service center has decisions to  
23 make relative to do they supply it out of 48-wide,  
24 60-wide or 72-wide. And several of these service  
25 centers will stock those various widths and supply

1 those various widths to a variety of end use  
2 customers. And so in many cases, they're making the  
3 decision as to what is the product that best fits  
4 their customer's requirement.

5 CHAIRMAN KOPLAN: Thank you. I'll look  
6 forward to whatever you all can add for purposes of  
7 the post-hearing and I realize that will come in as  
8 business confidential material.

9 Tell me, if I could stay with you all, what  
10 are the typical end uses for plate that is in widths  
11 greater than 60 inches? Have production limitations  
12 prevented you from producing plate in greater widths?  
13 And under what conditions would you make a business  
14 decision to add the required facilities to move into  
15 widths greater than 60 inches?

16 I'll stay with both Mr. Schmitt and  
17 Mr. Hartford.

18 I'll start with you, Mr. Hartford.

19 MR. HARTFORD: A couple of comments. First,  
20 there are relatively few applications that must have  
21 widths greater than 60 inches wide. Most of the  
22 applications for this product can be made in a variety  
23 of ways.

24 CHAIRMAN KOPLAN: What would those  
25 applications be?

1           MR. HARTFORD: They could be welded tanks or  
2 vessels, not military tanks, but containment tanks,  
3 containment vessels. That is one application.  
4 Another application is cut pieces for welded and  
5 manufactured components where they would take a plate  
6 that is 48-inches wide or 60-inches or 72-inches wide  
7 and cut that into smaller pieces and then build an  
8 assembly of some kind, and so in that situation the  
9 actual width of the plate is not critical to the end  
10 use item that they're making. It becomes a cost issue  
11 of how well can they yield their cut pieces out of the  
12 starting piece of plate that they're starting with.  
13 As they go wider, they have some yield advantages and  
14 ultimately some cost advantages.

15           CHAIRMAN KOPLAN: And the other parts of my  
16 question about what production limitations have  
17 prevented you from producing plate in greater widths  
18 and under what conditions, would you add the necessary  
19 facilities to do that? Could you respond to that as  
20 well?

21           MR. HARTFORD: Sure. I think when we look  
22 at this historically, the way we have planned and  
23 built our facilities and planned our capital  
24 investments have been based upon our view of the size  
25 of various markets and what width products those

1 various markets need. And our history shows us and  
2 our forecasts tell us that the demand for a product  
3 that truly needs to be wider than 60-inches wide is  
4 relatively small and that most of those applications  
5 can be satisfied with products that we can make on our  
6 existing facilities, as I described a few minutes ago.

7 CHAIRMAN KOPLAN: Go ahead. I didn't mean  
8 to cut you off.

9 MR. HARTFORD: Okay.

10 CHAIRMAN KOPLAN: I broke your train of  
11 thought?

12 MR. HARTFORD: One second, please.

13 CHAIRMAN KOPLAN: Sure.

14 Well, while you're doing that, Mr. Schmitt,  
15 because I see my yellow light is on, could you respond  
16 to this as well? And then I'll let Mr. Hartford  
17 finish his thought.

18 MR. SCHMITT: I would agree with  
19 Mr. Hartford. We do not see a lot of applications  
20 that call for wider than 60-wide. And, again, it's  
21 our customer giving us the inquiry.

22 CHAIRMAN KOPLAN: My question was typically  
23 what are the uses for the wider plate?

24 MR. SCHMITT: If someone was assembling very  
25 wide tanks. Again, to hold petroleum or what not.

1 And, again, to maximize the efficiency of producing  
2 smaller parts.

3 CHAIRMAN KOPLAN: Okay. You've had a  
4 thought?

5 MR. HARTFORD: Yes. One additional comment  
6 and Commissioner Pearson made a comment as he reviewed  
7 our acquisitions and shutterings of various facilities  
8 over the years. One of the actions that we took in  
9 the late '90s, '98 and '99, was the ability to make a  
10 72-inch wide coil product, the ability to anneal and  
11 pickle that product, and for a variety of reasons we  
12 ceased doing that. One of the major reasons that we  
13 ceased doing that was that the size of the market was  
14 very limited.

15 CHAIRMAN KOPLAN: Thank you.

16 I see my red light is on. I have a very  
17 short question that I think is a yes or no answer, so  
18 if I could just toss this out.

19 Do purchasers typically pay more on a per  
20 ton basis for 72-inch wide stainless steel plate  
21 compared to 60-inch wide plate?

22 MR. HARTFORD: Yes, they pay slightly more  
23 for a 72-wide product than they do for a 60 or 48-inch  
24 wide product.

25 CHAIRMAN KOPLAN: Do you agree, Mr. Schmitt?

1                   MR. SCHMITT: I have to assume that. I have  
2 not seen hard proof of that, but I would have to say  
3 yes.

4                   CHAIRMAN KOPLAN: Do you know why that's the  
5 case?

6                   MR. HARTFORD: Because they can enjoy a cost  
7 advantage if they're cutting that plate into smaller  
8 pieces, the possibility is there for them to have a  
9 yield advantage. That's one reason for it. I think  
10 the other reason for it is there are orders in place  
11 that discipline the price behavior of that product.

12                  CHAIRMAN KOPLAN: Thank you very much for  
13 that.

14                  Vice Chairman Okun?

15                  VICE CHAIRMAN OKUN: Thank you,  
16 Mr. Chairman. I appreciate that yes or no question  
17 that you threw out.

18                  CHAIRMAN KOPLAN: Well, I fudged a little  
19 bit.

20                  VICE CHAIRMAN OKUN: Welcome to all the  
21 witnesses for being here today and welcome back to  
22 many of you for coming back and helping us understand  
23 your industry again.

24                  Let me start, if I could, with some demand  
25 questions and looking forward in this market.

1                   Mr. Blot, I appreciate having you here.  
2           I know you've followed the market a long time and you  
3           have provided us with this forecasting chart 1 looking  
4           forward, based on apparent domestic consumption. I  
5           wondered if maybe I could have the industry --

6                   Maybe I'll start with you, Mr. Schmitt, we  
7           have Mr. Blot in this industry, but you're a company  
8           and you've had a number of things going on with NAS  
9           over this period and some expansion, and I wondered if  
10          you have separate business forecasts that you look to  
11          in making your expansion plans with regard to demand  
12          looking forward. And, obviously, you could share  
13          those with us in a proprietary way, but I also just  
14          want to understand -- kind of are you looking to  
15          someone like Mr. Blot, but are you looking to some  
16          other things for your particular business?

17                   MR. SCHMITT: We pretty much have a  
18          discussion with our customers and look at our  
19          forecasts of what we feel is going on. Sometimes we  
20          look to Mr. Blot's information, but generally, last  
21          year, we could have sold more CMP, but just the market  
22          wasn't there. So we sell what we're able to sell.

23                   VICE CHAIRMAN OKUN: Okay. But just so  
24          I understand, last year, when you were looking at  
25          demand factors in the U.S. market, are you saying you

1 thought demand would be greater, that you could have  
2 sold more based on the demand factors that you as a  
3 company looked at and just that you weren't able to in  
4 this market? Or the market just didn't turn out to be  
5 as good as you thought?

6 MR. SCHMITT: We had the ability to make  
7 more product, CMP product, but we had not the  
8 opportunity to sell it.

9 VICE CHAIRMAN OKUN: Okay. But I guess my  
10 question is just, maybe you can submit this  
11 post-hearing, is whether it was that your forecast  
12 that you were relying on ended up being wrong or you  
13 just felt pressure in the marketplace that prevented  
14 you from selling the additional product.

15 MR. SCHMITT: Well, 2004 was an exceptional  
16 year. We sold a fair amount of plate in 2004. The  
17 reason we did not sell more was not limited because of  
18 our ability to produce it, it was limited because of  
19 the market.

20 VICE CHAIRMAN OKUN: Okay. Mr. Shilling, do  
21 you want to talk about -- do you also generate  
22 internal demand forecasts and are those available  
23 where you could submit them post-hearing?

24 MR. SHILLING: Terry is more familiar  
25 specifically with Allegheny Ludlum's forecasts.

1 You're asking about the '04 fiscal year or the '05?

2 VICE CHAIRMAN OKUN: No, actually I'm  
3 looking forward now. I'm interested just to see if it  
4 was --

5 MR. SHILLING: Well, we can supply what we  
6 have confidentially in the post-hearing brief, but  
7 just one thing that maybe -- to try to address your  
8 original question, at least from a conceptual  
9 standpoint, the forecast that an ATI would have for  
10 these products would be a very general nature and the  
11 capacity that a company that we have is a fixed  
12 capacity. It's a large capital investment, it has so  
13 much capacity. If we forecasted, for example, a very  
14 large increase in the market, which we're not, but if  
15 we were to forecast a very large increase in the  
16 market for next year, there's no way we could add that  
17 capacity to satisfy that market in a short period of  
18 time. It takes years to add capacity.

19 So likewise the situation that the companies  
20 faced in 2004 and 2005 in terms of their ability to  
21 supply the market, the amount of capacity overhang  
22 they had, was a situation that was created years  
23 previously in terms of when they installed the capital  
24 investment.

25 Your question was, well, was the market not

1 as large as your forecast and that's why you didn't  
2 sell it, I don't mean to be disrespectful, but it's  
3 sort of irrelevant. Yes, there's a certain amount of  
4 capacity there and you sell what you can sell, is the  
5 way I would answer that question.

6 VICE CHAIRMAN OKUN: I assume that some of  
7 what's bothering us -- and Commissioner Pearson asked  
8 about it and then I'll go over to it, it's just the  
9 capacity utilization numbers on the record and trying  
10 to understand what the companies are actually  
11 producing, what they're selling, why a company might  
12 decide to export in a good market in the U.S. And  
13 I think I'm struggling with that; from Commissioner  
14 Pearson's I assume he is as well.

15 And so for post-hearing, Mr. Hartquist,  
16 I suggest that you help us out in understanding these  
17 capacity utilization numbers vis-a-vis what the demand  
18 was in the market because it looks fairly -- I don't  
19 know. I have a hard time understanding it.

20 MR. HARTQUIST: We'll be happy to comment  
21 further on it.

22 I would just make one observation based upon  
23 a long time of working with this industry and that is  
24 that this industry and the steel industry generally is  
25 characterized by overcapacity. It's very rare

1 historically when all of the capacity of the industry  
2 globally is utilized. And that's because companies  
3 are constantly building capacity, they don't  
4 necessarily mothball or scrap capacity when they build  
5 new capacity, so theoretically they have significant  
6 unused capacity. But the key to all of this is the  
7 efficiency of the capacity, so you see a company that  
8 may have excess capacity adding capacity and you say  
9 why are they doing that, they can already make a lot  
10 of this product that they're not selling, but it's  
11 because they've got to continually improve the  
12 efficiency, bring their costs down and be able to beat  
13 the next guy in the marketplace in their pricing.

14 So it would be incorrect to assume that a  
15 company, for example, can't be profitable operating at  
16 significantly less than full capacity and it would  
17 also be inappropriate to assume that when the market  
18 is good based upon everybody's forecast everybody is  
19 going to run at 100 percent. That's just not likely  
20 to happen globally in this business.

21 VICE CHAIRMAN OKUN: I appreciate those  
22 comments about this business and putting that in  
23 perspective. I would appreciate for post-hearing if  
24 Mr. Schmitt and Mr. Schilling, if you can provide any  
25 company-specific data that relates to capacity

1 expansion and what your forecasts were and what your  
2 forecasts are going forward in the next three years on  
3 the demand side because I think that would be helpful,  
4 if Mr. Hartquist adequately explained it and in  
5 backing that up with company-specific data, because  
6 I haven't heard it today.

7 MR. HARTQUIST: We will do so.

8 VICE CHAIRMAN OKUN: Okay. I appreciate  
9 that.

10 Then let me turn to the demand on other  
11 markets. One thing, I think, Mr. Hartquist, when you  
12 started your opening statement you talked about how  
13 often there are global statements made about the steel  
14 industry, and I'm paraphrasing you here, but I think  
15 what you were saying is you have to look at every  
16 industry and the specifics of the domestic product  
17 that we are looking at as opposed to just talking  
18 about steel globally. And I appreciate those comments  
19 and I think it is something that we have to do.

20 And that brings me to the forecast on China.  
21 There is a confidential exhibit in your brief, Exhibit  
22 8, which I believe, Mr. Kerwin, is where you make your  
23 statements with regard to what the projected capacity  
24 increases are in China.

25 MR. KERWIN: That is correct. Yes.

1                   VICE CHAIRMAN OKUN: And I wondered whether  
2 there is additional information from your same data  
3 source or other data that you could put on the record  
4 which would talk about China's expected consumption.  
5 Because to me, you can't look at that -- just like you  
6 can't in the United States, you can't look at China  
7 and just say they're going to increase capacity and  
8 that means no one is going to ship there because,  
9 again, they're not growing at 3.8 percent like the  
10 United States, they've been growing at close to 9  
11 percent, and they're sucking up a lot of steel, be it  
12 stainless or be it hot-rolled. So any additional  
13 information that you can provide on the record that is  
14 specific to China's stainless steel products I think  
15 would be very helpful in understanding your argument  
16 of what's going to happen in the Asian region.

17                   MR. KERWIN: I think we can do that. And  
18 I think that the numbers will bear out the argument  
19 that as you're increasing the degrees of expansion  
20 that I was talking about, doubling in a single year,  
21 doubling that the next year, doubling that the next  
22 year, even at a 10 percent expansion of consumption  
23 annually, you're going to far surpass consumption very  
24 quickly in terms of these expansions of capacity. But  
25 I think we do have the numbers to back that up and we

1 would be happy to put some more information on the  
2 record on that.

3 VICE CHAIRMAN OKUN: Okay. And then I guess  
4 a follow-up on that. In a couple of the comments in  
5 the testimony, someone had referenced that it didn't  
6 really matter if China becomes a net exporter or not,  
7 and I guess from data I have I don't know -- it sounds  
8 like they haven't yet become a net exporter of these  
9 products. Some have said it doesn't matter if they're  
10 a net exporter or not if the U.S. is open, it's higher  
11 prices.

12 Mr. Hartford, you're shaking your head.  
13 Would that be your view? It doesn't really matter  
14 what happens in the China market, whether it becomes a  
15 net export or not, that the subject imports would come  
16 back in this market, regardless of what's going on in  
17 China?

18 MR. HARTFORD: Yes, that is our position.  
19 That's my belief. I think there is a perception that  
20 our market is not at risk of higher imports until  
21 China becomes a net exporter and that is not the case.  
22 As China begins to produce more of its own internal  
23 demand, even before it becomes a net exporter, their  
24 market will shrink as an opportunity for imports from  
25 subject countries and other countries, so even before

1 they become a net exporter, we believe there will be  
2 flows of coil plate that had been going to China that  
3 will go to other markets. And we believe that the  
4 majority of that will come to this market because of  
5 our pricing here.

6 VICE CHAIRMAN OKUN: Okay. I appreciate  
7 that.

8 I have more questions but they're not yes or  
9 no questions, so I'll wait for the next round.

10 CHAIRMAN KOPLAN: Are you sure? Thank you.  
11 Commissioner Miller?

12 COMMISSIONER MILLER: Welcome to all of the  
13 witnesses. We appreciate your testimony today and  
14 thank you to those who are back for, if not just the  
15 second, the many more appearances before us.

16 I would like, if I might, to go first back,  
17 Mr. Schmitt, to you. I'm not sure you've testified  
18 before or quite as often as Mr. Schilling or  
19 Mr. Conway, much less your counsel, but could I ask  
20 you, if you could do so publicly, to describe for us a  
21 bit the decisionmaking that went into NAS's decision  
22 in 2002, you referenced, opening the new melt shop.

23 Can you just give me some context on that?  
24 When would a decision like that have been made and how  
25 many years does it take to implement it? Can you just

1 discuss sort of how a company in general approaches  
2 that decision and, specifically, about how NAS did, if  
3 you might?

4 MR. SCHMITT: Okay. I'll try.

5 COMMISSIONER MILLER: Okay.

6 MR. SCHMITT: The decision to make the melt  
7 shop in 2002 was actually, to my best knowledge, made  
8 years ago. NAS has backward integrated into this  
9 market. In other words, we started out with a cold  
10 mill, we were dependent on people to supply us hot  
11 band. Then we put in a stickle mill and then we could  
12 buy slabs. So prior to 2002, we were dependent on our  
13 parent, Cerinox, and companies around the world,  
14 including Allegheny, I believe, to supply us slab. So  
15 from the very beginning, it's my perception that we  
16 knew we were going to put a melt shop in, just to give  
17 us a good cost.

18 COMMISSIONER MILLER: Okay.

19 MR. SCHMITT: When I say backward  
20 integrated, like I said, we started with a cold  
21 reduction mill and to feed that cold reduction mill we  
22 had to come with a hot band. Prior to our stickle  
23 mill, which was built in about 1999, I believe, we had  
24 to import or buy from our competitors hot band. So we  
25 put the stickle mill in and, then again, we had to

1       come up with some slab. Sometimes slab was easy to  
2       acquire, sometimes it wasn't, but that may have  
3       expedited it, but, again, the decision for a melt  
4       shop, I believe, was made a long time ago.

5                COMMISSIONER MILLER: Okay. I think in your  
6       initial testimony you said that NAS had been a  
7       producer since 1990, correct?

8                MR. SCHMITT: NAS started out as a 50/50  
9       joint venture with ARMCO and that was signed in 1990.  
10      I believe we shipped our first piece of steel in 1993.

11               COMMISSIONER MILLER: Relatively young, by  
12      the standards of other companies represented here.

13               MR. SCHMITT: Yes, ma'am.

14               COMMISSIONER MILLER: Okay. And I, too, am  
15      trying to understand how the decisions to put that  
16      capacity on -- and putting a melt shop into place,  
17      I mean, it increased your capacity to produce,  
18      I assume, as well, right? Or not? It was just a  
19      matter of that backward integration that you  
20      described?

21               MR. SCHMITT: Well, it's more from a cost  
22      standpoint. We do other things besides CMP and we  
23      needed to feed that.

24               COMMISSIONER MILLER: Right.

25               MR. SCHMITT: In 2004, we added another cold

1 Zensma mill, so to feed that we needed to have more  
2 melt supply.

3 COMMISSIONER MILLER: Okay. Okay. You  
4 know, I, too, am trying to understand that these plans  
5 in comparison to the markets that you see for  
6 stainless.

7 Mr. Shilling, in your testimony initially,  
8 you described the subject producers as all having  
9 capacity to produce more than their home markets  
10 demanded and that their business plans were basically  
11 export oriented.

12 Well, you know, if I look at our numbers on  
13 this industry right now, I would say that sounds like  
14 it might be a description of the U.S. market, the U.S.  
15 companies as well.

16 MR. SHILLING: Yes. I've been trying to  
17 think of a way to explain this situation to all of you  
18 folks. We live in it every day and sometimes we think  
19 about things a little bit differently because of that,  
20 so let me try a slightly different approach here.

21 Tom did a real good job of beginning this  
22 discussion, I think, at least the approach I'm going  
23 to take. Let's understand, if we could, just for a  
24 second, the manufacturing process itself. If we make  
25 flat-rolled product, it begins with a melt shop. If

1 you have a completely finished facility, a melt shop,  
2 a hot rolling mill, and various finishing facilities  
3 depending on what product you're going to sell. If  
4 it's cold-rolled flat product, then you need cold  
5 rolling mills and annealing lines, but if it's  
6 continuous milled plate, you do not.

7 The only thing you really need beyond a melt  
8 shop and a hot rolling mill to sell continuous mill  
9 plate into the market is an anneal pickle line to take  
10 the oxide scale off the hot-rolled band.

11 Now, let's just hold that thought for a  
12 minute, but, actually I'll just repeat what Tom said.  
13 It applies to Allegheny Technologies as well, it's  
14 just our chronology is a lot more convoluted, but we  
15 ended up in the same place. They started off with a  
16 cold rolling operation to get their hands in the  
17 marketplace. Once they had the business established,  
18 and remember the cold-rolled market is much larger,  
19 much larger than the continuous mill plate market.  
20 And that's an important thing to remember when you're  
21 thinking about the return on capital investment, which  
22 is where we're headed here.

23 So they put in a cold rolling facility, then  
24 when they had enough market to justify the hot  
25 rolling, which is much more capital expensive, a hot

1 rolling mill and a melt shop is much more expensive to  
2 install and the other thing that is so import to  
3 understand, it comes in big chunks of capacity. To  
4 put an efficient melt shop in, for example, you have  
5 to have a demand to take away from the melt shop of at  
6 least 600,000 tons because if you would try to put in  
7 a smaller melt shop than that, it would be too costly  
8 to operate.

9 Just as an aside, the one melt shop that  
10 ATI shut down in this time period was one of that  
11 size, a 250,000 ton melt shop, too small to compete.

12 Well, when NAS had built up primarily their  
13 cold-rolled market, only because it's so much larger,  
14 to the point where they could afford to spend the  
15 large amounts of capital on hot rolling and melting,  
16 you now take a quantum jump in capacity of melting and  
17 hot rolling and you go past what you are needed for  
18 your cold rolling operations because now the melt shop  
19 and the hot mill has much more capacity than where you  
20 are normally with cold rolling.

21 And so what you can do with a melt shop and  
22 a hot rolling facility is that you can sell continuous  
23 mill plate because that only needs besides the melt  
24 shop and the hot mill, it only needs an anneal pickle  
25 line in order to do that.

1                   And so that's why you find situations for  
2 this particular product where either ATI or North  
3 American sits in a situation where their melt shop and  
4 hot mill have more capacity than they require for  
5 their cold finishing operations.

6                   It was very hard when we were filling the  
7 questionnaire out, and I know we spent a lot of time  
8 with this, to try to define the effective capacity of  
9 the continuous mill plate product because these are  
10 the kinds of things you have to think through. But in  
11 any event, where we sit today, at ATI and evidently  
12 the same is true at North American is we sit with an  
13 imbalance, if you will, between the cold-rolled demand  
14 and this capacity of the melt shop and the hot mill  
15 and that creates excess continuous mill plate  
16 capacity.

17                   So, yes, we can both evidently based on the  
18 testimony, we both can make additional continuous mill  
19 plate.

20                   And that's what I was trying to explain  
21 before when, well, why did you put in this big melt  
22 shop, it may be your market forecast was bad, you have  
23 to pull that trigger and when you pull it you put a  
24 lot of capacity in.

25                   And, if I could, on China, this is what

1 worries me so much about China, because it's very  
2 different than the carbon steel industry. You can add  
3 capacity in carbon steel incrementally.

4 What do I mean by that? The total carbon  
5 steel market in China is 300 million tons. You can  
6 add an efficient Nucor type unit of capacity of a  
7 million tons to a 300 million ton market. You can't  
8 do that in stainless because when you add that melt  
9 shop you've just added a big percentage of the total  
10 market and that's what's happening in China and that's  
11 why the supply is going to go, as Mike is going to  
12 verify in a post-hearing brief, the supply is going to  
13 run way ahead of demand.

14 Sorry for elaborating.

15 COMMISSIONER MILLER: No, no, no.

16 MR. SHILLING: Maybe that helps, maybe that  
17 doesn't help.

18 COMMISSIONER MILLER: It was very helpful.  
19 It was just the kind of bit of education that I think  
20 even after doing so many steel, carbon and stainless,  
21 cases is still very helpful, particularly because of  
22 the differences between stainless. I don't know, in  
23 some ways, I would say do you think it means that in  
24 terms of capacity figures -- I will say after years at  
25 the commission, capacity figures are not something

1 that I necessarily find all that informative usually.  
2 We talk about them a lot, but there are a lot of  
3 issues there that have usually meant that I don't put  
4 them real high on my list in terms of what they tell  
5 me about what's going on.

6 You're shaking your head. You make me feel  
7 I'm not totally wrong in that.

8 MR. SHILLING: I think it's a reasonable  
9 question, but the problem is, and I'm not surprised  
10 that it's hard to understand, it's a very complicated  
11 question. It's a deceptively simple question to ask.  
12 The answers are quite complex, for some of the reasons  
13 I mentioned and others I didn't even get into, like  
14 product mix is another one.

15 COMMISSIONER MILLER: Right. Right. Okay.  
16 I appreciate your answer very much. It was very  
17 helpful and I'll get back to other questions in the  
18 next round. Thank you.

19 CHAIRMAN KOPLAN: Thank you, Commissioner.  
20 Commissioner Lane?

21 COMMISSIONER LANE: Thank you. I would like  
22 to ask some questions now about raw material costs.  
23 Why have the raw material costs increased and do those  
24 increases when you talk about your cost of production  
25 and you talk about the increase the raw material costs

1 and you talk about the energy costs increasing also,  
2 are the energy costs included in your overall raw  
3 material costs or separately? And why doesn't  
4 somebody describe to me why the raw material costs are  
5 increasing?

6 Mr. Hartford, you look like you can tell me.

7 MR. HARTFORD: I'll be happy to. I will  
8 try. I think a lot of the testimony this morning  
9 described worldwide demand expansions for stainless  
10 steel and we are seeing that in a big way. The growth  
11 of China, the recovery of the U.S. manufacturing  
12 economy has increased the overall global demand for  
13 stainless steel. It's increased the overall global  
14 demand for all steel products.

15 The raw material inputs for our business are  
16 iron, nickel, chromium, molybdenum, primarily. The  
17 cost of all of those have increased, primarily based  
18 upon supply and demand factors. We've seen  
19 significant increases in worldwide demand and limited  
20 increases in capacity on the supply side of those  
21 products.

22 Jack talked in some detail about the length  
23 of time it takes to add productivity capacity in the  
24 stainless steel business. The same is true on the  
25 part of our nickel suppliers. Additional supplies of

1 nickel have very long lead times and so as demand has  
2 increased and supply has remained relatively static,  
3 we've seen the prices of many of our raw material  
4 inputs go up significantly. As the carbon steel  
5 business has grown dramatically, requirements for iron  
6 units which primarily come from scrap have increased  
7 dramatically and that has put upward pressure on the  
8 iron inputs that we use and the products that we make.  
9 Stainless steel is stainless steel, but it's still 70  
10 percent iron. It's the major element in the product  
11 that we make. So all of our raw material costs have  
12 increased in the past 18 to 24 months, primarily based  
13 upon demand and supply issues.

14           You asked about energy. We've seen  
15 certainly increases in our energy costs. Everybody  
16 knows what has happened with natural gas prices. We  
17 use large quantities of natural gas and electricity in  
18 the production of our products. We don't consider  
19 that a raw material. We treat that cost separately.  
20 It is an energy cost that we see as part of our  
21 conversion to go from raw materials to finished  
22 product.

23           We do have a raw material surcharge that is  
24 a component of our selling price that helps us offset  
25 some of the raw material cost increases that we've

1       seen. For our stainless steel product, that does not  
2       include an energy surcharge, so we have to cover those  
3       higher costs of energy just through our selling  
4       prices.

5                   Do the increases in energy costs also affect  
6       the cost of the materials that go into your product?  
7       Is that also contributing to the increase in your  
8       nickel, iron, et cetera?

9                   MR. HARTFORD: I think it's a very small  
10       factor. Their energy cost to mine or to get those raw  
11       materials out of the ground or refined certainly are  
12       up just as our costs are up, but that's not the major  
13       contributor to the cost increases of the raw  
14       materials.

15                   COMMISSIONER LANE: Do you expect raw  
16       material costs to remain high in 2005?

17                   MR. HARTFORD: Yes, we do. Let me expand a  
18       little bit, and I thought I hit on this earlier, but  
19       it probably needs more attention and all roads lead to  
20       China these days, it seems. The tremendous increase  
21       in the capacity, metals production capacity inside of  
22       China, is creating a huge sucking sound of raw  
23       materials flowing to China and that can be stainless  
24       steel scrap that's leaving the U.S. and going to  
25       China, it's carbon steel scrap that's leaving the U.S.

1 and going to China, it's other raw materials leaving  
2 Europe and going to China. And so when you look at  
3 globally where these capacity increases are, the vast  
4 majority of the increase in the supply base is  
5 happening inside of China and China's stainless steel  
6 industry is very young and not very mature and in the  
7 production of stainless steel, one of the largest raw  
8 material inputs is stainless steel scrap. When we  
9 melt stainless steel, we use a lot of stainless steel  
10 scrap. We also use nickel and molly and chrome.  
11 There is not a large amount of scrap generation inside  
12 of China because they haven't been making things out  
13 of stainless steel for a long time, so things aren't  
14 deteriorating and being scrapped and so an awful lot  
15 of stainless scrap that would either stay in Europe or  
16 stay in the U.S. is now finding its way to China and  
17 it's a pure supply/demand play and the selling prices  
18 are going up accordingly.

19 COMMISSIONER LANE: Okay. Mr. Hartquist,  
20 you alluded in your opening remarks about Atlas and  
21 whether or not it was going to -- I can't remember,  
22 either be sold and go into production or what you  
23 thought would happen to that company.

24 Can you give us your opinion on that  
25 subject?

1                   MR. HARTQUIST: Well, I can't give you an  
2 opinion, Commissioner, because I don't have enough  
3 facts to give you really an opinion, but I did put a  
4 declaration in our brief indicating the substance of  
5 two telephone calls that I had had from people  
6 interested in investing in that facility, asking  
7 questions about the scope of the antidumping order  
8 against Canada, what products would be in, what  
9 products would be out of the order. And in both of  
10 those calls, they indicated to me that there was  
11 interest in purchasing that facility at Atlas which  
12 has been shut down now for some time and restarting  
13 it.

14                   COMMISSIONER LANE: Okay. Thank you.

15                   I would like to turn some attention to your  
16 export market. How do you see the growth of your  
17 export market? How do you characterize or forecast  
18 your export market and what constraints are there to  
19 expanding your export market, given that you have  
20 capacity?

21                   MR. SCHMITT: As I said in my testimony, the  
22 volume of our exports dropped off in 2004. There was  
23 more competition out there on the hot-rolled side. As  
24 I said earlier, we sold as much CMP in the United  
25 States as we could sell. We had the opportunity to

1 export some material. Again, my side is domestic.  
2 I'm just going from what I've heard. But we export  
3 some material and it was more difficult to do that in  
4 2004.

5 COMMISSIONER LANE: Does anybody else care  
6 to answer that?

7 MR. HARTFORD: We've not been an exporter of  
8 stainless coiled plate, very minimal quantities of  
9 stainless coiled plate, and it would be a price  
10 decision for us. If we saw price opportunities and  
11 market opportunities overseas that were attractive  
12 from a price standpoint, we would pursue those. Given  
13 what we see with worldwide prices right now for coiled  
14 plate, we're not exporting much product.

15 COMMISSIONER LANE: Mr. Chairman, I'll wait  
16 until my next round. Thank you.

17 CHAIRMAN KOPLAN: Thank you, Commissioner.  
18 Commissioner Pearson?

19 COMMISSIONER PEARSON: Back to price, this  
20 time I'd like to look at China because it's been said  
21 here this morning several times that Chinese prices  
22 tend to be among the lowest in the world, if I've  
23 understood correctly, and yet demand in China has been  
24 quite strong.

25 What's going on there? Can anyone explain

1 that? Because, of course, it seems somewhat  
2 irrational based on normal economics that this would  
3 be the case.

4 MR. SHILLING: If I could, I might at least  
5 begin that discussion. First, I spend personally  
6 quite a bit of time in China. We have a joint venture  
7 that operates in the Shanghai area and I'm on the  
8 board of that joint venture and I go there five or six  
9 times a year. What this joint venture does is it buys  
10 cold-rolled starting material, stainless steel, 304,  
11 for example, and it re-rolls it to very thin gauges.  
12 This is precision rolled strip for the electronics  
13 industry, a very high tech product, not a commodity at  
14 all.

15 But it starts its life as a semi-finished  
16 product that we purchase in Asia to re-roll and it  
17 starts its life, to some extent, as a commodity  
18 product. We sort of turn a commodity, semi-finished  
19 cold-rolled, into a precision rolled product for the  
20 electronics industry. And, as everybody knows from  
21 cell phones and whatever, a lot of electronic things  
22 are being manufactured in China. What people may not  
23 know is how much stainless steel is inside one of  
24 these little cell phones. There's not a lot, but  
25 there's a lot of cell phones.

1           But in any event, it's been an interesting  
2 business for us, but relevant to your question, it  
3 takes me to China all the time and we're always in the  
4 market buying cold-rolled re-roll. We wouldn't be  
5 buying this product, but we're buying its brother, if  
6 you will, the cold-rolled product.

7           And there's been a significant change in who  
8 we buy that product from over the last two or three  
9 years and, as we look into the future, it's going to  
10 change dramatically, as I mentioned in my comments  
11 earlier.

12           But specifically, now, to your question, and  
13 it's something I talk a lot about to my friends until  
14 they leave the room, they get tired of hearing me, in  
15 China there are a lot of things that don't make sense  
16 about what happens in China if you as an American  
17 think about China as a free enterprise system. It is  
18 not a free enterprise system, it doesn't operate by  
19 those rules. These are government-owned companies,  
20 state-owned enterprises, as they're called in China,  
21 and it's a highly managed and regulated economy. And  
22 so they don't have the return on investment discipline  
23 because of that that U.S. companies have learned to  
24 adopt over the years.

25           We have to go out and actually borrow money,

1 there's risk involved, there's credit ratings that the  
2 rating agencies provide and we have shareholders and  
3 we've got to make money. That doesn't apply when  
4 you're in China through the heavy subsidization that  
5 occurs there. And so you can see some very strange  
6 behavior. It was just last year I was talking to our  
7 general manager there and I said, now, tell me that  
8 again, you're saying that -- and I'd rather not be  
9 specific about the company here, but we could if it's  
10 important in confidence, but you're saying that this  
11 company is adding capacity and they're losing money on  
12 every pound of stainless they're selling in China?  
13 And he said, yes, absolutely, they're not covering  
14 their cost of raw materials increases, they're losing  
15 money on every pound. And I said why is that?  
16 I don't know, they just are.

17 They have a long way to go as a country, if  
18 they ever get there, with regard to having  
19 expectations of normal return on investment. So that  
20 would be the only possible explanation I could provide  
21 for why that's the case.

22 COMMISSIONER PEARSON: Okay. Now, I can  
23 understand that policies of China government units  
24 could indeed lead to enough production of stainless in  
25 China so that the price would be low, okay? But what

1 then induces China to import stainless from elsewhere?  
2 Who is it in the world that wants to sell stainless to  
3 China at a low price? Or are we talking about a  
4 market in China that's actually at two different  
5 levels, one low price for domestically produced  
6 stainless and one higher price that would explain why  
7 anybody would want to sell stainless there?

8 MR. SHILLING: Thank you. First of all,  
9 it's a very rapidly moving target and what might be  
10 true today in April may have not been true last  
11 November. It really is that dynamic. But what  
12 I would say is two things. Number one, and if we can  
13 make an analogy to what's happened in the U.S. market  
14 actually, when situations like dumping occur, these  
15 producers who are exporting product into China have  
16 the capacity on the ground, they've got to sell it  
17 some place. And they make a decision that they'll  
18 sell it into China at whatever price they can get for  
19 it and they will at least make some incremental  
20 margin, it's better than not running the equipment.  
21 So that's why somebody will sell a product into a low  
22 price market, it's better than not doing anything.  
23 That's one reason.

24 The second reason is I do think you're  
25 correct, I do think there is a tendency, and it

1 changes, for there to be two price structures, if you  
2 will. One thing is the price structure that the  
3 state-owned enterprises choose to use and the other  
4 price structure is that which importers choose to  
5 import. One of the big differences is quality level.  
6 There's no question that the quality of a Chinese  
7 manufactured stainless product -- again, a fast moving  
8 target -- has been, I'll use the past tense, much  
9 inferior to the quality of an imported product. So  
10 that would create an opportunity, at least, to  
11 maintain some price differentiation in the  
12 marketplace.

13 But, here again, that's rapidly changing.  
14 These state-owned enterprises are acquiring western  
15 technology, they're getting better and it's just a  
16 matter of time until that quality differential will  
17 totally disappear.

18 COMMISSIONER PEARSON: Does anyone else want  
19 to comment on the pricing issues in China?

20 MS. CANNON: Yes, Commissioner Pearson. If  
21 I could just add one point and this basically  
22 corroborates what Dr. Shilling was saying. Your  
23 assumption was that because there was strong demand in  
24 China it would make sense that the prices would be  
25 high and not low. I would refer you to the phenomenon

1 that occurred in 1997 at the time the commission  
2 examined in the United States the plate market in the  
3 original investigations. At that time, as you see  
4 from Mr. Blot's chart, you have record demand for this  
5 product in the United States, and yet when the  
6 commission examined the prices and the price trends  
7 they found consistently declining prices and depressed  
8 U.S. prices at a time of peak demand. And the reason  
9 for that was for the reasons that have been given  
10 today: it's a commodity product sold on the basis of  
11 price and when you have a lot of other producers from  
12 other countries trying to compete in the market, the  
13 prices ratchet down very quickly, particularly when  
14 there is no control for dumping or subsidization.  
15 That's what happened in 1997, despite record demand,  
16 and that's what we are assuming is going to happen  
17 today and that type of competitive pricing behavior  
18 likely explains what you are seeing in China, despite  
19 the demand, is the intense price competition as a lot  
20 of different producers try to compete.

21 MR. MAGRATH: Commissioner Pearson, this  
22 isn't the prices in China being low and being much  
23 lower than the United States, this is an assertion or  
24 a belief on our part, these are facts that we have in  
25 our post-hearing brief from a reputable international

1 source of pricing in the hot-rolled and stainless  
2 steel market, these prices in the various markets, and  
3 you can see for yourself the differentiation.

4 COMMISSIONER PEARSON: Okay. Well, I'm not  
5 sure that the record is yet so clear that I have a  
6 high degree of comfort with the pricing in China. I  
7 would encourage you to the extent possible to go ahead  
8 and put more on the record if you are able, especially  
9 something that would give us some ability to compare  
10 prices in China with prices elsewhere in the world.  
11 I don't know enough about this marketplace to know  
12 what price series might be available, but if there is  
13 a differential that can be demonstrated, i would be  
14 glad to see that.

15 MR. HARTQUIST: We'll take a look at that  
16 and do what we can, Commissioner.

17 COMMISSIONER PEARSON: My light is changing,  
18 so I think I'll pass.

19 Thank you, Mr. Chairman.

20 CHAIRMAN KOPLAN: You're putting the  
21 pressure on me here, Commissioner Pearson. Thank you.

22 Let me come back to something that  
23 Commissioner Lane got into with you, Mr. Hartquist,  
24 with regard to Atlas and the declaration that I guess  
25 is Exhibit 2 to your brief.

1 MR. HARTQUIST: Yes.

2 CHAIRMAN KOPLAN: Where you talk about the  
3 possibility that they might restart, that some  
4 investors are looking at it, and I realize most of  
5 that is business proprietary. I'm just curious about  
6 something. The declaration makes no mention of that  
7 business decision being tied to the outcome of this,  
8 but on page 24 of your brief, you do tie it to the  
9 outcome of this proceeding, and I'm just wondering, is  
10 that argument or is that actually something that has  
11 been discussed?

12 MR. HARTQUIST: Well, let me put it this  
13 way, Mr. Chairman. The context of the discussions  
14 that I had, the two discussions that I had, indicated  
15 that the existence of the order was a significant  
16 factor being taken into account in the investment  
17 decision and that led us to the conclusion that we  
18 noted in the brief, that we think the issues are tied  
19 together.

20 CHAIRMAN KOPLAN: Thank you. I appreciate  
21 you closing that loop for me.

22 MR. BLOT: Mr. Chairman, I can maybe add a  
23 little bit more to that, if you want, on the Atlas  
24 situation. I, of course, network throughout the  
25 entire marketplace, which is how I do a lot of my

1 forecasting. As we've talked before, I'm not an  
2 economist, but I just attended a specialty metals  
3 conference for stainless steel producers and  
4 distributors and during that conference I networked  
5 with a number of the Canadian distributors and they  
6 told me that the investment firm that is looking to  
7 buy the assets, which are now in the hands of a scrap  
8 dealer, they have asked them to send them letter  
9 saying would they be interested in purchasing from  
10 them if they operate these assets and the questions  
11 and comments back and forth are we're holding off  
12 until we find out what's going to be happening with  
13 the sunset reviews for both plate coiled and sheet  
14 coiled before we make any decision, but if we make  
15 that decision, we want to know where our customer base  
16 might be. And this was information I picked up within  
17 the last two weeks.

18 CHAIRMAN KOPLAN: Thank you for that,  
19 Mr. Blot. I appreciate it.

20 Mr. Kerwin, your pre-hearing brief includes  
21 Exhibit 7 that's entitled China's Balance of Trade in  
22 Stainless Steel Plate Products as Reported by China  
23 from 2001 through 2004. The table in that exhibit  
24 reflects sharp increases for China in the second and  
25 third quarters of 2003, followed by an equally

1 dramatic decrease by the fourth quarter of 2004.

2 First, do the data in that table consist  
3 only of coiled plate or do they also include cut  
4 plate?

5 MR. KERWIN: I can't answer that off the top  
6 of my head, but I can tell you that in putting these  
7 data together when you're dealing with export  
8 statistics they're not always at the same level of  
9 detail as, say, are import statistics, so, for  
10 example, a product that might have eight separate  
11 breakouts in the HTS might only have one or two in the  
12 export schedule. So my guess -- I can't recall off  
13 the top of my head, but my guess would be that it  
14 might not be a completely clean category.

15 CHAIRMAN KOPLAN: Might not be a completely  
16 clean category?

17 MR. KERWIN: But I will check on that and  
18 I will be happy to respond to that in the post-hearing  
19 brief.

20 CHAIRMAN KOPLAN: You understand the reason  
21 for the question?

22 MR. KERWIN: Sure.

23 CHAIRMAN KOPLAN: Okay. I would appreciate  
24 that, because it has a bearing on how much weight  
25 I put on the table.

1                   But let me follow up, because I think you've  
2 anticipated the second part of my question on this and  
3 that is since balance of trade numbers of consist of  
4 export and import values, for the post-hearing, can  
5 you submit each of these separately to show what the  
6 import-only data are? Are you able to do that?

7                   MR. KERWIN: I'm sorry, can you say that  
8 again?

9                   CHAIRMAN KOPLAN: Sure. Since balance of  
10 trade numbers, which is what this table represents,  
11 consist of export and import values, for the  
12 post-hearing, could you submit each of these  
13 separately to show what the import-only data are?

14                   MR. KERWIN: Yes. We can do that.

15                   CHAIRMAN KOPLAN: Thank you. I appreciate  
16 that.

17                   Mr. Hartquist, non-subject imports have  
18 greatly increased their shipments in U.S. market share  
19 during the period under examination. You argue at  
20 page 52 of your pre-hearing brief that, and I quote,  
21 "This increase in non-subject imports reflects the  
22 ability of importers to rapidly increase their  
23 presence in the United States. These increases will  
24 magnify the effect of dumped and subsidized subject  
25 imports on the domestic industry and will make the

1 domestic industry more vulnerable to injury from the  
2 subject imports."

3 But for 2004, the data show substantially  
4 improved shipments and profits for the domestic  
5 industry. I can't cite the numbers because they're  
6 BPI, however, given what I see in 2004, I fail to be  
7 able to connect the non-subject to the subject imports  
8 the way you bridge that gap in your argument.

9 Can you help me out with this?

10 MR. HARTQUIST: Yes. I think essentially  
11 what our argument is is that the market improved  
12 significantly in 2004, we saw a ramping up  
13 particularly of imports from non-subject countries,  
14 but also from subject countries, and our expectation  
15 is that with the market declining based upon the  
16 forecasts that we have for 2005, that there will be an  
17 inclination for subject imports to come back in very  
18 hard if the orders are revoked. In other words,  
19 perhaps as occurred before the orders went into  
20 effect, subject imports may well displace some of the  
21 non-subject imports that have been coming in now if  
22 the antidumping orders were to be revoked.

23 CHAIRMAN KOPLAN: Thank you. I appreciate  
24 your response.

25 Dr. Shilling and Mr. Schmitt, I note that

1       there is an Exhibit 1 to your pre-hearing brief that  
2       consists of a March 7, 2005 article that appeared in  
3       the Financial Times. I assume that the reason that  
4       that article was appended to the brief is because of  
5       an interview with Bruno Boffo, chairman and owner of  
6       Duferco. That's the main thrust of this article. But  
7       the article also contains in part a quote from  
8       Michelle Applebaum, head of Applebaum Research, a U.S.  
9       steel consultancy, who said, and I quote, "In my view,  
10      steel prices will go up between now and the end of the  
11      year."

12                 The author of the article, Peter Marsh, then  
13      states, "Her view stems from a belief that companies  
14      are now more financially disciplined and likely to cut  
15      production at the first signs of price weaknesses,  
16      thereby keeping prices high."

17                 This casts some doubt for me on whether  
18      you're correct at page 46 of your brief when you  
19      assert that 2004 marked the top of the business cycle.  
20      Can you reconcile that for me? Was 2004 the top of  
21      the business cycle? Is what Ms. Applebaum is saying  
22      in conflict with that?

23                 MR. SCHMITT: Certainly 2004 was an  
24      exceptional year. I would have to say that that's one  
25      of the most phenomenal years I've seen in my being in

1 this business, it was just incredible. As far as the  
2 comment for prices going up, I don't think I can agree  
3 with that. I think maybe she's referring to how the  
4 surcharges have changed and the surcharges have gone  
5 up, but the CMP, the 304 grades, right now seem pretty  
6 stable.

7 CHAIRMAN KOPLAN: Thank you, Mr. Schmitt.

8 Mr. Hartford, are you ready to respond as  
9 well?

10 MR. HARTFORD: Yes. We would agree that we  
11 disagree with Ms. Applebaum's conclusion. We don't  
12 believe that prices will increase during the course of  
13 this year. We've already mentioned that both our  
14 company and North American Stainless are seeing  
15 slightly reduced demand in '05 versus '04 and we don't  
16 anticipate that base selling prices are going to  
17 increase.

18 CHAIRMAN KOPLAN: Thank you.

19 I see that my yellow light is on. I'm going  
20 to self-discipline myself, Commissioner, and turn it  
21 over to Vice Chairman Okun.

22 VICE CHAIRMAN OKUN: I thought I had so much  
23 more time to get ready here.

24 I would just follow up on one thing,  
25 Mr. Hartquist, which is Exhibit 1 that the chairman

1 was just referring to. One of the things that struck  
2 me, fitting in with my earlier concern, which is that  
3 article to me is a global steel article, it's talking  
4 about -- it's not stainless specific at all, in my  
5 view, and I don't even know those if those analysts --  
6 they don't seem like stainless analysts to me.

7 I mean, maybe I'm wrong.

8 MR. HARTQUIST: Well, yes, both of them are  
9 in the stainless sector of the industry.

10 VICE CHAIRMAN OKUN: They are? Okay.  
11 Do you think that was a reference to stainless, as  
12 opposed to the rest of the article, which looked --

13 MR. HARTQUIST: But as I recall, I think  
14 your suggestion is correct, it was a more general  
15 prognostication of what's likely to happen in the  
16 market than specifically on coiled plate and so  
17 I would suggest the commission rely more upon the  
18 experts here today than on that article either way.

19 VICE CHAIRMAN OKUN: Okay. So, again,  
20 I guess it goes back to the earlier point, if there's  
21 anything company specific or additional data that  
22 Mr. Blot has that can talk about demand in the  
23 downstream markets that we could have on the record,  
24 I think it would be helpful than some of the more  
25 general information we have at this point.

1                   And then, Mr. Blot, can I go back to you?  
2                   In response to one of the questions about Atlas, you  
3                   were just talking about what you had picked up at this  
4                   recent conference and I thought I heard you say that  
5                   you thought that Atlas was in the hands now of a scrap  
6                   company. Is that how you described it?

7                   MR. BLOT: Yes. What my understanding is is  
8                   that there is -- when they shut down, when the Atlas  
9                   plant shut down, the assets, which were owned by  
10                  Schlater at that time, were sold to a scrap dealer.  
11                  And so that scrap dealer has been selling off,  
12                  I think, a few bits and pieces of equipment, but the  
13                  bulk of the facility remains intact and there is an  
14                  investment group that is looking to buy those assets  
15                  from the scrap dealer and is waiting for obviously  
16                  monies, but also a market situation that would allow  
17                  them to ship product into the U.S.

18                  The Atlas product coming into the U.S., both  
19                  in hot-rolled and cold-rolled, it was probably close  
20                  to 70 percent of their output, so they don't have a  
21                  market if they can't ship into the U.S. and if there  
22                  are going to be orders that will prevent them from  
23                  shipping at low prices into the marketplace, then  
24                  they're not going to go ahead and move forward, in my  
25                  opinion, but they are asking the customers if they do

1 have the opportunity to start back up would these  
2 companies buy from them and the responses that I'm  
3 getting is, well, if your price is right, if you have  
4 the quality, if you have delivery, then we will buy  
5 from you. And they're saying that they're evaluating  
6 that on the basis of whether or not these orders will  
7 go forward or not.

8 VICE CHAIRMAN OKUN: And have you heard any  
9 discussion -- I know maybe not in stainless but in a  
10 number of other steel products, there have been a lot  
11 of articles about whole plants just being pulled up  
12 and shipped to China to meet the demand. Is that  
13 anything that you've heard discussed with regard to  
14 the Canadian assets?

15 MR. BLOT: I'm sure the scrap dealer will  
16 look to make a buck the best way they can. With the  
17 value of scrap the way it is right now, they may just  
18 look to scrap the facility out if they can't get an  
19 investment group to buy it. They may ship it off to  
20 China. I don't know. I haven't heard anything along  
21 those lines.

22 VICE CHAIRMAN OKUN: Okay. And it may be,  
23 Mr. Hartquist, that what Mr. Blot says is consistent  
24 with the affidavit, it's just that I don't know the  
25 names of the companies and I can't get into that, I

1 just wanted to make sure if there was any difference  
2 in who actually owns the assets right now, to make  
3 sure that we have whatever information is available on  
4 the record.

5 MR. HARTQUIST: We'll be happy to look at  
6 that and see whether we should supplement the  
7 information that we have provided, but I think it's  
8 accurate as it stands.

9 VICE CHAIRMAN OKUN: Okay. And, Mr. Conway,  
10 with regard to labor unions, do you have any sense  
11 from what's going on in Canada, what Mr. Blot is  
12 saying about what might be going on with regard to the  
13 Canadian facility? Anything you could share?

14 MR. CONWAY: No, I don't have anything.

15 VICE CHAIRMAN OKUN: So no other  
16 information? Okay. Thank you for those.

17 Mr. Hartford, when I ended my last round, we  
18 were talking about China and why it's your view that  
19 subject imports would come back to the U.S. market as  
20 opposed to staying in China and I guess I had wanted  
21 to come back and follow up and ask you whether you  
22 think that's true for each of the subject countries.  
23 In other words, for a Korean company, if the Asian  
24 region is doing well, including China, are they more  
25 likely to come back to the United States than to say

1 in the Asian region just on price alone?

2 MR. HARTFORD: I believe it is. I think  
3 their history indicates that this is a market -- when  
4 they needed outlets for material, this was a market  
5 that was very interesting to them and so I do believe  
6 that in the future if the orders were lifted and if  
7 the Chinese became more self-sufficient that Korean  
8 stainless plate coil would flow to the U.S.

9 VICE CHAIRMAN OKUN: Okay. The reason  
10 I want to ask that question also of the lawyers is,  
11 Ms. Cannon, you had just gone back and referenced 1997  
12 and 1998 and when Mr. Cameron gave his opening and in  
13 their brief, two of the points that I had noted they  
14 made are, one, that you don't have the Asian financial  
15 crisis and that was, during the original  
16 investigation, one of the economic phenomena going on  
17 and that's not the situation again and that's why I'm  
18 pressing you on it is that because China becomes a net  
19 exporter or importer, does that make a difference, or  
20 is it just if you don't have an Asian financial  
21 crisis, does this stuff come here? So that was one  
22 thing.

23 The second thing was just the structure of  
24 the industry. I think I'm sympathetic to  
25 Mr. Cameron's point that the industry, the stainless

1 industry, looks different to me, just based on the  
2 concentration and the numbers, than it did during the  
3 original investigation, so I'd like a response on  
4 those two things. I mean, are you really arguing that  
5 this is the same industry facing the same elements of  
6 competition if you were to lift the order?

7 And I'll start with you, Mr. Hartquist.

8 MR. HARTQUIST: Thank you. I'd love to  
9 respond to that, subject to my client's corrections  
10 and additions. First of all, to make a  
11 generalization, here's how I see the China phenomenon.  
12 You have a market that just exploded. You have little  
13 domestic capacity. Everybody around the world sees  
14 China as a market they've got to get into, they've got  
15 to participate in that market, so there's a scramble  
16 among many foreign producers, particularly the Asian  
17 countries and the Europeans, and some American  
18 participation also, that have excess capacity to  
19 produce stainless steel and so they rush into China to  
20 sell as much as they can.

21 But they recognize, too, that the  
22 handwriting is on the wall here. This is a very  
23 short-term phenomenon, much shorter term than we've  
24 ever seen in the history of the steel business as  
25 China rapidly expands its domestic production

1 capacity, with government support, the state-owned  
2 facilities. One of the biggest facilities there was  
3 financed by the World Bank and the German Development  
4 Agency, and so you're going to see the growth of  
5 efficient, subsidized capacity in China that is going  
6 to drive many of those imports out.

7 So the other Asian countries and the  
8 Europeans are not going to be able to shift into China  
9 within a very short period of time because of the  
10 domestic capacity that is developing.

11 So the impact of all of that is they're  
12 going to look elsewhere for markets, they're going to  
13 look back to the United States as a market,  
14 particularly because of the pricing structure here.  
15 And concurrently with that, if the sunset orders are  
16 terminated, if these orders are revoked, then those  
17 foreign producers who have been proven to be dumping  
18 their products and continue to dump their products in  
19 the United States are going to be able to come in  
20 unencumbered by the dumping order.

21 So that's kind of my view of the global  
22 phenomenon that's going on here and why it's so  
23 important that these orders remain in effect.

24 VICE CHAIRMAN OKUN: And with respect to  
25 whether you are arguing that the industry is still the

1 same industry and its vulnerability hasn't changed,  
2 let me hear your response on that.

3 MR. HARTQUIST: You know, I think it depends  
4 upon your view of what restructuring is. I mean, you  
5 have Allegheny acquiring assets of J&L to put them  
6 together with Allegheny's assets. It's not a matter  
7 of buying new equipment, it's a matter of integrating  
8 existing equipment into another facility and trying to  
9 create a more efficient production base. You have  
10 some changes in North American Stainless that have  
11 occurred that have been described in terms of the  
12 additional equipment that they have put in during this  
13 period. You have J&L going out of the business  
14 entirely, AK essentially remaining interview he  
15 business.

16 Our argument essentially is that we still  
17 have the same basic phenomenon that we faced in 1998  
18 and 1999 and that is a lot of capacity around the  
19 world, foreign producers willing to dump in this  
20 market, American producers that still need to make  
21 money in order to survive. And those are the market  
22 fundamentals that we argue essentially are the same,  
23 even though the names over the door in some cases have  
24 changed.

25 VICE CHAIRMAN OKUN: Yes, Mr. Kerwin?

1                   MR. KERWIN: Could I just supplement what  
2 Mr. Hartquist has said with a couple of points?

3                   Exhibit 22 to our brief is an article that's  
4 headlined South Korea Suffers Trade Restrictions in  
5 China and India and the article talks about how South  
6 Korea has been subjected to severe trade restrictions  
7 in the form of antidumping and safeguard measures in  
8 China and India this year, some 17 antidumping  
9 measures and one safeguard measure were imposed in  
10 relation to Korean imports, and it goes on to say that  
11 in addition, stainless steel plate, among other  
12 products, are on China's watch list.

13                   Now, that doesn't mean that there is an  
14 antidumping duty order in place in relation to Korean  
15 exports of stainless steel plate to China, but clearly  
16 it's a concern for the Chinese government. I think  
17 this is an indication of what's going on price-wise in  
18 China. It's evidence that supports our contention  
19 that mills from around the world are getting rid of  
20 their surplus capacity in China, forcing down price,  
21 and I think the writing is also on the wall that as  
22 China develops its own indigenous capacity to produce  
23 this product is not going to be happy to accept the  
24 world's surplus capacity at very low prices. It will  
25 act and you will see these imports dry up very, very

1 quickly.

2 The second point I want to make --

3 VICE CHAIRMAN OKUN: Mr. Kerwin, my red  
4 light has been on and, you know, I'm trying to hold  
5 the chairman to --

6 CHAIRMAN KOPLAN: Oh, please, Madam Vice  
7 Chairman.

8 VICE CHAIRMAN OKUN: Now I'm getting myself  
9 in trouble.

10 CHAIRMAN KOPLAN: I wouldn't want to cut you  
11 short.

12 VICE CHAIRMAN OKUN: Maybe a quick second  
13 point, Mr. Kerwin.

14 MR. KERWIN: He might want to cut me short.

15 CHAIRMAN KOPLAN: I realize your last  
16 question was a very comprehensive one.

17 MR. KERWIN: My second point was simply that  
18 since the time of the original investigation, as I've  
19 mentioned in my testimony, the subject producers have  
20 made massive increases in their capacity. This is  
21 based on industry sources outside of the proprietary  
22 record, so that is a very big change from the time of  
23 the original investigation now which speaks to the  
24 fact that that product will have to go somewhere in  
25 the event of revocation.

1                   VICE CHAIRMAN OKUN: Thank you for that  
2 additional information.

3                   CHAIRMAN KOPLAN: Thank you.  
4 Commissioner Miller?

5                   COMMISSIONER MILLER: Thank you,  
6 Mr. Chairman.

7                   I have a couple of questions that I'd like  
8 to ask that in some ways were prompted by Mr. Blot's  
9 charts. My questions may not be to you, they may be  
10 more to the industry, but they may be a bit to you as  
11 well.

12                   The first one that just shows the apparent  
13 domestic consumption trends, one of the things that  
14 struck me about this chart is recognizing you've  
15 forecasted and I think the industry witnesses have  
16 testified that they've seen a decline somewhat in  
17 2005, you said that's basically because of the build  
18 up in the inventories that the service centers have  
19 accumulated. And I guess what I'm kind of struck by  
20 is it holds up otherwise, whereas in previous, at  
21 least in this timeframe, previous years, we've seen  
22 declines pretty rapidly, these big swings.

23                   So in a sense I want to pose to the  
24 producers here, if you look at the future of demand  
25 for your product, while you may be seeing some decline

1 in 2005, possibly as these inventories are worked  
2 down, you otherwise would say that things look pretty  
3 good going forward?

4 Mr. Hartford, you're shaking your head.  
5 Do you want to respond? You see this demand holding  
6 up as though the demand for stainless product here is  
7 looking pretty good to you, at least in comparison to  
8 these swings we've seen in the last ten years or so?

9 MR. HARTFORD: Yes, I would characterize it  
10 as -- we agree with the chart and the chart shows '05  
11 slightly below '04. We think that as we look out over  
12 the next two or three years we'll see modest growth or  
13 at least a stabilization at our current level of  
14 business in this market. So not rapid growth, but  
15 we're not anticipating a significant decline in the  
16 business over the next two years.

17 COMMISSIONER MILLER: Okay. Mr. Schmitt,  
18 any comment?

19 MR. SCHMITT: Again, we see more of a  
20 flat --

21 COMMISSIONER MILLER: Flat from where we are  
22 now, more or less?

23 MR. SCHMITT: Yes. A little bit lower than  
24 the high point of 2004, but certainly we do not see a  
25 big drop-off.

1                   COMMISSIONER MILLER: Okay. Okay. You  
2 know, one other question or sort of comment about this  
3 is I'm also struck by the fact that usually the  
4 service centers -- the service centers essentially  
5 were building their inventories at the time that  
6 prices were going way up, so that tells you something  
7 about what they were expecting in terms of prices,  
8 they were expecting them, I assume, to continue to go  
9 up. Is that right? I mean, from listening to  
10 testimony about service centers over time, I mean,  
11 they always seem to be kind of hedging their position  
12 about where they think prices are going in the market.  
13 Comment?

14                   At the end of 2003, basically expectations  
15 were prices were going up and going higher?

16                   Mr. Hartford?

17                   MR. HARTFORD: I'll comment. I believe that  
18 in '04, prior to the business recovery that started in  
19 December of '03 or January of '04, we saw very little  
20 inventory throughout the supply chain. We had very  
21 little, our service center customers had very little  
22 inventory, their customers had very little inventory  
23 and if there was somebody else in that chain, we think  
24 that the three-year recession had disciplined  
25 everybody in this business to keep their inventories

1 very low.

2           When the trigger occurred some time late '03  
3 that said business is beginning to pick up, I think  
4 what you saw was a triggering through the supply chain  
5 to replenish and some of that replenishment certainly  
6 was to meet demand to make something, whatever those  
7 companies were going to make. I think in addition,  
8 there was some -- I won't say frenzied buying, but  
9 there was some change in inventory plans by some of  
10 the service centers to probably carry more material  
11 than they had been carrying in previous years and so  
12 they probably bought more in '04 in anticipation of  
13 replenishing their inventories to support what they  
14 thought would be continued reasonable demand.

15           What we're seeing now is the adjustment and  
16 that is demand has slowed somewhat and they're cutting  
17 back on their order intake to get their inventories  
18 back in line.

19           COMMISSIONER MILLER: All right.

20           MR. SCHMITT: A lot of the CMP goes into  
21 capital goods. The capital goods market has been  
22 depressed for a long, long time. I think that even  
23 though we may not be looking at Ed's chart, but just  
24 generally the charts in general show down, down, down,  
25 down and they say it has to end somewhere. At the

1 first inclination that it was going up, I think as  
2 Mr. Hartford said, they all jumped on the bandwagon  
3 and they had a very, very good year last year also.

4 Now, as they go into 2005, they're saying,  
5 okay, we're going to adjust and I think that's where  
6 we're at now, we're in a period of adjustment.

7 Do I think it's going to fall off the map?  
8 No, but I think that we're just adjusting and we're  
9 watching every month. That's why we're saying the  
10 safe way is to say it's going to be flat. We  
11 certainly don't see it going down.

12 COMMISSIONER MILLER: Okay. All right.  
13 Good.

14 Mr. Shilling, do you want to add something?

15 MR. SHILLING: Just briefly. I can tie it  
16 into Commissioner Okun's question. The issue that is  
17 in front of us from the way I see it is that even in  
18 2004, the industry wasn't profitable across the board.  
19 It was the first year that we had a chance to be  
20 profitable, having completed all the restructuring  
21 that we talked about, and I'll come back to that in a  
22 second, and what we have is a chance to have a decent  
23 market for three or four years so we can earn our cost  
24 of capital.

25 There is no question in our mind that if you

1 look forward that because of the global supply/demand  
2 issues, which we'll follow up in our brief and try to  
3 document, that we are going to see a huge pressure for  
4 subject imports to come back into this market and  
5 without the pricing discipline of the orders and  
6 destroy the market like they did '98. And we already  
7 went through that testimony and convinced the  
8 commission that they can destroy the pricing market  
9 here.

10 So even in this decent market of '04, the  
11 issue is will we be facing unfairly priced material  
12 and no profitability one more time?

13 Specifically with regard to POSCO or the  
14 Asian countries, there is no doubt in my mind that it  
15 is in a way an Asian crisis again. The difficulty is  
16 we're being asked to forecast when it's going to  
17 happen and I think it's every bit as real for those  
18 countries because they've had the ability to go to  
19 China and that's going to be gone. And I don't think  
20 there's any question about it and we'll substantiate  
21 one of the excellent questions about supply/demand and  
22 China in our brief later on, but I really believe that  
23 will happen.

24 COMMISSIONER MILLER: Okay.

25 MR. SHILLING: And the restructuring that

1 has occurred has been modest in terms of the cost base  
2 of these companies compared to what the loss of  
3 pricing discipline will mean to profitability.

4 COMMISSIONER MILLER: Okay. Thank you.

5 Then if I could go for a minute to some  
6 questions about the comparison of the coiled plate and  
7 the cut plate.

8 First, Mr. Blot, I want to ask you, perhaps  
9 you know, but if you don't, if this were to be useful  
10 I think it would only be in the context of having the  
11 data also from the original period of investigation,  
12 the '95 through '97 period. Have you done that or  
13 could you do that for purpose of a post-hearing  
14 submission?

15 MR. BLOT: Yes, Commissioner. I could do  
16 that and we'll do that in the post-hearing brief.

17 COMMISSIONER MILLER: Okay. And then  
18 I guess in some ways I want to ask the companies,  
19 I heard your discussion of the reasons why one would  
20 purchase coiled instead of cut plate, but there's a  
21 cut plate market out there, I assume. The producers  
22 here, you participate in a cut plate market as well as  
23 the coiled plate market? Or not?

24 MR. SCHMITT: It all starts in coiled plate.

25 COMMISSIONER MILLER: Right.

1                   MR. SCHMITT: And the coiled plate is taken  
2 to be cut.

3                   COMMISSIONER MILLER: Right.

4                   MR. SCHMITT: So when the duties were put on  
5 just the coiled, that left a window open to bring in  
6 the cut plate.

7                   COMMISSIONER MILLER: Okay. I guess in  
8 part -- Mr. Hartford?

9                   MR. HARTFORD: We participate to a small  
10 extent in the cut plate market because our customers  
11 want to buy a coil.

12                   COMMISSIONER MILLER: Right. And they do  
13 the cutting themselves?

14                   MR. HARTFORD: And they do the cutting and  
15 it gives them flexibility and so forth.

16                   COMMISSIONER MILLER: I guess in some ways  
17 what I'm kind of expressing is I have a problem with  
18 this information both in terms of the history and in  
19 terms of understanding that other market anyway. You  
20 know, I kind of need the domestic numbers on cut plate  
21 in order to make a comparison here. I don't know.  
22 I would invite you to submit some previous information  
23 and I'll think about it a little bit more, but I'm not  
24 totally sure it proves your point, Mr. Blot.

25                   MR. BLOT: Keep in mind, Commissioner, the

1 domestic industry is not under water, so they can keep  
2 a price differential between coiled and cut length  
3 based on the cost of operation, whereas if you're  
4 under orders and you have a way to ship in a cut  
5 length product that is not under orders versus a coil  
6 product that is under orders, you can look at that  
7 differential to say does it make sense to ship that  
8 in.

9 COMMISSIONER MILLER: All right. I'll give  
10 a little bit more thought.

11 Mr. Conway, I also wanted to ask you about  
12 Atlas. I heard your response to Vice Chairman Okun,  
13 you're obviously in kind of an awkward position. My  
14 understanding is that the Steelworkers didn't support  
15 the petition for that order in the first place and you  
16 still don't support its continuation, so I'd like to  
17 ask you for more information. I don't know if you can  
18 submit it through Mr. Hartquist. You're on the wrong  
19 panel as far as that's concerned, I guess. But to the  
20 extent it is possible that the Steelworkers would have  
21 any additional information regarding Atlas and the  
22 disposal of those facilities, it would help the  
23 commission in understanding that situation.

24 MR. CONWAY: We'll get it in to you.

25 COMMISSIONER MILLER: All right. Thank you.

1 I have no further questions. Thank you very  
2 much.

3 CHAIRMAN KOPLAN: Thank you, Commissioner.  
4 Commissioner Lane?

5 Commissioner Pearson?

6 COMMISSIONER PEARSON: Thank you,  
7 Mr. Chairman.

8 It seems to me that an important  
9 consideration here is whether China will at some point  
10 in the foreseeable future become a net exporter of  
11 stainless. I could explain that I find myself  
12 reluctant to try to judge when that might happen  
13 because of other experiences I've had with markets  
14 with which I've been much more familiar and, in  
15 particular, I would mention corn, where if you had  
16 asked me a decade ago when will China become a net  
17 importer of corn, they are a net exporter, when will  
18 that happen, I think I would have lost money several  
19 times if I had been in a wager on that issue.  
20 I believe that it will happen eventually, the  
21 consumption trends in China are such that eventually  
22 they're going to get ahead of their ability to produce  
23 because they do have some significant limitations on  
24 acreage on which they can raise corn, but it hasn't  
25 happened yet and I've just plain been wrong, so in

1 this case, Mr. Blot, you have looked at the trends and  
2 think that the turning point could come as soon as  
3 early in 2007.

4 How confident are you of that?

5 MR. BLOT: Well, Commissioner, I will tell  
6 you that if I was accurate with my forecasting all the  
7 time I would not be here, I would be enjoying life  
8 down in Florida.

9 COMMISSIONER PEARSON: Okay.

10 MR. BLOT: But I do this forecasting for a  
11 living, I've done it, as some of the other  
12 commissioners know, in various other products, and  
13 I've got a pretty good track record in terms of what  
14 I tell you and then when we look forward a couple of  
15 years and see what happened, what I said a few years  
16 ago. But to give you how comfortable I am that  
17 everything is going to happen exactly on a particular  
18 year, no. You know, you can take something and move  
19 it a year one way or the other and it will happen.

20 There can be another 9/11, there can be  
21 something else that happens in the marketplace that  
22 none of us are thinking about, so you really take the  
23 best information from the end users, the real  
24 consumers of the stainless product, you start with  
25 them, what are they saying, whether they're building

1 planes, whether they're building tanks, and I'm  
2 talking about chemical tanks and so forth, and work  
3 your way on back through the system to determine  
4 exactly what the size of the market is going to be.

5 Now, with regards to China, in terms of  
6 whether they'll become a net exporter or an net  
7 importer on those particular years, what we really  
8 look at is what have they committed to dollarwise to  
9 build facilities. We're talking about when they have  
10 actually broken ground, you can consider that to be a  
11 fact that they're going to be moving forward with the  
12 equipment. There are some programs out there that say  
13 we're going to increase capacity by some of the people  
14 in China that maybe they haven't broken ground yet, so  
15 they could move back a year. On the other hand, they  
16 could move it forward a year. And so that's the  
17 variance that you're looking at. So it's the best  
18 information that I analyze at this particular time  
19 from the standpoint of my input.

20 COMMISSIONER PEARSON: Mr. Hartford?

21 MR. HARTFORD: I would just comment further,  
22 I think that it's perhaps dangerous to assume or for  
23 us to assume that we're only at risk once China  
24 becomes a net exporter. Anybody trying to predict  
25 when that date is going to be, it's going to be a

1 forecast, it's going to be a guess. I think that the  
2 key point here is with the capacity that's already  
3 being installed, underway, being constructed as we sit  
4 here, when that capacity begins to produce, some  
5 amount of those imports going into China won't be  
6 needed any more and even before China becomes a net  
7 exporter some of those imports that are currently  
8 going to China we believe will come here.

9           So several people have had in their  
10 testimony these dates of when that switchover happens  
11 in China and that's an important point, but even prior  
12 to that occurring, we think that the risk of imports  
13 flowing to the U.S. is high.

14           MR. MAGRATH: Now, Commissioner Pearson, if  
15 I could make one comment. Pat Magrath. Next month,  
16 we are going to be back here in front of you for a  
17 very closely related product, stainless steel sheet  
18 and strip, as you know. Guess who as of right now is  
19 the second largest import source of stainless steel  
20 sheet and strip to the U.S. market?

21           So we cannot predict the exact date,  
22 perhaps.

23           I don't think I have to give the answer,  
24 Skip.

25           We can't predict the exact date, perhaps,

1 but the foreseeable future, you can bet on it.

2 COMMISSIONER PEARSON: I'm losing money  
3 again. (Laughter)

4 MR. HARTQUIST: If I could just make one brief  
5 observation as a fellow Minnesotan of corn versus  
6 steel, you heard Mr. Smith talk and others talk about  
7 the long lead time in making capital investments  
8 interview his business. In China's situation, it's  
9 becoming a lot more like corn, where the farmers  
10 decide every year how much they're going to plant than  
11 like steel because these long lead times are being  
12 very much compressed in China's capacity expansion.  
13 And we have provided and can provide you with a lot of  
14 information on that so that the five-year, the  
15 ten-year horizon that we've seen in the past in making  
16 these investments and getting them on stream is being  
17 very rapidly compressed in China and that's what has  
18 everybody concerned.

19 COMMISSIONER PEARSON: But as we analyze  
20 this issue in the context of this current  
21 investigation, aren't we at some risk of almost having  
22 to speculate on when the situation in China will  
23 change to the extent that it has an effect on the U.S.  
24 market? I mean, that's what I'm wrestling with.  
25 I can accept that at some point enough is going to

1 happen in China so that it will have an effect on the  
2 U.S. market. I just don't know that I can see it here  
3 in the relatively near term.

4 MR. HARTQUIST: You are absolutely correct  
5 about that, but speculation is the whole nature of the  
6 sunset review.

7 MR. KERWIN: Commissioner Pearson, if  
8 I could follow up on that? I disagree with your  
9 premise. The fact of the matter is that the public  
10 statistics already show that Chinese imports of  
11 stainless plate have already started to decline. They  
12 declined in 2004 in relation to 2003. And it is that  
13 decline, as Mr. Hartford mentioned, it is that decline  
14 that is crucial.

15 It is not the question of when China becomes  
16 a net exporter. China is not subject to this order.  
17 It may be some time down the road, that would appear  
18 to be the writing that's currently on the wall, but  
19 what's important is that the companies that are  
20 currently subject have been exporting to China. As  
21 we've already seen the evidence that Chinese imports  
22 of this product are starting to decline, we already  
23 have the evidence that the trend is going to be going  
24 nowhere but down in terms of what they import from the  
25 subject countries and that evidence is already on the

1 record. As that becomes a substantial portion of the  
2 output of these subject producers, it's pretty clear  
3 that the evidence is already there that that product  
4 cannot continue to go to China and it will have to  
5 find another market.

6 COMMISSIONER PEARSON: Going back for a  
7 minute to stainless steel sheet and strip, which  
8 Mr. Magrath mentioned, I haven't had a chance to go  
9 through these products before, so this is all new to  
10 me, is it possible that it's easier to understand  
11 what's going on in stainless steel plate and coils in  
12 the context of plate being somewhat of a subset or  
13 almost a byproduct of a broader industry in which  
14 sheet and strip might be the larger part? How would  
15 one characterize the marketplace looking at sheet and  
16 strip and plate and coil together, particularly if you  
17 could comment on how that affects the way you run your  
18 operations, that would be good to know.

19 Mr. Hartford?

20 MR. HARTFORD: I'll comment. To  
21 characterize it as a byproduct, I think, would be a  
22 mistake. Dr. Shilling described in some detail the  
23 manufacturing process. We melt material, we hot-roll  
24 material and then we do some finishing. And if your  
25 melt capacity exceeds your finishing capacity, if you

1 have the ability to melt and hot-roll more than you  
2 can finish, that does create excess capacity to make  
3 more coiled plate.

4 Our view of the coiled plate business is it  
5 is a distinct, specific market. We don't view it as a  
6 byproduct that we make if we're not making sheet and  
7 strip. We are a steady participant, a steady supplier  
8 of coiled plate. It's one of the product offerings  
9 that we as a company make. The capacity to produce it  
10 is governed primarily by how much you can melt, how  
11 much you can hot-roll and how much can you anneal and  
12 pickle. There is no final cold rolling there. So it  
13 is indeed a smaller market in total than the  
14 cold-rolled sheet and strip market, significantly  
15 smaller, but it is a core part of the products that we  
16 offer to the market and we don't view it as a  
17 byproduct that we make occasionally or depending upon  
18 what's happening with sheet and strip, we always make  
19 stainless coiled plate.

20 COMMISSIONER PEARSON: Is the  
21 interrelationship between plate and sheet and strip,  
22 is that a condition of competition that we should keep  
23 in mind as we try to understand this industry?

24 Mr. Hartquist? Maybe that's something you  
25 want to respond later. My light has just turned.

1                   MR. HARTQUIST: I'll be happy to respond  
2 later, if you would like.

3                   MR. SHILLING: If I could, though, if I'm  
4 permitted, I'd like to just provide a brief comment at  
5 this question you asked about speculation before with  
6 regard to China.

7                   COMMISSIONER PEARSON: Sure.

8                   MR. SHILLING: And I agree with what Mike  
9 said a second ago and we've already said we'll try to  
10 do the best we can in our post-hearing brief to help  
11 explain how strongly we feel about this. But what  
12 I would like to emphasize is that a lot of the moving  
13 parts aren't speculation. They can be tied down. The  
14 amount of capacity that China is installing, has  
15 installed, has announced they will install, is  
16 installing is a fact. That's well known, there's no  
17 speculation, it's huge and gigantic.

18                   The other thing that we need to try to  
19 communicate better is an appreciation of the  
20 mathematics here. If you look at China's GDP growth  
21 rate at, say, 10 percent, pick a number, that's going  
22 to drive the stainless steel 10 percent. But when you  
23 draw a graph of how much stainless capacity they're  
24 adding, it is a much steeper slope. They're going  
25 from a standstill of virtually no stainless capacity

1 to a number like 8 million tons of melt capacity which  
2 is, as I said in my testimony, three times the entire  
3 U.S. market of 300 million people.

4 So, sure, there's some speculation. I agree  
5 with Mr. Blot's comments, that predicting the exact  
6 year this is going to crossover is impossible. But  
7 I also agree with Mr. Hartford's comments that as  
8 these curves close the imports that are currently  
9 serving that market are going to go somewhere else.

10 So in any event, in our post-hearing brief  
11 we'll do the best we can to try to nail that down  
12 because I don't think there's as much speculation  
13 involved in it, and I think that was Mike's point, as  
14 you would normally associate with a question like  
15 this.

16 COMMISSIONER PEARSON: Okay. Thank you.

17 Mr. Chairman, believe me, you will have my  
18 support if you decide to run over a little bit.

19 CHAIRMAN KOPLAN: Oh, I wouldn't dream of  
20 doing that, Commissioner.

21 Did Mr. Hartquist have something he was  
22 going to add to that?

23 MR. HARTQUIST: I was going to respond to  
24 your request as to whether the relationship between  
25 sheet and strip and coiled plate is a condition of

1 competition.

2 In a sense, the relationship is, but you  
3 should understand that there are fundamental  
4 differences between the products that go beyond  
5 hot-rolled versus cold-rolled and the thicknesses of  
6 the product and a major difference between the two is  
7 the markets that they serve. The hot-rolled product,  
8 the coiled plate product primarily goes into capital  
9 markets, construction and so forth, whereas sheet and  
10 strip, as you'll hear a lot more on April 26th, is  
11 directed much more toward the consumer markets,  
12 towards appliances and so forth. It's not an  
13 exclusive divide between the two, but the  
14 preponderance of the shipments in plate go into the  
15 capital markets and the preponderance of shipments in  
16 sheet and strip go into consumer markets.

17 So to the extent that you would consider  
18 that a condition of competition, it certainly helps to  
19 describe the markets that these products are destined  
20 for and the ultimate customers that use the products.

21 COMMISSIONER PEARSON: Okay. Thank you.

22 CHAIRMAN KOPLAN: Thank you, Commissioner.

23 This is for Mr. Hartford and Mr. Schmitt.

24 With regard to 2004, could you tell me to what extent  
25 have you been able to pass along increased raw

1 material costs to your customers?

2 Mr. Hartford?

3 MR. HARTFORD: We have successful in passing  
4 on most of our raw material costs in the form of a  
5 surcharge. There have been increases in other smaller  
6 elements in our materials that we have not been  
7 successful in passing on, but by and large, in 2004,  
8 the surcharge allowed us to pass on the majority of  
9 our raw material cost increases.

10 CHAIRMAN KOPLAN: Now, what do you project  
11 with regard to 2005? You've already got the first  
12 quarter in. Do you think you'll be able to do the  
13 same? Taking into account what you have for existing  
14 contracts now?

15 MR. HARTFORD: We believe that we'll be able  
16 to continue to use the surcharge to do that, yes.

17 CHAIRMAN KOPLAN: Thank you.

18 MR. HARTFORD: It is an ever changing raw  
19 materials climate. Elements that in the past we  
20 didn't pay a lot of attention to because they  
21 represented such a small portion of the elemental  
22 composition are now becoming increasingly important to  
23 us. The cost of titanium, we use titanium in some of  
24 our stainless steel products as an alloying element;  
25 that cost is going up significantly. Today, we don't

1 have a means of passing that higher cost on.

2 CHAIRMAN KOPLAN: Thank you for that.

3 Mr. Schmitt?

4 MR. SCHMITT: I agree with Mr. Hartford.

5 We're able through our surcharge calculation to pass  
6 on the majority of our raw material expenses, but like  
7 titanium and other things which, again, we never even  
8 looked at until recently because they have run up in  
9 price. There was a quick run up in price.

10 CHAIRMAN KOPLAN: And do you similarly  
11 project that you will be able to continue to do that  
12 in 2005?

13 MR. SCHMITT: Yes.

14 CHAIRMAN KOPLAN: Thank you.

15 With that, I have no further questions.

16 I see my time has not expired, but I'll turn to Vice  
17 Chairman Okun.

18 VICE CHAIRMAN OKUN: Can I have yours, too?

19 CHAIRMAN KOPLAN: Why, sure.

20 VICE CHAIRMAN OKUN: Let's see.

21 Mr. Hartquist, let me go back to you and  
22 just talking about the changes in the industry since  
23 the original investigation and, Mr. Schmitt, I'll also  
24 ask you to comment, but one of the other arguments  
25 that the Respondents have made with regard to the

1 industry today is that they characterize NAS as the  
2 dominant low-cost force in the U.S. market and that  
3 they are capable of influencing price trends. They  
4 cite to the staff report as supporting that and make  
5 an argument that therefore looking in the future the  
6 impact on prices would be less than we saw in the  
7 original investigation. I wanted you to respond on  
8 that point as well.

9 MR. HARTQUIST: You're asking for my opinion  
10 as to whether NAS is a low-cost producer and could  
11 respond to these changes?

12 VICE CHAIRMAN OKUN: Well, I'm not asking  
13 for your opinion. I'm saying their argument is,  
14 again, you're here arguing it's the same industry,  
15 they changed nameplates. Respondents are arguing that  
16 NAS may be the same name, but it's dominance in the  
17 market is different than it was in the original  
18 investigation. Because of that dominance, the impact  
19 of subject imports on prices will be less if the  
20 orders were lifted. That's what I want you to respond  
21 to and why I shouldn't believe that.

22 MR. HARTQUIST: I would rather do that in  
23 the brief because I think we'd be dealing with  
24 confidential information. And, also, you've put me in  
25 an awkward --

1                   VICE CHAIRMAN OKUN: Well, let me ask you  
2 this, then. Do you think it matters in this industry  
3 where you've had one player become very dominant, does  
4 it matter in looking at prices, just generally?  
5 I mean, in looking at how imports will impact prices  
6 if the order is lifted, does it matter that you now  
7 have an industry whose market share is different if  
8 you look at it as a whole and look at the individual  
9 companies who make up that?

10                   MR. HARTQUIST: Well, I'm not sure I can  
11 agree with your assumption. And I would rather not  
12 comment on the record on that because I think other  
13 producers may have different views as to whether a  
14 particular competitor is dominant or not dominant in  
15 this marketplace. So you've put me in an awkward  
16 position as kind of being an arbiter among my clients  
17 in this respect.

18                   VICE CHAIRMAN OKUN: Okay. Well, then,  
19 post-hearing, take a look at the facts on the record  
20 which I see and you see and make your argument.

21                   MR. HARTQUIST: Okay. We'll be happy to do  
22 that.

23                   VICE CHAIRMAN OKUN: All right. Then let  
24 me -- table I-9 on page I-33, the one that includes  
25 that the union had opposed the Canada orders, which

1 I hadn't seen, Commissioner Miller, I was struck more  
2 by the fact that NAS opposed the order on South Africa  
3 and for post-hearing, Mr. Hartquist and Ms. Cannon, if  
4 you could advise on whether you believe that the  
5 commission should consider the fact that a large  
6 percentage of the domestic industry does not support  
7 continuation of this particular order, if there's any  
8 precedent for the commission taking that into account  
9 in making a determination.

10 MR. HARTQUIST: We'll do so.

11 VICE CHAIRMAN OKUN: And also for  
12 post-hearing, on cumulation, and I know, Ms. Cannon,  
13 you went through this in your testimony today, but  
14 I think I would for post-hearing like to see further  
15 discussion on in particular Canada, both no  
16 discernable adverse impact and for discretion purposes  
17 of trading differently, as well as Belgium, two  
18 countries that I'm still looking at the information on  
19 the record and determining whether it would be proper  
20 to cumulate them. So I would appreciate that for  
21 post-hearing.

22 MS. CANNON: I'll be happy to do that.

23 VICE CHAIRMAN OKUN: Okay. And if you will  
24 include in that, because I didn't hear in response to  
25 Chairman Koplman's question with regard to the Belgium

1 product, and I know we'll get information  
2 post-hearing, but if you could include in that whether  
3 these producers are aware of how the Belgians sell  
4 their product in the United States in terms of  
5 contracts versus spot basis and whether that makes any  
6 difference as well.

7 I may have gotten to the end of the  
8 questions, other than I guess I just have to go back  
9 on China.

10 Mr. Shilling, I very much appreciate your  
11 comments and I think that you're in over in that  
12 market and you can probably help both your economist  
13 and your lawyers in thinking about how to put the  
14 information with regard to China in perspective, but a  
15 couple of things that struck me that I think are  
16 relevant. One was when you were talking about your  
17 joint venture in China and how you make sourcing  
18 decisions, because one of the things we see when we  
19 look at Chinese import and export trends is the  
20 presence of multi-nationals means that some companies  
21 decide they want to buy from outside of China to serve  
22 their inside China operations. And I struggle with  
23 trying to understand that in terms of just looking at  
24 the raw numbers on China. So if there's any  
25 perspective that you can bring to that, I would

1 appreciate it.

2           And then the other is just in discussing  
3 China, talking about what the rise of China's  
4 consumption generally means for the market. And,  
5 again, one of the things that strikes me is that if we  
6 look at these figures, and, again, I can understand  
7 when you look at these capacity figures and say, you  
8 know, look at capacity like this coming on in such a  
9 short amount of time when it took NAS 20 years,  
10 I understand that, but I think one of the things that  
11 struck me in the time I've served on the commission  
12 is -- not in stainless, I'll use other counsel, but  
13 there were other counsel in China cases who were here  
14 a few years ago saying China is going to be a net  
15 exporter of everything, it's going to overwhelm the  
16 market.

17           You know what? That's not what happened.  
18 You know, a lot of people made a lot of money betting  
19 right on China and raw material prices, not me, but a  
20 lot of people did and, again, for the commission,  
21 I believe the standard is not speculation and we have  
22 to use information that you can submit to us to  
23 determine what we believe will happen in the  
24 reasonably foreseeable future.

25           Now, again, Mr. Hartquist, I've said before,

1 I think it's a crystal ball, but, you know, the legal  
2 standard and the courts have held us to you've got to  
3 find something on the record to support what you're  
4 going to say about the reasonably foreseeable future.  
5 And so for me, it's not enough to say China is big and  
6 its capacity is big because a lot has changed about  
7 the Asian market, China and generally, even in the  
8 time I've been here and on some of them I think people  
9 have come here and told us stuff and they've been dead  
10 wrong and so have we on occasion. Or so have I.

11 I will not implicate the rest of my commissioners, but  
12 I have been wrong. So that was just an opinion.

13 MR. SHILLING: We'll provide that in the  
14 post-hearing brief, very good questions, without doing  
15 that here. That cuts both ways and what I mean by  
16 that is that -- I'm 61 years old, I've been in this  
17 business a long time and it's always important to try  
18 to differentiate the stainless industry from all these  
19 other industries. So we really do have to get down  
20 into the specifics of what is China doing in  
21 stainless, who is importing into China now, where is  
22 that stuff going to go and restrict it to stainless.  
23 And we'll do the best we can in our post-hearing  
24 brief.

25 VICE CHAIRMAN OKUN: That's an extremely

1 important observation. I very much appreciate that  
2 for post-hearing. And that did remind me, though, we  
3 have not talked much about the E.U. data and some of  
4 this does reflect my interest on how Belgium has  
5 operated and will operate in the future and especially  
6 with regard to the E.U. market and what might be going  
7 on there, so if there's any other information with  
8 regard to demand in the E.U., I think that would be  
9 particularly helpful as well.

10 MR. HARTQUIST: We'll do that as well.

11 Thank you.

12 VICE CHAIRMAN OKUN: Thank you,

13 Mr. Hartquist.

14 And with that, I think I've finished my  
15 questions.

16 CHAIRMAN KOPLAN: Thank you, Vice Chairman.

17 Commissioner Miller?

18 COMMISSIONER MILLER: I do want to ask one  
19 issue to be briefed in the post-hearing submission  
20 that I forgot about earlier. I don't want you think  
21 I've forgot, that I did something different on  
22 cold-rolled plate, particularly since Commissioner  
23 Hillman isn't here. I recognize you addressed the  
24 like product analysis between hot-rolled and  
25 cold-rolled extensively in your brief, as you should,

1 since there are two commissioners here who haven't  
2 addressed that issue. What for my purposes I would  
3 like to see is if there are any changes in the factors  
4 that I considered in my original like product analysis  
5 and on remand. I know in your brief you referenced  
6 one possible difference in terms of the producers, but  
7 I'd like to know if there's anything else that's  
8 changed.

9           And then assuming that I continue to find  
10 two like products and understanding that I made a  
11 negative determination on cold-rolled in the first  
12 investigation and on the remand, if you could just  
13 address the statutory factors that I should consider  
14 in doing my sunset analysis for this case, I would  
15 appreciate it. I'd like you have the opportunity to  
16 do so and me to have the opportunity to benefit from  
17 that.

18           I have no further questions. Thank you very  
19 much.

20           MR. HARTQUIST: We'll do so. Thank you.

21           CHAIRMAN KOPLAN: Thank you, Commissioner.

22           Are there any other questions from the dias?  
23 Commissioner Pearson?

24           COMMISSIONER PEARSON: Mr. Chairman,  
25 I apologize for being somewhat of a slow learner

1 today, a particularly slow learner, how about putting  
2 it that way? If I could, how do you respond to the  
3 argument that -- if you step back from this  
4 investigation a little bit and look just at the  
5 performance of the U.S. industry over the period of  
6 review, has there really been any perceivable benefit  
7 to the U.S. industry from the orders and does it make  
8 any difference to the industry going forward whether  
9 they're in place or not? Because there have been  
10 other factors driving the industry, some of which  
11 we've talked about, and it's just not clear to me how  
12 to weigh the orders, the effect of the orders, against  
13 everything else. And so if you can help me with that,  
14 either now or in the post-hearing, I would appreciate  
15 it.

16 MR. SHILLING: We may follow up with some  
17 additional comments in post-hearing, but it's to my  
18 way of thinking, the essence of one of the most  
19 important issues that we really do face. At the time  
20 that the orders were originally put into place, we  
21 looked forward to benefitting from the price  
22 discipline that would occur and unfortunately, as  
23 I said earlier, we faced a huge recession.

24 And I would refer you to this Department of  
25 Commerce document called Manufacturing in America that

1 Secretary Evans issued in January of '04 because it  
2 really documents as well as I've seen anywhere how  
3 severe this recession was to U.S. manufacturers, much  
4 more severe than to the service industries in the  
5 U.S., for example. It's an excellent document.

6 But in any event, the industry, the way  
7 I would look at it is were these orders not to be in  
8 place during that time period, the industry would have  
9 lost even more money, there's no doubt in my mind,  
10 because pricing would have even been poorer than it  
11 was. So you'll never know whether that's true or not,  
12 but that's what I believe would have happened.

13 But putting that aside, we're now back --  
14 it's ironic, we're now back to a time period when we  
15 have some reasonable market to look forward to for  
16 three or four years and really all we ask is that we  
17 go through that market in a fair priced environment.  
18 We're not asking for import quotas, we don't need  
19 protection, all we want to do is keep the pricing  
20 fair. We lost the entire benefit of having that fair  
21 pricing discipline in place because in this  
22 intervening time period a recession destroyed the  
23 market. It's cruelly ironic to me that this sunset  
24 review is occurring right at almost the identical  
25 point in the business cycle that the last one

1 occurred.

2           And I'm glad you asked it because we've  
3 talked so much about China and China is an issue, but  
4 it's not the only issue. We've spent a huge amount of  
5 time talking about China, but just the basic  
6 fundamental point you are raising really doesn't have  
7 a lot to do with China, it's just that we're now back  
8 at this business cycle, give us fair pricing for a  
9 period of time so that we can earn our cost of capital  
10 because there's no question in my mind apart from  
11 China that these imports are going to come tearing  
12 right back in here, like they did before. I really  
13 believe that that's true. The capacity exists to do  
14 it and it's going to come here.

15           And China is just another added force that's  
16 going to make this situation even worse.

17           COMMISSIONER PEARSON: Okay. Thank you for  
18 that. Then the non-subject imports which, as  
19 I understand the record, they're now larger than the  
20 subject imports were at the beginning of the period,  
21 those are being fairly traded and so those are not  
22 causing concern, those are being absorbed comfortably  
23 into the U.S. market? Is that a correct inference?

24           MR. SHILLING: I don't have firsthand  
25 knowledge of what the pricing of those products are,

1 so maybe I can defer that, but I think as we said in  
2 other testimony here today, that if these orders are  
3 rescinded, we're going to significantly increase the  
4 number of players in the U.S. market of people who  
5 have a track record of making this product and  
6 shipping it into the country at unfair prices. And  
7 I think that's what we're really, really concerned  
8 about.

9 MR. HARTQUIST: Commissioner Pearson, one  
10 very brief comment and then perhaps I can turn to  
11 Mr. Hartford.

12 The assumption, of course, is that imports  
13 that are not under order are fairly traded. That may  
14 or may not be in fact the case and, as you recognize,  
15 only when a case is brought and tried is it determined  
16 whether the product is being fairly traded or not.  
17 So, yes, legally, you're absolutely correct, I agree  
18 with you, but in terms of their pricing practices, are  
19 they dumping at this point? I'm not so sure that  
20 they're not.

21 COMMISSIONER PEARSON: Mr. Hartford, did you  
22 have anything to add?

23 MR. HARTFORD: Yes. Based upon the data  
24 that we have right now, we believe that those  
25 non-covered imports are being fairly priced today.

1 COMMISSIONER PEARSON: Okay. Thank you.

2 Mr. Schmitt, did you have something?

3 MR. SCHMITT: I'm just going to add again,  
4 to second what Mr. Hartford said, today they seem to  
5 be fair priced. And that's all that we look for, is  
6 just a fair and level playing field and that's what we  
7 ask you for today. If you give us that opportunity,  
8 then we can make a reasonable profit.

9 COMMISSIONER PEARSON: Okay. Thank you very  
10 much.

11 Mr. Chairman, I have no further questions.

12 CHAIRMAN KOPLAN: Thank you, Commissioner.  
13 Are there any other questions from the dias?  
14 (No response.)

15 CHAIRMAN KOPLAN: Seeing that there are  
16 none, Mr. Corkran, does staff have questions?

17 MR. CORKRAN: Douglas Corkran, Office of  
18 Investigations. Thank you, Mr. Chairman. Staff has  
19 no additional questions.

20 CHAIRMAN KOPLAN: Thank you, Mr. Corkran.

21 Mr. Cameron, before I release this panel, do  
22 you all have any questions of the panel?

23 MR. CAMERON: No, we have no questions of  
24 the panel.

25 CHAIRMAN KOPLAN: Thank you.

1                   I want to thank the witnesses for both their  
2 direct presentation and their answers to our  
3 questions. It's been extremely helpful and I look  
4 forward to the post-hearing submissions as well.

5                   We will now take a lunch break until 1:30.  
6 I would remind you that this room is not secure, so  
7 any BPI information that you have with you, you need  
8 to take with you during the lunch break. See you all  
9 back here at 1:30.

10                   (Recess was taken.)

11                   //

12                   //

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1 other members of the Commission. My name is Robert  
2 Crandall. As Mr. LaRussa explained, I am a Senior  
3 Fellow in Economic Studies at the Brookings  
4 Institution; however, I appear here on my own behalf  
5 and on behalf of the Respondents, and nothing I say  
6 should be taken to reflect the viewpoint of the  
7 Brookings Institution or its other staff or trustees.

8 I sat through this morning's discussion of  
9 the current industry conditions, and, to some extent,  
10 I couldn't believe what I was hearing. You were being  
11 asked to believe that the situation today is just like  
12 it was in 1998, that there haven't been material  
13 changes in the domestic industry, and that the world  
14 market is roughly the same and in danger of  
15 collapsing, as it did perhaps in 2000 and 2001 with  
16 the 2001 recession.

17 I submit to you that that is not an accurate  
18 representation of the world, the world steel industry,  
19 the world stainless steel industry, or the domestic  
20 stainless steel industry.

21 In 1998, many of the emerging Asian  
22 economies were in a free fall. There were a variety  
23 of currency crises, and they were declining very  
24 rapidly. World economic growth fell by about a third  
25 in just one year, from 1997 to 1998. World metals

1 prices were actually falling.

2 Contrast that with today. The world economy  
3 is healthy and growing. In fact, the world economy is  
4 growing not more slowly than the United States  
5 economy, as some people suggested this morning, but,  
6 rather, more rapidly than the U.S. economy. The Asian  
7 economies are not only expanding, but their gross  
8 seems to be accelerating.

9 World metal prices are not falling, but they  
10 are increasing at unprecedented rates. Indeed, many  
11 people have expected to see some easing off of,  
12 particularly, steel prices, given their incredible  
13 rise since sometime in mid-to-late 2003, but no such  
14 leveling off has occurred.

15 In fact, we've seen an increase in world  
16 steel prices unlike any that have occurred since World  
17 War II, and I haven't looked back to World War I, but  
18 you may recall the depression between World War I and  
19 World War II. I'm sure there was no similar period in  
20 the inter-war years either. So we're talking about a  
21 hundred years' unique experience, and it hasn't come  
22 to an end yet. The sky is not falling.

23 The U.S. industry has recovered, to be in a  
24 healthy condition. All of the relevant indicators for  
25 both steel consumption, stainless steel consumption,

1 and world economic growth are pointing in an upward  
2 direction.

3 Therefore, keeping these antidumping and  
4 countervailing duties in place in this situation,  
5 under these conditions, would suggest that it would be  
6 hard for you ever to reach a decision in a sunset  
7 proceeding that they should be revoked.

8 Now, I begin with the domestic industry, and  
9 I'll do so talking about the domestic flat-rolled  
10 stainless industry for at least two reasons. First of  
11 all, as was explained this morning, the products in  
12 this proceeding, certain stainless steel plate,  
13 comprise a very small share of the output of this  
14 industry, output which is produced, on at least the  
15 initial stages, the same facilities as the rest of the  
16 products of the industry; that is, the melt shop, the  
17 hot-rolling mill, and so forth.

18 Secondly, of course, in a proceeding like  
19 this, I can only talk about public information; and,  
20 therefore, that's what I shall do.

21 You might want to consult Figure 1. We had  
22 a lot of discussion today about the profitability of  
23 the industry. There is no doubt that the recession in  
24 2001, compounded by 9/11, pushed the industry into a  
25 net-loss position, at least the two firms for which I

1 have public date, namely, AK Steel and -- excuse me --  
2 Allegheny Technologies and NAS. AK Steel does not  
3 break out as stainless results except for shipments.

4 And what you see there in the blue lines is  
5 what's happened to the flat rolled operating profit  
6 for Allegheny Technologies and for NAS, what they  
7 report through the Cerenox Annual Reports of their  
8 after-tax profits from NAS. And you see how the  
9 profitability has recovered dramatically, particularly  
10 in 2004.

11 Now, what you heard this morning is that  
12 we're at the peak. Somehow this can't possibly  
13 survive. I guess if you've been in the steel industry  
14 this long, you think the good times can't possibly  
15 last, but I suggest to you that the evidence suggests  
16 that the good times are likely to last. We can't know  
17 this for certain at this point.

18 Now, is the industry the same industry that  
19 you investigated in 1998? Well, you heard today about  
20 acquisitions by one of the companies, in particular,  
21 Allegheny Technologies, about some closures of  
22 facilities, and the expansion of NAS. Particularly,  
23 the latter phenomenon, I think, is very important.  
24 NAS has invested a huge amount of money in the United  
25 States, Cerenox in its NAS division. About \$1.25

1 billion have been invested in that plant in Ghent,  
2 Kentucky, according to their public reports, more than  
3 half of it since your investigation in 1998.

4           They have expanded their facilities to be  
5 fully integrated. Whether they had planned, in 1990  
6 or in 1995 or in 1996, to actually put a melt shop in  
7 in 2002, I can't find from any of their public  
8 documents, but they clearly have decided to do that.  
9 Had the market not been very strong, they might not  
10 have decided to go ahead, but they have decided that  
11 the economics of investing in a stainless melt shop in  
12 Kentucky made a lot of sense, and if you look at the  
13 2004 after-tax profits, that's about, as I recall,  
14 about 10 percent of revenues, a rather large operating  
15 profit margin. It looks like it's paying off rather  
16 well.

17           Now, clearly, you can't draw too many  
18 conclusions from what's happened to stock market  
19 prices because we're talking about companies who trade  
20 and produce other things. The only two stocks that  
21 publicly trade in the United States involved in this  
22 proceeding are those of Allegheny Technologies and AK  
23 Steel. They have both outperformed the S&P since back  
24 in 1999 and, particularly, since the recession of  
25 2000-2001. And, by the way, Allegheny Technologies

1 has outperformed the S&P thus far this year as well,  
2 so the market doesn't seem to see an impending  
3 catastrophe or decline in prices.

4 Now, I want to turn from the domestic  
5 industry, which, it seems to me, is in very good  
6 condition today because of what has happened generally  
7 in the world industry. You heard today that 1998 was  
8 an anomaly. Demand was strong, you were told, and  
9 prices were falling. How could that possibly be?  
10 Well, demand may have increased marginally in the  
11 United States, but given what was happening in the  
12 world economy, given what was happening in Asia, total  
13 stainless steel output fell in 1998. That's why  
14 prices are weak. We were one of the few islands of  
15 strength at that time. That is no longer the case.

16 The U.S. industry is benefiting from a very,  
17 very strong world market, and the stainless industry  
18 in general, the stainless industry comprising these  
19 products, that is, coiled stainless plate, is very  
20 strong, and the world steel industry in general has  
21 been very strong over the last year and a half to two  
22 years.

23 If you want evidence as to how things are  
24 different between 1998 and today, all you have to do  
25 is look at a number that the International Monetary

1 Fund produces, which is what's been happening in  
2 commodities prices. This is very important to people  
3 who are studying the macro economy and looking at what  
4 one should do in terms of discretionary monetary  
5 policy and even fiscal policy.

6 In '97 and '98, you see world commodity  
7 prices were falling dramatically, double-digit rates,  
8 because of the weakness not only in the Asian  
9 economies but in the former Soviet Union countries.  
10 Compare that with today, 2003, 2004: Metals prices  
11 are soaring -- a very different world market for  
12 metals in general.

13 Now, if we turn to stainless steel products,  
14 there are no public measures of the prices of the  
15 certain stainless steel products involved in this  
16 proceeding. There are, however, unit value data for  
17 what has been happening to flat-rolled, stainless  
18 steel products, particularly, from Allegheny  
19 Technologies itself -- it reports quarterly and  
20 annually, and these are based upon the annual data --  
21 as to what's been happening to its unit values.

22 Since these products are all produced across  
23 similar facilities, if prices had been deviating  
24 dramatically from the average for the products  
25 involved in this proceeding, these companies would

1 rationally be diverting output for these products into  
2 these other products whose prices have been soaring.  
3 That 2004 measure there shows an increase of about 28  
4 percent, and if you go fourth quarter to fourth  
5 quarter, it's even greater than 28 percent.

6 Now, I couldn't quite understand what Mr.  
7 Shilling was saying earlier today about what happened  
8 to prices since 1998, and maybe I misunderstood him,  
9 but I believe he said something about how prices in  
10 general were weaker still today than they had been in  
11 1998. Maybe he was talking about base prices. I  
12 don't know what he was talking about.

13 But if you'll go back to the previous slide  
14 here -- if you go back to 1998, his average unit  
15 values in '98 were clearly lower than they are today,  
16 and you can consult the record in this proceeding with  
17 the business-proprietary information as to what's  
18 happened to the prices of the products in this  
19 proceeding as well. But I don't believe you will find  
20 that, in fact, prices are weak. It would be very  
21 surprising, given what's happening to the prices of  
22 other stainless products produced over the same  
23 equipment, that prices would be weaker today than they  
24 were in 1998. This is a very different world, a very  
25 different market. Now we can go to the world prices.

1           The CRU, which produces a lot of stainless  
2 steel data, tracks the prices of a bellwether product,  
3 namely, cold-rolled sheet, two millimeters thick, and  
4 this is the prices which they show for three different  
5 markets. It would be nice to have China up there, but  
6 there is not a continuous series for China. Measuring  
7 prices in China, a charge you gave the previous panel,  
8 they might find a little difficult.

9           But for public information, we do have  
10 public information on the United States; Japan, an  
11 Asian country; Germany, a European country; and what  
12 you see here is a downturn in 2000-2001, as one would  
13 expect, given weakness in demand, and then suddenly,  
14 starting in late 2002-2003, in particular, soaring  
15 prices, in dollar terms, particularly, both because of  
16 strengthening world demand and, of course, because of  
17 the appreciation of the dollar. But what you have  
18 here is, in dollar prices, the prices increasing by  
19 about 100 percent since their valley there in 2002.

20           This is a very strong world market, and it  
21 continues, and as I mentioned earlier, we have not  
22 seen anything like this in the steel industry since  
23 World War II. I remember '73-'74 very well, and it  
24 came and went very quickly because the OPEC cartel did  
25 its number on the world economies, and the economy

1 slid into recession very quickly. As you'll see in a  
2 minute, there is no forecast that that's going to  
3 happen today, but, rather, what we see is a very  
4 strong, world stainless market.

5 Now, this is very important because much of  
6 the testimony you heard today suggests that if these  
7 orders are somehow rescinded or suspended, that, in  
8 fact, product will start shifting into the United  
9 States from other world markets. Well, you can't  
10 possibly shift product in here at lower prices from  
11 other higher-priced markets and satisfy your fiduciary  
12 responsibility to your shareholders.

13 The reason why prices are going up like this  
14 has to be that the world is operating at full  
15 capacity. If there were excess capacity out here, you  
16 would expect people to start firing up that capacity  
17 and bidding these prices down. We see no evidence of  
18 that.

19 Now, in my report, which is appended to  
20 Respondents' brief in this proceeding, I did a little  
21 analysis of capacity of the various players in this  
22 market, and suffice it to say that capacity is not all  
23 the same. It may be that today, if you were doing  
24 something on the automobile industry, that the  
25 Europeans would list Lata and Yugo capacity as part of

1 their capacity to produce automobiles, but, needless  
2 to say, they are not very competitive with the latest  
3 model from BMW.

4           There may be some capacity still on the  
5 books, but you have to ask yourself, with prices  
6 rising like this, why isn't that capacity being  
7 deployed? It must be, if there is excess capacity in  
8 this world, that that capacity is extremely  
9 inefficient and either that the companies are waiting  
10 for an even greater acceleration of prices or that  
11 they are simply waiting for the opportunity to take  
12 the write-off and close it.

13           So when you ask Mr. Shilling from Allegheny  
14 Technologies does he have excess capacity, it seems to  
15 me that an interesting follow-up question might have  
16 been, does he have excess capacity at concern prices?  
17 Given that prices have increased by however much as  
18 the record will show in this proceeding, why isn't he  
19 rolling out that capacity and using it? Is it that  
20 the capacity is so inefficient that he can't use it?

21           So capacity in the steel industry has always  
22 be problematic, and I believe there was some  
23 discussion about that, about whether you can trust  
24 capacity numbers because of the different generations  
25 of capacity and different degrees of efficiency. I

1 suggest that you keep that in mind when analyzing any  
2 notion that there is excess capacity in a world where  
3 prices are running a trend like that from 2002 through  
4 2004.

5           There is some discussion, by the way, in the  
6 Petitioners' brief about how prices are about to tank  
7 and one foreign steel trader suggesting that maybe  
8 prices are about to be weak. I don't think that's  
9 dispositive of what the market is thinking. As I say,  
10 I don't see any break in the stock prices of stainless  
11 companies, and I don't see any general evidence that  
12 people think that there is suddenly going to be a  
13 break in demand relative to available capacity.

14           Now, let's turn to exports and imports, and  
15 unlike the previous panel, I'm going to focus a little  
16 bit on exports because we've heard a lot about imports  
17 today and the possibility that imports will come rolling  
18 in if these orders are lifted, but this is a picture  
19 of what's happened to, and this is public information  
20 -- this is the AISI category of stainless plate and  
21 coils, and this is a picture of what's been happening  
22 to exports from the United States of stainless steel  
23 plate and coil. The idea that this is the same  
24 industry in the world market as 1998, I think, is  
25 belied by those numbers, and they have been rising

1 very rapidly.

2 Now, another issue might be belied by those  
3 numbers, and that is, if some of these markets, which  
4 are the growing markets for targets for exports, i.e.,  
5 China, are so much lower priced, and if some of this  
6 product is going to China, and you should check the  
7 record in this proceeding because that also is  
8 confidential information, if they are increasing  
9 exports to China, why are they doing so if those  
10 prices are so weak, given how strong prices are in the  
11 United States?

12 Let's turn now to the next figure, which is  
13 a combination of stainless plate and coil and hot-  
14 rolled sheet, and I put that up there because it  
15 strikes me, in looking at the numbers, and the most  
16 recent numbers are business proprietary in this  
17 proceeding, for exports and the numbers from AISI,  
18 that there may be some confounding in the reporting  
19 between hot-rolled sheet and stainless plate and coil  
20 between the two of them.

21 So I thought it would be useful, since they  
22 are both produced off the same mills, to add the two  
23 together, and you see the same sort of trend. You get  
24 a big jump in 2003, a slight pull back, but certainly  
25 the total amount of exports of stainless hot-rolled

1 sheet and stainless plate and coils is substantially  
2 above, in 2004, its 1998 level.

3 Turn next to a comparison of imports and  
4 exports, and you'll see what has happened to imports  
5 of these two categories. By the way, the trends would  
6 be roughly the same if you just looked at stainless  
7 steel plate and coils from the AISI data. What you  
8 see is imports greatly exceeding exports in 1998, and  
9 over the last two years, exports actually exceeding  
10 imports. As I say, the first one, imports greatly  
11 exceeded exports in '98. In 2003-2004, exports exceed  
12 imports.

13 The Petitioners would have you believe this  
14 is the same market, that this is the same world.  
15 Nothing has changed since 1998. We're at the cusp,  
16 about ready to collapse into the abyss of 2000-2001.  
17 Obviously, that's not the case. They are exporting  
18 substantial amounts into the world market. They are  
19 competitive, and they are competitive because of the  
20 investments they have made.

21 Let me now turn to economic growth because  
22 throughout the discussion this morning the world had a  
23 very Asia-centric flair to it. It seemed as if the  
24 only thing that mattered was what was going on in  
25 China. But let me just show you the difference

1 between 1998 and today in terms of what's been going  
2 on in world economic growth.

3 Rather than busy this thing up with western  
4 Europe, eastern Europe, South Asia, and so forth, what  
5 I chose were the places that were obviously  
6 collapsing, which are important because they created  
7 the crisis of 1998, that is, Korea and the other Asian  
8 tigers who had fallen dramatically, world economic  
9 growth, that left, light-blue bar, had fallen by about  
10 a third between 1997 and 1998. The former CIS -- the  
11 former Soviet states had fallen dramatically into  
12 negative territory from positive growth in 1998.

13 Now, fast forward across those other years,  
14 which I keep out of there because I don't want to busy  
15 up the graph, and look at what's been happening in  
16 2003, 2004, and what the IMF forecasts for 2005. I  
17 use the IMF. You could use other -- you could use  
18 OACD if you want. This is roughly a consensus  
19 estimate. What you see in 2003 and 2004 is an  
20 acceleration of growth, both world growth, and as I  
21 mentioned, world growth last year was greater than  
22 growth in the United States, and growth in all of  
23 these other economies that were collapsing in 1998.  
24 The former Soviet states, particularly with the  
25 admission of several of them into the European Union,

1 are really taking off at this point and growing rather  
2 substantially.

3 Now, go over to the final set of bars, and  
4 you'll see there that the IMF forecasts sort of a  
5 slight regression back to the mean but a very, very  
6 strong demand for 2005, and being cautious, they don't  
7 forecast any further. I would have put that up there  
8 for you. They only forecast out to 2005. This comes  
9 from the World Economic Outlook of, I believe,  
10 November of 2004 from the International Monetary Fund.

11 So the world is a very different place.  
12 We've got rapid growth in the world economy. If  
13 anything, the problems in the world economy today are  
14 that commodity prices are growing, including the  
15 commodities involved in the inputs to this product  
16 we're talking about today, as well as the output  
17 product, and that the world economy maybe looks too  
18 strong. And then, as a result, monetary authorities  
19 might have to ratchet up interest rates a little bit  
20 to try to slow down the economy a little bit.

21 Now, let's turn to China because there was a  
22 lot of talk about China today, and here you see  
23 China's economic growth ever since 1991. It's true  
24 that it's slowed down a little bit, although it seems  
25 to be accelerating again over the last couple of

1 years. I quote Professor Ann Krueger from Stanford  
2 University, who is the deputy managing director of the  
3 IMF, and she sees no reason to believe they are going  
4 to decline.

5 Now, finally, let me point out that you  
6 shouldn't focus simply on what's going to happen in  
7 China. China is not the only market for steel in the  
8 world. It is certainly true that everybody forecasts  
9 that China will enjoy the greatest growth of capacity  
10 over the next five years, but if you look at the CRU  
11 data, the same data, -- this comes from three months  
12 later than the data which appear in Exhibit 8 in  
13 Petitioners' brief -- you'll see that the forecast for  
14 consumption of steel around the world, for growth in  
15 consumption of steel from 2004, for growth in  
16 consumption of stainless flat-rolled steel, is about  
17 almost exactly the same as the projected growth of  
18 capacity.

19 It is true that China's capacity will grow  
20 more rapidly than its demand, according to forecasts,  
21 but the rest of the world will not; that is, the rest  
22 of the world's demand will grow much more rapidly than  
23 its capacity and that what the CRU sees is essentially  
24 the increase in capacity being balanced almost exactly  
25 by an increase in consumption. What that suggests to

1 me is there is no threat of a downturn in prices.

2           And by the way, if you look at those data,  
3 and I will submit them, I suppose, for the record  
4 later, if you look at western Europe, there is talk  
5 about how certain countries in this proceeding might  
6 expand their capacity. There is almost no forecast  
7 growth for stainless steel capacity in western Europe  
8 over the next five years. Most of the growth is  
9 coming in Asia, but consumption demand will continue  
10 to grow elsewhere.

11           If China slows down a little bit, it isn't  
12 as if the world steel market is going to collapse.  
13 There is a lot of consumption outside of China, and  
14 right now there is little prospect that we're going to  
15 have capacity expansions growing more rapidly than  
16 consumption.

17           Finally, let me point out that if China does  
18 slow down, it's undoubtedly going to be because of  
19 investment because it slows down capacity expansion in  
20 many industries, including stainless steel.

21           So, to conclude, it strikes me that we are  
22 in a very different world market, a very different  
23 U.S. market, -- we have a very different U.S. industry  
24 from what you had in 1998 -- and that, in these  
25 conditions, without any evidence that the market is

1 about to turn down, that anybody has any excess  
2 capacity that they could ship into the United States  
3 and drive prices down relentlessly in the United  
4 States, that the appropriate policy here is to rescind  
5 these antidumping and countervailing duty orders.

6 MR. LaRUSSA: Thank you.

7 Mr. Chairman, I'll turn to Mr. Latera, with  
8 your permission, who is a pipe producer who consumes  
9 the subject merchandise.

10 CHAIRMAN KOPLAN: Certainly.

11 MR. MATERA: Good afternoon, Mr. Chairman  
12 and members of the Commission. My name is Ralph  
13 Matera, and I'm the CEO of Synalloy Corporation.

14 Our company employs approximately 500  
15 American workers in facilities located in Tennessee,  
16 North and South Carolina, and Georgia.

17 CHAIRMAN KOPLAN: Could you move the  
18 microphone a bit closer?

19 MR. MATERA: Our subsidiary, Bristol Metals,  
20 LP, manufactures stainless steel pipe and piping  
21 systems for use in a number of industries, including  
22 power generation, waste water treatment, chemicals,  
23 liquid natural gas, and pulp and paper.

24 We make pipe that's used in factories,  
25 plants, and equipment. We purchase a large variety of

1 steel products for the production of pipe, including  
2 the stainless steel plate and coil that's the subject  
3 of this hearing today.

4           There is no reason at all to maintain the  
5 antidumping duty order on stainless steel plate and  
6 coils. As you've heard, the U.S. market for stainless  
7 steel plate and coil today is not the same as it was  
8 five years ago; nor is the global market the same.  
9 Prices for the product I purchase have doubled over  
10 the past two years, and even when taking into account  
11 the increase in the alloy surcharge, base prices have  
12 increased between 10 and 30 percent.

13           Much of the steel my company purchases is  
14 more difficult to find than it was a few years ago,  
15 and it's all more expensive.

16           Supplies have been much tighter, and, in some  
17 cases, lead times have tripled. But for my company,  
18 there is truly no logic in maintaining these orders.

19           Between 80 and 90 percent of the steel  
20 Bristol Metals buys comes from domestic mills. The  
21 other 10 to 20 percent comes from Belgium, and we buy  
22 it from Belgium for a very good reason: The domestic  
23 industry does not make stainless steel plate in coils  
24 that exceed 60 inches in width. Belgium suppliers do  
25 make it, and I must have these wide widths to make

1 some products that are important to my company.

2 In the pipe-making process, a different  
3 width of sheet is used for every pipe size because the  
4 width of the sheet becomes the circumference of the  
5 pipe, and for most of the common pipe that we produce,  
6 the A-312 spec. requires that the pipe be produced  
7 from a single sheet of material. Therefore, in order  
8 to make 20-inch pipe, I must have 62-inch-wide,  
9 stainless steel plate and coil. In order to make 24-  
10 inch pipe, I must have 74-inch-wide, stainless plate  
11 and coil.

12 It is impossible to economically produce  
13 these pipe products without the extra-wide plate and  
14 coil that Belgium makes. If I could get this product  
15 locally, I would buy it, but I can't.

16 At this point, I should make one more point  
17 about the wide-width coil. Some U.S. companies may  
18 argue that they can make this product in discrete  
19 plate. Because the cost of discrete plate is up to 50  
20 percent higher than plate and coil, I am not able to  
21 use discrete plate in applications where coil plate is  
22 available. It would not be a competitive product.  
23 This would be the case no matter which country made  
24 the steel.

25 I know that one thing you look at is what

1 would happen in the U.S. market were the antidumping  
2 orders removed. In the case of Bristol Metals, we  
3 would not buy any more or any less imported steel  
4 plate and coil at the expense of domestic suppliers.  
5 The wide widths we buy from Belgium, we must buy from  
6 Belgium, with or without an antidumping duty.

7           What might happen if the order is lifted is  
8 that we could become more competitive. We might win  
9 more contracts against foreign pipe suppliers, make  
10 more pipe, and buy more steel.

11           As I've said, between 80 and 90 percent of the  
12 steel we buy is American, so the U.S. companies would  
13 benefit also in the other pipe sizes typically  
14 required on large projects that we bid.

15           The market for large pipe we make from  
16 Belgium steel is a very competitive one. We compete  
17 with European companies that don't have to pay  
18 antidumping duties. Especially on big projects, a  
19 one-percent difference in the price of pipe may very  
20 well determine who gets the job. If I'm paying even  
21 two or three percent more, I lose the work. This  
22 happened recently when we lost a head-to-head against  
23 a European competitor on a large, 24-inch-pipe project  
24 for a South American copper mine. My guess is that a  
25 one or two percent difference in price, and it would

1 have gone the other way.

2 Companies like mine, and the U.S. workers  
3 they employ, can't afford to lose this type of work.  
4 I urge you to sunset these orders. Thank you.

5 MR. LaRUSSA: Thank you.

6 Mr. Chairman, we would like to make the  
7 transition to talking about Belgium just for a couple  
8 of minutes because I think Belgium has obviously been  
9 a very popular area of discussion today.

10 We have a few charts up here, and I think  
11 the reason we start with this is that the customers  
12 say it best. What we just heard was that Mr. Latera  
13 can't get wide-width material domestically. He can't  
14 use cut-to-length plate, and he doesn't slit it, some  
15 of the things that we have heard today.

16 What we also heard this morning -- I think  
17 is what I heard this morning -- is an admission that  
18 the domestic industry basically doesn't make this  
19 material above 16 inches in width.

20 And I also heard some discussion about what  
21 you use the material for. Basically, both here and  
22 this morning, you use wide-width steel for wide-width  
23 applications. You don't buy it to basically cut it  
24 up, slit it up, and do something else.

25 And also, the price discussion this morning

1 was also interesting. If there is a premium on that,  
2 it probably has something to do with the shortage in  
3 the market as opposed to any kind of material input.

4 So I think it's important that the customers  
5 speak here, and basically this is from years of  
6 experience.

7 The next chart basically shows -- in  
8 Belgium, it's funny. Not only do we argue that  
9 Belgium has no discernable impact on the U.S. market  
10 and shouldn't be cumulated, but, extremely  
11 importantly, they don't even compete with domestic  
12 suppliers; they complement domestic suppliers. If  
13 you've got a market in which nobody else makes plate  
14 above 60 inches in width, you're going to have to get  
15 it somewhere. When you need it for this type of pipe,  
16 you're going to have to get it somewhere.

17 If you look at this chart, basically what it  
18 shows is that, after the recession in 2001, imports  
19 have basically remained steady and low. Belgium did  
20 not abandon the U.S. market because of the dumping  
21 order. We'll show you in a minute that they did not  
22 abandon the U.S. market for a very good reason: They  
23 have got customers who need product. They have got  
24 customers who can't get product anywhere else. If we  
25 just move to the next slide.

1           I think it's important that you take a look  
2           at Belgium's imports as a share of the U.S. market. I  
3           do want to point out, for APO reasons, we could not  
4           use the data from the report, so we used AISI data.  
5           But if you look at the trends, I think you'll see  
6           basically something similar.

7           One point about those very low levels of  
8           imports that are there. There was a lot of statements  
9           this morning about low-priced imports, and I would  
10          invite the Commission to take a look at the view in  
11          the staff report on the overselling/underselling  
12          analysis. Basically, what it says, and this is not  
13          bracketed material, is the U&A Belgium oversold  
14          domestic producers 80 percent of the time. If you've  
15          got a market like this where you're the only one  
16          making plate that's above 60 inches' width, you can  
17          imagine why.

18          But the next chart really does make my  
19          argument, and this is our data, that is, our, U&A  
20          Belgium's, data that was submitted. It's our APO  
21          data, so we can put it out here, but I think it's  
22          critical, and we talked to the company about it, and  
23          it's critical that it be shown.

24          If you take a look at what we shipped in  
25          2004, 90 percent of the product is in widths that are

1 above 60 inches, and if you take the small level of  
2 Belgium imports into the United States, and I can't  
3 give you the exact numbers, again, because we can't  
4 talk about the consumption numbers from the report,  
5 but you can just imagine what that might be. For  
6 2004, which is historically reflective of Belgium in  
7 the market, 90 percent of the material is in wide  
8 widths. So that means that 10 percent of a very small  
9 number is competing with the U.S. industry, and it's  
10 kind of a joke to be thinking that that would be any  
11 kind of competition at all, any kind of significance  
12 to that, in the least.

13 So I do think that it's important to kind of  
14 go back and talk a little bit and think a little bit  
15 about what Mr. Matera said, what was said this  
16 morning, and those numbers, which, I think, are very  
17 compelling numbers. If we would just move to the  
18 next.

19 I, basically, think that what our conclusion  
20 is, is that if you look at Belgium, what they have  
21 done since this order went into effect, they basically  
22 had a very low level of imports. It's been one type  
23 of import. This is not, and, I think, if you look at  
24 the confidential data in the report, this is not a  
25 priority market for Belgium. You can see that. They

1 have customers who need a certain product. They  
2 develop these relationships. They are only shipping  
3 that product.

4 If you take a look at the dumping rates  
5 here, and, realistically, we've all been following  
6 these issues for a long time, you can't possibly think  
7 that a 2.71 percent dumping rate is something that is  
8 making U&A Belgium make decisions about the U.S.  
9 market. If you look at the data that is in the  
10 report, what you'll see is that U&A Belgium is a  
11 European company. U&A Belgium sells most of their  
12 material in Europe. It also sells a much, much larger  
13 share of its material in Asia.

14 This is something where it's really just a  
15 niche market, where if you look at the conditions of  
16 competition in this market, Belgium and the United  
17 States are not even competing.

18 So, in closure, I would kind of echo what  
19 has been said a few times today: If this isn't the  
20 time to sunset these orders, I don't know when would  
21 be.

22 One more point about the margins; we were  
23 looking at the margins before. The Petitioners  
24 mentioned this morning the likely margins that the  
25 Commerce Department shipped over there. I'm very well

1 personally familiar with the regulations that the  
2 Commerce Department put out on antidumping, as you  
3 know, and on sunset, and, as you know, those numbers  
4 are basically the numbers from the original  
5 investigation. They really have no bearing on what's  
6 happened in the market since then.

7 So I thank you for your time, and I will  
8 turn it over to my other counsel.

9 CHAIRMAN KOPLAN: Thank you.

10 Mr. Cameron?

11 MR. CAMERON: Mr. Chairman, members of the  
12 Commission, I'm Don Cameron, accompanied by Julie  
13 Mendoza of Kaye Scholer, appearing on behalf of POSCO,  
14 the only Korean producer of subject merchandise.  
15 Again, I would like to say thank you for the  
16 opportunity to appear here. We always enjoy coming to  
17 see the Commission.

18 This morning, the vice president of ATI said  
19 something to the effect that one year of profitability  
20 is not enough to justify sunseting these orders.  
21 Actually, a number of witnesses this morning  
22 essentially reiterated the same position. We would  
23 like to point out, this is their version of the case,  
24 not our version of the case. Respondents have not  
25 based our position on the theory that the industry was

1 profitable in 2004; and, therefore, the order should  
2 be lifted.

3 Let's be clear. Our position is that that  
4 2004 profitability discussed this morning is the  
5 result of the massive restructuring that has occurred  
6 in this industry. That restructuring has made this  
7 industry globally competitive. That restructuring has  
8 improved productivity. They themselves are predicting  
9 demand and prices will remain stable at current high  
10 levels.

11 Much more than one year of profitability, we  
12 look at the ability of the U.S. industry to  
13 successfully participate in the U.S. and export  
14 markets. They can do this, they are doing it, and  
15 they are doing so successfully because they are  
16 internationally competitive. That is what our case  
17 is.

18 The removal of the antidumping order with  
19 respect to Korea will have no discernable adverse  
20 impact on U.S. producers. The fact is that even when  
21 POSCO participated in the U.S. market, both before and  
22 after the imposition of the dumping order, POSCO was a  
23 minor factor in this market. Indeed, POSCO's limited  
24 and temporary increase in exports to the United States  
25 occurred in 1997 and was a function of the Asian

1 financial crisis, which it's not clear to me this  
2 morning whether the Asian financial crisis didn't  
3 occur, or whether it's still occurring. But the Asian  
4 financial crisis was a serious economic event. This  
5 Commission dealt extensively with some of the impact  
6 of that. We are very familiar with it as well.

7 But the conditions of competition that  
8 prevailed at the time of the order are not the  
9 conditions of competition that prevail now. Despite  
10 POSCO's current antidumping rate of 1.19 percent,  
11 POSCO has not participated in the United States market  
12 for over four years, and, clearly, an antidumping rate  
13 of 1.19 percent is not a barrier to POSCO's  
14 participation in this market.

15 There has been significant sustained growth  
16 in demand for stainless steel in Asia over the past  
17 four years, and POSCO has fully participated in that  
18 growth. POSCO has been, and remains, at full  
19 capacity, with that capacity dedicated to serving the  
20 domestic market and the Asian market for subject and  
21 nonsubject stainless steel products. The Korean  
22 market and other Asian markets, primarily China, are  
23 projected to remain strong.

24 We would discuss price comparisons between  
25 the United States and Korean merchandise, but we don't

1 have any imports. We can say, as noted at the outset  
2 in Dr. Crandall's discussion, that this product is  
3 priced globally largely because the raw materials are  
4 priced globally, and prices of subject merchandise in  
5 Korea, as in the United States and China, remain  
6 strong.

7 Now, it was suggested this morning that  
8 China is a "short-term explosion," I believe, was the  
9 term used, and it was further implied that it's a  
10 temporary market for Korea, that all of it just kind  
11 of popped up out of thin air. We would refer the  
12 Commission to the data for Korean exports to China  
13 which is presented in Table 4-9 of the Commission's  
14 prehearing report. POSCO's exports to China are  
15 historically strong and growing. It is hardly a  
16 short-term phenomenon.

17 Secondly, to suggest that the United States  
18 market is a viable alternative to China for POSCO  
19 defies belief, and it defies the data. Again, we  
20 refer the Commission to the data.

21 Finally, Petitioners' article that they  
22 referred to this morning with respect to restraints in  
23 China and India, I believe; those references -- it's  
24 very interesting how we talk about subject merchandise  
25 until it's not really convenient for it, and then we

1 kind of morph into stainless steel flat-rolled  
2 product. Well, the references that they are making in  
3 that article were not the subject merchandise.  
4 Imports of subject merchandise for POSCO are not  
5 restrained in China.

6 We would also like to address briefly  
7 Petitioners' theory that stainless steel, cut-to-  
8 length plate from Korea will transform miraculously  
9 into stainless steel coil plate. That's been another  
10 constant theme this morning. We're going to explore  
11 this and give you further data in our post-hearing  
12 brief. I believe that this is a reference to an  
13 exhibit that was given this morning by Petitioners,  
14 and it's also contained in Exhibit 15 of their  
15 prehearing brief.

16 With respect to Korea, let us point out two  
17 things. First, POSCO does not export cut-to-length,  
18 stainless steel plate to the United States.

19 Secondly, POSCO does not produce cut-to-  
20 length, stainless steel plate that is annealed and  
21 pickled. All of POSCO's cut-to-length, stainless  
22 steel plate is not pickled and annealed, and we would  
23 refer the Commission to POSCO's questionnaire and the  
24 production map, and, again, we will further discuss  
25 this in our post-hearing brief, but the point is that

1 this alleged product shift that we are listening to is  
2 yet another boogey man that has no basis in fact.

3 Finally, we would like to discuss very  
4 briefly the capacity issue referred to by  
5 Commissioners Pearson and Okun this morning.  
6 According to NAS, they said they could have produced  
7 more stainless steel plate, but the market wasn't  
8 there. That may be. We don't really know what they  
9 could or could not do, but it would be helpful to the  
10 Commission if it would request the U.S. producers to  
11 put capacity and production of each product produced  
12 from stainless steel melting capacity on the record.

13 The reason we raise this is this issue did  
14 arise in the case of POSCO's response, and we did  
15 supplement the record, as you are aware, in our letter  
16 of March 15th. The reason this becomes relevant is  
17 the following: Yes, POSCO added melting capacity,  
18 but, number one, that melting capacity was not  
19 directed primarily at stainless steel plate. In fact,  
20 POSCO can't roll any more than they melt unless they  
21 import slabs, and that's the same situation as it is  
22 for U.S. producers. Similarly, if POSCO rolls more  
23 stainless steel sheet and coil, it can't produce more  
24 stainless plate if melting capacity is fully utilized.

25 Again, similarly, POSCO can't produce more

1       annealed and pickled plate if all of the annealed and  
2       pickled capacity is being utilized for annealed and  
3       pickled plate and sheet already.

4               Now, we believe that the testimony of the  
5       witness from Allegheny this morning supports the  
6       points that we were making in our March 15th letter,  
7       but to the extent that this data is not on the record,  
8       we suggest that it's useful for all producers to have  
9       this data on the record for both stainless steel plate  
10      and coil, as well as stainless steel and coil, in  
11      order to be able to put capacity, production, and  
12      profitability data into proper perspective.

13              In summary, there is no evidence whatsoever  
14      that POSCO's behavior is affected one way or the other  
15      by the dumping orders. POSCO is not a participant in  
16      the U.S. market now, never was a significant  
17      participant in this market, and imports from Korea  
18      will have no discernable adverse impact on the U.S.  
19      market if the orders are lifted.

20              Thank you very much. I appreciate it.

21              MR. LEIBOWITZ: Mr. Chairman, good  
22      afternoon. I am Lewis Leibowitz. I am counsel in  
23      this proceeding for ThyssenKrupp Acciai Speciali Terni  
24      of Italy and its affiliated U.S. company, ThyssenKrupp  
25      Acciai Speciali Terni USA. Appearing with me this

1 afternoon are my colleagues, Craig Lewis and Helaine  
2 Perlman.

3 I want to briefly discuss two principal  
4 issues. First, there is no likelihood of volume or  
5 price effects from Italian imports should these orders  
6 be revoked, because the volume of imports of subject  
7 merchandise from Italy is not likely to increase; and,  
8 second, cumulation with other countries is  
9 inappropriate, both because imports of subject  
10 merchandise from Italy are likely to have no  
11 discernable adverse impact on the domestic industry  
12 and because the Commission should, in any event,  
13 exercise its discretion not to cumulate imports from  
14 Italy.

15 We are very clearly in a global market for  
16 this merchandise and related stainless steel  
17 merchandise. If TKAST wanted to ship to the U.S.  
18 market, the orders are hardly standing in the way.  
19 The antidumping margins on Italian production are  
20 zero. The countervailing duty margin is between one  
21 and two percent at the current deposit rate. The  
22 figure that the Commerce Department sent over was even  
23 lower, at 0.73 percent, practically de minimis.

24 Despite the virtual irrelevance of these  
25 orders for Italy, TKAST has had minimal shipments of

1 subject merchandise to the United States during the  
2 last four years. The company has maintained high  
3 capacity utilization rates throughout the period and  
4 cannot increase exports to the United States due to  
5 lack of capacity. TKAST has little potential for  
6 product shifting in its production facilities due to  
7 technical limitations and longstanding commitments to  
8 other customers outside the United States.  
9 Inventories are not an issue in this case.

10 So there is no likelihood that Italy could  
11 have significant volume or price impact on the U.S.  
12 industry should these orders be revoked.

13 With regard to cumulation, imports of  
14 stainless steel plate and coils from Italy can have no  
15 discernable adverse impact on the domestic industry if  
16 the antidumping and countervailing duty orders are  
17 revoked. Thus, the Commission may not cumulate such  
18 imports with other subject merchandise.

19 Now, since the original period of  
20 investigation, the United States market for stainless  
21 steel plate and coils, which was never important to  
22 TKAST, has diminished considerably -- I dare say,  
23 almost completely -- in importance. TKAST is focusing  
24 its SSPC, stainless plate and coils, shipments  
25 exclusively on non-U.S. markets.

1                   While maintaining markets in Italy and other  
2 European countries, TKAST successfully developed Asian  
3 markets, especially China, since 1999, importantly,  
4 through an affiliated company, a joint venture in  
5 China producing stainless steel flat products. TKAST  
6 has increased tremendously the level of its exports to  
7 China, and I refer you to the confidential record for  
8 the exact numbers. It has developed production and  
9 shipping capacity to serve that market. It has no  
10 plans to curtail such exports for the foreseeable  
11 future; nor is the market likely to diminish, as Dr.  
12 Crandall asserted.

13                   TKAST recently invested in enhancing its  
14 home market distribution network in an effort to  
15 increase the company's sales in Italy. TKAST is  
16 clearly committed to non-U.S. markets for the  
17 foreseeable future and will not shift its focus to the  
18 United States.

19                   Now, the facts of this case mandate a  
20 decision not to cumulate imports from Italy with other  
21 subject imports, even if there is no finding of no  
22 discernable adverse impact.

23                   As we've said above, TKAST's exit from the  
24 U.S. market for stainless plate and coils has been  
25 shaped by long-term corporate strategies. These are

1 wholly unrelated to the antidumping and countervailing  
2 duty orders and are unique to TKASt. The company no  
3 longer has a stake in the U.S. market for stainless  
4 plate and coils. It would make no sense for the  
5 Commission to cumulate negligible subject imports from  
6 Italy with those of other countries that continue to  
7 have such a stake. If not now, when is it appropriate  
8 to revoke these orders?

9 Thank you very much. I look forward to  
10 responding to your questions.

11 MR. CAMERON: That concludes our testimony,  
12 Mr. Chairman.

13 CHAIRMAN KOPLAN: Thank you, Mr. Cameron. I  
14 want to thank the witnesses for their direct  
15 presentation, and we'll begin the questioning with  
16 Commissioner Pearson.

17 COMMISSIONER PEARSON: Thank you, Mr.  
18 Chairman, and thank you to this panel. I just keep  
19 learning. I'm not always sure what, but I just keep  
20 learning.

21 Mr. Crandall, looking at your Figure No. 5,  
22 which deals with prices for sheet rather than plate,  
23 but I assume that you had the prices available for  
24 sheet, and you have them here kind of as a proxy. Is  
25 that correct?

1           MR. CRANDALL: As you heard earlier today,  
2 sheet is a much bigger product. It's sort of the  
3 bellwether product that attracts what's going on in  
4 the flat-rolled stainless business, yes.

5           COMMISSIONER PEARSON: Okay. What I was  
6 particularly curious about is the divergence in price  
7 for the German product that we see in the earlier  
8 years on this chart. You're looking, for a while, at  
9 a price gap in excess of \$500 per ton. Do you know  
10 what was going on to cause that type of divergence?

11          MR. CRANDALL: I really don't, unless it was  
12 exchange rate movements at the time, but I haven't  
13 gone back to look at that because right now we're  
14 worried about what's happening now, in the recent  
15 past, and looking out into the future. That strikes  
16 me as ancient history, to some extent.

17          COMMISSIONER PEARSON: Well, and it is, but  
18 I'm trying to understand this market.

19          MR. CRANDALL: Well, I could look into that  
20 and give you an answer in the post-hearing brief.

21          COMMISSIONER PEARSON: Because, you know, to  
22 the extent that it operates as a commodity market, my  
23 experience has been that there is enough arbitrage  
24 going on --

25          MR. CRANDALL: Yes.

1                   COMMISSIONER PEARSON: -- so that somebody  
2 finds a way to make money by closing that price gap.  
3 So here we had a several-year period in which a gap  
4 was maintained, and it would be good to understand  
5 why.

6                   MR. CRANDALL: Yes.

7                   COMMISSIONER PEARSON: Of course, this gets  
8 to the question of, is the United States price higher  
9 than the world price, higher than the Chinese price,  
10 et cetera, and, looking forward, is there a basis for  
11 thinking that there might be some price gaps that  
12 structurally there for some period of time and that  
13 could then influence the behavior of participants in  
14 the market?

15                   MR. CRANDALL: Well, if the substantial  
16 portion of the U.S. exports is going to China, then it  
17 must be that, at least, it's remunerative; it can't  
18 get there for free. It costs something to ship it  
19 over there. It must be as remunerative as shipping it  
20 here. And you heard some discussion earlier today,  
21 and it may be the case, that it is a slightly lower-  
22 grade product, and that's why the price is so low.

23                   MR. CAMERON: Commissioner?

24                   COMMISSIONER PEARSON: Yes.

25                   MR. CAMERON: If I may, again, we will look

1 at the issue of the disparity that you point out in  
2 Figure 5. It's an interesting question.

3 I would note two things. One of the things  
4 that we thought was interesting about the chart was  
5 that what it really shows is that after about 2000,  
6 exactly as you theorize, it's commodity product. The  
7 prices globally are moving together, which is the  
8 point. You can talk about whether or not today it's  
9 the same price in markets, but that's not the way  
10 markets work either. But basically what those show is  
11 that within a band, they are all moving together.

12 I would also point out that I don't know  
13 that the Asian crisis is an explanation of this  
14 because, of course, Japan looks like it's right with  
15 the United States. But one of the things about the  
16 Asian financial crisis was that it did disrupt trade  
17 flows in general; and, therefore, one of the questions  
18 is, to what extent that may or may not have played a  
19 role. We don't know. We will be glad to look at it.

20 COMMISSIONER PEARSON: This morning, we  
21 invited the domestic industry to provide additional  
22 information on the record to the extent possible  
23 regarding prices in different parts of the world. My  
24 sense is that what we have so far on the record is  
25 less than entirely illuminating in terms of what is

1 going on and why. I understand this is a market where  
2 it's difficult to get perfect information, but  
3 anything that you could do to help us with that would  
4 be appreciated.

5 MR. CAMERON: We'll be glad to do that.

6 COMMISSIONER PEARSON: Going back to the  
7 question of stainless steel plate prices in China,  
8 does this panel have any information regarding whether  
9 those prices tend to be lower or higher? This  
10 morning, it was quite clear there was a view that  
11 those prices were lower.

12 MR. CRANDALL: I don't know. I think it's  
13 very difficult to get transactions prices from China.

14 MR. CAMERON: Commissioner, we will be glad  
15 to discuss this with our client, but we have observed  
16 one thing. One question is, what is a price, and what  
17 is a net price to the producer? The fact is that net  
18 prices to the United States from Korea are not what  
19 they used to be. That is partly a result of exchange  
20 rates. It is partly a result of ocean freight rates.

21 The Chinese market is a much more valuable  
22 market to Korea today than it was, for instance, five  
23 years ago, in part, as a result of that. So we will  
24 try to get what information we can, but the data  
25 suggest that, in the case of Korea, it is a highly

1 profitable market and one that they have grown in, and  
2 it also suggests that unless one assumes that POSCO is  
3 not a money-making institution, and I think that all  
4 of the public record data suggests quite the opposite,  
5 that it's a very lucrative market, and they are  
6 participating in it.

7 MR. LaRUSSA: Commissioner, we will do the  
8 same. We'll meet with our clients and see what we can  
9 find out about the prices in China.

10 COMMISSIONER PEARSON: Okay. Good. There  
11 is some explanation for what's going on in terms of so  
12 much stuff going to China, and there must be, at  
13 least, some niches where it's profitable.

14 Mr. Leibowitz?

15 MR. LEIBOWITZ: Yes. On behalf of TKAST, we  
16 will go back also and get you some more definitive  
17 information. As I pointed out, there is an affiliated  
18 company, a joint venture, in China which is a major  
19 user of the products that TKAST produces and ships to  
20 China, so we'll have some information. Those, of  
21 course, are internal prices, for the most part, but  
22 we'll be happy to tell you what we can find out.

23 COMMISSIONER PEARSON: Right. I understand,  
24 much of what might be submitted is likely to be BPI,  
25 and, obviously, we'll treat it as such.

1 MR. LEIBOWITZ: Very likely to be.

2 COMMISSIONER PEARSON: Mr. Matera, I was  
3 interested in your discussion of the wide plate and  
4 how it's used to manufacture stainless pipe.  
5 Obviously, you make some pretty good-sized pipes.  
6 Explain to me -- again, what you're doing in making  
7 the pipe is you're taking a single sheet of plate and,  
8 obviously, bending it and then welding it.

9 MR. MATERA: Yes. That's exactly what we  
10 do. For every size pipe, we would use a sheet of  
11 material whose width is equal to the circumference of  
12 the pipe that we're trying to form, and then, either  
13 through a continuous operation or through a batch  
14 operation, we form it into a tube and then weld the  
15 seam together.

16 COMMISSIONER PEARSON: Okay.

17 MR. MATERA: As I stated before, for most of  
18 the commodity pipe that we produce, the spec. does not  
19 allow you to use anything other than a single sheet of  
20 material without getting an exception from the  
21 customer.

22 COMMISSIONER PEARSON: Okay.

23 MR. MATERA: And in the commodity business,  
24 producing a commodity and trying to get an exception  
25 basically puts you out of business.

1                   COMMISSIONER PEARSON: Right. So as a  
2 technical matter, it would be possible to take two 36-  
3 inch plates and weld them, two welds.

4                   MR. MATERA: Absolutely. Yes, you could use  
5 five plates, but it just wouldn't meet the  
6 specification.

7                   COMMISSIONER PEARSON: You would keep your  
8 welding machines busy.

9                   (Laughter.)

10                  COMMISSIONER PEARSON: Okay. Do you know of  
11 any circumstances in which users would buy a wide  
12 plate and then split it so that they would have, for  
13 instance, two 36-inch plates out of one 72. Does that  
14 happen? Is all of the wide plate that's imported used  
15 in a wide form?

16                  MR. MATERA: I would say, in my business,  
17 with respect to the pipe business, you would only buy  
18 a wider plate to produce a larger diameter.  
19 Typically, the wider the material that you buy, the  
20 more of a premium you're going to pay for it.

21                  So, in the case of our business, when we're  
22 producing the 20- and 24-inch pipe, we are using  
23 product that's not available to us in the U.S., but it  
24 is still the only economical way of producing it.

25                  I think I mentioned in my testimony that it

1 would be possible to produce the pipe from discrete  
2 plate, but the historical cost of discrete plate is  
3 significantly higher than plate produced in coil form,  
4 and we have the capabilities of processing the coils,  
5 so that's the most economical way of producing the  
6 product.

7 COMMISSIONER PEARSON: And you had mentioned  
8 also that there is a substantial amount of competition  
9 that you face for sales of the stainless pipe. So  
10 your ability to negotiate with a customer, to say,  
11 "Hey, I'll make you some pipe with two seams," that's  
12 perhaps limited, given that other suppliers from other  
13 countries --

14 MR. MATERA: It's extremely limited on these  
15 global projects when you try to take exceptions, and  
16 your competition doesn't.

17 COMMISSIONER PEARSON: Okay. Fine.

18 MR. LaRUSSA: If I could just add to that,  
19 Commissioner Pearson, the same goes for the other  
20 uses, many of the other uses, of the wide plate that  
21 are sold by my client, U&A Belgium. They are also  
22 sold, these big vessels and big tanks, for various  
23 industries, and the same thing goes: You don't want a  
24 lot of welds there. The customers don't want a lot of  
25 welds there. It doesn't meet the specifications. So

1 it's not just pipe; it really goes almost across the  
2 board.

3 COMMISSIONER PEARSON: Thank you very much.

4 Mr. Chairman, my red light is on.

5 CHAIRMAN KOPLAN: Thank you, Commissioner  
6 Pearson.

7 I just want to understand something before I  
8 ask this first question. With regard to your joint  
9 prehearing brief, am I correct that -- I know Mr.  
10 LaRussa, Mr. Cameron, and Mr. Leibowitz all signed  
11 that -- did you break that up so that each one of you  
12 took responsibility for the particular country that  
13 you were representing in the brief?

14 MR. LaRUSSA: Yes.

15 CHAIRMAN KOPLAN: Thank you. Okay. Then I  
16 guess I'll direct this first one to Mr. LaRussa.

17 At page 10 of the joint prehearing brief,  
18 you state, in summing up your argument on that page,  
19 that, and I quote, "the general view is that imports  
20 of Belgian SSPC are a 'benefit to the industry' and do  
21 'not harm the U.S. market.'"

22 Now, you cite to the confidential prehearing  
23 staff report in Chapter 2, page 5, and your reference  
24 to that is footnote 21 in your brief. However, it  
25 appears to me that you've taken great liberty in

1 selectively lifting the two phrases that I mentioned  
2 in quotes from the full text of the sentence in the  
3 staff report. That sentence is as follows: "Two  
4 purchasers, whose identity is BPI so I can't identify  
5 them here, indicated specifically that Belgium might  
6 be likely to export more stainless steel plate if the  
7 antidumping duty orders were revoked, with one of  
8 those purchasers, whose name I cannot reveal here,  
9 adding that Belgium's large product range would be a  
10 'benefit to the industry' and 'not harm the U.S.  
11 market.'"

12 As I read that sentence, in full, it goes  
13 against your argument rather than supports it, and I  
14 would like you to respond to that.

15 MR. LaRUSSA: Well, actually, we actually  
16 had a lot of discussion about that sentence.

17 CHAIRMAN KOPLAN: You did?

18 MR. LaRUSSA: Yes, and what exactly the  
19 construction was and who the industry was. But, you  
20 know, our view of it, basically what it was saying  
21 was, look, more imports or fewer imports -- I know the  
22 customer you're talking about, and I can't mention it  
23 because it is APO, but our view is that basically what  
24 they were saying was that since these are wide width,  
25 since nobody else makes them, they are a benefit to

1 the U.S. market and the U.S. industry because they are  
2 basically filling a gap that the U.S. domestic makers  
3 can't fill. That was our reading of the sentence.

4 Now, obviously, the sentence -- we were  
5 paraphrasing. Where is the sentence exactly?

6 CHAIRMAN KOPLAN: I think it would have been  
7 more helpful if you had quoted it, just leaving out  
8 the names of the two customers.

9 MR. LaRUSSA: That may well be, Mr. Koplan.  
10 I used to be a journalist, and I don't like taking  
11 quotes out of context, but we read the final brief,  
12 and we thought it worked, but certainly we can take  
13 some responsibility for that. But I do think the  
14 point is, if you look at what the consumers, the  
15 purchasers, said here, what we've heard today, that  
16 basically it's generally known, and what was said this  
17 morning, it's generally known that the stuff is not  
18 made, that there are customers in the U.S. market who  
19 need it, that it can't really be too much of a burden  
20 on the U.S. industry, who doesn't make it. But I  
21 totally understand your point, and as far as to  
22 clarify it in the post-hearing brief, we certainly  
23 will.

24 CHAIRMAN KOPLAN: No. I think you just did.

25 MR. LaRUSSA: Thank you.

1                   CHAIRMAN KOPLAN: And I would say, I do  
2 understand your argument. I think that you made a  
3 huge leap extracting just those two phrases from that  
4 sentence and coming up with a general conclusion.  
5 That's where I am on that.

6                   MR. LaRUSSA: Okay. We appreciate that, Mr.  
7 Chairman.

8                   CHAIRMAN KOPLAN: I just wanted to point  
9 that out.

10                  MR. LaRUSSA: Thank you.

11                  CHAIRMAN KOPLAN: Now, Mr. Cameron, if I  
12 could turn to you.

13                  MR. CAMERON: Yes, sir.

14                  CHAIRMAN KOPLAN: With respect to Korea, you  
15 argue in your joint prehearing brief that its imports  
16 are likely to have no discernable adverse impact, and  
17 at page 6 you state, and I quote: "POSCO is unlikely  
18 to reenter the market in the foreseeable future, given  
19 strong demand in its home market and its main export  
20 markets throughout Asia."

21                  However, I note that at Chapter 4, pages 18  
22 and 19, of the confidential staff report, reference is  
23 made to the fact that Korea's home market shipments of  
24 stainless steel plate decreased from 2003 to 2004  
25 while its total exports rose. I can't cite the

1 percentages because they are bracketed, but when I  
2 look at the trends during the period under  
3 examination, as reflected in Table 4-9, -- that's in  
4 Chapter 4 of the staff report -- I don't believe the  
5 numbers reflect strong demand at that stage of our  
6 proceedings in Korea's home market, and I wonder if  
7 you could respond to that.

8 MR. CAMERON: Yes, Commissioner. Thank you  
9 very much for that question. Actually, we appreciate  
10 that.

11 We would refer you to our March 15th letter  
12 in which we specifically address this issue. Again,  
13 much of the data is confidential, and yet what we said  
14 in that was that, first of all, and it basically gets  
15 back to what we were referring to in our testimony,  
16 number one, it depends on how you are defining the  
17 "home market." The internal transfers are not  
18 contained in the -- we can't get into the discussion -  
19 -

20 CHAIRMAN KOPLAN: I know.

21 MR. CAMERON: -- but they aren't in your  
22 table. That is the reason that we both gave you the  
23 internal transfers and pointed out that when you look  
24 at internal transfers and domestic shipments, indeed,  
25 it is strong. Moreover, you cannot look at stainless

1 steel plate alone; it is stainless steel plate and  
2 coils, and it is stainless steel sheet and coils, and  
3 if you look at our March 15th letter, at pages 4 and  
4 5, the data absolutely support the fact that our  
5 domestic market was quite strong. Thank you.

6 CHAIRMAN KOPLAN: Thank you. Thanks for  
7 your response.

8 Let me turn to another issue. I notice, in  
9 Chapter 4, pages 14 and 15 of the confidential staff  
10 report mentions made of the fact that Atlas Stainless,  
11 then a division of Atlas Steels, was the sole Canadian  
12 producer of stainless steel plate and that both of  
13 those operations closed in early 2004. I know that no  
14 data on its operations is currently available. You  
15 reference this on page 20 of your joint pre-hearing  
16 brief and state there is sufficient evidence on the  
17 record to conclude that there will be no exports to  
18 the United States from Canadian in the foreseeable  
19 future. However, domestic interested parties claim at  
20 page 24 of their pre-hearing brief that 'Atlas is  
21 actively pursuing a new owner with an eye to  
22 restarting operations depending on the outcome of the  
23 sunset review.' And Exhibit 2 of that brief  
24 identifies the Atlas Stainless facilities at Tracy,  
25 Quebec, as the plant that would be restarted.

1                   Currently, we have no evidence that facility  
2                   has been disassembled. The domestics covered that,  
3                   this issue in this morning's direct presentation and  
4                   I'd like you to comment on that, as to whether what  
5                   I've just read in their testimony this morning changes  
6                   your view on what might be happening in Canada.

7                   MR. CAMERON: Mr. Chairman, other people may  
8                   have a view on this, but our view is that it does not  
9                   change it one iota. Number one, until we saw Exhibit  
10                  2 in the pre-hearing brief, I believe that it is fair  
11                  to say that there is no way that we would ever have  
12                  known how that information ever was there or not.

13                  Number two, we heard speculation from an  
14                  economic consultant this morning that, well, it had  
15                  been purchased by a scrap dealer and that they may put  
16                  it into operation.

17                  At this point, it is fair to say that that  
18                  facility is closed. And the fact is that the only  
19                  conclusion that we have, unless somebody is going to  
20                  show me the money, is that it's going to remain  
21                  closed. And to suggest otherwise is basically what  
22                  they engaged in this morning, which was gross  
23                  speculation.

24                  CHAIRMAN KOPLAN: I understand you're not on  
25                  this issue?

1 MR. CAMERON: That's correct.

2 CHAIRMAN KOPLAN: Thank you. I see my  
3 yellow light is on, so I won't move to another --

4 MR. CAMERON: But, we are extrapolating from  
5 the data that's on the record, as opposed to  
6 speculation.

7 CHAIRMAN KOPLAN: Thank you for that, Mr.  
8 Cameron. I'll turn to the Vice Chairman.

9 VICE CHAIRMAN OKUN: Thank you, Mr.  
10 Chairman, and let me join in welcoming all of you on  
11 this panel this afternoon. We appreciate your being  
12 here and your willingness to answer our questions.

13 Let me just see, was there anyone, who  
14 disagreed with Mr. Cameron, with regard to Canada,  
15 anything else that you wanted to add, since he had  
16 such a strong opinion?

17 MR. LARUSSA: I've been to a lot of steel  
18 conferences and I've heard a lot of things and I think  
19 we'll wait to see what happens before we lend much  
20 credence to that.

21 VICE CHAIRMAN OKUN: Mr. Leibowitz?

22 MR. LEIBOWITZ: I think, Commissioner Okun,  
23 it's not likely that this Canadian producer in the  
24 reasonably foreseeable future will ship volume --  
25 significant volumes to the United States.

1                   VICE CHAIRMAN OKUN: Okay. I appreciate  
2 those further comments. Mr. LaRussa, let me turn back  
3 to you and the chart with regard to Belgium's imports  
4 with wide-width material. And you've now put this out  
5 here, the figure for 2004 being 90 percent, being  
6 above 60 inches. For post-hearing, if you could go  
7 back to the original investigation to Table 4-3 of the  
8 original staff report, which shows the mix of Belgium  
9 imports, also by inches, during that period and  
10 comment on that. And to the extent you can do so  
11 here, if you can just tell me how I should take that  
12 into account when determining what mix of imports from  
13 Belgium would come in, if the order were lifted.

14                   MR. LARUSSA: Yes, I can, I can comment on  
15 it now. We'll also comment on it in the brief.  
16 There's been a lot of changes, not only in the U.S.  
17 industry, but also in the global industry since the  
18 investigation. And one of those is that the company,  
19 UNA Belgium, it was part of a merger -- the Arcelor  
20 merger that took place in 2002. And as a result of  
21 that, basically, the business plan that was set down  
22 by the company was that they would focus on their core  
23 products. Their core products for the U.S. market,  
24 and I talked at length with the company about this,  
25 are the wide-width material.

1           You know, as I said before, if you take a  
2           look at what we've done in the market, I think it's  
3           impossible for anybody to argue that a two-and-a-half  
4           percent margin is basically stopping them from  
5           shipping anything other than wide width. What they've  
6           determined is that for the U.S. market, they've got a  
7           great niche here and that's where they're going to  
8           stay. And we can supplement that in our post-hearing  
9           brief, but that was a business decision that was made.

10           VICE CHAIRMAN OKUN: If there's anything  
11           with regard to that from the company with regard to  
12           the business decision and describing

13           MR. LARUSSA: Great.

14           VICE CHAIRMAN OKUN: -- the products and how  
15           -- where the focus would be, I would appreciate --

16           MR. LARUSSA: We'll do that.

17           VICE CHAIRMAN OKUN: -- hearing that for  
18           post-hearing.

19           MR. LARUSSA: Thank you.

20           VICE CHAIRMAN OKUN: Okay, I appreciate  
21           that. Let me now turn, Mr. Leibowitz, I think I'll  
22           start with you. You had talked about the company's  
23           decision to look to China and you mentioned a joint  
24           venture that the company has in China. Can you  
25           comment here -- I assume some of this proprietary, but

1 for post-hearing, can you tell me whether the company  
2 is shipping more or less into China for 2005 than it  
3 is for 2004?

4 MR. LEIBOWITZ: Now, Vice Chairman, I'll  
5 have to get back to you on that in the post-hearing.  
6 I don't have the exact numbers here with me, but I'll  
7 be happy to do that on the post-hearing brief.

8 VICE CHAIRMAN OKUN: Okay. I'd appreciate  
9 doing that. And then I wasn't sure, you may have  
10 commented on this, is that the only -- is it only the  
11 joint venture shipping to the joint venture or is the  
12 company shipping to other places in China, as well?

13 MR. LEIBOWITZ: The exact breakout, again, I  
14 don't have the exact information, so I'll have to  
15 develop that and put it in our post-hearing  
16 submission. A considerable volume of material is  
17 going to the joint venture. It is a billion-dollar  
18 stainless steel production facility.

19 VICE CHAIRMAN OKUN: Okay. Any additional  
20 information you could provide on that.

21 Let me ask the other representatives from  
22 the other subject countries, if you could comment, ,as  
23 well, without getting into proprietary information,  
24 whether your company -- the company is shipping into  
25 China; if so, if it's shipping more or less from 2004

1 to 2005, and whether you have -- whether there is a  
2 joint venture involved. Mr. LaRussa?

3 MR. LARUSSA: Yes. Because of the  
4 proprietary nature of some of that, what I'd like to  
5 do is just respond in brackets in the post-hearing  
6 brief, if you don't mind.

7 VICE CHAIRMAN OKUN: No, I appreciate that.

8 MR. LARUSSA: Thank you.

9 VICE CHAIRMAN OKUN: Mr. Cameron?

10 MR. CAMERON: I believe that we do have some  
11 joint ventures. Whether or not the plate -- I believe  
12 that some is to joint ventures, but we will clarify  
13 that and we will also be more than happy to get you  
14 the data for 2005.

15 VICE CHAIRMAN OKUN: Okay.

16 MR. CAMERON: Thank you.

17 VICE CHAIRMAN OKUN: I appreciate that.  
18 Let's see, I'll start again with you, Mr. Leibowitz.  
19 If we look at the period and demand in the United  
20 States and demand elsewhere in the world, as Mr.  
21 Crandall has spoke to this morning, and you've talked  
22 about prices being high in the other areas in the  
23 world, I wonder if you could, each of you comment on  
24 why, then, did we see the increase in subject imports  
25 into the United States; and if it's great everywhere,

1       what's drawing the non-subjects in and what do I take  
2       from that in looking at what would be the behavior of  
3       subject imports where the order to be lifted?

4               MR. LEIBOWITZ: I could start and, again, I  
5       don't want to get too much into speculation. I think  
6       what we have, as I mentioned in my testimony, is a  
7       global market. So, the goods flow -- and it's much  
8       more of a global market than it was in 1998. The  
9       goods flow where there is demand. There has been  
10      increased demand in the United States and, therefore,  
11      there is increased call for imported products, simply  
12      because the U.S. industry is running at capacity and  
13      cannot ship anymore material. So, if the users of  
14      this material require more of it, it has to be  
15      imported. So, you'll see that the imports will be the  
16      marginal participants in the market. And if there is  
17      a restriction, that will cause importers of subject  
18      merchandise to develop other markets, which they did.  
19      So, they don't have the ability to shift back to the  
20      United States as quickly as those countries that  
21      didn't have to adapt to the existence of an order  
22      since 1999. So, that's just a starting point for this  
23      discussion. But, I think it's quite natural to expect  
24      that.

25               VICE CHAIRMAN OKUN: Mr. LaRussa?

1                   MR. LARUSSA: Yes. I mean, if the U.S.  
2 companies are going, as Dr. Crandall said, at either  
3 full capacity or the capacity they -- the unused  
4 capacity is not economical and if, as we heard in  
5 public testimony today, that there was no -- given the  
6 strength of the market, there was no ramping up of  
7 this capacity to try to meet the need in the U.S.  
8 market and if, as we've seen, the exports from the  
9 U.S. industry have increased significantly, there's  
10 probably going to be some gaps in the U.S. market that  
11 are going to be filled elsewhere. I'm assuming if  
12 they use some of that unused capacity to produce  
13 material, they being the domestic industry, to produce  
14 material and try to sell it out in the U.S. market,  
15 things might be different. But, I think we heard  
16 something different today. Their full capacity, the  
17 stuff they have, maybe isn't quite as efficient as it  
18 could be for the market, and they're exporting. So, I  
19 would assume that they're exporting and there are some  
20 little gaps there and they're being filled by some  
21 imports.

22                   But, look at the numbers. The numbers still  
23 are not high in terms of import penetration.

24                   MR. CRANDALL: Let me just point out that  
25 this -- the development of this trend of imports and

1 exports growing for this particular product or, as I  
2 showed in my testimony for all stainless plate and  
3 coil or all hot-rolled sheet and stainless plate and  
4 coil, it's very common in other markets. I mean, 30-  
5 35 years ago, economists studying comparative  
6 advantage pointed out that many countries both import  
7 and export certain -- products of certain industries;  
8 that is, you specialize in some part of the product  
9 mix. In this case, it may be a geographical  
10 specialization or it may be a product specialization.  
11 But, it's hardly unusual. There are many, many  
12 industries, in which we are both importers and  
13 exporters of commodities or products.

14 VICE CHAIRMAN OKUN: Ms. Mendoza?

15 MS. MENDOZA: Sorry, yes. I just wanted to  
16 -- not adopting all the comments that have been made,  
17 just to point out that the information on the record  
18 with respect to non-subject imports, I believe, was  
19 taken from the petition due to the fact that it's very  
20 difficult due to the HTS classifications and the  
21 coverage of the products to actually determine what  
22 are subject products in this investigation. So, I'm  
23 not sure whether -- you know, if the Commission is  
24 interested in pursuing this, whether it makes sense to  
25 try to get some more -- you know, precise data on this

1 particular point, because I think it is generally a  
2 problem figuring out, of these HTS numbers, what is  
3 actually subject imports. So, it's -- these data may  
4 or may not be reliable.

5 VICE CHAIRMAN OKUN: I will look at that,  
6 although I think I know what the answer is. But, let  
7 me take a look at that.

8 Let me, also, ask you -- I see my yellow  
9 light is on. I think I will wait, since it's not a  
10 yes or no question. And since I didn't have time to  
11 go outside and enjoy the sunshine that Mr. Cameron  
12 talked about during lunch, I'll just stop there, Mr.  
13 Chairman.

14 CHAIRMAN KOPLAN: That's a good place for  
15 you to stop. Commissioner Miller?

16 COMMISSIONER MILLER: Thank you, Mr.  
17 Chairman, and welcome to all of the panel members and  
18 thank you for being here.

19 Let's see, following up from a couple of  
20 questions I've heard already, Mr. LaRussa, you said  
21 you'll address Vice Chairman Okun's question about the  
22 issue of the wide plate and the company's decision to  
23 focus. But, you'll also going to address the period -  
24 - the original period of investigation and what the  
25 relative shares were there. I'm interested in that,

1 as well. So, I'll look for your answer. But when you  
2 talk about that, as well, I don't know if you're  
3 saying, in any way, that the company's production mix  
4 has changed or if it's just the way it approaches the  
5 U.S. market that has changed.

6 MR. LARUSSA: Well, certainly the way it's  
7 approached the U.S. market has changed. I mean, I've  
8 been representing Arcelor in a lot of different  
9 proceedings over the last several years and basically  
10 what Arcelor often makes are very specialized niche  
11 products that often can't be made by the domestic  
12 industry or other industries where they're shipping.  
13 And they basically made a strategic decision in the  
14 United States market about the U.S. market that  
15 they're going to stick with what they consider their  
16 core products, which is the wide width, which is,  
17 obviously, something that they can sell, because  
18 there's no competition there and I guess they do  
19 pretty well, given that.

20 Now, I've talked to the company about this  
21 and, as I said, we can, basically, put something on  
22 the record from the company. But my understanding is  
23 it's a decision about how to treat the U.S. market and  
24 what to do in the U.S. market.

25 COMMISSIONER MILLER: And I guess, you know,

1 the difficult I have with that is we always -- at  
2 least for me, you know, the behavior of companies  
3 while under order doesn't necessarily tell you much  
4 about what their behavior is likely to be once they're  
5 out from under an order. Usually what's more  
6 informative, frankly, is what's happening before there  
7 was an order. So to the extent there's something from  
8 the company that kind of helps me over that --

9 MR. LARUSSA: I mean, a lot has changed,  
10 obviously. I can -- I can't cite -- I don't want to  
11 cite the APO data, but if you take a look at our APO  
12 data, all right, on basically the -- looking globally  
13 where we shipped our products, it's obvious that,  
14 first of all, they made the decision. But, secondly,  
15 it really is, as everybody has been saying, Dr.  
16 Crandall and everybody else, it's a different world  
17 today. And their biggest strength is in Europe. A  
18 very large percentage of their product goes to Europe.  
19 I mean, Belgium is a small company; but, obviously,  
20 they're a European company. They ship to Europe. And  
21 you can take a look at the numbers -- I don't know if  
22 the company would want me to say exactly what the  
23 numbers were -- but you can take a look at the numbers  
24 and basically see that Europe is where they're focused  
25 on a lot of these products.

1                   Secondly, they ship to Asia. They ship to  
2 Asia in a way that they didn't ship. They made a  
3 strategic decision several years ago that Asia was a  
4 critical market for this product for them. And I  
5 think if you take a look at the numbers in the staff  
6 report, what you'll see is, first of all, Europe is  
7 their market. Secondly, they've shifted to Asia,  
8 because Asia is such a lucrative market for that. And  
9 third, the United States really isn't that important.

10                   MR. CRANDALL: Could I just add one thing to  
11 that? I want to stress again that the world -- the  
12 stainless flat-rolled business is operating pretty  
13 much at full capacity. There isn't this reserve of  
14 excess capacity just waiting to ship into the United  
15 States.

16                   Secondly, our share of total world  
17 consumption has fallen rather substantially. It was  
18 about 16 percent when you launched your first  
19 investigation. Today, it's 11 percent and it's  
20 forecast to fall to about nine percent by 2009. This  
21 isn't if we're this huge market inviting excess  
22 capacity, which doesn't exist. We're a small part of  
23 the total market and there is no excess capacity.

24                   COMMISSIONER MILLER: I know Mr. Leibowitz  
25 wants to comment. I'm going to come right back to

1 you. But, let me just follow-up with Mr. Crandall.  
2 The numbers you decided, did they relate to stainless  
3 steel plate?

4 MR. CRANDALL: They relate to all stainless  
5 flat-rolled products, principally. I mean, they're  
6 hot-rolled and cold-rolled. It's the way CRU breaks  
7 them down. But, again, I mean, going back to the  
8 existence of capacity, the capacity to melt and hot  
9 roll is the ability to ship either as hot-rolled plate  
10 or sheet or to ship as cold-rolled. You can then  
11 further roll it in a cold roll. So, I mean, this is a  
12 fungible product until it gets to the end.

13 COMMISSIONER MILLER: Well, I understand  
14 your point, but with all due respect, Mr. Crandall,  
15 and your testimony was very interesting, in terms of  
16 sort of a primer of what's going on with the stainless  
17 steel flat-rolled industry, we have to analyze this  
18 industry based on the domestic industry that is  
19 producing our domestic-like product, which means for  
20 the most part, the numbers you've presented to us,  
21 frankly, I can't use them. They're not -- they don't  
22 fit into the analysis that I'm required to do by  
23 statute, unless learned counsel here, which there are  
24 many, would like to comment and tell me I'm wrong.

25 MR. CAMERON: Commissioner, just for one

1 moment in thought.

2 COMMISSIONER MILLER: I'm sure Mr. Cameron  
3 would like to tell me I'm wrong. Mr. Leibowitz would,  
4 as well.

5 MR. CAMERON: Well, but this isn't -- it's  
6 not -- actually, Commissioner, I'm not actually saying  
7 that you're wrong. But, we have a problem here and  
8 that is how to intelligently discuss the data that you  
9 have access to, that we have access to, in a public  
10 forum, where you can make a comprehensive statement,  
11 right, and be able to basically convey what is  
12 happening in the industry. The figures that he gave,  
13 number one, are publicly available. Number two, they  
14 are representative of what happens in this industry.  
15 Number three, the distinction between 4.75 above and  
16 below is, with all due respect, somewhat artificial  
17 and has created many of the problems that we have in  
18 being able to get a comprehensive view of this  
19 industry. And number four, a bell weather product,  
20 for instance, the product that he chose as the pricing  
21 product, a bell weather product is a bell weather  
22 product for that reason.

23 We stand and will more than happy -- be more  
24 than happy to analyze the confidential data on the  
25 record, which we have done. But, we are suggesting to

1 you that the public data that was presented by Dr.  
2 Crandall this morning is a legitimate, valuable  
3 surrogate for that data for purposes of public  
4 discussion. We would ask you to analyze his  
5 statement, in light of the confidential data. And,  
6 frankly, I believe that our public data and the  
7 representativeness of that public data is a lot more  
8 accurate, in terms of what has been happening in this  
9 industry, than a statement that basically it's the  
10 same industry as it was in 1999.

11 COMMISSIONER MILLER: So, I'm wrong. I'm  
12 going to give Mr. Leibowitz a chance, because he's  
13 been wanting to make a comment.

14 MR. LEIBOWITZ: Well, I have. I would like  
15 to return to the question that you asked at the outset  
16 --

17 COMMISSIONER MILLER: Please.

18 MR. LEIBOWITZ: -- of the discussion, which  
19 is the relevance of information or the behavior of a  
20 company during the course of an order rather than  
21 before it. I'll state the obvious: someone, who was  
22 married for five years, is not necessarily going to  
23 behave the way he did or she did before he or she got  
24 married, if they get divorced. I don't --

25 COMMISSIONER MILLER: Now, is that

1 irrelevant?

2 MR. LEIBOWITZ: I don't think the main -- I  
3 think the company --

4 CHAIRMAN KOPLAN: Do you have any authority  
5 for that?

6 (Laughter.)

7 MR. LEIBOWITZ: I think a company's behavior  
8 changes, as well. I want to point out, I agree with  
9 the emphasis --

10 (Laughter.)

11 MR. LEIBOWITZ: I agree with the emphasis on  
12 how the world has changed and it has changed. The  
13 companies have changed, too. Behavior during the  
14 course of an order may be very relevant, if the order  
15 is essentially gone. And you have before you three  
16 companies, where the order is not a constraint on  
17 their selling into this market, should they desire to.  
18 And that's very different from prohibitive margins  
19 that have existed throughout the course of an order.  
20 So with apologies for the parable, I do think that the  
21 behavior during the course of the order, certainly for  
22 my client, and I put it to you for these other two  
23 companies, as well, is very, very relevant. So, pay  
24 attention to the changes in the market, but also pay  
25 attention to their behavior once --

1                   COMMISSIONER MILLER: Yes. I take your  
2 point there. I think your reference to the size of  
3 the margins, although it's not something I like to  
4 consider a lot, I understand what you're saying there,  
5 at least, in terms of the effect on companies. Mr.  
6 LaRussa, did you want to comment --

7                   MR. LARUSSA: I'd just like to urge you --

8                   COMMISSIONER MILLER: -- on that, give your  
9 thoughts?

10                  MR. LARUSSA: -- given your statement to Dr.  
11 Crandall, I'd just like to urge you to look at his  
12 report that's on the record filled with confidential  
13 data, which I think -- and, obviously, it's a very  
14 difficult situation. I mean, this is an artificial  
15 distinction. It's based on gauge. It's not a  
16 distinction the steel industry follows. It's a  
17 distinction that was crafted for the scope of this  
18 order.

19                  And just for the record, I've been married  
20 23 years and my behavior has not changed.

21                  (Laughter.)

22                  COMMISSIONER MILLER: I want to bring your  
23 wife under oath here.

24                  (Laughter.)

25                  MR. CRANDALL: Could I add an analytical

1 point, without getting into this colloquy? First of  
2 all, it is certainly true that your responsibility is  
3 to analyze this particular product in this particular  
4 market, but you can't do it without analyzing it in  
5 the context of the overall flat-rolled product market,  
6 because what you have to understand is, you can't  
7 possibly analyze the market for six penny nails,  
8 separate from the market for eight penny nails,  
9 separate from the market for 10 penny mails, if  
10 they're all made on the same machines, okay. And  
11 that's exactly what's happening here. The idea that  
12 somehow, if these orders are revoked, that product  
13 will start flowing into the United States, means that  
14 product has to be divergent from the production of  
15 other products. And it's not just from stainless  
16 flat-rolled coil, stainless coil plate. It could be  
17 from cold-rolled plate. And the opportunity cost of  
18 doing that is the loss of revenues elsewhere. If  
19 those prices are going up, they're not going to ship  
20 plate into this market. So, you have to take that  
21 into account.

22 COMMISSIONER MILLER: I appreciate the point  
23 --you know, you might appreciate with. But, anyway,  
24 with that, no further questions at this point.

25 CHAIRMAN KOPLAN: Commissioner Lane?

1                   COMMISSIONER LANE: Good afternoon. On  
2 behalf of the majority of the Commission, we would  
3 like to apologize to you for getting here late. And  
4 if we missed anything important when you all started  
5 without us, we will read the transcript.

6                   (Laughter.)

7                   MR. CAMERON: It was a nice day out,  
8 Commissioner. That's not a problem. We're not going  
9 to repeat it all.

10                  COMMISSIONER LANE: Okay. And Dr. Crandall,  
11 reading your resume here, I am very impressed, but I  
12 feel like I would be better -- my background would  
13 lead me better to sit here this afternoon and discuss  
14 telecommunication policy and cable policy, than  
15 stainless steel plate. You've had a very extensive  
16 career in a lot of the subjects that I do know  
17 something about. So, maybe, sometime, we'll have a  
18 chance to chat about that. But, let's go to stainless  
19 steel plate.

20                  Now, I think that I heard this morning that  
21 the industry is not operating at full capacity, that  
22 it has got a lot of excess capacity and that is of  
23 some concern. And then I think I heard you say that  
24 that is wrong, that the industry is operating at full  
25 capacity. And I would like to know what do you base

1 that statement on and do you have any data to show me  
2 or in the post-hearing brief, so that I can take a  
3 look at that?

4 MR. CRANDALL: Well, I base that conclusion  
5 on what's been happening to prices of all flat-rolled  
6 stainless products. For them to sit there, if they do  
7 have excess capacity, and those numbers are  
8 confidential, and not to sell it into this booming  
9 market must suggest that that capacity is not  
10 economic, even at today's prices, even though margins  
11 are rising dramatically, as my first figure showed.  
12 There are substantial profit margins, even though --  
13 and you can go look at pages 3-10 and 3-15 to see  
14 whether prices have been rising more rapidly than raw  
15 material costs, and for the entire industry, they must  
16 be for the flat-rolled industry, because these margins  
17 are expanding dramatically.

18 So, to the extent that they are reporting  
19 capacity that in a competitive market they're not  
20 using with prices this high suggests that they don't  
21 believe it to be economic capacity at these prices  
22 either. Now, maybe if the price of stainless goes  
23 from, I don't know, \$2,500 a ton to \$10,000 a ton,  
24 maybe it suddenly becomes profitable then. But, I  
25 don't think it's meaningful capacity, at these prices.

1 And I gave you an analysis using confidential data in  
2 the report that I appended to Respondent's brief.

3 COMMISSIONER LANE: And so, you don't really  
4 -- aren't really pointing to any statistics to show  
5 that the domestic industry has no excess capacity?

6 MR. CRANDALL: The numbers on capacity for  
7 this industry, now, for melting and rolling, are, of  
8 course, confidential, at this point, so I can't talk  
9 about them. What I'm saying is that if what is  
10 happening to prices does not bring this capacity into  
11 operation, then surely one must doubt -- I mean, you  
12 can write down anything you want as capacity, as to  
13 whether you would ever bring it back on stream or not.  
14 I mean, the scrap dealer, who owns Atlas, can write it  
15 down as his capacity, but he hasn't chosen to reopen  
16 it even at these prices. So, you have to ask  
17 yourself, is what they report for melting capacity or  
18 for rolling capacity, whichever one is the constraint,  
19 a reasonable measure of what they could produce at  
20 these very high prices.

21 COMMISSIONER LANE: Okay. You're going to  
22 have to explain to me a little bit more in simpler  
23 terms. What about demand? Is there demand out there  
24 that is not being met?

25 MR. CRANDALL: Not at the current price, but

1 prices today are far in excess of costs. If, in fact,  
2 for efficient producers, you would think that if, in  
3 fact, this capacity that could be used were brought on  
4 stream, that these people could compete -- they would  
5 probably drive the price down a little bit in doing so  
6 -- and sell more product. Obviously, the market is  
7 clearing at today's prices. There's no rationing that  
8 I know of -- there may be some, but there's not a lot  
9 of rationing. So, the market is clearing. But what  
10 I'm saying is, they are choosing not to try to take  
11 customers away from their rivals by rolling out this  
12 capacity, if, indeed, they are reporting excess  
13 capacity.

14 MR. MATERA: Can I make a comment about the  
15 capacity issue?

16 COMMISSIONER LANE: Yes.

17 MR. MATERA: In my prior life, I spent 25  
18 years on the other side of the business producing  
19 aluminum sheet and plate and coil. And managing many  
20 different facilities, I would attest to the fact that,  
21 usually, the acid test of when a plant is operating at  
22 capacity is what's being produced when lead times  
23 start extending, because when lead times start  
24 extending, what that says is that your plant is  
25 operating about what the instantaneous capacity is.

1 And starting in about November of 2003, still today, I  
2 think if you ask the domestic mills, all of them would  
3 tell you that their lead times have extended from  
4 normal mill lead times of six to eight weeks, out to,  
5 in some cases, in some points in time, to as much as  
6 20 weeks. So, from an old mill guy, that would tell  
7 me that those plants, at least at the instantaneous  
8 level, are pretty much operating at their capacity.

9 COMMISSIONER LANE: Mr. Cameron, when you  
10 were talking about Korea and where the Korean product  
11 went, I wasn't sure where you said the product was  
12 going.

13 MR. CAMERON: Thank you, Commissioner.  
14 Actually, if you turn to Table 4-9 of the pre-hearing  
15 report, it will show you that most of it actually goes  
16 to China and the domestic market. And that, also, is  
17 the point of the letter that we submitted on March  
18 15<sup>th</sup>.

19 COMMISSIONER LANE: Okay. I knew what the  
20 table showed. I thought you said that a lot of the  
21 product was going to the European Union.

22 MR. CAMERON: No, Commissioner.

23 COMMISSIONER LANE: Okay.

24 MR. CAMERON: I mean, I think that we sell  
25 some, but nothing --

1 COMMISSIONER LANE: Okay.

2 MR. CAMERON: -- nothing that you would want  
3 to talk about as significant.

4 COMMISSIONER LANE: Okay. If, as we heard  
5 this morning, the Chinese production and capacity is  
6 increasing and that soon nobody is going to be able to  
7 sell into China, because the Chinese are producing all  
8 that they need, where do you think the Korean market -  
9 - or the Korean production will go?

10 MR. CAMERON: With all due respect,  
11 Commissioner, we don't agree with that hypothesis.  
12 The fact that production increases in China, which it  
13 may -- very well may -- I believe that, actually, many  
14 of the parties that are before you today are investors  
15 in some of that capacity. That does not mean  
16 necessarily that demand within China dries up. Number  
17 one, you have quality differences with respect to  
18 production capabilities, as you heard this morning  
19 from domestic industry sources. So, a ton of steel is  
20 not necessarily a ton of steel.

21 Number two, if you look at the data for our  
22 client, POSCO, they have made a substantial investment  
23 in the China market, with respect to the customers,  
24 and that's a long-term investment in that market. And  
25 the fact that there will be additional Chinese

1 competitors within that market does not mean that  
2 exports to China dry up. Indeed, I think that it is  
3 fair to characterize Dr. Crandall, and he can speak  
4 for himself, obviously, that number one, the Chinese  
5 market is expected to continue to expand. Number two,  
6 the global market is going to expand. And guess what?  
7 I know this is going to come as a shock to some of the  
8 domestic producers here, but some of that increase  
9 capacity within China is going to be exported to the  
10 world market that it is being designed to -- also to  
11 serve.

12 So, we don't agree with the theory that has  
13 been propounded that just because there is an  
14 investment in the Chinese market and that they're  
15 building capacity in China, that all of a sudden Korea  
16 is doomed within the next two years, because they  
17 export a lot to China. We've invested in that market  
18 and, frankly, our producer is expecting to keep it --

19 COMMISSIONER LANE: Okay, thank you. I see  
20 my red light is --

21 MR. CAMERON: -- and they're very  
22 competitive.

23 MR. CRANDALL: Could I just add one thing on  
24 that? I mentioned in my --

25 COMMISSIONER LANE: Well, how can I -- it's

1 red.

2 MR. CRANDALL: No, it's yellow; it's yellow.  
3 You were looking through the red glass.

4 (Laughter.)

5 COMMISSIONER LANE: Oh, okay. Go ahead.  
6 I'm sorry.

7 MR. CRANDALL: I just want to point out that  
8 what I said earlier was that consumption growth will  
9 far outstrip capacity growth in the rest of the world  
10 other than China. That's what everyone is  
11 forecasting, because the capacity expansion is heavily  
12 in China, but consumption will continue to grow as the  
13 world market is strong elsewhere.

14 Secondly, you might be surprised to know  
15 that despite the fact that prices of flat-rolled  
16 stainless products and prices of these products have  
17 increased, that capacity to produce flat-rolled  
18 products have actually increased more in the last five  
19 years than they're projected to grow in the next five  
20 years, and that's because demand has been so strong.  
21 There is a world outside of China and it will continue  
22 to grow and there will be a market for these products  
23 everywhere in the world, other than China.

24 COMMISSIONER LANE: Okay. Thank you. It's  
25 red. I'm sorry, Chairman.

1                   CHAIRMAN KOPLAN: Thank you, Commissioner.  
2 Commissioner Pearson?

3                   COMMISSIONER PEARSON: Thank you, Mr.  
4 Chairman. In regard to issues raised by Mr.  
5 Leibowitz, we might consider having cake to celebrate  
6 the fifth anniversary of these orders.

7                   (Laughter.)

8                   COMMISSIONER PEARSON: Alternately, there  
9 are folks, who are really expert at analyzing their  
10 interpersonal relationships juxtaposed over inanimate  
11 objects, and I'm thinking of click and clack, the  
12 Tapid brothers, who every Saturday on Car Talk  
13 dissects these issues of personal relations. Well,  
14 there are people, who know more about this than I do,  
15 that's all I'm saying. That's for another  
16 investigation, I guess.

17                   Okay. In the meantime --

18                   CHAIRMAN KOPLAN: We'll do that in-camera.

19                   (Laughter.)

20                   COMMISSIONER PEARSON: Should we consider  
21 the relationship between the plate and sheet  
22 industries, as a condition of competition, in doing  
23 our analysis; and if so, how? And you've kind of  
24 touched on this, but as we're looking at this, the  
25 effects that the sheet business can have on plate and

1 vice versa, how ought we to incorporate it into our  
2 analysis? Mr. Crandall?

3 MR. CRANDALL: Well, as I mentioned earlier,  
4 the fact that the sheet market is extremely strong,  
5 the prices have doubled in U.S. dollars terms over the  
6 last two years, tells you that despite the increases  
7 of capacity, demand has increased even more, and that  
8 there is a very profitable outlet for stainless steel  
9 that could be rolled into stainless steel plate and  
10 coil, but also could be rolled into stainless sheet.  
11 So that there is little risk, that as long as these  
12 sheet prices are extremely high, that supply is going  
13 to be diverted into exports to the United States of  
14 stainless sheet and coil, given that they are  
15 substitutes in supply coming off the hot strip mill or  
16 the sensor mill or whatever it is. Every producer is  
17 going to look at his -- the profitability of shipping  
18 it into the sheet market or shipping it into the plate  
19 market. As long as the sheet market is extremely  
20 strong, as long as the flat-rolled industry, in  
21 general, is operating very close to full capacity,  
22 there's little chance that prices can fall in the  
23 plate and coil market.

24 MR. CAMERON: Commissioner?

25 COMMISSIONER PEARSON: Yes, Mr. Cameron?

1                   MR. CAMERON: I was going to say very  
2 briefly, but that's probably a lie, so I apologize for  
3 that. One of the reasons that we submitted our letter  
4 of the 15<sup>th</sup> and why we believe that this is important  
5 is because it's not only a condition of competition.  
6 But, you cannot properly analyze the data with respect  
7 to both our production or the domestic production  
8 without at least knowing what they're doing with  
9 respect to stainless plate and coil and stainless  
10 sheet and coil, because stainless plate and coil is a  
11 very small portion of that rolling capacity that we're  
12 talking about. It's a very small portion of that  
13 annealing capacity that we're talking about.

14                   And to the extent that you're only looking  
15 at data with respect to plate and coil, with all due  
16 respect, Commissioner Miller, because -- no, no, no,  
17 because you have a valid point. But the reason that  
18 it's important to put it into context is because in  
19 the absence of that context, it is also possible to  
20 leap to conclusions that, for instance, POSCO added  
21 600,000 tons of melting capacity, but only increased  
22 stainless steel plate production by x. Wow, does that  
23 mean that 600,000 tons minus x is excess capacity?  
24 Well, no, it isn't. But, the way you get to that  
25 point and the way you determine whether or not

1 capacity, itself, is being fully utilized is by  
2 looking at that. And we, also, believe that it does  
3 get into the issue of whether or not -- I mean, what  
4 is the market. And, therefore, yes, is it a different  
5 like product? Yes. It is -- but is it something that  
6 is useful, in terms of your analysis of the industry  
7 as a whole and in analyzing these producers, because  
8 the other issue that has been raised by Petitioners,  
9 themselves, is, wait a second, you know, there's all  
10 of this sheet and coil that may come in as plate and  
11 coil or there's cut-to-length that may come in. They  
12 are raising the issue of non-subject products all of a  
13 sudden coming in as subject products once the orders  
14 are lifted.

15 So, they, also, are not looking at this  
16 industry as if it is this compact and isolated hole.  
17 So, what we are suggesting to you is, yes, the data  
18 with respect to the sheet is something that you should  
19 take into account, in order to give yourself the full  
20 context of the industry. I don't think that it goes  
21 much beyond that. And then, obviously, that then  
22 becomes up to the Commission to determine how you want  
23 to look at it. But, we think that it is pertinent and  
24 relevant to your inquiry and I believe that our letter  
25 of March 15<sup>th</sup> showed how it relates to POSCO's data.

1 And, frankly, the testimony this morning by the  
2 domestic industry suggested that they are talking  
3 about the same constraints. You were getting at that  
4 in your questionnaires, as well: what are the  
5 constraints on melt; what are the constraints on  
6 rolling; what are the constraints on annealing and  
7 pickling.

8 COMMISSIONER PEARSON: Mr. Leibowitz?

9 MR. LEIBOWITZ: Yes. I think Mr. Cameron  
10 has explained it correctly. I just wanted to add, and  
11 I hope it's very brief, that this points out that some  
12 cases have like product boundaries that are very firm  
13 and bright, others not so bright. This is one where  
14 you cannot understand the market that's under  
15 investigation in this case without understanding the  
16 broader industry that makes this product. And that's  
17 why I think it's important that you get as much data  
18 about the entire industry as you possibly can on this  
19 record, so you can put the data that is directly  
20 related to stainless plate and coil in context. So,  
21 we've urged that. We think that's the right approach,  
22 because it's the only way you will understand all the  
23 information that you have about capacity, about  
24 production, and about market expansion and demand  
25 expansion.

1                   COMMISSIONER PEARSON: I did not focus on  
2 this issue, as I was reviewing the record, and so it  
3 didn't occur to me until just now to think of asking,  
4 are there standard ratios between the output of plate  
5 versus sheet for the U.S. industry? Or is that ratio  
6 consistent over time or does it swing back and forth,  
7 depending on cycles of the market or whatever else  
8 might be going on? Have any of you had a chance to  
9 look at that issue?

10                   MR. CAMERON: Commissioner, that's a very  
11 interesting question. It gets exactly to the point  
12 that we were raising earlier, with respect to putting  
13 all of the data with respect to sheet and plate on the  
14 record, because you have to have all of the data, in  
15 order to make that analysis. I don't know whether  
16 there is any consistency or not. But what I can tell  
17 you is that one of the reasons that we put our sheet  
18 chart 215 for POSCO onto the record of this  
19 investigation is to that the Commission would know how  
20 those -- that data set interrelate. And in order for  
21 you to actually be able to derive that figure, I  
22 believe that you would need the APO data from both  
23 sheet and plate, and we can't discuss the APO data  
24 from sheet in the context of this investigation,  
25 unless it's on the record, which is what we have

1 suggested happen.

2 COMMISSIONER PEARSON: Mr. Crandall?

3 MR. CRANDALL: Well, the answer is that  
4 there are relatively shares of shipments of plate and  
5 cold-rolled sheet very considerably over time, as  
6 you'd expect them to, because they would be a  
7 reflection of prices and demand. And the demand for  
8 the product that Mr. Matera produces clearly is not  
9 completely collinear with the demand for consumer  
10 products that use stainless -- cold-rolled stainless  
11 sheet. So, you'd expect variations in demand to drive  
12 variations in shipments. I mean, as you melt  
13 stainless and hot roll it, you can either roll it  
14 thick and coil it and produce it as plate with the  
15 appropriate chemistry, or you can change the chemistry  
16 slightly, roll it thinner, and then continue to roll  
17 it as cold-rolled sheet. So, you shouldn't think  
18 there's any fixed ratio. It all depends on how demand  
19 is behaving.

20 COMMISSIONER PEARSON: Okay. Well, as we  
21 look ahead the next couple of years and we see the  
22 economy evolving as we think it might, if you have any  
23 sense of whether that portends something particularly  
24 good for the demand of plate versus sheet or vice  
25 versa, I'd be interested in knowing that, because

1 we're touching on an issue here that perhaps isn't  
2 very well fleshed out in the record. You have the  
3 possibility to flesh out the record. Actually, I  
4 would encourage the domestic industry to do that, too,  
5 if it's relevant to their arguments, to help us  
6 understand this better.

7 MR. CRANDALL: Okay. We'd be happy to.

8 COMMISSIONER PEARSON: Mr. Chairman, my  
9 light has half changed, so I think I'll pass right  
10 now. Thanks.

11 CHAIRMAN KOPLAN: All right. Thank you,  
12 Commissioner. Mr. LaRussa, I understand that  
13 stainless steel plate from Belgium is currently  
14 subject to an antidumping investigation in Russia.  
15 That's in our confidential staff report in Chapter II,  
16 page five. Could you tell me what the status of that  
17 is and whether you can provide a copy of the petition  
18 with your post-hearing submission?

19 MR. LARUSSA: Shearman & Sterling isn't  
20 working directly on that, but we have actually  
21 discussed it with the client. So what we will do is -  
22 - I think it's my understanding, and it could be  
23 entirely wrong, is that it's still fairly early in the  
24 proceeding. I will try to get information on it and  
25 submit for the record the petition or whatever we can

1 get.

2 CHAIRMAN KOPLAN: Thank you. I appreciate  
3 that.

4 MR. LEWIS: Can I add to that?

5 CHAIRMAN KOPLAN: Absolutely, sure.

6 MR. LEWIS: Because this Russian proceeding  
7 is also relevant to TKST. From information from our  
8 clients, this is obviously an ongoing proceeding. But  
9 --

10 CHAIRMAN KOPLAN: How is that relevant to  
11 your client?

12 MR. LEWIS: Because our are stainless  
13 products from Italy are also the subject of that --

14 CHAIRMAN KOPLAN: Same investigation?

15 MR. LEWIS: Yes.

16 CHAIRMAN KOPLAN: Okay, go ahead.

17 MR. LEWIS: My understanding from the client  
18 is that there are some very significant and serious  
19 deficiencies in the application for that proceeding  
20 that are being challenged and may very likely lead to  
21 its termination in a not so distant future.

22 CHAIRMAN KOPLAN: Okay, that's helpful. I  
23 appreciate you telling me that. Whatever is available  
24 at this point in time, if you could submit it. And,  
25 of course, you can qualify that with a narrative, if

1 you choose.

2 MR. LEWIS: We'd be happy to do so.

3 CHAIRMAN KOPLAN: Thank you. This is just  
4 for the record, because I don't think I saw this  
5 specifically covered in the brief, but in these  
6 investigations, I previously found a single like  
7 product consisting of certain hot-rolled and cold-  
8 rolled stainless steel plate and coils. Counsel, do  
9 you concur with that? I take it you're not  
10 challenging the single like product; is that right?

11 MR. LEIBOWITZ: Chairman Koplan, that's  
12 correct, we do not challenge the single like product.

13 CHAIRMAN KOPLAN: Same to you, Mr. LaRussa?

14 MR. LARUSSA: That's right.

15 CHAIRMAN KOPLAN: And Mr. Cameron?

16 MR. CAMERON: Yes, sir.

17 CHAIRMAN KOPLAN: Thank you. On page 38 of  
18 your joint pre-hearing brief and page 19 of Mr.  
19 Crandall's economic analysis, you project demand for  
20 China's cold-rolled stainless steel flat product since  
21 hot-rolled stainless steel plates by far the larger  
22 market in the U.S. Can you provide analyst estimates  
23 or projected demand for hot-rolled stainless steel  
24 plate, as well? I consider that of actually greater  
25 relevance. Is it possible to do that?

1           MR. CRANDALL: Well, the only forecast that  
2           are available are the CRU forecast and those are  
3           broken down between hot-rolled and cold-rolled sheet.  
4           They do not break down specifically plate.

5           CHAIRMAN KOPLAN: Oh, I see.

6           MR. CAMERON: I think it's actually hot-  
7           rolled and coils and they're not breaking it out  
8           between -- above and below 4.75.

9           CHAIRMAN KOPLAN: Okay. Thank you. Mr.  
10          Leibowitz, domestic interested parties have stated,  
11          and it's at page 48 of their brief, that China is in  
12          the midst of a program of imports substitution via  
13          massive expansion of its flat-rolled stainless steel  
14          capacity with additional expansions in the planning  
15          stages. I note that TKAST stainless steel plate  
16          production declined in both 2003 and 2004. That's in  
17          our confidential staff report at Chapter IV, page 15.  
18          I'm wondering what documentation you can provide, for  
19          example, business plans or the like, that support your  
20          claim that TKAST sales to the Chinese market will  
21          continue at current levels and not be diverted to the  
22          U.S., if the order with respect to Italy is revoked,  
23          especially in light of high U.S. prices right now. Is  
24          there such documentation that you could submit post-  
25          hearing?

1           MR. LEIBOWITZ: Chairman Koplan, we will  
2 check and find out. I do not know of such  
3 documentation, but I'd be surprised that if it didn't  
4 exist. We'll get it for you, if we have it. I would  
5 --

6           CHAIRMAN KOPLAN: So would I and I  
7 appreciate the fact you're going to try and get it.

8           MR. LEIBOWITZ: Yes, sir. We'll be happy to  
9 do that. I'd also point that, of course, again, being  
10 a global market, the product that TKAST supplies to  
11 the Chinese mill, that's an affiliate, is a strategic  
12 decision of the ThyssenKrupp Group and, again, is not  
13 likely to change whatever happens to these orders.

14          CHAIRMAN KOPLAN: Thank you. Mr. Matera,  
15 this one is for you. At page two of their -- you're  
16 the only industry witness I have here today, this  
17 afternoon, so you're it. At page two of their pre-  
18 hearing brief, domestic interested parties state, 'not  
19 until 2004 did the industry once again have the  
20 benefit of healthy demand and the effect of discipline  
21 of the orders.' And at page four they state, 'the  
22 domestic SSPC industry is at a crossroads in 2005.  
23 The industry has its first opportunity in a decade to  
24 reap the benefit of the top of the demand cycle and to  
25 continue its nascent recovery of the orders it

1 continued.'

2 Do you agree that the domestic industry is  
3 currently at the top of the demand cycle?

4 MR. MATERA: No, I wouldn't agree with that.  
5 I would think that the demand is going to continue to  
6 grow, pending any unforeseen situation here in the  
7 domestic economy for the next couple of years.

8 CHAIRMAN KOPLAN: Are you saying that this  
9 year?

10 MR. MATERA: Yes.

11 CHAIRMAN KOPLAN: Is there anything that you  
12 might submit post-hearing to expand on that?

13 MR. MATERA: We can submit some projection,  
14 yes.

15 CHAIRMAN KOPLAN: That would be great. I'd  
16 appreciate it.

17 MR. MATERA: One of the problems you have,  
18 Mr. Commissioner, is that I think the nature of the  
19 way these products go to market with, I think was  
20 mentioned this morning, with the stocking and the de-  
21 stocking, it's kind of difficult to take one year by  
22 itself, because you can have one year where you're  
23 going for a significant stocking phase and then next  
24 year where you're going for somewhat of a de-stocking  
25 phase, but the underlying demand is continuing to grow

1 up. And I think that's what we're seeing between 2004  
2 and 2005. What was put into the pipeline, so to  
3 speak, was at a level higher than the end-user demand  
4 and even though the end-user demand increased, based  
5 on our estimates in 2004, and will continue again to  
6 increase in 2005, there is somewhat of a de-stocking  
7 of the pipeline that's taking place right now.

8 CHAIRMAN KOPLAN: Thank you for that. I  
9 appreciate it. I look forward to anything else that  
10 you'll submit.

11 Domestic interested parties pre-hearing  
12 brief at page 48 states, 'recent trade data indicate  
13 that China's imports of SSPC have reached their peak,  
14 indicating that China's share of consumption of the  
15 world's exports of stainless plate is already in  
16 decline.' They refer us to their Exhibit 7, entitled  
17 'China's balance of trade in stainless plate products  
18 as reported by China, 2001 to 2004.' The table in  
19 that exhibit reflect sharp increases for China in the  
20 second and third quarters of 2003, followed by an  
21 equally dramatic decrease by the fourth quarter of  
22 2004. Have the firms you represent experience a  
23 decrease in their exports to China since the fourth  
24 quarter of 2003? Counsel?

25 MR. LEIBOWITZ: Mr. Chairman, this is Lewis

1 Leibowitz. We will look into it. I don't have an  
2 answer for you at my fingertips. I'm sorry.

3 CHAIRMAN KOPLAN: Okay. Mr. LaRussa and Mr.  
4 Cameron?

5 MR. LARUSSA: Mr. Chairman, actually, the  
6 data is in the staff report and it's confidential  
7 data, I believe, but it's certainly right there on  
8 page -- Table IV-7.

9 CHAIRMAN KOPLAN: Okay. I'll go back to  
10 that. I thank you for that.

11 MR. CAMERON: Mr. Chairman?

12 CHAIRMAN KOPLAN: Yes.

13 MR. CAMERON: It's in our responses, as  
14 well. We will be -- I think we were asked earlier  
15 about 2005, so we will check on that.

16 CHAIRMAN KOPLAN: Okay.

17 MR. CAMERON: But with respect to 2004, I  
18 would be glad to disclose publicly to this Commission  
19 that our exports went up in China in 2004.

20 CHAIRMAN KOPLAN: Thank you for that. Was  
21 the sharp increase in 2003 due to some large project  
22 that was being undertaken by China beginning in 2003?

23 MR. CAMERON: For POSCO?

24 CHAIRMAN KOPLAN: Yes.

25 MR. CAMERON: Are you talking about general

1 or --

2 CHAIRMAN KOPLAN: Well, in general or --

3 MR. CAMERON: We'll find out.

4 CHAIRMAN KOPLAN: All right, thank you.

5 Since stainless steel plate sales are made on an order  
6 basis, what does your firm's order books look like for  
7 sales to China in 2005, higher or lower than 2004?

8 Your microphone.

9 MR. LARUSSA: I'm sorry, Mr. Chairman, we'll  
10 have to get back to you on that, but we will.

11 CHAIRMAN KOPLAN: Thank you. Mr. Leibowitz?

12 MR. LEIBOWITZ: The same.

13 CHAIRMAN KOPLAN: Mr. Cameron?

14 MR. CAMERON: We'll get back to you, but I  
15 believe that our sales plan called for an increase.  
16 But, we'll look for it.

17 CHAIRMAN KOPLAN: Thank you. Thank you for  
18 the answers to those questions. I'll turn to Vice  
19 Chairman Okun.

20 VICE CHAIRMAN OKUN: Thank you, Mr.  
21 Chairman. The responses with regard to import  
22 restraints in third countries had reminded me that I  
23 wanted to go back. Mr. Hartquist, I meant to ask you  
24 this morning, but also to counsel. When I went  
25 through both the staff description and what was in the

1       briefs regarding the various stages of different  
2       proceedings against subject countries, if there's any  
3       additional information. I know you've talked about  
4       the Russian one already and, Mr. Cameron, you had  
5       commented on what the Petitioners had said about a  
6       particular one with regard to Korea. If there's  
7       anything else specific that can be put on the record,  
8       I think it would be helpful, because it seemed like  
9       there were a lot of things there that I couldn't tell  
10      the actual status. And Mr. Hartquist, I'd ask the  
11      same for you, to make sure I know -- there was a  
12      number of things put in the briefs with regard to  
13      proceedings, but where there were just allegations  
14      made or just news articles discussed. If there's  
15      anything else that can be put on the record, I'd  
16      appreciate that.

17                   MR. LARUSSA: We will do so.

18                   VICE CHAIRMAN OKUN: Okay. Thank you for  
19      that. And, then, Mr. Crandall, I just wanted to go  
20      back and make sure that you know that we did -- or I  
21      had noted when you were doing your testimony with  
22      regard to China consumption and then you talked about  
23      worldwide consumption and capacity, and I believe you  
24      said you could submit the information that you were  
25      referring to. I believe it was CRU data, as well, for

1 the record. You are planning to do that? Mr.  
2 Leibowitz is --

3 MR. CRANDALL: Yes.

4 VICE CHAIRMAN OKUN: -- shaking his head.  
5 Okay. I appreciate that. I'll just join with  
6 Commissioner Miller, it is difficult for us, because,  
7 again, I think we made this comment to Petitioners  
8 this morning, we do have to look at the domestic  
9 industry in front of us. I understand the responses  
10 you gave to Commissioner Miller, with regard to what  
11 this document was attempting to do in a public  
12 session. So, I very much appreciate that. But, to  
13 the extent that you are making that argument for post-  
14 hearing, if for things like GDP growth and China's GDP  
15 growth, if you could help connect the dots, because I  
16 think one of the things is, you know, the chart on  
17 Figure 9 in Dr. Crandall's submission on GDP growth,  
18 the difference between 1998 and 2004, 2005, to me, it  
19 could be relevant to where we are vis-a-vis the  
20 original investigation. But, I need to have more  
21 information and how that relates to demand for these  
22 products and how we look at that. So, to the extent  
23 you're making the broader arguments, connect the dots  
24 in post-hearing.

25 MR. CAMERON: Excuse me, Commissioner.

1                   VICE CHAIRMAN OKUN: Yes, Mr. Cameron.

2                   MR. CAMERON: So, you would like us to break  
3 down and to relate growth in GDP to this product;  
4 correct?

5                   VICE CHAIRMAN OKUN: Right.

6                   MR. CAMERON: No problem. Thank you.

7                   VICE CHAIRMAN OKUN: And, also, when talking  
8 about growth in Chian's market, I mean, I know you're  
9 going to -- you have some specific China data, to have  
10 that as well. Because, again, I mean, we can talk  
11 about China growth and I think it is relevant, but it  
12 is most relevant when we talk about how it relates to  
13 this specific product.

14                   And the other figures you mentioned, Dr.  
15 Crandall, I believe related to the percentage of the  
16 U.S. market with regard to global. And I couldn't --  
17 is that stainless steel, is that a global -- I mean,  
18 stainless flat generally or does that also relate to  
19 the subject product?

20                   MR. CRANDALL: No, this is stainless steel  
21 flat generally.

22                   VICE CHAIRMAN OKUN: Okay; all right. If  
23 you could put those figures in and then if there's  
24 any, again, way to break that down or give us a sense  
25 of what that should mean for this product, I'd

1 appreciate that, as well. And I think with that, I  
2 have covered -- well, let me ask, Mr. Matera, let me  
3 just go back on one thing -- if you have responded to  
4 it previously, that's fine, I'll look at the  
5 transcript -- which is in the response by the industry  
6 this morning with regard to the wide-width plate being  
7 ultimately slit or welded, your testimony, I think,  
8 was for what you do, it's not further slit or welded;  
9 is that --

10 MR. MATERA: That's correct, yes.

11 VICE CHAIRMAN OKUN: Okay. But do you have  
12 any sense for generally in the market, how much of the  
13 large width plate would be slit or welded?

14 MR. MATERA: I wouldn't have any exact  
15 figures.

16 VICE CHAIRMAN OKUN: Okay. I just wanted to  
17 make sure I knew what you had actually testified to on  
18 that. And I think with that, I don't have any -- oh,  
19 yes?

20 MR. LARUSSA: I just want to make sure, at  
21 the time, maybe you missed it. But, I did actually  
22 say that in terms of other products, vessels, large  
23 vessels and containers and things like that, my  
24 understanding is that the same applies. They're not  
25 slit, because, basically, the number of welds in the

1 material has a lot to do with the quality of the  
2 material and it just doesn't happen. So, if you need  
3 anything else on that, we'll try to get it. But,  
4 that's my understanding of the situation. So, it goes  
5 beyond the pipe.

6 VICE CHAIRMAN OKUN: Well, I guess,  
7 Petitioners will be submitted post-hearing, when they  
8 talked about the competition of their width plate with  
9 the Belgium plate, I mean, it seemed to me, they were  
10 talking about instances where a company would be  
11 making a decision to go ahead and slit -- to either  
12 buy their width or not and those decisions, I'm trying  
13 to just understand in the mix here.

14 MR. LARUSSA: Yes. Again, I even understood  
15 from the testimony this morning that, you know, there  
16 are wide-width applications where you need wide-width  
17 plate from what happened on the Petitioners' side this  
18 morning. And also, I think there's stuff in the  
19 purchasers' questionnaire. But, we, also, can get  
20 some more information, if you would like.

21 VICE CHAIRMAN OKUN: Well, having followed  
22 up on all that, it is still more relevant the question  
23 that Commissioner Miller and I were posing about,  
24 which is, if pre-order of the mix was different, the  
25 information that you can provide with regard to your

1 company on whether there's been a fundamental change,  
2 as opposed to the order being -- you know, again, I  
3 would agree with her that when you have an order in  
4 place, we have to look and see if there's going to be  
5 a change, because we're talking about removing the  
6 order and why wouldn't the company shift back to what  
7 it had sold prior to the order being put in place.  
8 So, that's more of my focus, but these are also of  
9 interest.

10 MR. LARUSSA: Right. Well, I think there's  
11 some macro in company-specific answers to that and I  
12 think we've made them already. But, 1997, as Dr.  
13 Crandall has testified and everybody knows, was a  
14 unique year; was a unique time. We were all involved  
15 in looking at what was happening in Asia and its  
16 impact on the steel market and that time has gone.  
17 So, it is a much different world right now.

18 VICE CHAIRMAN OKUN: Okay. And to the  
19 extent, and I think we've asked this before, but to  
20 the extent that your -- the companies you represent  
21 have specific forecast that they made with regard to  
22 global markets and what they're going to be shipping,  
23 looking for, that would be extremely helpful. And  
24 with that, I don't think I have any other questions,  
25 Mr. Chairman.

1                   CHAIRMAN KOPLAN: Thank you. Commissioner  
2 Miller?

3                   COMMISSIONER MILLER: Thank you, Mr.  
4 Chairman. I don't think I have any further questions.  
5 I was going to ask you to address my issues related to  
6 hot-rolled and cold-rolled coil plate, but given the  
7 answer I heard shortly ago, I'm not sure I need to  
8 address that question to the panel. Although, Mr.  
9 LaRussa, I may still, in some ways, pose to you,  
10 whether or not there is any -- to address in the post-  
11 hearing submission whether there have been any changes  
12 in the hot-rolled versus cold-rolled markets and  
13 particular to the extent there are imports from  
14 Belgium of the cold-rolled plate, to address the way  
15 we would -- I would address the sunset analysis in  
16 looking at those imports.

17                   MR. LARUSSA: Okay. So, you'd like to know  
18 -- it's kind of a breakdown analysis of hot-rolled  
19 versus cold-rolled and how it figures into your  
20 decision.

21                   COMMISSIONER MILLER: Right.

22                   MR. LARUSSA: Okay, we can do that.

23                   COMMISSIONER MILLER: And with that, I don't  
24 believe I have any further questions today. I  
25 appreciate all the answers. Thank you, very much.

1                   CHAIRMAN KOPLAN: Thank you, Commissioner.  
2 Commissioner Lane?

3                   COMMISSIONER LANE: No questions.

4                   CHAIRMAN KOPLAN: Commissioner Pearson?

5                   COMMISSIONER PEARSON: Perhaps a couple of  
6 quick ones, Mr. Chairman. For the Belgium  
7 respondents, you had provided an analysis of the  
8 market share in 2004 accounted for by imports of SSPC  
9 from Belgium in widths less than 60 inches. Could you  
10 provide a similar analysis for the balance of the  
11 period examined?

12                   MR. LARUSSA: Yes, we can do that. And we -  
13 - my understanding is that it's basically -- 2004 was  
14 reflective of historical trends of the last few years.  
15 But, could we just submit that? We'll just submit  
16 that in post-hearing brief. I'm sure that it is right  
17 in the staff report. We'll basically break down the  
18 information and get it to you for those other years,  
19 to the extent we can.

20                   COMMISSIONER PEARSON: Right.

21                   MR. LARUSSA: Thank you.

22                   COMMISSIONER PEARSON: Thank you, very much.  
23 And then the last one, on page 20 of the joint  
24 Respondents' brief, it was suggested that the  
25 Commission should not cumulate imports from Taiwan

1 with imports from other subject countries. And since  
2 none of my fellow Commissioners, who are attorneys,  
3 have asked this particular cumulation question, I will  
4 go ahead and ask it. And I'm getting outside my area,  
5 but what do you have to say about Taiwan and  
6 cumulation?

7 MS. MENDOZA: Julie Mendoza. I think what  
8 we would say is that Taiwan is -- because Taiwan has  
9 not responded to the Commission's questionnaires, you  
10 don't have accurate information with respect to their  
11 capacity, and they do have quite high dumping margins.  
12 And I think you've heard today that all of us have  
13 talked about why those circumstances don't apply to  
14 us. We've given full data, in terms of our capacity.  
15 You know that our margins are low. So, I think what  
16 we're suggesting is that you should not cumulate  
17 Taiwan, not simply because they didn't respond, but  
18 because it's very difficult to predict whether their  
19 trends would follow the same trends as the remaining  
20 respondents.

21 COMMISSIONER PEARSON: Okay. Given my lack  
22 of expertise, can you point out some precedence where  
23 the Commission might have not cumulated in somewhat  
24 similar circumstances?

25 MS. MENDOZA: We'd be happy to do that in

1 our post-hearing brief. I don't think I have any --

2 COMMISSIONER PEARSON: Right, in the post-  
3 hearing brief.

4 MS. MENDOZA: -- citations. I mean, again,  
5 we're not relying on the fact that they didn't respond  
6 solely, but simply because the Commission is unable to  
7 draw conclusions with respect to their trends.

8 COMMISSIONER PEARSON: Okay, fair enough.  
9 Mr. Leibowitz, did you have something?

10 MR. LEIBOWITZ: Just to add to Ms. Mendoza's  
11 point, I think that it would be inadvisable to  
12 conclude that other countries, who are responsive and  
13 cooperating in this investigation, should be treated  
14 differently because a country, who is not here, has  
15 not responded. I think that's inappropriate. But, it  
16 is impossible to draw firm conclusions about the  
17 degree to which a Taiwanese product competes with the  
18 product of other countries, other than the data that  
19 you have. The data that you have suggests that there  
20 are significant differences between the countries that  
21 are here and those that are not here.

22 COMMISSIONER PEARSON: Okay. Well, I'll  
23 look forward to anything further in the post-hearing.  
24 Mr. Chairman, I have no further questions.

25 CHAIRMAN KOPLAN: Thank you, Commissioner.

1 I have no further questions. Are there any other  
2 questions from the dais? Vice Chairman?

3 VICE CHAIRMAN OKUN: I'm sorry. Mr.  
4 Cameron, I had to go back one thing, because it  
5 reminded me. I know you have made the argument and  
6 several of you here about why you think we ought to be  
7 looking at financial and trade data for flat-rolled  
8 stainless steel. And I guess for me, I would like you  
9 to brief whether there is precedent for doing that.

10 MR. CAMERON: We'll be more than happy to do  
11 that, but I would remind the Commission that in the  
12 line pipe investigation that was recently terminated  
13 due to the withdrawal of the petition, because there  
14 really was no basis for it in the first place, the  
15 Commission, in its preliminary determination, had, in  
16 fact, analyzed both standard and line pipe for a  
17 similar reason. It was because of common production  
18 facilities and common data and, therefore, you did it  
19 again. It was for context, but it was also -- I  
20 believe that that is consistent. But, we will look at  
21 that.

22 VICE CHAIRMAN OKUN: Okay. If you could do  
23 that, I would appreciate that. Thank you. That was  
24 it, Mr. Chairman.

25 CHAIRMAN KOPLAN: Thank you. Any further

1 questions from the dais?

2 (No questions from the dais.)

3 CHAIRMAN KOPLAN: If not, Mr. Corkran, does  
4 staff have questions of this panel?

5 MR. CORKRAN: Douglas Corkran, Office of  
6 Investigations. Yes, Mr. Chairman, just one brief  
7 question for Mr. Matera. The tubular products that  
8 you produce, what is the typical range of diameters  
9 that you're producing?

10 MR. MATERA: We would typically produce  
11 stainless steel pipe from half inch in diameter, up to  
12 over 96 inches in diameter. And currently, there is a  
13 fairly good market opportunity for us in the liquid  
14 natural gas market, which has four predominant sizes:  
15 20, 24, 30, and 36. Of those four sizes, three of  
16 those sizes cannot -- the raw material for three of  
17 those sizes cannot be produced in the United States  
18 today.

19 MR. CORKRAN: And so when you're producing  
20 36-inch OD pipe, you're purchasing 72 and slitting it  
21 in half, essentially?

22 MR. MATERA: The raw material for the 76, I  
23 don't think is a part of this investigation. But, it  
24 would be the 24-inch pipe that I would use 74-inch  
25 material for and the 20-inch pipe that I would use 62-

1 inch material for. Currently, my only source for that  
2 today is Belgium.

3 MR. CORKRAN: Thank you. Mr. Chairman,  
4 staff has no further questions.

5 CHAIRMAN KOPLAN: I thank you for those  
6 questions, Mr. Corkran. Before I release this panel,  
7 Mr. Hartquist, do you have any questions of the panel?

8 MR. HARTQUIST: No, I do not. Thank you,  
9 Mr. Chairman.

10 CHAIRMAN KOPLAN: Thank you. Well, with  
11 that, I want to thank you all, very much, for your  
12 testimony; very much appreciated you being here right  
13 at 1:30. I thought the first few minutes of your  
14 testimony were particularly informative and I'd  
15 delighted that my colleagues will be able to review  
16 the transcript on that. And with that, I would  
17 release this panel.

18 MR. LEIBOWITZ: Mr. Chairman, may I just say  
19 for the record that I have been happily married for 33  
20 years.

21 CHAIRMAN KOPLAN: That was the one remaining  
22 question I had, but I didn't want to touch that one in  
23 the open session. Thank you.

24 MR. LARUSSA: Mr. Chairman, can I clarify  
25 one thing, if you mind, and not about my marriage.

1       Actually, on Mr. Matera's last answer, I just want to  
2       clarify that he doesn't slit the material in this  
3       situation. I think that was maybe the point and he  
4       doesn't. So, I just wanted to make sure that that was  
5       on the record.

6                   CHAIRMAN KOPLAN: Sure.

7                   MR. LARUSSA: Thank you.

8                   CHAIRMAN KOPLAN: Thank you. While you all  
9       are picking up your things, let me tell you what we  
10      have, in terms of remaining time. For those in  
11      support of continuation, you have eight minutes  
12      remaining from your direct presentation and, of  
13      course, five minutes for closing. For those in  
14      support of revocation, they have nine minutes  
15      remaining from their direct presentation and five  
16      minutes for closing. So, while the witnesses are  
17      packing up, I would ask how you wish to proceed. Do  
18      you need to use the full time for your rebuttal?

19                   MR. HARTQUIST: No, Mr. Chairman. I'm ready  
20      to go right now and I will not use all 13 minutes.

21                   CHAIRMAN KOPLAN: Okay. And Mr. Cameron?

22                   MR. CAMERON: We have a very short amount of  
23      time for rebuttal.

24                   CHAIRMAN KOPLAN: Okay. Do you want to  
25      proceed from where you are, Mr. Hartquist, or do you

1 want to come up to the podium? Oh, excuse me, I think  
2 I have -- there's a movement going on here. The  
3 transcript might not reflect this, but we get along  
4 very well up here. Is there something I can do for  
5 you, Madam Vice Chairman?

6 (Discussion on the record.)

7 CHAIRMAN KOPLAN: I did. I did say goodbye  
8 to the panel. No, the panel is free to move away from  
9 the table, so we can go to rebuttal and closing.

10 MR. CAMERON: Thank you, Mr. Chairman.

11 CHAIRMAN KOPLAN: I thought I stressed that.  
12 So that we time it, Mr. Hartquist, how much of your  
13 eight minutes are you going to use on the rebuttal,  
14 because I have to time the closing.

15 MR. HARTQUIST: Okay. I'll probably use  
16 about six minutes.

17 CHAIRMAN KOPLAN: Six, okay. You may  
18 proceed.

19 MR. HARTQUIST: Thank you. Thank you for a  
20 very interesting afternoon. First, I'd like to focus  
21 for a few minutes on the imminent Dr. Crandall's  
22 presentation. Comments have been made by members of  
23 the Commission about the general nature of his  
24 presentation. But, I would simply like to suggest  
25 that since stainless steel coil plate is quite a

1 different product in many ways from stainless steel  
2 sheet and strip, that the generalizations of his  
3 testimony, and he did have access to the APO data,  
4 really don't fit stainless steel coil plate in a  
5 number of circumstances. He hasn't been talking about  
6 the subject product. He varied and talked about non-  
7 subject countries. And I found much of his testimony  
8 really to be irrelevant to the case before us today,  
9 before you today, and in some cases, actually  
10 misleading with respect to the implications for  
11 stainless steel coil plate.

12 A couple of comments about pricing. There  
13 seems to be a lot of confusion about pricing and the  
14 impact of surcharges, the changes in the base prices  
15 over a period of time. We're going to talk about this  
16 in our post-hearing brief. But, in general, I want to  
17 make the observation that base prices have not moved  
18 significantly during the period that you're looking  
19 at. The increase in prices has been driven, I won't  
20 say totally, but very substantially by raw material  
21 cost increases, as reflected in the surcharges.  
22 That's essentially the bulk of the increase in  
23 pricing. And we'll address this further in our post-  
24 hearing submission.

25 Also, Dr. Crandall's analysis and charts end

1 in 2004 and clearly here, in this kind of a  
2 proceeding, it's a forward-looking proceeding, as to  
3 what is likely to happen in the future. And it would  
4 have been helpful, I think, to the Commission, if he  
5 had provided some projections, as we did, as to what  
6 he sees happening in the future.

7 Now, the issue of the Belgian-wide plate.  
8 They sold a lot of wide plate in narrower widths in  
9 1995 through 1998, considered in the original  
10 investigation, and it's our view that if they are  
11 released from the order, they will do that again. And  
12 bear in mind, too, that despite their position that  
13 they've sold the bulk of their material, being the  
14 wide-width material, they continued to dump that  
15 product during the period that we're looking at, and  
16 even when, apparently, they were selling a product  
17 that wasn't made in the United States and there was no  
18 competition for that product, in their view, from  
19 United States producers.

20 Mr. Matera's testimony -- also, Belgium, of  
21 course, is not the only source of wide-width material  
22 and it's available from Sweden, at least, and maybe  
23 from other countries, as well. A couple of words  
24 about the Bristol situation and the impact of the  
25 order on them. There's a press release, which we will

1 submit for the record, dated February 16, 2005 from  
2 Synalloy, the parent of Bristol, and I'm going to  
3 quote briefly from it. 'The segment was able to pass  
4 through most of the cost increases, which accounted  
5 for most of the increase in selling prices and  
6 benefitted throughout 2004 from selling price  
7 increases implemented to offset the continued  
8 increases in surcharges included in raw material  
9 costs. Because of the steadily increasing raw  
10 material and selling prices experienced through the  
11 year, the segment generated higher profits from  
12 selling lower cost inventories, which contributed to  
13 significant profit improvement experienced for the  
14 year and fourth quarter, compared to the same periods  
15 last year.'

16 POSCO's presentation, POSCO is -- POSCO  
17 provides a lot of employment to their trade lawyers  
18 around the world. In looking at what POSCO might do  
19 in the future, they've been subject to numerous  
20 antidumping orders in the United States on carbon  
21 steel, on stainless steel. In other countries, there  
22 have been trade cases brought against them. They're  
23 almost a poster child for a company that trades  
24 unfairly around the world and they've been nailed over  
25 and over again for that.

1                   TKAST claims that the U.S. market is  
2                   unimportant. The claim that the U.S. market is  
3                   unimportant to Italy is really belied by the past  
4                   large volumes of exports that they have made to the  
5                   United States, not only of plate, but also of other  
6                   products, all of which have been determined to be  
7                   dumped.

8                   There was an issue about lead times. Today,  
9                   lead times are quite normal in this industry, despite  
10                  the fact that the demand has been reasonably good in  
11                  the last few months. But, I think the domestic mills  
12                  will tell you, and we'll put this in the brief, too,  
13                  that their lead times are about four to five weeks, if  
14                  not shorter. So, pretty common in the stainless steel  
15                  industry.

16                  Also, I would suggest that the Commission  
17                  refer to Chapter IV of the confidential staff report  
18                  with respect to pricing. It contains information on  
19                  coil plate and coil plate only, not export sales in  
20                  the United States and China and the EU and in Asia,  
21                  excluding China. The data is very informative, I  
22                  think, and useful to the Commission.

23                  And, also, I can't resist commenting on the  
24                  fact that we had before you in the Respondent's panel  
25                  today, lawyers, one economist, and one customer, and

1 not a single official from a Respondent company  
2 willing to come here before you and raise his right  
3 hand and talk about what his company is going to do,  
4 if these orders are terminated or if the orders are  
5 continued. It's beyond me why they wouldn't appear,  
6 if they have such a great interest in this proceeding  
7 and answer your questions.

8           And, lastly, I wish I could have been a fly  
9 on the wall when the Respondents' counsel were putting  
10 their joint brief together. It's interesting to see  
11 the Belgians, Italians, and Koreans trying to come  
12 together on their brief. And I would only suggest  
13 that looking carefully at their brief, there were  
14 conflicting theories as to why the Commission should  
15 revoke the orders in this case. The Koreans and  
16 Italians said that their very low import volumes and  
17 minimal presence means that they will not export to  
18 the U.S. in the future and the order should be  
19 revoked. On the other hand, the Belgian respondent  
20 argues that their continued presence in the market is  
21 a justification for revocation. Neither of these  
22 scenarios really justify revocation, particularly  
23 given the other circumstances that you have before you  
24 in this case.

25           Thank you, very much. We appreciate your

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1 attention today.

2 CHAIRMAN KOPLAN: Thank you. Mr. Cameron?

3 MR. CAMERON: I believe we have nine minutes  
4 rebuttal and then five minutes as Commission time.  
5 We'll take the rebuttal time. I don't think we're  
6 going to take nine minutes, but we just have a couple  
7 of isolated comments that we'd like to make.

8 CHAIRMAN KOPLAN: Sure.

9 MR. CAMERON: And then we'll close when the  
10 closing is closed, something like that -- finally,  
11 finally, you know.

12 CHAIRMAN KOPLAN: I think I understood that.

13 MR. CAMERON: For the record, Don Cameron.  
14 Bob and I are, again, both going to have a couple of  
15 remarks. First, counsel just suggested that the data  
16 concerning the stainless flat-rolled industry is not  
17 representative of the stainless plate industry, at  
18 least that's the way I understood the remarks. We are  
19 surprised to hear that. But suffice to say, we  
20 believe that the data with respect to the stainless  
21 industry, in fact, does, is reflective and  
22 representative of the condition of this specific  
23 industry producing stainless steel plate and  
24 conditions of competition in this industry. But, we  
25 would also like to note that our pre-hearing brief

1 does address the APO data with respect to this precise  
2 industry. The questionnaires that our companies have  
3 submitted and the issues we have address are with  
4 respect to this precise industry under investigation.  
5 The only thing that we have suggested to this  
6 Commission is that there is a broader context and the  
7 data is useful, in terms of analyzing this industry,  
8 as an analytical tool. And we are very comfortable  
9 relying on the APO data in this record, the record of  
10 this investigation, for the proposition that we said,  
11 which is that this order ought to be terminated.

12           Secondly, in response to Commissioner Okun's  
13 question this morning, counsel suggested, Mr.  
14 Hartquist had suggested that the industry  
15 restructuring is really -- that is going on is really  
16 not that significant. And, again, we don't agree. He  
17 talked this morning about Allegheny simply was put  
18 together with J&L. And so what? So, it's basically  
19 the same production, same producer, same industry.  
20 Again, let's look at the record. And we think it  
21 would suggest to you that the data on the record here  
22 doesn't stand up to that.

23           It just says one brief reference. We would  
24 refer to the testimony this morning with respect to  
25 the -- from the Allegheny witness, who said, well, we

1 had a 250,000 ton melt shop; but, of course, we shut  
2 it down. Why did we shut it down? Because a 250,000  
3 ton melt shop is inefficient. That is exactly the  
4 type of restructuring that was necessary in this  
5 industry and has brought it to international  
6 competitiveness, which we believe that it is. NAS  
7 will stick to the record. We believe that the facts  
8 speak for themselves.

9 MR. LARUSSA: Just to add, they're basically  
10 the same points. I think that if you look at Dr.  
11 Crandall's report using the APO data, you'll get a  
12 very clear view of the stainless steel plate and coil  
13 market and all the issues that you need to look at. I  
14 mean, I think it's somewhat disingenuous for  
15 Petitioners, who crafted this order, in a way that has  
16 really very little to do with the market and the way  
17 steel is sold. I mean, for example, you not only have  
18 the distinction between stainless steel plate and coil  
19 and stainless steel sheet and strip, but you, also,  
20 has -- it's got to pickled and annealed. And the  
21 truth is that when you go to public data, as you all  
22 know, the HTS numbers, the AASI numbers, they don't  
23 always match up. So, it's a little difficult to  
24 basically publicly to be right on point all the time,  
25 although, as Dr. Crandall suggested, you have to take

1 a look at the entire stainless steel -- the stainless  
2 flight industry. And I do think it's -- I want you to  
3 keep in mind, they craft the orders. They craft the  
4 scope, in terms of scope of the orders. This isn't  
5 something that we're taking about of left field.

6 Secondly, as far as Belgium goes, I do want  
7 to respond to that. I mean, basically, what we're  
8 looking at here is not a 2.7 percent dumping margin,  
9 the likelihood of continuation or recurrence of  
10 injury. We have heard testimony all day that,  
11 basically, Belgium does not compete with the United  
12 States, because they don't make the product. And I am  
13 baffled by how there can be a recurrence or  
14 continuation of an injury when, basically, we're not  
15 even talking terms and conditions of competition in  
16 the market about the same product. It is somewhat  
17 baffling. We'll get the information back that you  
18 wanted to know on the other products.

19 Finally, I don't see anything conflicting.  
20 Obviously, you've got a joint Respondents; brief. Mr.  
21 Hartquist talked about the conflict between different  
22 theories. Obviously, when you're talking about issues  
23 like cumulation, you're going to have slightly  
24 factually specific arguments to be made. But at the  
25 end of the day, Dr. Crandall and the joint

1 Respondents' brief make a very powerful argument that  
2 is consistent; that, basically, this is a new world.  
3 This is a different industry, that the industry is  
4 doing well, that the market is totally different, that  
5 prices are high. It's not the same domestic market  
6 and it is a totally different global market. They can  
7 hide their head in the sand and say that this is the  
8 same as 1997, 1998, but you know it's not. And I  
9 thank you, Mr. Chairman.

10 MR. CAMERON: Mr. Chairman, that concludes  
11 our -- I do want to suggest, however, that counsel  
12 would have been bored to death listening to the  
13 counsel for Korea and for Italy and Belgium, getting  
14 together on the brief. The only issue that we had any  
15 contention on was the status of Lewis Leibowitz's  
16 marriage and most of us did not venture any views, one  
17 way or the other.

18 CHAIRMAN KOPLAN: I'll take your word for  
19 that. I want to thank all of the witnesses and  
20 counsel for what's been a very informative, detailed  
21 hearing, and entertaining, as well. Post-hearing  
22 briefs, statements responsive to questions, and  
23 requests of the Commission and corrections to the  
24 transcript must be filed by April 7, 2005. Closing of  
25 the record and final release of data to parties by May

1 5, 2005, and final comments due by May 9, 2005. And  
2 with that, this hearing is adjourned.

3 (Whereupon, at 4:04 p.m., the hearing was  
4 concluded.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Certain Stainless Steel Plate  
**INVESTIGATION NOS.:** 701-TA-376, 701-TA-377, 701-TA-379  
**HEARING DATE:** March 30, 2005  
**LOCATION:** Washington, D.C.  
**NATURE OF HEARING:** Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

**DATE:** March 30, 2005

**SIGNED:** LaShonne Robinson  
Signature of the Contractor or the  
Authorized Contractor's Representative  
1220 L Street, N.W. - Suite 600  
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

**SIGNED:** Carlos Gamez  
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

**SIGNED:** Jacqueline Richards-Craig  
Signature of Court Reporter