

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

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In the Matter of: )  
 )  
CUT-TO-LENGTH CARBON-QUALITY ) Investigation Nos.:  
STEEL PLATE FROM FRANCE, ) 701-TA-388-391 and  
INDIA, INDONESIA, ITALY, ) 731-TA-816-821 (Review)  
JAPAN, AND KOREA )

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Tuesday,  
 September 27, 2005

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

The hearing commenced, pursuant to notice, at  
 9:30 a.m., before the Commissioners of the United States  
 International Trade Commission, the Honorable STEPHEN  
 KOPLAN, Chairman, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

CHAIRMAN STEPHEN KOPLAN  
 VICE CHAIRMAN DEANNA T. OKUN  
 COMMISSIONER JENNIFER A. HILLMAN  
 COMMISSIONER CHARLOTTE R. LANE  
 COMMISSIONER DANIEL R. PEARSON  
 COMMISSIONER SHARA L. ARANOFF

APPEARANCES: (cont'd.)

Staff:

MARILYN R. ABBOTT, SECRETARY TO THE COMMISSION  
WILLIAM R. BISHOP, HEARINGS AND MEETINGS  
COORDINATOR  
SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT  
MICHAEL SZUSTAKOWSKI, INVESTIGATOR  
GERALD HOUCK, INDUSTRY ANALYST  
KELLY CLARK, ECONOMIST  
JUSTIN JEE, ACCOUNTANT/AUDITOR  
MARK REES, ATTORNEY  
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

Congressional Appearances:

THE HONORABLE RICHARD BURR, United States Senator,  
North Carolina  
THE HONORABLE PETER J. VISCLOSKY, U.S.  
Congressman, 1st District, Indiana  
THE HONORABLE JO BONNER, U.S. Congressman, 1st  
District, Alabama  
THE HONORABLE GEORGE "G.K." BUTTERFIELD, U.S.  
Congressman, 1st District, North Carolina

In Support of the Continuation of Antidumping and  
Countervailing Duty Orders:

On behalf of Nucor Corporation:

PATRICK J. MCFADDEN, National Sales and Marketing  
Manager, Plate Products, Nucor-Hertford County  
FRANK RUANE, Director, Corporate Purchasing,  
Olympic Steel, Inc.  
SETH KAPLAN, Vice President, Charles River  
Associates

ALAN H. PRICE, Esquire  
Wiley Rein & Fielding, LLP  
Washington, D.C.

APPEARANCES: (cont'd.)

In Support of the Continuation of Antidumping and  
Countervailing Duty Orders:

On behalf of Mittal Steel USA ISG, Inc. (Mittal USA)  
and United Steel, Paper and Forestry, Rubber,  
Manufacturing, Energy, Allied Industrial and Service  
Workers International Union, AFL-CIO-CLC (USW):

ROBERT W. INSETTA, Director, Plate Products,  
Mittal USA  
LAWRENCE FABINA, Senior Division Manager, Plate  
Operations, Mittal USA  
MATTHEW HABENICHT, Plate Products Area Manager,  
Mittal USA  
ROBERT HELTZEL, JR., President, Kenilworth Steel  
Company  
WILLIAM J. KLINEFELTER, Legislative and Political  
Director, USW

TERENCE P. STEWART, Esquire  
ERIC P. SALONEN, Esquire  
SARAH V. STEWART, Esquire  
Stewart and Stewart  
Washington, D.C.

On behalf of IPSCO Steel, Inc. and Oregon Steel Mills:

JOHN TULLOCH, Senior Vice President and Chief  
Commercial Officer, IPSCO Steel, Inc.  
GLENN GILMORE, Trade Supervisor, IPSCO Steel, Inc.  
SCOTT MONTROSS, Vice President, Sales and  
Marketing, Oregon Steel Mills  
TOM BALLOU, Director, Flat Rolled Products, O'Neal  
Steel, Inc.  
ROBERT SCOTT, Economist, Schagrin Associates and  
Economic Policy Institute

ROGER B. SCHAGRIN, Esquire  
Schagrin Associates  
Washington, D.C.

APPEARANCES: (cont'd.)

In Opposition of the Continuation of Antidumping and  
Countervailing Duty Orders:

On behalf of GTS Industries S.A. (GTS):

DAVID J. DELIE, President and Chief Executive  
Officer, Berg Steel Pipe Corporation  
BRUCE MALASHEVICH, President, Economic Consulting  
Services, LLC  
JIM DOUGAN, Economist, Economic Consulting  
Services LLC  
  
MARC E. MONTALBINE, Esquire  
deKieffer & Horgan  
Washington, D.C.

On behalf of Corus International America Houston and  
Corus America Inc. (Collectively Corus):

JEFFREY HOYE, Director, Corus  
BRUCE MALASHEVICH, President, Economic Consulting  
Services LLC  
JIM DOUGAN, Economist, Economic Consulting  
Services LLC  
  
RICHARD O. CUNNINGHAM, Esquire  
TINA POTUTO KIMBLE, Esquire  
Steptoe & Johnson, LLP  
Washington, D.C.

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P R O C E E D I N G S

(9:30 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-388-391 and 731-TA-816-821 (Review) involving Cut-To-Length Carbon-Quality Steel Plate From France, India, Indonesia, Italy, Japan and Korea.

The purpose of these five-year review investigations is to determine whether the revocation of the antidumping and countervailing duty orders covering cut-to-length carbon-quality steel plate from France, India, Indonesia, Italy, Japan and Korea would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

Notice of investigation for this hearing, the list of witnesses and transcript order forms are available at the Secretary's desk. I understand the parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary.

As all written material will be entered in full into the record it need not be read to us at this time. The parties are reminded to give any prepared

1 non-confidential testimony and exhibits to the  
2 Secretary. Do not place any non-confidential  
3 testimony or exhibits directly on the public  
4 distribution table. All witnesses must be sworn in by  
5 the Secretary before presenting testimony.

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

10 Madam Secretary, are there any preliminary  
11 matters?

12 MS. ABBOTT: No, Mr. Chairman.

13 CHAIRMAN KOPLAN: Very well. Let us proceed  
14 with our first congressional witness.

15 MS. ABBOTT: The Honorable Peter J.  
16 Visclosky, United States Congressman, 1st District,  
17 Indiana.

18 CHAIRMAN KOPLAN: Welcome back.

19 MR. VISCLOSKY: Mr. Chairman, members of the  
20 Commission, thank you. It is a pleasure to be back.  
21 You do have my prepared testimony and simply would ask  
22 that the Commission maintain the orders that are in  
23 place relative to the six countries involved.

24 I have appeared before you on a number of  
25 occasions, and as my appearance has changed, as my

1 hair as fallen, so too have the circumstances we find  
2 ourselves in. People have talked about the change in  
3 international circumstances, and they have, as we all  
4 seek a fair and liberalized trade policy.

5 In 1993, the North American Free Trade  
6 Agreement was passed to liberalize trade. I voted  
7 against that measure. In 1995, we approved U.S. entry  
8 into the WTO. I voted for that measure. Earlier this  
9 year we had the so-called CAFTA agreement. That was  
10 approved. I voted against it. Those were recent  
11 multilateral agreements.

12 We also had bilateral agreements. In 2003,  
13 the Chilean Free Trade Agreement was approved. I  
14 voted against entry into that agreement. In 2004,  
15 there was approval of a free trade agreement with  
16 Australia. I voted for that.

17 Over the years I have come before you, trade  
18 has been liberalized. I have tried to make individual  
19 decisions on each one of those agreements as to which  
20 would be fair as far as that playing field.

21 As we proceed, I think one of the key  
22 elements as far as their success or failure is to make  
23 sure that we do have vigorous and sustained and fair  
24 enforcement of the laws that are on the books,  
25 obviously the responsibility of the Commission, and

1 again ask for your very careful consideration of the  
2 evidence that will be brought before you.

3 Trade has also become nebulous, and our  
4 circumstances have also become more nebulous. When I  
5 first testified, as I have indicated, in the past I  
6 had facilities such as LTV and Bethlehem Steel and  
7 National Steel. Two of the three major corporations  
8 in the 1st Congressional District are now  
9 headquartered in London and Rotterdam.

10 Nevertheless, I appear before you today  
11 because of the people who remain employed at those  
12 facilities to ensure that they do have that fair and  
13 equitable chance to maintain their livelihood.

14 Again, I do trust, as I have in the past,  
15 your fair consideration. I appreciate the opportunity  
16 to appear before you today and again simply ask for  
17 your serious consideration of the matters before you  
18 today.

19 CHAIRMAN KOPLAN: Thank you very much for  
20 your statement. The full text will be included in the  
21 record without objection.

22 Let me see if any of my colleagues have  
23 questions from the dais.

24 (No response.)

25 CHAIRMAN KOPLAN: It appears not. Thank you

1 very much.

2 MR. VISCLOSKY: Mr. Chairman, thank you very  
3 much.

4 CHAIRMAN KOPLAN: Madam Secretary?

5 MS. ABBOTT: The Honorable George  
6 Butterfield, United States Congressman, 1st District,  
7 North Carolina.

8 CHAIRMAN KOPLAN: Good morning, Congressman.

9 MR. BUTTERFIELD: Thank you very much, Mr.  
10 Chairman.

11 Mr. Chairman, members of the Commission,  
12 first let me say that it's an honor to be with you  
13 today on behalf of the people of the 1st Congressional  
14 District of North Carolina. My congressional district  
15 is home to a good corporate citizen named Nucor-  
16 Hertford. This facility is one of the most modern and  
17 efficient steel plate mills in the world.

18 The locating of this facility in my district  
19 has had an incredible effect not just on our economy  
20 in North Carolina, but upon the lives of hundreds of  
21 my constituents. Today I have come before you to  
22 unconditionally support and represent Nucor-Hertford,  
23 to represent its 400 employees and the thousands of  
24 other North Carolinians who depend upon the mill for  
25 their livelihood.

1           One of the most significant ways, Mr.  
2 Chairman, that I can support Nucor is by urging you to  
3 maintain the antidumping and countervailing duty  
4 orders on imports of cut-to-length steel plate from  
5 France, India, Indonesia, Italy, Japan and Korea.

6           Mr. Chairman, I strongly believe, as they  
7 do, that these orders have played an essential role in  
8 restoring the health of the U.S. steel plate industry,  
9 and if they were revoked -- if they were revoked --  
10 there is no doubt that unfairly traded imports will  
11 flood our market at an enormous cost to many of my  
12 constituents.

13           I would like to share with you a bit of  
14 information about the 1st Congressional District so  
15 that you will understand exactly why Nucor is so  
16 important to us.

17           The 1st District encompasses most -- most --  
18 of northeastern North Carolina. I'm sad to report to  
19 you that it is the fifteenth poorest congressional  
20 district in the nation. Our average income is only  
21 about two-thirds of the national average, while our  
22 poverty rate is about 70 percent higher. More than  
23 one out of five residents in the district live in  
24 poverty.

25           This part of North Carolina was and remains

1 heavily agricultural with tobacco being our biggest  
2 crop. However, in the post-tobacco buyout era I think  
3 we can all agree that tobacco no longer remains the  
4 safety net of economic prosperity for my district.

5 The economic boon of the 1990s brought some  
6 much needed relief to my district, but even then many  
7 people in the district were doing all they could just  
8 to keep their heads above water. That was,  
9 incidentally, after the great Hurricane Floyd of 1999.

10 In the mid 1990s, Nucor decided to build a  
11 new steel plate mill in Hertford County, North  
12 Carolina. Nucor is one of the most efficient, low-  
13 cost steel producers in the world. At a cost of \$500  
14 million, the plant represented a huge bet by Nucor on  
15 the future of the plate market and a huge show of  
16 confidence in the ability of the people in the 1st  
17 District to meet the demands of one of the world's  
18 most productive steelmakers.

19 The mill opened in late 2000 and began  
20 producing high quality steel plate for use in heavy  
21 equipment, rail cars, ships, barges, refinery tanks  
22 and other products that our modern, industrial economy  
23 absolutely needs. As it turned out, this was a  
24 difficult time to open a new mill. Starting in 1998,  
25 the U.S. plate market was devastated by a surge of

1 dumped and subsidized imports.

2 The antidumping and countervailing duties  
3 that you helped put in place in 2000 took a while to  
4 reveal some type of an effect, and it was only in 2004  
5 that this mill made its first profit. This would not  
6 have been possible without these orders.

7 Steel mills are expensive investments. You  
8 know that. One or two years of profits do not  
9 guarantee success. The workers at Hertford tell me  
10 that they're concerned that while the market has  
11 definitely improved with these duties in place the  
12 U.S. industry remains vulnerable to injury from  
13 unfairly traded imports. If these duties are  
14 eliminated, they are convinced that illegally traded  
15 imports will surge back into our markets and that the  
16 bad times of the 1990s may return.

17 As you can tell, Nucor-Hertford has brought  
18 good jobs to an impoverished area of my state and with  
19 good benefits, I might say. The mill directly employs  
20 400 people with an average income of more than  
21 \$60,000, which is a very decent income for workers  
22 everywhere, but even more so in the 1st District.

23 The reason Nucor workers are so well paid is  
24 that they are productive. The more steel they make,  
25 the more money they make. Competition from dumped and



1       subsidized imports is more than a theoretical matter  
2       to them. Unfairly traded imports literally, literally  
3       take money out of their pockets.

4               Nucor-Hertford has created jobs for more  
5       than just its 400 employees. The mill has hundreds of  
6       local partners who provide raw materials and the like.  
7       These are solid manufacturing jobs with benefits, jobs  
8       on which you can support a family. These are jobs  
9       that I will fight to keep in my district, and that  
10      means enforcing our laws against illegal dumping and  
11      subsidies.

12              Finally, Mr. Chairman, Nucor-Hertford  
13      brought more than just jobs. It has brought hope. It  
14      has brought hope of a better life for my constituents,  
15      for their children and their grandchildren.

16              Mr. Chairman, I'm sure that all of these  
17      hard working people will testify before you today if  
18      they could. They would tell you that they can compete  
19      with anyone in the world, but only if everyone else  
20      plays by the same rules as they. They can't compete  
21      against unfairly dumped imports.

22              By voting to keep these orders in place, you  
23      will give them the opportunity to keep working, the  
24      opportunity to keep their families healthy and to  
25      educate their children and to build the sort of future

1 that we all want.

2 Thank you so much, Mr. Chairman, for this  
3 opportunity.

4 CHAIRMAN KOPLAN: Thank you for coming,  
5 Congressman.

6 MR. BUTTERFIELD: Yes.

7 CHAIRMAN KOPLAN: Let me see if there are  
8 any questions from the dais.

9 (No response.)

10 CHAIRMAN KOPLAN: Apparently there are not.  
11 I appreciate your testimony.

12 MR. BUTTERFIELD: You're very kind. Thank  
13 you.

14 CHAIRMAN KOPLAN: Thank you.

15 Madam Secretary, we can proceed to the  
16 opening remarks.

17 MS. ABBOTT: Yes, Mr. Chairman. Opening  
18 remarks in support of continuation of orders will be  
19 by Roger B. Schagrín, Schagrín Associates.

20 MR. SCHAGRIN: Good morning, Chairman  
21 Koplán, members of the Commission. Good to see you  
22 again.

23 Seven years ago, imports from France, India,  
24 Indonesia, Italy, Japan and Korea totaled 1,150,000  
25 tons. In response, the U.S. industry filed dumping

1 and countervailing duty cases. Those cases resulted  
2 in orders with very high average margins.

3 Because of those orders, which went into  
4 effect at the beginning of 2000, imports from these  
5 six countries fell by approximately 90 percent to an  
6 average of approximately 110,000 tons annually for the  
7 years 2000 through 2004.

8 I want to put these import volumes in the  
9 proper perspective. The imports from the six  
10 countries subject to this review today were  
11 approximately 50 percent larger in 1998 than total  
12 imports into the United States have been from all  
13 countries combined in any years since 1998.

14 The U.S. plate industry had been a  
15 profitable industry throughout almost all of the  
16 entire decade of the 1990s. In fact, while the  
17 industry's profits fell, the industry was still able  
18 to maintain some profitable operations in 1996, 1997  
19 and 1998 as total imports ranged between 1.5 million  
20 and two million tons a year into the U.S. market.

21 The damage to this one vibrant, efficient  
22 and profitable industry had been done. For the next  
23 six years this industry wallowed in the darkness of  
24 losses suffering almost a death blow from the  
25 successive waves of unfairly traded imports which had

1 hit it in the late 1990s.

2 Some producers like Gulf States Steel and  
3 Geneva Steel filed for bankruptcy and were liquidated  
4 in bankruptcy. Other producers, such as Lukens,  
5 Bethlehem and the U.S. Steel Gary Plateworks, were  
6 rolled up into first ISG and then Mittal Steel. New,  
7 state-of-the-art greenfield mills like IPSCO and Nucor  
8 failed to achieve any profitability or returns on  
9 investments.

10 Finally, in 2004, the industry was able to  
11 return to profitability. The Bethlehem 110 inch plate  
12 mill at Burns Harbor was reopened after having been  
13 shut for five years, and the long-awaited real  
14 benefits of relief began to materialize.

15 In the recently completed Hot-Rolled sunset  
16 reviews just earlier this year, the Commission asked  
17 the question that if an industry with 20 percent  
18 operating margins could not the orders sunset without  
19 the recurrence of injury, when could or should the  
20 circumstance exist for orders to be sunset?

21 The answer in that proceeding, just as the  
22 answer today, is that no matter how healthy the  
23 domestic industry is if the foreign producers subject  
24 to the orders continue to maintain massive amounts of  
25 excess capacity that can and will be exported to the

1 U.S. market at dumped and subsidized prices which  
2 undersell the U.S. industry then the record supports a  
3 finding that injury will be likely to recur.

4 In this case, 80 to 90 percent of the  
5 capacity represented by foreign producers in the six  
6 countries subject to review have agreed to provide  
7 data to the Commission. However, the domestic  
8 industry certainly knows and the Commission has the  
9 information on the record which demonstrates that  
10 there will be a massive increase in exports to the  
11 U.S. if these orders are sunset. This is because the  
12 U.S. market will be the market of choice for that  
13 excess capacity.

14 China has now overbuilt its plate industry  
15 so drastically that prices are plummeting in China,  
16 and these exporters which in 2004 had been exporting  
17 to China will come to the U.S. in 2006.

18 Whether it be half a million or a million  
19 tons, when added to the already increasing imports  
20 from new suppliers to the U.S. market that have  
21 already occurred in 2005, there could be no doubt that  
22 massively increased exports from the countries subject  
23 to review will be likely to cause a recurrence of  
24 injury to the U.S. cut-to-length plate industry.

25 For that reason, the domestic industry urges

1 the Commission to spare it from that recurring injury  
2 and to make affirmative determinations in these sunset  
3 reviews. Thank you.

4 CHAIRMAN KOPLAN: Thank you, Mr. Schagrin.  
5 Madam Secretary?

6 MS. ABBOTT: Opening remarks in opposition  
7 to continuation of orders will be by Mark E.  
8 Montalbine, deKieffer & Horgan.

9 CHAIRMAN KOPLAN: You may proceed.

10 MR. MONTALBINE: Good morning. My name is  
11 Marc Montalbine. I'm with the law firm of deKieffer &  
12 Horgan, and we represent GTS Industries in this case.  
13 GTS is a French producer of specialty plate products,  
14 primarily for the oil and gas industry, products such  
15 as line pipe plate and plate for oil drilling  
16 platforms.

17 Our position in this proceeding is rather  
18 modest. We seek only revocation of the antidumping  
19 duty order against France. France is unique among the  
20 subject countries in this case. During the original  
21 investigation when imports from all other subject  
22 countries were increasing, imports from France were  
23 small and decreasing.

24 French imports also had the highest prices,  
25 overselling U.S. products in 32 of 47 comparisons with

1 an average margin of overselling of 12.1 percent.  
2 Moreover, 99 percent of French imports consisted of  
3 special products such as line pipe plate.

4 The situation faced by France in this  
5 proceeding is similar to that of South Africa in the  
6 2003 sunset on Cut-to-Length Plate and the position of  
7 France and the United Kingdom in the recent review of  
8 Stainless Steel Sheet and Strip. In both of these  
9 cases the Commission decided that these countries,  
10 South Africa and France, should not be cumulated with  
11 the other subject countries and that the orders  
12 against those countries were then revoked.

13 The Commission also has always recognized  
14 that line pipe plate is a different type of product  
15 than the commodity plate grades. This is the only  
16 proceeding in which X70 line pipe plate has not been  
17 excluded. In all other plate proceedings X70 has been  
18 excluded. Also, the President in the Section 201  
19 proceeding also excluded X70 and higher line pipe  
20 plate.

21 Today you will hear testimony from Dave  
22 Delie of Berg Steel Pipe Corporation. Berg Steel is  
23 the biggest producer of large diameter line pipe in  
24 the United States. Mr. Delie will tell you that due  
25 to the increased construction of oil and gas pipelines

1       there is a worldwide shortage of line pipe plate.

2                 While Berg Steel purchases much of its plate  
3       from domestic mills, these mills cannot supply all of  
4       Berg Steel's needs. The U.S. mills have placed Berg  
5       Steel on allocation, and Berg has lost projects to  
6       foreign competitors because it could not secure  
7       delivery of the necessary plate. In fact, two large  
8       U.S. mills, IPSCO and Oregon Steel, have their own  
9       pipe mills in Canada, and these mills compete directly  
10      with Berg Steel here in the United States.

11                With the recent passage of the Energy Policy  
12      Act of 2005, Congress highlighted the need for new oil  
13      and gas pipeline construction. With greater pipeline  
14      construction will come an ever greater shortage of  
15      line pipe plate. Therefore, revocation of the  
16      antidumping duty order against France is not likely to  
17      cause material injury to the domestic industry.

18                Rather, any potential imports from France  
19      must serve only to alleviate the pressing need for  
20      line pipe plate that cannot be satisfied by the U.S.  
21      industry. Such a small volume of specialty plate  
22      products will not have any adverse impact on the  
23      domestic industry. This is especially true in light  
24      of the fact that the U.S. industry has been  
25      substantially restructured since the original



1 investigation and is no longer vulnerable to material  
2 injury.

3 We therefore request that the Commission  
4 decline to cumulate French imports with those of any  
5 of the other subject countries in this proceeding and  
6 determine that revocation of the antidumping duty  
7 order on cut-to-length plate from France would not be  
8 likely to lead to continuation or recurrence of  
9 material injury within a reasonably foreseeable time.

10 Thank you very much.

11 CHAIRMAN KOPLAN: Thank you.

12 Madam Secretary?

13 MS. ABBOTT: The first panel in support of  
14 continuation of orders, please come forward. The  
15 witnesses have been sworn.

16 (Witnesses sworn.)

17 CHAIRMAN KOPLAN: You may proceed.

18 MR. PRICE: Good morning. I am Alan Price,  
19 counsel for Nucor Corporation. We are here today on  
20 this sunset review, and we believe that this  
21 Commission must continue this order.

22 There are several basic reasons and some key  
23 facts that we would like to highlight in this  
24 proceeding. First, the domestic cut-to-length plate  
25 industry is likely to suffer from material injury

1 within the reasonably foreseeable future if the orders  
2 are revoked.

3 Now, critically this industry is vulnerable.  
4 It has lost money in five of the last six years. Now,  
5 the industry did have an improvement in profitability  
6 in 2004 and 2005, and as the Commission knows from its  
7 review of multiple steel cases much of this was driven  
8 by the unique global steel situation, and that all  
9 relates to China.

10 The situation is changing rapidly. China is  
11 rapidly increasing its production of plate, and not  
12 only is China becoming a net steel exporter, but there  
13 is rapidly growing overcapacity. As a result of this  
14 overcapacity, we are already seeing shifts of subject  
15 country exports to the U.S., and the U.S. is a magnet  
16 for these imports and will be if these orders are  
17 revoked.

18 As the Commission found in Hot-Rolled Steel,  
19 the size, openness and high prices in the U.S. market  
20 would provide an incentive for the subject suppliers  
21 to shift to greater sales to the U.S. in the case of  
22 revocation.

23 Now let's address some of the specifics.  
24 The U.S. industry lost money from 1999 through 2003.  
25 During this period, including 2004, the industry did

1 not return its cost of capital and did not have the  
2 finances needed for critical capital investment during  
3 the business cycle. Even when you include 2005, the  
4 industry did not return its cost of capital.

5 Shifting to China, there has been a massive  
6 shift in the Chinese trade balance. In 2003 and 2004,  
7 China experienced unprecedented need for imports of  
8 all steel products, including cut-to-length plate  
9 products. That situation has reversed dramatically as  
10 China has installed massive amounts of new capacity,  
11 and in 2005 it is becoming a major exporter of cut-to-  
12 length plate and all other steel products.

13 Now, the overcapacity situation we are  
14 seeing globally develop is not unique to 2005. It is  
15 a massive problem, and it is growing by leaps and  
16 bounds. By 2005, there will be 45 million metric tons  
17 of new capacity for cut-to-length plate. While 30  
18 million tons of this will be in China, a substantial  
19 portion, about 11.4 million metric tons, will be from  
20 subject suppliers.

21 Critically, as we look at the overcapacity  
22 situation develop this overcapacity is far in excess  
23 of any projected increases or changes in demand, and  
24 it is not dispersed largely at the end of the period,  
25 but it is concentrated very heavily in 2005 and 2006,

1 so as we sit here we are seeing massive amounts of new  
2 global capacity overtake the market.

3 As we look at the marketplace, we are  
4 already seeing the effects. China's imports from the  
5 subject countries are declining dramatically. Not  
6 surprisingly, we are already seeing a shift of those  
7 products around the world, a substantial shift into  
8 the U.S. market.

9 Now, critically it's important to understand  
10 why there's going to be a shift into the U.S. market  
11 and why this shift will be very dramatic if these  
12 orders are lifted. The U.S. market is by far the most  
13 attractive market in the world. It's an open market.  
14 It's got a service center distribution system that is  
15 very easy for imports to penetrate, and the pricing,  
16 simply stated, is a magnet for imports.

17 Based on the Commission's own staff report  
18 data for July 2005, you can see that the United States  
19 is the most attractively priced market for imports,  
20 whether we're talking about European countries or  
21 Asian countries. This country will attract imports,  
22 and the subject imports will flood this market if the  
23 order is revoked.

24 In sum, the world cut-to-length plate market  
25 is characterized by massive excess capacity,

1 moderating demand and falling global prices. Now, the  
2 subject producers have a history of underselling the  
3 U.S. market, and while the pricing data in the staff  
4 report during the period of review is limited it shows  
5 a massive amount of underselling in virtually all  
6 quarterly comparisons.

7 There's little question that the statutory  
8 standard in this case is met that material injury is  
9 likely to continue or recur within the reasonably  
10 foreseeable future if these orders are revoked.

11 Thank you.

12 MR. SCHAGRIN: I'd like to invite Mr.  
13 Tulloch and the other domestic industry  
14 representatives to present their testimony at this  
15 time.

16 MR. TULLOCH: Good morning.

17 CHAIRMAN KOPLAN: You might move that a  
18 little bit closer to you.

19 MR. TULLOCH: Good morning.

20 CHAIRMAN KOPLAN: That one we picked up.

21 MR. TULLOCH: There we go. Good. Okay.  
22 Good morning, Chairman Koplan, members of the  
23 Commission. For the record, my name is John Tulloch,  
24 and I'm Executive Vice President and Chief Commercial  
25 Officer of IPSCO Steel, Inc. I've been with the

1 industry for 31 years, including 28 with IPSCO.

2 IPSCO has two of the newest plate mills in  
3 the world with greenfield mills being built in Mt.  
4 Pelier, Iowa, in 1997 and Mobile, Alabama, in 2001.  
5 We also have two cut-to-length lines, one in Minnesota  
6 and one in Houston, Texas, where coil plate, either  
7 ours or that of other companies, is cut to length.  
8 These are in addition to the facilities that we offer  
9 in Canada.

10 Financial results following the start-up of  
11 our U.S.A. plate business was so negative that as we  
12 entered 2004 we had approximately \$400 million of tax  
13 loss carry forward directly related to those U.S.  
14 steel facilities.

15 As it turned out, 2004 was a turnaround year  
16 for us as world plate supply and demand factors  
17 allowed us to have some pricing power, and many  
18 imports that were coming into the U.S. found other  
19 more attractive markets outside of North America.

20 In 2005 we've seen a softening from that  
21 2004 position with imports returning and prices  
22 deteriorating as the year progressed. Volume through  
23 the summer months also dropped, and we took additional  
24 maintenance time at our steel mills, including  
25 extended time when we had some hurricane outages for

1 maintenance work, and diverted some of our steel into  
2 the tubular goods market.

3 This softening was caused largely by U.S.  
4 buyers trying to reduce inventories in anticipation of  
5 lower prices, particularly import prices, as the  
6 U.S.A. market became more attractive again and low-  
7 priced import competition was picking up. Through  
8 2005, we have increasingly been asked to lower our  
9 pricing to meet import competition on a direct basis  
10 and by our customers competing with buyers of low-  
11 priced import steel.

12 In August we reintroduced an import fighter  
13 program in the Gulf area specifically to meet low  
14 prices from suppliers of imported plate. Prices in  
15 the plate market are volatile right now as a  
16 combination of a number of factors, including shifting  
17 demand patterns, particularly from service centers,  
18 low-priced import offerings, volatile raw material  
19 costs and the consequences of the hurricanes in the  
20 Gulf states.

21 Our approach has been to attempt to maintain  
22 prices at a level that allows us to remain profitable  
23 and to be in a position to compete with surges of low-  
24 priced imported plate as they occur. The Gulf Coast  
25 area is particularly vulnerable to the import surges,

1 surges that would occur if these orders are sunset.

2 Even though IPSCO has new plate mills, we  
3 have continued to reinvest in these mills in order to  
4 remain competitive in the market. In 2004, we  
5 announced a \$45 million new heat treat facility at our  
6 Mobile, Alabama, plant that will allow us to heat  
7 treat 170,000 tons annually of plate, which will come  
8 from our existing plate production.

9 This new heat treat line has created several  
10 hundred construction jobs and will create 50  
11 additional permanent jobs at the mill after it comes  
12 on line in the fourth quarter of this year and fully  
13 operational in 2006.

14 IPSCO is also a major producer of plate in  
15 Canada. During the past 12 months, the Canadian  
16 Import Tribunal has sunset a number of plate orders in  
17 Canada. These orders apply to some countries subject  
18 to this review and other countries not subject to this  
19 review.

20 The post-sunset result has seen a  
21 significant increase in unfairly traded plate imports  
22 into Canada causing both price and volume erosion. We  
23 recently had to offer a lower pricing structure to one  
24 of our largest customers in Canada in an effort to  
25 maintain our sales in the face of low-priced plate



1 imports from a country that had its order sunset. We  
2 will provide you with more information on this issue  
3 confidentially in our post-hearing brief.

4 There's no doubt in my mind, given the  
5 changeable global supply and demand conditions and the  
6 excess plate capacity in countries subject to this  
7 review, that sunseting of these orders will result in  
8 a surge of imports similar to that which occurred in  
9 1998 and 1999.

10 For that reason and on behalf of IPSCO's 920  
11 employees engaged in the plate business in the United  
12 States, we respectfully request that you maintain  
13 these orders in effect.

14 CHAIRMAN KOPLAN: Thank you, Mr. Tulloch.

15 MR. MCFADDEN: Good morning, Mr. Chairman  
16 and members of the Commission. My name is Pat  
17 McFadden. I'm the National Sales and Marketing  
18 Manager of Plate Products for Nucor-Hertford County.

19 CHAIRMAN KOPLAN: Could you move that  
20 microphone a little closer to you?

21 MR. MCFADDEN: I appreciate this opportunity  
22 to explain why Nucor and its workers strongly believe  
23 that continuation of the antidumping and  
24 countervailing duty orders on cut-to-length steel  
25 plate is essential to the continued health of the

1 domestic steel plate industry.

2 Nucor is a relative newcomer to the plate  
3 market, and our mill in Cofield, North Carolina, is a  
4 telling example of what has happened in the plate  
5 industry. Through the 1980s and 1990s, Nucor was the  
6 leader of builders of greenfield steel mills in the  
7 United States. Hertford was the last greenfield mill  
8 we built. We finished it in 2000 and started  
9 production late that year. Since then we have seen  
10 good times and bad times in the plate market, mostly  
11 bad times.

12 Nucor had losses every year on our plate  
13 business until 2004, and we also lost money in the  
14 first quarter of that year. That's four years of  
15 losses followed by much better years in 2004 and 2005.  
16 This is important because our board of directors only  
17 approves projects where we can recover our investment  
18 in three to four years. Hertford has still not  
19 recovered Nucor's original investment even after the  
20 excellent year and a half that we've enjoyed recently.

21 It is apparent the plate market reached its  
22 peak in the first quarter of 2005 and has been heading  
23 down ever since. I know this from our own operations.  
24 Nucor's plate production levels peaked in March of  
25 this year, and our plate prices have dropped every

1 month since February. Overall prices in the market  
2 have dropped by about \$150 a ton.

3 Most importantly to me, I know the peak has  
4 passed because Nucor's 400 workers at Hertford can't  
5 work every day the way they would like to. Our mill  
6 has been operating at 75 percent of normal hours for  
7 most of the second and third quarters of this year.  
8 For our workers whose pay is based heavily on how much  
9 they produce and how efficient they are, this  
10 weakening of our order books makes a real difference  
11 in their income.

12 Recently scrap prices have risen sharply,  
13 resulting in price fluctuations. However, because of  
14 market conditions we have only been able to recover a  
15 small portion of that increase. In addition, prices  
16 for alloying elements, natural gas and hydrogen have  
17 all risen, and we haven't been able to recover these  
18 increases at all.

19 So far financial results have remained  
20 strong, but when I look ahead to 2006 I don't like  
21 what I see. The market is not going to be like it was  
22 in 2004 or 2005. The reason is simple. Global  
23 capacity relative to demand.

24 For the last year or two we've been riding a  
25 wave of demand from China and Asia, demand in

1 shipbuilding and construction equipment and other  
2 segments that use plate. China has needed imports to  
3 satisfy that demand, but it doesn't need them any  
4 more.

5           There is a huge global overcapacity in  
6 plate; tens of millions of tons added in China and the  
7 countries covered by dumping orders, including the six  
8 countries we are talking about today. There is even  
9 more new capacity on the way. You can readily see the  
10 effects of this growing overcapacity in the collapse  
11 of prices in Asia.

12           Earlier this year when demand cooled off a  
13 bit and supply kept increasing, prices there fell by  
14 \$300 in just a few months. So far, U.S. pricing has  
15 held up better. The dumping orders are the critical  
16 factor in that differential, but with China now a  
17 major net exporter of plate every country that used to  
18 supply China is now looking somewhere else.

19           With all these capacity increases,  
20 especially in India and Indonesia and Japan and Korea,  
21 Nucor views the market as in a precarious position and  
22 extremely vulnerable to dumped and subsidized imports.  
23 In many ways we are the most vulnerable to the imports  
24 that are the flavor of the month.

25           Our core business is commodity grades and

1 thicknesses of plate; the types of plate that are made  
2 all over the world, types that are sold on the basis  
3 of price. Let me tell you how these imports affect  
4 our business. Every time a barge comes into Tampa or  
5 Houston or New Orleans with imported plate, my order  
6 book starts to dry up. Every time.

7 I have no doubt at all that if these  
8 antidumping orders are terminated more of those barges  
9 will be coming here soon. Our market is a wide open  
10 one with service centers and distributors  
11 independently owned or operated by global traders like  
12 Corus. Their very purpose is to quickly channel  
13 dumped, low-priced steel throughout the market.

14 That is why these orders are so important.  
15 By themselves, these countries are significant  
16 producers. If the orders are revoked, we have no  
17 doubt that they will immediately rush into the U.S.  
18 market. The Koreans, by the way, are already here.  
19 To use their spare capacity, they will sell at  
20 whatever price they can get. Those new low prices  
21 will ripple through the entire market.

22 I understand you have heard complaints about  
23 unavailability of domestic plate. As I've said  
24 already, Nucor has plenty of capacity available today.  
25 Our workers want to produce more. There was a point

1 in 2004 when the market was at its hottest where we  
2 instituted controlled order entry. We did this  
3 because with demand as high as it was in China and  
4 elsewhere we started getting orders from our regular  
5 customers at two to three times their usual volume.

6 Obviously we can't do that for everyone. As  
7 it turned out, much of that ordering was panic buying,  
8 and it went into inventory. As a result, the market  
9 has turned down after the new year, and I've had to  
10 send my workers home while that inventory is being  
11 worked through.

12 Today there is capacity available. That is  
13 not just for so-called commodity grades of plate.  
14 Some of the foreign producers may claim that the plate  
15 they produce is special and that there are shortages  
16 of those plate products in the United States. Maybe  
17 they would claim that if they were all here today,  
18 although I can't help noticing only one of the foreign  
19 mills is actually here.

20 I understand they have complained about  
21 extra thick plate, line pipe plate and alloy plate,  
22 but there is more than ample capacity in the United  
23 States to produce these products. As I said, we  
24 certainly have capacity available at Hertford and our  
25 Tuscaloosa facility. In fact, we are quoting on a

1 large line pipe job right now, and given the softness  
2 in our recess sales we are going to quote  
3 aggressively.

4 In short, if the antidumping and  
5 countervailing duties are revoked the future of our  
6 plate operations is not promising. There is too much  
7 global overcapacity, and the U.S. market is too  
8 inviting of a target for dumping. That is why there  
9 are so many orders on steel plate, and that is why the  
10 Commission should leave these orders in place. They  
11 are very important to Nucor, and they are very  
12 important to my workers.

13 Thank you.

14 MR. INSETTA: Good morning, Chairman Koplan  
15 and Commissioners. My name is Bob Insetta. I am the  
16 Director of Marketing for Mittal Steel USA's Plate  
17 Division.

18 My responsibilities include working with our  
19 commercial organization to provide strategic direction  
20 for marketing, pricing guidelines, obtaining  
21 competitive market intelligence and, of course,  
22 filling our mills with the best possible mix of  
23 profitable products.

24 I have been involved with sales and  
25 marketing of plate for 26 years, first for Lukens

1 Steel Company, then Bethlehem Lukens Plate, then  
2 International Steel Group and now Mittal USA.

3 I am accompanied today by Larry Fabina, our  
4 Senior Division Manager for Plate Operations, and Matt  
5 Habenicht, our Plate Products Area Manager. We are  
6 here today to explain why continuation of these orders  
7 is very important to Mittal Steel USA.

8 Today for the first time in years U.S. plate  
9 prices properly reflect the industry's costs and also  
10 provide a positive financial return to domestic  
11 producers. I believe there is no question that the  
12 orders in this review, as well as the other orders in  
13 suspension agreements on plate, contributed  
14 importantly to the industry's return to profitability.

15 Domestic producers were able to take  
16 advantage of the rebound in demand in 2004 and the  
17 first half of 2005 without having to slash prices to  
18 meet competition from dumped and subsidized imports.  
19 Thus, domestic producers were able to price their  
20 products in response to changes in demand and to cover  
21 increases in raw material and energy costs and still  
22 generate a reasonable return.

23 However, after peaking in the first quarter  
24 of this year spot prices for plate have fallen more  
25 than \$100 per ton since the middle of the second



1 quarter of this year. As your public staff report  
2 confirms, the majority of carbon plate sales are in  
3 the spot market. This is certainly the case for us.

4 Thus, unlike industries where a significant  
5 portion of sales are made under long-term contracts  
6 and fixed prices, the plate industry is largely  
7 exposed to sudden swings in the spot market.

8 Today a number of factors are putting  
9 downward pressure on prices. First, the domestic  
10 industry has significant unutilized capacity  
11 reflecting the fact that overall demand remains far  
12 below historic levels even with the rebound in the  
13 last year and a half.

14 Second, there is significant and growing  
15 global excess capacity. Our prehearing brief provides  
16 numerous examples of foreign plate producers who are  
17 adding new capacity. Your public prehearing report  
18 confirms that production of plate in most of the  
19 subject countries has increased during the period of  
20 review.

21 There has also been a large shift in China's  
22 imports and exports of plate. Between 2003 and the  
23 first seven months of 2005, there has been a swing in  
24 China's net import position that is nearly equivalent  
25 to the 6.26 million tons of plate consumed in the

1 United States in 2004, and China's plate exports are  
2 likely to continue growing significantly since it is  
3 projected to add nearly 20 million tons of new plate  
4 capacity by 2007 to decrease its reliance on imports.

5 This swing in China's market position has  
6 already forced foreign producers, including many of  
7 the producers subject to this review, to find new  
8 markets for their exports. For example, Korea's  
9 exports to China declined from one million tons in  
10 2003 to 552,000 tons in 2004. As of July of this  
11 year, Korea's exports to China were 25 percent lower  
12 compared to the same period last year.

13 Likewise, export statistics for every one of  
14 the other subject countries all showed declines in  
15 exports to China since either 2003 or 2004. Absent  
16 the orders under review, there is little doubt they  
17 would look to our market as a first resort, bringing  
18 added downward pressure on domestic prices that have  
19 already declined significantly in the last six months  
20 or so.

21 Moreover, those foreign producers don't need  
22 to ship as much to our market today as they did during  
23 the original investigation to cause injury once again  
24 to the domestic industry. That is because the U.S.  
25 market for plate is significantly smaller today than

1 it was in the mid to late 1990s.

2 While demand in 2004 could be characterized  
3 as strong when compared to 1999 to 2003, it is about  
4 3.5 million tons below 1998 levels. Moreover, growth  
5 in U.S. demand is slowing. As the public prehearing  
6 report shows, consumption increased by slightly more  
7 than six percent in the first half of 2005 compared to  
8 the first half of 2004 after increasing by nearly 20  
9 percent in 2004 compared to 2003.

10 If imports from the six subject countries  
11 could cause injury when demand was growing by more  
12 than 20 percent in a larger market, as was the case  
13 from 1997 to 1998, much smaller volumes will surely  
14 cause injury to recur in a market that is much smaller  
15 than it used to be and demand is projected to grow  
16 much more slowly.

17 Like others in the plate business who have  
18 seen how far and how fast prices can fall when there  
19 is low-priced product entering the market, I can  
20 attest to the fact that if the orders are revoked and  
21 unfair trade inevitably resumes, the recent price  
22 declines will be accelerated.

23 Your public prehearing report sets forth the  
24 significant increases in raw material and energy  
25 prices that have occurred since the beginning of 2004.

1       Importantly, a drop in spot prices in the last six  
2       months has not been matched by a decline in our cost  
3       of production. Thus, we are already experiencing  
4       reduced margins.

5               Because of the large and growing excess  
6       capacity outside the United States, revocation of the  
7       orders under review will result in a resurgence of  
8       unfair imports that will further depress and suppress  
9       domestic prices, which will severely undermine our  
10      ability to cope with high raw material and energy  
11      costs.

12             On behalf of Mittal Steel USA, I urge you to  
13      not permit this to happen. I urge you to continue the  
14      antidumping and countervailing duties under review.  
15      Thank you.

16             MR. FABINA: Good morning, Mr. Chairman and  
17      Commissioners. I am Larry Fabina, Senior Division  
18      Manager for Plate Operations at Mittal Steel USA.

19             I've worked in the steel industry for 32  
20      years, the last 15 of which have been in plate. I am  
21      today responsible for the operations of the plate  
22      mills at Burns Harbor and a heat treat facility in  
23      Gary, Indiana, which was formerly owned by U.S. Steel.  
24      My responsibilities entail operations, maintenance and  
25      quality.

1                   We have two plate mills at Burns Harbor, a  
2                   160 inch and a 110 inch plate mill. Burns Harbor is  
3                   an integrated facility, being that the slabs we use at  
4                   these mills come from the basic oxygen furnace  
5                   process.

6                   In Pennsylvania we also have a 140 inch and  
7                   a 206 mill in Coatesville and a combination Steckel  
8                   and discrete in Conshohocken that can produce cut-to-  
9                   length plates and coils. Those mills use electric arc  
10                  furnaces for slab production. We also have the former  
11                  U.S. Steel plate mill in Gary, Indiana, which is  
12                  currently shuttered, although we do use the mill's  
13                  heat treat facilities.

14                 Mittal Steel USA produces a wide variety of  
15                 plate in different dimensions and chemistries. We  
16                 produce plate for a wide variety of uses, such as  
17                 shipbuilding, line pipe, rail cars, oil rigs, heavy  
18                 mining and construction equipment, windmill turbines  
19                 to name a few. We also produce plate for use by the  
20                 armed forces, including plate to armor the Humvees in  
21                 Iraq.

22                 In the plate market, demand comes and goes.  
23                 Plate producers need a certain level of demand to  
24                 operate their mills at a level that covers their fixed  
25                 costs and generate a reasonable level of profit. When

1 there is not enough demand to run a mill at a minimal  
2 level of capacity utilization, a mill has to be shut  
3 down.

4 Earlier this year we restarted the 110 inch  
5 plate mill at Burns Harbor, which was idle since 2000,  
6 and ran it at about half capacity. We did that to  
7 respond to the rebound in the domestic demand that was  
8 seen in 2004 and 2005.

9 The last several months, however, have  
10 proved challenging in terms of keeping the 110 inch  
11 plate mill running. Our energy and raw materials  
12 costs have significantly increased over 2004 and  
13 remain high. Meanwhile, our order book fell off to a  
14 point that we could not operate the mill at a rate  
15 that would cover these increased costs and our energy.

16 Consequently, we recently took an  
17 unscheduled interruption in the mill and reassigned  
18 the people working there to other responsibilities at  
19 Burns Harbor. Our other mills that are still running  
20 are also operating at less than full capacity. Thus,  
21 we have more than enough capacity to respond to any  
22 increases in demand.

23 One point that I especially want to  
24 emphasize concerning the hiring and training of people  
25 to operate a plate mill that has been idle such as the

1 110 inch mill. Just because demand comes and goes  
2 doesn't mean the workers do.

3 One very important reason why the decision  
4 whether to restart a mill hinges greatly on the  
5 confidence that the company has that there will be  
6 enough demand to keep the mill operating at a better  
7 than break even level and keep those workers occupied.

8 As I had mentioned, our costs for producing  
9 plate have increased to unprecedented levels in the  
10 last year and a half. While prices for some raw  
11 materials such as steel scrap have fluctuated up and  
12 down in the last few months, they have continued to  
13 remain well above the historical levels.

14 It is also the case that we do not expect  
15 raw material and energy costs to return to their  
16 historical levels in the foreseeable future if at all.  
17 Certainly at the present time our costs remain very  
18 high despite a sharp drop in the spot prices that Mr.  
19 Insetta has described.

20 Thus, our margins are already under  
21 significant pressure with no significant anticipated  
22 reduction in raw material or energy costs in sight.  
23 Fortunately, with the antidumping and the  
24 countervailing duties on imports of plate in place the  
25 industry was able to recover those costs with higher

1 prices.

2           Finally, as the Commission is well aware,  
3 the plate industry is highly capital intensive and  
4 requires significant capital expenditures to remain  
5 competitive. As the public prehearing report shows,  
6 capital expenditures in this industry were at  
7 extremely low levels throughout most of the period of  
8 review. Only recently have there been necessary  
9 expenditures starting to increase.

10           If the orders are removed and unfair imports  
11 return to the market as they most assuredly will, the  
12 industry will be once again cut back on investments  
13 that are vital if this industry is to remain globally  
14 competitive.

15           Mittal Steel USA and the domestic industry  
16 need these orders to be continued if we are to avoid  
17 moving backwards. Thank you for your attention.

18           MR. MONTROSS: Good morning, Chairman Koplan  
19 and members of the Commission.

20           For the record, my name is Scott Montross,  
21 and I am Vice President of Marketing and Sales at  
22 Oregon Steel Mills. I've been in the steel industry  
23 for 18 years, and the last three have been spent with  
24 Oregon Steel.

25           Oregon Steel has been in Portland, Oregon,



1 since the late 1960s and is the only remaining plate  
2 rolling mill in the western United States. We're also  
3 one of only two U.S. producers of armor plate for  
4 military applications. Our armor products are used in  
5 such applications as retrofit armor kits for the  
6 Humvees, military police vehicles and inserts for  
7 bulletproof vests that our ground troops wear.

8 In 1997, we invested approximately \$300  
9 million in a Steckel combination mill designed to  
10 produce world class quality cut-plate. Just as that  
11 investment was nearing completion, the west coast was  
12 hit with successive waves of unfairly traded imports,  
13 which obviously led to these cases.

14 During this period, annual imports to the  
15 west coast represented almost one-third of the total  
16 consumption annually of the western 11 states. The  
17 damage that was done to our financials during 1997 to  
18 2001 was dramatic and almost to the point of no  
19 return; so much so by 2003, despite antidumping and  
20 201 relief, Oregon Steel Mills was in danger of  
21 joining the long list of companies that was already in  
22 bankruptcy.

23 However, the resurgence of the world plate  
24 market late in 2003 led by economic growth and  
25 development in China relieved import pressure on the

1 west coast and Oregon Steel and allowed us for the  
2 first time in years to increase our prices to  
3 profitable levels.

4           However, for us this one strong year of 2004  
5 hasn't continued the same way in 2005. Massive  
6 capacity expansions of cut-plate in China have changed  
7 the world supply/demand dynamic. As China has become  
8 more self-sufficient in supplying its own internal  
9 plate needs, Asian countries have turned their focus  
10 towards the United States, and we have seen  
11 particularly large surges of imports to the west coast  
12 from countries not only named in these orders, but  
13 also from new countries like Thailand and Malaysia.

14           The current annualized rate of imports from  
15 all countries to the west coast matches the highest  
16 rate since 1998. As a direct result of these imports,  
17 our cut-plate shipments are off by 25 percent versus  
18 the same period in 2004, and our prices are down  
19 almost \$120 per ton.

20           Unfortunately, our costs have not decreased  
21 by that same \$120 a ton, and therefore our profits  
22 have suffered significantly. We are fearful that if  
23 these orders are rescinded that this trend will  
24 continue.

25           Our management has had initial discussions

1 about significant capital expenditures in our plate-  
2 rolling facility in Portland, Oregon. However, if we  
3 are again subjected to unfairly traded imports from  
4 the countries named in these orders in addition to the  
5 surges of imports that we have seen on the west coast  
6 from the new countries like Thailand and Malaysia,  
7 discussions of large capital investments will end  
8 abruptly.

9 I am proud as part of the new Oregon Steel  
10 management team that we were able to survive where  
11 other plate mills such as Geneva could not. However,  
12 I believe we're far from out of the woods. Therefore,  
13 on behalf of the 1,400 employees at Oregon Steel mills  
14 I am here to respectfully request that we keep these  
15 orders in place. Otherwise I'm fearful that the  
16 western United States could lose its only remaining  
17 plate rolling mill, and the U.S. military could lose  
18 one of only two producers of armor plate.

19 Thank you for the opportunity to testify  
20 here today.

21 MR. KLINEFELTER: Mr. Chairman, members of  
22 the Commission, I'm Bill Klinefelter, Legislative and  
23 Political Director of United Steelworkers, and I'm  
24 here today to ask you to continue these orders on cut-  
25 to-length plate from the subject countries.

1                   We know the devastation that the industry  
2                   went through also in cut-to-length plate. We know  
3                   where it was. It was in the heartland -- Indiana,  
4                   Pennsylvania. We know that many people suffered. The  
5                   retirees suffered greatly because they lost their  
6                   retiree healthcare, and their pensions had be subsumed  
7                   by the PBGC.

8                   But, primarily because of the foundation  
9                   that was laid by this Commission the union and the  
10                  companies got together and worked towards  
11                  consolidation and restructuring. We negotiated  
12                  agreements that were able to increase productivity in  
13                  the steel industry.

14                  Now, there was suffering with this increased  
15                  productivity even with active employees. There were  
16                  20 percent cuts amongst those production workers and  
17                  40 percent cut amongst management, but we did increase  
18                  productivity. We increased it by 59 percent. Because  
19                  of this increased productivity and the other factors,  
20                  including these orders, we were able to become  
21                  profitable.

22                  That profitability said to the union and the  
23                  companies we need to do something about these  
24                  retirees' healthcare which has been left behind and so  
25                  we created these voluntarily employee beneficial

1 associations or VEBAs as you know them and have heard  
2 about them before in testimony.

3 Mittal USA has contributed to this date \$250  
4 million to their VEBA, to the VEBA that they have with  
5 the union, and it's my understanding today that covers  
6 80,000 of these retirees. Remember, it is important  
7 to continue the process of profitability because the  
8 VEBA contributions are dependent upon profitability.

9 We are going forward with people receiving  
10 benefits, and of these benefits of prescription drugs,  
11 supplemental Medicare and all the things that they  
12 were getting under the old contract it may be not as  
13 much, but at least it's a start and we'll try to  
14 increase it, but it's all dependent upon  
15 profitability.

16 As usual, the profitability in this industry  
17 is in a fragile situation. You have been told in  
18 testimony of the increasing global capacity both in  
19 Europe and in Asia. We believe that if these orders  
20 come off that we will see a decrease in prices. We  
21 will see the imports come in. We will see the  
22 subsidies continue, and what that will do is once  
23 again hurt this industry.

24 The union is here today once again to say we  
25 have done the job with these companies that you asked

1 us to do. Let us continue to do that job by keeping  
2 these orders in place.

3 MR. SCHAGRIN: Thank you, Bill.

4 Chairman Koplan, members of the Commission,  
5 as the Commission is aware about 60 percent of the  
6 cut-to-length plate in the United States flows through  
7 service centers on its way to its ultimate customers.  
8 For that reason we are very pleased and honored to  
9 have representatives of three of the largest service  
10 centers in the United States here to testify.

11 They will both present their testimony and  
12 be able to answer your questions during the question  
13 and answer and share their knowledge of the  
14 marketplace with the Commission.

15 I'd like to invite Mr. Tom Ballou to present  
16 his testimony.

17 MR. BALLOU: Good morning, Chairman Koplan  
18 and members of the Commission. For the record, my  
19 name is Tom Ballou, and I am Director of Plate and  
20 Flat Rolled Products for O'Neal Steel headquartered in  
21 Birmingham, Alabama. I've been in the steel industry  
22 for 29 years, and I've been with O'Neal for 17.

23 O'Neal has 26 full line service centers  
24 throughout the United States concentrated in the  
25 Midwest, the southeast and the Gulf Coast. At almost

1 all of these service centers we process plate that we  
2 receive from outside suppliers through a variety of  
3 means, whether it be burning, cutting, bending,  
4 shaping, performing other operations for customers in  
5 a wide variety of industries.

6 These customers are in the auto and parts  
7 industries, agriculture and construction equipment,  
8 barge building, shipbuilding, rail cars and  
9 construction. At one of our service centers we have a  
10 cut-to-length line which allows us to cut coil plate  
11 into cut-to-length plate. We are one of the largest  
12 plate service center companies in the country.

13 O'Neal Steel is not against imports. We  
14 have bought both domestic and imported product for  
15 decades. However, the reason I testified in the Plate  
16 cases in the late 1990s is that first imports from  
17 China, Russia and the Ukraine and then imports from  
18 these countries just inundated the U.S. market with  
19 massive quantities of plate at low prices.

20 With O'Neal Steel holding several hundred  
21 thousand tons of plate inventory at any given time, we  
22 suffer significant margin hits whenever a surge of  
23 plate imports enters the U.S. market at depressed  
24 prices causing our inventory values to fall  
25 significantly.

1           In fact, O'Neal Steel grew through  
2 acquisition over the last decade primarily by  
3 acquiring smaller service center chains or individual  
4 service centers that experienced serious financial  
5 squeezes caused by this inventory devaluation and  
6 which were unable to have the financial strength to  
7 survive on their own.

8           If the world plate market was always going  
9 to be in a fairly static balance between supply and  
10 demand there would be no reason for me to have come to  
11 Washington to participate in these hearings. However,  
12 as a large buyer O'Neal has to follow not only what is  
13 occurring in the U.S. market, but what is occurring in  
14 the world market.

15           The significant demand spurt from China in  
16 late 2003 and through much of 2004 certainly buoyed  
17 the demand for plate and helped international  
18 producers increase their prices. However, it is  
19 pretty clear from what you read in the press that  
20 China has brought on massive amounts of new capacity,  
21 and the supply/demand situation has changed radically  
22 in the last year.

23           I am here simply to ask on behalf of O'Neal  
24 to have the ITC review the record here and take the  
25 actions appropriate to prevent import surges from



1 occurring again. Excess capacity will want to find a  
2 home in our markets because it cannot find enough of a  
3 market in their own countries or in China.

4 Thank you for the opportunity to testify  
5 here today.

6 MR. HELTZEL: Good morning. My name is  
7 Robert Heltzel, president of Kenilworth Steel Company  
8 located in Warren, Ohio.

9 Kenilworth Steel is nearly 25 years old, and  
10 it specializes in the distribution of carbon and alloy  
11 plates throughout the United States. Most of our  
12 sales are within a 400 mile radius of Warren, Ohio,  
13 and our customers include OEM customers, fabricators  
14 who use plate to make various products and other  
15 carbon steel distributors.

16 Five years ago I appeared before you to  
17 testify about the effects that unfairly traded carbon  
18 steel plate imports from the countries under review  
19 had had on my company, my community and my country.  
20 We had witnessed one of the largest and most rapid  
21 reductions in plate prices in more than 30 years that  
22 was caused by a surge of imports of dumped and  
23 subsidized plate from these six countries.

24 Thanks to the affirmative determination of  
25 this Commission, antidumping and countervailing duty

1 orders were imposed. Unable to continue to sell at  
2 unfairly low prices, imports from these countries  
3 retreated from the market, providing much needed  
4 relief to the domestic industry, as well as to  
5 companies such as Kenilworth that purchased most of  
6 their plate from domestic suppliers.

7 I am here today to tell you about the  
8 continuing importance of keeping these orders in  
9 place. As has been the case throughout our company's  
10 history, Kenilworth Steel buys the vast majority of  
11 its plate from domestic producers.

12 If these orders were removed, there is no  
13 doubt in my mind that imports from these six countries  
14 would rapidly return to injurious levels. In fact,  
15 even with the orders in place your public prehearing  
16 report shows that imports from these six countries are  
17 increasing once again.

18 Imports from other countries are also  
19 increasing, often at prices below U.S. producers'  
20 prices. I received recent offers for imported plate  
21 at prices that are up to \$100 per ton below U.S.  
22 prices. I used those offers to get a more competitive  
23 price from my U.S. suppliers.

24 You have no doubt heard about by now what  
25 were the problems with delivery of plate last year,

1 and that is correct. Why did this happen? Stretched  
2 lead times were largely the result of an industry that  
3 had gone through a prolonged shakeout after being  
4 injured by unfair imports on repeated occasions and by  
5 a contraction in demand.

6 Geneva Steel and Gulf States went out of  
7 business while Bethlehem declared bankruptcy and was  
8 subsequently acquired by International Steel Group.  
9 U.S. Steel left the discrete plate business.  
10 Meanwhile, demand which had peaked in 1998 fell off by  
11 some 40 percent in 1999. It was only in 2004 that  
12 domestic demand began to rebound.

13 It should not be surprising that an industry  
14 which was flat on its back for a number of years needs  
15 some time to get operations back in line with a  
16 rebound in demand. However, based on my experience,  
17 whatever delivery problems may have existed in 2004  
18 have been addressed.

19 Today, orders are being filled in a timely  
20 fashion. In fact, with the run up in demand last year  
21 many distributors built up their inventories, and they  
22 are still working them down. Consequently, plate  
23 prices have declined significantly in the last several  
24 months. Since March of this year, base spot prices  
25 have fallen more than \$100 per ton.

1           We saw five years ago how quickly domestic  
2 prices for plate can collapse when unfair imports are  
3 not restrained by antidumping and countervailing duty  
4 orders. Keeping these orders in place will help make  
5 sure that doesn't happen again. Removing these orders  
6 will cause harm not only to the domestic industry, but  
7 to customers like Kenilworth as well.

8           Thank you for your attention.

9           MR. RUANE: Good morning. My name is Frank  
10 Ruane. I'm the Director of Corporate Purchasing for  
11 Olympic Steel in Cleveland, Ohio. We have 12  
12 processing and distribution facilities and employ more  
13 than 825 workers. Last year, Olympic Steel celebrated  
14 its fiftieth anniversary in business, and I'm pleased  
15 to say it was a very good year for us.

16           I'm wearing two hats today. First, Olympic  
17 is a plate processor. We take coil plate as it is  
18 defined by these investigations and process it into  
19 cut-to-length carbon steel plate and other products.  
20 We have the capacity to process about 1.2 million tons  
21 of cut-to-length plate.

22           At the same time, Olympic is a major  
23 purchaser of plate and coil because our production  
24 starts with coil plate that we buy from steel mills or  
25 other sources. We purchase coil plate from most of

1 the major domestic mills, as well as from a variety of  
2 trading companies representing foreign producers, more  
3 than 16 different sources over a recent period. We  
4 are also a significant purchaser of discrete plate.

5 As Olympic is a large consumer of plate, I  
6 can tell you that there is a significant price spread  
7 between the United States and the rest of the world on  
8 plate products. The difference is very substantial  
9 and is directly related to the effect of these orders.

10 One thing I am certain of. That is, if the  
11 antidumping orders covering plate are removed it will  
12 absolutely change the pricing of plate. Imports from  
13 these countries will be priced to attract business  
14 away from domestic producers, therefore increasing the  
15 already substantial supply in the United States. The  
16 result will be a cycle of continuously lower prices.  
17 I have no doubt about it. In fact, we are already  
18 seeing numerous import offers from multiple sources.

19 As a buyer, I can also assure the Commission  
20 that there is plenty of plate supply available today.  
21 In fact, in the strongest market in recent years,  
22 2004, Olympic was able to increase its sales and  
23 increase its inventory. Inventory also increased for  
24 our industry as a whole. I found that there is always  
25 plate available. The only real question is what price

1 the buyer is willing to pay.

2 In 2004, with global demand very high,  
3 especially in China, companies like mine and our  
4 clients were willing to pay a lot more than the  
5 artificially low historic price as the supply  
6 supported their profitable growth. More was bought  
7 than was needed, and some of that ended up in  
8 inventory.

9 If the dumping orders go away, prices will  
10 decline rapidly. When prices fall like that, the  
11 value of my most important asset, current inventory,  
12 falls right along with it. That hurts my company, its  
13 workers, its profits and its cash flow.

14 Finally, I can tell you that U.S. produced  
15 plate and plate from import sources is a commodity.  
16 It's always interchangeable. This applies to all of  
17 the subject countries to these cases and most others  
18 besides. These products all compete with each other,  
19 and like any other commodity they compete based on  
20 price.

21 I very much appreciate the opportunity to  
22 share Olympic's views with the Commission. Thank you  
23 very much for your attention.

24 MR. PRICE: Thank you.

25 That completes our direct presentation. We

1 would like to reserve any remaining time for rebuttal.

2 CHAIRMAN KOPLAN: Thank you, Mr. Price. I  
3 want to thank the witnesses for their direct  
4 presentation.

5 Let me say before we begin the questioning,  
6 because of the number of witnesses if as you're asked  
7 questions you reidentify yourselves each time it will  
8 help the reporter.

9 With that, we'll begin the questioning with  
10 Vice Chairman Okun.

11 VICE CHAIRMAN OKUN: Thank you, Mr.  
12 Chairman, and let me join the Chairman in welcoming  
13 all the witnesses here this morning. We very much  
14 appreciate you taking the time to be with us, many of  
15 you to be with us again, to share with us information  
16 about your industry and to respond to our questions.  
17 We very much appreciate it.

18 My first question would be to the industry  
19 witnesses. Help me out a little bit on understanding  
20 the business cycle. I've read the data and heard the  
21 testimony this morning talking about what I think has  
22 come out of all of it, which is including the industry  
23 forecast that 2005 represented the peak of the  
24 business cycle.

25 Mr. McFadden, I'm looking at you because one

1 thing you said raises a question for me, which is, is  
2 the business cycle that you're describing as having  
3 peaked now related to global conditions or U.S.  
4 conditions? Help me separate it out.

5 In other words, if you're making a forecast  
6 based on U.S. market demand in the next -- whatever  
7 your business would use, the next two years, the  
8 market demand versus supply/demand conditions  
9 worldwide. Help me understand how you as a business  
10 think about that in terms of describing the business  
11 cycle and if they're different.

12 MR. MCFADDEN: The business cycle moves, and  
13 I think of it always as I drive a car and I drive a  
14 boat. Cars move, but the road is steady. Boats move,  
15 and the waters move. That's what the business cycle  
16 is for me. Supply and demand are both fluctuating all  
17 the time.

18 What we went through in 2004 was a  
19 particular pattern of demand from end users that will  
20 last longer than any one year. You have steel mills  
21 in the country that make plate. Those steel mills run  
22 on patterns. It's very difficult to stretch a mill to  
23 full capacity and then to slow it down in short  
24 periods of time, so the before and the after become  
25 all important in how we go about doing our business.



1           If we look through our mill, we started  
2 making steel in 2000. We shipped less than 100,000  
3 tons. In 2001, we shipped 500,000. In 2002, we  
4 shipped 800,000. In 2003, we shipped a million. In  
5 2004, we shipped 1.3 million, and in 2005 we should  
6 ship 1.6 million. However, we won't ship 1.6 million  
7 this year because we can't sell 1.6 million.

8           We've gone through a cycle where demand has  
9 pulled at the same time supply has grown. Our mill  
10 was built new. IPSCO has two mills that were built  
11 new. Mittal has several plate mills, one of which was  
12 turned on this year, so there's plenty of capacity in  
13 the United States to handle the demand that rises and  
14 shrinks over time.

15           I think the producers have the ability to be  
16 able to move their facilities along with that just as  
17 we are right now running at softer capacity rather  
18 than trying to generate the huge tons to drive our  
19 people, so we have employees who are at home.

20           With all that said, the bottom line for us  
21 is our concern is the long-term, huge global capacity  
22 that's being made in other countries. Ten million  
23 tons of plate that comes into the market in the next  
24 two or three years regardless of what we do  
25 domestically with our facility will oversaturate all

1 the demand that we have here, and it will impact our  
2 business.

3 As I look forward, I'm very concerned about  
4 where we go with the business cycle. I hope that  
5 answers.

6 VICE CHAIRMAN OKUN: Okay. I'll move to the  
7 next producer, but just maybe one follow-up for you,  
8 which is then for the U.S. side, the U.S. demand side  
9 and looking forward over the next two years or looking  
10 forward in what you think is the reasonably  
11 foreseeable future, do you see demand flattening,  
12 growing?

13 Do you see any opportunities in the wake of  
14 the hurricanes either in the energy field, the  
15 construction field, that would provide opportunities  
16 for increased demand?

17 MR. MCFADDEN: Yes. I really don't see  
18 increased demand coming in the next two years. I see  
19 demand being steady in the domestic business. I don't  
20 see the hurricanes as anything that's going to bring  
21 about more business for our facilities.

22 We make plate that goes into machinery and  
23 capital goods. They've been very strong, but we're at  
24 the high end of the plate business right now.

25 VICE CHAIRMAN OKUN: Okay. Mr. Montross,

1 let me turn to you.

2 MR. MONTROSS: I see the plate demand over  
3 probably the next 12 months the same way I think Mr.  
4 McFadden does as relatively steady.

5 I think the issue comes that even though the  
6 demand has been fairly steady and what we would call  
7 relatively strong that the potential of imports coming  
8 back into this country with large surges, it wouldn't  
9 matter really how good the demand was.

10 I think it would put a huge damper on the  
11 market and cause the precipitous fall of pricing. I  
12 think that's what we're looking at coming at us if the  
13 imports do come in. Demand is steady.

14 As far as increased business from the  
15 hurricanes, I don't really see anything coming to us.  
16 We're relatively regionalized in the northwest, so  
17 that would probably more affect the mills that are  
18 down in the south and southeast.

19 VICE CHAIRMAN OKUN: That might be the case.  
20 You I know had mentioned the military portion of your  
21 plate. I think we have figures on that in terms of  
22 what percentage that is of your business, but looking  
23 forward is there anything that you expect to change  
24 with regard to that portion?

25 MR. MONTROSS: It's a relatively small part

1 of our business. You know, we've seen somewhat  
2 increased demand in late 2005. Military armor is  
3 generally placed further in demand.

4 Just for the record, most of our military  
5 armor goes through distributor processors before it  
6 goes to the final end use customer, but we've seen a  
7 little bit of a pick-up in demand late in 2004, but we  
8 don't expect to see any pick-up in -- excuse me. A  
9 little bit in 2005.

10 We don't expect to see that same pick-up in  
11 2006 at this point. In fact, the way I see it in my  
12 forecast it's slightly down as we move into next year  
13 for us.

14 VICE CHAIRMAN OKUN: Okay. Mr. Tulloch?

15 MR. TULLOCH: Thank you. The way we try and  
16 look at the plate market in looking at our business  
17 going forward is to try and separate out the actual  
18 usage of plate in a process versus the inventory part  
19 of it, which is the service center end. As was  
20 mentioned earlier, more than 50 percent of plate  
21 that's sold in North America goes through service  
22 centers.

23 We look at the end users' plate in two ways.  
24 One is both the OEM accounts that we supply directly  
25 and have direct communication with, and then the MSCI

1 publishes a very robust series of data on their  
2 shipments of plate to their customers, the end users.  
3 That demand has been relatively flat through the last  
4 several years. It certainly has not peaked.

5           You know, we hear a lot about last year  
6 being a record year, and it was in terms of shipments  
7 from mills and supply, but the usage was actually  
8 below the average for the last 25 years and has  
9 remained around that level, which has a lot to do with  
10 the sectors using plate.

11           We see that underlying demand being fairly  
12 stable, but at a good level, and we think if anything  
13 it will remain stable and perhaps pick up a little bit  
14 as we see construction activity returning, for  
15 example, as we see the barge builders starting who had  
16 deferred some of their new barge building activities.

17           All of that is overwhelmed by the inventory  
18 changes. We did talk or there was some discussion  
19 earlier about what happened last year with allocation  
20 and plate on short supply, but through all of last  
21 year inventories were building even in that record  
22 year around a pretty stable demand, and that led  
23 directly to the circumstances through the summer.  
24 Where those inventories were being worked off, prices  
25 were falling through that period in the face of people

1       anticipating lower prices from import sources.

2               That's really the mechanism that causes  
3       tremendous grief in our business is that you get --  
4       through last year, had supplies been available  
5       domestically in addition to what was available to  
6       supply the demand, but more particularly unlimited  
7       supplies from offshore or very large supplies, we  
8       would have had an inventory we would have been working  
9       off for years I'm sure, not unlike what happened in  
10      1997-1998.

11              That is the big variable. That's the thing  
12      we're very concerned about. We spent a lot of time  
13      and effort trying to position ourselves to be less  
14      vulnerable to that because we think it's real.

15              VICE CHAIRMAN OKUN: Okay. Mr. Insetta or  
16      Mr. Fabina? I don't know who wants to take this one.

17              MR. INSETTA: Okay. Sure. Thank you. In  
18      terms of the forecast for next year, I think this  
19      industry sees it basically the same way. We all  
20      expect next year to be a decent plate year within some  
21      band of potential growth or the other direction, so  
22      it's going to be a decent consumption year.

23              I think the main issue that we're concerned  
24      about even with some growth next year is the fact that  
25      our capacity just within Mittal is underutilized. As

1 Larry Fabina indicated, our 110 mill opened to produce  
2 more plate for what at the time was a growing  
3 consumption, but now we're looking for orders, and  
4 it's on schedule.

5 I think the only thing I would add to what  
6 has already been said is no matter what forecast you  
7 look at, even if it's an aggressive forecast over the  
8 next two years for growth, the capacity in the United  
9 States and just at Mittal, just our capacity that's  
10 unutilized, can handle any of the forecast growth that  
11 you would see in any of the reports.

12 VICE CHAIRMAN OKUN: Okay.

13 MR. INSETTA: Okay.

14 VICE CHAIRMAN OKUN: My red light has come  
15 on. I'll have a chance to come back to the service  
16 centers. I would like to get your perspective as  
17 well, but thank you very much for all those answers.

18 CHAIRMAN KOPLAN: Thank you, Commissioner.  
19 Commissioner Hillman?

20 COMMISSIONER HILLMAN: Thank you, and I,  
21 too, would join my colleagues in welcoming back a lot  
22 of familiar faces -- it is good to have you back with  
23 us -- and welcoming a couple of new faces to this  
24 hearing this morning. We very much appreciate it.

25 If I could start first with the issue that

1 we're going to hear a lot from the Respondents about,  
2 which is the issue of some of the specialty plate, in  
3 particular X70 and plate for line pipe?

4 Let me start first with just making sure I  
5 understand it. Mr. McFadden, I was intrigued by a  
6 comment that you made that your new facility in  
7 Hertford County is largely geared to commodity  
8 product, and on the other hand described this issue of  
9 shifting into making line pipe plate.

10 Just so I understand it from the industry's  
11 perspective, can you do that readily; just shift from  
12 producing shipbuilding, commodity, other types of  
13 plate, into making X70? Does it matter whether you're  
14 an electric arc furnace product or a blast oxygen  
15 product? Does it matter whether you've got a Steckel  
16 mill or a reverse mill?

17 Help me understand, if you will, how readily  
18 the domestic industry could shift into producing line  
19 pipe plate, X70 or other specialty plate.

20 MR. FABINA: I can answer that. From Mittal  
21 Steel's perspective, we have two plate mills at Burns  
22 Harbor. The Burns Harbor plate mills are actually  
23 designed to roll line pipe. It's a two stand mill, a  
24 productivity basis. It's designed for high volume,  
25 high productivity. We have entertained and presently



1 we are entertaining an order over 100,000 tons.

2 One of the reasons we brought on our 110  
3 inch plate mill is to take those surges -- and they  
4 are surges; they're either here or not here -- on and  
5 take care of the customer.

6 When we only had the 160 inch plate mill  
7 running six months ago an order that would come at us  
8 for a sizeable amount such as I said, 100,000 tons  
9 plus, I would have to take away some of the orders I  
10 presently have or turn down orders from customers we  
11 have on our books to take on an order like that.

12 With the restart of the 110 inch plate mill,  
13 and that mill as well as the 160 inch plate mill can  
14 make X70 line pipe. We've done it many times before.  
15 For Berg Pipe we've made X70 line pipe. There's no  
16 issue with that. In fact, at the mill we really like  
17 to run X70 line pipe because what it does, it's one  
18 after the other after the other of the same product.

19 My mill is basically a job shop without  
20 that. We have many, many customers, many, many sizes,  
21 many, many dimensions. When line pipe rolls it's one  
22 size, one gauge. It goes off my mill, goes on a  
23 railroad car, goes down to the barge and ships. It's  
24 a nice product to roll.

25 COMMISSIONER HILLMAN: What are you

1 switching to do? Is it thickness? Is it alloy? Is  
2 it the rolling? What is it that makes it uniquely  
3 line pipe plate?

4 MR. FABINA: The thing that makes it  
5 uniquely line pipe is the chemistry of the slabs and  
6 the rolling process.

7 We can roll line pipe any day of the week.  
8 It's designed to the schedule of the customer when he  
9 needs it. It has no mill changeover. It has no time  
10 involved to do that. If we have an order for line  
11 pipe, it rolls next to our plain carbon grade.  
12 There's no need or time to change over a mill.

13 COMMISSIONER HILLMAN: All right. Do others  
14 want to comment on this issue? Mr. Montross?

15 MR. MONTROSS: Yes. We make on a very  
16 regular basis line pipe for our own pipe mill. We  
17 have a pipe making facility in Canada called Camros,  
18 and we're building two spiral weld facilities at our  
19 Portland plant.

20 We very quickly move in and out of making  
21 line pipe because, as Mr. Fabina said, the orders come  
22 in surges and then they're not there. We've gone from  
23 anywhere from none of our production being line pipe  
24 to almost 50 percent of it being line pipe in any  
25 given month.

1                   COMMISSIONER HILLMAN: Now, do you sell it  
2 into the merchant market --

3                   MR. MONTROSS: Yes.

4                   COMMISSIONER HILLMAN: -- or is it all sent  
5 to your Canadian facility?

6                   MR. MONTROSS: We sell it into the merchant  
7 market. We sell to other line pipe manufacturers in  
8 North America besides the companies that we own.

9                   COMMISSIONER HILLMAN: Okay. Okay. Can  
10 anyone comment then on this issue of why are we  
11 hearing from Berg and from Respondents that there is  
12 trouble getting line pipe product?

13                   MR. FABINA: I guess I could answer that one  
14 also.

15                   With the late 1990s, and I've seen the good  
16 years in the early 1990s, and I saw the bad years in  
17 the late 1990s in the plate industry. The early 2000s  
18 were tough also, but with that the companies  
19 rearranged themselves such as ISG and brought on the  
20 companies that really were distressed. I worked for  
21 Bethlehem at that time for 30 years.

22                   Because these companies were shut down or  
23 idled such as my 110 inch plate mill, it took time to  
24 get these operations back up and running mainly  
25 because it takes money, it takes time and it takes

1 people.

2 Through last year, we, number one, had to  
3 bring on more slab making capacity within ISG. ISG is  
4 kind of an interesting story in itself how it took all  
5 these companies, and when you do that you need to know  
6 what capabilities each one of these companies have.

7 For myself, I had to find out what  
8 capabilities did my new teammates have in making slab.  
9 Not all facilities can make all kinds of plate, so  
10 it's a trying process. We do trials to find out the  
11 quality from one of my teammates, may it be Wearton,  
12 or Sparrow's Point, or Cleveland to make the quality  
13 of slabs that are needed, so that takes time. The  
14 other one is it takes the ability to bring up new  
15 facilities, so the west side of Cleveland was shut  
16 down from I think the late 1990s and just replaced.

17 Actually, that mill was really restarted to  
18 give us enough slab supply to come on and to take care  
19 of the market. So that's a cost constraint. At the  
20 same time it was mentioned I think there was some  
21 feeding frenzy for plates that made the constraint a  
22 little more tough.

23 The last reason was I had the 110 inch plate  
24 mill available and I struggled, you know, when do I  
25 bring that mill back on? It was shut down in August

1 of 2000. It was one of those things do you start it  
2 or not start it, and when is the best time to start  
3 it? I don't think there was no better time to get it  
4 started than 2004.

5 The problem was I didn't have a quality slab  
6 available to restart that mill any earlier. Today  
7 there are slabs available because we did restart the  
8 facilities that were required to make slabs. We do  
9 have the 100 inch restart to make the plates. You may  
10 ask why didn't we go outside to buy some of those  
11 slabs? I did.

12 I went to our competitors in the United  
13 States and bought slabs off them to take care of the  
14 customers where we could not internally find the slabs  
15 to do so.

16 COMMISSIONER HILLMAN: So the bottom line,  
17 though, what I'm hearing you saying is that the supply  
18 is there now, but that there may in fact have been a  
19 tightness before your 110 inch mill was able to come  
20 off and run at a high level?

21 MR. FABINA: It was a slab supply not a  
22 facility supply for plates. Yes.

23 COMMISSIONER HILLMAN: From the service  
24 center perspective just so I understand it are any of  
25 the service centers that are with us today selling

1 line pipe product, line pipe plate?

2 MR. PRICE: No. None of us are.

3 COMMISSIONER HILLMAN: Okay. Thank you. If  
4 I could, though, stay with the service centers on this  
5 issue of what has happened to imports of plate in  
6 coils.

7 We've in other hearings involving plate  
8 products had a lot of discussion about whether once  
9 there was an order on cut-to-length product whether  
10 there has been any increase in the volume of imports  
11 in the plate in coils that would not necessarily be  
12 subject to an order.

13 I'm just curious for those of you that are  
14 servicing plate in coils has there been a change from  
15 your perspective in the use of plate in coils as the  
16 result of an order that only covers discreet plates?

17 MR. RUANE: From our perspective, no. The  
18 plate that we process from coil is generally a  
19 significantly different market from a thickness and  
20 width standpoint as we would think of discreet, and so  
21 for me almost exclusively the amount of plate that I  
22 make from coil is really just a plate nomenclature.

23 The product that is a half inch and under  
24 and 74 inches in width and under is typically bought  
25 from what we would normally describe as a sheet mill,

1 and so that product only carries the nomenclature of  
2 plate when it's three-sixteenths through a half inch.  
3 In reality it's a very different product than the  
4 discreet plate.

5 COMMISSIONER HILLMAN: So you're saying that  
6 the demand for the product that would come off of a  
7 plate in coil has been whatever it has been and  
8 therefore there's no reason that one would shift into  
9 it?

10 MR. RUANE: Yes, ma'am. That's kind of the  
11 way I feel about it. I think that probably in the  
12 past as the technology has changed and kind of led to  
13 thicker and wider plate being made on hot strip mills  
14 that there is a substitution that took place many  
15 years ago, but I think that we're beyond that and the  
16 marketplaces are very different.

17 COMMISSIONER HILLMAN: Given that the yellow  
18 light is on I will not come back to the issue of your  
19 perceptions on the demand, but I know that we will  
20 want to hear from that.

21 Thank you.

22 CHAIRMAN KOPLAN: Thank you, Commissioner.  
23 Commissioner Lane?

24 COMMISSIONER LANE: Good morning. Welcome  
25 back to most of you.

1                   Mr. Schagrín, I sort of feel like you never  
2 left, and so I will start where I left off by calling  
3 on you. I have a number of questions and if you're  
4 not the proper person then you can direct them to  
5 whomever you choose to answer them.

6                   In looking at the financial data for both  
7 the cost of goods sold category and the SGNA expenses  
8 what expenses would you say are bearable or what would  
9 normally vary directly with output? If these  
10 questions maybe are better answered in posthearing  
11 that would be okay, too.

12                   MR. SCHAGRIN: Commissioner Lane, first it's  
13 always good to be back at the Commission. I think  
14 obviously we're usually back here more often in Sunset  
15 reviews because there is the paucity of new cases, but  
16 I'd be happy to start with that and then I think the  
17 domestic producers can also answer.

18                   For the mini mills, they are normally buying  
19 most of their inputs on a spot basis, scrap, and then  
20 they buy their energy on a spot basis as they operate  
21 the mills, so really their cost of goods sold are  
22 going to vary according to what's happening in the  
23 marketplace for those costs and how much are  
24 operating.

25                   I think for the integrated mills they can



1 answer on their own. Mittal Steel and other  
2 integrated mills they would tend to have more of the  
3 raw materials purchased on a long-term contract basis,  
4 but then their other costs would vary with their rates  
5 of utilization. So I'd invite maybe one of the mini  
6 mill spokesmen and Mittal to respond to that question  
7 unless you'd rather do it in a posthearing brief?

8 COMMISSIONER HILLMAN: Well, also when they  
9 answer I'd like to know what percentage of the cost of  
10 goods sold and SGNA expenses do vary with output?

11 MR. TULLOCH: Certainly we can respond in  
12 the posthearing brief with percentages, but the big  
13 variables for us in the plate market at IPSCO -- John  
14 Tulloch with IPSCO -- is scrap is the largest.

15 Energy is a large input cost, although we  
16 tend to have that either hedged in the case of natural  
17 gas or long-term contracts in terms of electricity so  
18 we're not totally on the spot market, although we end  
19 up there at some point. Then the other one is  
20 alloying elements.

21 As the cost for our alloys any of the  
22 imports of the steel making process like that have  
23 seen rapid increases. Then more recently  
24 transportation has become a major increase in cost  
25 issue partly related to energy, but just availability.

1 So those would be the dominant ones and we can  
2 certainly give you more detail in the posthearing  
3 brief.

4 COMMISSIONER LANE: Okay. Does anyone else  
5 want to take a --

6 MR. FABINA: Lawrence Fabina from Mittal  
7 Steel. Talking for the integrated steels our costs  
8 are driven much like the mini mills and the  
9 nonintegrated, the cost of natural fuels, the cost of  
10 alloys, the cost of scrap, the cost of iron ore.

11 Even though some of ours are internally  
12 purchased from our sister companies we also buy a lot  
13 on the outside for those materials. Those are kind of  
14 what they are when you make the product. The variable  
15 cost, not a whole bunch out there that really varies  
16 with the operation.

17 Even the people today, they're pretty much  
18 fixed cost and that's how we look at the great expense  
19 because our labor contract we have I know my people 40  
20 hours a week. What becomes a variable is when the  
21 orders become more significant and when I have to run  
22 overtime. That changes and that becomes a variable  
23 item.

24 Maintenance costs. You need to fix the  
25 mills year in and year out. You start and let the

1 mills become irreparable that's just what they are and  
2 you'll lose orders and you'll lose quality. A lot of  
3 our costs today are more fixed than people think.

4 COMMISSIONER LANE: Thank you.

5 Does anyone else want to answer that?

6 (No response.)

7 COMMISSIONER LANE: Okay. Let me go to my  
8 next question then. If subject imports increased to  
9 the 1999 levels and displaced domestic production  
10 would you be able to offset reduced revenue by  
11 reducing expenses? If so, what portion of that  
12 reduction would be reductions in payroll?

13 MR. TULLOCH: Well, clearly if pricing was  
14 low down to the affect of all activity levels of  
15 import quantities, and as you know there's a  
16 multiplier so it doesn't take very much material to  
17 lower the overall pricing structure, that is not  
18 recoverable in terms of cost savings.

19 It tends to be independent. That's what we  
20 saw last year. Last year was a very good year for our  
21 company and that was all in the pricing area. We also  
22 had our costs increase quite a bit, but our pricing  
23 increased more. You can have the reverse as well  
24 where your pricing drops a lot more and that's what we  
25 saw right through the late 1990s, early 2000.

1                   COMMISSIONER LANE: Mr. McFadden?

2                   MR. MCFADDEN: Yes, ma'am. That's a very  
3 good question. I think that what you have in the  
4 steel plate business today is the lowest cost plate  
5 business that's ever come about. The technology is  
6 relatively new. We have synflaw casting, direct  
7 charging, these are things that weren't practiced five  
8 years ago, abundantly.

9                   The integrated mills have renegotiated their  
10 labor contracts, they've unloaded their legacy costs.  
11 We're all low cost. The issue really for us is price.  
12 When price erodes we lose money.

13                   We work for hours and hours to squeeze out  
14 nickels and dimes in our cost basis, but the rapid  
15 price swings that we've been up against because of  
16 excess supply from a global basis far outweigh  
17 anything we can do anymore on a cost basis.

18                   COMMISSIONER LANE: Maybe I should stick  
19 with you then since we're going to talk about price.  
20 The data before us shows relatively flat and low  
21 prices from 1999 through 2003, but then a very big  
22 increase in 2004 and the first half of 2005. There  
23 has been testimony that prices have begun to fall, but  
24 even \$100 per ton from the first half of 2005 leaves  
25 net sales well above 2004 levels.

1           At what value do you see prices leveling  
2           again if at all? What would you expect the affect of  
3           prices to be if the orders are lifted?

4           MR. MCFADDEN: I would want to address the  
5           actual value in a postbrief. I will say I didn't  
6           speak into the cost issue that came up earlier because  
7           I felt it had been addressed properly. Our biggest  
8           cost is scrap and scrap substitutes and the price  
9           swings that we saw in 2004 were driven in large part  
10          by scrap and scrap substitutes, so they were offset by  
11          cost increases that came into our facilities as well.

12          COMMISSIONER LANE: Mr. Insetta?

13          MR. INSETTA: Yes. Insetta, Mittal Steel.  
14          I think the only thing I would add to what Mr.  
15          McFadden said about prices being driven in part by raw  
16          material cost is the fact that based on having the  
17          dumping duties and orders in place we were also able  
18          to for the first time in a long time price our product  
19          based on demand.

20          In fact with the orders in place we did do  
21          that. We did recover some of our increase in cost and  
22          we did make a reasonable return.

23          MR. SCHAGRIN: Commissioner, I would just  
24          add in response to your question because the second  
25          part was what would the affect of the imports be on

1 pricing?

2 I think the Commission has good data on that  
3 from the original period of investigation in terms of  
4 the impact of the dumped imports causing significant  
5 price decline, but that would be particularly bad for  
6 this industry going forward because as Mr. McFadden  
7 spoke to earlier the costs in the industry have moved  
8 up significantly.

9 In fact in the first half of 2004 the  
10 average cost to control was \$676 a ton. Even though  
11 scrap might go up and down I don't think anybody at  
12 this table can foresee labor costs, energy costs,  
13 transportation costs, ferro-alloy costs falling very  
14 significantly.

15 We seem to be locked in a higher cost  
16 structure now because of what's going on in the world  
17 economy, so the increased imports causing price  
18 depression would be very severe in terms of its affect  
19 on profitability for this industry.

20 COMMISSIONER LANE: Thank you. I will wait  
21 for my next round.

22 Thank you, Mr. Chairman.

23 CHAIRMAN KOPLAN: Thank you, Commissioner.

24 Before we turn to Commissioner Pearson for  
25 his questioning I understand that Senator Burr has

1 arrived?

2 MR. BISHOP: That is correct, Mr. Chairman.  
3 The Honorable Richard Burr, United States Senator,  
4 North Carolina.

5 CHAIRMAN KOPLAN: Thank you.

6 Welcome, Senator.

7 SENATOR BURR: Thank you very much, Chairman  
8 Koplan, Vice Chairwoman Okun, Commissioners. I want  
9 to thank you for giving me the opportunity to come in  
10 and speak to you on this issue. I urge you to vote to  
11 preserve the anti-dumping and countervailing duty  
12 orders on cut-to-length steel plates.

13 I'm a proponent of free trade, make no  
14 mistake about it, but I'm even a bigger proponent of  
15 fair trade. Fair trade can only transpire if the  
16 global rules are in fact followed. The opening of  
17 foreign markets abroad has created export  
18 opportunities for many U.S. companies raising profits,  
19 employment and wages for industries that serve  
20 expanding global markets.

21 Foreign companies should not be allowed to  
22 enter our markets if they don't follow the same rules  
23 that everyone else must abide by. Maintaining these  
24 orders will help level the playing field and will also  
25 help the United States continue to lead the fight for

1 free and fair trade.

2 Nucor, which produces steel plate in  
3 Hertford County and is headquartered in Charlotte,  
4 North Carolina, is a great example of what free  
5 enterprise can accomplish. The creativity of its  
6 management, the hard work and diligence of its 400  
7 plus employees created a state of the art steel mill  
8 that can compete with anyone, and I repeat, anyone in  
9 the world.

10 However, U.S. companies cannot compete  
11 against companies subsidized by their government  
12 without regard to economics. The Department of  
13 Commerce found that five of the six countries you're  
14 reviewing have provided subsidies to their plate  
15 producers. These subsidies amounted to tens of  
16 millions of dollars and gave these foreign producers  
17 an enormous and unfair advantage.

18 The governments of France, Indian,  
19 Indonesia, Italy and Korea essentially paid their  
20 steel mills to sell plate in the United States of  
21 America. These subsidies cost U.S. producers sales,  
22 wages and investor profits. Indeed these subsidies  
23 cost the entire American economy hundreds of millions  
24 of dollars, but more importantly thousands of American  
25 jobs.



1           The Commerce Department has found that if  
2 these orders are lifted steel plate producers in these  
3 countries will continue to benefit from these  
4 subsidies. The international trading system has  
5 certain rules, rules that all trading partners have  
6 agreed on. The system only works fairly if everyone,  
7 and I repeat, everyone follows the same rules.

8           If American companies continue to follow  
9 these rules while their foreign competitors are  
10 allowed to break them the result will be much like  
11 what we saw before these orders were imposed, a surge  
12 of unfairly traded imports. American companies will  
13 be forced into bankruptcy and American workers will be  
14 forced out of a job.

15           Mr. Chairman, I am confident that American  
16 producers of steel plate can compete with anyone in  
17 the world so long as they all have the same rules to  
18 follow. The Commerce Department has indicated that if  
19 these critical orders are removed the plate producers  
20 in India, Indonesia, Italy, France, Japan and Korea  
21 won't follow the rules.

22           By voting to keep these orders in place you  
23 will be protecting free enterprise, free markets, free  
24 trade and most importantly fair trade.

25           Mr. Chairman, I thank you and the

1 Commissioners for accommodating a schedule that's a  
2 little bit tight today and this week, but clearly  
3 knowing that a couple of my colleagues from the House  
4 have already been here I think this morning hopefully  
5 instills on the Commission exactly the importance we  
6 feel the decision that this Commission will make  
7 relative to this issue.

8 I again thank the Commission for their time.

9 CHAIRMAN KOPLAN: We thank you for your  
10 testimony, Senator. Unless there are questions from  
11 the dais you're excused.

12 SENATOR BURR: Thank you very much.

13 CHAIRMAN KOPLAN: Thank you.

14 Commissioner Pearson?

15 COMMISSIONER PEARSON: Thank you, Mr.

16 Chairman.

17 Permit me also to offer my welcome to the  
18 panel. It's very good to have you here this morning.  
19 As I've tried to understand this investigation one of  
20 the things that's been most mystifying to me is the  
21 significant decline in apparent domestic consumption  
22 over the time period for which we have information in  
23 the staff report.

24 From 1996 until the present we've seen a  
25 reduction in the order of a quarter to one-third in

1 consumption of steel plate in the U.S. market. What  
2 has been going on that's caused that?

3 MR. TULLOCH: Perhaps I can start an answer  
4 for that. It depends what data you are looking at.  
5 Certainly apparent consumption if that is the measure  
6 has massive inventory swings and a lot of that  
7 inventory of course in that 1997/1998 period which  
8 took a long time to work off.

9 So clearly to the extent there's inventory  
10 numbers in that apparent consumption series, if it's  
11 shipments plus imports less exports, would show those  
12 sorts of fluctuations and of course that carried on  
13 through that year. The other factor that's going on  
14 is that there is certainly shifting on the demand  
15 side.

16 One of the things that is of concern, we  
17 correctly I think believe that we are totally world-  
18 class in terms of our plate production with our mills,  
19 Nucor's mills and the restructured domestic supply in  
20 general, but I do worry a bit about some of the plate  
21 consuming industries which themselves are where  
22 there's a highly fair labor content and themselves are  
23 under pressure from imports of products at that level,  
24 too.

25 So that's why we in our case certainly see

1 the plate market as being a relatively stable market  
2 in North America reflecting the activities within  
3 North America. I think the biggest swing, if the data  
4 you're using is apparent consumption to find in the  
5 conventional way, would be inventory changes.

6 COMMISSIONER PEARSON: Any other thoughts on  
7 that question?

8 MR. HELTZEL: Commissioner, Bob Heltzel from  
9 Kenilworth Steel. Warren, Ohio, is located equal  
10 distance between Pittsburgh and Cleveland, and in that  
11 30 mile corridor starting in 1998 and going on for the  
12 next four or five years the bankruptcies in the steel  
13 industry reeked havoc.

14 A lot of the fabricators, crane  
15 manufacturers, OEM, rolling mills, equipment were  
16 forced to file bankruptcy themselves and/or liquidate.

17 We are a single site warehouse, so I can  
18 only speak about northeastern Ohio, western  
19 Pennsylvania, that area, but I could probably look at  
20 just 40,000, 50,000 tons in that area of plate  
21 consumption that was lost because of the bankruptcies  
22 of those companies attributable to the difficult times  
23 that the mills were having, and of course  
24 traditionally that's where the mills were in the United  
25 States as well as on the north end of Indiana.

1                   From my perspective that's where we saw it  
2                   leave.

3                   MR. BALLOU: Commissioner, Tom Ballou. I  
4                   was just going to say that we've seen a significant  
5                   number of our customers move their production offshore  
6                   where we were dealing with heavy construction people,  
7                   the Caterpillars of the world if you will, major  
8                   forklift manufacturers as an example where we did a  
9                   lot of work with them and they've moved their  
10                  production into Mexico or into China, and so we've  
11                  lost a significant amount of our business with those  
12                  customers due to that relocation.

13                  COMMISSIONER PEARSON: Just a second, Mr.  
14                  Scott.

15                  So even though U.S. manufacturing output has  
16                  continued to grow in a relatively strong way over this  
17                  period are you suggesting that the composition of U.S.  
18                  manufacturing output has shifted such that what we're  
19                  now making uses less steel plate?

20                  MR. BALLOU: From a mills perspective I'd  
21                  say yes. I don't have enough of a global perspective  
22                  to kind of really answer that totally I guess, but  
23                  yes, that's what we've seen. Correct.

24                  COMMISSIONER PEARSON: Mr. Scott?

25                  MR. SCOTT: I'm an economist working with

1 Schagrin Associates. I think commenting from a  
2 broader perspective over the last four to six years  
3 we've seen really a massive collapse in manufacturing  
4 overall due to rapid growth of imports of all kinds of  
5 products and this has reduced demand for capital goods  
6 and other steel using, plate using industries.

7 So I think in part it's a macroeconomic  
8 phenomenon related to the trade deficit.

9 COMMISSIONER PEARSON: Could you elaborate a  
10 bit more? Am I incorrect to understand that U.S.  
11 manufacturing output has continued to rise even though  
12 we've seen some decreases in employment? My  
13 understanding has been that in terms of labor  
14 productivity has been so great that we have been able  
15 to sustain an ever larger manufacturing base with  
16 fewer workers. Do I have it wrong?

17 MR. SCOTT: Well, I think that the long run  
18 trends are somewhat different from your  
19 interpretation. Historically we've seen rapid  
20 productivity growth and manufacturing had the highest  
21 productivity growth of any sector of the economy for  
22 the last 30 years and has maintained that level in the  
23 last five or six.

24 What has changed is the demand for American  
25 made products and the domestic content of those

1 products has fallen, so although output may have  
2 recovered we're using a larger proportion of imported  
3 inputs into those goods. Less of the production is  
4 taking place here in the U.S. even though they're  
5 selling a growing share.

6 That's part of where the productivity is  
7 coming from.

8 COMMISSIONER PEARSON: Of course in this  
9 investigation we've seen a really dramatic decline in  
10 imports of plate over this same period having fallen  
11 by about two-thirds. How does that square with the  
12 comments you just made?

13 MR. SCOTT: Well, again, as your original  
14 question stated we've seen a decline in apparent  
15 consumption overall and that would affect imports as  
16 well as the domestic production, and it has. Both  
17 components of steel supply have been reduced.

18 Of course in this case the orders in  
19 question have also displaced unfairly competing  
20 imports and some of that production has shifted over  
21 to domestic producers and has helped them as we've  
22 seen in the last year or two.

23 COMMISSIONER PEARSON: Has there been any  
24 shift away from cut-to-length plate in favor of coiled  
25 plate that may have had some influence on the apparent

1 consumption numbers that we have?

2 MR. BALLOU: Tom Ballou, again. In our  
3 business, no. I'd say that is not an easy shift to  
4 make. Just because it happens to be the same  
5 thickness there's a lot of quality issues, there's a  
6 lot of productivity issues in our end of the business  
7 that require us to use a discreet plate, so I'd say if  
8 it has been a shift it's very, very negligible. I  
9 can't speak for Frank.

10 MR. RUANE: No. I think our business is  
11 very similar to Tom's. We've found pretty much the  
12 same thing, that if switching occurs it's very minor  
13 on the margins.

14 COMMISSIONER PEARSON: What's the inventory  
15 holding capacity of the U.S. steel plate sector? The  
16 reason for asking is that Mr. Tulloch indicated that  
17 inventory adjustments would explain most of the  
18 difference in apparent consumption over the period of  
19 investigation if I understood his comments correctly.

20 Is that actually possible? Because we had  
21 apparent consumption as high as about 9.8 million tons  
22 and a low as low as about 5.6, so you'd be talking  
23 more than 3 million tons of inventory shift.

24 MR. TULLOCH: Well, I think the ability to  
25 store inventory is almost unlimited. This material



1 can be stored in warehouses, on docks, in yards,  
2 anywhere. So clearly inventory will swing by those  
3 magnitudes. If I could just make one comment back to  
4 you.

5 The apparent dichotomy between as I  
6 understand the general manufacturing statistics and  
7 the plate industry is that plate is in a specific part  
8 of the manufacturing sector.

9 It tends to be in the capital goods side in  
10 the infrastructure building and that has not been  
11 where the strength of the economy was through much of  
12 the last period when the consumer goods were very  
13 strong in the manufacturing sector, automobiles, flat  
14 goods and those sorts of things, so there is within  
15 the manufacturing sector a differentiation of cost as  
16 well.

17 COMMISSIONER PEARSON: Mr. Schagrín, given  
18 that my light is changing are you able to --

19 MR. SCHAGRIN: I'll make it very quick,  
20 Commissioner. Just to point out how much inventory  
21 service centers can hold back in 1997/1998, I don't  
22 remember the exact date, I visited Houston on a visit  
23 to the customs port and there was an estimated million  
24 tons, one million tons, just at the port of Houston  
25 and several distributors yards are virtually all

1 imported plate.

2 I mean, plate is very, very heavy compared  
3 to its size. It's amazing how many millions of tons  
4 you can store up.

5 COMMISSIONER PEARSON: Thank you very much.  
6 My time has expired.

7 Mr. Price, are you very quick?

8 MR. PRICE: Yes. Just similarly for those  
9 of us who prosecuted many of these cases in the late  
10 1990s I think a number of the Commissioners remember  
11 pictures of just hundreds of thousands of tons of  
12 various parts just sitting on the docks even when the  
13 importers reported no inventory. Just sitting there  
14 all over the place.

15 It is just a massive problem, and there's a  
16 data collection issue that often exists in some of  
17 these cases.

18 COMMISSIONER PEARSON: Thank you very much.

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

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

23 I want to join my colleagues in thanking the  
24 panel for being here with us this morning and for your  
25 testimony.

1           We have heard a number of the domestic mill  
2           representatives this morning discuss and certainly  
3           there's a lot of discussion in the record about  
4           shortages that occurred principally in 2004,  
5           controlled orders, allocations, different terms used  
6           and yet if you look at our record and I can only  
7           characterize the data generally in public the capacity  
8           utilization numbers that we see don't appear on their  
9           face to be consistent with the kind of shortages that  
10          were reported and that many of you conceded did occur.

11           Can any of you gentlemen try and reconcile  
12          those two situations for me?

13           MR. MCFADDEN: Yes. I would like to speak  
14          to that. I order booked through the whole year of  
15          2004 and I would not say that I felt that we were in a  
16          shortage situation. What I went through was  
17          controlling our order entry because of opportunistic  
18          patterns that were evolving.

19           Basically inventories going from 2000 up  
20          through 2003 were very full and people worked their  
21          way to get rid of that inventory. We get into the  
22          year of 2004, inventories were down, demand started to  
23          pick up, people were aggressively buying. The  
24          opportunity to gain if you can buy low and sell high  
25          is tremendous.

1                   We had buyers who were 5,000 ton a month  
2 buyers and in a matter of two months they became  
3 10,000 ton a month buyers. I don't believe they  
4 generated 10,000 months of new business in a two month  
5 period of time, I believe they seized the day to buy  
6 10,000 tons believing the price was going to be even  
7 higher two months later for whatever reasons.

8                   So they opportunistically buy and then the  
9 demand started to rise, and rise, and rise based on  
10 the emotions of the year. 2004 was a good year, but  
11 there was also a lot of aggressive buying that took  
12 place and 2005 became a correction year because of  
13 that.

14                   COMMISSIONER ARANOFF: Well, Mr. McFadden,  
15 let me just follow-up on that and then I'll invite the  
16 others to comment, too.

17                   I don't want to put it to you bluntly, but  
18 it sounds like what you're telling me is that you  
19 viewed it as sort of a more profitable and efficient  
20 way to operate to not let your customers build up  
21 their inventories and then maybe have them take  
22 advantage of any subsequent price increases, but in  
23 fact for you to kind of hold back and then maybe you  
24 could benefit from those prices that might happen  
25 later and that was a better strategy for you than

1 using more capacity.

2 MR. MCFADDEN: Yeah. I'm very glad you  
3 asked that. I would really want to discourage that  
4 because that's exactly not what happened. Three of  
5 the service centers that are here are large customers  
6 for our facility and I believe they'll be able to  
7 support what I'll say. We increased our shipments to  
8 our top 20 customers significantly through the year of  
9 2004, our top 10 customers even more significantly.

10 We felt it was the right thing to do. These  
11 people supported us through very difficult years prior  
12 to that and we wanted to enable them to be able to  
13 continue to grow their business. We increased our  
14 shipments over 300,000 tons in the year of 2004. As I  
15 said earlier we could increase it another 300,000 tons  
16 in the year of 2005, but we're unable to do so because  
17 the business demand is not there.

18 So our desire in 2004 was to control our  
19 entry so that we were able to sustain long-term  
20 business partners as opposed to very short-term  
21 opportunistic buyers.

22 COMMISSIONER ARANOFF: I appreciate that  
23 answer.

24 Did any of the other mill representatives  
25 want to comment?

1                   MR. FABINA: This is Larry Fabina from  
2 Mittal Steel, again. We're also at Burns Harbor. If  
3 you take a look at the plate utilization of our  
4 facilities in the year 2004 it was probably 50  
5 percent. That's a pretty low number for the equipment  
6 we have out there.

7                   The reason for that is the mill has been  
8 idle since the year 2000. To bring on a mill that's  
9 been idle, the reason it's been idle is we didn't have  
10 the demand, is that when you want to bring it on is a  
11 very timely thing because number one it costs money to  
12 bring that mill back on operation.

13                   Number two and bigger so for me is hiring  
14 people. I had the disappointment in 1998 when the  
15 imports came on that I had to eye to eye face people  
16 and tell them they had no longer had a job because the  
17 business was no longer there. I didn't want to make  
18 that same wrong decision again, nor this time I'm  
19 making a mill start up that didn't have the  
20 opportunity to stay rolling.

21                   So I had to convince a lot of my managers it  
22 was the right thing to do for us and for the United  
23 States because I think the plate industry is very,  
24 very vital to the inner structure of the U.S.A. So  
25 most of last year we were less than 50 percent. I was

1 able to talk to our management at ISG, then through  
2 Mittal that bringing on the facility at Burns Harbor  
3 was the right thing to do and I firmly believe it is.

4           Again, it all depends on demand. Is the  
5 demand going to be there going forward to take care of  
6 the industry?

7           COMMISSIONER ARANOFF: Thank you.

8           Another related question regarding capacity  
9 utilization. Trying to get a sense from all of you of  
10 what you consider to be an efficient capacity  
11 utilization level given your cost structure for  
12 producing this product.

13           As you answer that I'm particularly  
14 interested in obviously there are a number of anti-  
15 dumping and countervailing duty remedies in effect,  
16 but in addition to that why the capacity utilization  
17 figures for the industry as a whole tended to be lower  
18 during the period of safeguard relief than they are  
19 now, so if you could comment on either of those two  
20 questions? I guess they're only a little bit related.

21           MR. TULLOCH: I'd have to go back and look  
22 at the statistic, but certainly the capacity  
23 utilization in the industry was low through the  
24 periods leading up to 2004. There was more capacity.  
25 There was some capacity that was removed from the

1 market.

2 Of course that was significantly used up  
3 last year. I think if everybody had been able to buy  
4 what they had asked to buy last year there would have  
5 been massive over amounts of material going into the  
6 system. Clearly everybody thought they had the same  
7 order.

8 So without going through the records, but in  
9 terms of what is a good capacity utilization level  
10 each company operates in their own way and it's clear  
11 that there is quite a bit of excess capacity globally  
12 certainly, but within North America there's capacity  
13 available to take care of market swing.

14 COMMISSIONER ARANOFF: Thank you, Mr.  
15 Tulloch.

16 Did anyone else want to address my question?

17 MR. MCFADDEN: Yeah. Lawrence Fabina,  
18 again, from Mittal Steel. One of the items we look at  
19 when we run our mills is the manning of those  
20 operations. People are important. We don't over man  
21 our facility and man it for the top side of business  
22 because we've seen the tops and the bottoms.

23 So at Burns Harbor what we do is when we man  
24 a facility we under man it actually to a point where  
25 when the business is there we actually work the



1 overtime. Then to be optimistic and say the business  
2 is always going to be there and run a facility we run  
3 facilities in what we call turns. A turn for us is  
4 eight hours.

5 We man our facility for basically 15 to an  
6 operation. We work the overtime to take it up to 18th  
7 and 19th to the 80 or 90 percent utilization rates.  
8 The only reason we man it that way is because the  
9 business goes up and down.

10 If I over man it I've got a real problem  
11 because I cannot pay the bills because part of the  
12 plate business and especially in the integrated plates  
13 one of the biggest costs is just people. When you  
14 take on people you take on a big responsibility. So  
15 what really drives us on utilizing those facilities is  
16 do we hire people or not, and how many do we hire.

17 COMMISSIONER ARANOFF: Thank you.

18 Mr. Kaplan, have you had a comment?

19 MR. KAPLAN: In terms of the pearl files  
20 capacity utilization it increased because of exit of  
21 certain facilities and increasing demand towards the  
22 end of the period of investigation.

23 COMMISSIONER ARANOFF: Thanks. I see my  
24 yellow light on.

25 CHAIRMAN KOPLAN: Thank you, Commissioner.

1           I want to thank the witnesses for all of  
2 their testimony thus far and would remind you to  
3 continue reidentifying yourselves as we go through  
4 these questions.

5           I'm going to begin with Mr. Klinefelter.  
6 Between now and 2008 will the USWA be involved in any  
7 collective bargaining negotiations with any of the  
8 U.S. plate producers?

9           If so will you provide me with the details  
10 of those that are expected to occur including names of  
11 companies, when negotiated agreements are likely to go  
12 into effect and describe their significance including  
13 the numbers of affected workers in each anticipated  
14 set of negotiations?

15           MR. KLINEFELTER: The union will provide you  
16 with all that data in writing. I don't know exactly  
17 the dates. I'm not a contract negotiator and I don't  
18 administer the contracts, but we can give you all of  
19 that data.

20           CHAIRMAN KOPLAN: Thank you. That would be  
21 helpful.

22           Now, I'd like to turn to the issue of  
23 cumulation because I know I'll be hearing about that  
24 this afternoon. I'm going to ask these questions of  
25 counsel. I have a couple. First I'm trying to decide

1 whether I should exercise my discretion to cumulate in  
2 this set of Sunset reviews. For now I want you to  
3 focus on France.

4 The GTS brief argues at pages 18 to 21 that  
5 there are substantial differences in the conditions of  
6 competition between France and the other subject  
7 countries and therefore the Commission should decline  
8 to cumulate subject imports from France with the other  
9 subject countries.

10 They claim at page 20 that the conditions of  
11 competition enjoyed by France are similar to those of  
12 South Africa which the Commission decided not to  
13 cumulate with other subject countries in our 2003 cut-  
14 to-length plate review. GTS spends a fair amount of  
15 time in the current review detailing what they  
16 consider to be those similarities.

17 Please respond to their argument. By the  
18 way I dissented from the Commission and did cumulate  
19 South Africa with the other subject countries in my  
20 affirmative determinations in the 2003 review, and I  
21 did the same in the stainless sheet and strip review  
22 last July as well, but I would like to hear from you  
23 on this because this is an issue that I've got to  
24 decide with regard to this particular investigation.

25 So which of counsel would like to begin in

1 response?

2 Yes? Mr. Salonen?

3 MR. SALONEN: Chairman Koplan, thank you.  
4 Eric Salonen, Stewart and Stewart. There are in fact  
5 a number of differences between the record here  
6 concerning France and the record concerning South  
7 Africa. First of all to the extent that Commissioners  
8 voted to not cumulate South Africa you had a record  
9 that covered the entire South African plate industry.

10 That's not the case here. Second in the  
11 original investigation that put these orders in place  
12 the Commission found that in addition to the specialty  
13 products, the X70 plate, there was also substantial  
14 volume of other plate products coming in from France.

15 Third I believe counsel for GTS has  
16 described France as being or GTS as being the same  
17 sort of reliable supplier, stable supplier of plate  
18 that the Commission found as one of the reasons for  
19 not cumulating the South African producers, but that  
20 argument overlooks the fact that in the latter part of  
21 the period of investigation imports from France in  
22 fact rose fairly quickly and rapidly, not consistent  
23 with the conduct of what you would call a reliable,  
24 stable supplier.

25 So I think that there are in fact a number

1 of facts that would distinguish the record here from  
2 the record that was before the Commission there, and  
3 of course as you point out even with the facts that  
4 surrounded South African producers there was still  
5 merit in cumulating them.

6 CHAIRMAN KOPLAN: Thank you.

7 Mr. Price?

8 MR. PRICE: Thank you. Alan Price, Wiley,  
9 Rein & Fielding. One of the factors that GTS has  
10 spent a lot of time on is talking about their  
11 production of X70 plate and there's obviously  
12 production of generic, more commodity product that  
13 they make, but they ignore that.

14 What they never talked about in their brief  
15 was production by the other subject suppliers of that  
16 project. So you have to look at cumulation not only  
17 vis-a-vis competition with the U.S., but potential  
18 competition with the other subject suppliers. A  
19 number of those subject suppliers make these qualities  
20 such as Japan and Korea.

21 So we think there is significant overlap in  
22 capability both with the U.S. and the subject  
23 suppliers that warrant cumulation in this case.

24 CHAIRMAN KOPLAN: Thank you for that.

25 Anybody else?

1 (No response.)

2 CHAIRMAN KOPLAN: If not let me ask one  
3 follow-up. Assume strictly for argument sake that I  
4 end up agreeing with GTS and decide not to cumulate  
5 subject imports from France with the other five  
6 subject countries. For purposes of the posthearing  
7 will you provide what you consider to be the basis for  
8 an affirmative determination as to France standing  
9 alone?

10 If you could respond for the record I'd  
11 appreciate that. I see heads nodding in the  
12 affirmative, but just for the record.

13 MR. PRICE: For the record we will respond  
14 in our postconference brief.

15 CHAIRMAN KOPLAN: Thank you, Mr. Price.  
16 Mr. Stewart?

17 MR. STEWART: We will respond as well.

18 CHAIRMAN KOPLAN: Mr. Schagrín?

19 MR. SCHAGRIN: For the record, Roger  
20 Schagrín, we will respond as well.

21 CHAIRMAN KOPLAN: Thank you very much.

22 Mr. Insetta, I'd be happy to hear from Mr.  
23 McFadden and Mr. Ruane as well on this, data is  
24 presented in Mittal's brief at page 23 and Exhibit No.  
25 2 in support of your argument that average unit values

1 of each country's exports of cut-to-length plate to  
2 the U.S. have been and continue to be higher when  
3 compared with export prices to the rest of the world  
4 and that this is likely to attract additional  
5 substantial volumes of dumped and/or subsidized  
6 imports from each of the subject countries in the  
7 absence of the orders; however, Corus includes in  
8 their brief data that they claim show that the U.S.  
9 market is not higher priced than markets in Canada,  
10 the EU and Japan.

11 For example they claim at page 8 of their  
12 brief that taking into account the EU's transportation  
13 costs EU's prices are keeping pace with U.S. prices  
14 and thus the U.S. is not more attractive than their  
15 home markets. They refer us to their Exhibit No. 7  
16 consisting of World Steel Dynamic's data showing world  
17 prices for plate. Who is right?

18 MR. INSETTA: I think Eric Salonen will  
19 answer that for us.

20 CHAIRMAN KOPLAN: Mr. Salonen, I'm  
21 impressed.

22 MR. SALONEN: I just need a moment to catch  
23 up. I'm sorry. Could you tell me once again the  
24 references in the Corus brief?

25 CHAIRMAN KOPLAN: The reference in the Corus

1 brief was at page 8 and their Exhibit No. 7. The  
2 reference that I referred to was the taking into  
3 account the EU's transportation costs that claim EU  
4 prices are keeping pace with U.S. prices and thus the  
5 U.S. is not more attractive than their home markets.

6 MR. SALONEN: Well, if what they're talking  
7 about is the cost of shipping plate from Europe to the  
8 United States I know that in the Commission's public  
9 prehearing report it notes that the CIF cost for  
10 France is about five percent which was the second  
11 lowest among the subject countries, so it would seem  
12 to me that in fact the cost of shipping plate from  
13 France to the U.S. is actually very low.

14 I'm afraid I don't have their Exhibit No. 7  
15 here, but we can certainly address that in more detail  
16 in the posthearing, but --

17 CHAIRMAN KOPLAN: That's the one that deals  
18 with World Steel Dynamic's data.

19 MR. SALONEN: Yeah, but I also know that we  
20 also have some Word Steel Dynamic data which we'll be  
21 happy to submit in the posthearing that also shows a  
22 sharp decline in shipping costs in 2005 from Europe to  
23 the U.S. and we'll be happy to provide that.

24 CHAIRMAN KOPLAN: Okay. Thank you.

25 MR. SCHAGRIN: Chairman Koplan, this is



1 Roger Schagrin. I would just say because I did review  
2 their Exhibit No. 7 prior to this hearing and I do  
3 have it in front of me now that I think the problem  
4 with Corus' argument is that it is applicable in 2004  
5 looking at the data, but as we progress in 2005 and in  
6 the most recent months their analysis of their own  
7 data is not applicable.

8 Their own World Steel Dynamic data they  
9 utilize is showing that the U.S. prices are  
10 substantially higher than the European and Asian  
11 prices and I think that's really the agreement of all  
12 the other parties in this proceeding is that the real  
13 major differences in prices between the U.S., Asia and  
14 Europe have really developed very, very strongly  
15 during the course of 2005.

16 CHAIRMAN KOPLAN: Thank you.

17 Mr. Stewart and Mr. Kaplan had their hands  
18 up. If you can do it quickly? I see my light's about  
19 to come on.

20 Mr. Stewart?

21 MR. STEWART: I think supplemental to what  
22 Mr. Schagrin said is that if you take a look at what  
23 has happened in China on the import side as their  
24 demand has shrunk prices have dropped close to \$300  
25 from a wide variety of exporters including exporters

1 from the European union. There is kind of a  
2 misconception that if they have an option they'll ship  
3 to the European union.

4 Even if you accepted their premise there  
5 would have to be the demand there to accept the  
6 volume. There's a lot of volume being pushed back  
7 from China for these countries that have to find a  
8 home or their utilization is going to go down, and  
9 what the data in the record already show is that  
10 they've been more than happy to drastically reduce  
11 prices to make that happen.

12 CHAIRMAN KOPLAN: Mr. Kaplan?

13 MR. KAPLAN: I think the appropriate way to  
14 analyze this --

15 CHAIRMAN KOPLAN: If you can keep it brief?

16 MR. KAPLAN: -- is to look at where they're  
17 selling at the lowest price they're selling at and to  
18 determine if the U.S. price is higher. If it is they  
19 would shift from the lowest export market they're  
20 selling to here.

21 The Commission has concluded that in other  
22 cases and the facts have shown that we are higher  
23 priced than where they sell on their lowest priced  
24 export market, so you would expect imports to be  
25 shifted to the U.S. market.

1 CHAIRMAN KOPLAN: Thank you for that.

2 Mr. Price, first you had one finger up and  
3 then two. Is that one second or two seconds that you  
4 need?

5 MR. PRICE: Probably three.

6 CHAIRMAN KOPLAN: Go ahead.

7 MR. PRICE: Real quickly.

8 CHAIRMAN KOPLAN: Yes. Real quickly.

9 MR. PRICE: We tracked pricing frankly from  
10 a number of sources, CRU maps, steel business briefs,  
11 Steel Week, World Steel Dynamics, AMM, constantly in  
12 looking at this as we analyze this. It all shows the  
13 U.S. is the highest priced market for these products  
14 in the world and for frankly most products.

15 Yesterday's steel brief, Steel Day, I won't  
16 read you the exact quote from the Russians, but I've  
17 got to tell you they're essentially telling us they're  
18 out of China for all products, they're out of  
19 southeast Asia because China is now exporting and  
20 displacing them. They're looking for a home.

21 The Indians, this is in today's The Steel  
22 Business Briefing, is essentially saying they're going  
23 to have to start looking at dumping cases because  
24 they're imports are up 84 percent. There's just this  
25 massive global shift going on, and this capacity has

1 to find a home and our profit market is just the most  
2 attractive out there. It's that simple.

3 CHAIRMAN KOPLAN: Thank you. I appreciate  
4 the Commission's indulgence. Before I turn to Vice  
5 Chairman Okun I understand that Mr. Klinefelter has to  
6 move on. Is there any objection before we start the  
7 next round to releasing him?

8 (No response.)

9 CHAIRMAN KOPLAN: If not you're excused.

10 VICE CHAIRMAN OKUN: I wanted to go back to  
11 the representatives from the service centers to just  
12 get you to respond on the question that I posed to the  
13 producers with regard to the business cycle and where  
14 you see demand in the reasonably foreseeable future,  
15 along with your comments on the supply side as well if  
16 you could?

17 Start back there with Mr. Ruane.

18 MR. RUANE: From a business cycle standpoint  
19 what I mentioned in my statement was that 2004 was a  
20 good year for Olympic Steel. It's really been the  
21 only good year at Olympic Steel since I've been, which  
22 is 1998, so we have been extremely challenged  
23 throughout 1998 through 2003 and we're very fortunate  
24 to have a restoration of reasonable pricing in 2004.

25 From a future standpoint I think that the

1 major change in prices from 2003 to 2004 are largely  
2 about an incredible change in demand as well as stress  
3 on the world's ability to supply raw materials for  
4 steel making. I think that from a pricing standpoint  
5 all of that is in jeopardy from a capacity standpoint.

6 As China begins to basically feed itself it  
7 changes all the dynamics that brought about the change  
8 in 2004. As they make enough steel and they don't  
9 need to absorb the balance of the world's excess then  
10 I can see nothing except more and more supply on the  
11 marketplace and a corresponding effect of pricing.

12 VICE CHAIRMAN OKUN: Mr. Heltzel?

13 MR. HELTZEL: Yes. As far as Kenilworth  
14 Steel is concerned we not only believe but we are  
15 experiencing adequate supply on the products that we  
16 do carry in inventory.

17 As far as the economy is concerned and what  
18 we're projecting for 2006 I hate to be a contrarian,  
19 but again, I'm from an area that is not experiencing  
20 any growth, if anything the exact opposite, but we are  
21 anticipating and planning for recession to start  
22 probably in the second quarter with the rise in the  
23 interest rates and what we believe are some serious  
24 energy costs that are going to have to be dealt with.

25 With that in mind we'll probably be impacted

1 even more so if a tremendous amount of foreign plate  
2 comes in, but unfortunately I'm not as optimistic as  
3 the other two.

4 VICE CHAIRMAN OKUN: Mr. Ballou?

5 MR. BALLOU: I'd say overall our business  
6 cycle probably is shorter than the mills that we do  
7 business with. We typically have to respond quicker  
8 to our manufacturing base based on what's happening in  
9 their production lines or if in fact they're moving  
10 production away.

11 Even though somebody might move to Mexico  
12 we've invested in processing equipment and it's our  
13 job to go out and find another manufacturer out there  
14 who maybe is manufacturing parts on their own and  
15 wants to get out of that part of their business and  
16 become more of an assembler and a seller.

17 To the Commissioner's previous question  
18 that's probably what we've seen the most of and that  
19 is that even though there's a lot of manufacturing  
20 left in this country there's not as much first and  
21 second stage manufacturing I don't believe, there's  
22 more assembly and marketing.

23 John Deere might sell just as many tractors  
24 in this country, but they're doing less and less parts  
25 manufacturing in that area. So I think our cycle is a

1 little shorter. I would say that as far as supply  
2 goes we feel comfortable. I don't know if the mills  
3 feel comfortable with their backs to us sitting back  
4 here.

5 We do business with them every day and I'm  
6 happy to support them, they've supported us, but at  
7 the end of the day we'll go put our war paint on and  
8 go do business. The supply will be what it is and we  
9 hope it's with them.

10 VICE CHAIRMAN OKUN: Appreciate those  
11 further comments.

12 Now, if I can turn to the global market and  
13 I think I'll have to turn to probably the economists  
14 and counsel to comment just on what is on the record  
15 thus far and to ask for your help in developing the  
16 record for posthearing.

17 With regard to global production, and  
18 capacity and consumption we've heard a lot this  
19 morning about China and the change there and I think,  
20 Mr. Price, you've got these charts, which is the only  
21 thing as I'm looking through this record, public that  
22 I think I could hold up.

23 If I look at this chart on global plate  
24 overcapacity, and your source's tabulation capacity  
25 increase announcements and something else that was

1 bracketed, so there's something bracketed in terms of  
2 your sources which I understand and you commented on a  
3 number of sources, if I look at the data that we have  
4 thus far in the staff report, which is the global  
5 market on 424 and 425, the production and consumption  
6 statistics we have there, and again, information  
7 itself is bracketed and the sources are bracketed and  
8 we actually have two different sources tracking  
9 production and consumption, when I look at those, and  
10 again, realizing these are different sources what I  
11 need is some help posthearing because if I look at  
12 those numbers and look at 2003, 2004, 2005, 2006,  
13 2007, 2008 and just look at where there is  
14 overcapacity between those two numbers, production and  
15 consumption, there is some and it existed the entire  
16 time.

17           It goes up in 2003 and 2004, 2005 and 2006  
18 don't look much different than 2003 and 2004, 2007 is  
19 up a little and 2008 goes down, but in all that this  
20 shows increasing consumption. So again, help me put  
21 in perspective the arguments you're making with regard  
22 to China specifically in a growing global market by at  
23 least all these accounts.

24           If you disagree with this obviously we'll  
25 need to see that in posthearing as well. Put that in



1 perspective, and also with regard to the subject  
2 countries because while we don't have questionnaire  
3 data I'd like you to comment with regard to France and  
4 Italy in particular on whether they have any need to  
5 seek additional markets if they weren't in China in  
6 the first place.

7 I'll start with you just because of this,  
8 but I would like other counsel and your economist to  
9 comment to the extent they can in the public hearing  
10 and then also to address it posthearing.

11 MR. PRICE: Certainly. As the Commissioner  
12 is aware there is an extensive exhibit and compilation  
13 of capacity on plate put together in our brief and  
14 it's probably the single most comprehensive collection  
15 that exists in the world at this point, although some  
16 others might have a little bit more because we have  
17 carefully tracked and assembled this.

18 We've also assembled relevant demand  
19 projections from published sources and no matter what  
20 set of data you use with regard to plate we believe,  
21 and I have to say I can't comment on this one publicly  
22 because I just can't look at it right now, but when  
23 you look at the reliable amount of new capacity coming  
24 onboard and the amount in China is not fully  
25 documented by many sources bluntly, okay, it's missed

1 or they get parts of it because it's so hard to fare  
2 it out and we've fared it out it just outstrips any  
3 growth in demand.

4 Demand growth globally according to most  
5 sources is moderating to slowing out there. We'll  
6 provide a complete discussion of that in our  
7 posthearing brief. I would say that this is not a  
8 phenomenon unique to plate, although the data we are  
9 basing our analysis on is entirely focused on the  
10 plate market.

11 With regard to export dependency I think  
12 there's extensive data in the record on the export  
13 dependency of a number of these countries including  
14 France and Italy. We'll again comment on the  
15 posthearing brief, but I'm sure other counsel may have  
16 specific comments on that.

17 Because of export dependency of these  
18 countries as you see this global shift, as China  
19 builds more capacity, as Korea builds more capacity,  
20 as Japan builds more capacity, as India builds more  
21 capacity, everyone who was serving various markets in  
22 exports is just being spliced.

23 The price pressures are building throughout  
24 all the global markets. The Russians are basically  
25 saying they're getting priced out by the Chinese. The

1 Indians are threatening dumping cases right now. The  
2 Russians in other contexts are already saying that  
3 prices are heading down on numerous products because  
4 of these capacity situations.

5 So we'll detail our response in our  
6 postconference brief, but that's a quick summary of  
7 it.

8 VICE CHAIRMAN OKUN: My red light has come  
9 on, so I'd be willing to have a chance to discuss it  
10 some more, but I'll come back in another round or  
11 after for more posthearing. Thank you very much for  
12 those comments.

13 CHAIRMAN KOPLAN: Thank you, Commissioner.  
14 Commissioner Hillman?

15 COMMISSIONER HILLMAN: Thank you.

16 I wanted to follow-up a little bit on the  
17 questions that the Chairman was asking with respect to  
18 cumulation and would ask a couple of questions one  
19 that the Vice Chairman just ended with, which is  
20 should we be viewing France and Italy differently in  
21 that they have not been traditional suppliers into the  
22 Chinese market and therefore whatever is happening in  
23 China arguably isn't going to result in a push from  
24 Italy or France into the U.S. market?

25 MR. SCHAGRIN: Commissioner Hillman, this is

1 Roger Schagrin. Two points. First and I think we'll  
2 be able to put this into the data in the posthearing  
3 briefs is that the Europeans certainly were major  
4 participants in terms of exports to the Chinese market  
5 in 2003-2004 period.

6 COMMISSIONER HILLMAN: When you say  
7 *Europeans* are you making any distinctions in terms of  
8 France and Italy?

9 MR. SCHAGRIN: We're going to segment that.  
10 We'll address that in the posthearing, so I'm talking  
11 in general. I believe that since France and Italy  
12 represent substantial parts of the European plate  
13 industry that they were participants as well and of  
14 course everyone has seen their exports to China  
15 decline significantly, so we'll adjust that.

16 We don't think -- while France and Italy may  
17 not have participated in the China market to the same  
18 extent as say Korea and Japan or even India and  
19 Indonesia they were still participants and the  
20 collapse of the China import market will affect them  
21 just as others. It's just a question of degree. I  
22 think it's best that we address the specifics in our  
23 posthearing brief.

24 COMMISSIONER HILLMAN: As a general matter I  
25 would ask you to do a full briefing on this issue of

1 cumulation.

2           One of the factors that was raised very  
3 significantly in the response brief, but was also  
4 raised in the other instances in which the Commission  
5 has exercised its discretion not to cumulate in a  
6 Sunset review was the issue of whether the imports had  
7 been overselling, predominantly in the original  
8 investigation, the import trends during the original  
9 investigation as well as, again, the arguments that  
10 were made with respect to France in the original  
11 investigation in terms of selling more specialty niche  
12 products as opposed to the more commodity grade  
13 products.

14           So if all of that can be addressed? I mean,  
15 obviously if I step back and look at the cases in  
16 which countries have not been cumulated -- in Sunset  
17 cases obviously cumulation was mandatory in an  
18 original investigation and to some degree what I think  
19 the Commission is sort of questioning is okay, now  
20 that you get to a Sunset review where cumulation is  
21 discretionary had you had discretion in the original  
22 investigation would you have cumulated them?

23           If the import volume trends are quite  
24 different, the pricing is different, the product mix  
25 is different, those may be arguments for why you would

1 not have cumulated in an original investigation. You  
2 had to legally, but now should we be looking at this  
3 differently?

4 So I would ask counsel to brief that in  
5 their posthearing brief.

6 MR. SCHAGRIN: We will do so. I think Mr.  
7 Stewart has a comment.

8 COMMISSIONER HILLMAN: I'm not sure that  
9 microphone is on, Mr. Stewart.

10 MR. STEWART: Excuse me. I'm sorry. In  
11 Exhibit No. 2 of our prehearing brief we do include  
12 export statistics from each of the countries that are  
13 subject to review and show the destination to which  
14 exports in fact go.

15 If you take a look at Italy in those  
16 statistics what they show is to China a growing volume  
17 of tonnage through 2004 where it's around 51,000,  
18 52,000 tons and that drops to zero in the first half  
19 of 2005, so at least with regard to Italy.

20 There's also some exports from France to  
21 China, so to respond to your question immediately with  
22 regard to is the China factor relevant here, yes, the  
23 China factor is relevant here. Whether it's as large  
24 as it might be for Korea or Japan the answer would be  
25 no, but it is still a factor here where there's a lot

1 of tonnage.

2 Looking at the average unit value of the  
3 product identified as plate going to China from Italy  
4 the average unit value in 2004 was just a little over  
5 \$200 a ton.

6 COMMISSIONER HILLMAN: I appreciate that. I  
7 will look forward to those responses in the  
8 posthearing brief. If I can then turn also to another  
9 issue with respect to the vulnerability of the  
10 industry. We've had a fair amount of discussion in  
11 terms of the financial position, but I'm curious on  
12 the issue of productivity gains.

13 Obviously if we look over this period that  
14 we've looked at there has been a tremendous increase  
15 in productivity across the board. Some of it we've  
16 seen, whether it was inefficient capacity, we've  
17 certainly seen obviously some closures as well as some  
18 new Greenfield facilities that are presumably among  
19 the most productive facilities.

20 On the other hand I watched this trend and  
21 we see, again, these huge productivity gains until you  
22 hit first half of 2005 data in which point it looks  
23 like it's leveling out. Is that your sense that we  
24 have now if you will peaked out?

25 You've squeezed all of the cost

1 inefficiencies or other things out and on a going  
2 forward basis we shouldn't be looking for further  
3 productivity gains, or is there anything either on the  
4 labor side or the technology side that would suggest  
5 on a going forward basis that we would continue to see  
6 significant increases in productivity in plate making?

7 MR. TULLOCH: I'll speak for IPSCO -- John  
8 Tulloch -- one of the minimills. We wouldn't expect  
9 the massive shift in productivity that has taken place  
10 over the last few years to continue. There was a  
11 structural shift there. So the big productivity gain  
12 came through newer equipment laid out in different  
13 ways and operated in different ways.

14 We clearly expect all of our operators to  
15 continue productivity gains in terms of throughput,  
16 high yields, and those sorts of things. We would  
17 expect incremental gains going forward.

18 In 2005, as one company, we have very  
19 consciously taken some time in the mills. We have now  
20 had to shut down three times for hurricanes, but in  
21 addition, we've used system that time to do  
22 maintenance work, employee training because the market  
23 was a little soft, and rather than just trying to  
24 pound material out into the market, we have used that  
25 time improve facilities, which, by itself, will give



1 us some more incremental productivity gain but not of  
2 the magnitude we got by building the new facility.

3 COMMISSIONER HILLMAN: Okay. Are there  
4 others? Mr. McFadden?

5 MR. McFADDEN: Yes, ma'am. We would do very  
6 well to produce more plate at our facility. We would  
7 have lower costs, we would have more efficiency, we  
8 would run better, and we would have better maintenance  
9 cycles. Our employees would like to make 1.6 million  
10 tons of finished plate. They are not able to. They  
11 wait for me in the parking lot and inform me of that  
12 every day. So there are more gains for us, at least,  
13 at our facility. I believe the only things that stop  
14 us are the ability to sell the product in a  
15 competitive marketplace, given the domestic capacity  
16 and the import steel that's available.

17 COMMISSIONER HILLMAN: Okay. But in terms  
18 of major changes, yours is purely an issue of  
19 spreading your fixed costs over a greater amount of  
20 production, as well as your labor costs. It's not  
21 something new coming on line that would significantly  
22 change your productivity.

23 MR. McFADDEN: No. There is no new --  
24 actually, I shouldn't say that. There are things that  
25 we would do differently. We would add capacity in

1 certain products, in heat treatment and things like  
2 that, but at this time, I don't feel that that's a  
3 wise investment, given the capacities that are already  
4 available.

5 So there are things we would do. At the  
6 same time, we're in a half a swing. We're not playing  
7 to our full capability.

8 COMMISSIONER HILLMAN: Do others want to  
9 comment? Mr. Fabina?

10 MR. FABINA: Yes. Through the last four or  
11 five years, I think the productivity gains were really  
12 made, for Mittal essentially, through job changes for  
13 our hourly employees. These people are doing more  
14 jobs more efficiently than before. The equipment is  
15 run at pretty much the speed it was run previously.

16 I think the next change that's going to take  
17 place for us would be new equipment being brought on  
18 line that would actually now improve our tons per  
19 hour. Now, you can take a look at efficiencies. It's  
20 man hours per ton. That's one way of looking at it,  
21 and that's what I think we have accomplished over the  
22 last three or four years. The next one is tons per  
23 hour, and that comes with the equipment, but before  
24 companies like ourselves to reinvest that money into  
25 the business, we need to feel that that business is

1 going to be there in the future, and that's why these  
2 cases are very important to us.

3 It's big money. It's millions and millions  
4 of dollars, and you don't want to be going and putting  
5 that money in in two years when you're ready to run  
6 the equipment like we've done. Nucor and IPSCO put in  
7 facilities at big dollars in the year 2000, and it  
8 didn't return for four years later, and that's what  
9 we're facing today; the next change is equipment.

10 COMMISSIONER HILLMAN: Okay. I would ask  
11 counsel for post-hearing briefs in light of this issue  
12 of what we're seeing in the productivity gains, what  
13 you would suggest that that ought to tell us about the  
14 vulnerability of the industry or how these changes  
15 have affected the industry's ability to withstand  
16 import competition now that we are looking at data  
17 that would suggest a much more efficient, much more  
18 productive industry today than we saw at the beginning  
19 of the period of investigation, what that says to us  
20 as we undertake the analysis in terms of  
21 vulnerability. Thank you.

22 CHAIRMAN KOPLAN: Thank you, Commissioner.  
23 Commissioner Lane?

24 COMMISSIONER LANE: Thank you, Mr. Chairman.  
25 Mr. Schagrin, I need to follow up with an

1 answer you gave me in my first round. I believe, if I  
2 heard you correctly, and it was sort of a delayed  
3 reaction as to what you had said before I comprehended  
4 it, you said that the costs of goods sold were  
5 approaching \$676 per ton, and in looking at the  
6 tables, I do not see that, so could you perhaps  
7 further explain that answer?

8 MR. SCHAGRIN: Commissioner Lane, I'm glad  
9 you asked me; otherwise, I might have had to interrupt  
10 someone else's answer to one of your questions because  
11 I caught my mistake as well. I had referred, in  
12 looking at the C tables, I had referred, in going  
13 through the tables, to a COGS number for the  
14 processors and not for the producers, and I see, even  
15 though the changes are along the same lines of a  
16 couple of hundred dollars a ton from '03 to '05, the  
17 number for producers is up to \$560 a ton for the first  
18 half of '05, so I wanted to correct that error. I was  
19 looking at the wrong C table. But the analysis still  
20 applies; I just had picked the wrong number. Thank  
21 you for giving me the opportunity to correct myself.

22 COMMISSIONER LANE: Okay. Thank you.

23 Mr. Fabina, you said in your opening remarks  
24 that you considered the industry a capital-intensive  
25 industry, and I would like to know how you measure the

1 level of capital intensity.

2 MR. FABINA: The facilities we have at Burns  
3 Harbor; they are 30 to 40 years' old, those  
4 facilities, and capital for those facilities -- no  
5 matter what it is you buy in big capital in big  
6 industry, it's a lot of money. Replacement of a crane  
7 or even taking down of a crane; these don't come  
8 cheaply.

9 At our Gary works, there was a sort of  
10 decapitalization because we had too many cranes at our  
11 Gary facility, and we decided to take one down because  
12 sometimes too many is actually a hindrance. Just to  
13 remove a piece of equipment, it ended up being  
14 \$75,000. But to put the equipment into an industry,  
15 one of the ones to look at is things that will produce  
16 more faster, and those things, such as mill edger  
17 equipment that we looked at under Bethlehem Steel  
18 years ago, these are things that cost \$20 million.  
19 You could put on paper a good return over time if you  
20 know that time is on your side, and if time is not on  
21 your side, then it ends up being a bad investment.

22 I had the same issue. Even though I had  
23 capacity available, the decision to actually restart  
24 the 110-inch plate mill, which is a lot of capital,  
25 sitting idle, and when do you restart that mill, and

1 do you do it? We had three options. You're sitting  
2 on a mill that's been idle for five years. Number  
3 one, you restart it; number two, you either sell it;  
4 or, number three, you destroy it. It's very hard to  
5 continue to just sit on an idle asset, as such.

6 I'm not sure if I answered your question  
7 totally, but things are expensive in steel, and  
8 nothing comes cheaply, no matter if it's a shear that  
9 we buy, a roll that we buy. A backup roll, and it's a  
10 support roll for my four-high mill, a backup roll  
11 today is pushing over \$600,000 for one roll. That's a  
12 huge piece of equipment just for one roll. I usually  
13 buy those in a pair. That's \$1.2 million.

14 COMMISSIONER LANE: Okay. Thank you.

15 Mr. Price, did I see that you wanted to  
16 answer that?

17 MR. PRICE: Real briefly. I believe Mr.  
18 McFadden has testified that, in Nucor's case, just the  
19 Hertford plant cost about a half a billion dollars.

20 COMMISSIONER LANE: Is that billion?

21 MR. PRICE: Yes.

22 MR. SCHAGRIN: Commissioner Lane, while Mr.  
23 Tulloch would be most appropriate to point this out,  
24 it was either in his testimony or it's a fact, for  
25 IPSCO, the investment in their two mills, which

1 occurred a four- or five-year period in the late  
2 nineties and at the beginning of this decade, was over  
3 a billion dollars in their two plate mills, so you're  
4 talking about a massive amount of capital being  
5 employed in a very short amount of time, and, of  
6 course, they would now like to get a return on that  
7 capital.

8 COMMISSIONER LANE: Okay. Thank you.

9 Now, even though Mr. Klinefelter left, I  
10 want to refer to something that he discussed. He  
11 discussed the VEBA contributions that the industry has  
12 agreed to in consideration of recent profitability. I  
13 would like to know if the VEBA contributions that he  
14 referred to are included in the operating expenses and  
15 are reflected in the financial data that is in the  
16 record in this case.

17 MR. STEWART: I don't think we have the  
18 right people here to answer that question for you,  
19 Commissioner, but we will get an answer. I believe  
20 the answer is no, that it's not reflected in there. I  
21 believe it is an after-operating income, but I could  
22 be wrong, and so we'll check with the company.

23 COMMISSIONER LANE: Okay. Then let me  
24 follow up with you, Mr. Stewart, since you took the  
25 microphone. How and when are these decisions made as

1 to the amount and the timing of the VEBA  
2 contributions?

3 MR. STEWART: Again, this is from  
4 recollection from the 201 case, but I believe it's a  
5 contractual issue between the union and the companies,  
6 and so it would be dependent upon what the contract  
7 terms with the company were, but we can check that and  
8 provide that in the post-hearing brief.

9 COMMISSIONER LANE: Okay. Thank you.

10 Mr. Price, I want to refer to one of your  
11 exhibits, and it's the exhibit of five years of  
12 losses, and I was struck by Congressman Butterfield's  
13 testimony when he came in and said that although our  
14 orders went into effect in 2000, that the industry did  
15 not start to show a profit until 2004, which is  
16 consistent with your exhibit. I would like an  
17 explanation as to why the industry was not profitable  
18 during 2000, 2001, 2002, and 2003, and are you saying  
19 that the orders are finally having an effect in 2004?

20 MR. PRICE; I think there are multiple  
21 factors that have entered into this. There is no  
22 question that the orders are having a significant  
23 effect in 2004. In all of this, you have to look at  
24 underlying supply and demand conditions, amount of  
25 inventories of the dumped imports that entered in the



1 first place and how long they took to be worked off,  
2 and that really suppressed operations for a long time.

3 The issue we see today is with massive,  
4 excess global capacity developing and enveloping the  
5 world. With the attractiveness of U.S. prices, that  
6 with these orders being lifted off, this will be a  
7 situation where this will be a magnet to these  
8 imports.

9 COMMISSIONER LANE: Mr. Stewart?

10 MR. STEWART: Commissioner, I think if you  
11 go back and look at when these cases were brought, you  
12 had a very unusual situation. You had rapid apparent  
13 consumption growing in the United States. I believe  
14 the numbers were in the neighborhood of 20 percent  
15 when this case was brought, and you had enormous  
16 surges on the imports, which had the effect of  
17 destroying the pricing structure for the domestic  
18 industry and the up part of the cycle. In any  
19 cyclical industry, domestic producers need to be able  
20 to get decent prices on the up side when demand is  
21 strong to be able to withstand the pressures on the  
22 down side when demand starts to collapse.

23 What you had in the last cycle was the  
24 extraordinary event that prices were destroyed on the  
25 up part of the cycle so that as we came into the down

1 part of the business cycle, as demand weakened, as you  
2 see in '99 through 2003, you started from an  
3 extraordinarily depressed level, and it fell further.  
4 That is the reason that you have the trough in profits  
5 through 2003. It is a consequence of the wave after  
6 wave of unfair trade practices that prevented the  
7 industry from getting rational prices in the last up  
8 side.

9 MR. SCHAGRIN: Commissioner Lane, this is  
10 Roger Schagrin. I just wanted to point out that even  
11 though this industry lost money between the time  
12 reflect was granted in 2000 until 2004, there is no  
13 question, based on any economic analysis, that those  
14 losses would have been much more severe but for the  
15 imposition of the duties. So the remedy was  
16 beneficial in at least reducing the amount of losses  
17 before the industry gained profitability. It would  
18 have been much worse without the relief.

19 COMMISSIONER LANE: Okay. Thank you. My  
20 time is up. Thank you, Mr. Chairman.

21 CHAIRMAN KOPLAN: Thank you, Commissioner.  
22 Commissioner Pearson.

23 COMMISSIONER PEARSON: Mr. Scott, this might  
24 be best directed to you. Following up on her earlier  
25 conversation about the relationship between what we've

1 seen in apparent domestic consumption and what might  
2 be going on in U.S. manufacturing, perhaps for  
3 purposes of the post-hearing, unless you have  
4 something to comment now, could you provide some  
5 analysis of what we're seeing in manufacturing versus  
6 what we're seeing here in this record? If there is  
7 some consistency between the two trends, help me to  
8 understand what that is.

9 MR. SCOTT: Commissioner, this is Rob Scott.  
10 I'll be glad to do that in the post-hearing brief. I  
11 will just say that production even is down  
12 substantially since '97 and '98 in most of the major  
13 plate-using industries. I did show that in the  
14 prehearing brief, but I'll look into that in more  
15 detail.

16 COMMISSIONER PEARSON: Okay. Thank you.

17 MR. SCOTT: Thank you.

18 COMMISSIONER PEARSON: There have been a  
19 number of questions dealing with price. Let me go  
20 back and ask Mr. Price, a price question for Price,  
21 yes. Looking at your Chart No. 8 that's labeled  
22 "Attractiveness of the U.S. Market," and it looks at  
23 the July 2005 pricing for several countries as  
24 reported in the staff report, and this is MEPS  
25 pricing, it does indicate that in that month the

1 United States was the highest-priced market.

2 But if we look at Table IV-10 in the staff  
3 report, we see a pattern of monthly pricing for 2005  
4 that changes. We had France and Italy being higher  
5 priced than U.S. for steel plate in the first quarter  
6 of 2005, and the since then, the United States has  
7 been highest priced. Help me, either Mr. Price or  
8 someone else, to understand what's going on with these  
9 monthly data, and should we look at them and conclude  
10 that the United States actually is "by far, the most  
11 attractively priced market for CTL plate in the  
12 world"?

13 MR. PRICE: The answer is yes, that there is  
14 no question that the U.S. is the most attractively  
15 priced account. While occasionally there can be some  
16 variance in these numbers, we believe that in the  
17 current market situation, the U.S. is the most  
18 attractive market, that with the growing overcapacity  
19 situation developing and spreading throughout the  
20 world, these orders are vital in maintaining a healthy  
21 U.S. industry, and without these orders, we have  
22 essentially a magnet here that will attract the  
23 imports.

24 COMMISSIONER PEARSON: Mr. Schagrin, do you  
25 have something to say?

1           MR. SCHAGRIN: Obviously, these prices can  
2 change quickly in either direction, but, you know, the  
3 staff report obviously takes data up until about July.  
4 I would point out, in the China hearing, I brought to  
5 the Commission's attention that Bauschan, which is  
6 about the third-largest steel producer in the world  
7 now, had cut all of its prices in the Chinese market  
8 by 10 percent for the fourth quarter.

9           Either yesterday or the day before, there  
10 was an article that Posco, which is about the fourth-  
11 or fifth-largest producer in the world, and obviously  
12 a large producer, that they were doing the same thing  
13 in the Korean market, and the Posco press release  
14 saying we're going to cut all of our prices on all  
15 flat-rolled earlier in the Korean market in the fourth  
16 quarter was based upon the fact that they were seeing  
17 so much low-priced, flat rolled coming into Korea.

18           So I really think it does go back to these  
19 global supply-demand patterns and that there is no  
20 question that this oversupply coming out of China is  
21 having a rapidly deteriorating effect on prices on a  
22 worldwide basis, and that's showing up more and more,  
23 you know, month to month, and at least Table 4-9  
24 demonstrated for China that incredible drop in prices  
25 that happened in the third quarter of this year. That

1 was the only follow-on comment I wanted to make,  
2 Commissioner Pearson.

3 MR. KAPLAN: Commissioner, I've looked over  
4 a long time series of prices, different markets around  
5 the world, and over the period of review, and the U.S.  
6 market is consistently priced above most of these  
7 world markets, much above the China and Asian market,  
8 and I think that's evidence of the effectiveness of  
9 many of these orders in allowing the price to remain  
10 above, even at times when they were losing  
11 extraordinary amounts of money.

12 I think Roger Schagrin's point that the  
13 industry would have been much worse off during the  
14 trough is evidenced by the fact that prices here, even  
15 at prices below cost, were still above prices in other  
16 parts of the world.

17 So this is not a one-month phenomenon. In  
18 fact, what you see is only several months where the  
19 opposite is true over a long time period. The U.S.  
20 prices remained above the Asian price in many other  
21 parts of the world throughout the whole review period.

22 COMMISSIONER PEARSON: Okay. Thank you.  
23 Table 4-10 reflects a price difference between France  
24 and Italy that's actually somewhat interesting, with  
25 France, over these several months, being priced

1 consistently a little bit higher than the Italian  
2 product. These are countries that share a border.  
3 They are both in the euro zone. Can anyone explain  
4 why we might be seeing a price gap between those two?

5 MR. PRICE: Offhand, I can't. Periodically,  
6 there are nuances in distribution that will occur that  
7 can explain some of this, but what is important is not  
8 necessarily some of those fine nuances; what is  
9 important here is what Mr. Kaplan said, is that the  
10 U.S., and this is true on a number of products, is, by  
11 far, the most attractively priced market, and global  
12 capacity is going to shift around into that product  
13 and into that market. If we lift these orders, these  
14 countries with substantial excess capacity that have  
15 an export orientation that are losing many of their  
16 traditional export markets will shift into the U.S.  
17 and will shift pretty quickly.

18 A PARTICIPANT: I think what's important for  
19 purposes of what prices will be in the United States  
20 is not what they are selling them in their home market  
21 but what they are selling their lowest-priced material  
22 into third markets because that's what's going to come  
23 here. So I think it's sell out in their home country,  
24 then if the price is higher there, it might be of  
25 interest. But if you look at the country data, you

1 see that they all do export to the rest of the world,  
2 and that's the price that you really want to look at:  
3 Is the U.S. price higher than their best alternative  
4 for their marginal shipments? And the answer is a  
5 definitive yes, and that's why we believe the product  
6 will come here.

7 COMMISSIONER PEARSON: Right. The question  
8 I was trying to get to was to ask, how much price  
9 differentiation is there within the domestic customs  
10 territory of the United States? Do we have  
11 differences in price between mills in Indiana and  
12 Ohio, bordering states, or perhaps between the West  
13 Coast and the Midwest? We've been in a period of  
14 rapidly fluctuating prices. I'm having a hard time  
15 interpreting the price data that we have here, and so  
16 I just don't know enough about this market to know  
17 what normal price spreads are. Do we see price  
18 spreads in the United States, or does everybody always  
19 just sell at the same price?

20 MR. INSETTA: This is Bob Insetta from  
21 Mittal Steel. I would say that our experience is  
22 within product line, and there are multiple product  
23 lines within plate, the prices tend to be very similar  
24 or close when you discount freight. So, in other  
25 words, FOB the mill points, prices tend to be close.



1 That's how I would summarize it.

2 COMMISSIONER PEARSON: Other comments? Mr.  
3 Montross?

4 MR. MONTROSS: I would echo the same thing.  
5 When you take the freight out of it across the market  
6 for like products, the prices are very close.

7 COMMISSIONER PEARSON: In the data that we  
8 have in the record, are we getting into some contract  
9 pricing versus spot pricing, and is that skewing what  
10 we're seeing?

11 MR. PRICE: I don't think so, but we will  
12 confirm in our post-conference brief.

13 COMMISSIONER PEARSON: Okay. Well, my time  
14 is expiring. Any final comments? Thank you very  
15 much.

16 CHAIRMAN KOPLAN: Thank you, Commissioner.  
17 Commissioner Aranoff?

18 COMMISSIONER ARANOFF: Thank you, Mr.  
19 Chairman.

20 I want to go back to this issue that has  
21 come up frequently today of the switch in China from  
22 being a net importer to a net exporter and how that  
23 works as a condition of competition that we need to  
24 consider in this case.

25 The argument that I've heard being made is

1 many of the countries that were shipping to China when  
2 China was importing a lot now are looking for a market  
3 for that steel, and the question has come up, is the  
4 U.S. a very desirable market? And so what I was going  
5 to ask for comments on is, obviously, at this point,  
6 the six countries that are subject to these reviews  
7 are restrained, to some extent, by the existence of  
8 these orders.

9           There are a number of other countries where  
10 there are orders or suspension agreements, but there  
11 are some nonsubject countries that are not subject to  
12 any current orders. I think the staff told me  
13 yesterday Canada is one. We also have Posco, which is  
14 not subject, for all intents and purposes, and there  
15 may be other significant suppliers out there.

16           I wanted to start by asking the gentleman  
17 from the service center, since I know that they  
18 purchase and sell some imports as well as domestic  
19 product, and then maybe turn to counsel, too. What is  
20 happening right now in the most recent period since  
21 this shift from China not taking so much steel with  
22 respect to imports into the U.S. or offers that you're  
23 receiving for sales of I wanted product from some of  
24 these nonsubject countries, and what can that  
25 experience tell us about what might happen if these

1 orders are revoked? I don't know if any of the  
2 gentlemen in the back there have a comment.

3 MR. RUANE: Yes, ma'am. What I can speak to  
4 today is that the amount of opportunities to purchase  
5 foreign is absolutely increasing, and I think that  
6 that is certainly due to lack of demand in China and  
7 also the price spreads that exist today. What we  
8 generally find is that following periods of increased  
9 offer activity, then there is increased order  
10 activity, and then the imports begin to arrive  
11 generally four months post.

12 COMMISSIONER ARANOFF: Are we past those  
13 four months now? Have we started to see that happen?

14 MR. RUANE: No. I think that it's just  
15 beginning now. The offers are just starting to  
16 increase, and the pricing level is such that they are  
17 becoming more and more attractive.

18 COMMISSIONER ARANOFF: Okay. Thank you, Mr.  
19 Heltzel. Did Mr. Ballou or Mr. Wayne have anything to  
20 add, or was that Mr. Wayne? I can't see your name  
21 tags from up here. Sorry.

22 MR. HELTZEL. Mr. Heltzel. As I testified,  
23 we saw the foreign prices -- one example is the  
24 foreign prices that have been offered \$100 less, and I  
25 was able to use that to get some lower prices. The

1 material that we have coming in in February from the  
2 nonsubject countries that we have coming in are  
3 substantially below that, and I also have, just  
4 because of the environment and the instability right  
5 now that we're feeling, are taking a pass on some  
6 other foreign offerings. I'm not sure how much the  
7 market is going to drop domestically, let alone even  
8 before any more foreign plate is brought in. But the  
9 pricing and the tons are both on the rise, as far as  
10 the foreign offerings and executed prices are right  
11 now.

12 COMMISSIONER ARANOFF: Thank you.

13 MR. BALLOU: Tom Ballou from O'Neal. I  
14 would only comment that I think it's important that  
15 you keep in mind that the driver in the import side of  
16 this is the middle man, is the trader, and in many  
17 cases the traders are the ones who have been  
18 participating in the Asian market, China, et cetera,  
19 et cetera, and as long as they can participate in that  
20 market and make money, it's certainly their right, and  
21 that's why they are there, then they are happy, and  
22 they move forward.

23 When they start to see that get blocked, if  
24 you will, because of the economies or the shift in  
25 becoming an importer to an exporter, they will shift

1 their focus, whether it be on these countries in this  
2 case or other countries, they will shift their focus  
3 on where they can move steel. But that takes some  
4 time, and so I would expect that over the next six  
5 months that we will start to see more of the trading  
6 companies come to us and say, we've got certain offers  
7 available, and do you want to participate? So the  
8 countries themselves don't necessarily drive this;  
9 it's more, I think, the trader that really drives it.

10 MR. SCHAGRIN: Commissioner Aranoff, this is  
11 Roger Schagrin. Just, you know, your question about  
12 nonsubject suppliers and the China market; I think  
13 it's amply demonstrated by the import data for 2005,  
14 we have about 125,000 tons of imports from Thailand  
15 and Malaysia, two foreign suppliers that were  
16 virtually nonexistent in this marketplace up until  
17 this year. Just those two countries account for one-  
18 quarter of U.S. imports in the first part of this  
19 year.

20 Now, unquestionably, unless my geography is  
21 wrong, Thailand and Malaysia are both countries much  
22 closer to China than they are to the United States. I  
23 can only assume the reason that we have 125,000 tons,  
24 beside the fact that I know at least one of these  
25 facilities in one of these countries is fairly new, is

1 that they decided to come to the U.S. market instead  
2 of the China market, and I don't know if Vice Chairman  
3 Okun is going to ask her question again about the  
4 forecast for demand.

5 There is no question that demand in China is  
6 continuing to increase, and I think people around this  
7 table, for that matter, as an American, we would give  
8 our eye teeth to have eight or 10 percent demand  
9 growth for periods of years. It's going on a decade,  
10 that kind of demand growth in China.

11 The problem is the Chinese steel capacity is  
12 increasing 20, 25 percent a year, and their production  
13 is increasing 20 percent a year while their demand is  
14 increasing 10 percent, and it's the fact that supply  
15 and demand are getting so far out of balance that it's  
16 just going to, in my own mind, -- that's why we filed  
17 a 421 case -- this is going to destroy the world steel  
18 industry in a couple of years unless the U.S.  
19 government takes some other actions to stop Chinese  
20 government subsidization of all of this excess  
21 capacity.

22 We really have major problems, and that's  
23 why it affects the entire world trade. In cases in  
24 which China is not a subject country, we spend so much  
25 of our time talking about China because it's so

1 important to understanding the world supply-demand  
2 equation.

3 COMMISSIONER ARANOFF: I appreciate all of  
4 those answers. Thank you. Mr. Wayne, I apologize for  
5 getting you wrong. Your name card is right behind Mr.  
6 Schagrin.

7 I don't want to spend too much time on this,  
8 but I wanted to follow up on questions that several of  
9 my colleagues had asked that go to the issue of  
10 cumulation, and this is just a small one that I would  
11 ask you to address when you're considering the many  
12 questions that you've already been asked.

13 One of the arguments that is made in a  
14 number of your briefs regards the degree of export  
15 orientation of the various industries in the subject  
16 countries and particularly with respect to the French  
17 and Italian industries and the question of whether or  
18 not their export orientation has increased since the  
19 time of the original investigations.

20 You can comment now or in your briefs, but  
21 my question essentially is this: You look at just  
22 within-country sales as being home market and then all  
23 others going to an export orientation. Would it be  
24 more appropriate to view all sales within the European  
25 Union as effectively being home market sales, and if

1 you did, would that change the way that you looked at  
2 the export orientation of those industries?

3 MR. PRICE: We'll answer in our post-  
4 conference briefs.

5 COMMISSIONER ARANOFF: Okay. Thanks very  
6 much. I see that my yellow light is on.

7 CHAIRMAN KOPLAN: Thank you, Commissioner.  
8 My first question is for Mr. Kaplan and Mr.  
9 Scott. Corus argues at pages 9 through 11 of their  
10 brief that consolidation by the domestic industry  
11 during the period under examination not only helped  
12 the industry get its costs under control but also gave  
13 a few key domestic players unprecedented market power.  
14 They stated that the Hirschman-Herfindahl, HHI, index  
15 used by economists to determine the degree of  
16 concentration in a particular industry has increased  
17 for the plate industry from 1483 in 1999 to 2141 in  
18 part-year 2005. They claim that the U.S. Department  
19 of Justice uses the HHI to evaluate mergers and  
20 considers a score above 1800 to indicate a highly  
21 concentrated industry.

22 Finally, they point out that the highly  
23 concentrated threshold was crossed between 2003 and  
24 2004, concurrent with the U.S. industry's improvement  
25 in operating performance.



1           The Nucor brief argues at page 30 that, and  
2           I quote, "despite consolidation that has made the U.S.  
3           and global industries more efficient, even the largest  
4           producers have only very limited market power."  
5           However, Nucor doesn't comment on the economic  
6           analysis in the HHI provided by Corus. Is there a  
7           better measure of concentration in the U.S. cut-to-  
8           length plate market than the HHI referred to by  
9           Respondents? If not, do you dispute that this index  
10          is an accurate portrayal of market power in CTL plate?

11           MR. KAPLAN: There are two agencies of the  
12          federal government -- the Federal Trade Commission and  
13          the Antitrust Division of the Justice Department --  
14          that look at all consolidations and mergers above a  
15          certain level. The steel industry is reviewed by the  
16          Justice Department. They spend an enormous amount of  
17          time and effort. They prepare for federal litigation.  
18          They have requests that look at everybody's e-mails,  
19          Federal Reserve's correspondence. They call up every  
20          purchaser, and they do very, very thorough  
21          investigations to make sure that mergers do not create  
22          market power.

23           CHAIRMAN KOPLAN: I appreciate that.

24           MR. KAPLAN: They have investigated the  
25          mergers that have taken place and the consolidations

1 that have taken place in this industry, and they have  
2 let them through. I will guarantee you that they  
3 spent more time than calculating an HHI index to make  
4 their considerations.

5 I will discuss that number in the post-  
6 hearing brief, but I think it's more important to  
7 bring out the fact that an agency of the federal  
8 government looked at these very, very carefully and  
9 concluded exactly the opposite after a thorough  
10 investigation of confidential information than the  
11 Respondents did by a calculation which, I believe, is  
12 not fully correct.

13 CHAIRMAN KOPLAN: Well, let me just ask you,  
14 though, do you disagree that Justice does utilize this  
15 index?

16 MR. KAPLAN: Absolutely. It's one of the  
17 factors they look at. They do look at that index.

18 CHAIRMAN KOPLAN: Okay. And are the numbers  
19 that Corus has provided from that index, are they  
20 accurate?

21 MR. KAPLAN: I would like to comment on that  
22 in --

23 CHAIRMAN KOPLAN: Post-hearing?

24 MR. KAPLAN: -- the post-hearing.

25 CHAIRMAN KOPLAN: Sure. Mr. Scott?

1           MR. SCOTT; I just would add that the  
2 relevance of those numbers, I think, would vary  
3 greatly depending on the openness of an industry in  
4 question. Clearly, those numbers relate to the  
5 concentration of the domestic industry, but here we're  
6 dealing with a global industry with hundreds of  
7 producers. It's a very different market.

8           MR. KAPLAN: And the international aspects  
9 are considered by the agencies when they examine the  
10 concentration of the industry.

11           CHAIRMAN KOPLAN: I appreciate that addition  
12 to your answers, and I look forward to your post-  
13 hearing response on it as well. Thank you both.

14           I would like to hear from any of the  
15 domestic industry parties on this next question. The  
16 Corus brief claims, at page 8, that the problems at  
17 the Port of New Orleans have put added pressure on all  
18 U.S. ports, making importation into the U.S. a more  
19 difficult and costly proposition. They point out an  
20 American Metal Markets article, dated September 14,  
21 2005, to the effect that the Port of New Orleans is  
22 not expected to be fully reopened for six months.

23           Is storm damage to New Orleans likely to  
24 affect imports of cut-to-length plate significantly in  
25 the short term? What about storm damage to Houston as

1 well? If you could respond to me in terms of what you  
2 think will be taking place over the next two years,  
3 and if you could estimate the impact for me.

4 MR. TULLOCH: John Tulloch. We operate in  
5 the southern part of the country, and I, quite  
6 frankly, don't think there will be very much impact at  
7 all on the level of imports. I noted in an article  
8 perhaps two or three days after New Orleans was so  
9 tragically hit that the first shipment proudly  
10 announced was 125,000 tons of steel being unloaded in  
11 the Port of New Orleans.

12 CHAIRMAN KOPLAN: I saw that.

13 MR. TULLOCH: And we have a facility  
14 ourselves in Houston on the ship channel which came  
15 through this last hurricane, Rita, relatively  
16 unscathed, as did most of the facilities that we  
17 believe are around that facility. So we're not  
18 expecting any material impact at all.

19 CHAIRMAN KOPLAN: Let me just ask you as a  
20 quick follow up, what would be the additional cost to  
21 reroute a shipment from New Orleans to an unaffected  
22 U.S. port?

23 MR. TULLOCH: I don't know that number, but  
24 I would imagine it's quite low if it's already in  
25 transit. If the material is close by, it would be

1 some incremental amount, but I don't think it would be  
2 a material number.

3 CHAIRMAN KOPLAN: Okay. Mr. Insetta? You  
4 look like you wanted to add. Oh, you were just  
5 conferring with Mr. Stewart? Okay. Anybody else want  
6 to add to that response?

7 MR. SCHAGRIN: Chairman Koplan, this is  
8 Roger Schagrin.

9 CHAIRMAN KOPLAN: Yes.

10 MR. SCHAGRIN: There is no question that if  
11 you take a month like the month of September when we  
12 had a series of storms in the Gulf, and you do have  
13 such a significant amount of imports coming into the  
14 Gulf, that it would have a limiting effect on a  
15 particular month. We have more storms in October  
16 which may have an additional limiting effect in the  
17 next month.

18 But over time, I think the expectation is  
19 that, as Mr. Tulloch pointed out, that any deliveries  
20 that were supposed to go into New Orleans until New  
21 Orleans is fully up to 100 percent operations again  
22 can go to Houston or to Mobile or to other ports in  
23 the Gulf. So we would think, after a one- or two-  
24 month period, that total shipping into the Gulf area  
25 will return to normal levels.

1                   CHAIRMAN KOPLAN: Thank you.

2                   MR. TULLOCH: If I could just quickly add  
3 another anecdote just to give you some flavor of that,  
4 we also bring in an equivalent amount of scrap  
5 material to make into steel that we sell. That  
6 material was moving, as it's moving all of the time,  
7 through the Gulf area, including down the Mississippi  
8 River, and our facilities were not interrupted because  
9 we were able to divert shipments, change shipments,  
10 and then very quickly shipments resumed through the  
11 Mississippi.

12                   CHAIRMAN KOPLAN: Thank you for that, Mr.  
13 Tulloch. I appreciate it.

14                   Now Mr. Insetta.

15                   MR. INSETTA: Yes. This is Bob Insetta from  
16 Mittal Steel. I think a recent example might be  
17 indicative of the fact that these imports will find  
18 their way into the U.S. one way or another, and we  
19 know that there was one shipment into the Gulf that  
20 was rerouted into Philadelphia. So we may have a  
21 different impact in Philadelphia from that load of  
22 steel plate than we would have in our area, natural  
23 marketing area, in Pennsylvania than we would have if  
24 it had stayed in the Gulf. But the point would be  
25 that the steel will find a port that it can enter.

1                   CHAIRMAN KOPLAN: Thank you. Let me stay  
2 with the domestic producers.

3                   The Corus brief argues, at pages 8 and 9,  
4 and I quote, that "the weakened dollar has hampered  
5 sales of European products in the U.S. market.  
6 Compared to 1999, the dollar is quite weak, and it is  
7 expected to remain at its current level until  
8 September 2006, when it is expected to weaken even  
9 more."

10                   They cite Commerce Bank exchange rate  
11 forecasts for the predictions that imports will be  
12 naturally constrained.

13                   First, has the depreciation of the dollar  
14 since 1999 served to make the domestic industry more  
15 competitive relate to subject imports? And, second,  
16 do you agree with Corus that the dollar is expected to  
17 weaken further? Mr. Insetta?

18                   MR. INSETTA: I think there has been a  
19 positive impact from the dollar, and I think what it  
20 has done is it's helped some of our customers be more  
21 competitive with exports out of this country to other  
22 countries, so in that way that may be one of the  
23 reasons we've seen consumption growth.

24                   CHAIRMAN KOPLAN: Mr. Tulloch?

25                   MR. TULLOCH: Well, the exchange rates move

1 around quite dramatically, and it's pretty hard to  
2 predict where they are going at any given time.  
3 Certainly, the very highly valued U.S. dollar was a  
4 big problem through much of that period in the early  
5 2000 period. We certainly prefer where the dollar is  
6 today. But the swings in the exchange rate, and the  
7 swings in -- we talked about productivity earlier --  
8 pale in comparison with the swings in absolute pricing  
9 that we see -- depending on people's need to move  
10 material.

11 CHAIRMAN KOPLAN: Thank you. I see my red  
12 light is about to come on. I'll turn to Vice Chairman  
13 Okun.

14 VICE CHAIRMAN OKUN: Thank you, Mr.  
15 Chairman.

16 In your briefs and in some of the testimony  
17 this morning, you've highlighted that the industry is  
18 no longer making sufficient levels of capital  
19 expenditures because it could afford to do so during  
20 the period of review, and the briefs, in particular,  
21 point to the high levels of capital expenditures in  
22 the original period of investigation and the early  
23 period of the review.

24 What I want you to comment on, and you may  
25 have done some of this in response to -- I think it



1 was Commissioner Lane's question -- is to discuss  
2 whether those early periods aren't anomalies in terms  
3 of our analysis because we saw the two greenfield mill  
4 openings that came in at that time with really  
5 significant expenditures, and should we anticipate  
6 that same level looking forward with regard to the  
7 vulnerability of the industry to reoccurrence of  
8 injury? Mr. Tulloch, you've got the microphone.

9 MR. TULLOCH: John Tulloch. I'm doing  
10 better at saying my name.

11 Certainly, I would think, to some extent,  
12 they are an anomaly. I can speak for our company that  
13 we are not planning to build any new greenfield mills,  
14 so we will not see these \$500 million lumps. However,  
15 as a direct result of the conditions that existed  
16 until 2004, we cut our capital spending back well  
17 below depreciation.

18 We're right now looking at, as I believe  
19 some of the other people have spoken about, additional  
20 capital expenditures now to give us some incremental  
21 improvements. Part of that is the heat-treat line  
22 we're putting in, and we'll continue to look at those  
23 expenditures, which will be to enhance what we have,  
24 but we certainly aren't considering expenditures of  
25 the half-a-million-dollar magnitude on the pipe

1 business as we look forward.

2 VICE CHAIRMAN OKUN: Mr. Insetta? Mr.  
3 Stewart, you wanted to comment on that.

4 MR. STEWART: I simply wanted to remind you,  
5 Commissioner, that we did, in our prehearing brief,  
6 review the whole host of deferred investments for the  
7 predecessor companies to middle USA that weren't made  
8 because of the poor profitability and identified a  
9 number of major investments that the company obviously  
10 is looking at potentially making if it can maintain  
11 decent pricing.

12 VICE CHAIRMAN OKUN: Any other producers  
13 want to comment on capital expenditures? Mr.  
14 McFadden?

15 MR. McFADDEN: Ma'am, I don't think we're  
16 going to make any more plate mills in the near future.  
17 We did buy a plate mill in the last year, Tuscaloosa  
18 Steel, and that was nearly a \$100 million investment  
19 for us. We looked very closely at a heat-treat  
20 facility, which would be a \$50 million investment, and  
21 given the capacities already in place, we chose not to  
22 do that. As well, our mill wasn't profitable at the  
23 time, and that was a big part of our analysis as well.  
24 Going forward, I think market conditions and the face  
25 of the industry, how companies form and what goes on,

1 will dictate what we invest.

2 VICE CHAIRMAN OKUN: With regard to the  
3 purchase of the Tuscaloosa plant in 2004, -- we can't  
4 do this in a public session, but for post-hearing, if  
5 you could help us understand how the board came to its  
6 decision in making that investment, what it looked at  
7 in terms of future demand and product capability and  
8 where it saw its market, that would be helpful.

9 MR. McFADDEN: We can do that. I can tell  
10 you one thing. That mill opened up our gauge range so  
11 we're able to supply a fuller thickness range of  
12 products to people, which we weren't able to do before  
13 we bought it, but the rest we'll supply in the post-  
14 hearing.

15 VICE CHAIRMAN OKUN: Okay. Very helpful.

16 MR. SCHAGRIN: Vice Chairman Okun?

17 VICE CHAIRMAN OKUN: Yes.

18 MR. SCHAGRIN: This is Roger Schagrin. I  
19 think it's important when you look at capital  
20 expenditures to keep two things in mind as you look at  
21 this period of review. First, I'm sure the Commission  
22 is scratching their heads and saying, gee, how come an  
23 industry that's lost money for all of these years  
24 between '99 and 2004, why were they spending \$250  
25 million a year in the early part of the period of

1 review? And the fact is that the IPSCO mills and the  
2 Nucor that were planned to make up most of those  
3 capital expenditures; those were planned even before  
4 the first import surges in '96 and '97. The plans for  
5 those plate mills were already on the board, and  
6 commitments were made to build those mills, and it  
7 took years for those mills to find the land, get  
8 everything done, and make those expenditures.

9 But what's troubling to me, and I think it's  
10 the outgrowth of this long period of losses, is that  
11 you look over the past three and a half years, and  
12 you're looking at average annual capital expenditures  
13 in this capital-intensive industry in the 20 to \$30  
14 million range. That's not even anywhere close to the  
15 amount of depreciation. In other words, as a result  
16 of losses, except for these huge, new greenfield  
17 mills, the industry in general, in the last three  
18 years of this POR, has been disinvesting, and I think  
19 that was a direct outcome of the losses and the  
20 previous suffering. So I think it's important to take  
21 those two items into consideration as you look at the  
22 capital expenditures.

23 VICE CHAIRMAN OKUN: Maybe for post-hearing,  
24 you can address that. We should evaluate that,  
25 keeping in mind that during the period between March

1 2002 and 2003 there were also safeguard measures in  
2 place which were lifted, and how we should take that  
3 into consideration in evaluating those as well.

4 Let me just ask -- I think everything on  
5 cumulation, everything I was interested in will be  
6 covered in post-hearing or has been covered. For the  
7 information with regard to capacity additions and  
8 worldwide consumption for post-hearing, just two  
9 additional requests.

10 One is if, in looking at all of the data  
11 sources that you've collected, if there is anything  
12 specific to three particular items. One would be  
13 anything that has been referenced with regard to post-  
14 tsunami, how that impacts the industry in Indonesia  
15 and India.

16 Second would be with respect to the  
17 hurricanes, and I think you have in your briefs done a  
18 fair amount of that, but if there is anything else  
19 with regard to that, in particular.

20 And then, third, with regard to energy and  
21 infrastructure projects, as raised this morning and in  
22 their prehearing briefs by Respondents, just whether  
23 that changes any of the analysis in light of a number  
24 of the things that are going on with regard to whether  
25 energy projects that may have not been pursued are now

1 being pursued actively, how that would impact demand  
2 in the region and for this particular product. I  
3 would appreciate that.

4 And then, Mr. McFadden, I don't think you've  
5 had a chance to respond to this. The Corus brief had  
6 pointed out that Nucor has announced new raw material  
7 surcharges of \$73 per ton on plate products beginning  
8 on September 1. Can you comment at all on whether  
9 that's -- is it too early to say whether that will be  
10 accepted? And I would like the other producers, after  
11 Mr. McFadden responds, to say whether they are doing  
12 something similar.

13 We did announce that, and that was staying  
14 with our formula which we put in place. We did not  
15 collect that. In fact, we collected less than half of  
16 that overall for that time period. That was for, I  
17 believe, the month of September. We did not collect  
18 that.

19 VICE CHAIRMAN OKUN: When was the formula  
20 put in place? I know it's in the record, but just --

21 MR. MCFADDEN: I believe it started in  
22 January of '04.

23 VICE CHAIRMAN OKUN: Okay. Other producers?  
24 Mr. Montross?

25 MR. MONTROSS: We put our formula in place

1 in a similar time frame, and I would say that we've  
2 been less than successful in collecting the whole  
3 increase in raw materials, and I think it will be  
4 difficult as we go forward to continue to collect the  
5 increases in raw materials.

6 VICE CHAIRMAN OKUN: Have you made any  
7 recent announcements?

8 MR. MONTROSS: We've made announcements to  
9 our customer base. We don't publicly announce those  
10 things like some of our competitors do, but we've made  
11 announcements to the current customer base that we  
12 have, and there is a lot of opposition to acceptance  
13 of those raw material increases, and the raw  
14 materials, as well as natural gas costs, energy costs,  
15 have obviously gone up much more than we've been able  
16 to collect the raw material surcharges.

17 VICE CHAIRMAN OKUN: If you could, for post-  
18 hearing, just include both of those announcements, and  
19 if there is anything with regard to the reaction, I  
20 would appreciate that as well.

21 MR. MONTROSS: Yes, Vice Chairman.

22 VICE CHAIRMAN OKUN: Mr. Insetta?

23 MR. INSETTA: Yes. We did the same. We  
24 announced surcharges every month, and over the last  
25 couple of months it's become clear we're not going to

1 collect all of those surcharges. So for several  
2 months, we have not been getting the full surcharge.

3 VICE CHAIRMAN OKUN: And again, for post-  
4 hearing, if you could include those and what reaction  
5 there has been.

6 Mr. Tulloch?

7 MR. TULLOCH: Yes. We also have surcharges  
8 which have been following a formula directly related  
9 from American Metal Market scrap numbers, and I think,  
10 from our point of view, we see them as surcharges.  
11 From the customers' point of view, they just see them  
12 as part of the price, so they look at our price with  
13 those in relate to everybody else's and decide where  
14 they are going to buy, so that determines what you  
15 actually may collect.

16 VICE CHAIRMAN OKUN: For post-hearing, if  
17 you can just include those as well.

18 And then on that, just to help me understand  
19 again, looking at prices with regard to both on the  
20 energy side and on the raw material side, is there a  
21 difference between what's going on now -- in other  
22 words, the energy costs going up but raw material  
23 costs going down -- do you see that factoring into  
24 what your customers anticipate should be going on with  
25 prices?



1           MR. TULLOCH: Customers generally, including  
2           the three gentlemen behind us, aren't shy about what  
3           they think prices should be, but clearly it is  
4           dynamic. In our case, the reason that the surcharge  
5           is driven by scrap is that's the one raw material we  
6           have no ability to hedge. There is no mechanism to  
7           hedge that. There is with energy and, by and large,  
8           with alloys and other products we can work around. We  
9           would expect those to be covered in the general  
10          pricing level that we are at, but the biggest factor  
11          of all really is what other people, and particularly  
12          import product, is available at.

13           VICE CHAIRMAN OKUN: Okay. My red light has  
14          come on, but I appreciate those comments and all your  
15          answers this morning and this afternoon.

16           CHAIRMAN KOPLAN: Thank you.

17           Commissioner Hillman?

18           COMMISSIONER HILLMAN: Thank you, Mr.  
19          Chairman. I have no further questions. I do want to  
20          thank this panel very much. Your answers have been  
21          extremely helpful. We appreciate it.

22           CHAIRMAN KOPLAN: Commissioner Lane?

23           COMMISSIONER LANE: I just have a few  
24          questions. My first one is for Mr. Price. On your  
25          Exhibit 5, which is the global plate overcapacity,

1       could you cite to me the source that you used to come  
2       up with that exhibit?

3               MR. SCHAGRIN: I would give you Mr. Price's  
4       brief, but it was so heavy that I couldn't carry the  
5       whole thing. I gave it to Mr. Scott because he is so  
6       much larger than I am, and it must have been so heavy,  
7       Mr. Price couldn't carry it either, but I think he's  
8       got access.

9               MR. PRICE: We'll reply in the post-  
10       conference brief.

11              COMMISSIONER LANE: Okay. So you're not  
12       going to say that your source is Mr. Schagrin.

13              MR. PRICE: No, no, no.

14              COMMISSIONER LANE: Okay.

15              (Laughter.)

16              COMMISSIONER LANE: Okay. Well, I noticed  
17       that all of your other exhibits had sources, and I was  
18       just curious about that, and post-hearing is fine.

19              And this question is for people in the  
20       industry. Does your capacity utilization vary from  
21       facility to facility?

22              MR. TULLOCH: I'll give you a quick answer.  
23       We have two plate mills in the U.S. and one in Canada,  
24       and they all operate -- we do balance them up when we  
25       need to between facilities, so they all tend to be at

1 pretty much a similar capacity.

2 COMMISSIONER LANE: Mr. McFadden?

3 MR. McFADDEN: Yes, ma'am. We have one  
4 plate mill and one mill that makes both plate and  
5 coil. Both mills run relatively close to capacity  
6 levels. We try to supply products in a way that we  
7 share the pain when it goes down, et cetera.

8 COMMISSIONER LANE: Okay. Thank you.

9 MR. INSETTA: Yes. Insetta from Mittal. We  
10 have five plate mills, and right now all five mills  
11 are running underutilized, and as Mr. Fabina has  
12 indicated, the 110 mill is actually not scheduled. So  
13 at some point, through that kind of cycle, we do move  
14 tons from one mill to another to try to balance lead  
15 times. At this point, if this continues, we may have  
16 to start doing that, but all of the facilities are  
17 underutilized at this point.

18 COMMISSIONER LANE: Okay. Now, going back  
19 to the capital intensity and how it's measured, in  
20 your post-hearing brief, could you tell me what the  
21 relative comparison is between revenue dollars for  
22 each dollar of investment? Mr. Stewart, I see you  
23 nodding "yes."

24 MR. STEWART: We can do that.

25 COMMISSIONER LANE: Okay. Thank you.

1                   Now, my last set of questions relates to  
2 Hurricane Katrina and Hurricane Rita. What effect do  
3 you anticipate these disasters will have upon the cost  
4 of your energy prices?

5                   MR. TULLOCH: John Tulloch. We think the  
6 pressure on energy prices is going to continue. We  
7 were of the belief that energy prices will continue to  
8 increase. I think we will see nothing but a boost in  
9 the cost to obtain and, therefore, increase our cost  
10 of energy going forward. We were thinking energy was  
11 going up anyway. We think this will move it up even  
12 further.

13                  COMMISSIONER LANE: And do you anticipate  
14 that you will be able to recover those costs in the  
15 price for your product?

16                  MR. TULLOCH: Well, we would hope so. As I  
17 mentioned earlier, we do use a fairly active hedging  
18 program, so we're not sure we won't see that  
19 immediately necessarily, but we will end up having to  
20 pay eventually the market price for energy, and we  
21 hope we'll be able to reflect that. To the extent  
22 that costs are reflected globally, we would hope that  
23 import pricing levels will allow us to collect that  
24 extra cost, but we'll have to pay it, no matter what.

25                  COMMISSIONER LANE: Okay. Mr. Schagrín?

1           MR. SCHAGRIN: Commissioner Lane, I would  
2 just make one comment. Obviously, energy costs are  
3 very important for this industry. They are important  
4 for anybody in the steel industry. Mr. Tulloch  
5 mentioned that some producers do try to hedge, but  
6 there is a difference between the United States market  
7 for energy and that of other countries, including some  
8 countries subject to this investigation, and in a lot  
9 of other countries energy prices are controlled by the  
10 government, first and foremost being China, which  
11 charges manufacturers, controls prices at well below  
12 market cost. Other countries subject to this  
13 investigation, such as Indonesia, India, Korea, have  
14 some amounts of government control of energy prices,  
15 so there is not exactly a fair and level playing field  
16 out there.

17           As to actual changes in the market, which  
18 there is a world market for energy, the price of oil,  
19 the price of natural gas, but it is not always  
20 reflected in selling prices within other countries as  
21 is the United States because of various government  
22 controls on energy prices.

23           COMMISSIONER LANE: Okay. Thank you.

24           Does anyone else care to respond to that?  
25 If not, Mr. Chairman, that's all of the questions I

1 have. Thank you.

2 CHAIRMAN KOPLAN: Thank you, Commissioner.  
3 Commissioner Pearson?

4 COMMISSIONER PEARSON: Thank you, Mr.  
5 Chairman.

6 How would you respond to the argument that  
7 it's difficult to see a relationship between the  
8 orders we're considering today and the performance of  
9 the domestic industry? Subject imports are down.  
10 Total imports are down. Employment in the industry is  
11 down. There are orders on imports from other  
12 countries. There was the 201 safeguard measure. The  
13 industry experienced losses every year until 2004.  
14 Where is the empirical evidence of some link between  
15 these orders and what's been going on in the U.S.  
16 industry? Where is the causality? Mr. Stewart?

17 MR. STEWART: We have looked over time, and  
18 you do see significant changes immediately after  
19 orders are put in place in terms of domestic  
20 performance, and the problem, of course, has been that  
21 there were wave after wave of imports. What I had  
22 tried to respond, I believe, to Commissioner Lane's  
23 question in the prior round was what is unusual about  
24 plate and the devastation that happened to the  
25 industry was that the industry was destroyed in the

1 last up cycle, and because prices in this sector go up  
2 and down, they were denied the opportunity to go up in  
3 a period of strong domestic demand, which is what you  
4 saw in the '96 to '98 time period, so that as you  
5 started the contraction in apparent consumption, the  
6 domestic industry was going from a very low pricing  
7 level.

8 So the effects of the dumping, even though  
9 they were now orders, were that as demand collapsed,  
10 you had domestic companies that were in bankruptcy or  
11 close to bankruptcy who were struggling to stay alive  
12 without enough demand to satisfy everyone, and so  
13 prices continued to fall.

14 The causality is there. It is a different  
15 causality than the Commission often sees in cases  
16 where you see declines in domestic shipments during  
17 the periods when there are rises in imports. In this  
18 case, what you had was a series of import surges that  
19 occurred at a point in time in which the domestic  
20 industry should have been able to have some pricing  
21 power in the marketplace and didn't and, in fact, saw  
22 tremendous price erosion, and that price erosion set  
23 the stage where they couldn't get off their knees  
24 until you had some external event, i.e., the strong  
25 demand in China, which permitted prices to finally

1 escape the basement.

2 MR. KAPLAN: Commissioner Pearson?

3 COMMISSIONER PEARSON: Yes.

4 MR. KAPLAN: It's always difficult to  
5 discern the effects because what you're trying to  
6 compare is what would have happened to what did  
7 happen.

8 COMMISSIONER PEARSON: I can assure you,  
9 sometimes it's easier than others, and that's why I  
10 asked the question.

11 MR. KAPLAN: I think, in this case, it's  
12 very easy, and the reason is because you can look at  
13 what would have happened to prices here had the orders  
14 and protection not been in place by looking at prices  
15 where that type of protection was not in place, and so  
16 you could directly observe, through the data sets that  
17 we've provided you, what prices would have been in the  
18 United States, how much lower they would have been in  
19 the United States, had the markets been integrated but  
20 for the protection that was received, and the industry  
21 would have been much worse off, prices would have been  
22 considerably lower, profits would have been  
23 considerably less, employment would have been  
24 considerably lower -- but for this protection, the  
25 industry would have been materially worse off. The



1 whole trough that you would have seen would have  
2 dipped down further.

3           So it's hard to look at it when you go from  
4 year to year and try to sort it out what moved it from  
5 this year to what moved it from that year, but if you  
6 look at what the year would have been like, you can  
7 look at data we've provided you about prices that  
8 would have been in the United States but for the  
9 protection and seen that the industry would have been  
10 worse off, and, therefore, it was better off with the  
11 protection. I hope that's a helpful answer.

12           COMMISSIONER PEARSON: Mr. McFadden?

13           MR. McFADDEN: Yes, sir. I'm concerned just  
14 that that period of time doesn't give enough  
15 perspective to really see the transitions that have  
16 gone on in the industry. I started in plate in 1984.  
17 I know, in the year 2003, I sold plate at the exact  
18 same prices I sold it at in 1984.

19           We have a very large customer in Houston,  
20 Texas. They buy their plate domestically. Three  
21 years ago, they bought their plate 100 percent import.  
22 The fact that they buy domestically has made them a  
23 more reliable distributor. It's made them a more  
24 stable customer. It's made them a more supportive  
25 player in the marketplace. They are able to get

1 repetitive business with end users of higher caliber  
2 than what they had before.

3 The jostle of import tons that come in  
4 continually disrupts any ability to build patterns of  
5 succession with our customers and with their  
6 customers. We end up in a constant situation of one  
7 step ahead, three steps backwards. Every price  
8 increase that we've tried to instill, starting in the  
9 year 2000 up to where we are now, has been met back  
10 with if you raise prices, imports are going to come in  
11 and undercut you. That's just the very first argument  
12 that we get in every customer we talk to.

13 So I do believe that the orders that were  
14 put in place have helped us. They have helped us  
15 significantly, and anything we can do post-hearing to  
16 help you over a longer period of time that will enable  
17 you to see that, I would be willing to invest any time  
18 in that.

19 COMMISSIONER PEARSON: Okay. A meaningful  
20 amount of the red ink that we see in this record  
21 relates to restructuring costs. But there is a  
22 significant amount of red ink that has been related to  
23 dealing with legacy costs and restructuring that comes  
24 through our SG&A expenses, and my sense has been that  
25 those are costs that the industry would have dealt

1 with one way or another, regardless of whether there  
2 were these imports. So do we run the risk of looking  
3 at the record and seeing those costs and thinking, oh,  
4 that might have something to do with the imports when  
5 really it doesn't?

6 MR. TULLOCH: This is John Tulloch. Just on  
7 that particular comment, we saw losses right through  
8 that period up to 2004, none of which were related to  
9 restructuring.

10 Another piece of data which we find very  
11 compelling about imports and the causality that you  
12 refer to is, on the Canadian side, we have recently  
13 seen a number of plate cases sunset, including some  
14 from some of these countries. We saw a direct  
15 following increase, significant increase, in imports  
16 and lowering of price in that market. We see that as  
17 a pretty direct causal relationship which we think  
18 will be repeated into this country as well.

19 COMMISSIONER PEARSON: Mr. Price? Mr.  
20 Schagrin?

21 MR. SCHAGRIN: Commissioner Pearson, this is  
22 Roger Schagrin. Obviously, IPSCO and Nucor have both  
23 testified that they lost money for the first four or  
24 five years of the period. They had no legacy cost  
25 issues.

1           But I would also point out, and Mittal can  
2           add to this because I've know these gentlemen were  
3           previously, I think, with both ISG and with Bethlehem  
4           Steel, but my understanding of the accounting that is  
5           done is that the restructuring costs, the closure  
6           costs, the other costs would be below the operating  
7           income line. They would not be reflected in SG&A.  
8           Below operating income would be listed as other income  
9           and expenses, and, yes, those costs were very, very  
10          high for the companies that had shutdowns and  
11          restructurings.

12                 MR. STEWART: Commissioner, we will verify  
13           for the post-hearing brief that that, in fact, is the  
14           case. My understanding is the same as Mr. Schagrins',  
15           that those are all below the operating income line.

16                 MR. PRICE: And again, as Mr. Schagrins  
17           stated and Mr. McFadden testified, Nucor, which had  
18           not a single dime of legacy costs associated to it,  
19           lost money continuously and through the first quarter  
20           of 2004, and for those people who work with Nucor and  
21           understand Nucor mills, that's just unheard of in any  
22           product line, that they have mills that just run  
23           losses for four years in a row.

24                 COMMISSIONER PEARSON: Okay. Well, thank  
25           you very much for those answers which are helpful. I

1 often have been known to understand things better upon  
2 correction and reflection. I'll look forward to that  
3 with what you have to provide in the post-hearing.  
4 Thanks very much. Mr. Chairman, I have no further  
5 questions.

6 CHAIRMAN KOPLAN: Thank you, Commissioner.  
7 Please remember to continue to identify  
8 yourself, reidentify yourself each time. Commissioner  
9 Aranoff?

10 COMMISSIONER ARANOFF: Thank you, Mr.  
11 Chairman. I have just one final question, and it  
12 follows up on some of the questions I was asking  
13 before about China and the effect of its shift from  
14 net importer to exporter.

15 We have talked a lot about the period during  
16 which China was a magnet for steel from many parts of  
17 the world, and we have talked about what's happening  
18 now that that's changing, but historically speaking,  
19 and by that I mean not even going back all that far,  
20 China was not as huge of a magnet as it was in just a  
21 few recent years. So I guess my question is, if there  
22 is all of this steel now that was going to China and  
23 now needs a market, where was it going before this  
24 sort of most few years' period when China had this  
25 enormous demand? I don't know if you want to comment

1 now or later.

2 MR. PRICE: Doing it in a post-hearing brief  
3 would give more detail, but one of the critical issues  
4 is that while that capacity was seeking a home  
5 anywhere it could get it, and literally floated around  
6 the world, world market prices were just terrible and  
7 just collapsed pricing, collapsed profitability.

8 As an industry globally, this industry never  
9 earned its cost of capital, and I think we've  
10 submitted a series of statements by various folks at  
11 the OECD acknowledging that there is this massive, in  
12 essence, structural problem in this industry, that it  
13 structurally has overcapacity, and it almost has to,  
14 by its definition. And with that, except for very  
15 short periods where capacity and demand come into  
16 line, you tend to have overcapacity, inadequate  
17 returns on investment.

18 While we've talked about China, and I know t  
19 there was a reference of tsunami earlier, India right  
20 now is installing capacity at almost as fast a rate as  
21 China is on many product lines. They are quadrupling  
22 their capacity over the next few years. We see  
23 governments repeating the same patterns that we've  
24 seen for the last 30 years. We had hoped that there  
25 would be some type of a global agreement to solve

1 this. It didn't happen, and we don't need to talk  
2 about why it didn't happen, but it didn't happen,  
3 unfortunately.

4 So when we look at the pricing situation and  
5 the capacity situation globally and what's going on,  
6 these orders are critical.

7 MR. SCHAGRIN: Commissioner Aranoff, Roger  
8 Schagrin. I would say, previous to the China  
9 situation, most of that excess capacity was coming to  
10 the United States. That's where we had two-million-  
11 ton import years. Now, if you look at across the  
12 broad spectrum, one of the reasons we had such massive  
13 overcapacity is, first, we had the collapse of the  
14 Soviet Union in the mid-nineties. That created  
15 tremendous over capacity from those CIS countries.  
16 Then we had the Asian financial crisis.

17 Now, over time, these things tend to  
18 ameliorate themselves, but it's a really long time.  
19 Demand in the former CIS countries has been coming  
20 back now for a period of many years. It's nowhere  
21 near where it was before the collapse of the Soviet  
22 Union, and the same is largely true in Asia outside of  
23 China where demand has been strengthening since '99  
24 but not to the extent of where it was during the  
25 nineties.

1           You know, in the United States, steel mills  
2 don't seem to be kept totally alive through Chapter  
3 11. It's not quite like the airline industry. I  
4 think if GE owned leases on all of the steel mills in  
5 the country like they do the planes, we might not have  
6 any shutdowns of steel mills. But we did have, during  
7 this time period, a lot of closures in the U.S.  
8 industry and substantial capacity reductions,  
9 including in the plate industry with Gulf States and  
10 Geneva and parts of what became Mittal, and we haven't  
11 seen as much of that as we should in the rest of the  
12 world during these periods of overcapacity. We  
13 haven't seen shutdowns as a result of the collapse of  
14 the Soviet Union or the Asian crisis. We don't see  
15 that shake-out in capacity.

16           MR. PRICE: Let me just add to that. The  
17 United States, pretty uniquely, is a capacity-short  
18 country. In other words, people are not investing in  
19 capacity, and there are reasons for that. They look  
20 at the openness of our market and the import trends  
21 and the availability and the global market situation,  
22 and they are saying it doesn't make economic sense.

23           We're seeing around the world right now  
24 people building capacity left and right, just tripping  
25 over themselves, governments tripping over themselves,



1 to build capacity right now, and yet where is the  
2 premiere company in the United States which builds  
3 greenfield mills building a greenfield mill? You just  
4 don't see this pattern happening. It's because folks  
5 here in our environment are looking at the openness of  
6 our markets, looking at susceptibility to unfair trade  
7 patterns, and concluding that the risks are  
8 significant, and that tells you a lot.

9 If you remove these orders, you're just  
10 going to continue to draw this industry down and  
11 continue it on its pattern of sustained losses and  
12 pattern towards eventual decline and erosion.

13 COMMISSIONER ARANOFF: Mr. Price and Mr.  
14 Schagrin, thanks for your answers, and I want to thank  
15 the panel again for taking the time to be here with us  
16 this morning and answer our many questions, and I have  
17 no further questions, Mr. Chairman.

18 CHAIRMAN KOPLAN: Thank you, Commissioner.  
19 I do have a little bit left.

20 This question is for Mr. Scott, but I would  
21 also like to hear from Mr. Ruane, Mr. Ballou, and Mr.  
22 Heltzel on this. Figure 2 of your prehearing economic  
23 submission, dated September 16th, attached to the  
24 brief filed on behalf of IPSCO and Oregon Steel,  
25 depicts the cut-to-length plate inventories held by

1 service centers from January 1999 through July 2005.

2 On page 6 of your submission, you state:

3 "The service centers were essentially betting that  
4 prices would continue to rise throughout 2004,  
5 'selling product long,' earning sizable returns on  
6 shipments throughout the year. It is important to  
7 note that as product prices fall in the normal  
8 business cycle, this process is reversed. Service  
9 centers are left holding the surplus of inventories of  
10 declining market value. These inventories are sold  
11 off to reduce paper losses. This cycle is illustrated  
12 in Figure 2."

13 You also state on that page that swings in  
14 inventories have much more to do with price trends  
15 than with changes in demand for plate. Yet when I  
16 look at Figure 2, which is business proprietary, I see  
17 a general decline in inventories over time. I note  
18 that such a decline is consistent with Table C-1 at  
19 page C-4 of our prehearing report, which reveals that  
20 U.S. producers ending inventory declined by 16.3  
21 percent during the period 1999 to 2004, and that 16.3  
22 percent is public; that's not business confidential.

23 My question is, has there been any change in  
24 service centers of conditions of competition that  
25 would lead to lower levels of inventories?

1                   MR. SCOTT: Thank you, Commissioner. This  
2 is Rob Scott from Schagrin Associates. I'll have to  
3 look at that in more detail in the post-hearing brief,  
4 but I think the fundamental change is that we have a  
5 lower level of overall demand, as we've noticed  
6 earlier, relative to levels that prevailed in the late  
7 1990's, so that would necessitate a lower level  
8 overall of inventories, but that doesn't negate the  
9 fact that we have inventory cycles, given the level of  
10 inventories in a particular period in time.

11                   CHAIRMAN KOPLAN: I would appreciate it if  
12 you could elaborate on that post-hearing. Would you  
13 prefer that the domestic witnesses respond post-  
14 hearing, or could I hear from them now, Mr. Ruane, Mr.  
15 Ballou, or Mr. Heltzel?

16                   MR. RUANE: Yes, Mr. Chairman. I think that  
17 when I look --

18                   CHAIRMAN KOPLAN: If you could reidentify  
19 yourself.

20                   MR. RUANE: Frank Ruane.

21                   CHAIRMAN KOPLAN: Thank you.

22                   MR. RUANE: When I look at our inventory  
23 trends, one of the reasons we've been able to carry  
24 less inventory and, of course, turn our inventory a  
25 bit faster in the plate market in specific is because

1       there has been more supply, and the greater supply  
2       means the lead times are much shorter, which requires  
3       me to have less on order and less in my buildings to  
4       be able to respond to changes in demand. So that's  
5       probably the biggest change, and a lot of that is due  
6       to the additional facilities being built in North  
7       Carolina and Mr. Tulloch's two facilities, which are  
8       newer technology mills and shorten the lead time that  
9       we would traditionally have from an integrated  
10      facility.

11                   I'm not exactly familiar with the models  
12      that you're referencing. However, from a 2004  
13      standpoint, service center inventories in plate  
14      basically rose most of the year, and I do believe that  
15      that's largely due to price changes. Certainly,  
16      service centers are hoping that their inventory values  
17      rise, and they do make a great deal of their  
18      profitability based on that change in inventory. The  
19      reverse is also true. When inventory values are  
20      falling, they are generally falling at rates that are  
21      beyond what my normal profitability would be. So this  
22      change in inventory value is an enormous determinant  
23      of profitability.

24                   When I look at the MSCI statistics for 2004,  
25      it shows that carbon plate shipments were up 7.3

1 percent over 2003, but the inventory finished up 14.6  
2 percent.

3           When we take a look at, on a month-to-month  
4 basis, the inventory change, we have two months in the  
5 beginning of the year where inventory actually fell,  
6 and that is in February and in March. The balance of  
7 month-to-month change had been an increase each month.  
8 So there's nine months of inventory increase in 2004.  
9 The two months where inventory went down were also  
10 enormous shipping months for service centers. So, for  
11 example, in February 2004, shipments were 17 percent  
12 higher than in February 2003, and in March 2004, it  
13 was 15.3 percent higher than the month, same year  
14 prior, and those were the two largest year-over-year  
15 increases that we saw in 2004.

16           CHAIRMAN KOPLAN: Thank you for that.

17           Mr. Ballou?

18           MR. BALLOU: Tom Ballou. I would say that  
19 the lead times, I would agree with Frank, have helped  
20 determine our inventory levels. I would also say that  
21 when the price of plate effectively doubled in the  
22 last 18 months, as a privately held company, we have  
23 to watch our dollars, and so we try to keep our  
24 inventory as low as possible based on the fact that  
25 just the inventory value alone is so much higher.

1                   CHAIRMAN KOPLAN: I'm sorry, Mr. Heltzel.  
2                   Go ahead. Thank you for that. I know you were  
3                   reaching for the mike.

4                   MR. HELTZEL: I'm Bob Heltzel. I have to  
5                   agree with both Tom and Frank. The one constant  
6                   through the whole cycle is our customer, and as lead  
7                   times became extended in 2004, there was a build in  
8                   inventory, and the build in inventory was probably not  
9                   rational, but it was necessary in order to make sure  
10                  that we had enough material for the customer base,  
11                  which also started to show slight panic and built  
12                  inventory as well.

13                  It was not to take advantage of a rising  
14                  market and to make some extra quick bucks, as you had  
15                  talked about. And, again, it's the wish of, I think,  
16                  anybody in business to keep the inventory turnovers as  
17                  low as we can, but, again, I think the rise, at least  
18                  at Kenilworth, of their inventory in 2004 was one for  
19                  more concern of our customer base, and taking care of  
20                  the customer base, we're going to take care of our  
21                  suppliers and our employees. So as temporary as that  
22                  rise was, I think that was the main concern that we  
23                  all had.

24                  CHAIRMAN KOPLAN: Thank you very much.  
25                  Let me turn to Mr. Montross. Corus argues

1 at page 5, and I quote: "Oregon Steel and Saw Pipe  
2 produced their plates from purchased slabs and are,  
3 therefore, subject to vagaries in the slab market for  
4 their plate production in terms of both size and  
5 volume limitations."

6 I recognize that Mr. Fabina discussed the  
7 availability of slab X-70 with regard to Mittal.  
8 Since 2000, has there been any change in the  
9 availability of slabs in the U.S. market, either in  
10 total volume or for specific types of slab?

11 MR. MONTROSS: Scott Montross, Oregon Steel.  
12 The slabs in the slab market since 2000; the  
13 availability is probably as high now as it's been due  
14 to additional slab suppliers entering the slab market.  
15 As far as the ability to get plate that is X-70, we  
16 have no issues with X-70 product or selling X-70 into  
17 the open trade markets to people who produce large-  
18 diameter pipe. I think that was part of the question.

19 CHAIRMAN KOPLAN: Yes.

20 MR. MONTROSS: We not only supply our own  
21 internal pipe-making facilities, called "camros," but  
22 we also sell to other large-diameter pipe-  
23 manufacturing companies in North America those types  
24 of products, and we quote other large-diameter pipe  
25 companies those types of products.

1           CHAIRMAN KOPLAN: Thank you.

2           I have one last question. This is for Mr.  
3           McFadden. At page 34 of your brief, you indicate that  
4           many of the shortages of domestic product from late  
5           2003 through 2004 "in fact, reflected panic buying by  
6           customers who believed that rapidly rising raw  
7           material prices would cause price increases for cut-  
8           to-length plate. A substantial portion of these  
9           purchases ended up in service center inventories which  
10          were 152,000 short tons higher in December of 2004  
11          than in December of 2003. This trend continued into  
12          2005."

13                 You claim that it was the attempt by service  
14          centers to accumulate inventories, rather than any  
15          real shortfall in the ability of the domestic industry  
16          to supply U.S. demand, that triggered these temporary  
17          shortages. If, as you claim, panic buying drove the  
18          price increases in 2004, did that not also drive the  
19          increase in imports?

20                 MR. McFADDEN: Pat McFadden at Nucor. I'm  
21          not sure I can connect the two. For me, I'm highly  
22          prejudiced because I went through 2004 having to grow  
23          300,000 tons of market share. I would not say that  
24          every other producer in this room would say the same  
25          thing. 2004 was a very strong year for demand.



1 Caterpillar, John Deere; these companies used a lot of  
2 product. At the same time, we were willing and able  
3 to make more and more steel available to people who  
4 needed it. For me, I just don't see myself able to  
5 connect the two, as you described.

6 CHAIRMAN KOPLAN: All right. I appreciate  
7 that. Thank you.

8 With that, I have no additional questions.  
9 Let me see if there are any others from the dais.  
10 Commissioner Lane and Commissioner Pearson.

11 COMMISSIONER LANE: I would like members of  
12 the industry to, perhaps in post-hearing, tell us what  
13 their ideal capacity utilization would be in each of  
14 their facilities. Thank you.

15 CHAIRMAN KOPLAN: Commissioner Pearson?

16 COMMISSIONER PEARSON: Thank you, Mr.  
17 Chairman. I just have a clarifying comment to follow  
18 up on my last round.

19 I've been advised by staff that, indeed,  
20 restructuring costs are included in SG&A expenses, do  
21 appear above the line, and thus directly affect  
22 operating income, as we measure it here. That is  
23 reflected in Table 3-15. As you look at it, you can  
24 see there is really nowhere below the line that those  
25 costs legitimately could go. And then if you look at

1 page 3-20 of the confidential version of the staff  
2 report, you will see some discussion in prose on this  
3 issue regarding one of the firms.

4 So, Counsel, if you have a difference of  
5 opinion on how this should be done or think the staff  
6 has done it wrong, please take it up directly with  
7 them and then clarify in post-hearing. Thank you very  
8 much.

9 CHAIRMAN KOPLAN: Thank you, Commissioner.  
10 I see there are no other questions from the dais.

11 Mr. Corkran, does staff have questions of  
12 this panel?

13 MR. CORKRAN: Douglas Corkran, Office of  
14 Investigations. Thank you, Chairman Koplan. The  
15 staff has no further questions.

16 CHAIRMAN KOPLAN: Thank you, Mr. Corkran.  
17 Before I release the panel, Mr. Cunningham, I see your  
18 hand is up. Do you have questions of the panel before  
19 they are released?

20 MR. CUNNINGHAM: I have one question for the  
21 service center representatives. Could you give the  
22 Commission an estimate for each of your companies over  
23 the past year of what percentage of the U.S.  
24 industry's surcharges you refused to accept?

25 MR. HELTZEL: We accepted all of them.

1 CHAIRMAN KOPLAN: Can you identify yourself?

2 MR. HELTZEL: I'm sorry. Bob Heltzel from  
3 Kenilworth Steel. We accepted all of them. The only  
4 surcharges that were negotiated by Kenilworth over the  
5 last year were freight surcharges, and that's another  
6 story.

7 MR. RUANE: Frank Ruane. I would also  
8 concur that certainly through 2004 there really wasn't  
9 any negotiation of surcharges. We did pay all of  
10 those as the marketplace softened toward the end of  
11 2004 and into 2005. I would also concur with what Mr.  
12 Tulloch has said, is that we view the surcharge along  
13 with the base price for a net price, and so while from  
14 an invoicing and billing standpoint, 100 percent of  
15 the surcharge is paid, certainly there have been  
16 reflections in the base price to offset when that  
17 formula did not quite track the marketplace.

18 MR. BALLOU: Tom Ballou, O'Neal. I agree  
19 with what Frank just said.

20 CHAIRMAN KOPLAN: I think I just saw another  
21 hand up.

22 MR. MONTALBINE: Mark Montalbine. I had a  
23 question on a different point. I'll wait until the  
24 panel is finished answering the question.

25 CHAIRMAN KOPLAN: I don't know if I

1 understand. Are you asking a question of the panel?

2 MR. MONTALBINE: Yes. I would like to have  
3 the opportunity -- Mark Montalbine with deKieffer &  
4 Horgan.

5 CHAIRMAN KOPLAN: Go ahead.

6 MR. MONTALBINE: My question would be for  
7 Mr. Montross of Oregon Steel, and perhaps it's better  
8 to answer it in a post-hearing brief, but I would be  
9 interested in knowing. He said that Oregon Steel does  
10 sell X-70 line pipe plate on the market. I would be  
11 interested in knowing, for 2004, how much they  
12 actually sold, and it's probably a confidential  
13 number, so we shouldn't discuss it now.

14 MR. SCHAGRIN: Chairman Koplan, this is  
15 Roger Schagrin on behalf of Oregon Steel. We'll  
16 answer that question, and as to any other time  
17 periods, we'll put that information confidentially in  
18 our post-hearing brief.

19 CHAIRMAN KOPLAN: Thank you. Does that take  
20 care of any additional questions?

21 MR. MONTALBINE: Thank you very much.

22 CHAIRMAN KOPLAN: All right. Well, if not,  
23 then I want to thank all of the witnesses for their  
24 not only direct presentation but their answers to our  
25 many questions this morning and this afternoon. I

1 look forward to receiving your post-hearing  
2 submissions. You're excused. We will come back at  
3 two-thirty and resume. I would caution you that  
4 business-proprietary information is not protected, so  
5 you need to take it with you during the lunch break,  
6 and I'll see you back here at two-thirty.

7 (Whereupon, at 1:38 p.m., a luncheon recess  
8 was taken.)

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1 for several years and is just now starting to reopen.

2 Berg Steel purchases a large amount of its  
3 plate requirements domestically when possible;  
4 however, Berg has had to supplement its supply with  
5 imported plate. The U.S. industry cannot reliably  
6 supply certain types of plate, such as X-80, certain  
7 width-thickness combinations, and X-70's, sour service  
8 grades and Arctic grades. In addition, mills such as  
9 IPSCO and Nucor cannot produce plate wide enough to  
10 make pipe over 36 inches in diameter due to  
11 restrictions in their mill design.

12 The U.S. mills are also limited in the  
13 volumes that they can provide Berg. Oregon Steel,  
14 regardless of what they said this morning, has refused  
15 to supply plate to Berg because we are one of its  
16 competitors. IPSCO, too, while willing to provide  
17 Berg with certain volumes of plate, is also a  
18 competing mill in Canada.

19 The difficulty with the large-diameter line  
20 pipe business is that it is project oriented. In  
21 order to be awarded a project, a company must be able  
22 to show a ready, secure supply of plate. With the  
23 tightness in the plate market, this has been very  
24 difficult. All of our domestic suppliers have placed  
25 Berg on allocation, and we recently lost a pipeline

1 project to a foreign mill because we could not secure  
2 the necessary volume of plate.

3 This problem has been further exaggerated by  
4 the worldwide shortage of line pipe plate. There are  
5 massive oil and gas pipeline projects going on  
6 throughout the world, especially in northern Europe,  
7 Asia, and the Middle East. This makes it difficult to  
8 find sources of imported plate for line pipe.

9 Prior to the imposition of the antidumping  
10 duty order on France, Berg was able to supplement its  
11 supply of domestic plate with line pipe plate from GPS  
12 in France. This plate was processed directly into  
13 large-diameter line pipe. None of this plate was  
14 resold on the U.S. market and, therefore, never  
15 competed with the domestic production plate.

16 The urgent need for additional oil and gas  
17 pipeline infrastructure in the United States is well  
18 documented. The Interstate Natural Gas Association of  
19 America estimates that in the next 15 years \$61  
20 billion will be spent on the construction of new  
21 pipelines, such as the Alaska natural gas pipeline.  
22 And by the way, this pipeline alone is estimated to be  
23 6 million tons of pipe, and the size of that is a  
24 large-diameter, 48- or 52-inch, one-inch X-80, which  
25 none of the domestic mills has the capacity to



1 produce. We recently went to Mittal Steel in order to  
2 do trials on one-inch X-80 plate, and they said that  
3 their mill does not have the capacity or capability to  
4 produce in that sort of grade.

5 This demand can only be met by U.S. pipe  
6 producers if there is a significant increase in the  
7 supply of line pipe plate. If the U.S. producers  
8 cannot obtain sufficient plate, they will lose  
9 projects to their foreign competitors in Canada and  
10 elsewhere with the resulting loss of manufacturing  
11 jobs here in the United States.

12 This certainly cannot be in the best  
13 interest of this country, and we, therefore, ask that  
14 the antidumping order against France be revoked so  
15 that critical shortages of line pipe plate in the  
16 United States can be remedied.

17 I thank you for giving me this opportunity  
18 to testify, and I am available to answer any questions  
19 you may have. Thank you.

20 CHAIRMAN KOPLAN: Thank you for that.

21 Madam Secretary, I understand that  
22 Congressman Bonner has arrived.

23 MS. ABBOTT: Yes, Mr. Chairman. The  
24 Honorable Jo Bonner, United States Congressman, 1st  
25 District, Alabama.

1           CHAIRMAN KOPLAN: Welcome, Congressman.

2           CONGRESSMAN BONNER: Thank you, Mr. Chairman  
3 and members of the Commission. I apologize that one  
4 of the airlines from Alabama to Washington was a  
5 little bit delayed; otherwise, I would have been here  
6 earlier, but I appreciate this opportunity to testify  
7 before you today.

8           CHAIRMAN KOPLAN: Happy to have you here.

9           CONGRESSMAN BONNER: Mr. Chairman and  
10 members of the Commission, my name is Jo Bonner, and I  
11 am privileged to represent the 1st Congressional  
12 District of Alabama, which includes Mobile County,  
13 which is the home of IPSCO Steel. IPSCO opened its  
14 doors in 2001, and since that time has become a valued  
15 member of our community. Fortunately, IPSCO has  
16 garnered some success while serving the Gulf Coast  
17 markets and has shared that success with the  
18 surrounding area. For instance, IPSCO employees have  
19 partnered with our local schools. Mobile County has  
20 the largest school system in the State of Alabama,  
21 with 66,000 students. And IPSCO has provided tutors  
22 and mentors to our public school system.

23           The company has established an educational  
24 foundation using the profits from recycling tire  
25 piles. By using tires to replace carbon in the steel-

1 making process, IPSCO has managed to save the cost of  
2 the carbon and has donated those savings to the  
3 community through their foundation.

4           When Hurricane Katrina hit the Gulf Coast  
5 last month, IPSCO looked after their own, as well as  
6 the rest of our community, by supplying diesel fuel to  
7 neighboring municipalities so that both water and  
8 waste water treatment facilities could stay on line,  
9 as well as providing water, batteries, and generators  
10 to their employees. When the needs of our area had  
11 been met, IPSCO worked with local authorities to get  
12 extra supplies to our friends in Mississippi, such as  
13 the City of Biloxi.

14           Mr. Chairman and members of the Commission,  
15 these are the actions of a good corporate citizen. As  
16 many of you know, for the first time in 20-some-odd  
17 years, the United States steel industry is actually  
18 enjoying relative good health, all things considered.  
19 This is due, in large part, to the fact that the ITC,  
20 through various orders, put a stop to the illegal  
21 steel trade. In addition, the president, through  
22 invoking Section 201, took appropriate action on the  
23 flood of steel arriving in the United States in the  
24 late 1990's.

25           During the late 1990's, though the United

1 States economy boomed, the steel industry, as you  
2 know, did not benefit, largely because of the imports  
3 of steel in massive amounts impacting the domestic  
4 market in a negative way. In 2000, the United States  
5 ITC enacted orders that slowed but did not stop dumped  
6 and subsidized imports of cut-to-length plate.

7 Today, the United States needs to enforce  
8 our trade rules and cannot ignore infringements of  
9 those rules, even when the domestic industry is now  
10 stable. We can no longer wait for an industry to  
11 weaken to the point of collapse before enforcing the  
12 rule of law. It is worth noting that it is  
13 exceedingly difficult, if not impossible, to engage  
14 successfully in trade-relief efforts after massive  
15 damage has already been sustained.

16 In the view of this member of Congress, the  
17 United States needs to maintain its major  
18 manufacturing industries like steel while keeping its  
19 market wholly open to trade based upon real  
20 competitive advantage. Trade disruption, in whole or  
21 in part, due to state subsidies and the practice of  
22 dumping, deserves a different, more thoughtful  
23 response. The response needs to be the continued  
24 unflinching enforcement of the U.S. trade laws.

25 Once again, allow me to thank the members of

1 this Commission for the indulgence of both your time  
2 as well as for your attention to this important  
3 matter, and on behalf of all of the men and women who  
4 work at IPSCO Steel, as well as their families, allow  
5 me to say a heartfelt thank you on behalf of them for  
6 the decisions that you will render. Those decisions  
7 have a direct impact on their livelihoods, as well as  
8 on the livelihood of this vital U.S. industry. I  
9 thank you very much.

10 CHAIRMAN KOPLAN: Thank you very much for  
11 your testimony. Unless there are any questions from  
12 the dais, and I see there are none, you are excused.

13 CONGRESSMAN BONNER: Thank you.

14 CHAIRMAN KOPLAN: Thank you for coming.  
15 You may continue. Sorry for the  
16 interruption.

17 MR. MONTALBINE: Thank you. I would like to  
18 address two points that were raised by the domestic  
19 industry in their direct presentation. First of all,  
20 counsel stated that not all French producers responded  
21 to the questionnaire in this case, and that is not  
22 correct.

23 First of all, GTS, by itself, by GTS's  
24 estimates, accounts for over 90 percent of production  
25 of subject plate in France, and the other major

1 company, Indosteel, which is part of the Arcelor  
2 Group, filed a questionnaire so that between GTS and  
3 Indosteel, the French industry is covered. You'll  
4 also see that in the Nucor brief XXXXX, and when you  
5 look at the mills listed for France there, you'll see  
6 that three mills are listed. One is the GTS facility,  
7 and the other two are facilities that are owned by  
8 Indosteel. So I think there is no question but that  
9 there is complete coverage of the French industry in  
10 this case.

11 I think the confusion arose because in the  
12 staff report it talks about sending out four  
13 questionnaires: one to GTS, one to Indosteel, one to  
14 Dillinger, and one to Arcelor. Dillinger is the  
15 parent of GTS and doesn't have any other facilities in  
16 France, so Dillinger didn't answer a questionnaire,  
17 and then Arcelor's main facility is Indosteel so that  
18 the Indosteel questionnaire covers the Arcelor  
19 participation.

20 The second point I would like to address is  
21 that there is no connection between French imports and  
22 China. That is clear from all of the information  
23 attached to the Petitioners' brief. Every time that  
24 they cite an exhibit about new capacity coming up,  
25 France is nowhere listed as adding capacity. In fact,

1 when you look at the questionnaires, you'll see that  
2 France actually reduced their capacity over this time  
3 frame.

4 Second of all, you'll see from the import  
5 statistics -- I believe this is attached to the Nucor  
6 brief -- that France exports very little to China.  
7 They are the smallest of all of the subject countries,  
8 and it's a minuscule amount, and I think Mr. Stewart  
9 even acknowledged that by focusing on Italy and not on  
10 France. And also, China doesn't export to France.  
11 You'll see the import statistics show zero Chinese  
12 imports in France. So there is no connection between  
13 those markets.

14 The best evidence is probably what happened  
15 before the orders in this case. As you remember, that  
16 was the height of the Asian financial crisis, and  
17 every other country increased their imports to the  
18 U.S. dramatically over the period of investigation  
19 except for France. France's imports actually declined  
20 over the period, and their average unit values  
21 increased. So there is no connection between those  
22 two markets.

23 The reason for that is that GTS's exports  
24 are line pipe exports. This is not a commodity  
25 product but is a product used to make pipelines, so it

1 can't just be transferred from one market to another.  
2 Instead, there has to be a pipeline project, and the  
3 French export statistics, again, on Nucor's brief,  
4 show that there have been increased exports to Germany  
5 and to Iran from France, and the reason for that is  
6 that their new pipeline project in Iran, and in  
7 Germany is a large company, Europipe, that is making  
8 pipe for a new pipeline in Norway. So again, these  
9 exports have no connection with China, and the exports  
10 also are tied to specific pipeline projects. Thank  
11 you very much.

12 MR. MALASHEVICH: Good afternoon, Mr.  
13 Chairman, members of the Commission, and special  
14 congratulations to new Commissioner Aranoff on  
15 assuming her duties. I'm Bruce Malashevich, president  
16 of Economic Consulting Services, LLC. I'm accompanied  
17 by my colleague, James Dougan, a senior economist with  
18 our firm.

19 I've been retained by respondent parties  
20 participating in this review to address certain  
21 economic analyses presented by representatives of the  
22 domestic industry and offer my opinion regarding the  
23 domestic industry's vulnerability in the event the  
24 orders at issue are revoked and particularly those  
25 from the European countries.



1           The essence of Petitioner's economic  
2 argument is summarized in the CRA analysis found at  
3 Exhibit 1 of Nucor's brief. That analysis, although  
4 very interesting, has at least three fundamental  
5 shortcomings in the context of this review.

6           First, CRA assumes that the plate market  
7 business cycle peaked and ended in the first half of  
8 2005. The facts, however, are very much to the  
9 contrary. There is abundant evidence that the short-  
10 lived softening of plate prices earlier this year, to  
11 which the domestic producers alluded this morning,  
12 represented nothing more than a hiccup that arose from  
13 an inventory correction. By the third quarter of this  
14 year, that correction ended, and demand and prices for  
15 plate resumed their upward course. Industry sources  
16 now agree, in the published trade press and elsewhere,  
17 that the inventory overhang has effectively ended for  
18 this product, and customers have begun restocking.

19           By late July and early August, trade  
20 publications were noting that plate demand remained  
21 strong in key end-use markets, such as oil and gas,  
22 rail car building, bridge building, and industrial  
23 equipment, and were predicting that prices would rise  
24 further in the second half of this year. Citations  
25 for these quotations are in the Corus brief, and the

1 originals of the full articles can be provided if you  
2 request.

3           Indeed, the senior executives of major  
4 domestic plate producers disagree with the CRA view  
5 outside of the hearing room. Please listen to the  
6 following statements, both taken from American Metal  
7 Market on September 20th of this year, just a few days  
8 ago.

9           Mr. John Tulloch, senior vice president and  
10 chief commercial officer at IPSCO, said the following:  
11 "It seems that inventory levels have come back down,  
12 and service centers are buying again." "Given the  
13 infrastructure damage from the hurricane, there will  
14 be a lot of opportunity for increased use of plate. A  
15 number of offshore rigs were damaged, and there will  
16 be quite a bit of plate used there. It's going to  
17 take a little while for these things to work  
18 themselves through, but we would expect demand for  
19 plate to remain strong."

20           Mr. Daniel DeMicco, who is well known to the  
21 Commission as vice chairman, president, and CEO of  
22 Nucor, in the same article, was quoted as saying as  
23 follows: "In general, the market has been strong.  
24 There was a little lull when we went through a minor  
25 inventory correction, but I think that came because

1 flat rolled had been in several months of decline, and  
2 people thought plate should come down, too. There  
3 never really was a soft plate market. Plate was  
4 strong all along, and it continues to be strong."

5 He goes on to say: "Plate has been strong,  
6 and I don't anticipate that changing in the near  
7 future."

8 These statements are entirely consistent, I  
9 emphasize, not with the testimony you heard this  
10 morning but with what the same companies have told the  
11 shareholders in their formal SEC filings. And if you  
12 can peruse the one public exhibit that I passed out  
13 earlier, it contains a sampling of those quotations  
14 from the publicly traded companies at issue here.

15 And, of course, the Commission's own data  
16 pretty dramatically confirmed the industry's present  
17 and predicted strength. As the prehearing report  
18 documents, domestic profitability was higher in the  
19 first half of 2005 than in all of 2004, all  
20 indications that the plate market will be stronger in  
21 2005 as a whole than last year and stronger still in  
22 2006, owing in part to reconstruction just now  
23 beginning from the devastation caused by Hurricanes  
24 Katrina and Rita.

25 In sum, the evidence is that the cyclical

1 strengthening of the plate market that the CRA  
2 analysis asserts ended in early 2005, in fact, is  
3 continuing and will continue. Consequently, the  
4 arithmetic underlying CRA's calculations of returns  
5 were only for a part of a cycle that continues today,  
6 so those calculations are misplaced in time or, at the  
7 very least, incomplete.

8           The second problematic aspect of the CRA  
9 study is that it ignores this industry's fundamental  
10 restructuring, and you heard a lot about that from the  
11 domestic witnesses this morning. It does so by  
12 focusing on the plate industry's average return on  
13 assets using the time series stretching back to 1998.  
14 But there have been dramatic structural changes to  
15 this industry since the original investigation, all of  
16 which are well documented in the prehearing staff  
17 report.

18           So, in effect, the time captured by the CRA  
19 analysis doesn't reflect that of a single industry but  
20 at least two different industries over that period.  
21 While overall production capacity for the industry  
22 today is roughly the same in terms of tons as in the  
23 past, the CTL plate industry in 2005 differs radically  
24 from the industry that the Commission confronted in  
25 1999.

1           Petitioners, of course, try to use this  
2 restructuring to put a different spin on the sharp  
3 improvements in the injury indicia, particularly  
4 return on assets. Their spin phrase is "survivor  
5 bias," contending that because the most injured U.S.  
6 producers exited the market in the first few years of  
7 the POR, their performance indicia had an upward bias  
8 for the rest of the period. I would argue that it is  
9 precisely because of this restructuring that the  
10 industry has become vastly more competitive today.

11           Geneva and Gulf States were hopelessly  
12 inefficient producers. They have exited the market  
13 and been replaced with world-class companies, such as  
14 Nucor and ISG, now Mittal, consolidated and  
15 restructured unprofitable capacity, and improved labor  
16 efficiency by negotiating innovative agreements with  
17 the USW and other organized labor.

18           It is also significant that a growing  
19 portion of U.S. capacity for producing plate today  
20 incorporates so-called "steckel mill technology" that  
21 permits the rapid switching of production between  
22 plate and sheet products in reaction to changing  
23 market conditions.

24           The data in the prehearing report show the  
25 striking effects of this restructuring on the strength

1 of the domestic industry today. Labor productivity  
2 increased from 288 tons per 1,000 hours in '99 to  
3 almost 500 tons per 1,000 hours in 2004, an  
4 improvement of 69 percent. Other improvements are  
5 documented virtually throughout the prehearing report.  
6 Unit labor costs dropped 34 percent, and unit factor  
7 overhead costs declined approximately 10 percent.

8 The CRA analysis itself points out that key  
9 indicators, such as sales day outstanding and days  
10 receivable outstanding, were steady and improving  
11 across the POR and left the producers in good shape to  
12 take advantage of the improved market conditions of  
13 last year and this.

14 Thus, the industry's health currently is not  
15 the result of survivor bias, but rather improved  
16 operating efficiency and management controls,  
17 restructuring and consolidation, new and improved  
18 technology, and the retirement of inefficient  
19 productive capacity.

20 So calculating return on assets over a  
21 period that begins in 1998 is really meaningless  
22 because the underlying assets are employed much more  
23 productively today than in the past and are in largely  
24 different ownership hands.

25 But probably the most serious shortcoming of

1 the CRA analysis arises from what I call a problem  
2 with mismatching. Although I did not participate in  
3 the Commission's hearing earlier this year in the  
4 sunset review of stainless steel plate, I reviewed the  
5 transcript. It contained a colloquy during which the  
6 Commission questioned the probity of Respondents'  
7 economic testimony, which relied in part on data that  
8 encompassed all stainless flat-rolled products,  
9 including flat-rolled products outside the review's  
10 scope. By that standard, CRA's reliance on Ibbotson  
11 data is even more wide of the mark. We're very  
12 familiar with Ibbotson data.

13 Specifically, CRA's weighted cost of capital  
14 was developed using data representing whole steel  
15 companies; that is, all of those classified in SIC  
16 Code 3312, a category that encompasses "steel works,  
17 glass furnaces, including coke ovens and rolling  
18 mills." In other words, not only do the data extend  
19 beyond the scope definition of this case by orders of  
20 magnitude, but they incorporate basically all steel  
21 producers in the U.S.

22 While this industry classification may be  
23 the most narrow for which Ibbotson data are available,  
24 it is still far too broad to be relevant to this case.

25 A subsidiary point reflects the data

1 reported by the domestic industry in their  
2 questionnaires, purportedly valuing the assets  
3 employed in production of CTL plate. But the fact is  
4 that much of the plant and equipment used to produce  
5 the plate at issue in this proceeding is also used to  
6 produce other products, including, in particular,  
7 coiled flat products. The volume of demand and U.S.  
8 production of those other products vastly exceeds the  
9 volume of CTL plate, necessarily involving a fair  
10 degree of allocation.

11           Once again, therefore, there is an issue of  
12 mismatching. In the aggregate, CTL plate represents a  
13 very small proportion of the total business of the  
14 companies producing the like product in this case,  
15 whether measured in terms of net sales or total  
16 assets. We will present calculations illustrating  
17 this point in our post-hearing brief, as they are APO  
18 in nature.

19           In the end, the Petitioners' economic case  
20 amounts to a plea that the Commission, and I quote,  
21 "not hold the industry's high current operating  
22 margins against it." This is, I believe, highly  
23 inappropriate in the circumstances of this case. The  
24 Commission's mission here is not to focus on the  
25 domestic industry as it existed in 1998 or even as



1 recently as several years ago. Its focus should be on  
2 the industry as it exists today, following the  
3 dramatic consolidations and restructurings that  
4 occurred in just the last few years. Profit returns  
5 experienced by the current domestic industry are the  
6 most relevant, and those returns, already quite  
7 impressive, are, in fact, growing.

8           The dramatic increases in plate prices,  
9 coupled with U.S. producers' improved efficiency that  
10 I discussed earlier, have resulted in extraordinary  
11 profit margins for the industry as it is now  
12 configured. U.S. producers' labor and factory  
13 overheads are low, and their dominant market power has  
14 allowed them simply to pass along increases in raw  
15 material costs to consumers with surcharges, thereby  
16 preserving and even expanding the healthy margin. As  
17 you heard earlier today, every single one of  
18 Petitioners' purchaser witnesses said they ended up  
19 paying all of the surcharges with one small exception  
20 for a piece of freight.

21           This industry reported aggregated operating  
22 margins of 22 percent in the year 2004 and 25 percent  
23 in interim 2005 despite a temporary softening of  
24 selling prices in the first half of this year. With  
25 such levels of profitability and with positive

1 indicators for '05 and '06 in many, if not all, of the  
2 key end user demand segments, as documented in the  
3 Corus prehearing briefs and the briefs of the French  
4 Respondents and in the upbeat statements of the  
5 companies themselves, this is hardly an industry that  
6 is vulnerable to injury from imports, even if all of  
7 the orders at issue are revoked. It is, in  
8 particular, however, not vulnerable to imports of the  
9 more specialized, high-end plate products from  
10 European producers. Thank you very much.

11 MR. CUNNINGHAM: Mr. Chairman, members of  
12 the Commission, I'm Dick Cunningham of the law firm of  
13 Steptoe & Johnson. We are counsel here today to Corus  
14 International America Houston, and Corus America,  
15 Inc., and we'll explain to you in a moment the  
16 difference between those two entities. With me is  
17 Jeff Hoye of those companies and Tina Potuto Kimble,  
18 well known to the Commission from her illustrious days  
19 here, and now with us at Steptoe.

20 I would like to begin on a personal note. I  
21 just want to say how personally pleased I am to be  
22 appearing for the first time here for new Commissioner  
23 Aranoff. I would like to welcome her to the school of  
24 hard knocks, meaning, of course, the Commission  
25 hearing room, and it's a great pleasure to argue here

1 before her.

2 I would also like to begin with a note of  
3 thanks to the domestic industry as to one aspect of  
4 their presentation this morning. I think I probably  
5 speak for the Commission and its staff that we are  
6 grateful for them saving at least a full day of  
7 argumentation by not referring to the four years'  
8 delay in their recovery after the implementation of  
9 the order in this case, not calling that a polynomial-  
10 distributed lag. That's an in-joke for those of you  
11 who were here during the 201 process.

12 Mr. Hoye today is appearing principally in  
13 the role of a distributor of steel in the United  
14 States and overwhelmingly a distributor of U.S.-  
15 produced steel, and he is going to talk to you about  
16 the same sorts of problems that the French company,  
17 Berg, has experienced in this market.

18 I want for a moment, before he begins, to  
19 make sure that you keep this in the right focus. It  
20 is true that you will hear that steel is unavailable  
21 and that, from time to time, that purchasers, from  
22 time to time, are having trouble getting it, that they  
23 are on allocation, that U.S. industry can't even  
24 supply some of the aspects of this. We're not asking  
25 for exclusions of products or anything like that.

1 It's not a question here of whether this steel is  
2 totally unavailable in the U.S. market.

3 The issue in this case is whether there is a  
4 sector of the market in which certain countries  
5 participate, France being one of them, other European  
6 countries, and we'll talk about Great Britain in the  
7 next plate sunset review, another of those countries,  
8 that sell in this market a high-end plate which is not  
9 injurious to the U.S. industry. That's the point of  
10 this.

11 It's not injurious because the U.S. industry  
12 has it as only a small part of its production. It is  
13 not injurious because the U.S. industry has not  
14 complained of that type of plate as being the problem.  
15 It is not injurious because the U.S. industry doesn't  
16 make enough of it to fully satisfy demand, and, in  
17 particular, it shouldn't be deemed injurious because  
18 to do so would hurt customer, hurt consumers in the  
19 positions of the two witnesses that you're hearing  
20 here today. So with that, let me turn you to Mr.  
21 Hoye.

22 MR. HOYE: Good afternoon, Mr. Chairman and  
23 members of the Commission. My name is Jeff Hoye, and  
24 I'm director of Corus International Americas. I know  
25 that you're accustomed to seeing the Corus name

1 associated with cases involving imported products from  
2 the United Kingdom, but, of course, the U.K. is not a  
3 subject country in this review.

4           However, in September 2004, Corus created a  
5 new business, Corus International America Houston,  
6 which I'll refer to as "CIAH," with the mission of  
7 being a full-service steel provider for high-end  
8 projects. The progressive business model under which  
9 Corus International operates allows us to purchase  
10 steel from anywhere in the world in order to meet  
11 requirements of any of the projects in which we're  
12 involved. We are not required to purchase steel from  
13 Corus. Indeed, the vast majority of the steel that  
14 CIAH purchases for its North American customers is  
15 coming from U.S. steel producers.

16           While we value the relationship we have with  
17 our U.S. steel suppliers because their generally  
18 shorter lead times make the service aspect of our  
19 business much easier, at times it is almost impossible  
20 for us to obtain some of the niche steel products from  
21 the U.S. industry. Our businesses focus on projects  
22 that require specialty steel for offshore oil  
23 structures for the gas and oil sectors. This kind of  
24 production requires precision steels that are  
25 difficult to obtain domestically.

1           There are only three producers in the United  
2 States that can supply us with the high-end steel  
3 products that these specialty products demand: Mittal  
4 Steel, Oregon Steel, and Saw Pipe. These are three  
5 quality suppliers.

6           Demand for high-end steels in the United  
7 States has, however, far surpassed the production  
8 capabilities of these producers. Even with IPSCO's  
9 heat-treating capacity coming on line as expected,  
10 there will still be insufficient U.S. supply of high-  
11 end product to meet demand. For example, heat-treated  
12 plate cannot be produced by all U.S. plate mills.  
13 Mittal Steel is the primary supplier of this product;  
14 however, huge demand for armor heat-treated plate has  
15 been created by the U.S. military's involvement in  
16 Iraq and Afghanistan.

17           As has widely been reported, the military is  
18 currently in the process of fitting all of its Humvees  
19 used in those areas with heat-treated armor plate so  
20 that they can better withstand attack. Of course, the  
21 U.S. military is using U.S.-produced plate for this  
22 task. As such, they are consuming a huge amount of  
23 heat-treated capacity that would normally be designed  
24 for the commercial market, leaving commercial  
25 customers with an insufficient source of supply.

1           This limited availability of heat-treated  
2 plate for the commercial market could not come at a  
3 worse time. Demand in high-use sectors that consume  
4 heat-treated plate, such as oil and gas and yellow  
5 goods, is very strong.

6           As to another niche product, plate thicker  
7 than four inches, there is also a supply shortage in  
8 the U.S. market. Mills either can or cannot produce  
9 the plate in thicker and wider widths and based on  
10 whether or not they have the equipment and capability  
11 of making it. There is no gray area here. Once  
12 again, there are not many U.S. suppliers that can  
13 manufacture these products.

14           Today, those producers that have the  
15 requisite equipment are on allocation. They also  
16 supply us only after extremely long lead times. For  
17 businesses such as CIAH where service is an integral  
18 component of the sales package on projects, delays in  
19 obtaining steel can have a devastating impact on our  
20 business.

21           We only see the situation getting worse.  
22 Demand in the downstream industries that consume high-  
23 end plate is growing, for example, again, oil and gas  
24 exploration and production, already booming in the  
25 Gulf of Mexico before the recent hurricanes that

1 ravaged the Gulf Coast region of the United States.  
2 While the full impact of these natural disasters  
3 remains to be determined, there was certainly damage  
4 to offshore structures that will need high-end plate  
5 for repairs. Thus, the situation will exacerbate an  
6 already tight market.

7           Every industry that I can think of that uses  
8 specialty product is forecasting significant demand  
9 growth in the near future. Without access to high-end  
10 imports, it is not clear to me where we're going to  
11 get the plate to meet the upcoming needs.

12           European supplies of plate traditionally  
13 have been, and will continue to be, a complementary  
14 and supplementary source of high-end material in the  
15 United States. In this case, by revoking the orders  
16 on French and Italian plate, you will afford CIAH the  
17 opportunity to have alternative sources of supply for  
18 high-end products where access to high-end material  
19 from the U.S. is constrained. CIAH has no desire to  
20 purchase lower-grade commodity plate from Europe, and  
21 it is our experience that European producers do not  
22 want to sell that type of product into the U.S.  
23 market. Specialty plate, however, requires an  
24 alternative source of supply, and the European  
25 producers can responsibly fill that gap in the market.



1 Thank you.

2 CHAIRMAN KOPLAN: Excuse me. Did I hear you  
3 use the term "yellow goods"?

4 MR. HOYE: Correct. That's the off-highway  
5 construction sector like the Caterpillar-John Deere  
6 market. They refer to it as the yellow goods because  
7 the finished products are painted yellow.

8 CHAIRMAN KOPLAN: Well, you've satisfied a  
9 little bit of confusion up here.

10 MR. CUNNINGHAM: A high-tech term if there  
11 ever was one.

12 Let me conclude our panel's presentation  
13 with a few observations, if I may, on this case, and I  
14 want to do so, in particular, because I would submit  
15 to the Commission that this sunset review, more than  
16 most cases that I can think of in recent years, is one  
17 that you really need to think of in a context.

18 We've been doing carbon steel here for a  
19 long, long time. My first carbon steel hearing before  
20 the Commission was in 1978, and that wasn't the start  
21 of all of this. We have just been through a major,  
22 major, national effort to resuscitate and restructure  
23 the American steel industry, the 201 process that we  
24 went through. The purpose of that process was to  
25 create a leaner, stronger, modernized, cost-reduced

1 industry across all its sectors, including the plate  
2 sector.

3 I would suggest to you that in the sunset  
4 reviews that you have, and you're having a series of  
5 them now, -- this is the second, in carbon steel --  
6 that you are doing a laboratory test of the results of  
7 the 201 in the sense that if you were to conclude, and  
8 you'll be asked to so conclude, I will bet, by every  
9 sector of the domestic industry, if you were to  
10 conclude that all of the sectors of the domestic  
11 industry, despite all of the restructuring, despite  
12 the increased efficiencies, despite the cost  
13 reductions, -- all of them are vulnerable in the sense  
14 of this statute -- I think you would be uncomfortable  
15 with that conclusion in the light of what we set out  
16 to do and what I think you're finding in the 204  
17 review that we did do for the steel industry.

18 I think that's a particularly important  
19 consideration here in the plate case because if you  
20 don't find the plate industry to be non-vulnerable in  
21 statutory terms, it's going to be hard for you to find  
22 any sector. And I'm not just talking about the degree  
23 of current profitability of the industry; I'm talking  
24 about the really remarkable progress that they have  
25 made in all of their cost reductions and the

1 restructuring and the increased market power that they  
2 have, as shown by the Herfindahl indexes. I'm talking  
3 about the extremely fortunate circumstances that they  
4 find themselves in looking toward the immediate  
5 future.

6           You've heard much testimony today about the  
7 reconstruction that's going to be going on in the  
8 Gulf. That's going to require immense amounts of  
9 plate. The oil and gas sector is immensely strong and  
10 expected to continue that way, and you have heard  
11 today that that's a major area, particularly at the  
12 high end of the plate market. And you heard Mr. Hoyer  
13 testify that the military demand for plate will be  
14 immense, particularly, again, in the high end sector  
15 of the business.

16           I think you really need to find here, if you  
17 find it as to no other sector of the steel industry,  
18 that this is not a sector that is vulnerable to the  
19 imports. So that's one of the decisions, of course,  
20 that you have to make in the course of a sunset  
21 review.

22           I think you also need to make a distinction  
23 as to types of import problems, and I think you've  
24 already begun to do so in these cases, types of  
25 imports that pose the type of problem that if there is

1 something to worry about for this industry, it's that.

2 I will recall to your for a moment your hot-  
3 rolled sheet case that you just did, the first of the  
4 hot-rolled sheet cases. Think about the respondents  
5 in that case, and think what it was that those  
6 respondents had done that led to the original order.  
7 There was the hugest spike in imports probably in the  
8 history of the steel market from those countries. In  
9 that case, you looked at them, and you said, quite  
10 rightly, I submit, that their past behavior shows  
11 something that we need to be concerned about,  
12 something that gives us a marker for concern about  
13 threat if we take the order off.

14 I think you need to look at that both ways,  
15 though, and I think you need to look at types of  
16 imports from specific countries that don't fit that at  
17 all.

18 Consider this case, for example. This  
19 record is replete with testimony, and it's not just  
20 from us, -- you'll pick through the U.S. industry  
21 briefs and testimony, and you'll find hints of it --  
22 that in the high-end sector plate is in short supply.  
23 Here, there is little evidence that the imports would  
24 injure this industry. You will have European  
25 exporters, and I know I can speak for Corus, although

1 I'm a case too soon arguing about that -- I look at  
2 the import statistics, and I can say the same thing  
3 for the French imports, where in the original  
4 investigation you did not see spikes of imports.  
5 Indeed, those imports were declining from that  
6 country, and I submit you had an affirmative  
7 determination of them only because they were cumulated  
8 with other imports which were sharply rising.

9           You have a different pattern of selling from  
10 certain types of importing countries, different from  
11 the type of selling that the U.S. industry so very  
12 clearly complains about here. Listen to the testimony  
13 earlier today by Mr. McFadden, who said, "Every time a  
14 barge comes into Tampa loaded with imports, our order  
15 books dry up."

16           Listen to Mr. Price, who talked about the  
17 service center distribution system -- Mr. Schagrin  
18 also made this point -- as something that brings  
19 commodity imports into this market and enables them to  
20 come in in volume with injurious effects. Think about  
21 that for a moment and contrast it with the type of  
22 distribution, the type of selling practices that you  
23 have at the high end of the market where French  
24 imports and, in the next case, U.K. imports take their  
25 role in the United States.

1                   These are individually negotiated  
2 transactions with the customers. They are for  
3 projects, not for sale into the commodity market.  
4 They do not build up in inventories, whether on the  
5 docks or whether in the hands of service centers.  
6 They do not have any of the characteristics of the  
7 terrible import threat, if it is, in fact, a terrible  
8 import threat, that the domestic industry wants you to  
9 be concerned about.

10                   And, finally, look at excess capacity  
11 issues. I would ask you to look at the chart on page  
12 5 of Wiley, Rein & Fielding's tables. It's a pie  
13 chart. It shows quite dramatically big increases in  
14 capacity by a bunch of foreign countries. You will  
15 look in vain for a European Union country in that list  
16 because the European Union producers are not expanding  
17 capacity. They don't fit the profile that the U.S.  
18 industry itself says is what you want to be concerned  
19 about for the future of the plate business here.

20                   So I suggest that you need to make  
21 distinctions here. You need to make distinctions  
22 among sectors of the steel industry and look hard at  
23 which ones are vulnerable and which ones are not. You  
24 need to make distinctions among countries as to their  
25 types of imports and their types of import practices.

1 I think when you do so, you're going to solve the  
2 problems of Berg Steel and Corus International America  
3 Houston because you're going to open up for them, at  
4 the high end only, in the non-injurious types of sales  
5 only, a source of supply that they need. That  
6 concludes our presentation.

7 CHAIRMAN KOPLAN: Thank you very much.  
8 I appreciate all of the testimony thus far, and we'll  
9 begin the questioning with Commissioner Hillman.

10 COMMISSIONER HILLMAN: Thank you, and I  
11 would like to welcome these witnesses. I appreciate  
12 your time in spending the day with us.

13 If I can start first with the issue you've  
14 discussed, both you, Mr. Hoyer and you, Mr. Delie --  
15 this issue of the European products being in the high  
16 end; I want to make sure I understand whether there is  
17 sort of a universally- accepted definition of high  
18 end, and how we are defining it.

19 Maybe Mr. Delie, if I can start with you in  
20 the first instance. We obviously heard a lot of  
21 discussion in the original investigation about X-70.  
22 That was, in essence, considered one of those high-end  
23 products.

24 Now your testimony seems to focus on X-80  
25 plate. So let me just start with, what's the

1 difference between X-70 and X-80. Would you still  
2 consider X-70 to be a high-end product; and if we were  
3 putting X-70 in it, would you have the same concerns  
4 about the U.S. industries' ability to supply X-70  
5 plate?

6 MR. DELIE: Yes, X-70 is the high-end. It  
7 is a difficult grade to make. The mills get a lot of  
8 additional yield losses. In a lot of cases, it slows  
9 down the productivity, so they cannot get the high  
10 production rates on the X-70. Because as you roll it,  
11 you have to roll it at particular temperatures.  
12 That's what they call a controlled roll. So it's  
13 rolled at specific temperatures.

14 So when you roll it through, you can't just  
15 keep it in the middle. You have to let it sit on the  
16 table, and go down to a certain temperature before you  
17 can take its next pass. So it greatly reduces  
18 productivity through the mills. The chemistries  
19 required on it are very difficult.

20 I mentioned the X-80 because X-80 is  
21 becoming a new grade that they're looking at. The  
22 Alaskan pipeline -- some of their projects recently in  
23 the United States have went to X-80.

24 COMMISSIONER HILLMAN: And the difference  
25 between X-70 and X-80 is what?



1           MR. DELIE: 10,000ths in yield strength --  
2       it's a yield strength change. We had talked last time  
3       about X-70. It's not a commodity. All X-70s aren't  
4       the same. Depending on where the final product is  
5       being used, depending on who the customer is, there  
6       are different chemistries required by different  
7       customers, for the specific uses of X-70. X-70 just  
8       means the yield strength is a 70,000 yield strength.

9           But then there are other product-specific  
10       variables since as the energy impact test, the Sharpie  
11       impact test. For example, if you were going to put a  
12       pipeline in the Gulf of Mexico, you wouldn't worry  
13       about how strong it will be at -49 degrees and whether  
14       the steel will break, and how much energy it will take  
15       to break the steel at -49 degrees. It's never going  
16       to hit -49 degrees when it's in the Gulf of Mexico.

17           But if you're doing a product up in Alaska,  
18       even though it's the same X-70, you have a different  
19       Sharpie impact test. So the steels do vary do vary  
20       within an X-70.

21           The domestic industry can make a lot of X-70  
22       grades, and there's a lot they can't. Like they said,  
23       IPSCO and Nucor are limited on their widths. Their  
24       mill sizes or mill housings are also far apart. They  
25       can only go 120 wide. They can't go any wider. They

1 would need a completely new mill to go wider. So it's  
2 not a modification.

3 COMMISSIONER HILLMAN: And 120 wide is what  
4 you'd need for the 36 inch --

5 MR. DELIE: Yes, 36 inch diameter, if you  
6 figure the circumference of it times five --

7 COMMISSIONER HILLMAN: I'm trying to  
8 remember my geometry.

9 MR. DELIE: It's diameter times pi, which is  
10 3.4, so it's a little over three times that. So you  
11 figure that they can make the 36, but they can't make  
12 42, 48 inches.

13 MR. CUNNINGHAM: There will be a quiz on  
14 this.

15 (Laughter.)

16 MR. DELIE: There's other things, based on  
17 the configurations of the mills. The Nucor mill and  
18 the IPSCO mill are similar, except the Nucor has  
19 steckel drums, which they can coil, but the Nucor  
20 doesn't.

21 So IPSCO has a steckel drum. So they can go  
22 lighter in gauge and they can't go heavier. Because  
23 Nucor doesn't have a steckel drum, so they can't make  
24 the same thickness in the X-70s. So there's different  
25 limitations in all these, and it's product-dependent

1 on what's going to be needed.

2 COMMISSIONER HILLMAN: All right, coming  
3 back to the very beginning question, is there a  
4 standard understanding within the industry or from  
5 your perspective of what is high-end plate?

6 MR. DELIE: The high-end plate would be the  
7 products that are requiring heat treating, controlled  
8 rolling, special techniques -- and maybe special  
9 chemistries, other than the standard chemistries or  
10 standard rolling practices.

11 COMMISSIONER HILLMAN: And you would not  
12 include width as one of those things that makes a  
13 prior tie-end; lighter or thicker does not make it  
14 high-end?

15 MR. DELIE: Yes, but there are limitations  
16 for the mills and how many can make it. For example,  
17 the IPSCO mill, again, they talked about the thin  
18 cast. They cast it six inches thick. So if they were  
19 going to try to make a four inch thick plate, they  
20 don't get enough reduction. They don't have  
21 physically enough reduction to get it. So maybe it  
22 might not be a hard product to make, if you have the  
23 mill capability.

24 Making plate 160 wide is not really a  
25 specialty plate, but a lot of mills can't make it. So

1       it limits the number of mills that can make it and  
2       that can be on the market.

3               COMMISSIONER HILLMAN:  Okay, Mr. Hoyer, would  
4       you have a sense -- your testimony focuses very much  
5       on this issue of high-end product.  I just would like  
6       to get your sense of how you would define high-end.

7               MR. HOYE:  I wouldn't change anything that  
8       David said.  But what I would say is, I just would  
9       clarify.  I think it's a bit open to interpretation  
10      within the industry, which is what he saw, and the  
11      domestic producers were talking about it this morning.

12              But clearly, it is primarily heat-treated  
13      grades, either quench and tempered which are water  
14      cooled, or normalized material which is air cooled.  
15      It is material that supports high impact toughness,  
16      superior strength, abrasion resistance; and that would  
17      be subject to what we call supplemental testing  
18      requirements, such as ultrasonic testing for internal  
19      soundness or cleanliness.

20              So when you look at, for example, American  
21      Petroleum, API Institute specifications, and we talk  
22      about specialty grades on heat treat, they require  
23      what they call all supplementals.  This means that you  
24      have to go through an extensive certification process  
25      for testing, and you have to certify the material to

1 these supplemental tests in order to pass quality.

2 MR. CUNNINGHAM: Could I make a brief legal  
3 point?

4 COMMISSIONER HILLMAN: Go ahead, Mr.  
5 Cunningham. But you need your microphone for the  
6 court reporter.

7 MR. CUNNINGHAM: We're not talking about  
8 getting an exclusion here. If I were coming to you  
9 and said okay, high end steel is not an adequate  
10 supply and I want an exclusion, then it would be very  
11 important for me to define in a really precise way  
12 what high-end means.

13 The issue here is not excluded products.  
14 The issue is, are there competitors from specific  
15 foreign countries that sell products that are  
16 essentially in limited supply from the industry and  
17 focus on their sales on that, rather than on commodity  
18 products. All of these products have in common the  
19 fact that there is maybe one or more suppliers in the  
20 U.S. that do them in some quantity, but there's a  
21 market to come in here and supplement that.

22 You heard Mr. McFadden say that Nucor had  
23 looked at the idea of putting in heat treating and  
24 decided not to make that investment. That's the kind  
25 of thing that means there is this market here for

1 these imports. So it seems to me that the precise  
2 step is not quite as important here.

3 COMMISSIONER HILLMAN: I understand.

4 MR. CUNNINGHAM: You've got to get a grasp  
5 on it.

6 COMMISSIONER HILLMAN: As I hear your  
7 argument though, you're saying decumulate France and,  
8 to some extent, Italy. I mean, we're hearing a lot of  
9 argument, if you will, in France, and you're saying,  
10 look at the original investigation; that 99 percent of  
11 the product shipped from France were "specialty  
12 products."

13 Yet, if I look at our pricing data from the  
14 original investigation, we had French products,  
15 significant French shipments, in a number of those  
16 product categories, which suggests to me that not all  
17 of that could, in fact, have been specialty product.

18 You're telling me that, look at France; gee,  
19 their imports went down over the original POI. Yet,  
20 if I look at the data for first half 1999, French  
21 imports were up 100 percent. I mean, if you had  
22 annualized 99 shipment from France, they would have  
23 been at their highest level ever.

24 So it's not clear to me that this notion  
25 that France was completely differently situated in

1 terms of import trends or pricing trends, and sold  
2 solely focused on this "specialty niche" is really  
3 there in the original record. So that's why I'm  
4 trying to make sure I understand what you think is  
5 coming in from France and/or Italy that is, in fact --  
6 whether we're calling it high-end or specialty, or in  
7 some way not directly fungible with product that is  
8 made in the United States.

9 MR. CUNNINGHAM: You know, I never like to  
10 duck a question. But I have to kick that one on  
11 French-specific stuff to Mr. Montalbine.

12 COMMISSIONER HILLMAN: Okay.

13 MR. HOYE: Could I add one point to that,  
14 just to the width and thickness? I would say four  
15 inches and over is very hard to get, in terms of  
16 material. It's very high-end product and over 120  
17 wide, as well, as part of that category.

18 COMMISSIONER HILLMAN: Okay, go ahead, Mr.  
19 Montalbine.

20 MR. MONTALBINE: You bring up the 99  
21 shipments. This might be a good time to address that.  
22 Mr. Delie can talk about that.

23 You heard earlier today that line pipe is  
24 project-specific; that you need a surge of product for  
25 a specific pipeline, and Mr. Delie can talk about that

1 in regards to 99.

2 MR. DELIE: Yes, I believe 99 was the  
3 Alliance pipeline project, and Berg needed high  
4 quantities of plate. We were running a three shift  
5 operation in the neighborhood of over 30,000 tons a  
6 month, and there was product for a specific project.  
7 So it was X-70 grade that domestically could not  
8 supply it in the quantities that we needed, so it came  
9 in through France. It was brought for a specific  
10 project.

11 So a lot of the line pipe grades or supply  
12 that we get, that is basically on a particular  
13 project. So a lot of the line pipe grades or supply  
14 that we get basically on a particular project would be  
15 a lot of tonnages in a short period of time, and then  
16 it would go away again. So if you see that from  
17 France, it is specific to a line pipe project.

18 COMMISSIONER HILLMAN: I appreciate that.  
19 If there is specific data on this issue that would put  
20 those first half 1999 imports -- again, just so I make  
21 sure I understand what portion of the product you  
22 think was subject to this particular pipeline project,  
23 just to put the rest of the imports into context. If  
24 you could add that into the post-hearing brief, I  
25 think it would be useful; thank you very much.



1                   COMMISSIONER KOPLAN: Thank you  
2 Commissioner; Commissioner Lane?

3                   COMMISSIONER LANE: Thank you; thank you to  
4 the afternoon panel for coming and giving us your view  
5 on this case. I'd like start with Mr. Malashevich.

6                   You made some references to statements that  
7 were made, public statements by representatives of  
8 IPSCO and Nucor. Is it likely that there's a  
9 difference in statements made to the public to give  
10 confidence in the market and sworn statements given to  
11 us here in this hearing room?

12                  MR. MALASHEVICH: I couldn't answer that  
13 question for others, Commissioner Lane. But it  
14 wouldn't come from me. I mean, I would not have such  
15 distinction in anything that I said. I can't speak  
16 for others.

17                  MR. CUNNINGHAM: This is Dick Cunningham. I  
18 would be happy to call my firm's Security and Exchange  
19 Commission lawyers and ask them to determine whether  
20 telling the public something to give them confidence  
21 in the stock that's not on four squares, which is what  
22 the given sworn testimony would be, is securities  
23 fraud or not.

24                  COMMISSIONER LANE: Okay, Mr. Cunningham,  
25 let me stay with you for a minute. Regarding

1 vulnerability, a number of foreign producers failed to  
2 respond to the Commission's questionnaires. What, if  
3 any, conclusions can we draw from that failure?

4 MR. CUNNINGHAM: Well, the Commission has  
5 what I believe is an established practice on this.  
6 The Commission has been reluctant to draw adverse  
7 inferences in the past. But the Commission does look  
8 for the best available evidence, wherever you get it  
9 from. Even if it is from the domestic industry, it  
10 gets added weight in what you do if the other side,  
11 the side that was supposed to supply the data, hasn't  
12 supplied it.

13 COMMISSIONER LANE: The domestic industry  
14 has a very unattractive financial picture, except for  
15 2004 and the first half of 2005. The good showing in  
16 2004/2005 appears to be related to price increases  
17 that we are told will not continue.

18 Given the poor overall financial performance  
19 of the industry, except for what may be a period of  
20 unusual prices, is it not vulnerable? Please explain  
21 why or why not.

22 MR. CUNNINGHAM: Two or three points on that  
23 -- The strong financial performance of the industry  
24 is, in part, due to strong prices, and in part, due to  
25 reduced costs and to greater efficiencies and to the

1 restructuring that we all went through such a  
2 laborious process to try to facilitate in Session 201.  
3 It is not coincidental that shortly after the 201  
4 restructuring, this industry began to perform  
5 extraordinarily well.

6 Secondly, the question of whether price  
7 increases are going to continue is a factual one that  
8 the Commission should address. All of the best  
9 evidence that I see on it, apart from the certain  
10 testimony given here in the hearing room, is to the  
11 effect that the next year or so will be quite good for  
12 this industry and demand will be strong.

13 There are tangible factors, and I listed a  
14 number of them before -- the Gulf reconstruction, the  
15 strength in the oil sector, the military demand --  
16 that support optimistic forecasts. Mr. Malashevich  
17 has reviewed the literature more than I have, and  
18 might want to comment on that.

19 MR. MALASHEVICH: Just not as a legal  
20 matter, I have nothing to add there. But as I looked  
21 at the data, really, it's difficult to use the term  
22 "industry" to encompass the producers as they existed  
23 over the continuum of the period of review.

24 I think you can define a point in time quite  
25 clearly, roughly coinciding with the 201 relief, after

1       which the industry assumed an entirely different  
2       structure. Demand assumed a different structure. The  
3       world supply demand situation assumed a different  
4       structure.

5               We're not just talking about CTL plate here.  
6       I think, in general, almost all commodities prices --  
7       glass, wood, other metals and steel -- everything was  
8       constrained worldwide and steel participated in that.

9               So I really think, as you looked at the time  
10       series data, certainly you have to consider the  
11       industry as it was, prior to 2001, but you also have  
12       to think of it as two industries, with the more recent  
13       industry being more relevant to the forward-looking  
14       kind of inquiry that I understand you're supposed to  
15       make in a sunset review.

16               COMMISSIONER LANE: Okay, thank you; Mr.  
17       Montalbine, this is a question for you. In your  
18       opening statement, you talked about problems at the  
19       Port of New Orleans. What effect has the current  
20       problems at the Port of New Orleans had on imports  
21       from GTS, and have you found importation into the  
22       United States more costly or difficult?

23               MR. MONTALBINE: I don't remember mentioning  
24       New Orleans in my opening statement.

25               COMMISSIONER LANE: Maybe I dreamed it up.

1                   MR. MONTALBINE: Maybe you're mixing me up  
2 with the Congressman. I believe also that Berg has  
3 not imported any steel. Maybe Mr. Delie can talk  
4 about that more directly.

5                   MR. DELIE: No, we haven't imported, and we  
6 would import directly under the Port of Panama City.  
7 But I do know that the cost of transportation has gone  
8 up, just like steel has. It almost went up three-  
9 folds. With the amount that China was importing,  
10 also, all the ships were also full.

11                   Right now, too, I also know that the Port of  
12 Panama City is full with containers, because it's  
13 going to take awhile for New Orleans to get up and go  
14 into other smaller ports. We'll add costs, because  
15 the cost of unloading and the cost of rail shipments  
16 out of smaller ports is also more expensive. So there  
17 will be some difference in costs there until New  
18 Orleans gets back up to speed.

19                   MR. CUNNINGHAM: If I could ask Mr. Hoyer to  
20 address that, not so much in his Corus International  
21 America Houston hat; because they use almost entirely  
22 domestic steel. But he does, and Corus America has  
23 importations and can talk about the costs and whatever  
24 of having switched ports and all that.

25                   MR. HOYE: The idea is that you can use

1 ocean freight to get your steel to the closest port of  
2 entry, and that means Customs clearance.

3 One of the mechanisms that the European  
4 producers use is what is called lash barge, which is  
5 lighter line ship. It's small barges of 380 tons that  
6 are loaded in Europe, and then 30 of these barges are  
7 grouped and shipped over in a mother ship, and then  
8 unloaded in the Gulf of Mexico, typically in New  
9 Orleans.

10 The other alternative for charter vessels  
11 are these river barges. Then the material has to be  
12 off-loaded in New Orleans and then re-loaded onto  
13 river barges, which are about 1,400 tons. So lash  
14 barge transportation is moving along slowly. But  
15 river barge transportation is going to be delayed  
16 until the ports can get back into production.

17 The other scenario you see then, as material  
18 move to different ports of entry, which increased the  
19 costs to the end users, because of transportation  
20 costs, right now which are skyrocketing because of  
21 energy prices and they're putting on fuel surcharges -  
22 - that's raising prices dramatically.

23 So you're getting steel in locations that  
24 it's not really destined to be in. Then you don't  
25 have trucking capacity or rail capacity to move the

1 material to market. So it's very disruptive right  
2 now.

3 COMMISSIONER LANE: Okay, thank you; what is  
4 the significance of the CTL plate industry being  
5 highly concentrated?

6 MR. CUNNINGHAM: Go ahead, do you want to  
7 comment first?

8 MR. MALASHEVICH: Sure, I think it's  
9 significant because it's a measure of how much the  
10 domestic industry itself can move the price to cover  
11 increases in costs. We employ the HHI as only one of  
12 a half dozen or so different measures intended to show  
13 the same thing.

14 The formula we got for the HHI, we got from  
15 the Justice Department's web site. It doesn't specify  
16 whether it should be done in quantity or value. We  
17 did it in quantity. We also crunched the numbers in  
18 terms of value, and the results are very similar. We  
19 used quantity because the Commission normally puts  
20 greater weight on the quantity data.

21 But also, you heard today, that's  
22 notwithstanding what the new witnesses said, about  
23 their inability to push through the full measure of  
24 surcharges. In fact, every single one of their  
25 witness purchasers said the reverse, in essence.

1 That's another measure.

2 Also, there is an exhibit in the Corus brief  
3 -- I'm told by my colleague that it's Exhibit 13 --  
4 that mines, if you will, the APO data in the  
5 questionnaire records from purchasers.

6 Other than refer you to it, I probably  
7 shouldn't say anything about it -- except in no way  
8 you should construe the HHI as being an abstract  
9 number. It's a number we use in a much broader  
10 context of other evidence in the record. It shows,  
11 contrary to what the situation might have been in  
12 1999, the domestic industry has the market share and  
13 the observable market power to cover the costs and  
14 more so, as they've done so. So it's really the delta  
15 between 1999 and today; rather than the absolute level  
16 of today, of the HHI that's significant.

17 MR. CUNNINGHAM: This is Dick Cunningham. I  
18 might add, we're not at all arguing that these  
19 industries are committing anti-trust violations.  
20 We're not arguing that the merger should not have been  
21 approved on anti-trust grounds. The real  
22 concentration is always weighed by the Federal Trade  
23 Commission or the Justice Department against such  
24 factors as the failing company doctrine, which is very  
25 much in play here; and the need for strengthening the



1 industry overall.

2           What we're saying here is that relative to  
3 where they were in the past, these companies have more  
4 power to put through price increases, not total power.  
5 You can never have total power, and the concentration  
6 also makes them stronger. The weaker companies have  
7 been weeded out, and it's a stronger industry. That's  
8 essentially what we're saying.

9           COMMISSIONER LANE: Thank you, Mr.  
10 Cunningham; I've run way out of time. Thank you, Mr.  
11 Chairman.

12           CHAIRMAN KOPLAN: That's quite all right;  
13 Commissioner Pearson?

14           COMMISSIONER PEARSON: Greetings to the  
15 afternoon panel; it's good to have you here.

16           Mr. Delie and Mr. Hoyer, this morning we  
17 talked a little bit about apparent U.S. consumption  
18 over the period for which we have data which goes back  
19 to 1996. I understand that your firms are involved  
20 basically in the high grade end of plate, and so you  
21 may or may not have a sense more broadly. But in your  
22 experience, have you seen a decline over time in the  
23 consumption of plate?

24           MR. DELIE: I'll answer that; but first,  
25 I'll give you a little bit of where the line pipe

1 business has been. In 1998 and 1998, again, it was  
2 project-oriented. There was a big project that  
3 finished up in 1999, the Alliance pipeline project.  
4 The demand for line pipe was very great back then. It  
5 fell off greatly at the end of 1999/2000.

6 We had a pipeline project called Wellstream,  
7 so there was a spike in 2001. It has been extremely  
8 bad over the last couple of years. This was involving  
9 several factors. One was the Enron collapse, which  
10 was a pipeline company before they got into other  
11 things. The stock market was telling other pipeline  
12 companies to get out of the pipeline business and get  
13 into other things. They dabbled in it, and it hurt  
14 their balance sheets.

15 Then when they just started to come back,  
16 the steel prices tripled, which threw pipeline project  
17 costs enormously high, and everything got put on hold  
18 for a couple of years. Now they're just starting to  
19 get in again. It's starting to happen again. So  
20 we're seeing a delay in a lot of the infrastructure  
21 that was so greatly needed in the U.S. It's just  
22 starting to take off again. So in the line pipe  
23 business, it has been.

24 But we follow the price of plate very  
25 closely. So we watch the other segments, because it

1 has a great effect on what we're going to pay. We've  
2 seen that the demand for plate has actually increased  
3 in the United States.

4 Shipbuilding, rail cars -- if you talk to  
5 the railroads, they have a real shortage of rail cars.  
6 There's been a real rail shortage. Barge shipments --  
7 you know, we transport a lot, so we watch the  
8 transportation costs. There's been a lot of increased  
9 building in ships, barges, rail cars, heavy equipment,  
10 with a lot of the construction going on in the growth  
11 of the economy.

12 So we see that the plate market has  
13 increased in a lot of the other segments, even though  
14 our line pipe has been depressed for a couple of  
15 years. We see that turning around. Hopefully, next  
16 year, it will start beginning for several years.

17 COMMISSIONER PEARSON: Over what period of  
18 time has this growth in the other segments been taking  
19 place?

20 MR. DELIE: It's basically as the economy  
21 starts heating up in the United states and the China  
22 markets start increasing, too, because it was  
23 Caterpillar and all these other places, the demand for  
24 their equipment worldwide has grown, and farm  
25 equipment.

1                   COMMISSIONER PEARSON: Okay, so coming out  
2 of the recession in 2001?

3                   MR. DELIE: Yes, 2001, and it's been  
4 growing, and the demand for plate has really  
5 increased. As you see in the 201s, when they went  
6 away, there really was no surge of imports at that  
7 case, because worldwide, the economies were picking  
8 up, and nobody seemed to need to ship in the United  
9 States. It was a fairly strong market here, as it is  
10 in the rest of the world.

11                   The difference in the line pipe business is,  
12 the line pipe business around the world has been  
13 growing phenomenally. They've been building line  
14 pipes all over the world. The only place that hasn't  
15 built line pipes is in the U.S. during this period of  
16 time.

17                   COMMISSIONER PEARSON: Mr. Hoyer, did you  
18 have observations?

19                   MR. HOYE: On the high end side, the oil and  
20 gas sector activity has increased dramatically in the  
21 last year. What you're seeing, there is a global  
22 industry. The major production center for that right  
23 now is in Singapore. It's in Southeast Asia.

24                   The interesting thing about these off-shore  
25 platforms, believe it or not, they can be floated

1 anywhere in the world. So you can produce a rig over  
2 in Singapore, and you can float it to the coast of  
3 Brazil.

4 But what you're seeing now, as demand is  
5 growing so much, the Gulf Cost fabricators have  
6 started to pick up the top-side projects for these  
7 platforms. So you are seeing an increase in demand on  
8 the high-end side.

9 However, when you look at the chart that  
10 they showed us today, on page eight on the  
11 attractiveness of the U.S. market, which showed the  
12 U.S. priced and China priced low -- if you were a  
13 manufacturer, what you doing is, you're moving your  
14 manufacturing off-shore to take advantage of these  
15 lower production prices. I think that's part of the  
16 phenomenon you're seeing, especially in some of these  
17 commodity grades, where they can buy it for much less  
18 than they can buy it in the United States.

19 So global producers like Caterpillar are  
20 doing regional production, because they want to build  
21 as close to the source as they can, and not have to  
22 pay ocean freight for finished product.

23 MR. CUNNINGHAM: This is Dick Cunningham.  
24 The industry itself testified about this movement of  
25 some of its customers offshore, specifically to

1 Mexico, during their testimony today.

2 Commissioner, if I may, I'm not quite sure.  
3 I know where you get the decline and consumption. I'm  
4 looking at Table C-1 in the public version of the  
5 staff report. I see that showing 1999, the 204, a 7.3  
6 percent increase.

7 COMMISSIONER PEARSON: Yes, I'm looking at  
8 Table 1-1 in the staff report, which takes the data  
9 back to 1996.

10 MR. CUNNINGHAM: Oh, that must from been  
11 from Javier's in 1996, 1997, 1997.

12 MR. MALASHEVICH: Commissioner Pearson, I  
13 think I can shed some light on that. That is owed to  
14 a certain amount of institutional history.

15 I think there's a lot of truth in what  
16 everyone said today, about the reasons for the  
17 difference in statistics. But once you go back to  
18 1995, you have another phenomenon that's peculiar to  
19 the conditions of the proceedings. I'm not saying  
20 it's right or wrong.

21 Practically no one consumes plate in coil  
22 form. Someone cuts it, prior to fabrication. It's  
23 just a difference of whether it's the mill or the  
24 service center or the end user.

25 Having been a veteran of the proceedings, to

1 go back to the 1990s, I could tell you there was a big  
2 statistical issue. Because if you had a big customer  
3 that decided to invest in its own cutting equipment,  
4 instead of buying the plate cut from the service  
5 center, it shows as a decline in shipments of CTL  
6 plate, because processors have traditionally been  
7 included as part of the industry. But it's a  
8 statistical normality. The same plate is cut. It's  
9 simply a different location.

10 So I would add that additional factor to the  
11 reason why you see a decline of that magnitude, if you  
12 go back far enough to the early to mid-1990s. That's  
13 peculiar to how the product has been defined in these  
14 proceedings.

15 COMMISSIONER PEARSON: Okay, well, thank you  
16 for that; because that may well explain at least part  
17 of what otherwise seems to be an unusually large  
18 decline in apparent consumption over a period of 10  
19 years, which just had mystified me.

20 It didn't seem consistent with what I  
21 thought was going on in the broader economy; although  
22 the points that you have made about what's been  
23 happening in the pipe and the high end product, that  
24 would support some decline and then an increase,  
25 again. But still, that would be only a portion of the

1 total market.

2           Okay, good, Mr. Hoyer, in your testimony, you  
3 indicated that Corus is a worldwide trader. Yet, you  
4 wrap up the testimony, and you're focused primarily on  
5 product coming out of Europe; high-end product coming  
6 out of Europe.

7           Have you no interest in the possibility of  
8 originating high-end product from other countries; or  
9 as a practical matter, is it just not available  
10 elsewhere?

11           MR. HOYE: I would say Europeans are the  
12 best steel producers, when it comes to the high-end  
13 products, outside what's available in the United  
14 States Market at the present time.

15           COMMISSIONER PEARSON: Okay, so even though  
16 the Japanese are good at many things, they don't excel  
17 in that area?

18           MR. HOYE: Well, it's not them. What you're  
19 seeing -- I think it was Commissioner Hillman that was  
20 asking a question, or maybe it was Commissioner Okun -  
21 - about the global market. I think pipelines are  
22 booming globally. It's a global phenomena, because  
23 energy is in such demand. Every economy in the world  
24 is in positive GDP growth.

25           So what you're seeing is a demand for those



1 products. The Japanese have no interest in selling  
2 them in this market. I mean, you know, they've got  
3 enough demand in their own markets. The Asian  
4 markets, they're not even going to quote for business  
5 over here.

6 COMMISSIONER PEARSON: Is it your sense that  
7 U.S. prices for plate generally are higher than in  
8 other major countries?

9 MR. HOYE: I'm not sure I'm qualified to say  
10 that. But from the testimony I heard this morning,  
11 from our own brief, I think they're on par with some  
12 of the European producers. I guess maybe the U.S.  
13 might be higher on some grades. But I think the  
14 Europeans might, as well. It depends on the grades.

15 MR. MALASHEVICH: This is Bruce Malashevich.  
16 I'm familiar with the data sources we got from the  
17 prehearing report. But I can tell you that the  
18 correct point of comparison would be here in the  
19 United States reflecting appropriate costs of freight,  
20 any normal duty, brokerage handling, et cetera. I  
21 think I would agree with the testimony of the  
22 gentleman just now, that they're probably about the  
23 same right now.

24 I also think, looking at the data collected  
25 by staff, and appearing in the Corus brief from World

1 Steel Dynamics, I would venture to say in many cases  
2 that come before the Commission, there are  
3 differences, at least of that magnitude, among  
4 individual producers, as there are between the two  
5 different sources used in the pre-hearing report.

6 I think there's a natural amount of  
7 statistical noise in a tough business of estimating  
8 prices, when you're relying on people volunteering  
9 what their transaction prices are. So you have to  
10 take that into account.

11 COMMISSIONER PEARSON: Okay, thank you; Mr.  
12 Chairman, the light has changed.

13 CHAIRMAN KOPLAN: I noticed, thank you,  
14 Commissioner; Commissioner Aranoff?

15 COMMISSIONER ARANOFF: Thank you, Mr.  
16 Chairman. I have a question for Mr. Delie and Mr.  
17 Hoye. When you place an order form a foreign producer  
18 -- and, I guess, in particular, a European producer,  
19 since that's what we've been talking about today --  
20 what is typically a lead time between when you place  
21 the order and when the product is actually imported?

22 MR. HOYE: Typically, what I'm seeing right  
23 now is, I have typically a one-month extra lead time  
24 over what I get from the U.S. That's typically just  
25 for the transportation.

1 Right now, though, for the line pipe grades,  
2 it's very, very difficult to get anybody that has any  
3 availability capacity in that, because of the  
4 worldwide demand. To go back and answer another  
5 question on price, I am seeing the prices from Europe  
6 being as high, if not higher, once the transportation  
7 is added in for line pipe grades.

8 Typically, what I'm seeing for lead times,  
9 if we can get the order accepted, would be 12 to 16  
10 weeks; so roughly, three to four months.

11 COMMISSIONER ARANOFF: And that's for  
12 imported product?

13 MR. HOYE: Correct.

14 COMMISSIONER ARANOFF: How does that compare  
15 to, when you order --

16 MR. HOYE: Domestically?

17 COMMISSIONER ARANOFF: Yes, for the same,  
18 comparing the same.

19 MR. HOYE: It can be about the same,  
20 sometimes.

21 COMMISSIONER ARANOFF: Okay, thank you.

22 MR. CUNNINGHAM: Might I say, that's not a  
23 normal situation. It reflects the relative lack of  
24 availability, tightness of supply from U.S. sources  
25 here. That's why, you could say, normally, European

1 import lead times are, almost by definition, longer  
2 than the fact that they're about the same, further  
3 underscores the tightness of supply here.

4 COMMISSIONER ARANOFF: Well, my question on  
5 lag time leads me to sort of a related question. If  
6 you look at Table I-6 in the staff report -- and I'm  
7 just triple checking to make sure this data is public  
8 -- looking at imports from France, comparing the  
9 interim periods, you see an increase in imports from  
10 France.

11 I know, Mr. Delie, you've testified that  
12 imports of this line pipe plate are project-related.  
13 Are you aware of a project that could be for these  
14 particular imports, or do you think it's a different  
15 product entirely, coming in from France in the first  
16 half of 2005?

17 MR. DELIE: That's not for line pipe.  
18 That's probably for platforms or on gas specialty, and  
19 other things. The line pipe products would typically  
20 be much higher quantities; such as in 1999, the 22,000  
21 tons or something like that. Typically, for small  
22 quantity, it would not be economically feasible to get  
23 that kind of size, small quantities. Line pipe  
24 projects are typically very large, and in the  
25 neighborhood of anywhere from 20 to 500,000 ton

1 projects.

2 COMMISSIONER ARANOFF: Okay, Mr. Hoyer, do  
3 you have anything to add on to that?

4 MR. HOYE: I would agree. I think those are  
5 pretty small quantities. The typical platform  
6 quantity used would be between 1,200 and, say, 4,000  
7 tons.

8 COMMISSIONER ARANOFF: Okay, so essentially,  
9 whatever it is, that come in from France in the first  
10 half of 2005. It's not the kind of product that  
11 either of you is normally looking for, from France.

12 MR. HOYE: It could be what we're looking  
13 for; but it's not something we bought.

14 COMMISSIONER ARANOFF: I wanted to go back  
15 and get a little bit of clarification on this issue of  
16 heat-treated plate, and its use in military  
17 applications; and how that affects availability in the  
18 market.

19 Can one of you just explain to me, for the  
20 line pipe plate product that you use -- Mr. Delie, is  
21 that a heat-treated product, as well?

22 MR. DELIE: No, it isn't. It's a controlled  
23 rolled. But where it did affect me is, during the  
24 last several years, Mittal Steel has been tying up a  
25 lot of their production capacity on heat treated, and

1 did not have mill space available for controlled  
2 rolled.

3 The difference in ours is, instead of being  
4 processed after it's made, heating it up and quenching  
5 it and re-heating it, it has been controlling the  
6 temperature while it's being rolled to get the  
7 properties.

8 COMMISSIONER ARANOFF: Okay, so the issue  
9 for you is not so much that it's basically the same  
10 product; but that there's not room on the same  
11 equipment to produce both things.

12 MR. DELIE: Yes, and like I said, the heat,  
13 the controlled rolled, takes so much more time on the  
14 mill that they lose mill space availability. You get,  
15 in some cases, half as many tons through the mill when  
16 you're rolling a controlled rolled product, as you're  
17 rolling another product.

18 So the mills, what they do for my product is  
19 really allocated. How much are they willing to take  
20 in a specific month?

21 As the guy from Mittal Steel mentioned, we  
22 are working with them on a very large project that's  
23 about 140,000 tons. We are going to produce that at a  
24 rate of 26,000 tons a month. Mittal will not produce  
25 it at that rate.

1                   So we're going to have a accumulate it,  
2 months in advance, where I'm almost going to have  
3 60,000 tons of steel on the ground; almost as much  
4 tons on the ground as I'm going to roll this year to  
5 do that.

6                   If another project comes on top, because I'm  
7 only working two shifts on this project, I can get up  
8 to 40,000 tons. If there's no other capacity that  
9 they would have, I'd have to go other mills.

10                  If this project was a big enough project and  
11 it would require me to have three shifts, we would  
12 have to turn it down, because Mittal would not have  
13 been able to produce enough volume.

14                  So that's one of my problems. Even when the  
15 domestic industry can make it, how much are they  
16 allocating to the controlled roll process and how much  
17 are they allocating to line pipe? A lot of times,  
18 it's not enough to get the project.

19                  COMMISSIONER ARANOFF: They make that  
20 decision, I assume, because they've decided they can  
21 make more money by selling or making some other  
22 product; either a commodity product that they can make  
23 a lot more of faster, or this military product, or  
24 something else.

25                  MR. DELIE: Yes, that and because it takes

1 so much time in the mill, they can't walk away from  
2 another customer. If I'm running a product like when  
3 I ran Gulf Stream, I ran 43,000 tons a month. Since  
4 then, we've made improvements, so I can go 15 percent  
5 faster. So I can almost run 50,000 tons a month.

6 A plate mill that is run on, say, 1.2  
7 million a year is producing 100,000 tons a month. To  
8 give me 50 percent of their total capacity and walk  
9 away from our other customers for a three or four  
10 month period of time, and then try to regain those  
11 customers is not a very economic decision, even if it  
12 is a very profitable product. They will only allow so  
13 much to go to a certain customer. That's one of the  
14 other problems.

15 So I'd have to supplement their production  
16 with other mills. In the case of a product that's  
17 over 42 inches, I'd have to go to foreign mills to get  
18 that. There are limited mills that are capable of  
19 making controlled rolled plate, such as the Europeans  
20 and some of the Asian mills, which are also eliminated  
21 in this.

22 But it is very difficult to go out and find  
23 this, especially with the worldwide demand for pipe.  
24 But it is really hard to ask somebody to walk away  
25 from 50 percent of their customers, even if they are



1 going to make a lot of money, because then they'll  
2 never be able to get those customers back.

3 COMMISSIONER ARANOFF: Well, I appreciate  
4 that answer, and it's helpful. Although I have a  
5 little trouble with the fact that, you know, I don't  
6 want to refer to data that is confidential. But as a  
7 general matter, our record shows that the U.S.  
8 industry may have more available under-utilized  
9 capacity than the French industry.

10 So it's a little hard to reconcile that the  
11 French would be more willing, able, or whatever the  
12 word is, to devote capacity to this product than the  
13 domestic industry would, if the issue were simply  
14 availability of appropriate capacity.

15 MR. DELIE: The problem with that is, it  
16 changes over time. Today, the French may not. But  
17 you know, six months from now, they may.

18 Like I said, right now, Mittal Steel says  
19 they have this excess capacity. But they are still  
20 limiting to only so many tons per month. We're  
21 looking at producing this in April, and they're  
22 looking at the delivery schedule to shipping starting,  
23 say, in December.

24 I have to accumulate the tonnage, and I'm  
25 only going to go on a two-shift operation. I can't go

1 to a three shift operation, which I would like to get  
2 to, because I can only get so much steel. So where do  
3 I get the other steel?

4 In the pipe business, because it is project-  
5 oriented, when the next project comes around, I have  
6 to look at who in the world has the availability and  
7 what they can do, at that point in time, like a  
8 balance sheet.

9 If it's not there, then foreign pipe comes  
10 in with some of the plate from these exact countries.  
11 It could be foreign pipe, pipe from France coming in,  
12 made with this exact plate; or it could be Japanese,  
13 or it could be pipe made from somewhere else, in  
14 India, for example.

15 India is Brazil's big competitor. In fact,  
16 Illwa is bringing pipe in this year, and their plate  
17 is under a dumping order. So they are coming in. The  
18 plate is getting here, just in my product.

19 COMMISSIONER ARANOFF: Okay, thanks; I  
20 appreciate that answer.

21 CHAIRMAN KOPLAN: Thank you, Commissioner;  
22 Mr. Delie, can you mix pipeline obtained from two or  
23 three suppliers in the same pipeline project?

24 MR. DELIE: Yes; yes, we do, In fact, we  
25 have to, a lot of times, because none of the mills,

1 and not even the foreign mills, want to supply with  
2 that volume in a lot of cases.

3 CHAIRMAN KOPLAN: Okay, thank you, I  
4 appreciate that; Mr. Malashevich, let me ask you a  
5 question. This Hirschman Herfendel Index, does that  
6 take into account foreign supplies, as well as  
7 consolidation amongst domestic producers? Because  
8 what I'm hearing today is, this is a global industry.  
9 I'm just wondering whether current supplies are  
10 factored into that index; the ones that you used.

11 MR. MALASHEVICH: The Justice Department and  
12 the FTC, in a merger review situation -- and I'm not  
13 saying it in a trade case -- the Herfendel Index  
14 begins with a calculation of the index, using domestic  
15 parties only. Then, on a case-by-case basis, they  
16 assess the influence of the international competition  
17 on the merger acquisition at issue, and go on from  
18 there.

19 CHAIRMAN KOPLAN: Is that how you did it  
20 here?

21 MR. MALASHEVICH: No, we did it the way the  
22 Justice Department website had it, which was only  
23 considered domestic. It only considered domestic;  
24 that's right.

25 CHAIRMAN KOPLAN: Okay, so wouldn't it be a

1 better indicator if it included both?

2 MR. MALASHEVICH: Not necessarily; it  
3 depends upon the circumstances.

4 CHAIRMAN KOPLAN: Could it possibly?

5 MR. MALASHEVICH: It could possibly; yes,  
6 I'll say that. The one thing I'll mention though  
7 about these reviews when they occur at the FTC and the  
8 Justice Department, on any particular product -- it is  
9 rather unusual for them to define a relevant market  
10 within which HHI will be calculated. That's in sync  
11 with how the Commission has defined any like product  
12 that might have been under investigation at a  
13 comparable period of time.

14 In my experience, the agencies just applied  
15 some different standards in developing the boundaries  
16 of the like product. You would get a very different  
17 HHI, for example, if you consider all flat rolled  
18 carbon steel a single market. I don't know what they  
19 did in these particular reviews. But I've encountered  
20 frequent differences between the Commission's  
21 philosophy and their philosophy.

22 CHAIRMAN KOPLAN: Would it be possible for  
23 you to modify what you submitted --

24 MR. MALASHEVICH: Sure.

25 CHAIRMAN KOPLAN: -- taking that into

1 account so we can see what effect taking foreign  
2 supplies --

3 MR. MALASHEVICH: Sure.

4 CHAIRMAN KOPLAN: I would appreciate that if  
5 you could do that posthearing.

6 MR. MALASHEVICH: Absolutely.

7 MR. CUNNINGHAM: Commissioner, could I ask a  
8 clarifying question because I have some familiarity  
9 with the indices?

10 CHAIRMAN KOPLAN: Now you've got me worried.

11 MR. CUNNINGHAM: Yeah. The Herfendel Index  
12 as Mr. Malashevich says begins by defining a relevant  
13 market and then looking at concentration of suppliers  
14 in that market --

15 CHAIRMAN KOPLAN: Right.

16 MR. CUNNINGHAM: -- and we were looking at  
17 the U.S. market. Presumably that's what you want him  
18 to look at.

19 CHAIRMAN KOPLAN: That's what you provided  
20 us.

21 MR. CUNNINGHAM: Correct. Now, the U.S.  
22 market at the moment is a market which is largely  
23 inaccessible to foreign producers because of the anti-  
24 dumping orders, and so to make an assessment of --

25 CHAIRMAN KOPLAN: I'm talking about foreign

1 supplies. Not just subject, but foreign supplies that  
2 would impact on this and broaden the scope of the  
3 results of the index if it might shed more light on  
4 concentration and consolidation.

5 MR. CUNNINGHAM: Right. All I'm saying to  
6 you is the only way we can do it right now is with the  
7 suppliers that are participating now in the  
8 marketplace. You can't do a Herfindel Index on what  
9 degree of foreign competition there might be if the  
10 dumping orders were lifted because that's not the case  
11 now and you don't have data to do it if you follow me.

12 CHAIRMAN KOPLAN: I think that's what Mr.  
13 Malashevich was saying to me, actually.

14 MR. MALASHEVICH: Yeah. Mr. Chairman, I'm  
15 confident we can give you what you want for the most  
16 recent full year.

17 CHAIRMAN KOPLAN: Yes. I wasn't asking you  
18 for estimates, I was asking you to take the additional  
19 data and factor that in.

20 MR. MALASHEVICH: The real data that exists  
21 on the record.

22 CHAIRMAN KOPLAN: Yes.

23 MR. MALASHEVICH: Yes. We'll do that.

24 CHAIRMAN KOPLAN: Thank you very much.

25 Thank you, both.

1           Mr. Hoye, this is a follow-up I think along  
2 the lines of what Commissioner Hillman was asking when  
3 she was talking about the X70. The Corus brief at  
4 page 8 says "it's likely that the European producers  
5 in fact will limit themselves only to the high-end  
6 products on which their returns are the greatest."

7           "EU producers do not have incentive to ship  
8 commodity product to the United States because taking  
9 into account the transportation cost they shoulder EU  
10 prices are keeping pace with U.S. prices and therefore  
11 the U.S. market is not more attractive than their home  
12 market."

13           When I looked back at the original  
14 determination in which I participated what I'm trying  
15 to understand is what developments have taken place  
16 since the original investigation to warrant our  
17 reaching a different determination from that which we  
18 reached then relating to cumulation, that is our  
19 determination to cumulate subject imports from France  
20 along with all of the other subject countries?

21           MR. HOYE: I would assume it relates  
22 specifically to the plate industry?

23           CHAIRMAN KOPLAN: Definitely.

24           MR. HOYE: Okay. I mean, there's been a lot  
25 of rationalization of capacity.

1           CHAIRMAN KOPLAN: Yes. I'm talking about  
2           our original determination. The X70 was discussed in  
3           great detail and also discussed when we discussed  
4           cumulation in there. So I'm just trying to  
5           understand --

6           MR. HOYE: I'm not qualified to really talk  
7           about the X70 side of that because that's not our  
8           business, but just in general the drive to be  
9           profitable by the European producers is really what is  
10          significantly different today than it was --

11          CHAIRMAN KOPLAN: There wasn't a drive to be  
12          profitable then?

13          MR. HOYE: To be honest I can't say. I  
14          don't know because I wasn't involved in the case at  
15          that time.

16          CHAIRMAN KOPLAN: Okay. Can anybody help me  
17          out on this?

18          MR. CUNNINGHAM: Can I make a couple of  
19          observations. We're putting aside the different  
20          standard. You know you have a different standard here  
21          of cumulation.

22          CHAIRMAN KOPLAN: Well, it's discretion now.

23          MR. CUNNINGHAM: It's discretion now.  
24          Right.

25          CHAIRMAN KOPLAN: That I certainly



1 understand.

2 MR. CUNNINGHAM: Let me tell you why I think  
3 that's an important factor. You're freed up to do  
4 something you couldn't do before. Let me give you a  
5 fact situation which is in fact this fact situation  
6 which I have expressed concern about in original  
7 investigations and which you concluded and probably  
8 rationally they couldn't do anything about.

9 Cumulation provides an incentive for a  
10 petitioner to bring in as many countries as he thinks  
11 he can prove dumping against even though some of the  
12 countries may not be particular problems in the  
13 marketplace. Let me give you a hypothetical because  
14 it's this case.

15 Let's suppose you have a number of  
16 producers, essentially all of them except France,  
17 who almost all of them individually have been showing  
18 significant increases, but you add them up together  
19 and yes you have an increase from X percent to Y  
20 percent but you have a concern that the position of Y  
21 percent might not be persuasive to this Commission as  
22 an injurious level.

23 If I take another producer, the French, who  
24 will add five percentage points of market share to  
25 that even though they've been stable or declining in

1 volume still now I have overall increase cumulated and  
2 I'm now up to a level where boy, I think I've got a  
3 slam dunk as to the level of dumping.

4 Now, I've complained about that before.  
5 You've heard me before, Courts have heard me before.  
6 All of them gave me some degree of a raspberry and  
7 basically said --

8 CHAIRMAN KOPLAN: I'd never do that to you,  
9 Mr. Cunningham.

10 MR. CUNNINGHAM: I know, I know, I know.

11 CHAIRMAN KOPLAN: I just vote. That's all.

12 MR. CUNNINGHAM: That's right. Well, I  
13 don't think I'll go there. The statute binds you  
14 there because you've got to cumulate.

15 I would say that when you get to a Sunset  
16 review and you're looking then at we don't need to get  
17 to some level of penetration to warrant an overall  
18 affirmative or negative, if we kick the French out now  
19 because they're near different the same factors that  
20 we looked at before that weren't enough to meet the  
21 statutory standard that is no reasonable agreeable  
22 overlap at all that would get them out in the original  
23 investigation standard.

24 I think it's very appropriate for the  
25 Commission to say now we can do something that maybe,

1 maybe, just maybe corrects what's kind of an injustice  
2 to an industry or a country who's imports really  
3 weren't injurious except that they boosted the overall  
4 level of imports. They weren't acting in injurious  
5 manner.

6 If you find that here as to a country I  
7 think your better policy is to kick that country out  
8 and go ahead as to the others if you think they're  
9 likely to resume and do what they were doing before,  
10 but if you've got to say as to the French would they  
11 want to do what they were doing before, well, that  
12 would mean would they go back to declining. Gosh.

13 CHAIRMAN KOPLAN: I appreciate everything  
14 you're saying, and I understand that I have discretion  
15 in a Sunset that didn't exist that's different from an  
16 original determination, but in getting me to exercise  
17 that discretion the way you would like me to what I'm  
18 asking you, and my red light is on, is to leave you  
19 with this.

20 What I'm asking you is what's new? That's  
21 what I'd like to leave you with. If you can give me  
22 some of that for the posthearing in regard to this  
23 question that would be extremely helpful.

24 MR. CUNNINGHAM: you don't want a brief that  
25 begins the quality of mercy is -- you don't want that

1 now. Okay. All right.

2 MR. MONTALBINE: Mr. Chairman, I do have a  
3 very short answer to your question. We could wait  
4 until the next round perhaps. I would like an  
5 opportunity to respond if I could.

6 CHAIRMAN KOPLAN: I will give you an  
7 opportunity, but my red light is on so you can start  
8 with that response on my next round.

9 MR. MONTALBINE: Thank you very much.

10 VICE CHAIRMAN OKUN: Mr. Chairman, that's  
11 fine. Go ahead and do it on my time.

12 CHAIRMAN KOPLAN: I knew she'd say that.

13 VICE CHAIRMAN OKUN: I wanted to hear the  
14 answer anyway.

15 MR. MONTALBINE: Thank you very much.

16 CHAIRMAN KOPLAN: Thank you.

17 MR. MONTALBINE: I think what you have now  
18 is you have several years of history to show that the  
19 arguments that the French made in the original case  
20 were actually correct. What I mean is that in the  
21 original investigation you had all the domestic mills  
22 coming in saying we can make this stuff, X70 is not  
23 hard, we can supply everything everybody needs, we  
24 have all this capacity.

25 What we've seen since then is that is not

1 entirely correct. The problem is there is an  
2 incredible concentration in the line pipe plate  
3 industry. You see on the record there are only a  
4 handful of mills that make it in the U.S., none of the  
5 service centers provide it and two of the mills that  
6 make it have their own pipe production in Canada, so  
7 they compete with Berg Steel.

8 Another mill that makes it, Nucor, is by  
9 their own admission that their bread and butter are  
10 commodity products. They want to pump out plate as  
11 fast as possible and this controlled rolling is not  
12 profitable for them, it lowers their yields. You  
13 heard that from Mr. Delie.

14 So they can technically make it and they do  
15 make it from time to time. You've heard that Mittal  
16 is also willing to make it, but he has to take just a  
17 little bit each month, carry a huge inventory to be  
18 able to make it. I think what's different is you have  
19 this history, you have the picture.

20 Back then you had to accept everybody's  
21 words at face value, now you have some history that  
22 shows how it works. You have Berg Steel losing  
23 projects to foreign competitors because they can't get  
24 enough plate. So there's my answer.

25 CHAIRMAN KOPLAN: Thanks.

1 Do you have any time left?

2 VICE CHAIRMAN OKUN: I think I do.

3 Mr. Malashevich, let me turn to you with  
4 regard to the business cycle question. You had  
5 commented in your testimony that the description by  
6 the producers this morning of the business cycle  
7 having peaked in 2004 and the first part of 2005 is I  
8 guess belied by the facts since then.

9 I wondered, you had noted about the third  
10 quarter and I think you were using information just in  
11 press reports. For posthearing I'd welcome you to  
12 submit any data from industry analysts or others that  
13 would confirm your view of the big hiccup in the  
14 market that has now turned around.

15 You can add something now, but just in terms  
16 of additional information on the record.

17 MR. MALASHEVICH: Certainly it is nonzero  
18 and we will provide whatever we have. We accumulated  
19 a certain amount of that material since the briefs  
20 were submitted and we'll endeavor to get as much as we  
21 can for posthearing brief.

22 VICE CHAIRMAN OKUN: Okay. I appreciate  
23 that.

24 Then, Mr. Montalbine, if I can turn to you  
25 on the issue of the change in China's profile I guess

1 as a country with a lot of demand, but increasingly  
2 not importing as much and its producing a lot more.

3 You had commented in your testimony about  
4 the fact that by looking at the data -- and we  
5 discerned this morning that China hasn't been a big  
6 market at all for France and probably not for Italy as  
7 well, but is there any information that you can  
8 provide, I was looking back through the brief to see  
9 if there was anything to help me out on this which is  
10 to help me understand where the French products are  
11 more likely to go?

12 If it relates to what we're talking about  
13 here in terms of line pipe demand around the world to  
14 the extent we're talking about GTS being primarily in  
15 that product if you have any information you could  
16 submit on line pipe projects around the world where  
17 France is well positioned or is already supplying?

18 Again, as I understand it the big increase  
19 in other than China markets for France would include  
20 middle East countries where I know a number of these  
21 projects are proceeding, and so if you could help me  
22 out in understanding where France's product is likely  
23 to go in the reasonably foreseeable future even with  
24 increased capacity?

25 MR. MONTALBINE: Yes. We can certainly

1 address that in detail in a posthearing brief, but  
2 already as I said a plate is going to Germany to Euro  
3 Pipe for this large pipeline I believe going from  
4 Siberia to Frankfurt in Germany, the east German  
5 Frankfurt, and then their large projects in Iran  
6 you'll see from the export statistics for France that  
7 pipeline plate is going there.

8 So those have been two important --

9 VICE CHAIRMAN OKUN: I know you mentioned  
10 those, but just in terms if you can put any numbers  
11 with them and anything in terms of the project length  
12 that would be helpful as well.

13 MR. MONTALBINE: Yes.

14 VICE CHAIRMAN OKUN: I guess, Mr.  
15 Cunningham, I would also invite you to comment on the  
16 question of the domestics have spent a lot of time  
17 this morning in putting information on the record with  
18 regard to a growing imbalance between supply and  
19 demand, and that's what will affect this market even  
20 if demand is flat or growing as I think the producers  
21 described it this morning.

22 MR. CUNNINGHAM: The global --

23 VICE CHAIRMAN OKUN: Yes. The global side.  
24 Yes.

25 MR. CUNNINGHAM: Yeah. We will do so.



1                   VICE CHAIRMAN OKUN: Okay. As I note you  
2 had included in your briefs Exhibit Nos. 18 and 19,  
3 the U.S. projects that use line pipes that are in the  
4 pipelines I guess is the right way to put them, but if  
5 there's anything else you can do also on a global  
6 basis I'd appreciate that as well.

7                   MR. CUNNINGHAM: Yeah. We'll do so.

8                   VICE CHAIRMAN OKUN: I appreciate that.  
9 Then, Mr. Cunningham, in your testimony you had also  
10 talked about the Gulf rebuilding efforts, and of  
11 course now that we've clarified what yellow goods are  
12 and CAT stock lately, Caterpillar stock, which has  
13 been going up as the hurricane has hit, do you have  
14 anything else that you could put on the record  
15 posthearing in terms of what impact?

16                   I mean, it's very early after these  
17 hurricanes hit. I guess I would also ask you about  
18 the tsunami as well, whether there's any information  
19 in any of the industry analyst reports that you all  
20 have access to that would reference either anything  
21 concrete with regard to rebuilding efforts, how they  
22 would impact this particular product as well as the  
23 tsunami for affected countries.

24                   MR. CUNNINGHAM: Let me see if we have  
25 anything now. Hold on a second.

1 VICE CHAIRMAN OKUN: Okay.

2 MR. CUNNINGHAM: What Mr. Hoyer just said to  
3 me is it's almost all by American and that's fine, you  
4 want to know about it anyway because if it's by  
5 American it helps the gentleman back there on my left.

6 VICE CHAIRMAN OKUN: Right.

7 MR. CUNNINGHAM: Okay. We will do it in  
8 posthearing because I don't have anything more to say  
9 now.

10 VICE CHAIRMAN OKUN: Appreciate that. Then  
11 just one more question with regard to the X70 because  
12 one of the things that you had noted in your brief was  
13 that the X70 had been excluded in the Section 201  
14 relief in a global safeguard action and the import  
15 levels from France during that time were very low.

16 I think this may relate, Mr. Delie, to what  
17 you said earlier which is I think line pipe projects  
18 were at an all time low during that particular period,  
19 but you could look at that number and say well, if X70  
20 was excluded and nothing came in and that's not really  
21 what France was going to be selling then why didn't  
22 they sell it then if they had the opportunity, but I  
23 wanted you to comment on that as opposed to me giving  
24 it my commentary.

25 MR. DELIE: Yeah. During that period there

1 was very little line pipe coming in, but during that  
2 time also after we did get some plate from Germany in,  
3 so we were able to go to Germany to get some plate and  
4 it was for the BP order.

5 It was a size of X70 that could not be  
6 produced in the United States, so without that  
7 exclusion there was an order that I would have lost  
8 and would not have been able to produce for BP in the  
9 Gulf of Mexico. It was a combination of heavy wall  
10 and the width that could only be made with the foreign  
11 plate.

12 VICE CHAIRMAN OKUN: Appreciate those  
13 comments.

14 Then, Mr. Hoyer, if I could turn to you for a  
15 moment with regard to the 2004 period. The prehearing  
16 report talks about the presence of overbuying at that  
17 time and the subsequent build-up of service center  
18 inventories and price increases. The representatives  
19 of the domestic industry talked about the panic buying  
20 and the perceived shortages of plate.

21 Can you talk at all about how Corus handled  
22 things during 2004? Was your experience any different  
23 than what we heard this morning?

24 MR. HOYE: As far as our Houston operations,  
25 which we started in September of 2003, we had a very

1 difficult time getting steel, buying steel because  
2 everybody was on allocation. Again, this is heat  
3 treated grades, or wide, or heavy plate.

4 So as a result we got off to a much slower  
5 start than what we would have liked and what we would  
6 have anticipated, and that has pretty much remained  
7 the case through this whole year. 2004 was  
8 particularly difficult to try to establish yourself in  
9 the market at a time where there wasn't availability.

10 Mills had allocation for some of the reasons  
11 we've heard because they have to keep their customer  
12 base satisfied, but they also are trying to anticipate  
13 and eliminate or minimize speculating. When prices  
14 continue to rise people continue to buy heavily  
15 because they want to be able to take advantage of the  
16 prices.

17 The service centers were the primary  
18 beneficiaries in 2004 because their inventory values  
19 appreciated dramatically or the mills were racing to  
20 increase their costs because of the import costs, and  
21 so the mills were not the big winners in 2004.

22 However, when you heard someone like Nucor  
23 say they lost money it was because they had their  
24 contracts established in 2003 and when the price for  
25 scrap and for their end user is at a low point in the

1 market and so they honored those contracts in 2004 and  
2 then renegotiated them last October so the mills are  
3 benefiting this year and the service centers benefited  
4 financially in 2004.

5 VICE CHAIRMAN OKUN: Appreciate those  
6 comments. Thank you.

7 CHAIRMAN KOPLAN: Thank you.

8 Commissioner Hillman?

9 COMMISSIONER HILLMAN: Thank you.

10 Mr. Cunningham, in listening to your  
11 response to the Chairman with respect to the  
12 cumulation issue I think it would be fair to say that  
13 one might be able to infer that you were advocating  
14 that the Commission revoke the orders on everyone but  
15 France and Italy, but rather than infer it I guess I  
16 would like to ask both you and Mr. Montalbino exactly  
17 what your position is with respect to what the  
18 Commission should be doing on the orders from the  
19 countries other than France and Italy?

20 MR. CUNNINGHAM: Let me take a crack at it.  
21 I don't want to tell you I have a firm position. Let  
22 me give you the true competing consideration in my  
23 mind if I would.

24 From what's been described in all the  
25 testimony by everybody the way in which the other

1 importers do business, the other country sources do  
2 business in the United States, the type of sales that  
3 they make fit more of the type of concern that the  
4 U.S. industry has expressed.

5           They do commodity stuff, they sell it, ship  
6 it into the United States before having negotiated the  
7 sale with the customers, it builds up an inventory in  
8 the United States, all that sort of stuff. It is the  
9 very price sensitive stuff rather than the higher end  
10 more negotiated with the customer on specification  
11 stuff.

12           On the other hand I do think there is a  
13 legitimate question whether you go affirmative as to  
14 anybody and it relates not so much how the foreign  
15 producers operate as to this industry.

16           As I said this industry looks to me to be  
17 the strongest of all the steel sectors both in terms  
18 of its current industry strength, its consolidation,  
19 its market power, its reduction of costs, its  
20 increased operating efficiency, all of that, and in  
21 terms of a very strong market that I think the weight  
22 of the evidence is pretty clear that the strength of  
23 the market is going to continue.

24           Now, the domestic industry has said just  
25 because we're doing well doesn't mean you're precluded

1 from finding threat of imports and I agree with that  
2 in principle, but these are issues of degree. This is  
3 why we have a Commission that does economic analysis  
4 of these things.

5 It seem to me with an industry that strong  
6 you have to find a pretty tangible reason to believe  
7 that those imports will in fact from those other  
8 countries rush back into the marketplace. If you find  
9 that, if you think that's the case then yes, that's  
10 where you should go affirmative here.

11 There's no case it seems to me for going  
12 affirmative as to the European producers. If you want  
13 to come down definitively on this issue -- this  
14 question in terms of what we should do to the other  
15 countries in your post-hearing brief, you're welcome  
16 to do so. Mr. Montalbine, do you have a position on  
17 the countries, other than France or Italy?

18 MR. MONTALBINE: Actually, we would ask the  
19 Commission to decumulate France and that there's no  
20 injury against France. As to the other countries, we  
21 really take no affirmative position, although Berg  
22 Steel, U.S. companies, there's no real interest here  
23 that the U.S. would be harmed by other countries. So,  
24 I could understand U.S.'s position as to the other  
25 countries. But as to France, I think it's clear.

1                   COMMISSIONER HILLMAN: All right. I  
2 appreciate that answer. Maybe I can stick with you,  
3 Mr. Montalbine, just to make sure I understand the  
4 data. Because if I look at our staff report, there  
5 does appear to be a significant difference in what we  
6 are showing in terms of imports from France, as they  
7 are reported in Chapter 1; in other words, official  
8 Commerce statistics in terms of imports that have  
9 been, as I understand it, modified for the micro  
10 alloys, but fundamentally official Commerce statistics  
11 versus the data that we have in Chapter 4, which would  
12 be questionnaire data from French producers with the  
13 import statistics showing zero and the French  
14 producers showing exports to the U.S., which does beg  
15 this question of so, wait a minute, who is doing this  
16 exporting to the U.S. Again, I'm just trying to  
17 understand the discrepancy between these two data  
18 sources. If you're telling me we -- our data is  
19 covering 100 percent, our questionnaire data is  
20 covering 100 percent of French production, why do I  
21 see different numbers, depending on whether I'm  
22 looking at import stats versus French production?

23                   MR. MONTALBINE: The only thing I can really  
24 think of is when the import stats include some level  
25 of alloyed plate, and it's very hard to say what plate



1 is actually subject or not, because we have this funny  
2 micro alloy group; but as far as carbon plate, that  
3 should match. And I've gone through this a number of  
4 times with GTS and they have not exported to the  
5 United States when they have put that in their  
6 questionnaire.

7 Mr. Delie, also, noted the FTZ that Berg  
8 Steel had, but I'm not sure exactly that's your  
9 question. It was -- there is a difference between the  
10 official entries for consumption and then what the  
11 staff collected, which included the FTZ entries. That  
12 is a clear difference. But as far as these smaller  
13 differences, after the orders -- but, I think also the  
14 levels have been very small, 700 tons or --

15 COMMISSIONER HILLMAN: Well, again, I would  
16 -- again, I would ask for you to just take another  
17 look at it for the post-hearing and, Mr. Cunningham,  
18 also, if you have any information on this, because,  
19 certainly, if you look in the most recent period, I  
20 mean, the volume that we're showing from France, in  
21 terms of questionnaire data, I would not describe as  
22 insignificant. So, I'm just trying to make sure I  
23 understand why one data set tells me one story and  
24 another tells me the other. I had assumed it was  
25 because we did not have full coverage from France and,

1       therefore, that helped explain the difference. But,  
2       if you're telling me we have full coverage, I then,  
3       still am little puzzled by why we see the differences  
4       that we do. So, if there's anything further that can  
5       be said in the post-hearing brief, I think that would  
6       very helpful

7                   MR. MONTALBINE: And perhaps I could talk to  
8       the staff and figure out exactly which numbers are  
9       being used, which tariff numbers, and that might also  
10      explain it.

11                   COMMISSIONER HILLMAN: Okay; all right.  
12      But, you understand the data source I'm looking at?

13                   MR. MONTALBINE: Yes.

14                   MR. CUNNINGHAM: I doubt that we will have  
15      anything to say on that. I believe Mr. Malashevich  
16      and Mr. Montalbine are probably the two best equipped  
17      to go into that issue.

18                   COMMISSIONER HILLMAN: All right. I  
19      appreciate that.

20                   Mr. Delie, if I can come back to you on the  
21      issue of your testimony about the allocations and just  
22      to make sure I understand it, because we heard a lot  
23      of testimony this morning about these controlled order  
24      entries and other things that, in the domestic  
25      industry's view, were a response to panic buying.

1 And, certainly, their testimony, I think, was that  
2 those allocations had largely gone away by the end of  
3 2004. I just want to be clear, for your product, you  
4 are still on allocations, as of today?

5 MR. DELIE: It's really how much can they  
6 produce in a month or willing to produce in a month.  
7 It's always been that from the domestic producers,  
8 there's -- even before the buying run up, even when  
9 they were really looking for a lot of business,  
10 because the controlled rolling is so much more  
11 difficult, especially in the U.S. with the way they  
12 roll it, that there is always an allocation of -- it's  
13 really not an allocation, it's just a commitment of  
14 how much they will produce in any given month.

15 COMMISSIONER HILLMAN: Okay. And just so I  
16 understand it, so you're really using the word  
17 "allocation," in terms of how much time on the mill  
18 for controlled rolling are they willing to allocate to  
19 you, Berg?

20 MR. DELIE: Right. Then, that relates into  
21 how many tons it will be. So, I am limited on tons --

22 COMMISSIONER HILLMAN: Okay.

23 MR. DELIE: -- and it is a lot less than  
24 production capabilities for my facilities.

25 COMMISSIONER HILLMAN: Okay. And has that

1 always been the case? That's what I'm trying to  
2 understand, is whether there's something different  
3 going on in --

4 MR. DELIE: That has always been the case  
5 and that is why I have always used imports to  
6 supplement that and I have used multiple suppliers for  
7 any particular order.

8 COMMISSIONER HILLMAN: Okay. Just to put  
9 this issue of the high-end plate in some perspective,  
10 what portion of your production of pipe is made with  
11 these high-end plate products?

12 MR. DELIE: Typically, our business has two  
13 types: the distributor business and then there's the  
14 project business. The distributor business is a more  
15 stable business, which is usually in the neighborhood  
16 of 40,000-60,000 a month. And that production is  
17 typically -- could be mostly b-grades or some of the  
18 easier, more regular grades of steel. And that is  
19 consistent over the years. The balance --

20 COMMISSIONER HILLMAN: And where do you  
21 source that type --

22 MR. DELIE: Domestically.

23 COMMISSIONER HILLMAN: Okay.

24 MR. DELIE: I get that domestically.  
25 There's plenty of sources and that's something that

1 they will do. But on the controlled rolled plate,  
2 it's typically for projects and that is project  
3 sensitive. So, if there's a particular project and I  
4 get it, it's time sensitive, where I need -- it could  
5 be 150,000 tons. It could be a 50,000 ton order. It  
6 varies and my production rate goes up and down,  
7 because my mill won't accelerate up and ramp up very  
8 quickly, roll it, and then we stop and we try to  
9 accumulate projects one after the other.

10 Mr. Montalbine reminded me that during the  
11 last year or so, we had less production available.  
12 Nucor, for example, during when they were very busy,  
13 provided me no orders of X70 plate until recently, and  
14 Mittal Steel, when they were producing a lot of armor  
15 plate, had very little quantities of only maybe 1,000  
16 tons a month available. And IPSCO supplied the  
17 balance. But, fortunately for me, or unfortunately,  
18 the market was very low, so there was not a lot of  
19 project business out there, so there was not a lot of  
20 demand. But, I did lose one order to a Canadian  
21 outfit, because I could not get the steel  
22 domestically, which is very sizable. We just couldn't  
23 get the supply.

24 COMMISSIONER HILLMAN: All right. I  
25 appreciate that response. Thank you, very much.

1                   COMMISSIONER KOPLAN: Thank you,  
2 Commissioner. Commissioner Lane?

3                   COMMISSIONER LANE: Mr. Montalbine, I have a  
4 question for you. In the GTS brief, you refer to the  
5 current financial conditions in Asia as a reason that  
6 subject countries would not divert shipments of CTL  
7 plate to the U.S. market, if the AD and CVD orders  
8 were revoked. What factors are you referring to in  
9 "financial conditions?"

10                  MR. MONTALBINE: I believe that was at the  
11 end of the brief where I was arguing the alternative  
12 about all countries together, if the Commission  
13 decides to cumulate everyone, and that is based solely  
14 on GDP data. And we have an exhibit, Appendix 4, and  
15 that is the data that I relied on. It was solely GDP  
16 from the International Monetary Fund.

17                  COMMISSIONER LANE: Okay. Were you  
18 referring, in part, to Chinese demand?

19                  MR. MONTALBINE: No. The argument was more  
20 that there is going to be growth in these markets, at  
21 least on a macro economic level. The data goes out to  
22 2006 and begins at 1996. So, you get the effect of  
23 the Asia financial crisis in there. And then, you can  
24 see how that -- how each of these economics have  
25 recovered from that.

1                   COMMISSIONER LANE: Okay, thank you. Mr.  
2 Chairman, that's all the questions I have.

3                   CHAIRMAN KOPLAN: Thank you, Commissioner.  
4 Commission Pearson?

5                   COMMISSIONER PEARSON: Mr. Cunningham, the  
6 representatives of GTS have put quite a bit of  
7 information on the record regarding the situation in  
8 France and that, more or less, they're making the case  
9 that we should grab the pitchforks and storm the  
10 Bastille and free the French prisoners. For Italy,  
11 we have less information. And so my questions is, are  
12 the arguments that are made on behalf of France  
13 concerning competitive overlap equally applicable to  
14 imports from Italy?

15                   MR. CUNNINGHAM: Let me ask Mr. Hoye to talk  
16 about what sort of stuff is available from Italy, if  
17 you know.

18                   MR. HOYE: It goes back to the question of  
19 availability of e-traded steels. I mean, that's the  
20 primary demand right now that we're seeing. And going  
21 back to Commissioner Hillman's question about, yes, we  
22 are at allocation. So, we're limited to what's  
23 available by the mills. Part of that is just the  
24 historical basis; when you're a new player in the  
25 market, you don't have a history with the producers.

1 And so, we would like to have the option to be able to  
2 buy from these producers that, at the present time, we  
3 know can make the product but perhaps, you know, can't  
4 ship for reasons of dumping margins, et cetera.

5 COMMISSIONER PEARSON: So, do we have enough  
6 on the record regarding Italy so that we comfortably  
7 could make a decision to decumulate them and  
8 potentially vote in the negative?

9 MR. CUNNINGHAM: I'm going to duck it now,  
10 but answer it in the brief. I duck it only because I  
11 haven't looked at what's on the record. I haven't  
12 really been focusing on Italy. But, we will do that.  
13 We'll answer that question in the post-hearing brief.

14 COMMISSIONER PEARSON: Okay, fair enough.  
15 Mr. Hoye, can you give a sense of the price trends for  
16 heat-treated plate and other high-end plate that you  
17 purchase? Have those prices increase more rapidly for  
18 your product than for other kinds of plate?

19 MR. HOYE: I wouldn't say they've increased  
20 more rapidly. I would say that the differential can  
21 be as much as 150 percent of regular carbon steel  
22 prices. But, they have been consistent in terms of  
23 that differential, you know, for the past year.

24 COMMISSIONER PEARSON: Okay. So, as the --  
25 you're not seeing the high-end price going in price



1 relatively faster or coming down faster? It's pretty  
2 much tracking whatever is going on --

3 MR. HOYE: Correct.

4 COMMISSIONER PEARSON: -- with carbon?

5 MR. HOYE: Right; correct.

6 COMMISSIONER PEARSON: Okay. And the  
7 increases that you've seen, then they have occurred  
8 primarily in the most recent year-and-a-half or so, as  
9 the carbon prices come up. This is not something --  
10 you weren't seeing a price increase going back in the  
11 2002-2003 time frame?

12 MR. HOYE: No. It was -- I made a mistake  
13 earlier. We started Houston in 2004. So, really,  
14 it's in the last year that we've seen this dramatic  
15 run-up in price.

16 MR. CUNNINGHAM: But that's because they've  
17 been in the market for the past year. It may have  
18 been somewhat earlier than that, but probably --  
19 almost certainly not back to 2002.

20 COMMISSIONER PEARSON: Okay. Mr. Chairman,  
21 at this point, I have no further questions.

22 CHAIRMAN KOPLAN: Thank you, Commissioner.  
23 Commissioner Aranoff?

24 COMMISSIONER ARANOFF: Thank you, Mr.  
25 Chairman. Mr. Hoyer and Mr. Delie, I'm hoping that you

1 can help me to bring together some pieces, so that I  
2 get the story of what we've been hearing here this  
3 afternoon straight. You're here talking to us about  
4 basically high-end, high-price plate products. We  
5 have a record that shows U.S. and some foreign  
6 producers with varying degrees of excess capacity. We  
7 have relatively low dumping duties on the product from  
8 France and the CVD order was revoked. Why aren't  
9 people fighting for your business, Mr. Delie?

10 Normally, you know, you were saying before  
11 that the domestic industry testified back in the  
12 original investigation that they could make these  
13 product, that they wanted to sell these products, and  
14 that that didn't happen. Normally, in those  
15 situations, the answer we get from the domestic  
16 industry is, of course, we can make them, we want to  
17 make them, but the price in the market is too low  
18 because of competition from some low-priced import.  
19 That doesn't seem to be the case here. And so, I  
20 mean, help me tie the pieces together.

21 MR. DELIE: Well, there's another factor in  
22 it. Even if, you know, whatever the -- I can't pay  
23 whatever the price is, because there is still a price  
24 for pipe on the market. So, I can't pay more for the  
25 plate than the pipe is selling for internationally or

1 domestically, you know, and basically, it's  
2 internationally. A lot of these companies are the  
3 Shells, the Exxons, Mobils, BPs. They're looking at  
4 international prices. So, I still have to be in the  
5 competitive price range. So, price is important, as  
6 far as where my price is priced at and what I can do,  
7 because they're competing with -- when we're looking  
8 at a pipe order, probably 80 percent of my costs right  
9 now is in the plate. So, it is very price depended.  
10 It's not like an automobile, where only 500 tons, so  
11 it's a very small portion of the price of the car and  
12 the pipe, it's a very large portion.

13 So, I wish everybody was fighting for my  
14 business, but that is not the case. Internationally  
15 right now, there is large -- great demand for line  
16 pipe. And the Chinese, although their capacity is  
17 coming on very quickly with a lot of things, it is not  
18 in the high end yet and they're continuing to buy  
19 pipelines and plate for line pipe for their existing  
20 pipe mills. They have not been able to yet product  
21 that. So, that's one reason why China wouldn't affect  
22 the French imports.

23 So, internationally, there's not a lot of  
24 capacity available for line pipe. So, there's not a  
25 lot of mills. We went all over the world looking at

1 who will sell us. And, domestically, the same thing.  
2 They have some capacity. They have provided us some  
3 steels when they can. Again, there's limitations to  
4 IPSCO and width. There's limitations on great  
5 thickness combinations from each of the mills. So,  
6 there are products they can't make. There's certain  
7 products, such as the arctic grades that I mentioned  
8 and other products they also can't make. X70 is not  
9 just a one-size product. It depends on each -- it is  
10 a custom-made product for a specific pipeline.

11 And then what I have to do is go out and see  
12 who is available that can make that, at the time when  
13 we get the order, and then, you know, see what kind of  
14 volumes they can produce. Because even when they can  
15 do it, there's limitations on what volumes they can  
16 do, that they can fit in their capacity. And that's  
17 what -- what I'm trying to do right now is get France  
18 as -- not immediately will be importing, because I  
19 don't think France for the next six months or a year  
20 will be able to even supply me any plate, because  
21 they're busy on some of these other worldwide  
22 projects. I'm looking at in 2007, 2008, when we  
23 suspect the pipeline market in the United States will  
24 continue to be strong. If there is capacity there,  
25 I'd like to get it tied up, because some of these

1 mills may -- some of these pipeline projects may even  
2 award the contracts a year in advance, where I can tie  
3 their capacity up that far in advance. So, I'm  
4 looking for the future on this.

5 I hope that answers it. If not, I can try  
6 to give you some more.

7 COMMISSIONER ARANOFF: Well, that is  
8 helpful. I think what you're telling me anyway is  
9 that the answer to the dilemma of why people aren't  
10 fighting for your business lies in the market for the  
11 downstream product.

12 MR. DELIE: Yes, that's part of it. And,  
13 you know, it can't be at any price. It has to be at a  
14 competitive price to get the business.

15 COMMISSIONER ARANOFF: Although if supplies  
16 of line pipe are short and there's big demand for pipe  
17 products, that suggests that --

18 MR. DELIE: It hopefully --

19 COMMISSIONER ARANOFF: -- the downstream  
20 price should be rising and that should --

21 MR. DELIE: And that will be great for me  
22 and I'll love to raise my line pipe prices, believe  
23 me. And we'll be right there with higher prices.  
24 And, you know, to me, it doesn't matter what I pay for  
25 the price; it's a matter that as long as I can get it

1 at a competitive price, that I compete with some of  
2 the suppliers, like -- you know, IPSCO is a major  
3 competitive. Oregon Steel is a major competitor and  
4 they will not supply me pipe.

5 COMMISSIONER ARANOFF: Do you have -- you're  
6 speaking of two competitors. You have direct  
7 competitors, who produce their pipe product in Canada.

8 MR. DELIE: Right.

9 COMMISSIONER ARANOFF: Do you have any  
10 domestic competitors?

11 MR. DELIE: The domestic competitors, as I  
12 mentioned in my statement, there's two of them. One  
13 of them is Saw Pipe, which is related to the Jindal  
14 pipe mill. They're not a very major competitor.  
15 Their mill has not been approved for any U.S. domestic  
16 pipeline companies. Right now, I've heard that they  
17 are doing a couple of pipelines, but they are for  
18 pipelines in -- that they're owned by an Indian  
19 company, Jindal. Their pipe mills in India got some  
20 pipeline projects and they've moved some of the  
21 business here to produce, to ship back over there.  
22 And then there's Durabond, which was the old Bethlehem  
23 mill that has been shut down for five years, just  
24 restarted this year, and they've been struggling,  
25 trying to get that plant back up in operation. So,

1 they're not a major competitor.

2 MR. MONTALBINE: If I could add another  
3 important factor here is that with commodity plate,  
4 service centers act as a buffer for supply. And  
5 people can get plate from service centers, who hold  
6 inventory when the mills are not available with their  
7 own capacity. Here, you heard today that the service  
8 centers do not sell line pipe plate, so there really  
9 is no buffer. When one of these four mills says we  
10 won't produce, it, Berg Steel will lose a project  
11 unless they can find imported sources for that plate.  
12 So, it's important, because there is no other buffer  
13 like service centers to allow a certain amount of  
14 imports to act as that buffer.

15 COMMISSIONER ARANOFF: Thank you.

16 MR. CUNNINGHAM: Mr. Hoyer had something to  
17 add to this.

18 COMMISSIONER ARANOFF: I was going to turn  
19 to you next, Mr. Hoyer.

20 MR. HOYE: Okay, thanks. I think that, too,  
21 what you see is it's a part of a business strategy and  
22 it's part of a marketing preference. And I think that  
23 when you look at how you market your capacity,  
24 because, effectively, you're selling time on your  
25 lines, going back to a lot of the discussions that we

1 heard, and there's conscious decisions made as to who  
2 you supply, as a producer, and what you feel the long-  
3 term benefit of those relationships are for your  
4 business. So, I think there's a lack of foresight on  
5 some of the marketing programs. They're  
6 underutilizing their mills, but, yet, they're on  
7 allocation on e-trade. I don't really understand  
8 that. So, it's just frustrating, when you asked that  
9 question as for buyers in the market, who can't get  
10 what they want and what they need. And what we're  
11 doing is we're bidding on projects. We're competing  
12 with global producers worldwide. It's not just  
13 domestic producers; it's projects that can be shipped  
14 in from overseas. So, it's a tough situation right  
15 now.

16 COMMISSIONER ARANOFF: Let me just ask you a  
17 follow-up on that one. Is it like when someone bids  
18 on a project on my house, where they go back and price  
19 with the subcontractors and all the inputs in that  
20 figures into it? I mean, do you go to the mills right  
21 at that point and say, where are you going to give me  
22 the steel at?

23 MR. HOYE: What will happen is -- the way we  
24 approach it and the reason we started the business  
25 that we did was, we work with the design firms, like



1 Mustang Engineering, who designed a project for BP,  
2 who then go to Gulf Island to fabricate it. Gulf  
3 Island then goes out and gets bids from all the  
4 producers of that product and then they say, we need  
5 it at such and such a date and we want it delivered  
6 over a period of six months. And, you know, that's  
7 one project. And that can be a four-million dollar  
8 bill of material. So, just as -- you know, the Berg  
9 group, the same thing, they're bidding on a pipeline  
10 project. I mean, they need to bring all the steel in  
11 at one time or phased in from a delivery standpoint.  
12 So, if a mill quotes them half of the volume that they  
13 need for their project, they're not going to get the  
14 projects. So, they need somebody that can supply  
15 them, as much as we do. It's just a greater  
16 complexity of supply, because it's a lot of different  
17 materials.

18 COMMISSIONER ARANOFF: Okay, thank you, very  
19 much, for that answer. And I see my time is just  
20 about up.

21 CHAIRMAN KOPLAN: Thank you, Commissioner.  
22 This question is for Mr. Montalbine. At pages eight  
23 and nine, Mittal argues that -- of their brief, Mittal  
24 argues that if the capital-intensive industries, like  
25 cut-to-length plate, the reasonably foreseeable period

1 of time must be measured in conformity with the length  
2 of time it takes for capital investments and  
3 expenditures to be realized. And to adequately assess  
4 the likelihood of continuing or recurring material  
5 injury, we should take into consideration the fact  
6 that it will take several years for these capital  
7 investments to be realized. Do you agree? If not,  
8 how would you define a reasonably foreseeable time for  
9 this industry?

10 MR. MONTALBINE: I would see it a little bit  
11 more pragmatically. What sort of data does the  
12 Commission have for the future that's reliable? How  
13 far out can you look for all the data, demand,  
14 different things like that? And that is, for me, a  
15 reasonably foreseeable time. So --

16 CHAIRMAN KOPLAN: Okay. That's what you're  
17 doing in this case, obviously. So, applying that, how  
18 would you see it, in this particular investigation?  
19 What would you define it to be?

20 MR. MONTALBINE: I think you could probably  
21 with demand, they're forecast going out 2006, 2007,  
22 and I think that is sort of the time frame that we're  
23 talking about. I recently looked at press releases  
24 from IPSCO and Oregon Steel for their plate -- excuse  
25 me, for their pipe mills and they're forecasting line

1 pipe production all the way out to 2008. For example,  
2 Oregon Steel is saying that they expect between 2006  
3 to 2008, as much as 2.5 million tons of large diameter  
4 line pipe for the North American industry. So, that's  
5 the sort of time frame, as far as demand.

6 CHAIRMAN KOPLAN: Then would you agree that  
7 we should go out several years, in order to take into  
8 consideration a reasonably foreseeable time?

9 MR. MONTALBINE: Yes. I don't have a  
10 problem with that.

11 CHAIRMAN KOPLAN: You don't have a problem?

12 MR. MONTALBINE: And I think that if you do  
13 go out that far, you'll still see that --

14 CHAIRMAN KOPLAN: Okay.

15 MR. MONTALBINE: -- the small amount of  
16 imports from France will not injure anyone.

17 CHAIRMAN KOPLAN: So, then, you do agree  
18 with what they said?

19 MR. MONTALBINE: Although, I wouldn't tie it  
20 to exactly what they're tying it to. I would be more  
21 pragmatic, what information is there available. How  
22 far out can we go.

23 CHAIRMAN KOPLAN: But the length of time  
24 they're suggesting is reasonable?

25 MR. MONTALBINE: Yes.

1                   CHAIRMAN KOPLAN: Thank you. Mr. Delie,  
2                   Mittal states on page 69 of their brief that the  
3                   French producer's exporters also have a demonstrated  
4                   ability to rapidly shift exports among markets. The  
5                   brief goes on in detail, the shift of cut-to-length  
6                   plate exports from the U.S. market to Iran and Germany  
7                   in 2000, once the market "was no longer a viable  
8                   dumping ground, France was able to quickly shift  
9                   volume of plate exports to other markets." Were the  
10                  increased exports to Iran and Germany in 2000 for a  
11                  particular pipeline project?

12                 MR. DELIE: I believe they were.

13                 CHAIRMAN KOPLAN: They were?

14                 MR. DELIE: They were the -- the Europipe  
15                 group has a large project in the North Sea area and I  
16                 do believe that -- I'm not sure about Iran, but Iran  
17                 is building a lot of pipelines and there's a lot of --  
18                 so, the pipeline market, they're really following  
19                 where the pipelines are, not so much where the -- you  
20                 know, a particular market to the U.S. And when they  
21                 were in the U.S., it was for a particular pipeline.  
22                 It's not a consistent business. It's for a particular  
23                 project based.

24                 CHAIRMAN KOPLAN: Okay. Are there long-term  
25                 contracts or other considerations that would constrain

1 French producers from shifting cut-to-length plate  
2 from alternate exports markets to the U.S., if the  
3 orders were revoked with regard to France?

4 MR. DELIE: With GTS, I do know that there  
5 is a Europe mill in Dunkirk, which is located at the  
6 same facility, and they have certain obligations to  
7 supply so much plate for pipe for that facility, so  
8 that there is a pretty good --

9 CHAIRMAN KOPLAN: It's a long-term contract?

10 MR. DELIE: Well, they're part owners and I  
11 think it is part of a deal with their other partner,  
12 that they -- each partner is going to supply so much  
13 plate to the joint venture.

14 CHAIRMAN KOPLAN: Could you supply something  
15 post-hearing on that?

16 MR. DELIE: I think Mr. Montalbine can do  
17 that.

18 MR. MONTALBINE: Yes, we can.

19 CHAIRMAN KOPLAN: And any other  
20 illustrations that you can along that line, that would  
21 be helpful. Mr. Malashevich, Mittal cites some  
22 examples of demand forecast for downstream products,  
23 at pages 35 to 36 of its brief, and argues that demand  
24 is declining. Corus cites other examples of demand  
25 forecast at pages 11 to 13 of its brief and argues

1 that demand for plate is increasing. Even if the two  
2 sides don't agree on whether demand forecast support  
3 an increase or decrease, is there an agreement on what  
4 downstream industries are most important and thus good  
5 proxies for plate demand; and if so, what would those  
6 downstream industries be?

7 MR. MALASHEVICH: I'd have to give an  
8 interim response now, Mr. Chairman. I think I will  
9 respond more fully, if I may, in response to -- I  
10 think it was Vice Chairman Okun's question about  
11 forecasts of revenues and prices. But, it's in my  
12 testimony and it's oil and gas, certainly would be on  
13 that list; rail car building certainly would be on  
14 that list; bridge building certainly would be on that  
15 list; and certain types of industrial equipment, such  
16 as the John Deere, Caterpillar, heavy construction  
17 vehicles would certainly be on that list.

18 CHAIRMAN KOPLAN: What about shipbuilding?

19 MR. MALASHEVICH: Shipbuilding, yes, forgive  
20 me. I did not read that, but, yes, that's one among -  
21 -

22 CHAIRMAN KOPLAN: How about general  
23 construction?

24 MR. MALASHEVICH: Well, general  
25 construction, by its nature, is a pretty general word.

1 I really don't know what that means, to tell you the  
2 truth.

3 CHAIRMAN KOPLAN: Let me just move on, then.  
4 How about military shipbuilding?

5 MR. MALASHEVICH: I don't have any  
6 information on that.

7 CHAIRMAN KOPLAN: Or heavy machinery? These  
8 are cited by Mittal.

9 MR. MALASHEVICH: I understand. I just -- I  
10 don't have their material in front of me and my brief,  
11 as it were, from my clients was to focus on the Nucor  
12 brief. So, I did not read very carefully the Mittal  
13 brief. But, I will.

14 CHAIRMAN KOPLAN: Will you do that?

15 MR. MALASHEVICH: I will certainly.

16 CHAIRMAN KOPLAN: And submit something post-  
17 hearing on that?

18 MR. MALASHEVICH: Yes.

19 CHAIRMAN KOPLAN: That will be great. Mr.  
20 Delie, GTS brief at page 16 asserts that "as discussed  
21 in the pre-hearing staff report, cut-to-length plate  
22 prices in Western Europe have risen to a pace  
23 comparable to those in the United States," and there's  
24 a citation provided. They cite the same data at page  
25 71 of their brief and "in this regard, U.S. prices for

1 cut-to-length plate were on average \$115 a ton higher  
2 than prices for cut-to-length plate in Western Europe  
3 for the last three quarters of 2004, and in the first  
4 two months of 2005 were \$166 a ton higher on average  
5 than prices in Western Europe." Aren't price  
6 differences of that magnitude enough to serve as an  
7 incentive for you to shift subject exports from France  
8 to the U.S., if these orders are revoked?

9 MR. MONTALBINE: I think the issue there is  
10 the statistics of Western Europe. There are --

11 CHAIRMAN KOPLAN: I think I was asking Mr.  
12 Delie.

13 MR. MONTALBINE: Excuse me.

14 CHAIRMAN KOPLAN: Yes.

15 MR. DELIE: Well, you know, I did not see  
16 those. The prices that I have seen from Europe have  
17 been usually equal right now or higher.

18 CHAIRMAN KOPLAN: If these prices that I've  
19 just quoted are correct, though, assume for argument  
20 sake that they are correct, wouldn't differences of  
21 that magnitude be an incentive for you?

22 MR. DELIE: Yes, it would be.

23 CHAIRMAN KOPLAN: Okay. Thank you, very  
24 much. Let's see, Mr. Hoye and Mr. Delie, the Nucor  
25 brief argues at page -- oh, I'm sorry, I think we've



1 already covered that. I've got one left. I note that  
2 I asked this question of the domestic industry this  
3 morning. The Corus brief notes at page eight the  
4 problems currently experienced when importing steel  
5 through the port of New Orleans. Is storm damage to  
6 New Orleans likely to affect imports of cut-to-length  
7 plate significantly in the short term? What about  
8 with regard to Houston? How about over the next two  
9 years? Can you give me any estimate of the impact  
10 that this has had?

11 MR. HOYE: I touched on it briefly, but I  
12 think that you would probably see the port back to  
13 normal within six months. There actually are  
14 shipments going through there today; but, again,  
15 they're not discharged in New Orleans. They're being  
16 moved up river.

17 CHAIRMAN KOPLAN: Thank you. Vice Chairman  
18 Okun?

19 VICE CHAIRMAN OKUN: I think my other  
20 questions have been covered, but I want to thank this  
21 panel of witnesses, very much, for all your testimony  
22 and your answers to the questions. Thank you.

23 CHAIRMAN KOPLAN: Commissioner Hillman?

24 COMMISSIONER HILLMAN: Thank you. Just one  
25 quick question, in terms of data. In the absence of

1 questionnaire data from some of the foreign producers,  
2 the domestic producers are arguing that we should look  
3 to certain published sources, which they've noted, in  
4 terms of looking at these large increases in capacity  
5 and production data since the original review. Mr.  
6 Montalbine, you noted in your comments, in your  
7 opening statement, that if we do that look, we will  
8 not see France on that list. Again, I didn't know  
9 whether that should be -- I should infer from that,  
10 that you would suggest that it is appropriate for the  
11 Commission to rely on these published sources of data  
12 for capacity and production levels in each of the  
13 subject countries in the absence of questionnaire  
14 data. I wanted to make sure I understood whether you  
15 would agree with that or not and you, as well, Mr.  
16 Cunningham.

17 MR. MONTALBINE: I am sympathetic to the  
18 position faced by the Commission when other countries  
19 don't respond and I do think it is one source of data  
20 you can look at, along with the data from the original  
21 investigation.

22 COMMISSIONER HILLMAN: Okay. Obviously,  
23 there is a variety of data out there, so that if there  
24 is certain of these data sources that you would  
25 suggest are, you know, again, best or worst or in some

1 way should or should not be relied on, again, feel  
2 free to note that in your post-hearing brief. Mr.  
3 Cunningham?

4 MR. CUNNINGHAM: I agree with Mr.  
5 Montalbine. I think you probably should. You do need  
6 to rely on published data. We'll take a look at it to  
7 see whether we think that's good data. But the other  
8 thing we will do, we'd like, if we might, the  
9 opportunity to comment on it, in one particular  
10 respect, which is we'd like to, as best we can,  
11 indicate for your how much, if any of that, is  
12 capacity for the high-end stuff that we're talking  
13 about, that is heat treated and extra wide and extra  
14 thick and things of that nature.

15 COMMISSIONER HILLMAN: That would be most  
16 appreciated.

17 MR. CUNNINGHAM: Great.

18 COMMISSIONER HILLMAN: And with that, I have  
19 no further questions, but will join my colleagues in  
20 thanking you, very much, for all your testimony, your  
21 answers, and for taking the time to be with us. Thank  
22 you.

23 CHAIRMAN KOPLAN: Thank you, Commissioner.  
24 Are there any additional questions from the dias?  
25 Commissioner Pearson?

1                   COMMISSIONER PEARSON: Let me try one more,  
2 Mr. Chairman. This has to do with no discernible  
3 adverse impact. If I understand correctly, you're  
4 basically saying that a reasonable percentage of the  
5 product coming in from -- or that could come in from  
6 Europe that you're interested in would go directly to  
7 end users and not go to someone in the United States,  
8 who would then resell it as plate. In that instance,  
9 should we look at the question of no discernible  
10 adverse impact differently than we would if the  
11 product was coming in for resell?

12                   MR. MONTALBINE: Yes, I believe that is the  
13 case. That is an important factor here. We've heard  
14 a lot about service centers and how service centers  
15 serve 60 percent of the commodity market here.  
16 Service centers don't even handle this plate. So, I  
17 think that is an important element to take into  
18 consideration. These imports, for the most part, went  
19 straight directly to Berg Steel before the orders and  
20 Berg transferred them directly into pipe. So, that is  
21 an important element to look at.

22                   MR. DELIE: And if I could add to that,  
23 also, if you look at it, if it did not come to me,  
24 then how would that end pipe be, then, supplied to the  
25 industry? Would it be supplied by, say, pipe coming

1 from, say, Italy, in which there is some pipe coming  
2 in this year from Italy, which is under this order, so  
3 it's plate made in Italy and pipe made in Italy and  
4 the U.S. producers get none. So, that is also another  
5 -- you have to look at it that way. If the foreign  
6 plate did not come into Berg Steel Pipe, then how  
7 would that affect Berg Steel? If Berg Steel does not  
8 get the order, that means the domestic steel producers  
9 also do not get the order, which is not anything to  
10 help the domestic steel industry. So, I think that  
11 end of it has to be looked at, is what are the  
12 alternatives and what will happen then.

13           There was a good case for Oregon Steel,  
14 moved some of their orders -- pipe orders from their  
15 Napa, California mill when they had it opened up into  
16 their Camos facility in Canada and brought, I believe,  
17 Korean or Japanese plate in. The Camos produced it  
18 and then shipped the pipe in the U.S. And that was  
19 the same pipe that I was bidding on that I lost and I  
20 could not use Japanese or Korean plate that they  
21 brought into the U.S. That plate came into the U.S.  
22 as pipe. So, I think that has to be considered on  
23 that.

24           COMMISSIONER PEARSON: Is that argument  
25 somewhat mitigated, if you have a situation where a

1 firm is operating in a foreign trade zone, when it can  
2 import -- it can bring plate into the foreign trade  
3 zone, even plate that otherwise would pay an  
4 antidumping duty, as I understand it.

5 MR. DELIE: No. I have to pay antidumping  
6 duties. The foreign trade zone does not alleviate you  
7 from antidumping duties.

8 COMMISSIONER PEARSON: Even if you're re-  
9 exporting the --

10 MR. DELIE: If you're re-exporting, I can  
11 also do a duty drawback. And as right now, we have  
12 exited the Free Trade Zone, because of the 1995  
13 Uruguay rounds -- the advantage of being in the Free  
14 Trade Zone was that we brought in plate and then paid  
15 the duties on pipe and the duties on pipe were half of  
16 what the duties on plate were. And once that came  
17 both to zero, the cost of being in the Free Trade  
18 Zone, by happening to have my facility barbed and  
19 guards all around, so nobody would steal a piece of  
20 plate in their lunch box or something like that,  
21 became too expensive to stay in the Free Trade Zone  
22 without the benefit of it. But, the Free Trade Zone  
23 really did not provide anyway of getting around any  
24 antidumping duties.

25 COMMISSIONER PEARSON: Mr. Montalbino?

1           MR. MONTALBINE:  If I could just add to  
2           that.  Legally, you would have to re-export the plate  
3           outside of the NAFTA territories not to pay the  
4           dumping duties on them.  As long as it stays within  
5           NAFTA, you have to pay the duties.

6           COMMISSIONER PEARSON:  Okay.  And if we know  
7           from this record or what you can put on the record  
8           that there's enough export going on, so that we should  
9           incorporate it into an analysis of no discernible  
10          adverse impact, let me know.  Because, I mean, the  
11          situation is, if you have a firm in the United States  
12          where it was manufacturing pipe and was able to get to  
13          bring in pipe with antidumping -- or bring in plate  
14          with antidumping duties, manufacture pipe, and that  
15          export can get the duty drawback, you have a certain  
16          neutrality there in that operation and it could run  
17          somewhat independent on whether there was an  
18          antidumping duty.  And so, if you have a firm that's  
19          actually able to do that, then is there a discernible  
20          adverse impact issue here?  I mean, I think it gets  
21          twisted and turned around by that question and I  
22          haven't had a chance to sort it out.

23          MR. MONTALBINE:  Okay.  We'll look at that  
24          in the post-hearing brief.

25          MR. DELIE:  And for your information,

1 there's very little pipe that we ship out of North  
2 America at Berg. Most of our pipe goes into the North  
3 American market.

4 COMMISSIONER PEARSON: Okay.

5 MR. DELIE: It is very small pipe. I think  
6 we have a 600-ton order or 700-ton to Nigeria this  
7 year and that was about it.

8 COMMISSIONER PEARSON: Okay.

9 MR. DELIE: So, it's minor. The world pipe  
10 market is very, very competitive and very difficult  
11 for us to compete there with the transportation costs.

12 COMMISSIONER PEARSON: Okay. Then, that  
13 whole thing would be a non-issue. So, thank you for  
14 that clarification --

15 MR. DELIE: Yes. It will really would be  
16 very, very minor.

17 COMMISSIONER PEARSON: -- the export duty  
18 drawback. Mr. Cunningham, do you have anything to say  
19 about the Italians, in regard to duty drawback --  
20 excuse me, in regard to no discernible adverse impact?

21 MR. CUNNINGHAM: Let me address that in the  
22 post-hearing brief, because I just, frankly, haven't  
23 looked at the Italian situation enough. I just don't  
24 know the facts enough. I'll look at it and we'll  
25 comment on it in the post-hearing brief. I apologize



1 for not being prepared on that.

2 COMMISSIONER PEARSON: Okay, not a problem.  
3 Any other comments on this issue? Have I created  
4 enough confusion? A wise decision. Mr. Chairman, I  
5 have no further questions.

6 CHAIRMAN KOPLAN: Thank you, Commissioner.  
7 Does staff have questions of this panel, Mr. Corkran?

8 MR. CORKRAN: Douglas Corkran, Office of  
9 Investigations. Thank you, Mr. Chairman. Staff have  
10 no additional questions of this panel.

11 CHAIRMAN KOPLAN: Thank you. Mr. Salonen,  
12 before I release this panel, do those in support of  
13 continuation have any questions of the witnesses?

14 MR. SALONEN: We have no questions, Mr.  
15 Chairman, but we would request a five-minute recess to  
16 prepare our comments for rebuttal.

17 CHAIRMAN KOPLAN: Well, first let me release  
18 the panel and then we'll talk about how much time is  
19 left. I want to thank the witnesses for their direct  
20 presentation, for their answers to our questions this  
21 afternoon. And I release the panel.

22 (Panel released.)

23 CHAIRMAN KOPLAN: And we'll go to rebuttal  
24 and closing. While you all are packing up, those of  
25 you, who are with the witnesses, here's the time

1 situation. Those in support of continuation have 12  
2 minutes left from their direct and those in opposition  
3 to continuation have 19 minutes left from their direct  
4 presentation. So, you need five minutes to make a  
5 decision on that?

6 MR. SALONEN: No, simply to organize our  
7 notes. And I don't think we'll be using all 12  
8 minutes.

9 CHAIRMAN KOPLAN: All right, I'll go with  
10 the five-minute break.

11 MR. CUNNINGHAM: Mr. Chairman, could I just  
12 say, I regard having that much time left over on both  
13 sides as a triumph for this hearing.

14 CHAIRMAN KOPLAN: That's only -- that only  
15 remains to be seen when I understand how much time  
16 you're going to use, because at my last hearing, you  
17 won't believe how much time was used. So, I  
18 appreciate what you're saying. I'll see how this one  
19 turns out.

20 MR. CUNNINGHAM: Point well taken.

21 CHAIRMAN KOPLAN: Thank you.

22 (Whereupon, a brief recess was taken.)

23 CHAIRMAN KOPLAN: The moment we've all been  
24 waiting for. Those in support of continuation.

25 MR. SALONEN: If I may, I'll begin, Mr.

1 Chairman.

2 CHAIRMAN KOPLAN: Yes.

3 MR. SALONEN: Thank you. A few brief points  
4 and then I'll pass it along to Mr. Price and Mr.  
5 Kaplan. First, with respect to the question of  
6 whether there were shortages or tightnesses of supply  
7 of heat-treated product, I can here attest, after  
8 speaking with my client, that Burns Harbor currently  
9 have substantially unused heat-treat capacity that is  
10 available to meet any demand.

11 Second, with respect to the question of  
12 transportation costs, that it costs too much to ship  
13 product from France to the U.S., the original  
14 investigation, the cost of shipping was eight percent  
15 of the total cost of the delivered product. In 2004,  
16 it was five percent. So, transportation costs have  
17 actually declined.

18 With respect to the question of cumulation,  
19 first, it is not the case that France makes only  
20 specialty high-end products or that Italy makes only  
21 high-end products. These industries also make  
22 commodity products.

23 Second, with respect to the products such as  
24 X70, Korea makes it, Japan makes it. We heard earlier  
25 this afternoon that the Japanese aren't quoting. Of

1 course they're not quoting, because they have high  
2 dumping margins.

3 Finally, with respect to the question of the  
4 affects of consolidation on the industry's market  
5 power, from what we heard, it sounded as though this  
6 is the first time that the domestic steel industry has  
7 gone through any sort of consolidation or investment  
8 improvements and competitiveness. That, of course, is  
9 not true. We provided you with information in our  
10 post-hearing brief on the hot-rolled industry that  
11 showed how the domestic industry had invested tens of  
12 millions of dollars in the 1980s and early 1990s, had  
13 shipped tens of thousands of jobs, have closed and  
14 shuttered tons and tons and tons of capacity, so that  
15 in 1996, the Department of Commerce found the domestic  
16 industry well positioned to take advantage of what was  
17 projected to be an increase in demand in the market.  
18 We saw what happened in hot-rolled and we saw what  
19 happened in plate. If you remove these orders, that  
20 is exactly what will happen again. Thank you.

21 CHAIRMAN KOPLAN: Thank you.

22 MR. PRICE: Thank you. First, let me start  
23 with the Corus presentation and what wasn't presented.  
24 Nucor bought from Corus in July of 2004 the Tuscaloosa  
25 facility. It's a plate-making facility. It, also,

1 makes hot-rolled. It's fair to say that that facility  
2 was bought at a distressed sale price, far below  
3 replacement value, far below the value of the assets,  
4 particularly when you get -- when you net out the  
5 inventories that were actually sitting on the ground  
6 that Nucor acquired there.

7 Now, it tells you a lot about what Corus,  
8 who has testified before, what they really see the  
9 future of this market as. They saw this market as a  
10 healthy, attractive, vibrant market. They would not  
11 be selling a facility that was -- that probably has a  
12 replacement cost today of something in the order of a  
13 half-a-billion dollars for the pittance that they sold  
14 it for. We'll provide the full details on that. So,  
15 that tells you a lot about vulnerability. It tells  
16 you a lot about likelihood of recurrence of injury,  
17 because that's what they've assessed at the poor  
18 likelihood of returns based upon what they essentially  
19 gave that facility away for.

20 Secondly, after -- secondly, let me just  
21 touch on one other subject. We heard a lot of  
22 discussion about scrap prices and so forth. And I  
23 think that witness testimony from this morning was  
24 really mischaracterized by the Respondents this  
25 afternoon. What the testimony was, was that in 2004,

1 basically those raw material surcharges passed  
2 through. And in 2005, when you look at the nets, it  
3 didn't fully pass through, because there had to be  
4 compensation or discounts to the base price, because  
5 the market wasn't accepting those. As a result, as  
6 you move into the second-half of 2005, in particular,  
7 while there have been some scrap cost increases that  
8 are significant on the order of \$100 a ton, the actual  
9 nets being collected are significantly below that.  
10 And at least my client will provide you with those  
11 details. Thank you.

12 CHAIRMAN KOPLAN: Thank you. Mr. Kaplan?

13 MR. KAPLAN: Seth Kaplan of CRA  
14 International. I'll call your attention to page 3-26  
15 of the staff report, Table 315, and Tables 1 and 2 of  
16 Exhibit 1 of the Wiley Rein brief, which is the  
17 economic submission from CRA International. And this  
18 is in response to several comments made by Mr.  
19 Malashevich. The first point I wish to make is that  
20 these abysmal returns excluded some of the companies  
21 that performed poorly. I'd ask you to look at  
22 footnote three of the table from the staff report and  
23 also our footnotes. The industry lost money for five  
24 years before finally making some money. Their overall  
25 return on assets were abysmal. If he thought there

1 was survivor bias and that you should exclude bankrupt  
2 companies, my suspension is that five years from now,  
3 he would say, avoid the bankrupt companies and only  
4 look at the ones making money. But, I'll also call  
5 your attention to Table 2 of my report, where you can  
6 see on a company-by-company basis, the return on  
7 assets were very, very poor through 2000 to 2003 and  
8 over the 2000 to 2004 period. So, even on a company-  
9 by-company basis, even the strong companies did not do  
10 well.

11 The last point, he said there was a baseline  
12 that I used to make a comparison on a return on  
13 assets. The return on assets for the industry over  
14 this cycle, the Commission is supposed to look at the  
15 cycle from the statute, was one percent. That is so  
16 low that no matter what benchmark you used, from what  
17 industry, you could use a risk-free government bond  
18 and this industry did not make its return on assets.  
19 It did not make its cost of capital. So, that's  
20 really a distraction. The writing that you see in the  
21 report and the writing that you see in the -- in our  
22 submission speaks for itself. And to avoid this  
23 issue, you basically have to make up stories about  
24 losing years, not looking over the period of  
25 investigation, not looking at the industry as a whole.

1 And that concludes my comments. Thank you.

2 CHAIRMAN KOPLAN: Thank you, gentlemen.

3 Yes, Mr. Salonen?

4 MR. SALONEN: I'll just point out for the  
5 record, our green light is still on.

6 CHAIRMAN KOPLAN: Yes, I noticed that and I  
7 thank you -- I thank the three of you for that. We'll  
8 now move to the rebuttal. Mr. Montalbine?

9 MR. MONTALBINE: I would just like to make a  
10 few short comments. One comment was just what counsel  
11 for Petitioners now stated, that France, also,  
12 produces commodity grades. In the questionnaire, we  
13 fought to have a table included that broke out 2004  
14 production for all the U.S. mills and the foreign  
15 mills, to show exactly what they did produce in 2004.  
16 And if you compare those for the French mills and the  
17 U.S. mills, you'll see there is, even with total  
18 production, not just talking about imports, there is a  
19 very drastic difference, that most of the U.S.  
20 production is in the very first box, structural plate  
21 under one inch. And for French production, it was a  
22 very small amount and most of production was in line  
23 pipe and offshore products. So, France is different,  
24 even from their production.

25 But what is more important is what was



1 actually being imported into the United States before  
2 the orders went into place. And, you, the Commission,  
3 found that 99 percent of what was coming from France  
4 before the orders were specialty products. And that  
5 was during a time when we had the Asian financial  
6 crisis, so that was a distressed time. And that shows  
7 that France, even under the most distressed world  
8 conditions, still did not ship commodity grades to the  
9 United States and it was vastly different from the  
10 other countries. You heard that Japan can make X70.  
11 Korea can make X70. You look at their statistics and  
12 none of those countries ship more than 50 percent  
13 specialty products. All of those were under the 50  
14 percent margin of what they were shipping to the  
15 United States. So, I think that is a very important  
16 distinction.

17 I would now like to turn it over to Mr.  
18 Delie, to make a few last comments to the Commission.  
19 Thank you, very much.

20 CHAIRMAN KOPLAN: Thank you.

21 MR. DELIE: Thank you. And, basically, what  
22 I wanted to review and briefly go over is your  
23 question about what has changed, and that kind of hit  
24 me. And Mr. Montalbine said history. And, basically,  
25 what really tells me is we did not do a good job in

1 the first post-hearing to convince you what the  
2 differences are in the X70 and what the needs are for  
3 Berg Pipe, because I don't believe that very much has  
4 changed and the market continues to go on. And I  
5 don't -- I think that -- I was surprised the first  
6 time that France was included and the X70 wasn't  
7 excluded, as we had requested, and I think it's  
8 basically because we didn't do enough justice  
9 describing the differences in the marketplace, what's  
10 different with the pipe versus the regular steel  
11 market.

12 And I'd like just to go over that a little  
13 bit, trying to, in a few minutes. I'm an engineer,  
14 not a lawyer, so I'm not as good as some of the others  
15 at this. But, in our business, the X70, what we have,  
16 and the higher grades that are specialty, and the way  
17 the pipe business works, it's just like you said, you  
18 build the house. A customer comes to us and says,  
19 here it is; here's the project we want to do; here's  
20 the steel I need. And it's specific to that project.  
21 It's not a commodity X70. It's specific to his needs.  
22 We take that and go to our suppliers and the domestic  
23 suppliers I need, as well as the international ones.  
24 And they come back and say, here's what we can do;  
25 here's our technical comments, which, believe, me is

1 very technical. Our plate purchaser is a  
2 metallurgist, because there are so many technical  
3 comments that come back. It's not just a price. It's  
4 usually a price with a laundry list of exceptions and  
5 things that we haven't worked out with the customer.  
6 And we get these things. Then, we put our bid  
7 together and go after it.

8 Our companies -- the companies that we deal  
9 with are international companies. They're big  
10 companies: El Paso, Duke, Williams, BP, Exxon, Shell.  
11 So, a lot of these people are in the international  
12 business and they know the international prices of  
13 pipe. So, we have to look worldwide -- you know,  
14 we're competing worldwide. Our major competitors in  
15 the Untied States are from Canada, Brazil, Italy,  
16 Greece. So, it's not just a matter of whatever the  
17 price can be. We have to be competitive to get the  
18 business here.

19 The domestic suppliers, some of them work  
20 very well with us, IPSCO. But, they are limitations.  
21 There are limitations at great width combinations.  
22 There are limitations on the width. There are  
23 limitations on the chemistries these guys can do.  
24 When they can't meet these chemistries, we have to go  
25 internationally, and that's what we do. It's much

1 better for us to ship from Mobile than it is from  
2 France or from Germany. And that's where we are right  
3 now. It's a very difficult business and we'd like to  
4 produce all the pipe and we see a big demand in the  
5 U.S. and we'd like to supply that from internally as  
6 much as possible.

7 I mentioned the Alaskan pipeline. That is  
8 the size of 48-inch wide by one inch, probably X80.  
9 And it could be a 52 inch. If it's 52, there's nobody  
10 in the United States that can go that wide. If it's  
11 48, Mittal can, but can they make the X80 at one inch.  
12 It's very difficult to get that grade as you go  
13 thicker. Every mill has its different limitations.

14 So, it's a very complex part of our business  
15 and we try to buy domestically as much as we can. We  
16 get supply. Our business volumes go either all or  
17 none. We're very cyclable, not like the steel  
18 industry. We've been on one shift for a couple of  
19 years. We need to be on two to three shifts to really  
20 be profitable and get our return on our investment.  
21 And to get that, we need volumes and we have to use  
22 multiple mills. And sometimes, if the mills in the  
23 United States can't produce enough, we have to  
24 supplement them from foreign sources. So, what I'm  
25 looking for is as many foreign source mills that I can

1 go to, not knowing which ones will be able to give me  
2 that supply.

3           If you look in the U.S. recently in the last  
4 several years, Nucor, when business picked up, they  
5 reduced the volume for us to almost to nothing --  
6 actually to nothing. For a year, there were no  
7 quotas. They just recently came back. Mittal, when  
8 they were doing, was almost nothing all last year,  
9 mostly at all, until recently. Now, they're starting  
10 to quote a little bit. You know, IPSCO has been there  
11 for us all along. They've done a good job, but they,  
12 also, have limited quantities that they can produce.  
13 They cannot produce enough for me to go on a two-shift  
14 or a three-shift operation with them. Oregon Steel,  
15 absolutely nothing. They don't -- it's a  
16 transportation issue, but it's also they don't want to  
17 give me a price, because I'm competing with them on  
18 the same projects. And if they give me their price,  
19 that's the same price that they're going to take over  
20 to their Camos mill in Canada. They don't want me to  
21 compete with them.

22           Berg is one of the most efficient. We're a  
23 mini-mill. We have a small facility. We produce more  
24 pipe per square foot than anybody in the world. We  
25 have one of the best work forces. We've been in

1 business probably the longest of any pipe company in  
2 the United States, 25 years. If you look at the pipe  
3 companies that were in business 25 years ago, it was  
4 U.S. Steel, Bethlehem, they're all gone, Kaiser Steel.  
5 These guys are all gone. So, we are a good mill. We  
6 need supply. We work very close with the domestic  
7 suppliers. We want to continue that relationship. I  
8 don't want to go foreign. But, I do need them at  
9 times. I do need them. I did need them with the  
10 201s. We got a mill -- we got an order in the Gulf of  
11 Mexico, Mardi Gras for BP that we could not have  
12 gotten domestically. We got that plate from Germany.

13 And that's all I wanted to say. Like I  
14 said, we did not do a good job earlier. And if  
15 there's anything else I can help you with, to try to  
16 understand our business real quickly, I'll be glad to  
17 try to do it. Thank you.

18 COMMISSIONER KOPLAN: Thank you, very much.  
19 I want to complement both sides on the quality of  
20 their rebuttal presentations. We'll now go to closing  
21 remarks. Mr. Salonen?

22 MR. SALONEN: Chairman Koplan,  
23 Commissioners, on behalf of the parties appearing  
24 today in support of continuation of the orders, we  
25 want to thank you for your patience and close

1 attention during what has been a very long hearing.  
2 We, also, want to convey our appreciation to the staff  
3 for their hard work in this important five-year  
4 review.

5 Those, who support continuation of the  
6 orders point to the following facts. First, during  
7 the period of review, the industry incurred losses  
8 until 2004 and the first-half of 2005 and, overall,  
9 came nowhere close to attaining a return sufficient to  
10 cover the cost of capital, resulting in very depressed  
11 capital expenditures and R&D.

12 Second, global demand surged in recent  
13 years, led by China, resulting in tightness in the  
14 market for raw materials, and the return to profitable  
15 pricing in much of the world in 2004. While strong  
16 prices continued into 2005, massive capacity additions  
17 in China and many other foreign countries, including  
18 those under review, have made to a rapidly growing  
19 excess capacity for plate around the world.

20 Third, since 2003, China has shifted from a  
21 major net importer of plate to a major net exporter  
22 with a difference in volume absorbed by China roughly  
23 equaling total current U.S. consumption. A  
24 significant part of the freed-up foreign capacity, the  
25 longs of the producers in the countries subject to

1 this review, are looking for a new home for that  
2 volume. But for the antidumping duty and  
3 countervailing duty orders, there is little doubt, the  
4 significant part of that volume will be directed at  
5 the U.S. market, both because of the size of our  
6 market and the fact that prices in the U.S. remain  
7 significantly above prices elsewhere, as reviewed in  
8 the staff report.

9 Market conditions in the U.S. are  
10 characterized by dramatically higher cost of  
11 production, reflecting the rapid increase in key raw  
12 materials and energy, costs which are not projected to  
13 come down in the reasonably foreseeable future. At  
14 the same time, even with the orders in place, market  
15 prices have been falling the last six months by \$100  
16 to as much as \$150 per ton in the U.S., and have  
17 collapsed by at least twice that in China, a country  
18 with no current trade remedies in place. Prices are  
19 projected to decline further in the rest of 2005 and  
20 2006. Higher costs and falling prices indicate that  
21 the industry will be experiencing tightening profit  
22 margins and various domestic witnesses testified to  
23 that effect today.

24 So, the Commission has a case where there is  
25 a long history of waves of unfairly trade imports



1 hammering the U.S. market, whenever global supply  
2 significantly exceeds global demand. The market in  
3 2005, characterized by rapidly growing global excess  
4 capacity, a higher cost structure because of the shift  
5 in raw material and energy costs, and an already  
6 rapidly eroding pricing structure, in such a  
7 circumstance, revocation of the orders will certainly  
8 result in the recurrence of material injury in the  
9 reasonably foreseeable future. The orders protect  
10 U.S. producers from that fate. Under the statute, the  
11 Commission should determine to maintain the orders.  
12 Thank you.

13 CHAIRMAN KOPLAN: Thank you, Mr. Salonen.  
14 Mr. Montalbine?

15 MR. MONTALBINE: I would like to thank the  
16 Commission for your attention today, for listening to  
17 the witnesses, and for the questions, and I hope that  
18 we have answered your questions and presented the  
19 information that you need to make your decision.

20 One element of today's hearing that I found  
21 very helpful was the presentation by the service  
22 center representatives. I think they added a really  
23 down-to-earth view of what happens downstream. We  
24 talk a lot about this level with the steel production,  
25 but what's happening in the customer industries?

1       What's happening with the purchasers? And to  
2       Commissioner Pearson's question about the fall in  
3       consumption, we heard the service centers talk about  
4       bankruptcies in the area and talk about major  
5       companies moving offshore. And I think that that is  
6       the exact dilemma that companies like Berg Steel find  
7       themselves in, that they're being pinched. There are  
8       orders that restrict the amount of steel that they can  
9       get; yet, they're not orders restricting the amount of  
10      pipe that can come into the United States, the large  
11      diameter pipe that competes with them. And we see  
12      mills like IPSCO and Oregon Steel that do produce the  
13      plate, but they have their own offshore production of  
14      the pipe in Canada. It's a very difficult situation  
15      for people like Berg.

16                 And it shouldn't have to be a either or  
17      solution, that we have -- we heard there are 400 jobs  
18      that Nucor has in North Carolina. There are  
19      approximately 400 jobs that Berg Steel has in Florida.  
20      And you shouldn't have to trade jobs in North Carolina  
21      for jobs in Florida. The best solution would be to  
22      find a way that the jobs in both places could be  
23      protected. And I would submit that the best way in  
24      this case would be to allow the antidumping duty order  
25      against France to expire. France historically has

1 shown themselves to be very reasonable suppliers to  
2 the U.S. market. They didn't take advantage of the  
3 Asian financial crisis. They shipped special quality  
4 products and they basically shipped all to or a major  
5 amount of that to Berg Steel. And allowing this order  
6 to expire will not jeopardize any jobs in North  
7 Carolina; but, it will help those jobs in Panama City,  
8 Florida, at Berg Steel.

9           And that would be the best solution and  
10 luckily, the Commission can reach that decision, which  
11 they couldn't reach in an investigation. You now have  
12 the discretion to fine tune things. And you've seen  
13 the experience over the last five years and now you  
14 can fine tune the relief, to give relief to both  
15 groups, the steel mills and the purchasing industry.  
16 Thank you, very much.

17           CHAIRMAN KOPLAN: Thank you, very much. I  
18 want to thank both sides for the nature of their  
19 presentations, their answers to our questions, and  
20 look forward to your post-hearing submissions, as  
21 well. Also, I want to thank Mr. Corkran on the staff,  
22 who assisted us in preparing for these reviews today.  
23 Thank you, very much.

24           Post-hearing briefs, statements responsive  
25 to questions, and requests of the Commission, and

1 corrections to the transcript must be filed by October  
2 6, 2005; closing of the record and final release of  
3 data to parties by October 28, 2005; and final  
4 comments by November 1, 2005. And with that, this  
5 hearing is concluded.

6 (Whereupon, at 5:36 p.m., the hearing in the  
7 above-entitled matter was concluded.)

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**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Cut-to-Length Carbon-Quality Steel Pipe  
**INVESTIGATION NO.:** 701-TA-388-391  
**HEARING DATE:** September 27, 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: September 27, 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: Christina Chesley  
Signature of Court Reporter