

THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation Nos.:
 CUT-TO-LENGTH CARBON-QUALITY) 701-TA-388-391 and
 STEEL PLATE FROM INDIA,) 731-TA-817-821
 INDONESIA, ITALY, JAPAN,) (Second Review)
 AND KOREA)

Wednesday,
 October 19, 2011

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

The hearing commenced, pursuant to notice, at
 10:05 a.m., before the Commissioners of the United States
 International Trade Commission, the Honorable IRVING A.
 WILLIAMSON, Vice Chairman, presiding.

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P R O C E E D I N G S

(10:05 a.m.)

1
2
3 VICE CHAIRMAN WILLIAMSON: Good morning. On
4 behalf of the U.S. International Trade Commission, I
5 welcome you to this hearing on Investigation Nos.
6 701-TA-389-391 (sic) and 731-TA-817-821 (Second
7 Review) involving Cut-to-Length Carbon-Quality Steel
8 Plate From India, Indonesia, Italy, Japan, and Korea.

9 The purpose of these five-year review
10 investigations is to determine whether the revocation
11 of the countervailing duty orders of cut-to-length
12 carbon-quality steel plate from India, Indonesia,
13 Italy, and Korea and/or the antidumping orders on
14 cut-to-length carbon-quality steel plate from India,
15 Indonesia, Italy, Japan, and Korea will be likely to
16 lead to a continuation or recurrence of material
17 injury to an industry in the United States within a
18 reasonably foreseeable period of time.

19 Schedules setting forth the presentation of
20 this hearing, notices of investigation and transcript
21 order forms are available at the public distribution
22 table. All prepared testimony should be given to the
23 Secretary. Please do not place testimony directly on
24 the public distribution table.

25 All witnesses must be sworn in by the

1 Secretary before presenting testimony. I understand
2 that parties are aware of the time allocations. Any
3 questions regarding the time allocations should be
4 directed to the Secretary.

5 Speakers are reminded not to refer in their
6 remarks or answers to questions to business
7 proprietary information. Please speak clearly into
8 the microphone and state your name for the record for
9 the benefit of the court reporter.

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

14 Mr. Secretary, are there any preliminary
15 matters?

16 MR. BISHOP: Yes, Mr. Chairman. With your
17 permission, we will add Michael D. Siegal, Chairman
18 and CEO of Olympic Steel, and Christopher B. Weld of
19 Wiley Rein to the witness list today.

20 VICE CHAIRMAN WILLIAMSON: Okay. Any
21 objection?

22 (No response.)

23 VICE CHAIRMAN WILLIAMSON: Okay. Very well.
24 Let's begin with the opening remarks.

25 MR. BISHOP: Opening remarks on behalf of

1 those in support of continuation of the orders will be
2 by Roger B. Schagrín, Schagrín Associates.

3 VICE CHAIRMAN WILLIAMSON: Welcome, Mr.
4 Schagrín.

5 MR. SCHAGRIN: Thank you. Good morning,
6 Vice Chairman Williamson and members of the
7 Commission.

8 These plate sunset reviews occur at a
9 particularly perilous time for the U.S. plate
10 industry. I don't have it in me to be quite as
11 pessimistic about the U.S. economy as Professor
12 Morici. In fact, I'm more optimistic than most about
13 our future economic outlook. But I do know enough
14 about the flat-rolled steel industry to be very
15 pessimistic about the U.S. plate market in the
16 reasonably foreseeable timeframe.

17 First, U.S. economic growth, such as it
18 happens to be, is concentrated in consumer product
19 markets such as autos that do not drive plate demand.
20 Nonresidential construction is dismal in its most
21 extended downturn in decades. Other plate demand
22 drivers such as wind towers, barges and railcars are
23 softening.

24 Second, based on the SIMA data released by
25 the Department of Commerce, third quarter

1 cut-to-length plate imports skyrocketed to an average
2 of 103,000 metric tons a month, more than 50 percent
3 above the average monthly import volumes of the first
4 half of 2011. All independent commentators agree that
5 this big import surge has contributed to the
6 significant price declines for the domestic plate
7 industry. The result has been that declining prices,
8 but constant costs, have wiped out the first half
9 profit margins for the industry.

10 This industry is very vulnerable with profit
11 margins over the past two and a half years at only 3
12 percent. That is less than half of this industry's
13 cost of capital. After taking interest expenses into
14 account, the industry lost \$200 million over this time
15 period.

16 There are significant unutilized capacity in
17 the domestic industry, which is why imports are buying
18 their way into the U.S. market with lower prices and
19 why domestic mills are fighting back by lowering their
20 prices to maintain volume.

21 Now let's turn to the subject countries.
22 There can be no doubt that each of the subject
23 countries individually and the cumulative group of
24 countries have substantial excess capacity to increase
25 exports to the U.S. market and that they will do so at

1 prices which undersell the domestic industry.

2 For the four Asian countries, shipbuilding
3 and construction in Asia are the major demand drivers
4 for their plate. The shipbuilding industry in Asia is
5 heading into a cyclical trough without new orders.
6 Shipbuilding is going to fall off a cliff in the next
7 18 to 24 months. Construction bubbles are bursting in
8 China and the Middle East, further dampening demand
9 for plate.

10 This is occurring just at a time when new
11 plate mills in Asia in the subject countries are
12 coming on line, plate mills that were planned several
13 years ago when companies mistakenly believed that the
14 shipbuilding and construction boom in Asia would last
15 forever.

16 The Italian producer here represents only a
17 small part of the Italian industry, and it is doubtful
18 they are representative of that industry. Italy is
19 suffering from political and financial turmoil beyond
20 what could have been imagined just several months ago,
21 and the Euro zone is either in a recession or headed
22 into a recession.

23 The Japanese and their counsel want the
24 Commission believe that this Plate sunset review is
25 just like the Hot-Rolled sunset review of several

1 months ago all over again. For the reasons that we
2 will explain further during the hearing, there are
3 many more differences between the Plate sunset review
4 as to Japan as there are similarities with the
5 Hot-Rolled sunset review.

6 The question often asked of counsel and the
7 domestic industry involving older orders by the
8 Commission is okay, Schagrin, if we can't sunset these
9 orders now then when in the future can we sunset these
10 orders? The answer is simple. Not during a jobs
11 crisis in the United States with an industry suffering
12 from severely underutilized capacity.

13 American government officials should not
14 tell American workers that they must lose their jobs
15 or reduce their income by allowing unfairly traded
16 imports back in the U.S. market. I urge you not to do
17 so. Our country cannot afford further job losses to
18 unfair trade at this time. Please continue these
19 orders. Thank you.

20 MR. BISHOP: Opening remarks on behalf of
21 those in opposition to continuation of the orders will
22 be by Donald Harrison, Gibson, Dunn & Crutcher.

23 MR. HARRISON: Good morning, Madam Chairman,
24 Commissioners and Commission staff. My name is Donald
25 Harrison of the law firm of Gibson, Dunn & Crutcher.

1 We are counsel to the Japanese mills.

2 I certainly appreciate the opportunity to
3 provide a brief opening summary of the arguments to be
4 made later today in support of the revocation of these
5 antidumping orders. Before providing these brief
6 summaries, however, I would like to emphasize two
7 types of important changes that have taken place since
8 the Commission's original determinations in these
9 cases that were made more than 12 years ago and indeed
10 since the Commission's first administrative review
11 determination in 2005.

12 The first type of change involves the
13 dramatic restructuring of the domestic industry. As
14 the Commission recognized in its 2007 decision
15 involving Cut-to-Length Plate, there has been a
16 fundamental rationalization and consolidation in the
17 industry and very significant acquisitions by major
18 foreign steel producers. The results of these changes
19 are seen in the current review, both in the domestic
20 industry's ability to generate very substantial
21 operating profits through 2008 and in its quick
22 recovery from the recession that occurred in 2008 to
23 2009.

24 Indeed, the staff report -- we want to
25 emphasize the information in the staff report -- shows

1 that the industry's operating profit ratios averaged
2 above 20 percent in each year from 2004 through 2008,
3 and it recovered to over 10 percent in the first half
4 of this year. These and other data in the staff
5 report are simply inconsistent with the claims by the
6 domestic producers that they are vulnerable to
7 material injury.

8 There is a second type of fundamental change
9 that's very important and that's occurred in the
10 global markets for cut-to-length plate. When these
11 petitions were filed in February 1999, the Asian
12 economic crisis was upon us with the major Asian
13 economy slumping dramatically and the U.S. economy
14 remaining strong, resulting in the import flows that
15 you saw in that case. Since 2000, however, there have
16 been very dramatic and pronounced shifts in global
17 development and demand for cut-to-length plate, and
18 this demand is now concentrated in China and other
19 Asian markets.

20 Let me now briefly review the testimony that
21 you will hear later today on behalf of the Respondent
22 Japanese, Italian and Korean mills. A Japanese
23 representative will explain how their cut-to-length
24 plate sales have been and will be focused almost
25 exclusively on serving expanding markets in Asia and

1 Japan, a strategy that has allowed these Japanese
2 producers to recover from the global recession that
3 occurred in 2008 and 2009 and operate at near full
4 capacity for the first six months of this year.

5 This focus has included shipments both to
6 major Asian shipbuilding customers, and we'll hear
7 more about that today, and to Asian customers in
8 expanding energy-related industries that are projected
9 to grow substantially, given the expanding energy
10 consumption in Asia.

11 Consistent with the focus of the Japanese
12 producers on these Asian markets, the imports that
13 have occurred during this review period have been very
14 little, if any, and if the order were revoked the
15 Japanese products of cut-to-length plate exports to
16 the United States will not increase substantially, if
17 at all, and they would be limited to very narrow
18 categories of plate.

19 This conclusion, this demonstration that
20 we'll make later today, is fully consistent with the
21 results following the Commission's decisions both in
22 the Hot-Rolled case earlier this year, as well as the
23 case involving Corrosion-Resistant Steel in 2006.

24 You will also hear testimony on the
25 compelling reasons for the Commission not to cumulate

1 imports from Italy with other subject imports in this
2 review. Italy is part of the 27 member European
3 Union, which embraces more than 500 million people and
4 had a GDP exceeding \$16 trillion in 2010. The Italian
5 plate industry sells the vast majority of its output
6 into the EU single market, and almost all of the
7 remainder goes to customers elsewhere in Europe and
8 the nearby Mediterranean region.

9 Consequently, shipments of Italian plate to
10 the United States have been virtually nonexistent
11 during the POR, and the average unit values of the few
12 imports where the price is significantly above the
13 AUVs for U.S. producers. Revocation of the orders on
14 Italy is not likely to have an adverse impact on the
15 domestic industry or lead to the continuation or
16 recurrence of material injury.

17 Finally, you will hear why the Korean
18 circumstances also require revocation. The Korean
19 producer Dongkuk's counsel will explain that its
20 exports accounted for almost all the imports from
21 Korea over the past five years and that an analysis of
22 the U.S. financial and pricing data shows that
23 Dongkuk's exports had no discernable adverse impact on
24 the U.S. industry even when they were at their highest
25 levels.

1 Further, the Korean producer POSCO has never
2 been subject to the Cut-to-Length Plate orders, and
3 Dongkuk's counsel will explain that POSCO's exports to
4 the U.S. must have been minimal. Nucor's prehearing
5 brief states that, and I quote, "POSCO's exports to
6 the U.S. market are indicative of how subject
7 producers would behave absent the orders." POSCO's
8 counsel will likely agree.

9 POSCO and Dongkuk have been focused on
10 opportunities in Korea and other Asian markets, not
11 the U.S.

12 VICE CHAIRMAN WILLIAMSON: Mr. Harrison, can
13 you kind of wrap up?

14 MR. HARRISON: Yes. There's no reason to
15 expect that focus to change, especially given that
16 POSCO has not exported substantial quantities
17 notwithstanding its exclusion from the order.

18 We appreciate the Commission's attention to
19 these remarks and urge the Commission to conclude that
20 the antidumping orders involving the foreign mills
21 here should be revoked. Thank you.

22 VICE CHAIRMAN WILLIAMSON: Thank you.

23 MR. BISHOP: Will the first panel, those in
24 support of continuation of the antidumping and
25 countervailing duty orders, please come forward and be

1 seated?

2 Mr. Chairman, all witnesses have been sworn.

3 (Witnesses sworn.)

4 VICE CHAIRMAN WILLIAMSON: Okay. Before we
5 begin, I would like to express my appreciation to all
6 the witnesses for coming to present their testimony
7 this morning. Mr. Schagrin, you can begin.

8 MR. BLUME: Good morning. I'm Rick Blume,
9 General Manager, Commercial, Nucor Steelmaking Group.
10 I'm responsible for all of the sales with the
11 steelmaking products for Nucor. I had the privilege
12 of appearing before the Commission two years ago to
13 discuss the cut-to-length plate industry. I welcome
14 this opportunity to testify again as to why these
15 orders are critical to Nucor and to other U.S. plate
16 producers.

17 This morning I would like to explain why the
18 U.S. plate industry is vulnerable to imports from
19 countries under review. First, we are still
20 struggling to recover from the abysmal financial
21 performance of 2009 and 2010. The plate industry
22 performed far worse than other industries during these
23 years. By any logical benchmark, this performance
24 demonstrates our vulnerability to dumped and
25 subsidized imports.

1 While there were some improvements in the
2 first half of 2011, the domestic industry remains in a
3 weakened condition as a result of the economic crisis.
4 The second factor is the global economic uncertainty
5 that has engulfed the U.S. and world economies.
6 According to many indicators, a double dip recession
7 is more probable than not. This uncertainty is
8 already affecting the steel industry, including plate.

9 Reduced demand levels are being hit once
10 again. Confidence is low, and fewer projects are
11 being started. At best, the global uncertainty will
12 result in continued reduced demand for plate. At
13 worst, but still very possible, is another recession
14 and another collapse in the plate market.

15 The third factor is the recent deterioration
16 of the plate market caused in part by a recent surge
17 in plate imports, including from Korea. Plate imports
18 surged at the end of the third quarter and continue to
19 come. As a result, plate prices have dropped \$100 per
20 ton in the past five months, falling \$50 in September
21 and continuing to drop in the first two weeks of
22 October.

23 At the same time, our scrap and other input
24 costs have remained high. In addition, our order
25 books and backlogs are weakening. Unfortunately, I

1 expect further slowdowns until the end of the year,
2 and I am increasingly concerned about 2012.

3 Given the dangerous position of the domestic
4 industry, there is no doubt that even a small quantity
5 of dumped and subsidized imports from the five
6 countries under review would cause serious harm to the
7 industry. I also have no doubt that these unfairly
8 traded imports will return to the U.S. market if the
9 orders are terminated.

10 Subject producers continue to ramp up
11 production and add capacity. In 2010, subject
12 countries had more than seven million tons in excess
13 capacity with millions more in new capacity coming on
14 line in the next few years. Even a fraction of this
15 amount would quickly collapse the U.S. market.

16 The entire Indian and Indonesian industries,
17 along with virtually the entire Italian industry, have
18 elected not to participate in this review. If they
19 were here, they would have to admit that India is
20 adding massive steelmaking capacity and is projected
21 to have several million tons of excess plate capacity
22 this year. In fact, India may replace China as the
23 largest steel exporter within the next several years.
24 That's a very troubling prospect.

25 Indonesian and Italian producers continue to

1 increase production and add new capacity, despite low
2 demand for plate. Italy is a net exporter of plate
3 and, given the collapsing European and Middle Eastern
4 markets, will be looking for other markets to offload
5 its excess of supply.

6 Most of the subject Korean industry has also
7 concluded that cooperation with the Commission would
8 undermine their case for revocation. Korea, like
9 India, is undertaking a massive capacity build.
10 Korean producers have consistently disrupted plate
11 markets around the world, and they are currently
12 targeting the U.S. with increasing volumes of both
13 cut-to-length plate and nonsubject coiled plate. This
14 is demonstrated by Exhibit A to my testimony.

15 This explosion in coiled plate imports is a
16 result of Korea's massive capacity build, as well as
17 increased competition with the enormous and modern
18 Chinese plate industry in Asia and the Middle East.
19 If the orders are revoked, even larger volumes of
20 dumped Korean cut-to-length plate will enter the U.S.
21 In fact, SBB reported just yesterday that Korean plate
22 producers are ramping up exports to compensate for
23 depressed market conditions at home.

24 While the Japanese producers are well
25 represented here, the facts are just as damning to

1 their case. For years, Japan has produced plate far
2 in excess of demand with more than 16 million tons of
3 oversupply for 2005 to 2010. In the next three years,
4 Japanese plate production is expected to exceed
5 consumption by more than 10 million tons. These are
6 massive amounts of oversupply, the result of the old,
7 disrupted Bethlehem model, Bethlehem Steel model,
8 where running blast furnaces at full tilt 100 percent
9 of the time.

10 The Japanese producers will tell you today
11 that they have no interest in the U.S. market and that
12 even if they did the freight costs are prohibitive.
13 They will also tell you that they only export high
14 end, specialty products. This is nonsense. Japan's
15 production model was based on exporting, and they sell
16 basic commodity plate to markets throughout the world.

17 There's a reason why CRU has the Japanese
18 export price at more than \$300 below -- below -- U.S.
19 prices. It's because Japan continues to ship large
20 quantities of low-value product to markets around the
21 world, the same product that will shift to the higher
22 priced U.S. market if the orders are revoked. The
23 Japanese will not forego the opportunity for profit,
24 and the higher the prices the Japanese can get in the
25 U.S. market far outweigh freight costs. This is

1 demonstrated by Exhibit B in my testimony.

2 I would also note that plate is a very
3 different product from thin sheet. Plate is even more
4 of a commodity product and has less vertically
5 integrated supply chain. Foreign producers have if
6 any investments here in the U.S., they have few. That
7 means everyone is competing on the basis of price, and
8 there are few long-term relationships that could serve
9 as a disincentive for the foreign producers to ship
10 tons here.

11 Given the massive excess capacity and export
12 orientation, there can be little doubt that producers
13 from these five countries will again target the U.S.
14 market with massive volumes of dumped product if the
15 orders are revoked. They have done so before.
16 They'll do it again if given the opportunity.

17 A renewed surge of subject imports will
18 quickly cause material injury. Even small volumes of
19 dumped subject imports will accelerate the current
20 price decline and collapse an already weakening order
21 book, affecting our production, sales and profits.
22 This will also affect our workers, as you will hear
23 later from a Nucor production team member. At a time
24 of high unemployment, a decline in hours worked and
25 employee income due to dumped and subsidized imports

1 is bad for our country. Preserving good paying jobs
2 should be the highest priority.

3 On behalf of Nucor, our workers and their
4 families, I urge the Commission to leave the orders
5 for all five countries in place. Thank you for your
6 time. I would be happy to answer any of your
7 questions.

8 MR. MOSKALUK: Good morning, Chairman Okun,
9 Vice Chairman Williamson and members of the
10 Commission. I'm Jeffrey Moskaluk. I'm Vice President
11 and Chief Commercial Officer of SSAB Americas
12 Division. I'm joined by Glenn Gilmore, our Manager of
13 International Trade.

14 I've been in the steel industry for 27
15 years, and most of that time I've been involved in
16 plate products. Prior to my appointment as Chief
17 Commercial Officer in September of 2011, I had been in
18 charge of our company's Montpelier plate mill.

19 After SSAB's sales of the company's North
20 American pipe and tube operations to Evraz and TMK and
21 of our Canadian steel mill to Evraz in April of 2008,
22 SSAB Americas Division has four U.S. facilities
23 producing plate and one cut-to-length line in Ontario,
24 Canada. We have two greenfield electric furnace mini
25 mills located in Montpelier, Iowa, and Mobile,

1 Alabama, and two cut-to-length facilities located in
2 Minneapolis, Minnesota, and Houston, Texas.

3 We believe we are the largest producer of
4 cut-to-length plate in the United States, and for SSAB
5 Americas Division cut-to-length plate represents over
6 71 percent of our total sales. We are a plate
7 company, and therefore the outcome of these sunset
8 reviews before the Commission today is absolutely
9 essential to the future success or failure of SSAB
10 Americas and our 1,200 employees.

11 We believe that each of our facilities is
12 state-of-the-art and a world leader in terms of both
13 product quality and cost. Even after having invested
14 over \$2 billion in our four U.S. facilities, we
15 continue to invest to stay competitive. We are in the
16 midst of an over \$100 million investment to more than
17 double our heat treating capacity at the Mobile plant.

18 Along with our parent company, we have
19 significant R&D investments on an ongoing basis,
20 including active R&D work with major customers such as
21 Caterpillar, John Deere & Company and with wind tower
22 manufacturers. However, no matter how much we invest
23 to try to focus more of our plate sales at the higher
24 end of the market, well over half of our sales
25 continue to be in some of the most common commodity

1 grades, such as A-36 plate.

2 Now let me give you a sense of U.S. market
3 conditions. You don't need me to tell you how fragile
4 the U.S. economic recovery has been since we exited
5 the worst recession in the past 60 years, and no one
6 really knows whether the next move in the U.S. economy
7 will be forward or backwards into another recession.

8 For plate markets, the construction market
9 is the worst I've seen during my entire career.
10 Fortunately, farm equipment has been strong due to
11 high farm commodity prices, and railcar and barge
12 building demand has been good. Energy demand for
13 plate products in terms of both rig building and
14 offshore platform building has also been good.

15 Wind tower demand has been disappointing,
16 given very high wind tower imports, the end of
17 government incentives and low natural gas prices, so
18 overall I would characterize the current demand
19 picture as decent, but certainly not very good. 2010
20 plate consumption was 25 percent below 2008 levels,
21 and 2011 full year consumption is likely to be
22 increased by just single digits over 2010 and well
23 below prerecession levels. A strong first half start
24 to 2011 has stalled into a much slower second half.

25 Publicly available information from sources

1 such as American Metal Market and Steel Benchmark
2 are reporting over \$100 per ton price declines in
3 cut-to-length plate prices in the United States in the
4 third quarter of 2011. For antitrust reasons, I will
5 not discuss our plate pricing publicly.

6 Similarly, publicly available information
7 showed that there was virtually no change in major
8 steel mill cost inputs in the third quarter, which for
9 our company is primarily scrap, energy and alloys.
10 This would mean that the \$100 per ton decline came
11 directly out of our operating profits.

12 Since SSAB is a worldwide leader in plate
13 products, we have good knowledge of international
14 markets. Unlike the U.S. market, the Asian plate
15 market has always been much more dependent on
16 shipbuilding, with countries such as Korea and China
17 leading the world in shipbuilding. Shipbuilding is
18 going through the cyclical downturn of significant
19 proportions, which will reduce demand for shipbuilding
20 plate just as new shipbuilding plate capacity has been
21 coming onstream in China, Korea and Indonesia.

22 We believe there is significant plate
23 overcapacity in Asia, which includes Korea, Japan,
24 India and Indonesia. This is why Asian plate prices
25 are lower than prices in the United States. The Euro

1 zone economy is also very poor, particularly in Italy
2 and the southern tier of Europe countries, which we
3 believe would make an Italian industry want to export
4 their excess capacity to the U.S.

5 I've experienced many cycles in terms of
6 both demand and import surges during my career. In
7 2009, we suffered a dramatic decline in demand. We
8 did not lay off workers, but cut back their hours, and
9 most of our employees made only half of their normal
10 income. From 1997 through 2001, we suffered from
11 import surges, which led to poor results and harmed
12 our workers even during a period of strong demand.

13 I am here today because I have no doubt that
14 excess supply from the five countries subject to this
15 review will increase if you sunset these orders.
16 These increased imports during a period of weak demand
17 will certainly lead to less domestic production and
18 fewer hours and wages for SSAB's employees. Given the
19 fragility of the marketplace, it could also lead to a
20 tremendous drop in domestic prices, leading to losses
21 for SSAB and the rest of the industry.

22 Losing money in turn affects our ability to
23 reinvest in our state-of-the-art mills and maintain
24 future competitiveness and provide our employees with
25 good jobs and good income. For these reasons, I ask

1 you to make an affirmative determination. Thank you.

2 MR. BIEGALSKI: Good morning. I am Jack
3 Biegalski, the Director of Plates, Product Control,
4 Sales and Marketing, for ArcelorMittal USA. I oversee
5 sales of cut-to-length plate and provide strategic
6 direction for marketing and pricing. I've been
7 involved with sales and marketing of carbon flat
8 products for over 25 years.

9 I am accompanied today by Jeffrey Unruh, the
10 Product Manager for Plates at ArcelorMittal USA. We
11 appreciate the opportunity to appear before you today
12 to explain why continuation of these orders is very
13 important to my company and to our industry.

14 The orders against the five countries under
15 review have been critical in restoring fair pricing to
16 our market. Even with the orders in place, however,
17 the past few years have been challenging ones for all
18 of us. The great recession in late 2008 and 2009
19 caused demand for plate to plummet to a record low
20 point and caused our industry's healthy profits to
21 quickly revert to operating losses.

22 My company was forced to close both its
23 Gary, Indiana, plate facility and its 110 inch plate
24 mill at Burns Harbor. Other facilities suffered
25 reduced shift schedules and operated at very low

1 capacity utilization rates. Although demand improved
2 somewhat in 2010, it remained well below normal
3 levels, and profitability remained depressed. Our
4 pricing and profits would have been even worse,
5 however, had these orders not been in place.

6 At the beginning of 2011, it looked as if
7 there was cause for optimism in our market. Demand
8 and prices improved to more realistic levels. As a
9 result, we restarted our Burns Harbor 110 inch mill in
10 May and rehired steelworkers there for the first time
11 since 2008. Unfortunately, we have already had to
12 transfer some of the workers we had hired to
13 manufacture cut plate at Burns Harbor to other
14 operations.

15 As is true of the economy overall, our
16 recovery in the plate market is now stalling. We are
17 no longer projecting that the improvement experienced
18 in early 2011 will continue and instead are seeing
19 increased reasons for concern in our U.S. plate
20 market. In fact, sitting here today demand is more
21 than 20 percent lower than we expected just 45 days
22 ago, and our order backlog has been significantly
23 reduced. Imports are increasing in volume in recent
24 months as global overcapacity intensifies, while the
25 prices being offered continue to drop.

1 At the same time, costs are increasing and
2 average industry raw material costs have been higher
3 in 2011 than at any other period. With costs
4 remaining high, every time the price drops it comes
5 right off the bottom line. Further price declines
6 will cause us to quickly suffer operating losses or
7 minimal profits as we have experienced for the past
8 two years. These factors in the context of a market
9 where demand is substantially lower than it was before
10 the orders were imposed are a serious cause for
11 concern.

12 There is nothing special about the plate
13 products being imported that requires imports over
14 U.S. produced plate. ArcelorMittal makes a wide
15 variety of plate in an array of dimensions and
16 thicknesses, including high strength and heavy grade
17 plate. Contrary to the Japanese producers' claims, we
18 produce plate for all types of uses, including plates
19 for offshore structures, line pipe and pressurized
20 storage tanks. We also make armor plate for our armed
21 forces. Purchasers are not sourcing subject imports
22 to obtain a product we cannot provide. They buy
23 imports to get the lower prices offered.

24 I should also note that our market has a
25 tendency to commoditize. If imports are coming in at

1 lower prices on any plate products, it will affect
2 prices across the entire plate market.

3 Make no mistake about the ability and
4 likelihood of the subject foreign producers to surge
5 back into our market. Our brief details the massive
6 capacity expansions for plate production in the
7 subject countries. I'll just highlight a few.
8 There's been an explosion of capacity to produce plate
9 in Korea, and we are seeing a recent surge in imports
10 from Korea as a result.

11 Japanese capacity has also increased over
12 the past five years, and excess capacity in
13 traditional Japanese export markets, such as China,
14 Korea and Asia, is forcing Japanese mills to seek
15 alternative export markets. Italian producers are
16 highly export oriented, and new plate capacity is
17 being added in Italy. Massive capacity expansions are
18 occurring in both India and Indonesia. The aggregate
19 growth in plate capacity at these foreign mills over
20 the past five years is staggering, and capacity
21 continues to be added.

22 Worldwide pricing information indicates that
23 U.S. prices for plate are higher in 2011 than prices
24 in other world markets. That price differential
25 provides strong incentive for subject producers to

1 shift exports to the U.S. market if the antidumping
2 and countervailing duty orders are removed. With our
3 open market and higher prices, the United States will
4 once again become the dumping ground for plate, as it
5 has been so often in the past.

6 On behalf of my company and our workers,
7 therefore, I urge the Commission to leave these orders
8 in place. Thank you.

9 MR. THIES: Good morning, Chairman Okun and
10 members of the Commission. I am Kent Thies, Director
11 of Business Development at Evraz Inc. NA. I have been
12 in the cut-to-length steel plate business for over 37
13 years, and until very recently I was the National
14 Marketing Manager for cut-to-length plate for Evraz
15 Inc. NA.

16 Evraz operates two cut-to-length plate
17 facilities in the United States. On the west coast we
18 have the Evraz Portland plate mill located in
19 Portland, Oregon, which converts slab into
20 cut-to-length plate through a reheat furnace and a
21 stucco mill.

22 On the east coast we have Evraz Claymont,
23 located in Claymont, Delaware, whose sole product is
24 cut-to-length plate made primarily from steel melted
25 in its own electric arc furnace rolled on a discrete

1 plate mill. When demand is good, the Claymont mill
2 supplements its own melting capacity with additional
3 slabs brought in from other mills.

4 As a company that operates plants on both
5 coasts of the United States, we are certainly subject
6 to more import competition than mills operating in the
7 midwest. That is simply because imports arrive at
8 ports. Unfortunately, in direct relationship to the
9 weak plate markets around the world, we have seen
10 imports into the United States in the third quarter of
11 2011 at the highest quarterly rates we have seen since
12 2007.

13 These imports have been pushed here by lack
14 of demand elsewhere and the relative attractiveness of
15 the U.S. market. If they had been pulled here by
16 strong U.S. demand and an inability of the domestic
17 industry to supply that demand then we would have not
18 seen a significant deterioration in domestic pricing,
19 which we witnessed in the third quarter as these
20 excess imports hit the U.S. market.

21 Steel mills are big assets that undergo a
22 lot of wear and tear and therefore capital intensive
23 manufacturing complexes. They are in need of constant
24 reinvestment. Our Claymont facility traces its
25 origins back more than a hundred years when it was the

1 Delaware Steel Company. We recently announced an
2 investment of \$22.6 million at Claymont, which will
3 include a new bag house and slab reheat furnace for
4 improved sustainability.

5 Evraz wants a return over the next five or
6 10 years on those investments. We are committed
7 long-term to the U.S. cut-to-length plate market. In
8 fact, our company has been a vital supplier of armor
9 plate to the Department of Defense during the Iraq and
10 Afghanistan wars. In 2007-2008, we allocated all of
11 our heat treat capacity at our Portland quench and
12 tempered plate line to the Department of Defense due
13 to an immediate need and surge in demand for armor
14 plate protected vehicles in Iraq and Afghanistan.

15 This case against these five countries, who
16 have enormous plate capacity and enormous excess plate
17 capacity to increase exports to the United States, is
18 not just about a couple of points of margin for our
19 business. It's about our fundamental ability to earn
20 adequate rates of return on our investments in order
21 to stay in the game. It's about keeping our employees
22 working instead of laying them off.

23 Therefore, on behalf of our Evraz Portland
24 and Claymont facilities and our 921 employees at those
25 plants, we respectfully request the Commission make

1 affirmative determinations at this sunset review.

2 Thank you.

3 MR. BALLOU: Good morning, Chairman Okun and
4 members of the Commission. For the record, my name is
5 Tom Ballou. I'm the Vice President of Purchasing at
6 O'Neal Steel. I've been in the service center
7 industry for 35 years and been with O'Neal Steel for
8 22 years. During this entire time I've been involved
9 in the purchasing and sale of cut-to-length plate.

10 O'Neal Steel is a family owned company based
11 in Birmingham, Alabama, and we have 28 service
12 centers. These service centers are located in the
13 southeast, southwest, midwest and northeast. All or
14 virtually all of these service centers sell
15 cut-to-length plate. We believe we are probably the
16 second largest distributor of cut-to-length plate in
17 the United States.

18 I would like to describe my perception of
19 the current marketplace for cut-to-length plate in the
20 United States. Overall demand is mediocre. There are
21 bright spots, such as demand for plate to be processed
22 for the OEMs that service the agricultural, heavy
23 equipment, railcar and forklift industries to name a
24 few.

25 On the other hand, demand from the

1 construction sector has been abysmal, probably the
2 worst that I have seen in my career, with dim
3 prospects for the few years ahead. Other segments,
4 such as barges and wind towers, have been mixed with a
5 lot of up and down months.

6 All steel prices are based upon supply and
7 demand considerations. Over the last few years, input
8 costs have also driven pricing. The four companies
9 you have here today are pretty much the U.S.
10 cut-to-length industry. The other sources of plate in
11 the U.S. markets are imports.

12 In contrast to the hot-roll coil market in
13 which we have seen in the second half of 2011 the ramp
14 up of the ThyssenKrupp mill, the new capacity
15 expansion at Severstal in Mississippi and the startup
16 of previously closed mills by RG Steel, there have
17 been no similar additions to the U.S. cut-to-length
18 plate capacity. Thus, we saw a steep decline in hot
19 band prices in the second and third quarters of 2011,
20 while we saw a much smaller, but still significant,
21 decline in cut-to-length plate prices. Given our
22 hundreds of millions of dollars of inventory at O'Neal
23 Steel, steel inventory devaluations are a nightmare
24 for our company.

25 I'm not a trade expert. The Department of

1 Commerce says the imports from these five countries
2 will be dumped and sold again at dumped and subsidized
3 prices, and I take that at face value. What I can
4 tell you is that in 1999 and 2000 when demand for
5 plate was very strong that an oversupply of imports
6 had a very negative effect on the value of O'Neal's
7 inventory and thus on all results.

8 Now demand is much weaker than it was then,
9 and I am here because I am fearful on behalf of our
10 company and our thousands of employees that additional
11 supply at below market prices in this market
12 environment is likely to lead to significantly
13 downward pressure on pricing in the marketplace and a
14 significant devaluation of our plate inventory.

15 We buy from all four members of this
16 domestic industry and we buy imports. We buy much
17 more domestic product than we do import, and we see
18 the clear benefits of the significant investments that
19 these companies make in their facilities to provide us
20 with the products that we need.

21 O'Neal does not want to see a supply shock
22 to the U.S. plate market by having a free-for-all of
23 unfairly traded imports in the U.S. marketplace again.
24 Thank you.

25 MR. BRECKHEIMER: Good morning. I'm Mark

1 Breckheimer, President of the Heavy Carbon Group at
2 Klockner Metals U.S. We were formerly known as
3 Namasco Corporation.

4 Klockner bought Mac Steel USA in April and
5 merged with Namasco, so we are now operating under the
6 name Klockner Metals. Klockner Metals is a
7 distributor of carbon steel cut-to-length plate, among
8 other carbon products. We operate 60 locations
9 throughout the United States.

10 In my position I oversee, among other
11 things, the purchase of heavy carbon products,
12 including plate. Our customers buy plate for a wide
13 variety of applications, including industrial
14 equipment of all types such as storage tanks,
15 railcars, construction equipment, ship and barge
16 building and other products.

17 I personally have been in the steel business
18 for 34 years and have worked as a purchaser in the
19 steel industry for 25, and I'm very familiar with the
20 market and its participants. Our company purchases
21 both domestically produced and imported cut-to-length
22 plate.

23 I was involved in the plate industry back in
24 the 1990s when the original trade cases were filed
25 against imports that led to the orders currently under

1 review today. I recall the chaotic market conditions
2 that prevailed then both for domestic plate producers
3 and for purchasers. As large volumes of imports
4 surged into the United States at dumped prices, the
5 prices for cut plate fell quickly to absurdly low
6 levels.

7 When prices fall like that, the value of a
8 major assets of ours, our current inventory, falls as
9 well. So the rapid price declines that the market
10 experienced were a major problem not only for
11 purchasers like my company, but also a major problem
12 for our domestic suppliers.

13 The carbon cut plate market is highly price
14 sensitive. Cut-to-length plate is a commodity
15 product. Imported and domestically produced cut plate
16 are largely interchangeable, so price is the critical
17 driving factor when it comes to making purchasing
18 decisions. All things being equal, the customer will
19 prefer the lowest priced product.

20 At Klockner we are buying cut plate on a
21 daily basis and most frequently on the spot market.
22 We are quickly able to shift sources of plate supply,
23 depending on prices offered. If the orders against
24 cut plate are revoked, given the weakened state of the
25 U.S. economy, I believe we will quickly see lower U.S.

1 prices for plate driven by low-priced imports, just as
2 we did in the late 1990s.

3 These low prices will increase pressure on
4 U.S. producers to lower their prices in order to
5 compete. Such price pressure will come at a difficult
6 time because, as previously stated, import costs are
7 at near record levels. Low import prices will prevent
8 U.S. producers from pricing at levels that will cover
9 these cost increases, leading to a disconnect between
10 rational pricing and the cost of production in a
11 manner similar to what occurred in the late 1990s.

12 In fact, we're already seeing significantly
13 reduced prices offered for cut plate imports in recent
14 months. These low prices are occurring especially
15 from Korea, causing U.S. prices for plate to decline.
16 The Korean prices are now roughly \$100 per ton lower
17 than U.S. prices on the Gulf Coast. This differential
18 was even higher earlier this year, but has narrowed as
19 domestic prices have fallen in order to compete.

20 At least one subject producer has been
21 making these low offers in recent months. This
22 producer has also increased its sales volume in the
23 past few months and is shipping product before it's
24 even sold. We know this from the short lead times the
25 producer is willing to provide, indicating that these

1 offers are occurring while the product is on the water
2 en route to the United States.

3 When product is already being shipped here
4 without a buyer, a foreign producer is generally more
5 likely to cut its prices to sell that product. I
6 expect these producers and other foreign producers
7 will reduce their prices even more if the order is
8 taken away, leading to a quick collapse of U.S. plate
9 prices.

10 The other factor I should mention is that
11 supply and demand is supply and demand. I believe the
12 domestic supply and domestic demand are now in
13 relatively good balance in the U.S. market when times
14 are normal. These are not normal times. We are
15 seeing neither a supply shortage for cut plate nor a
16 huge oversupply from domestic producers that would
17 drive prices down.

18 We do not need a return of dumped imports
19 from five countries that will disrupt this balance,
20 nor do we need the irrational pricing that is likely
21 to occur from these five countries. The pricing
22 behavior wreaked havoc in our market before the
23 remedial orders were imposed and likely would again if
24 the orders were taken away.

25 On behalf of the Klockner Metals, I urge the

1 Commission to keep these orders in place. Thank you.

2 MR. SIEGAL: I'd like to thank the
3 Commission for the opportunity to speak this morning.
4 Good morning. My name is Michael Siegal. I am the
5 Chairman and CEO of Olympic Steel headquartered in
6 Cleveland, Ohio.

7 We are a billion dollar company publicly
8 traded on the NASDAQ. We have 30 processing and
9 distribution facilities nationwide and employ more
10 than 1,600 workers in the United States. I have been
11 in the steel business since 1974, starting in my
12 family's \$15 million business and took over in 1984
13 when it was \$35 million in sales and have been in my
14 present role for 17 years.

15 Olympic is a significant purchaser of
16 cut-to-length and coiled plate. The overwhelming
17 majority of the cut-to-length plate we purchase is
18 melted and manufactured in the United States. Since
19 Olympic is a large distributor and processor of plate,
20 I can attest that there is a significant price
21 differential between the United States and the rest of
22 the world on plate.

23 For example, according to Steel Benchmarker,
24 the price for plate in China is more than \$400 less
25 than this current market, and the world export price

1 is roughly \$285 less than the United States price.
2 These are substantial price gaps, more than sufficient
3 to attract imports. With the effect of the orders we
4 are discussing today and other successful applications
5 of our trade laws, the United States market would be a
6 dumping ground for steel imports.

7 I'm certain that if the orders covering
8 plate are removed it will absolutely negatively change
9 the pricing of plate. Imports from the subject
10 countries would be priced to attract business away
11 from domestic producers, therefore increasing the
12 already substantial supply in the United States and
13 putting our plate and other steel products at deep
14 financial risk.

15 The result will be a cycle of continuously
16 lower prices, and based on my almost 40 years in this
17 business I have no doubt about that. In fact, we are
18 currently seeing this play out. We have seen a recent
19 influx of imports from countries such as Korea through
20 the third quarter of this year and into the fourth
21 quarter. The imports have been both cut-to-length
22 plate and even greater volumes of coiled plate.

23 These imports have effected a drop in the
24 United States prices of more than \$100 a ton for the
25 past several months. If the orders are removed I'm

1 confident that cut-to-length plate from Korea and
2 other countries will surge into this market, causing
3 prices to fall even further, and when prices fall like
4 that the value of my most important and at-risk asset,
5 current inventory, falls right along with it. That
6 hurts my company, its workers and their families, our
7 shareholders and, yes, even our customers.

8 As a result of increased import supply, the
9 plate market weakened substantially as the third
10 quarter progressed and is decelerating into the fourth
11 quarter of this year. Imports have entered the
12 market, and prices have dropped. Is another \$100 a
13 ton price drop possible? I can assure you that the
14 United States produced plate, and plate from import
15 sources is a commodity always interchangeable with
16 supplies to all of the countries subject to these
17 cases and more that are not.

18 These products all compete with each other
19 and, like any other commodity, they compete based on
20 price and tons flow swiftly to the most attractive
21 markets. If the orders are removed, a \$100 a ton
22 price drop in the United States would just be the
23 beginning of collapsing prices.

24 Without the orders, I have no doubt that we
25 will see a substantial increase of plate imports from

1 Korea, Japan and the other countries subject to the
2 orders. This would have a significant negative impact
3 on the United States plate industry, America workers,
4 employment statistics, my company and industrial
5 manufacturing in the United States.

6 I very much appreciate this opportunity to
7 share Olympic's views with the Commission. Thank you.

8 MR. TRINIDAD: Good morning. My name is
9 Peter Trinidad. I am Vice President of the United
10 Steelworkers Local Union 6787. I represent
11 steelworkers employed at ArcelorMittal's Gary plant
12 and Burns Harbor facilities.

13 I started working out as a millwright on the
14 plate mill 16 years ago, and I have been an officer of
15 the Local for the last 11 years. I appreciate the
16 opportunity to testify before you today on behalf of
17 all the steelworkers who make cut-to-length plate.

18 I especially want to recognize all of my
19 fellow steelworkers in the back of the room who are
20 here today to let you know how important this case is
21 to them. Could you guys please stand to be
22 recognized? Thank you.

23 The last decade has been a rollercoaster
24 ride for our members who make cut-to-length plate.
25 They have been casualties of unfairly traded imports

1 of plate. They have faced bankruptcies, plant
2 closures, layoffs, forced retirements, lost wages and
3 reductions in pensions and health care benefits.

4 Our members made many sacrifices to ensure
5 there would be a healthy steel industry with jobs for
6 our members and benefits and dignity for our retirees.
7 We agreed to the consolidation of the steel companies,
8 major workforce reductions and changes in workforce
9 rules to increase productivity and lower costs. The
10 steelworkers have done everything possible to put the
11 industry in a position to succeed and to make sure the
12 companies did their part as well.

13 These efforts saved jobs at the plate mills
14 at Burns Harbor, Coatesville and Conshohocken by
15 allowing Bethlehem Steel to become part of ISG and
16 finally merge into ArcelorMittal, but neither the
17 union nor the companies could control unfair trade
18 that injured the domestic steel industry.

19 These cases have been a necessary part of
20 creating the market conditions that allowed us to
21 succeed. With these trade cases in place, our plate
22 operations benefitted from that sacrifice when demand
23 for plate recovered. As you know, however, things
24 changed almost overnight in late 2008. Demand
25 evaporated and production just crashed.

1 ArcelorMittal closed the Gary mill in
2 October 2008, and it remains closed today. The
3 company also shut down the Burns Harbor 110 inch mill
4 again in October 2008. In November 2008,
5 ArcelorMittal gave a WARN Act notice that they
6 intended to lay off nearly 2,500 of our workers at the
7 Burns Harbor facility. Instead, the steelworkers
8 worked with the company to implement a minimization
9 plan.

10 As a result, ArcelorMittal rescinded the
11 WARN Act notice. Fewer than 500 people were laid off,
12 and 900 workers went on 32 hour work weeks so we could
13 keep 20 percent more workers on the job. It was tough
14 for our people to take those layoffs and salary cuts
15 after all the sacrifices they had already made.
16 People again started dipping back into what was left
17 of their savings and trying to survive paycheck to
18 paycheck.

19 The remaining plate mill at Burns Harbor was
20 running at half full. Many of us wondered whether it
21 would close too. Every day I saw the huge financial
22 and human toll on our workers and their families.
23 Fortunately, plate orders gradually picked up in 2010.
24 In May 2010, the layoff minimization program ended,
25 but the steelworkers again sacrificed and agreed to

1 have their incentive payments cut in half.

2 In May of this year, ArcelorMittal reopened
3 the 110 inch plate mill and brought back some workers.
4 As a result, the company hired about 60 new people
5 this spring. In August, a second crew was hired for
6 the 110 inch mill in anticipation of plate demand
7 growth, but that new demand has not developed as we
8 had hoped.

9 Prices and orders actually appear to be
10 dropping, so the extra crew is not producing plate and
11 have been given other job assignments throughout the
12 mill. I am not sure when the second crew will be back
13 on the 110 inch mill because the production schedule
14 is looking worse, not better, as far as I can tell.

15 We are all worried that the market will slip
16 backward toward 2009 levels, and the way that
17 customers seem to be ordering right now I'd say
18 they're concerned too. Every ton of dumped plate that
19 is allowed to enter our market is a ton of plate that
20 steelworkers at Burns Harbor, Coatesville and
21 Conshohocken won't get to make. It will also likely
22 mean that every ton that we do make will sell for
23 less.

24 The 110 inch mill will face closure again,
25 will see layoffs, reduced hours in pay. A lot of our

1 people are new hires who don't have the three years of
2 service for a 40-hour week guarantee under our
3 contract. They will be the first to suffer.
4 Steelworkers laid off with less than two years'
5 service won't be eligible for supplemental benefits.
6 I really don't know where these people will be able to
7 find comparable jobs in this economy.

8 Steelworkers at our plate mills are proud
9 men and women who work hard to produce steel plates.
10 They have sacrificed tremendously over the last decade
11 to help build a competitive plate industry. I urge
12 you not to allow unfairly traded imports to re-enter
13 this market and tear down what we have built.

14 MS. BEAVERS: Good morning. My name is
15 Denise Beavers, and I work at Nucor Steel in
16 Tuscaloosa, Alabama. Thank you for having me here
17 today. I would like to take a few minutes to explain
18 what will happen to me, my family and my co-workers at
19 Nucor if there is an increase in imports.

20 I've been employed by Nucor since 2005, and
21 it's the best job I've ever had. I've worked in real
22 estate, in accounting, in a woodworking shop, but at
23 Nucor I've made more than twice the money I've ever
24 had in any other job. My current position is a CTL
25 Tech, which means I'm the last pair of eyes that

1 reviews the plate before it goes out for shipment.
2 I've worked my way up the ladder. I started in the
3 scale house weighing in trucks. I've driven
4 forklifts, and I've ran the cranes.

5 I think you know that we at Nucor are paid
6 in large part based on our production, so when the
7 economy is doing good we're making a lot of steel and
8 everyone profits. As a matter of fact, in a really
9 good year the bonus can be as high as 180 to 240
10 percent. My job at Nucor has allowed me to buy a new
11 car, remodel my home and even take nicer vacations.
12 In fact, in 2008, before the market went bad, I took
13 my daughters to Disney World for two weeks.

14 These are good jobs, and it's not uncommon
15 for 4,000 people to apply for 40 openings at the mill.
16 I consider lucky to have a job, especially in this
17 economy. But in bad times, everybody shares the pain.
18 In 2008, in 2009 when the economy took a downturn,
19 then everybody at the Tuscaloosa mill felt it.
20 Personally, my paycheck was cut roughly in half.

21 I'm the mother of two girls. My daughter,
22 Sally, was in preschool at the time, and it wasn't
23 cheap. So when my pay got cut, in order to make ends
24 meet I had to work more, which meant less time with my
25 children. It was hard to explain to my eight-year-old

1 daughter, Julie, why I had to work and couldn't be at
2 her school plays.

3 And then when your pay is cut in half it
4 affects everything. I had to take two loans against
5 my 401(k), which I'm still paying back. It even
6 affects the little things, like cutting out going to
7 eat at restaurants just so there'll be money left over
8 to pay the power bills. Several of my friends lost
9 their vehicles, their homes, and some even went
10 bankrupt.

11 But when the economy got better, as a matter
12 of fact things began to look really good in the
13 improvements in the beginning of this year, but I can
14 tell you right now production is slowing down at the
15 mill. This has gotten me concerned. I've put on hold
16 any improvements to my home.

17 If the market slows down again and
18 low-priced imports are allowed back into the United
19 States then there's no way it will be good for me, my
20 family or my friends at the mill. If production drops
21 again like it did before then I'm going to have to
22 sell either my home or the car because I won't be able
23 to keep both, and we'll have to make some tough
24 decisions around the house too.

25 My daughters are six and eight years old,

1 but a lot of the little extras around the house --
2 like cable and internet -- they might need to go. I
3 might need to change where I buy my children's
4 clothing and, just like before, we might be keeping
5 the thermostat set at 50 degrees in the winter when my
6 girls aren't home.

7 I hope and pray it doesn't come to this.
8 I've got a job, and it's a good job and I'm thankful
9 for that, but if imports come on and the production of
10 the mill drops then my family is going to be injured
11 as a result.

12 So on behalf of myself, my girls and the
13 workers of Nucor, I hope that you keep the antidumping
14 orders in place for all five of these countries.
15 Thank you for your time.

16 MR. SCHAGRIN: And thank you, Ms. Beavers.

17 Vice Chairman Williamson, that concludes our
18 presentation, but before we get into the Q&A session
19 with the members of the Commission I would just like
20 to make some remarks on the record about Commissioner
21 Lane's service to the Commission over the past decade.

22 I'm aware the fine, young attorney from the
23 Senate Finance Trade staff, David Johanson, has now
24 been reported out of the Finance Committee, and since
25 I will not have another hearing before the Commission

1 until February or March of next year there's a
2 reasonable chance that this may be my last hearing
3 before the Commission or before you, Commissioner
4 Lane. Of course, for the other members of the
5 Commission it means you can enjoy your holiday period
6 without having to worry about seeing me.

7 We appreciate the dedication, preparation
8 and business insight that you have brought to the
9 Commission. You have certainly kept me on my toes
10 during your period here, and whether you pursue other
11 career opportunities or retire to Myrtle Beach -- of
12 course, if you retire to Myrtle Beach I'll be quite
13 jealous -- we wish you all the best in whatever you
14 choose to do after you leave the Commission. We thank
15 you for the decade that we have had the pleasure of
16 appearing with you during your service here. Thank
17 you.

18 And with that we'll save the rest of our
19 time for rebuttal and be happy to answer the
20 Commission's questions.

21 COMMISSIONER LANE: Thank you, Mr. Schagrin.
22 I appreciate those remarks, and I have enjoyed myself
23 here. I'm trying to follow Chairman Okun and be here
24 at least for two more years.

25 MR. SCHAGRIN: It works for us.

1 VICE CHAIRMAN WILLIAMSON: Okay. Thank you,
2 Mr. Schagrin.

3 Again, I want to express my appreciation to
4 all the witnesses. On behalf of the Commission I want
5 to express my appreciation to all the witnesses who
6 come from all around the country to testify today and
7 also say welcome to those who come to observe the
8 proceeding.

9 We'll begin the questioning this morning
10 with Commissioner Aranoff.

11 COMMISSIONER ARANOFF: Thank you, Mr.
12 Chairman. I want to thank all of the witnesses for
13 being here this morning. We really appreciate it.
14 And also all of the steelworkers in the room. I hope
15 you'll come away from today appreciating the
16 seriousness with which this agency takes our
17 responsibilities under the trade remedy laws.

18 Let me start by asking a question about the
19 difficulty of predicting future demand in this
20 industry. It seems like a very precarious occupation.
21 You'll recall that in 2005 the Commission majority
22 accepted the argument that recent slackening of demand
23 was a sign that robust profitability in 2004 and the
24 first part of 2005 was not likely to persist, a
25 prediction that was rather spectacularly wrong.

1 And then in the current review we see a
2 similar argument that's based on several months of
3 data largely after the end of our period of data
4 collection that things are turning downhill. How much
5 weight should we be giving this data, given the
6 demonstrated difficulty of being right about what's
7 going to happen in the reasonably foreseeable future?

8 And alternately, is there a way that we can
9 make a principal determination in these reviews
10 without making any assumptions about what demand is
11 going to be like in the reasonably foreseeable future?

12 MR. BLUME: Commissioner Aranoff, I'd like
13 to respond that as being responsible for the
14 commercial activities of Nucor's Steelmaking Group I'm
15 often asked about forward demand. What's the market
16 look like? I'm asked that almost on a daily basis.
17 I'm asked either by our management, by our employees
18 and by customers.

19 And I can tell you, quite frankly, it is
20 very difficult to look out and project where demand is
21 going. There's obviously things that we look at,
22 markets, those kind of activities, but it is a very
23 precarious occupation and very difficult to look
24 forward.

25 What I can say, though, is that we can

1 measure import offers that come into the marketplace
2 that begin to have an impact and erode pricing. We
3 also see that in our order books. You've heard
4 testimony from Ms. Beavers about what's happening with
5 respect to the order books.

6 So we can definitely see that in the market
7 itself demand is eroding and eroding quite rapidly.
8 Unfortunately the visibility is very difficult.

9 MR. BRECKHEIMER: Commissioner, if I may?
10 This is Mark Breckheimer. If we take a step back and
11 look at capacity utilizations in the carbon
12 cut-to-length plate business in the United States, I
13 think it will pretty well tell the story.

14 With the financial crisis that developed in
15 2008, capacity utilization was well in the 90s prior
16 to the demand destruction that occurred and had
17 dropped suddenly down to the low 40s, a significant
18 change that resulted in the economic dislocation
19 that's been described by our colleagues, the United
20 Steelworkers and Ms. Beavers.

21 Subsequent to that, underlying fundamental
22 demand has been growing at trend growth rates. Trend
23 growth rates are in the 2 to 3 percent per year,
24 roughly paralleling GDP, as we climb out from the
25 impact on the recession. As we all know, the first

1 half of 2011 indicated that there was a fairly robust
2 plate market here in the United States.

3 I'd like to point out that there was a total
4 absence of imports in the first half and that the
5 plate mills were operating at 74 percent of capacity
6 utilization during that period. There was still 26
7 percent of available capacity utilization that could
8 be applied to market demand had market demand existed
9 at that point in time.

10 Subsequent to that, the weakening that we've
11 seen in the third quarter, and it's being borne out
12 into the fourth quarter, plate capacity utilization is
13 now about 60 to 65 percent. So within just a nine
14 month period we've seen a 30 or 40 percent change
15 downward in plate capacity utilization.

16 It's a very highly, hyper-cyclical business
17 and predictability is very difficult, but I can assure
18 you underlying demand is only going to grow at the
19 2 to 4 percent rate once we return to where we might
20 have been earlier, so it's going to be a good while.

21 Our estimates are -- and these are estimates
22 -- steel consumption in the United States will return
23 to 2006 levels by 2016. That's quite a distance, and
24 that does not consider the notion that there may be an
25 economic retreat, which is almost likely during that

1 length of time. Thank you.

2 MR. MOSKALUK: Commissioner Aranoff, Jeffrey
3 Moskaluk. I've come to the conclusion that I've
4 become extremely good at forecasting or terribly bad
5 at it, because I'm asked to do it so often now.

6 The predictability and clarity and
7 transparency in the market has certainly diminished,
8 and therefore our ability to look forward and give
9 firm statements on the predictability of the future
10 much further out than a quarter at a time or a few
11 months at a time has become very difficult.

12 One of the things that we do know and our
13 experience has been is that the plate market is driven
14 mostly by capital investment. It is not a consumer
15 product. It is driven by large investment because of
16 the types of products it goes into.

17 One of the things we do know is that the
18 expectation going into 2012 is that we are facing
19 difficult economic times in many of the world markets,
20 particularly here in the States, but in particular in
21 the Euro zone and even as we see in Asia with some
22 concerns that China will be trying to slow their
23 economy on purpose.

24 And so the result of that means that large
25 companies that make capital investments that require

1 plate as the product for those capital investments are
2 being much more prudent in their investment and are
3 certainly taking an opportunity to defer, stretch out
4 or even wait on large capital investment until they
5 have more clarity in the economic market.

6 COMMISSIONER ARANOFF: Okay. Well, I
7 appreciate all of that insight from the business
8 people here, and I certainly mean no criticism when I
9 say that this is obviously a very difficult thing to
10 predict.

11 And that's why I'm hoping, and you can do it
12 now or in the posthearing brief, you can give me some
13 guidance on how the Commission can reach a decision in
14 these reviews if we decide that it's just too hard to
15 predict more than a few months out what the demand
16 situation is going to be like and come up with some
17 principles that can guide our decision regardless of
18 how we think the demand outlook further out than that
19 looks. So I appreciate that.

20 Let me turn to another question, and this
21 question is specifically for Mr. Thies. We're in the
22 unusual situation in this case -- we haven't seen this
23 in a few years -- where we have two related producers
24 appearing on opposite sides of the matter here today.

25 And so I just wanted to ask if there's

1 anything you can tell us about why that's the case and
2 whether Evraz as a global company has any kind of a
3 unified strategy on how it handles matters like this
4 or handles trade involving its units in multiple
5 countries.

6 MR. THIES: Yes, Commissioner Aranoff, I can
7 tell you, but unfortunately we regard that answer as
8 confidential and business proprietary, so we'd like to
9 answer your question specifically in a posthearing
10 statement.

11 COMMISSIONER ARANOFF: Okay. I appreciate
12 that. One other company that was in this situation a
13 number of years ago told us, I remember, that it was
14 every plant for itself, but I'll look forward to
15 hearing your answer posthearing. Thank you.

16 One of the things that comes through in all
17 of the testimony this morning and in all of the briefs
18 that the domestic industry provided is that the U.S.
19 market is a relatively high priced market. That's
20 something that the Commission has recognized in the
21 past with respect to this industry.

22 What can you tell me about why that's the
23 case? Does it have to do with the number of domestic
24 producers in the market being relatively small? Does
25 it have to do with the number of orders that have

1 historically been in effect with respect to imports,
2 or are there other factors that account for the fact
3 that the U.S. has been a high priced market?

4 MR. MOSKALUK: To some degree the U.S.
5 market maintains a price because in relative terms the
6 industry is not subsidized or supported and so we go
7 for a fair market value for a product produced based
8 on cost and an accepted return on capital where
9 possible where the market will support that, so the
10 pricing is more driven by an economic rationale than
11 the rationale of trying to generate jobs or something
12 in a subsidized market.

13 MR. BLUME: Commissioner Aranoff, the other
14 point that I would emphasize is that it really speaks
15 to the importance of these orders and keeping these
16 orders on because I think it allows us to combat
17 unfairly traded and dumped imports.

18 So again, it's why we're here today. It's
19 why we urge the continuation of these orders.

20 COMMISSIONER ARANOFF: Okay. Thank you for
21 those answers. Perfect timing. My light just turned
22 red. Thank you, Mr. Chairman.

23 VICE CHAIRMAN WILLIAMSON: Thank you.
24 Commissioner Pinkert?

25 COMMISSIONER PINKERT: Thank you, Mr. Vice

1 Chairman, and I thank all of you for being here today
2 to help us to understand what is occurring in the
3 industry and what is likely to occur in the future.

4 I want to begin with the capital
5 expenditures for the industry in 2010. Why were the
6 expenditures higher in that year than in prior years?

7 MR. BLUME: Commissioner Pinkert, one of the
8 things that I would point out is that many of these
9 capital projects are certainly on the drawing board
10 for an extended period of time as you evaluate market
11 conditions, as you look to whether that's a good
12 investment and that it's an investment that will earn
13 appropriate and sustainable results. So in many cases
14 a lot of that money spent, many of those decisions had
15 been made in prior years. I think that's one of the
16 key points.

17 I can also tell you that from Nucor's
18 perspective we have talked about additional potential
19 plate capacity, et cetera, but in an uncertain
20 environment that we face today both from an economic
21 perspective and then also from a concern about whether
22 or not we're going to have to combat unfairly traded
23 imports, it really puts some of those investments
24 going forward at risk and makes them certainly much
25 more uncertain.

1 So while in fact Cap X was higher in 2010,
2 the reality is looking forward. This uncertainty and
3 the importance of these orders, it's vital to keep
4 that investment that my colleagues talked about
5 before. That is so vital for this industry to keep
6 reinvesting in the business and in our facilities.

7 COMMISSIONER PINKERT: Thank you. Professor
8 Morici?

9 MR. MORICI: This ties in. I want to
10 address this question and the previous one about
11 forecasting. The industry, when you invest in the
12 industry, there are two sets of issues. One is the
13 industry itself, and the other are the systemic
14 conditions.

15 Going forward, we know the systemic
16 conditions are a very high likelihood of very slow
17 growth, so existing capacity in the capital goods
18 industries that buy from the steel plate industry will
19 suffice, indicating that demand in this industry is
20 not likely to be particularly strong.

21 In 2010, we all thought we were in the
22 middle of a recovery. The economy was growing at 3
23 percent a year. Now in the last six months it has
24 grown at 1. If there is anything as certain as the
25 sun is rising, it seems as though next week's

1 forecasts from economists are lower than last week's.

2 And so I think that explains why from say
3 10,000 feet the industry invested in 2010 and is not
4 investing in 2011 and why the industry has good reason
5 to be pessimistic about demand for what it sells going
6 forward.

7 You know, I think this is confirmed by just
8 about anybody who is forecasting the economy going
9 forward, even the most optimistic forecasts. All the
10 risks are to the downside.

11 MR. MOSKALUK: If I can comment, because at
12 SSAB we do have some capital investment going on in
13 our business.

14 Postacquisition by SSAB of the IPSCO
15 facilities in 2007, there were strategic decisions
16 made that we would grow our business in a certain
17 direction and not require capital investment. Those
18 decisions were made in 2007, and to a large degree
19 those projects were put in place and started at some
20 point in 2008.

21 Obviously as we all know, in late 2008 and
22 2009 capital projects throughout many industries were
23 either put on hold, canceled entirely or deferred
24 until future periods when we were more certain of the
25 economic viability of the project and the business, so

1 to a large degree that would explain why more of our
2 spending occurred in 2010 than it had perhaps in '07,
3 '08 or '09.

4 It was the timing of the planning and also
5 the economic period that we were in that caused us to
6 defer some of our capital spending to other years.

7 COMMISSIONER PINKERT: Does ArcelorMittal
8 have a response on that?

9 MR. BIEGALSKI: Yes. Commissioner, I was
10 going to say the same thing. Because of the fragile
11 state of the economy in that 2008-2009 time period, we
12 deferred some of our capital expenditures into 2010.

13 And in fact some of the capital that we were
14 going to spend in the fourth quarter of this year has
15 now been deferred as well into 2010 as we see a
16 similar situation evolving right now.

17 COMMISSIONER PINKERT: Thank you. My next
18 question is specific to Japan and to the argument that
19 the Japanese Respondents are making that in fact in
20 other sunset review proceedings where this Commission
21 revoked orders against other flat-rolled products from
22 Japan that we did not see an increase, a significant
23 increase in shipments from Japan following the
24 revocations.

25 How does this panel reply to that? Is it

1 relevant? Are there other factors that supervened the
2 predicted impact of those actions?

3 MR. SCHAGRIN: Commissioner Pinkert, this is
4 Roger Schagrin. I think there is one very relevant
5 factor, and that is that the Japanese made arguments
6 in both Corrosion-Resistant and Hot-Rolled that a lot
7 of their shipments within Asia, because the Japanese
8 industry is very export oriented, but that a lot of
9 their shipments within Asia were essentially tied
10 based on long-term commitments to Japanese companies,
11 mostly car companies, that had production plants
12 throughout Asia.

13 So the Japanese auto producers have plants
14 in Thailand, Malaysia, and Japanese companies who were
15 related through Coretzu to the Japanese steel
16 companies will tend to buy Japanese products. I would
17 posit that in plate that relationship that might apply
18 to other flat-rolled products that would be used in
19 auto production does not apply at all. Here the
20 Japanese industry is focused on shipbuilding and
21 construction plate.

22 To the best of my knowledge, the Japanese
23 shipbuilding industry, A, is being dwarfed by the
24 Korean and Chinese shipbuilding. The Japanese
25 shipbuilders do not own the shipyards in either Korea

1 or China. The Chinese and Korean shipbuilders prefer
2 Chinese and Korean plate, but didn't have enough of it
3 until more plate mills were built in China and Korea.

4 Korea has brought on -- POSCO specifically,
5 they brought on a 2.2 million ton plate mill. Dongkuk
6 brought on more capacity. The other Korean producer,
7 CISCO, brought on more capacity to focus on Korean
8 shipbuilding. I will tell you, those Korean
9 shipbuilders are going to buy Korean plate first when
10 it's available, and they're going to stop buying as
11 much Japanese product.

12 But also connecting with Commissioner
13 Aranoff's question about visibility of demand going
14 forward, while these gentlemen testified that it's
15 difficult with the capital projects in the United
16 States to really figure out whether major equipment
17 manufacturers, wind tower manufacturers, and they keep
18 making these investments.

19 Shipbuilding is so clear cut. Ships don't
20 get built until a year, two, three years after orders.
21 You have information on the record the Japanese have
22 put on, which I believe greatly supports the
23 continuation of these orders that new shipbuilding
24 orders in Asia are plummeting. The order backlog is
25 plummeting. It's gone from four and a half years to

1 just over two years as of mid 2011.

2 After the next 18 to 24 months, if you don't
3 have a surge of new shipbuilding orders, and all these
4 folks can tell you shipping prices are plummeting
5 around the world because there is a massive oversupply
6 of shipping capacity from all the new ships that have
7 been built over the last several years. So one thing
8 you can rely on is that within a reasonably
9 foreseeable timeframe the demand for Japanese plate
10 for shipbuilding is going to plummet.

11 So I would just say that there's a major
12 difference between the other flat-rolled products the
13 Japanese have talked to you about and plate because of
14 the lack of this Coretzu relationship within the
15 demand drivers within Asia to Japanese companies doing
16 business in these other countries.

17 COMMISSIONER PINKERT: Mr. Price?

18 MR. PRICE: Thank you. Alan Price, Wiley
19 Rein.

20 So this is what the head of the Japanese
21 Shipbuilding Association was quoted as saying recently
22 in Steel Business Briefing by saying that basically
23 they're falling, these ship orders in Asia, forcing
24 shipbuilders to slow the pace of building, which will
25 reduce consumption.

1 In fact, at a recent OECD meeting of the
2 Steel Committee not only were orders being stretched
3 out for ships, but they expected large series of
4 cancellations to occur because plummeting pricing for
5 shipping, excess supplies of ships, are essentially
6 causing a reduction in orders, a reduction in
7 building. That not only applies to Japan. It applies
8 to Korea and it applies to China at this point.

9 So we know at the same time we have massive
10 amounts of new capacity that has come on or is coming
11 on in these countries. Steel plants, as we know, take
12 three, five, seven years to build. Even in China they
13 seem to take at least two to three years. So we have
14 all this capacity coming on that was really committed
15 in 2006-2007 that is now coming onstream affecting the
16 marketplace.

17 So we know we have massive contraction going
18 on in demand in Asia going forward. We know Fitch
19 overall just today predicted a 3 to 4 percent decline
20 in steel demand for all types of steel globally for
21 2012, given the contractions going on in the market.
22 We know we have contractions in plate consumption
23 going on in Asia, and we have still this capacity
24 being built.

25 Japan has to go somewhere. They really do

1 run it's still a blast furnace type industry, not an
2 EAF industry. They run full out. They pretty much
3 brag that they have to run full out. It's going to
4 have to move the capacity somewhere.

5 The second difference is in the U.S. supply
6 side, I might add, or on the U.S. consumption side the
7 Japanese industry does not own things like INTECH,
8 INCOAT. They don't have these joint venture interest
9 in the plate industry like they had in some of the
10 flat-rolled industries.

11 So they have nothing to prevent them from
12 shipping product in here in terms of profit maximizing
13 on their U.S. operations and U.S. investments, so it's
14 really quite a different picture.

15 COMMISSIONER PINKERT: I'm going to have to
16 cut you off there.

17 Ms. Cannon, do you have a quick follow-up,
18 because I'm past the end of my time for this round?

19 MS. CANNON: I do, Commissioner Pinkert.
20 This will be very brief.

21 Just to support what you were asking
22 originally, which was the relevance of looking at
23 that, I think as a legal just as the Commission looks
24 at every industry on its facts when making its
25 original determination, it shouldn't rely legally on

1 what some other industry has done following the
2 revocation of an order because that's always going to
3 be industry specific.

4 And in particular with respect to the
5 Hot-Rolled decision, that decision is not only
6 currently under appeal, but was made so recently that
7 I think there's very little you can draw from the
8 import volumes that have come in, given the recency of
9 that decision. Thank you.

10 COMMISSIONER PINKERT: Thank you.

11 VICE CHAIRMAN WILLIAMSON: Thank you.

12 Continuing on this question about the shipbuilding
13 demand, as you know the other side has painted quite a
14 different picture so my question is, either now or in
15 posthearing, is the nature of your difference that you
16 disagree on the data or the conclusions that you draw
17 from the data?

18 MR. SCHAGRIN: Vice Chairman Williamson,
19 this is Roger Schagrin. We don't disagree with the
20 data itself, although, as Mr. Price pointed out, it's
21 pretty clear that given the plight of the world
22 shipping industry where prices have plummeted to below
23 cost, and it's almost ironic that so much of that
24 industry is based in Greece, which has so many of its
25 own problems and now a lot of these Greek shipping

1 companies are facing bankruptcy because it's amazing
2 how much shipping costs have plummeted.

3 But it was interesting that in the opening
4 for the Respondents how Mr. Harrison focused on the
5 results of the U.S. industry in the first half of '11,
6 but in all their analysis in their brief, while they
7 provided data through first half '11, they focus all
8 their analysis at the end of 2010.

9 I think as you carry forward your analysis
10 of the data it's clear that every month that goes by
11 the amount on the order book in terms of shipbuilding
12 order book relative to production, the remaining
13 months of production based on current order books is
14 plummeting.

15 So they cite in their brief oh, gee, for the
16 next three years these guys are going to be building
17 ships like crazy. Already if you just take the data
18 forward six months you're down to like less than two
19 years or approximately two years.

20 Now, you're going to make your vote in
21 December. By the end of this year they're going to be
22 down to between a year and a half and two years
23 remaining orders, and the biggest problem is, and this
24 I think everyone can agree about. Virtually no or
25 very few new shipbuilding orders are being placed.

1 So it is on the record. I think we can all
2 agree when we look at the numbers. We can differ as
3 to time, but the only question is is it 18, 20, 24, 27
4 months. There's going to be no more shipbuilding.
5 The single, largest consumer of plate in Asia is going
6 to die. That's going to be bad for everybody.

7 I don't want to see hundreds of thousands of
8 Korean -- in fact, the Korean Government is already
9 taking actions. They can foresee that all of the
10 small and medium sized shipbuilders in Korea are going
11 to go out of business. They are setting up programs
12 now to get actively involved, because shipbuilding is
13 so important to the Korean economy, to smooth that
14 transition. So I don't revel in the fact that major
15 parts of the world economy are about to go down the
16 tank, but it's a reality, and I think it's a reality
17 on the record here.

18 And I'm convinced, and we'll explain it
19 further in our posthearing brief, that the information
20 on shipbuilding strongly supports the continuation of
21 these orders as to all the Asian countries.

22 MR. BRECKHEIMER: Commissioner, if I may?

23 VICE CHAIRMAN WILLIAMSON: Yes.

24 MR. BRECKHEIMER: This is Mark Breckheimer.
25 I think the thread that may need to be tied in a bow

1 here is that a steel plate mill does not know the
2 difference between a shipbuilding ton and a commodity
3 ton for export. Shipbuilding plate is carbon steel
4 plate, and if there are no shipbuilding orders, that
5 mill is still going to turn and it's going to produce
6 carbon cut-to-length plate for export and it's going
7 to come to the most interesting market in the world
8 and unprotected. The United States is that market.

9 MR. ROSENTHAL: Commissioner Williamson,
10 just to summarize, I don't think there's a big
11 disagreement in the data, but I think they're looking
12 at the data through the rearview mirror, and
13 shipbuilding has been robust and a nice market for
14 them, but as Mr. Schagrin says, going forward looking
15 at the same data you cannot be optimistic if you were
16 a Japanese plate producer, and just as Mr. Breckheimer
17 says, that product is not going to be going to the
18 shipbuilding in Asia anytime soon. It is going to be
19 heading to the open shores of the U.S. because, as
20 your analysis requires you to do, you need to figure
21 out what will happen if these dumping orders are
22 revoked, and that's really the focus that I think the
23 Japanese producers and the other Respondents are
24 lacking here looking at that data.

25 MS. CANNON: Commissioner Williamson, I

1 would just add, too, I'm not sure there is as much of
2 a difference in some of the data that you are looking
3 at as the dates of the documents. So, some of the
4 documents that were dated, you know, a year or so ago
5 would be predicting something quite different than
6 some of the more recent documents. So, it's not so
7 much a data disagreement, it's a timeline that's
8 occurred, and the more recent documents that are out
9 there in terms of predicting what's going on with
10 demand are much more bleak than what you were seeing a
11 year ago.

12 VICE CHAIRMAN WILLIAMSON: Since it takes a
13 long while, you know, to plan and build a ship.
14 People had ideas of what was going to happen. Is this
15 sort of drop-off, this falling off the cliff because
16 volume of trade is not going to be what is expected or
17 just that people are too optimistic?

18 MR. MORICI: Well, last year at this time we
19 thought the economy was going to grow and the United
20 States was going to grow at 3 percent, and the global
21 economy was going to grow one and two percentage
22 points higher than it is not projected to grow. You
23 simply don't build more boats if you don't think the
24 volume of trade or the GDP of the world is going to
25 rise very much.

1 What growth there is going to be in Asia
2 will be largely towards, you know, internal
3 development and things of that nature because,
4 frankly, the U.S. and Europe are not going to grow
5 very rapidly, and as a consequence the need for ships
6 to send stuff across the sea is not going to expand
7 very much, and there is already more than adequate
8 capacity.

9 MR. BRECKHEIMER: Yes, the other piece of
10 that is with the increase in the rate of globalization
11 over the last 10 years and the increase in fossil fuel
12 costs, there has been a worldwide drive to replace old
13 shipping bottoms with antiquated propulsion systems
14 with new more efficient propulsion systems. That
15 inventory is largely either been replaced or in the
16 shipways now being completed, and then, as Dr. Morici
17 says, we have also got a systemic reduction in global
18 demand for shipping capacity, which is going to
19 obviously impact the capacity utilization of shipyards
20 negatively.

21 VICE CHAIRMAN WILLIAMSON: Okay, so it's
22 like the folks who felt they had to replace ships have
23 done that or mostly on the way.

24 MR. SCHAGRIN: And that's why shipping rates
25 are falling so dramatically. Shipping is just like

1 steel, it's all about supply and demand. And because
2 so many new ships came on the market, ships that were
3 ordered in 2006, 2007, 2008, on the expectation that
4 we weren't going to have a cataclysmic, you know,
5 worldwide financial crisis and instead a growth that
6 the shippers have seen in demand for shipping, it's
7 just not occurring so there is more supply than there
8 is demand.

9 And I would just point out that it would be
10 great if we can update their 30 June data through the
11 end of September or even the end of October before we
12 give the post-hearing briefs. But just based on their
13 data the order book which peaked in 2008 at 325
14 million gross tons on order, by the end of June had
15 fallen to 225 million, so that's 125 million decline
16 over two and a half years off of 350. That's almost a
17 40 percent decline. I mean, those are really big
18 numbers.

19 I mean, that is what's going to happen. As
20 China stops having their growth in iron ore imports
21 grow 30 percent a year, and now the forecasts are,
22 yeah, China is not going to fall off a cliff, but
23 there won't be any increase in iron ore imports in the
24 next several years into China. Chinese production is
25 going to flatten out, so you don't need more ships if

1 you're not going to have ever-increasing demand for
2 what the ships are carrying, and that's why the
3 shipping companies are simply -- not to mention their
4 financial crunch and their lack of access to credit I
5 am sure by the Greek shipping companies -- they are
6 just not ordering new ships. There is no need for
7 them. There is an oversupply.

8 MR. PRICE: Alan Price. One more quick
9 point which is, while you are sitting ship orders now
10 pushed out that are on the order books to make
11 extended bill cycles or being canceled in the process
12 at this point. If you look at shipping rates and
13 shipping costs right now, one simple number to look at
14 is actually the number and the FOB values which the
15 Japanese producers sell slabs to the United States,
16 when they sell charters ships here in quantities.
17 That's typically the way steel is actually shipped,
18 \$23 to \$26 a ton. That is about as -- I have been
19 doing this for a long time. I have never seen it that
20 low, okay.

21 Prices to ship in bulk are incredibly low.
22 Ocean freight has collapsed at this point affecting
23 the market dramatically.

24 VICE CHAIRMAN WILLIAMSON: Okay.

25 MR. MOSKALUK: Just if I can add one final,

1 too.

2 VICE CHAIRMAN WILLIAMSON: Sure.

3 MR. MOSKALUK: One of the unique things
4 that's happened in the shipping marketplace is that,
5 as you would expect, companies are very clever and
6 they see an underutilized asset and they decide that
7 there is a way to change how they use that asset. So
8 the ability to containerize products and ship them
9 that way has changed how shipping works, and so now
10 where more specific ships were needed to be built
11 because products were shipped in a specific type of a
12 vessel, many industries have
13 found -- I will use an example of scrap that leaves
14 the United States. It used to ship as a bulk
15 commodity. It's now containerized and go on
16 completely different vessels and therefore they don't
17 need bulk vessels anymore. They are using what was an
18 underutilized asset, and so there is even a change in
19 the fundamentals of how things are being shipped.

20 VICE CHAIRMAN WILLIAMSON: Okay, my time has
21 expired. So you are saying because they have so many
22 containers and all, you can put it in -- okay. Good.
23 Well, thank you for all those answers. I think I only
24 asked one question, but thank you.

25 Commissioner Lane.

1 COMMISSIONER LANE: Thank you, and I want to
2 thank all of you for being here today.

3 Several of you in your briefs and in your
4 statements today indicated that the data for the rest
5 of 2011 or to the extent that you have more current
6 data than January to June of 2011 show that prices are
7 dropping, your sales are dropping, imports are coming
8 in. Is it possible on post-hearing that each one of
9 you would provide an exhibit to show what those
10 figures are that would include your sales, your
11 capacity utilization, and your net operating income,
12 and that would be just from June to whatever current
13 data that you have?

14 Is that something, Mr. Schagrín, that do you
15 think --

16 MR. SCHAGRIN: We will do our best.
17 Unfortunately, for a hearing in October for the public
18 companies, it is the month when the accountants have
19 to do all their Sarbanes-Oxley work, so whenever I
20 send them something and say we need something for the
21 Commission, they say, I've got to sign my life away
22 for Sarbanes-Oxley, but we will do our best.

23 And I think one other key item that we'll
24 provide you because plate is a product like most steel
25 products is sold on like a four to eight-week delivery

1 schedule or lag. So, there is always going to be a
2 lag from one quarter to the next between the prices,
3 if prices are reported in the American metal market as
4 hypothetically being down \$125 a ton since the end of
5 June to today, that doesn't mean that what is shipped
6 today is at that price. They are talking about the
7 prices at which a buyer and seller negotiating a
8 price, and so because of that the date often lags.

9 So, I think we can also provide you with
10 information on certainly current transaction prices,
11 confidentially for antitrust reason for individual
12 companies, compared to what transaction prices had
13 been prior, and I think obviously these distributors
14 are well aware because they buy plate all the time
15 about the difference in transaction prices being
16 negotiated today versus what may be being delivered at
17 their service centers today which they may have
18 ordered at a higher transaction price eight weeks ago.

19 So we will put together all the information
20 you requested and try to give you some additional
21 information as well, and we'll just do our best.

22 COMMISSIONER LANE: Okay, that's all I can
23 ask, you do your best and use what information that
24 you have readily available.

25 Dr. Morici, the television star that I see

1 every morning on MSNBC, let me ask you a question.

2 In the Wall Street Journal today there was a
3 big article about the decline in steel prices. If you
4 have read that could you give me an indication as to
5 how you think that information will have an effect
6 upon this case?

7 MR. MORICI: Well, I think it stands to
8 reenforce the case that is being made by my colleagues
9 in front of me. The economy is slowing. Investments
10 in things that have a long life, like buildings and
11 ships and Caterpillar tractors and what have you,
12 greatly fall when the economy is only growing at 2
13 percent a year, which is what we are forecasting. And
14 if you believe the risks to the downside, then even
15 more so.

16 In an environment like that with all the
17 efforts that steel companies have made to develop
18 themselves and improve themselves as lots of capacity
19 and they have also made lots of efforts to develop
20 sources of commodities that they use to make steel, so
21 these falling prices are a leading indicator of what
22 everyone is anticipating, and that is, if the economy
23 crawls along at 2 percent a year, maybe people will
24 continue to go to restaurants, but I doubt that they
25 are going to be buying Caterpillar tractors or big

1 ocean-going ships, or the other kinds of things that
2 various kinds of steel. This was a general article
3 about steel generally. They are going to be buying a
4 lot of steel, which means the market is going to be
5 very weak, and when you consider where steel has had
6 its most rapid expansion over the last decade or two,
7 that has been in Asia. That market is going to
8 shrink, and I know where that steel is coming in light
9 of that. It is coming here.

10 COMMISSIONER LANE: Okay, thank you, and one
11 more question that is probably an unfair question but
12 that has never stopped me before.

13 Are you one of these economists who are
14 predicting a double dip recession?

15 MR. MORICI: I am one of these economists
16 that subscribes to the Ben Bernanke school, that
17 economists are terrible at predicting down turns.

18 I would just say to you that I submit my
19 forecasts of the economy to Reuters and Bloomberg and
20 others, and I have been of a mind that we are facing
21 significantly slow growth going forward for quite
22 awhile, so you know, is there a risk? The risk is
23 real and substantial. Will it definitely happen? I
24 can't tell you that, and neither can he, and no one
25 else.

1 You know, there is always somebody who we'll
2 look to and say he predicted this catastrophe. For
3 every month there is someone predicting a catastrophe,
4 so someone has to get the appointment of having been
5 correct, but the risks are real and substantial, and
6 the best I can forecast for this economy is very slow
7 growth which means likely a recession for this
8 industry.

9 COMMISSIONER LANE: Okay, thank you.

10 MR. MOSKALUK: Commissioner Lane, I just --

11 COMMISSIONER LANE: Yes, go right had.

12 MR. MOSKALUK: Jeff Moskaluk. I would just
13 like to add that one of the things that is fundamental
14 for plate, and I mentioned earlier, is the demand for
15 capital investment that drives the need for plate.
16 And so one of the things that is clear is that if the
17 economic times companies based in Europe, Asia, here
18 in the States, I think the approach is very similar
19 for all of them, and that is that there is an extreme
20 concern on conserving cash, producing working capital,
21 taking capital projects and spreading them over long
22 periods of time or deferring them until you are more
23 sure of the return on your business, and so some of
24 the price decline in plate is the demand will shrink
25 certainly over the next period as the economic

1 conditions play themselves out.

2 So, I think plate in particular, that is one
3 of the things we can look to; that if GDP was
4 forecasted at 3.5 percent, and then it's been revised
5 to 2 percent, and if I'm a company, you know, whether
6 I am mining commodities or I'm building wind towers
7 or, you know, pick the application that requires
8 plate, I take a look at that type of information and I
9 decide this is not a prudent time for me to go forward
10 with large capital investment. It means it's not a
11 time for me to be buying plate.

12 MR. BLUME: Commissioner Lane.

13 COMMISSIONER LANE: Yes, go right ahead, Mr.
14 Blume.

15 MR. BLUME: Thank you. One of the markets
16 that has not been mentioned this morning, we have
17 heard a lot about shipbuilding, et cetera, but one of
18 the key consuming markets for a lot of steel products,
19 but also plate is construction, and I can tell you
20 most of us in this room, if not all of us, understand
21 what's going on in the construction industry, and
22 Nucor, while we are a fairly large steel producer, we
23 are also very much involved in the construction
24 industry through metal buildings, through some of the
25 other products that we make, decking and metal joists.

1 So, we understand the construction market,
2 and as we look forward -- again I mentioned earlier
3 it's difficult to make some of these forward forecasts
4 about demand, but one thing that is very clear is that
5 non-residential construction and construction in
6 general, while there was some expectation that we
7 would be seeing some relief, some improvement
8 potentially next year, when we talk to our executives
9 in those business groups they tell us that don't count
10 on it. In fact, that forecast rebound looks like it's
11 going to be pushed out much later, you know, mid into
12 the decades, so it is a key consuming industry, so
13 let's not forget about what's going on there, and
14 again primarily speaks to the vulnerability of the
15 industry and the fact of the matter is these
16 countries, they are going to continue to produce. They
17 are going to bring the steel here if these orders are
18 revoked. Thank you.

19 COMMISSIONER LANE: Okay, thank you.

20 Mr. Schagrín or Mr. Price or Mr. Rosenthal,
21 could you reconcile for me or at least tell me the
22 effect of -- I heard several of you talk about that
23 the five countries have excess capacity and they are
24 increasing their capacity, at the same time we are
25 hearing that the demand in this country is flattening,

1 stalling or going down. Now, tell me why are the
2 subject countries increasing their capacity and what
3 do you think will be the eventual effect will be?

4 Oh, Mr. Rosenthal, since you haven't talked
5 very much today.

6 MR. ROSENTHAL: That is bring joy to
7 thousands, I am sure.

8 I will be very brief about it but, like we
9 have said before, the capacity and investments in this
10 kind of business are long term, and I am certain that
11 the subject country manufacturers, just like the
12 companies around the table today plan these
13 investments a long time ago in anticipation of
14 continued robust growth. As we heard today, the
15 shipbuilding market had been doing very, very well for
16 a long time, and now it has declined dramatically, I
17 am sure in an unanticipated way when a lot of these
18 investments in Asia were planned.

19 These investments of additional capacity,
20 which are enormous, totally dwarf what is needed in
21 the reasonably foreseeable future, were done when the
22 thought that China was going to continue growing
23 before Europe started to have its problems, before we
24 seem to be going back into a potential double dip
25 recession. So, I think their investments were planned

1 so long ago with a rosy attitude and outlook, and now
2 they are coming on-steam and have been for awhile, and
3 they are facing a rather bleak demand outlook that
4 they couldn't anticipate.

5 COMMISSIONER LANE: Okay, thank you. And if
6 someone else has an answer, I'll come back to you my
7 next round so I will write it down so I don't forget.
8 Thank you.

9 VICE CHAIRMAN WILLIAMSON: Thank you.
10 Commissioner Pearson.

11 COMMISSIONER PEARSON: Thank you, Mr.
12 Chairman. Welcome to all panelists. It is always
13 pleasant to see so many familiar faces again. Good to
14 have you hear.

15 I wasn't on the Commission in 2000 when this
16 order was put into place, but it seems to me the
17 economic conditions that prevailed at that time made
18 it eminently sensible thing to do. We had the Asian
19 financial crisis, so a lot of supply looking for a
20 home at whatever price. We had strong demand in the
21 United States, a lot of product came in here.

22 Given the very different economic conditions
23 today with strong growth in Asia and relatively weak
24 demand in the United States, why would we expect to
25 see any surge of subject imports if we revoke these

1 orders?

2 MR. MOSKALUK: Commissioner Pearson, Jeff
3 Moskaluk.

4 I think that your indication that conditions
5 have changed would be true, but the conditions have
6 changed in rotation, not in the fundamentals. There
7 is still an economic crisis going on in world
8 marketplaces, like there was previously as you
9 mentioned with an Asian crisis at that time. Now we
10 have the Euro Zone which seems to have serious,
11 serious concerns about a recession. We do have
12 indications that the Asia markets are contracting,
13 particularly for steel plate, construction,
14 shipbuilding, and the fact that the Chinese economy is
15 looking to restrain its growth. While it may be
16 growing, it's going to be growing at a lower rate
17 which for those people who are supplying plate into
18 that market will feel like it's shrinking even though
19 it's still in growth.

20 And then here in the United States, as we
21 stated, because it's capital investment-driven, and
22 because people are less sure of the transparency and
23 clarity going forward, at least for some foreseeable
24 future, there is going to be some slowdown in
25 investment and growth in the types of products that

1 require plate.

2 So, I think while you characterized it as
3 being different, that's true, but it's different in
4 rotation, not in some of the fundamentals that would
5 be the drivers at this time.

6 COMMISSIONER PEARSON: Mr. Blume.

7 MR. BLUME: Yes. Commissioner Pearson,
8 thank you.

9 One thing that I think is clearly the same
10 is the excess supply that we face, particularly in
11 Asia. You look, and it's in our reports and our
12 briefs, that there has been a massive capacity build
13 in Asia and also in Europe that far outstrips what the
14 demand is there. And we come back to the fundamental
15 question. Will that plate come to the U.S.? And our
16 belief is it will because of the attractiveness of our
17 pricing, the openness of our market. It's going to go
18 somewhere.

19 And so while it -- you know, as Jeff talked
20 about there may be some rotation, there may be some
21 differences in demand, but the basics, the basics of
22 the case point to the fact that we need to keep the
23 orders on because the steel will come here and they
24 will come from all of these countries, and we'll get a
25 hammering effect a time in our economy where we are

1 very, very vulnerable.

2 COMMISSIONER PEARSON: But if we have some
3 increase in imports how long can there continue to be
4 a premium pricing structure in the United States?

5 Certainly there would be some equilibration
6 between prices in the United States and worldwide, and
7 thus further imports would be discouraged. The market
8 doesn't work in steel --

9 MR. SCHAGRIN: No, let's look at the
10 counter-factual, Commissioner Pearson, because that
11 was the exact same argument that was made when you
12 weren't on the Commission in 2000 when Japanese were
13 selling steel, hot-rolled steel in the United States
14 for \$225 a ton, and our prices were just as low in the
15 United States as they were everywhere in the world.
16 They didn't stop selling them until we imposed orders
17 because they wanted to operate their blast furnaces.
18 There wasn't demand in Asia.

19 And so I would say, you know, in an industry
20 in the United States where people go into bankruptcy
21 and if you are not an auto company the government
22 doesn't bail you out. I saw what happened to the
23 steel industry in the United States. Plant after
24 plant after plant shut down permanently. Some got
25 reorganized. But we had an unbelievable

1 transformational process which killed tens of
2 thousands of steelworker families' lives forever.

3 So, the idea that when prices fall in the
4 United States that companies in Asia will stop
5 shipping to the United States, I say it's absolute
6 folly.

7 The other point I would make is that I
8 believe Tom Friedman hadn't written his book The World
9 is Flat yet in 2000, but there is no doubt that the
10 world, particularly in terms of financial asset, has
11 gotten much smaller in the last decade. So when the
12 U.S. had its financial crisis, even though it was
13 about U.S. homebuilding, did it have an effect in
14 Europe on their economy? Did it have an effect in
15 Asia? Yes. China was only saved because they were
16 able to spend something like \$2 trillion in stimulus
17 funds.

18 So, the idea that the European financial
19 crisis, and you heard that Europe is the largest
20 single market in the world, they are having an
21 unbelievable crisis now, maybe worse than our crisis
22 in 2008. The idea that that won't affect Asia or
23 American, but will only affect Europe, it's not the
24 way the world works anymore.

25 And I would say if you want to talk about a

1 forward-looking market, and we know the stock market
2 is crazy, it's amazing how much it changes. But the
3 one thing that hasn't changed very much is the prices
4 of steel company stocks around the world, U.S.
5 European, Asian have been plummeting for about the
6 last six-nine months showing no signs of recovery. So
7 the people who put their money where their mouth is,
8 who invest in steel companies, they are saying this is
9 not an industry that is worth anywhere near what it
10 was six or nine months ago. Most of that I think is
11 related to the European financial crisis because if
12 one big part of the world is going to go down the
13 tubes, it's going to affect a commodity product like
14 steel worldwide because we have an interconnected
15 world.

16 So, I would say all we do is we keep
17 switching the chess pieces on the chess board. Yes,
18 in 2000, it was Asian, in 2008, it was the United
19 States, in 2011 and '12, it's Europe. It's all bad
20 news. I don't relish bad news, but you've got to work
21 with the reality of international bad news. So the
22 world is not a wonderful place right now.

23 MR. SIEGAL: Mr. Commissioner, Mike Siegal
24 if I might.

25 COMMISSIONER PEARSON: Yes.

1 MR. SIEGAL: There is no question that
2 regardless of the market dumping in all markets is
3 still dumping, and we have a currency still in the
4 United States that monetizes a lot of commodities that
5 do get dumped around the world. Steel is a
6 monetization issue for a lot of countries that don't
7 have currencies that are valuable on ultimate trade.
8 So I would argue with you saying letting the price of
9 steel fall to the lowest common denominator on
10 unfairly traded product because people have a need for
11 monetization issues, which is what occurs with steel
12 when it gets traded on a global basis, I would argue
13 that, yes, it would fall and it would fall immediately
14 to very low prices below cost structures.

15 MR. PRICE: Alan Price, Wiley Rein.

16 Material injury has both volume effects and
17 price effects, and I would submit to you that if
18 lifting these orders result in price suppression and
19 price depression, that in itself counts as material
20 injury and is adequate under the statute and a reason
21 to keep these orders in place.

22 COMMISSIONER PEARSON: Okay. Well, I thank
23 you for those responses.

24 You have been saying the demand currently in
25 the U.S. market is slack. If that's the case, why the

1 increase in imports in recent months that you have
2 been talking about?

3 MR. MOSKALUK: Jeff Moskaluk again.

4 To a large degree because it was an
5 attractive market, one, because it's open, and two,
6 because the prices were favorable to other places that
7 these producers could have exported. So as an option
8 this was a place to fly to even if demand was less.
9 So come into the market at a lower price than the
10 current market price was still more favorable than
11 other options. That's why it came here.

12 COMMISSIONER PEARSON: Okay. And the
13 imports that have been coming here recently, are they
14 primarily subject imports or non-subject imports?

15 MR. SCHAGRIN: This is Roger Schagrin.

16 They are non-subject, and I would point out
17 that if you were to take the Asian countries'
18 arguments at face value, that plate demand is booming
19 in Asia and it's not so good in the United States, and
20 why would anybody want to come here, then can someone
21 please explain to me -- this is very simple economics,
22 that is one thing I was able to get through at my
23 undergraduate studies -- is why would we have an over
24 50 percent increase in third quarter imports in the
25 United States, even though it's from non-subject

1 countries because the orders are working so well
2 against the subject countries, why would they be
3 coming here instead of going to Asia?

4 And the answer is because even if demand is
5 not wonderful in the United States, we are an
6 attractive open market, and Asia is a little bit more
7 of a fix. There is no doubt that there is a lot of
8 trade within Asia, a lot of the trade within Asia is
9 not who sells the lowest price product, it's who is in
10 my country making plate and who has the capacity. So
11 I would just say once again the counter-factual is
12 pretty easy, and maybe Professor Morici wants to
13 comment on this, why would they --

14 COMMISSIONER PEARSON: I'm running out of
15 time

16 MR. SCHAGRIN: -- want to come to the United
17 States if Asia was so wonderful?

18 COMMISSIONER PEARSON: Mr. Chairman, my time
19 has expired so I think I will let it sit there. Thank
20 you.

21 VICE CHAIRMAN WILLIAMSON: Okay, thank you.
22 Commissioner Aranoff.

23 COMMISSIONER ARANOFF: Thank you, Mr.
24 Chairman.

25 In the current Respondent's DSM's brief they

1 argue that there has been sort of alternate trend
2 situation where there haven't been imports from POSCO,
3 which is non-subject, but there have been growing
4 imports from DSM itself, even while subject to the
5 order, and they ask the Commission to sort of take
6 that as the basis, and you can flip that over and
7 conclude that therefore the order really isn't what is
8 driving the export-import trends, and if you revoke
9 the order, it wouldn't make any difference.

10 Does anyone want to respond to that?

11 MR. PRICE: Alan Price, Wiley Rein.

12 First of all, to do an historical analysis
13 of POSCO's capacity is a little difficult because
14 POSCO put on a lot of capacity very recently in the
15 plate market. Actually 2010 is when most of it, a
16 large chunk of it came on. That fundamentally started
17 to change the capacity picture and the export picture
18 out of Korea for this project, also non-subject coil
19 plate product. They were starting to see a whole
20 fundamental shift. That is number one.

21 Number two, we obviously can't talk about
22 the proprietary data in this meeting, but based upon
23 market reports my clients have provided me we have
24 seen an up-tick in POSCO's shipments recently, okay.
25 and a lot of that, again, post June, July, August

1 going on. That is number two. Again, markets are
2 such that they have expanded capacity. There is not
3 enough demand in Korea, so that's the second factor.

4 Number three, dumping law doesn't prohibit
5 you from shipping. It just requires you to ship at a
6 fair price, okay. So there is no prohibition for DSM
7 shipping. DSM ships into the United States logically
8 when it's able to do so with minimum margins out
9 there. It wants to ship to the United States, but
10 obviously given the constraints of the dumping margin
11 there are many times when it can't, and that's what
12 the record shows, that the order is having a very
13 significant disciplining effect.

14 Now, U.S. prices got higher than the world
15 market. Maybe they came in with some more product
16 this year. Maybe they didn't, okay. But that shows
17 you their intention if you lifted this order. Thank
18 you.

19 COMMISSIONER ARANOFF: Let me ask some of
20 the company witnesses to walk me through the answer to
21 this question which is, one of you testified in your
22 direct testimony, and I have certainly heard this
23 before, that low priced imports that would come into
24 the market would affect U.S. prices across the board,
25 even for higher end, more specialty products.

1 Can you walk me through the mechanism
2 whereby that happens and what evidence on the record I
3 can look at to see that kind of effect?

4 MR. BLUME: Commissioner Aranoff, Rick
5 Blume.

6 Certainly one of the things that we have
7 clarified is that the plate product itself is very
8 fungible, that in fact there is not this strata of
9 different high quality and low quality. There are
10 different grades but the reality is is that our mills,
11 our competitors' mills, domestic competitors can
12 produce most, if not all, of the products that would
13 be coming in on an import basis.

14 So, ultimately what happens in the
15 marketplace is that we start to -- we begin to see
16 offers and we are presented those offers by our
17 customers, in many cases distribution customers who
18 say to us we really don't want to make these kind of
19 purchases but the reality is I must make these kind of
20 purchases to be competitive in the marketplace. These
21 prices are too low for me to ignore.

22 So, it has an effect, a general effect into
23 the market, and again contrary to the testimony of the
24 other side that there is a strata, the reality is
25 there is not, and in fact those price pressures affect

1 the entire general market.

2 MR. MOSKALUK: One of the common behaviors
3 for the plate market is that it is a based-price plus
4 extra type of product, and so the base price or the
5 lowest commodity good establishes the threshold price,
6 and then there are adders and extras, not needing to
7 be specific on what they are, but there are adders and
8 extras for grades and thicknesses and other things.

9 So, essentially the bulk of the material is
10 traded in this threshold bulk commodity product.
11 That's the threshold price under which you can add
12 extras for grades, sizes, other things. Most of the
13 common items, by the way, where you would add in extra
14 for a grade or size they can be made by virtually
15 everybody here represented, plus most, if not all, of
16 the companies that would import. And so other than
17 some very extreme cases that I could probably think
18 about if I took enough time to find some grades or
19 items that would not follow that pattern, the great
20 majority of the market follows this type of pattern
21 where it's a price plus extra, so, very much is
22 dependent upon where the base price ends up.

23 MR. BIEGALSKI: Yes, Commissioner, I would
24 echo that sentiment exactly, and I think I talked
25 about the commoditization in here, and that's what

1 happens. A base commodity grade product tends to
2 spillover into our entire product line. The extras
3 and the adders may not change but certainly the base
4 price for those grades of steel affects almost
5 everything that we produce.

6 COMMISSIONER ARANOFF: Okay. And just to
7 clarify. When you're talking about extras and add-
8 ons, that's not the same thing as surcharges for raw
9 material costs or for steel import costs?

10 MR. MOSKALUK: No, these would be for
11 differentiation for an alloy grade or a higher
12 strength grade. This is not a surcharge, no.

13 MR. BIEGALSKI: Yes, different qualities of
14 steel, chemistries, et cetera.

15 COMMISSIONER ARANOFF: Okay. I appreciate
16 those answers. That's helpful.

17 Let me ask another question that is probably
18 going to get me in trouble. So, in order for imports
19 of subject product to increase and to be significant
20 if the orders were revoked, there not only has to be
21 supply, and I think there is a fair amount of evidence
22 on the record about the amount of supply that's out
23 there, but there has to be someone to buy the product
24 here in the U.S. And one of the things we saw in the
25 recent recession was that nobody was buying steel for

1 any purpose. They were using up what inventories they
2 had for as long as they possibly could, and not only
3 were domestic producers shipments down but imports
4 were down.

5 And so my question is, you know, if you
6 gentleman are unfortunately right and the market is
7 not going to look good for the reasonably foreseeable
8 future, where is the demand going to come from that's
9 going to pull the obviously available imports into the
10 market?

11 MR. SCHAGRIN: May I suggest that the
12 distributors --

13 MR. BRECKHEIMER: I was --

14 MR. SCHAGRIN: -- because these are the real
15 buyers of steel so they would tell you.

16 MR. BRECKHEIMER: Thank you. Thanks, Rog,
17 appreciate it. Mark Breckheimer for the distributors.

18 First of all, simply explained, in an
19 entirely fungible marketplace low price is the
20 dominating factor. So if my competitor puts a bullet
21 in his gun, I have to put the same bullet in my gun,
22 long and short of it. My interest in low price
23 imports is entirely related to my economic activity
24 and my economic alternatives. That is to say the risk
25 premium that I have to demand from an imported product

1 is a function of what my other options are.

2 If I am highly profitable, I'm not
3 particularly interested in taking the risks that are
4 incumbent upon buying foreign steel -- long lead
5 times, and volatile market conditions. Therefore, I'm
6 going to demand a big risk premium or a bid discount.
7 However, if my economic alternatives are not robust,
8 as they are right now, that incremental discount that
9 I would demand from a foreign supplier shrinks. This
10 cases our domestic suppliers to have to meet them.

11 So, the other thing that concerns us about
12 this is we need a robust domestic supply to manage our
13 business carefully, but that's the answer.

14 As times are difficult in this marketplace,
15 we are going to need imported steel if imported steel
16 is allowed to come, which will cause the domestic
17 producers price realization to drop, causing their
18 profits to erode.

19 COMMISSIONER ARANOFF: I don't want to put
20 words in your mouth, but are you telling me that, in
21 fact, more so if demand is quite low you're going to
22 buy low priced imports, but who are you selling them
23 to? Who is going to buy them?

24 MR. BRECKHEIMER: Our customers. You know,
25 in a down-trending economic spiral cost pressures

1 develop across the supply chain. My customers want to
2 buy steel more cheaply because they feel compelled to
3 reduce the price of their equipment so that they can
4 sell more. If low priced imports are available, or my
5 competitor has it, I'm going to have to buy it so I
6 can meet the competitive situation at my customer's
7 operation.

8 MR. SIEGAL: Yes, if I can -- just as a
9 competitor let me just comment on that. This is not a
10 friendly industry, and in that regards there is no
11 question when I have a relationship -- although we are
12 friends. In that regards there is no question that my
13 customer is always looking for a better price, not
14 always a better value, and in that regard when the
15 market is dropping he is going to shop my price
16 regardless of the relationship and the performance
17 criteria that I've had with him.

18 So, in that universe where Mr. Breckheimer
19 has the opportunity to get that quotation from my
20 customer he is going to come in with the lowest
21 possible price to induce that customer to leave my
22 relationship, and vice-versa.

23 COMMISSIONER ARANOFF: Okay. My time is up
24 but I do appreciate those answers very much. Thank
25 you, Mr. Chairman.

1 VICE CHAIRMAN WILLIAMSON: Commissioner
2 Pinkert.

3 COMMISSIONER PINKERT: Thank you, Mr. Vice
4 Chairman.

5 Staying with the distributors for a moment,
6 do you agree with the Japanese Respondents that Japan
7 prices its exports differently than either Italy or
8 Korea?

9 MR. SIEGAL: I would have no knowledge of
10 that.

11 MR. BALLOU: Likewise. This is Tom Ballou.
12 I don't know what goes into their pricing philosophy,
13 if you will. We, frankly, just deal with the day-to-
14 day what's available in the market and how different
15 countries arrive at that strategy or that pricing
16 strategy, I'm not aware of that.

17 COMMISSIONER PINKERT: Let me clarify the
18 question. I'm not asking the question of whether the
19 technique by which they arrive at their prices is
20 different. I am asking the question of whether
21 Japanese prices generally are higher in the
22 marketplace than the prices for either Italy or Korea.
23 You can pick whichever comparator you want and just
24 compare what you see in the marketplace from Japan
25 with those other countries.

1 MR. SIEGAL: The market --

2 MR. BRECKHEIMER: I'm not able to support
3 that the Japanese prices are any different than the
4 domestic suppliers.

5 MR. SIEGAL: Yes, the market is the market,
6 and the market forces will dictate the price that
7 somebody buys and sells for. So when we see our
8 opportunities from any country, it is what is the
9 current price right now regardless of who the producer
10 is.

11 MR. BALLOU: Mr. Commissioner, I think to
12 answer your question personally we don't have
13 experience with the Japanese to say that they price
14 their product imported into this country differently
15 than these subject countries or even non-subject
16 countries. I don't have any experience in that area.

17 COMMISSIONER PINKERT: For the post-hearing
18 I would ask the attorneys and consultants with this
19 panel to take a look at those claims and tell me
20 whether there is product mix issue that's affecting
21 those claims or whether there is some other point that
22 you wish to emphasize in response.

23 MR. SIEGAL: May I make one other comment to
24 that response now?

25 COMMISSIONER PINKERT: Sure.

1 MR. SIEGAL: You know, if you are
2 restricting from a philosophical perspective that all
3 you want to do is export, you know, 50,000 ton or
4 100,000 ton into the United States and you are
5 limiting yourself based upon a volume, you will want
6 to sell the highest priced valued product into that
7 market.

8 But when the world collapses and the
9 opportunity to sell everything is there, when it's
10 exactly the same, all right. But when I'm putting
11 myself limits on the amount of steel I want to bring
12 to the United States, then I'm going to sell the
13 higher priced quality steels, not the commodity.

14 MR. ROSENTHAL: Commissioner Pinkert, just
15 to clarify again to pick up on that last comment. I
16 think you're talking about their claims of how they
17 behaved recently under order, and I think what you
18 have been hearing is that we expect, however, the
19 Japanese and the other Respondents under order have
20 behaved, we don't think it will be the same if there
21 is no order, and certainly with the expectation of
22 where capacity is and demand it.

23 So if you don't mind that we will have a
24 more expansive response to your question rather than
25 simply limiting it to what have we seen in Japanese

1 pricing recently under order.

2 COMMISSIONER PINKERT: I would just clarify
3 that if you can first explain what it is that might
4 account for any discrepancy in pricing, and then go on
5 to make whatever points you're talking about, that
6 would be very helpful.

7 MR. ROSENTHAL: To the extent that the
8 premise is accurate, we will address that first, but
9 I'm not so sure it is.

10 COMMISSIONER PINKERT: Thank you.

11 Mr. Price, did you --

12 MR. PRICE: Will be happy to address it in
13 the post-hearing brief.

14 COMMISSIONER PINKERT: Thank you very much.

15 Now, turning to Italy, I know that you are
16 all aware of some of the arguments, or at least many
17 of you are aware of the arguments being made by the
18 Italian producer that's represented here, and I am
19 wondering with respect to perhaps another Italian
20 producer that is not represented here today, does it
21 matter whether that producer is subject to both
22 antidumping and countervailing duties or is it
23 sufficient for purposes of considering what would
24 happen in a revocation scenario that they are covered
25 only by countervailing duties?

1 MR. PRICE: Alan Price, Wiley Rein.

2 We believe that, or excuse me, for Nucor we
3 believe that the fact that they are -- if a company is
4 subject to countervailing duties, it still disciplines
5 their behavior. Obviously, they are aware of what
6 their subsidy levels are which can constantly vary and
7 that affects their willingness to compete in the U.S.
8 market.

9 We believe that there are also many --
10 several different Italian suppliers, too, and there is
11 a variety of Italian capacity here that's involved, so
12 that is one company, but there are other companies
13 also. Obviously lifting the order is going to affect
14 the flow of imports both dumped and subsidized
15 imports, and we believe that they should be cumulated
16 and treated equally. There will be a hammering effect
17 no matter what.

18 MR. SCHAGRIN: And Commissioner Pinkert,
19 this is Roger Schagrin.

20 We will put more on this in our post-hearing
21 brief, but I think it's important to recognize that
22 the largest portion of Italian plate capacity now is
23 in the hands of actually Ukrainian-based holding
24 company called Medenest, which I don't believe is
25 participating here today. We will give you

1 information in the post-hearing brief that shows that
2 when the same Ukrainian holding company took over
3 mills in the Ukraine, which were subject to a market
4 economy suspension agreement on cut-to-length plate,
5 that these mills that had previously not even gone
6 through the process of obtaining normal values for the
7 Department of Commerce, so they were banned from
8 exporting.

9 But when Medenest gained control, they
10 retained counsel and went through the process, which
11 is their right under that particular suspension
12 agreement, so that they could get normal values and
13 begin exporting again and increase their exports to
14 the United States.

15 So, with the Italian company and of course
16 they would be subject to all other Italian rates as to
17 both dumping and subsidy, there is no doubt that that
18 company has its sites set and is already actively
19 marketing and selling products in the United States,
20 and I think that's an issue that the Commission can
21 give significant weight to in terms of judging what
22 would happen with the Italian industry if the order
23 were to be revoked.

24 MR. PRICE: Alan Price, Wiley Rein.

25 I also want to add that obviously there is

1 protective order information we can't go into details,
2 but the one Italian producer participating in this
3 case represents a very insignificant portion of
4 Italian capacity, and therefore this is a very
5 different situation than the Commission has dealt with
6 perhaps in the past where you have one company that
7 comes in and says, I am here, but they are a very
8 large portion of the capacity. In this case, there is
9 virtually none of that capacity is represented. They
10 have elected not to participate in this hearing, and
11 you know, we think adverse inferences are appropriate
12 or inferences as applied by Mr. Schagrin and others.
13 Thank you.

14 COMMISSIONER PINKERT: Now, turning to the
15 impact of non-subject imports in the United States, I
16 have a couple of questions and I think I am only going
17 to get to one of them this round. But is there a
18 relationship between the volumes of the non-subject
19 imports and the subject imports?

20 In other words, is it the kind of thing
21 where we would expect when one goes down the other one
22 goes up and vice-versa, or are they largely
23 independent of one another so that in the event of
24 revocation one would not expect there to be an impact
25 on the non-subject imports?

1 MR. MOSKALUK: I certainly believe that
2 there is no decision made by the nonsubject countries
3 to import because of something going on with the
4 subject countries. Their decision to import in the
5 United States is independent of the other activity.
6 That would be my comment.

7 MR. BRECKHEIMER: Yeah. It's Mark
8 Breckheimer. I would agree with that. Subject and
9 nonsubject importing countries or companies are going
10 to tend to behave independently. When they appear to
11 behave in concert, it's typically driven by a
12 strengthening in the U.S. dollar regarding this
13 marketplace.

14 COMMISSIONER PINKERT: Thank you. Mr.
15 Blume?

16 MR. BLUME: Yes. Just a final comment
17 regarding the attractiveness. Again, we talk about
18 this market. These decisions are made, in my view,
19 independent, but as a result of excess capacity, as a
20 result of having to move that excess capacity, and
21 frankly, as a result of targeting an open market in
22 which they can move that. If as a producer my
23 decision, as we see in the Japanese case, philosophy
24 to run 100 percent full runner blast furnaces wide
25 open, we're going to find those markets really

1 independent of what's going on in procedural matters.

2 COMMISSIONER PINKERT: Thank you.

3 VICE CHAIRMAN WILLIAMSON: Okay. Thank you.

4 Mr. Trinidad, are any of the collective bargaining
5 agreements between the USW and significant plate
6 producers set to be renegotiated in the next year or
7 two?

8 MR. MAGRATH: Yes. Our current basic labor
9 agreement expires September 1, 2012, so next summer
10 we'll be bargaining.

11 COMMISSIONER WILLIAMSON: Okay. Can you say
12 what are likely be the key issues in those
13 negotiations?

14 MR. MAGRATH: Well, I would imagine the key
15 issues will probably be healthcare and some of the
16 working conditions in the plant and security for our
17 workers. Currently, we haven't entered into
18 negotiations, we haven't had any sound offs or
19 anything like that, so that could change, but
20 healthcare seems to be a big deal. Of course, the
21 healthier the company is doing, the more business they
22 have, the better off we'll be when it comes to
23 bargaining.

24 COMMISSIONER WILLIAMSON: Okay. Thank you.
25 You may not know this, but I just wondering, are those

1 the kind of issues you think you're, some employees in
2 some of the exporting countries or subject countries
3 are, the unions would be negotiating over, too?

4 MALE VOICE: I don't know -- of the five
5 countries that are part of this case today, we do have
6 some partnerships with some of the IMF, the European
7 Unions, and some of their issues are the same but not
8 to the same level.

9 COMMISSIONER WILLIAMSON: Okay. Thank you
10 for the answer. Let's see. Just to go back to this
11 shipping issue again and the nature of the
12 disagreement. I think the Japanese producers have
13 talked about their rise in shipping costs, and I think
14 the Petitioners have noted that that's for like the
15 small shipments, but if you take the basic commodity,
16 you know, volume shipments, the shipping costs have
17 not changed that much. Is that correct?

18 MR. MOSKALUK: SSAB, we're an international
19 company. We have producing facilities in Europe, in
20 the Americas, and we have a processing facility in
21 Asia, and including facilities that we have in South
22 America. We ship product around the world. The
23 evidence we have is that our shipping rates have been
24 steadily decreasing over the recent period.

25 COMMISSIONER WILLIAMSON: Okay. Mr. Price?

1 MR. PRICE: Yes. The record evidence shows
2 that obviously when you have small scale shipments,
3 you pay much higher freight. That's pretty typical in
4 the steel industry and for most products. When you
5 ship charters, when you charter an entire boat, it is
6 very inexpensive. You know, the dry bulk index
7 indicates what the price is. Prices are extremely
8 low, at essentially record low levels. You can see
9 that right now with the Japanese data for their
10 shipments of slabs. They have sent very high volumes
11 of slabs and increasing volumes of slabs to the United
12 States this year, and they have incredibly low
13 shipping rates. Slab and plate have the exact same
14 shipping costs. They ship in the exact same manners
15 for essentially standard of commodity type products,
16 and so there should be no difference in cost between
17 those two.

18 COMMISSIONER WILLIAMSON: So you're saying
19 that if the volumes of shipments of plate to the U.S.
20 sort of were to go up, the rates would probably come
21 down, the shipping rates?

22 MR. MOSKALUK: I believe it would fall,
23 would crash dramatically. They would mirror what's
24 going on on slab right now. You've just heard the
25 testimony from SSAB, and we can give you quotes as to

1 what that is, but the best and most convincing
2 evidence we could show you is actually what was in the
3 actual data for high volume shipments of slabs from
4 Japan to the United States. Their prices would crash
5 to those levels.

6 COMMISSIONER WILLIAMSON: Okay. Thank you
7 for that clarification.

8 MR. BIEGALSKI: Yeah. Commissioner, Jack
9 Biegalski. I would just like to say as well, as a
10 global company, ArcelorMittal, we've seen our shipping
11 rates come down dramatically over the last year, so
12 these guys are right on when they're talking about --

13 COMMISSIONER WILLIAMSON: Okay. And that's
14 both for the shipments in say inter-Asia, as well as
15 trans-Pacific? Okay. Thank you. Let's see. The
16 Japanese Respondents point out that the AUVs of their
17 exports to the United States, as well as their exports
18 to all other markets were higher than the U.S.
19 producer AUVs. They assert that this demonstrates
20 that the Japanese producers' exports of CTL plate to
21 markets outside of Asia have primarily involved
22 specialty products that command higher prices than the
23 commercial grade CTL plate sold in the U.S. market.
24 Would you agree with this assertion?

25 MR. SCHAGRIN: Commissioner Williamson, or

1 Vice Chairman Williamson, Roger Schagrin. We'll
2 address it further, as I believe Commissioner Pinkert
3 asked us to do, in our posthearing brief, but I would
4 point out that the dumping duties against most of the
5 Japanese companies have remained at 60 percent since
6 the initial investigation, haven't had administrative
7 reviews. The staff report has a list of all the
8 reviews and there have been reviews of Korea and their
9 margins have gone up and down. They've been rather
10 low. Of the Italian Palini, they've gone up or down.
11 So, you know, while we'll have to look at this and
12 look at the data under protective order, you know,
13 just looking at general import data or general export
14 data, it's possible that the Japanese are shipping
15 plate products that are not subject to the order, such
16 as, you know, certain alloy products and other
17 products that were excluded from the scope. Of
18 course, those products, plate products not subject to
19 the order would sell for higher prices than the
20 commodity subject products. We'll address this
21 further in our posthearing brief.

22 COMMISSIONER WILLIAMSON: Okay. I may be
23 over. Might be a little bit. I was also thinking
24 about Japanese exports to the third-country markets.
25 Mr. Price?

1 MR. PRICE: Yeah. Commissioner Williamson,
2 we'll address this more in the posthearing brief.
3 AUVs hide a lot of sins, okay? If you look at CRU,
4 you'll see there's a Japanese essentially export price
5 which they sell a lot of volume at at a very low
6 number, and that number's there for a reason, because
7 it's the baseline which they sell a lot of product at.
8 If you pull apart their export data you can isolate
9 some countries which are only buying commodity
10 product. Incredibly low prices, okay? Very, very low
11 prices. Much lower than the U.S. We'll detail those
12 in our post hearing brief. You know, there are some
13 prices down at \$700 a ton in the first half of this
14 year, and so, you know, where there's fairly
15 significant volumes. That volume would logically
16 shift to the United States given low shipping rates
17 which would exist for volumes, reasonable commercial
18 volumes, and the higher pricing that exists in the
19 United States.

20 COMMISSIONER WILLIAMSON: Mr. Schagrin?

21 MR. SCHAGRIN: Vice Chairman Williamson, to
22 the extent that the Japanese include any homework at
23 shipments in their AUV analysis, let's not forget
24 Japan is probably the most protected domestic market
25 in the world. That's why they have 60 percent dumping

1 duties. You know, the Japanese are nationalistic.
2 It's fine. That's just the way they are. They will
3 buy Japanese product at higher prices. They have
4 these Coretzu relationships. This is a matter of
5 public knowledge. So U.S. producers, I mean ask these
6 producers here, even though Japan has zero tariffs on
7 steel, how much plate does the U.S. industry with an
8 extra 25, 30 percent unused capacity export to Japan?
9 I suspect the answer is zero, like many things that if
10 the Japanese make them, they're going to buy Japanese
11 product. They only buy from the United States the
12 things they don't make in Japan.

13 COMMISSIONER WILLIAMSON: Okay. Thank you.
14 In your posthearing, if you could address how
15 significant is this, shall we call specialty market.
16 It's in the trade. In their prehearing briefs on page
17 39 to 42, the Japanese producers provided several
18 charts to support their argument that the U.S.
19 industry is much stronger in the 2006-2010 timeframe
20 as compared to earlier periods. I was wondering if
21 you want to comment on the results and analysis in
22 these charts. I don't know if you may want to do it
23 now or posthearing.

24 MR. SCHAGRIN: Commissioner Williamson, I'm
25 familiar with it, I can turn to the pages, but I know

1 what they did and I think, you know, what they were
2 essentially doing was taking the average profitability
3 over the entire POI, and we know because this
4 Commission sunset 11 orders against cut-to-length
5 plate in 2008, we know how profitable this industry
6 was from 2005-2008. Some of us did not appeal the
7 Commission's negative determinations. I mean this
8 industry in the first half of this POI was very, very
9 profitable, but to just look at the average over the
10 entire POI when the first half is so dramatically more
11 profitable than the second half, I believe it's pretty
12 well-established Commission precedent that you will
13 put the most weight over a period of review in a
14 sunset review on the most recent time periods. So I
15 think their analysis kind of falls flat because it's
16 based on the average over the whole six and a half
17 years. If you look at the two and a half most recent
18 years, this industry's not performing well. As you
19 heard in the testimony today, the first half blip up,
20 it's gone. That's already history.

21 COMMISSIONER WILLIAMSON: Good. Okay.
22 Thank you. My time has expired. Commissioner Lane?

23 COMMISSIONER LANE: Thank you. Mr. Blume, I
24 will go back to you. The question I had was with all
25 of the over capacity or the expanded capacity in the

1 five countries and what we've seen for demand in this
2 country, why are the five countries expanding their
3 capacity, and what effect will that have upon your
4 industry? I know you've answered part of that before,
5 but it doesn't hurt to say it again.

6 MR. BLUME: Well, thank you. Rick Blume.
7 As we had mentioned earlier, a lot of those investment
8 decisions had been made prior to the financial
9 collapse in 2008. Many cases, those are long lead
10 time expansions, and so we saw a lot of that capacity
11 moving forward. I think it was also mentioned that,
12 you know, there was some expectation that some of
13 these markets would continue to expand, and that's
14 frankly just not happened. The demand has not
15 arrived. The demand is not there. We're facing the
16 reversal of those trends when we look at what's
17 happening in Europe with the crisis there, China
18 slowing down, in many cases because of the government
19 action to in fact do so, the potential double dip
20 recession that we're facing here. So, in fact, the
21 real question is is that a forecasted demand has not
22 materialized and we find ourselves looking at a very,
23 very difficult situation. So the capacity is built
24 and the production will occur. It will come here.
25 This is an attractive market. These five subject

1 countries will bring their product here. It will have
2 a devastating effect, as you heard earlier from Ms.
3 Beavers, in terms of families, and paychecks and those
4 kind of things. So it's very important that we keep
5 these orders in place.

6 MR. MOSKALUK: Commissioner Lane, I'd
7 just --

8 COMMISSIONER LANE: Yes. Go right ahead.

9 MR. MOSKALUK: Jeff Moskaluk. I'll give you
10 an example that's real. In 2007, our company made a
11 strategic decision that we were going to make a
12 capital investment. Now, this is not a capacity
13 increase, but was the investing in some downstream
14 processing. So we make the decision in 2007 and we
15 begin to invest capital and we start the project. We
16 get to the second half of 2008, and clearly our board
17 gave us direction that we should, where possible, slow
18 down the spend of capital because of the economic
19 meltdown that became the last half of '08 and into
20 2009, but at some point we had invested enough capital
21 where we couldn't say that we were abandoning the
22 project. In relative terms to building a new steel
23 mill, this is a much smaller project. It's relatively
24 \$100 million investment, which is huge in itself, but
25 not like the size of building a new steel mill. So a

1 decision is made in 2007, the market conditions were
2 extremely different at the time that that decision was
3 taken, the investment starts. So here we are in 2010
4 and we see a recovery and we begin investing and
5 making the project move forward again and it will come
6 on stream in the late first quarter, second quarter of
7 2012. So that's the life of a large capital
8 investment project. A steel mill would have a longer,
9 perhaps longer timeline than that. So the decision
10 could have been taken in '05, '06, early '07. The
11 money starts to be spent, gets put on hold, but at
12 some point you've invested enough money where it's a
13 sunk cost now. You've got to resume the project at
14 some point. So the question of why the capacity is
15 coming on if markets are failing is because you can't
16 stop something that big. You've invested it, the
17 money is already spent, and so you have to bring it to
18 fruition.

19 COMMISSIONER LANE: Thank you. Yes, sir?
20 Did you want to add something to that?

21 MR. BRECKHEIMER: Commissioner Lane, I'm
22 Mark Breckheimer. One of the things that has to be
23 considered in this is the first thing a lesser
24 developed or under developed nation does as soon as
25 they possibly can is they start a domestic steel

1 industry. It's really driven by their need for
2 fungible foreign exchange. Take under consideration
3 some of the countries that are covered by this order
4 and other orders. If you can convert relatively
5 inexpensive labor, relatively inexpensive electricity,
6 subsidized electricity, relatively inexpensive raw
7 materials into a fully fungible product and gain
8 fungible U.S. dollars for the conversion, and then
9 earn a significant profit in the process, can explain
10 why capacity in developing nations continues to
11 explode.

12 COMMISSIONER LANE: Thank you. Have the
13 recent disasters in Japan had an effect upon the
14 Japanese use of their own product or the Japanese
15 production of this product?

16 MR. BIEGALSKI: Commissioner, Jack
17 Biegalski, ArcelorMittal. We're not aware of anything
18 along those lines.

19 COMMISSIONER LANE: Okay. Thank you. Ms.
20 Cannon, I think these questions are for you and they
21 have to do with cumulation. What developments have
22 taken place since the first reviews to warrant our
23 reaching a different determination from that which we
24 reached in the first reviews regarding cumulation,
25 that is, our determination to cumulate subject imports

1 from all of the subject countries.

2 MS. CANNON: None. That makes the answer
3 easy. I think with respect to the statutory factors,
4 fungibility, geographic overlap, channels of
5 distribution, those are pretty much a given. I didn't
6 really see much of the Respondents contesting that.
7 The Commission also found last time there were no
8 significant differences in conditions of competition
9 among these countries that would warrant separating
10 any of them out. Again, I think that remains true.
11 We've identified, in fact, a number of these similar
12 conditions that persist today in terms of increased
13 capacity, unused capacity, export orientation, the
14 attractiveness of the U.S. market. They share many
15 more factors in common than the few that they have
16 tried to identify to differentiate or distinguish
17 themselves. The Commission last time was looking at
18 essentially these same factors and decided, rightly,
19 we believe, that they should cumulate imports from all
20 of these countries, and the facts of record here
21 support a similar result.

22 COMMISSIONER LANE: Okay. Could you please
23 respond to the Japanese producers arguments that the
24 Commission's decision in Hot-Rolled Steel from Japan,
25 et al. fully supports a decision not to cumulate Japan

1 with Italy and Korea because of Japanese producers'
2 different shipping patterns and different pricing
3 patterns.

4 MS. CANNON: Yes. I think we addressed this
5 a bit earlier, and perhaps can do so more in our brief
6 as well. Essentially what our position is is that the
7 facts pertaining to the hot-rolled case are quite
8 different and the hot-rolled market are quite
9 different than the cut plate market. The cut plate
10 market is subject to very different end uses, demand
11 considerations and other factors that Mr. Schagrin
12 articulated at length a little while earlier and Mr.
13 Price supplemented, and basically, as a legal matter,
14 there really is no reason for the Commission to look
15 at a case like hot-rolled Japan and say this is what
16 we did there, and this is what we should do here
17 because the Commission's always recognized each of
18 these cases is sui generis, each is driven by its
19 facts based on its original decision. Similarly, what
20 happens after an order is revoked is also dependent on
21 those facts for that particular market and industry.
22 The hot-rolled and cut plate markets and industries
23 are quite different for many of the reasons you've
24 heard today. So we don't believe that any of the
25 factors that influence the Commission's outcome there

1 should lead to a similar result here.

2 COMMISSIONER LANE: Okay. One more
3 question. Please respond to Japanese producers'
4 arguments that they operate under different conditions
5 of competition than producers in India and Indonesia
6 because of differences in capacity utilization rates,
7 average unit values and price underselling and
8 overselling.

9 MS. CANNON: Certainly. Some of that
10 frankly will need to be put in posthearing because
11 it's confidential. The Japanese numbers are largely
12 on the record, but the information pertaining to
13 capacity utilization and other factors for the other
14 countries is largely proprietary on the record of this
15 review. As I said before, I think that many of the
16 factors in terms of having excess capacity, increasing
17 capacity being export-oriented are the same. We
18 disagree with their arguments, their attempt to
19 distinguish pricing and average unit values for some
20 of the reasons we've mentioned earlier and we'll
21 elaborate on further. I think that was one of the
22 principal factors that they attempted to rely on. So
23 again, Japan is facing, it's based in Asia with many
24 of these other subject countries. It's facing
25 precisely the same conditions of competition that many

1 of the other producers in Korea and Indonesia are also
2 facing, and they share common conditions with Italy as
3 well in terms of export orientation and excess
4 capacity, so the very factors the Commission has often
5 considered are ones that support cumulation in this
6 case.

7 COMMISSIONER LANE: Okay. Thank you. Thank
8 you, Vice Chairman Williamson.

9 COMMISSIONER WILLIAMSON: Commissioner
10 Pearson?

11 COMMISSIONER PEARSON: Thank you, Mr.
12 Chairman. I have three questions. I think they all
13 may be dealt with largely in posthearing, but let me
14 just go through them. Six years ago we revoked the
15 order with respect to France. Have you had experience
16 with French product in the marketplace, and, if so,
17 what has it been? Okay. In the back.

18 MR. BALLOU: Commissioner, this is Tom
19 Ballou. From a distributor's standpoint, we have not,
20 my impression was that the French case was pretty much
21 built on that, the X-70 product that they made for the
22 pipe industry. I don't know all the ins and outs of
23 the ruling on that, but they were not an active
24 player, necessarily, in the 836 carbon product that
25 we're talking about in this case.

1 COMMISSIONER PEARSON: Okay. Thank you for
2 that. If there's more for the posthearing, by all
3 means, give it to us. Then expanding on that
4 question, we did have orders on other countries that
5 were revoked, you know, in a different proceeding than
6 the previous review of this one. Has there been
7 experience with those products coming into the U.S.
8 market, nonsubject product? You know, whatever you
9 could provide us for posthearing, that would be fine,
10 unless there's something that you'd like to tell us
11 now.

12 (No response.)

13 COMMISSIONER PEARSON: Okay. My second
14 question follows up on Commissioner Pinkert's
15 discussion regarding Italy. Just for clarification, I
16 mean we have Evraz Palini here. Okay. So we've got
17 that information. We don't know much about ILVA, and
18 we really don't know anything about other countries
19 that might be subject to the order and haven't been
20 shipping, so to the extent you can flesh out what we
21 know about the industry in Italy, what other producers
22 are there that are active with whom we should be
23 concerned or of whom we should be aware, and again,
24 this probably is best in the posthearing, but unless
25 anyone would like to say something now.

1 MR. PRICE: Posthearing is fine. Thank you.

2 MR. SCHAGRIN: The only thing I'll say now,
3 Commissioner Pearson, is that I think the staff did a
4 good job in your prehearing staff report already
5 identifying a lot of information about at least the
6 capacities of those other mills that didn't respond.
7 I compliment the staff for doing a good job. We will
8 try to supplement in the posthearing what your staff
9 has already come up with for the missing information
10 by virtue of the fact that those companies did not
11 file questionnaire responses.

12 COMMISSIONER PEARSON: Okay. Thank you.
13 And then my last question, it goes back to ship
14 building, actually, a comment that you made, Mr.
15 Schagrin. If I understood correctly that you had
16 indicated that there had been a 40 percent decline in
17 the backlog of orders or in the tonnage of steel
18 committed to shipping, ship building, whichever is the
19 correct way to say it, between 2008 and I think the
20 first half of 2011. You know, we always examine these
21 cases in the context of the business cycle to try to
22 understand what the trends mean and when one considers
23 the trend in the global economy and the stress on the
24 global economy, particularly in some developed
25 countries that have been in recession and the effect

1 that might have had on the need to ship things from
2 one country to another, it's not clear to me that 40
3 percent is all that big a decline, and so I'm hearing
4 that number, I'm thinking market's holding up pretty
5 well. So either now or in the posthearing could you
6 elaborate on that and help us to understand why 40
7 percent should be seen as a big number rather than a
8 small number?

9 MR. SCHAGRIN: Okay. Sure. For one thing,
10 ships are not like grain. You know, people have to
11 eat every day around the world. Ships are really big
12 commitments, and so there is no doubt that there's
13 always been a shipping cycle in terms of ship
14 building. I think the same is true in all
15 transportation areas, trucks, airplanes. It's a
16 question of, you know, what is being used around the
17 world, when does it normally wear out and need to be
18 replaced and what do the, in this case, shipping
19 companies see as the demand going forward? I would
20 say given the tonnage terms -- and by the way, that's
21 the order book we're talking about. That's the
22 remaining orders. Don't forget, ships don't get built
23 quickly. In other words, an order in '07 may not be
24 built until 2009 or 2010. These are really big. Some
25 of these are tankers and these new Panamax ships that

1 are being built. They're just huge. So I don't think
2 it's -- A) I think it's a big sign that it's down 40
3 percent, but what we'll also give you in the
4 posthearing is the rate of new orders say now compared
5 to a year or two ago. The rate of new orders being
6 placed is down maybe 70, 80, 90 percent. So it's just
7 because it takes so long in shipping, unlike steel,
8 for the backlog to be eradicated by building the ships
9 because you're in this three, four year cycle. I
10 would say a 40 percent decline in the present backlog,
11 because that's what the data is, not the rate of new
12 orders being entered, but the existing backlog, that's
13 huge. The trend is just consistently down. Can you
14 imagine what's going to happen? I mean, we're really
15 heading for a train wreck. Can you imagine what's
16 going to happen when there's no backlog? We'll give
17 you information, I mean for other governments. You
18 know, we're a government that's famous for no
19 industrial planning. That's kind of our mantra in
20 Washington. We try to leave everything alone. In
21 countries like Korea, which had a planned economy
22 after the Korean War, Japan has always had this close
23 connection between industry and government, in Korea
24 they're looking at this, the Korean government, and
25 saying we need to mobilize with plans for what do we

1 do as a country when these massive shipyards that
2 employ tens of thousands of people are going to be
3 shut down. So I think it's really dramatic and we'll
4 expound on it further in posthearing. The one thing I
5 want to make clear is if you believe from the Japanese
6 Respondents today that ship building is going to be
7 strong for the next five years, then I have a bridge
8 to sell you.

9 COMMISSIONER PEARSON: Okay. Mr. Rosenthal,
10 you wish to disagree with Mr. Schagrin?

11 MR. ROSENTHAL: No. It's not often I get to
12 expand on Mr. Schagrin's answer. I will say this.
13 The part of the equation that we've been focusing on
14 here, which is decline in ship building, and you
15 pointed out, well, that's logical, it's cyclical, has
16 not been, it's only part of the equation. As the ship
17 building is declining, whether it's naturally or just
18 consistent with the down turn in the worldwide economy
19 and it's going down 40 percent, the capacity to supply
20 the ship building industry, the capacity to build
21 plate has been increasing dramatically, so the delta
22 has growing and is expected to continue to grow.
23 That's the troublesome part.

24 COMMISSIONER PEARSON: Okay. Thank you.
25 Well, I will look forward to seeing your thorough

1 exposition in the posthearing. It's been a pleasure
2 visiting with all of you, and with that, Mr. Chairman,
3 I have no further questions for this panel.

4 COMMISSIONER WILLIAMSON: Commissioner
5 Aranoff?

6 COMMISSIONER ARANOFF: One quick follow-up
7 for posthearing, and this is for Evraz, in Evraz
8 Palini's brief they argue that the Italian company
9 produces substantially the same range of products as
10 the two domestic mills. Can you just respond to that
11 for us in the posthearing?

12 MR. THIES: That's true. That's true.

13 COMMISSIONER ARANOFF: Okay. All right.
14 Well, with that, I don't have any further questions,
15 but I do want to thank this morning's panel for all
16 your answers. Thank you, Mr. Chairman.

17 COMMISSIONER WILLIAMSON: Commissioner
18 Pinkert?

19 COMMISSIONER PINKERT: Just a couple of
20 follow-up questions. With regard to the average unit
21 values of the Japanese shipments, I would ask for the
22 posthearing that you look, in addition to whatever we
23 talked about earlier, look at the 1990s and tell me
24 whether it takes a crisis event like the Asian
25 financial crisis in the 1990s to bring Japanese AUVs

1 into line with the average unit values from other
2 countries.

3 MR. SCHAGRIN: We'll look at that for the
4 posthearing, but unfortunately, right now,
5 Commissioner Pinkert, if it's going to take a European
6 financial crisis, we have it. So it may take a
7 financial crisis. Unfortunately, we had an Asian
8 financial crisis, we have a European financial crisis,
9 so I would say the predicate already exists, and I
10 think, you know, given what's going to happen in the
11 European economy and its effect on the world economy,
12 you know, really what the Asian financial crisis
13 created was that Japanese mills had a lot of excess
14 capacity. As I believe Mr. Price or others mentioned,
15 they're a blast furnace type steel making which have
16 to be operated at high utilization rates or you
17 basically have to shut them down. It's not like
18 electric furnaces. So if the effect of the European
19 financial crisis is less overall trade, we have this
20 decline in ship building, we have all the other
21 capacity coming on in all these other countries, then
22 if the Japanese find that they're own market and other
23 export markets which they emphasize in Asia for ship
24 building decline, they will ship to the U.S. at
25 whatever price it takes, as they did during the Asian

1 financial crisis, in order to maintain high capacity
2 utilization rates. They are definitely a high
3 capacity utilization rate focused industry.

4 COMMISSIONER PINKERT: Thank you. Mr.
5 Rosenthal, would you like another opportunity to
6 expand upon Mr. Schagrin's answers?

7 MR. ROSENTHAL: No. I think everyone is
8 eagerly awaiting lunch.

9 COMMISSIONER PINKERT: All right. Well,
10 then I just have one more question. I had earlier
11 talked a little bit about nonsubject imports and I
12 understand the argument that you're making that
13 recently the nonsubject imports have been causing a
14 pricing pressure on the U.S. prices for the U.S.
15 producers, and for the posthearing, or perhaps you may
16 wish to respond here, at the hearing, I'm wondering
17 whether any pricing pressure that we've seen recently
18 is just a reflection of the demand trends that we're
19 talking about rather than the impact of the nonsubject
20 imports. Mr. Rosenthal?

21 MR. ROSENTHAL: I was just going to say
22 we'll respond in our posthearing, but I think you've
23 already heard testimony indicating that it's not
24 simply demand. You've seen a surge of imports, you've
25 heard testimony by distributors, in particular, Mr.

1 Breckheimer, talking about the direct effect of the
2 imports on pricing in the marketplace, so it's more
3 than just demand, that's for sure. I don't know what
4 life would have been like without the imports, but we
5 know that they have directly affected pricing to
6 distributors, and then ultimately to the producers
7 sitting here today.

8 MR. SCHAGRIN: Also, I know Mr. Rosenthal's
9 hungry so I'm going to keep it short because he can
10 get grouchy when he's really hungry, and that is I
11 think everyone, distributors, and suppliers and
12 producers, both said this morning plate is such a
13 commodity fungible product, it's always about supply
14 and demand, and so it's really the worst of all
15 worlds, Commissioner Pinkert. We had more supply
16 coming in, which if demand was constant would cause
17 prices to fall. Unfortunately, as the more supply was
18 coming in, demand was starting to fall. Mind you, the
19 supply, foreign supply has a longer lead time. So
20 it's certainly the combination of the both have just
21 aggravated the problem. Take an industry that was
22 making 10 percent operating profits in the first half
23 of the year that at current prices and current costs
24 is almost certainly operating at losses. So maybe an
25 economist like Prof. Morici could analyze how much of

1 the additional supply effect versus the weakening
2 demand, but for a simpleton or people in the industry
3 it's the combination of the both. When you have more
4 supply and less demand, you're going to have even more
5 price effect. That's what's happened in the
6 marketplace.

7 COMMISSIONER PINKERT: Thank you. I look
8 forward to elaboration on those points in the
9 posthearing. Thank you, Mr. Chairman.

10 COMMISSIONER WILLIAMSON: Okay. Thank you.
11 I just have one question. We talked a lot about the
12 collapse in demand for ship building. Another use for
13 CTL plate is of course in the energy sector. I was
14 just wondering, is there any possibilities that's
15 going to take up some of that demand? Also, given the
16 growth, relatively high growth in Asia, is it likely
17 that if things slow down there they would pick up
18 quickly just given the dynamics there?

19 MR. MOSKALUK: Jeff Moskaluk. Just to
20 comment on demand in energy. There are some lowering
21 in prices in some energy, so price of oil has come
22 down somewhat, and so typically that drives an
23 investment cycle for those companies. In particular,
24 line pipe has been a classic consumer for plate. The
25 fabrication and manufacturer of large diameter line

1 pipe has almost been an exclusive market for plate for
2 many years. There has been a change in technology for
3 that market. There are more mills and additional
4 capacity that's been brought on line in the last
5 couple of years to manufacture large diameter pipe,
6 but to make it as a spiral weld large diameter pipe,
7 which means the source now is coiled product and not
8 discrete, cut-to-length plate, and so the industry is
9 more vulnerable now in the energy market because there
10 is a move to, one of the classic for cut-to-length
11 plate is now as a substitution of being able to be
12 made on a spiral mill with a coiled product. So where
13 plate could have relied on an uptick in large diameter
14 line pipe, meaning an uptick in demand on plate,
15 there's no longer that immediate correlation that we
16 would have seen in the past. So while we may see
17 forecasts for larger demand for large diameter pipe,
18 it does not necessarily guarantee that that demand
19 will be exclusive to plate.

20 COMMISSIONER WILLIAMSON: And that's for
21 product being consumed in Asia, as well as in the U.S.
22 market?

23 MR. MOSKALUK: My understanding is the move
24 to spiral technology is going on in other markets.
25 Certainly in the United States, but in other markets

1 as well. So I would say that that would be true in
2 other markets as well. Another what has been a very
3 good consumer for plate products in the U.S. has been
4 wind towers. There are a couple of things changing
5 fundamentally in the wind tower market. One is that
6 there are fewer wind towers being installed in the
7 current timeframe. I think that has to do, again,
8 with some decisions on capital investment. The
9 decisions may have been in '08 and '09, so now we're
10 seeing fewer installations now where in the middle of
11 the worst part of the recession there were still a
12 fairly high level of installation of wind towers
13 because those decisions and commitments had been made
14 earlier. So we're now seeing a waning in the wind
15 tower market because of what's been going on.
16 Secondly, we're also seeing a fairly high level of
17 activity in the import on wind towers, the towers
18 themselves being fabricated out of plate that's
19 manufactured outside the United States and fabricated
20 outside the United States and then being brought into
21 the United States to be erected and assembled. So
22 again, that market, while we can see that there may be
23 some forecast for forward growth, what we may not do
24 is directly correlate that to being plate demand.
25 Then I think some of the last things are that low

1 prices for natural gas has put a dampening effect on
2 alternative energy, being wind towers being maybe one
3 of the largest that's been impacted by that. I think
4 the discussion of the expiry of the power tax credit
5 at the end of 2012 means that we may see some decent
6 fabrication in wind tower plate as we go through the
7 first six months, but those wind towers will need to
8 be erected and installed before the expiry of the
9 power tax credit, which means there won't be a lot of
10 wind tower fabrication towards the end of the year
11 unless there's assurance of the power tax credit being
12 continued because erecting them in 2013 or beyond
13 won't make them eligible for the power tax credit. So
14 again, some of those classic markets in energy,
15 there's different influences in play that you can no
16 longer make the direct correlation saying, well, if
17 line pipe improves there's automatically increased
18 plate demand. That's not necessarily true anymore.
19 In wind tower, there are enough things going on that
20 makes it less likely that it's a guarantee that it's
21 U.S.-produced plate that will service that market.

22 COMMISSIONER WILLIAMSON: Thank you. Anyone
23 else have anything to add to that, particularly maybe
24 as regard to demand for plate in Asia for use in the
25 energy sector? If not, no comments, do any other

1 Commissioners have any further questions?

2 Commissioner Lane?

3 COMMISSIONER LANE: It doesn't matter to me
4 that Mr. Rosenthal's hungry. I do have a few
5 questions. These questions are for Mr. Blume and Mr.
6 Price. On page 75 of your prehearing brief, Nucor
7 argues that if the orders are revoked, some U.S. plate
8 capacity could be at risk of closure. In your
9 posthearing briefs, because of the confidential nature
10 of the information, could you give me more information
11 on this issue, specifically, which plants for which
12 producers are at risk of closure if the orders are
13 revoked, how much capacity would be lost, how many
14 workers would suffer reduced hours and how many would
15 actually lose their jobs.

16 MR. PRICE: Yes. We would be happy to do
17 so. To some degrees, it is an analysis not only of
18 competitor plants in the United States, so we will be
19 happy to provide the information that is available to
20 us. That's Nucor.

21 COMMISSIONER LANE: Okay. Thank you. And
22 could one of the producers tell me what constitutes
23 full practical operating capacity in this industry?
24 Mr. Thies?

25 MR. THIES: For Evraz it would be 90

1 percent.

2 MR. MOSKALUK: Commissioner Lane, I think if
3 you were to take a look at, and there's public
4 information about mill utilization rates and they tend
5 to be published in documents like AMM or SBB, but if
6 you take a look at it over the period of the best
7 markets, I think those numbers were broaching 90
8 percent. Eighty-eight, 89 percent I think is some of
9 the highest utilization we've seen within the last
10 five or six years. So, you know, in 2009 dropping
11 down to utilization rates of 40 percent and now
12 recovering to rates that are in the low 70s but still
13 close to 20 percent on peak. While it feels better
14 than 40, it certainly doesn't feel anywhere near 89 or
15 90 percent.

16 COMMISSIONER LANE: Is there anybody that
17 disagrees with what these two witnesses have said? If
18 not, I thank you for your attention and your answers
19 today. Thank you.

20 COMMISSIONER WILLIAMSON: Any other
21 questions? Does staff have any questions?

22 MR. CORKRAN: Douglas Corkran, Office of
23 Investigations. Thank you, Vice Chairman Williamson.
24 Staff does have one request, and that is that parties
25 coordinate with staff regarding Commissioner Lane's

1 data request so that to the extent the data are
2 available all submissions will be on the same basis so
3 we can have the data comparable. With that, staff has
4 no additional questions. Thank you.

5 COMMISSIONER WILLIAMSON: Do Respondents
6 have any questions?

7 MR. HARRISON: No, we do not.

8 COMMISSIONER WILLIAMSON: Okay. Thank you.
9 In that case we'll adjourn for lunch and we're
10 recommence at 2:05. Thank you.

11 (Whereupon, at 1:06 p.m., the hearing in the
12 above-entitled matter was recessed, to reconvene at
13 2:05 p.m. this same day, Wednesday, October 19, 2011.)

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1 recent cases, review cases involving other steel
2 products, including stainless steel products, it's my
3 opinion all the Commissioners arrive in the same place
4 in the end.

5 In the Italian case on cut-to-length, we
6 have a couple of charts on the volume of imports from
7 Italy, the volume and presence of imports from Italy
8 in the United States market. A great majority of data
9 for these charts is in the marvelous Table I-I of the
10 prehearing staff reporting, all public information.
11 Chart 1 of this handout shows over the entire period,
12 1996 through the first half of 2001 comparative
13 statistics on the volume of imports from Italy. It
14 shows U.S. producers' share of the domestic
15 consumption, Italy's share and all other imports'
16 share.

17 It is formulated as an exploding pie chart.
18 Last night, we looked at it both ways, and it's an
19 exploding pie chart so that you're able to pick up
20 that thin red line of the Italian share of apparent
21 domestic consumption 1996 to 2000. We'll come back
22 and quantify several things about this thin red line
23 in Chart 3. Chart 2 compares the U.S. industry share
24 of the domestic market along with Italy's share in all
25 15 years covered by Table I-I.

1 We entered a few vertical lines in order to
2 show the impact of imports from Italy in the preorder
3 period, 1996 to 1998, which the Commission likes to
4 consider in judging impact on the U.S. industry should
5 the order be terminated. The first thing to notice in
6 the chart is the U.S. producers' share of the U.S.
7 market throughout the period. This is Chart 2. U.S.
8 market share is high in all periods, all years and
9 fairly stable.

10 Yes, it increased from the preorder period,
11 1996, 1998 to 1999, 2001 to three years following the
12 order, and the share of Italy's imports fell after the
13 filing of the original case, just like Petitioners'
14 said it would. Italy's share preorder and its share
15 in this post-order period through 2011 are clearly
16 shown on the charts. The so-called "surges" from
17 Italy that Petitioners are so afraid of are shown in
18 red at the very bottom of the chart.

19 Is it really hard to see those red lines
20 representing Italy's share of the U.S. market? Well,
21 if so, that's the point. Chart 3 compares
22 Petitioners' methodology of measuring import volumes
23 for discernable impact and the volume issue in the
24 context of industry vulnerability as well. The
25 absolute volume of imports from Italy did increase in

1 the pre-petition period as shown, so have Italy's
2 exports to the United States in other periods that
3 Petitioners have identified and in a couple of places
4 have tagged those increases with the dreaded word
5 "surge," 2003 to 2004 and 2008 to 2009.

6 The Petitioners' methodology in their
7 prehearing briefs is to talk about the absolute volume
8 of Italian imports in these periods and their
9 increase, and they are astronomical, 1996 to 1998,
10 2003 to 2004, the first review, and during this
11 present review 2008 to 2009. By the way, you should
12 know that in these last two at least that Palini was
13 responsible for, it's safe to say, a majority of the
14 imports.

15 Thankfully, the Commission doesn't use the
16 same methodology as Petitioners as you can see in B.
17 The Commission's methodology as distinguished from
18 Petitioner's methodologies include ratios of
19 individual countries imports as a percentage or share
20 of apparent consumption. This ratio import share as a
21 percentage of U.S. consumption has of course been used
22 in every case I have been a part of for 30 years. It
23 includes my period of the time at the Commission
24 itself, but it receives short shrift here from
25 Petitioners.

1 The prepetition "surge" from Italy takes us
2 from 0.2 to 0.8 percent of apparent domestic
3 consumption. The 2003, 2004 period it takes us from
4 0.05 percent to 0.4 percent of apparent domestic
5 consumption, and the 2008, 2009 surge discussed in
6 Petitioners' briefs when they talked about Italy
7 individually, which was pretty rare, takes Italy from
8 0.0 percent of apparent domestic consumption to 0.1
9 percent apparent domestic consumption.

10 Finally, Chart 3 is the data behind the
11 charts, so let's do some averages of imports from
12 Italy in these three periods. During the prepetition
13 period, which some Commissioners as we said consider
14 somewhat a clue as to the behavior of imports in an
15 order free foreseeable future, Italy's share of
16 domestic consumption average what you see here less
17 than one percent, *less than one percent*.

18 In the entire period from 1996 to 2010,
19 including the order-free prepetition period, Italy
20 averaged less than two-tenths of one percent, and for
21 the period of review in this particular review, the
22 second review, Italy held a 0.0333 out to infinity of
23 one percent of the U.S. market. The second issue that
24 I addressed is conditions for competition,
25 specifically the U.S. industry transformation, the

1 latest period of review.

2 The second issue is the change in the
3 conditions of competition specific to this period of
4 review, specifically of the transformation of the
5 composition of the U.S. plate industry. Chart 4 that
6 we've got here is just a simple list taken from the
7 staff report, plus the records of the original
8 investigation, the first reviews, and it lists the
9 significant members of the U.S. industry and where
10 they're corporate headquarters is located, just a
11 simple comparative list, but one showing pretty
12 radical change.

13 In the original investigation, the four
14 Petitioners were owned and operated by U.S.-based
15 groups with U.S.-based citizens. Typical headquarters
16 were in Pittsburgh. That is where all the allocation,
17 and that is, at the time of the original review, where
18 a great majority of the allocation of resources, who
19 ships to whom today, who do we make it for, and how
20 long will it take us, overall strategy, all these
21 important decisions were decided for CTL producers in
22 the United States.

23 During the first review period, there were
24 two incipient developments coming to be. One was the
25 rise of Nucor, deservedly so, to the premier place in

1 U.S. cut-to-length production, in my opinion, and I
2 think also in the entire carbon steel, flat-rolled
3 industry. The second is the entry of ArcelorMittal as
4 a U.S. plate producer through acquisitions of
5 facilities in the United States. ArcelorMittal, as
6 you all know, is run and controlled from wherever Mr.
7 Mittal and his son happen to be that day.

8 As you can see in Chart 4, the list of major
9 producers since the first review has undergone this
10 transformation. Nucor alone is still based in the
11 United States. The rest of the significant producers,
12 and Petitioners as well, represent the largest share
13 of U.S. quarto plate production are foreign based, are
14 foreign run and foreign controlled. The four
15 producers that are foreign controlled employ what has
16 been termed a Local Supply Strategy, LSS, and they are
17 some of the largest global-based steel producers in
18 the world.

19 They are owned and controlled from a
20 centralized group located abroad, usually in one or
21 two places, and all of the decisions of those
22 facilities of global companies that are termed multi-
23 national corporations or multi-national enterprises
24 are filtered through not a U.S. perspective, but a
25 global perspective employing Local Supply Strategies.

1 It is really atypical for these companies then to
2 supply significant imports to markets where they
3 already have developed and invested in local
4 production facilities, and I think those are facts
5 that have come out in Commission recent determinations
6 in other steel cases with other industry composition.

7 In some, the presence of these global steel
8 groups in the United States' plate industry are now
9 responsible for controlling one of the largest shares
10 of U.S. plate production, and that significantly and
11 irrevocably changes the conditions of competition, and
12 finally just let me say that I don't say the words
13 "running" and "controlling" U.S. facilities and their
14 many global facilities, several, actually many global,
15 many foreign cut-to-length plate producers, I don't
16 say that lightly.

17 This Local Supply Strategy and the other key
18 ingredient, which one of our Petitioners refers to,
19 the global allocation of capital and investment, are
20 hallmarks of multi-national corporations, multi-
21 national enterprises. It's what makes them work, what
22 makes them more efficient than most local national
23 production, and we'll have more to say about that in
24 our brief. Thank you for your attention.

25 MR. WAITE: Again, my name is Fred Waite on

1 behalf of Evraz Palini, an Italian producer of steel
2 plate. The Italian producers of cut-to-length plate
3 pose no threat to the domestic industry now or in the
4 foreseeable future. These mills sell the vast
5 majority of their output to customers in the European
6 Union, which includes 26 countries in addition to
7 Italy. Most of the remaining shipments of plate are
8 made to other destinations in Europe or to nearby
9 markets in North Africa and the Middle East.

10 Consequently, U.S. imports of Italian plate
11 have been virtually non-existent, accounting for less
12 than one-twentieth of one percent of U.S. apparent
13 consumption during the period from 2005 to 2010. In
14 fact, by 2011 imports of subject merchandise from
15 Italy amounted to zero percent of the U.S. market
16 according to the prehearing staff report. In
17 analyzing the likelihood of no discernable impact by
18 subject imports from Italy, we respectfully urge the
19 Commission to recognize that the whole market for
20 Italian plate producers is not limited just to Italy
21 but to the integrated single market of the European
22 Union.

23 This unified internal market is one of the
24 pillars of the E.U., and it encompasses more than 500
25 million people with a gross domestic product exceeding

1 \$16 trillion in 2010. The single market is an area
2 without internal frontiers in which goods, services,
3 people and capital can move freely. Indeed, the E.U.
4 describes the single market as one of its greatest
5 achievements.

6 During the period of review, the vast
7 majority of the Italian industry's shipment of plate
8 to customers outside Italy went to other members of
9 the E.U., more three-quarters of all plate shipments.
10 Moreover, the members of the European Free Trade
11 Association, or EFTA, also participate in the E.U.
12 single market, and shipment to these countries also
13 constitute the Italian Industry's natural home market.

14 Further, almost all of the remaining plate
15 shipped by Italian producers goes to nearby markets in
16 North Africa and the Middle East. When these
17 shipments are added to shipments within the E.U. and
18 to EFTA destinations, they account for more than 96
19 percent of all Italian plate delivered by all Italian
20 plate producers to customers outside Italy. In terms
21 of the U.S. market, imports of subject merchandise
22 from Italy were present in the U.S. market only
23 episodically and then only in negligible quantities
24 during the POR.

25 As the prehearing staff report shows,

1 imports from Italy as a percentage of total imports
2 were close to zero throughout the POR, including in
3 2010 and interim 2011. Compared with U.S. apparent
4 consumption of cut-to-length, the Italian presence in
5 the U.S. market has been infinitesimal. At no time
6 from 2005 through 2010 did Italy's share of the U.S.
7 market exceed more than a small fraction of one
8 percent, and in most years, it was essentially zero.

9 Given their negligible quantities, both in
10 absolute terms and in comparison with total imports
11 and U.S. apparent consumption, we submit that imports
12 of subject merchandise from Italy could have no
13 discernable impact on the U.S. industry. Another
14 factor with respect to Italy is the relationship
15 between our client, Evraz Palini, and its sister plate
16 producers in the United States, a subject which a
17 number of Commissioners address this morning.

18 The Evraz Group has acquired steel-making
19 facilities around the world in order to serve local
20 and regional markets. Given factors such as customer
21 demand for shorter lead times, increased logistical
22 costs and the weak U.S. dollar, a Local Supply
23 Strategy is a rational commercial decision for
24 multinational companies to serve their downstream
25 markets.

1 Here, Evraz Palini, which is location in
2 Italy and Evraz Claymont, and Evraz Oregon, which are
3 located on the Eastern and Western Coasts of the
4 United States, ship their plate production to
5 customers in their natural home markets. The European
6 Union on one case, and the United States in the other.
7 In addition to Evraz Palini, the Italian plate
8 industry consists of several other producers, again a
9 subject which a number of the Commissioners addressed
10 this morning. The largest is the Riva Group's Ilva
11 plant.

12 Like Evraz Palini, Ilva sees its primary
13 markets as Italy, other European countries and the
14 nearby Mediterranean region. Moreover, there is only
15 a limited restraint on Ilva's ability to ship subject
16 merchandise to the United States. As discussed this
17 morning, Ilva is not subject to the anti-dumping order
18 on steel plate from Italy, and the counter-veiling
19 duty margin for Ilva is relatively modest, only 2.38
20 percent.

21 The other plate producers in Italy follow a
22 similar strategy of focusing their production and
23 shipments on customers in Italy, the other E.U.
24 countries, as well as nearby regional markets, and we
25 have provided evidence of that in our prehearing

1 brief. Thus, the Italian plate industry as a whole
2 concentrates on its natural market in Europe and other
3 markets nearby.

4 Given these factors, as well as those
5 discussed by Dr. Magrath, we respectfully submit to
6 the Commission the revocation of the orders on Italy
7 would not lead to the continuation or recurrence of
8 material injury to the domestic industry within a
9 reasonably foreseeable time. Thank you.

10 MR. HARRISON: Good afternoon. As indicated
11 earlier, my name is Donald Harrison with the firm of
12 Gibson, Dunn and Crutcher, counsel to the Japanese
13 Mills. I have here with me my colleague Chris Wood
14 and Mr. Takeo Aoyama, who is the General Manager of
15 the Chicago office of Nippon Steel U.S.A., as well as
16 Mr. Jin Kato, who is the President of Sumitomo Metal
17 USA. Procedurally, I will give a few comments on some
18 of the statistics from this staff report, and then
19 we'll hear testimony from Mr. Aoyama and Mr. Wood.

20 I heard Mr. Schagrin say this morning that
21 he commended the staff on their fine work in compiling
22 the staff report, but I heard very little in their
23 prehearing brief or in the comments by their witnesses
24 about the five and a half years of collected
25 information for this review period as well as the

1 period back to 1996. Much of it was focused on the
2 last three months, and we'd like to present some
3 slides just to demonstrate what the staff report
4 indicates about the period of review as well as the
5 earlier period. Slide, please?

6 These are in the prehearing brief of course,
7 but these are the figures that show the aggregates for
8 the three periods going back to the original
9 investigation period, as you will see, a very
10 significant increase in the value of U.S. shipments
11 with this recent period. This shows the average unit
12 values during those three periods as well as the
13 period for the first six months of this year, and as
14 you see, average unit values have gone up very
15 dramatically reaching over \$900 for the first six
16 months of this year.

17 We see an even more dramatic increase in the
18 total operating income, and you'll see during this
19 last five-year period, total operating income is
20 almost \$4 billion for the firms in this industry, and
21 you'll see that there was a very good improvement both
22 from 2009 when there was a loss to 2010 and again in
23 the interim period, the first six months of this year,
24 to almost \$320 million operating profit. Next,
25 please.

1 This shows the average ratio of operating
2 income to net sales, and here you see a dramatic
3 increase from the less than one percent during the
4 original period of investigation to over 15½ percent
5 during the most recent period. Next, please. Again,
6 you see the same pattern reflected here when we
7 compare 2009 to 2010 and the interim periods for 2010
8 and 2011, again an increase in the ratio of operating
9 income to net sales above 10 percent for the first six
10 months of this year.

11 This is a chart that provides yearly
12 information so you can see what the pattern is in the
13 operating income, and you see during the period of
14 investigation back in 1996 through 1998, the operating
15 income ratios were all under five percent, and yet you
16 see from 2004 through 2008 operating income ratios
17 above 20 percent in each of those years. Again for
18 the first six months of this year, we see an operating
19 rate of 10.5 percent, double the operating rate that
20 was achieved in any year during the period of
21 investigation.

22 Finally, next please, and I'm sorry this
23 doesn't appear very clearly, but what should have been
24 the white sections in that graph reflect the amounts
25 for the hot-rolled steel case, it is a comparison

1 between the operating income rates that are reflected
2 for this industry compared to those for the hot-rolled
3 steel industry based on the period from 2005 through
4 2010, and again you see in every year the very
5 substantially improved and higher operating rates for
6 the cut-to-length plate industry.

7 Again, I apologize. We have white bars, but
8 the white bars don't show, but you can see, for
9 example, in 2006, this industry had 25.7 percent
10 operating ration compared to 18.1 percent in the hot-
11 rolled case. Thank you very much.

12 MR. AOYAMA: Good afternoon. My name is
13 Takeo Aoyama. I am the Executive Vice President and
14 General Manager of the Chicago office of Nippon Steel
15 U.S.A. For more than 15 years, I have been in charge
16 of export sales for flat, rolled-steel products,
17 including cut-to-length. I appreciate the opportunity
18 to appear before you today and provide some comments
19 on behalf of Nippon Steel.

20 Let me begin by telling you about Nippon
21 Steel's export strategy for cut-to-length plate and
22 how we view our competitive position in world markets.
23 Our main goals have been to focus on exports to
24 growing Asian markets and to differentiate our
25 products in these markets best on technology so that

1 we can serve those market segments where quality
2 requirements allow us to maximize the value of our
3 technology.

4 That is our export business model for cut-
5 to-length plate at Nippon Steel, and our experience is
6 that the other Japanese cut-to-length plate producers
7 seem to be following the same course. The reasons for
8 this strategy are very straightforward. First,
9 because of exchange rate and other considerations, we
10 are not likely to be the local producer of commodity-
11 grade cut-to-length plate. We purchase key raw
12 materials such as iron ore and coke and coal on
13 international markets where prices have increased
14 significantly.

15 Outside of Asia, we also face a significant
16 disadvantage in terms of rate cost compared to local
17 producers. What this means is that export sales of
18 commodity-grade plate are generally not attractive for
19 us. We simply cannot have a business model where we
20 are competing on price with Chinese or Russian mills
21 to serve commodity-grades of cut-to-length plate. On
22 the other hand, we have been very successful in
23 positioning Nippon Steel as a technology leader for
24 cut-to-length plate and in focusing on market segments
25 in Asia where this technology is very, very important.

1 Thus, we have focused on satisfying the
2 increased demand for cut-to-length plate mostly in
3 Asia for energy-related uses and shipbuilding and are
4 currently operating at very close to full capacity.
5 Let me take a few moments to tell you about each of
6 those market segments starting with energy-related end
7 users.

8 Rising demand for energy goes hand in hand
9 with the strong economic growth that has occurred in
10 the developing economies in Asia. This demand for
11 energy translates directly into growing demand for
12 cut-to-length plate. For example, new oil and gas
13 projects require cut-to-length plate for offshore
14 platforms and for the line pipe to transport the fuel.
15 As new refining capacity is added, cut-to-length plate
16 is needed for the pressure vessels to separate
17 hydrocarbons and to store rigid fuels.

18 Over the last five years, we have seen
19 increases in demand for cut-to-length plate for these
20 energy-sector applications in Asia, and we expect that
21 this growth will continue because all forecasts say
22 that Asian economies will require significantly more
23 energy in the future. Increasingly, the cut-to-length
24 plate used in these applications often must meet very
25 demanding technical specifications.

1 In oil and gas exploration, for example,
2 producers increasingly are drilling in deeper water
3 and building pipelines in more remote or extreme
4 environments. The cut-to-length plate we supply for
5 offshore structures and line pipe for these projects
6 must be very strong and also must have excellent low
7 temperature toughness, corrosion resistance and
8 excellent durability.

9 In our experience at Nippon Steel, very few
10 cut-to-length plate producers in Asia outside of Japan
11 are capable of meeting all of the requirements for the
12 plate used in these increasingly demanding energy-
13 sector applications. Even fewer have a track record
14 of consistent success over time, which is extremely
15 important to the customers. It takes a lot of time to
16 become qualified for these applications, and many
17 customers are reluctant to use new suppliers with whom
18 they have no experience.

19 Nippon Steel and other Japanese producers
20 have a strong competitive position in Asia for cut-to-
21 length plate used in these energy-related applications
22 based on our technology and record of supplying steel
23 for even the most challenging environment. Almost
24 none of the other regional producers of cut-to-length
25 plate in Asia are qualified to compete for these

1 applications.

2 There are small numbers of producers in
3 Europe, such as Voestalpine in Austria and Dillinger
4 in Germany that are established suppliers of
5 comparable-quality cut-to-length plate, but we have
6 the advantage of being located in Asia where much of
7 the demand and production takes place.

8 The other main area in which we have seen
9 significant growth in demand for cut-to-length plate
10 is from shipbuilding customers in Asia. Almost all of
11 the new shipbuilding in the world today takes place in
12 Korea, China and Japan. Over the last several years,
13 there has been a surge in new ship construction, which
14 has generated enormous demand for cut-to-length plate.
15 At Nippon Steel, we have a very long history of
16 serving these Asian shipbuilding customers and so have
17 increased our exports to these customers to meet the
18 growing demand. The backlog of orders at these
19 important customers remains very strong.

20 I would also like to describe briefly our
21 views on the potential for future export cut-to-length
22 plate to United States by Nippon Steel if the anti-
23 dumping order is revoked. We believe that the
24 opportunities for us in this market are very limited.
25 The U.S. market for cut-to-length plate is already

1 well-supplied by domestic producers and by imports.
2 We have no interest in competing in price for
3 commodity-grade applications in the United States.
4 That is not our strategy in any export market for cut-
5 to-length plate.

6 As I mentioned, our goal is to look for
7 high-value end users where we can differentiate our
8 product and capture the value of our technology. If
9 the anti-dumping order is revoked, we anticipate that
10 our shipments to the United States would not change
11 significantly. We have had inquiries from some
12 customers for particular cut-to-length plate products
13 that they have not been able to obtain in the United
14 States.

15 One example would be extra-wide, high-
16 strength plate for the production of large-diameter
17 line pipe. It might be possible for us to provide an
18 alternative source of supply for these kinds of
19 products. The quantity of this shipment is not
20 expected to be large however because the demand for
21 this product is limited and because we must remain
22 focused on our core markets and customers in Japan and
23 in Asia. Thank you.

24 MR. WOOD: Good afternoon. My name is Chris
25 Wood, counsel with the Japanese producers in this

1 review. I'd like to cover three main points quickly
2 in my testimony this afternoon. First, I want to
3 emphasize the extent to which Japanese producers are
4 focused on home and Asian export markets for cut-to-
5 length plate. This is a long-term trend that is not
6 dependent on the anti-dumping duty order.

7 Second, I want to show you why Japanese
8 producers are likely to continue to focus on Asia.
9 Simply put, growth prospects in Asia for cut-to-length
10 plate are much greater than anywhere else in the
11 world. The concentration of world shipbuilding in
12 Asia and the strong, rising demand for energy in Asia,
13 both key drivers of cut-to-length plate demand, are
14 very favorable for the Japanese producers.

15 Third, I want to take issue with the
16 testimony you heard this morning suggesting that the
17 U.S. market would attract large volumes of imports
18 from Japan if the orders were revoked. Those are
19 exactly the same arguments you've heard in every flat-
20 rolled steel case from Japan in sunset reviews over
21 the last several years, and it hasn't been true yet.
22 This case is no different. Bill, can I get the next
23 slide, please?

24 Let's start by looking at a chart showing
25 where Japanese producers sell cut-to-length plate.

1 The data on this chart summarize Japanese cut-to-
2 length plate shipments from 2005 to 2010. The chart
3 on the left is based on questionnaire data from the
4 prehearing staff report. It shows shipments to the
5 Japanese home market, Asian export markets and all
6 other markets. You can see that the overwhelming
7 majority, 98 percent of all cut-to-length plate
8 shipments from Japan, are in Japan and in Asia.

9 If we look at export data, again this shows
10 the heavy emphasis on shipments to Asia. Exports to
11 the rest of the world and to the United States in
12 particular are a very small fraction of total exports,
13 and because Japanese producers are operating at very
14 high levels of capacity utilization, there is no
15 reason to expect either a change in this strategy or a
16 shift away from serving Asian customers to sell more
17 to the United States. I'm sorry. You're ahead of me.

18 Let me make two quick additional points
19 regarding this distribution of shipments. First, the
20 small volumes of U.S. imports that you see in the
21 export statistics and Table C-1 of the staff report
22 are almost entirely non-subject or excluded products.
23 These are specialty, high-value grades of cut-to-
24 length plate that are reflected in the very high-
25 average unit values for these imports. We can give

1 you more detail if you would like.

2 Second, these charts do not include internal
3 consumption of cut-to-length plate by Japanese
4 producers. If you included the internal consumption,
5 which is used for pipe production and the like, you
6 would see an even greater focus on Japan and Asia.
7 Now, if I could leave you with just one impression
8 this afternoon, it would be this, that the Japanese
9 cut-to-length plate producers are focused on Asia
10 because of macroeconomic trends that have nothing to
11 do with the continuation or revocation of the anti-
12 dumping order.

13 The two key points for us are that the world
14 shipbuilding industry has consolidated in Asia with
15 tremendous growth in demand for cut-to-length plate
16 and that all projections are for a massive increase in
17 demand for energy-related infrastructure in Asia,
18 which is also very positive cut-to-length plate
19 demand. Now, this slide shows the relationship
20 between CTL plate consumption and energy
21 infrastructure.

22 This is a quote from Nucor's CEO three
23 months ago where, when he was asked about plate
24 markets, he said "Tremendous energy development and
25 infrastructure development has got to come, and that

1 would bode well for the plate market in the future."
2 We think he was exactly right with that, and what we
3 would add is this argument is even more compelling
4 when you turn to Asia. Next slide, please.

5 This chart compares energy growth
6 projections for the United States and Asia, including
7 Japan from 2008 through 2025. The source is the most
8 recent report by the U.S. Energy Information
9 Administration, and I'll note that the demand in Asia
10 is projected to rise by more than 100 quadrillion BTU.
11 I can't even imagine that. It sounds like a really
12 large number however, while demand in the United
13 States and the America region is projected to grow
14 much more slowly.

15 Now, cut-to-length plate demand is closely
16 linked to oil and gas development in particular
17 because that is what requires offshore floating
18 platforms, drill ships, line pipe, pressure vessels
19 all made from cut-to-length plate. Next slide shows
20 crude oil demand by region based on International
21 Energy Agency statistics. You can see that all of the
22 projected growth in oil demand between now and 2016
23 comes from non-OECD countries, principally in China
24 and in Asia. Demand in the United States and other
25 developed economies is basically flat.

1 Now, the same holds true with natural gas
2 demand. Bill, the next slide, please. Let's see.
3 This chart is from data included in a new
4 International Energy Agency report. It shows that
5 demand for natural gas in Asia is projected to more
6 than double by 2025 while demand in the United States
7 again increases modestly by about five percent over
8 the same period.

9 What this means is that there are and will
10 continue to be very large investments made in oil and
11 gas infrastructure in Asia to develop and transport
12 energy to meet rising demand, and this translates
13 directly into new demand for cut-to-length plate in
14 these Asian markets. Now, as Mr. Aoyama described,
15 these energy-related applications demand high-quality
16 cut-to-length plate, especially as more exploration is
17 done in deep, offshore waters.

18 Japanese producers have a long track record
19 of supplying specialty, cut-to-length plate grades for
20 these applications, and so the Japanese are poised to
21 be the prime beneficiaries of the rising demand for
22 energy infrastructure in Asia. Now, the other
23 significant expansion in plate demand in Asian has
24 been in shipbuilding. We heard a lot about that this
25 morning. There is very little demand for shipbuilding

1 plate in the United States, but this is a substantial
2 market for Japanese plate producers. Next slide,
3 please.

4 This chart shows the increase in completed
5 tonnage at shipyards in Japan, China and Korea from
6 2004, the beginning of the period, to last year, 2010.
7 As production rose from around 34 million tons in 2004
8 to 88 million gross tons in 2010, demand for
9 shipbuilding plate increased substantially, and we've
10 given you the exact numbers for the Japanese producers
11 in our brief. Now, equally important is the
12 development in the order book, or the backlog at the
13 shipyards in these three countries because this is
14 what you can look to for likely demand in the future.
15 Next slide, please.

16 You can see from this slide, let's start in
17 2004, that you have a backlog of 124 million tons, and
18 in 2010, the end of 2010, you have a backlog of 235
19 million tons. By itself, that is almost three years
20 of peak production, and you can also see, this is
21 equally important, but in the first half of 2011, even
22 though production has continued at very high levels,
23 there has been almost no diminution in that backlog.
24 It remains extremely strong, so we think shipbuilding
25 is a market segment in which the demand over the

1 period has grown dramatically, and it's going to
2 remain strong.

3 Let me spend just a couple of moments on the
4 claim you heard this morning about high U.S. prices
5 drawing imports here. We think for Japanese producers
6 this claim doesn't hold water. This should sound very
7 familiar to you by this time. I've heard this
8 argument in the corrosion-resistant steel sunset
9 review. We heard it in the hot-rolled steel sunset
10 review. The Commission revoked both of those orders
11 on Japan, and the projected flood of new imports just
12 never happened.

13 Since 2007, when the corrosion-resistant
14 order was revoked, next slide please, sorry, since the
15 end of 2006 when the order was revoked, you can see
16 that imports from Japan over four years are up on
17 average about 15,000 tons a year in a 15 million ton-
18 per-year market, and as we've shown in our prehearing
19 brief, since the hot-rolled steel order was revoked
20 earlier this year, there's been no increase at all, so
21 we would suggest to you that the simple tautology that
22 the domestic producers are offering that high U.S.
23 prices will draw the imports here is not necessarily
24 true.

25 Actually, given the time constraints, I

1 think I'll stop here and turn it over to Jeff. We'd
2 be happy to answer any questions.

3 MR. WINTON: Thank you. Jeff Winton of my
4 self-named law firm on behalf of Dongkuk Steel Mill,
5 the Korean producer, and we've handed out a written
6 presentation. Because one of my co-counsel exceeded
7 his allotted time, I'm going to speak even more
8 quickly than I normally do, and I apologize for that.
9 There are three Korean producers of the merchandise
10 that's under review here. One is my client, Dongkuk
11 Steel Mill, or DSM as we call it. The second is
12 Hyundai Steel. The third is Pohang Iron and Steel
13 Company, also known as POSCO.

14 U.S. producers have claimed that there is a
15 fourth Korean producer names Korean Iron and Steel
16 Company, and I thought I heard them complain this
17 morning that it hadn't provided any information, but
18 the Commission itself investigated KISCO back in the
19 original investigation and found, and I quote, "Korean
20 Iron & Steel Company, Ltd. ceased production of CTL
21 plate in 1998."

22 Furthermore, you can go to KISCO's website,
23 it's www.kisco.co.kr, and you can look at the products
24 it produces. It lists in a little bubble what
25 products it makes, and plate's not one of them, and

1 there's a statement about their history which says,
2 KISCO is, "manufacturing bar forging steel pipe, gas
3 billet and ingot," but it doesn't mention plate. I've
4 provided screen prints of the KISCO website as an
5 attachment to our presentation. They are not a
6 producer.

7 So we're talking about three producers, and
8 I should also mention that we're talking about a
9 product called cut-to-length plate. I heard this
10 morning, I saw this wonderful chart about how imports
11 from Korea were way up. The chart says 200,000 tons
12 in the first half of 2011, but when you look at this
13 carefully, you find that almost all of the increase is
14 something they call plate and coil.

15 Plate-in-coil is not cut-to-length plate.
16 In fact, plate-in-coil is hot-rolled coil, greater
17 thicknesses of hot-rolled coil as opposed to smaller
18 thicknesses. It has nothing to do with our case. Our
19 case is about cut-to-length plate. Now, in 2008 and
20 2009, press reports are quite clear, and indeed the
21 press reports submitted by the U.S. producers, Korea
22 was facing what was called "a severe shortage of steel
23 plate," and so the Korean producers expanded their
24 capacity.

25 Despite the expanded capacity or at the same

1 time as expanded capacity, demand has continued to
2 increase, and again you can see articles submitted by
3 ArcelorMittal, which show that Korean demand has gone
4 up about 1.5 million metric tons just from 2010 to
5 2011. There's increasing demand in Korea. There was
6 the severe shortage, and so naturally the Korean
7 producers have responded by expanding their capacity.

8 Notwithstanding this expansion of capacity,
9 when you look at my clients' information, its
10 utilization remains high, actually very, very high,
11 and it's utilization actually increased from 2009 to
12 2010 and then again from 2010 to 2011, so you don't
13 see a situation where the Korean producers have built
14 capacity that they're not using. To the contrary,
15 we've built capacity to remedy a severe shortage of
16 steel plate, and we were using that capacity to supply
17 primarily demand in Korea.

18 If you look at the press reports that
19 indicate why the capacity was added, none of them say
20 because we're going to export to the United States.
21 They all say because there's an opportunity to replace
22 imports from China into Korea because it's supplying
23 the Korean market and to some extent the Japanese
24 market as well.

25 There are other press reports which one of

1 the U.S. producers has treated as confidential,
2 although I noticed earlier today that they had no
3 problem mentioning in the public hearing when it helps
4 them to quote these reports, but they've treated it as
5 confidential, and so I won't discuss them here. It
6 seems to me maybe an APO violation, but that's an
7 issue for another day.

8 The U.S. producers have told you, or Mr.
9 Schagrín said if Korean producers could more readily
10 export to the United States, at least some of them
11 very likely would do so, and Wiley Rein on behalf of
12 Nucor said POSCO, whose capacity increase and growing
13 exports to the United States' market are indicative of
14 how subject producers would behave absent the orders.
15 (We can turn that off by the way. It has nothing to
16 do with us.) But if you look at the facts, it simply
17 doesn't support the case that they made.

18 In fact, Nucor has basically stated that we
19 should win this case because when you look at it,
20 POSCO is not subject to the anti-dumping or counter-
21 veiling duties orders. It's never been subject to
22 these anti-dumping or countervailing duties orders.
23 It's been free to export without restraint since the
24 beginning of this case.

25 Nevertheless, when you look at the data, and

1 it's proprietary, you have the data in the proprietary
2 version of the staff report, but from what my client
3 has told me, and I know what my client has exported,
4 and I subtract that from the import statistics,
5 basically what my client, Dongkuk has exported, is
6 pretty much everything coming in from Korea during the
7 period you're looking at, from 2005 to 2011, and as
8 far as we can tell, POSCO simply hasn't been a factor
9 in the U.S. market at all.

10 Whatever Dongkuk's, my client's,
11 participation may have been in the past, it's also
12 clearly not participating in the U.S. market now in
13 any meaningful way. In fact, when you look at the
14 import statistics, you can see that imports from all
15 Korean sources have largely disappeared from the U.S.
16 market because the Koreans, like the Japanese, are
17 focusing on the booming markets in Asia for plate for
18 shipbuilding, for oil rigs, marine structures, energy
19 uses and the like.

20 We've provided in our presentation, I've
21 written all over mine, but hopefully yours are
22 cleaner, a table just showing the history of imports
23 from Korea since the beginning, and I've included in
24 here imports from POSCO because I don't have a public
25 source that really splits this out. You can see 1996,

1 1997 imports of maybe 25,000 tons going way up in '98
2 and '99 to relatively high values because of the Asian
3 financial crisis, which we talked about earlier today,
4 and then it drops off.

5 Then, you see from 2004 to 2006 another
6 increase, and as I said, that's almost entirely my
7 client's exports to the United States, falling off
8 again, almost nothing in 2009 and 2010, slight
9 increase in the first half of 2011. I've annualized
10 the numbers by doubling them to keep the scale
11 perspective, but you can see the imports in the 2011
12 are not anywhere in any way historically high.

13 I look at this information, and by the way,
14 I should say, I thought I heard Mr. Breckheimer I
15 think his name is, say this morning that he was
16 explaining why the U.S. industry did so well in the
17 first half of 2011. I think the phrase he said was
18 total absence of imports during the first half of
19 2011, which I think he maybe exaggerates, but he is
20 more or less is right with respect to Korea, and when
21 you look at the import statistics, I think if you take
22 out Dongkuk's exports, and you look at what's coming
23 in that's not Dongkuk, which is where POSCO would have
24 to be, and there's almost nothing, you say why isn't
25 POSCO here? Why aren't their imports higher?

1 Nucor has told us that look at POSCO.
2 They'll tell you what's going to happen if you revoke
3 the order because POSCO isn't subject. Well, you look
4 at POSCO, and they're not in the market, so the only
5 conclusion I think you can reach is that there are
6 structural reasons why the U.S. market is not
7 attractive to POSCO because if it were attractive to
8 POSCO, POSCO could sell here. There's no remedies on
9 POSCO. Their products are non-subject, and it comes
10 back to the things, and I think the Japanese producers
11 have talked about this, what's going on in Asia, the
12 market for shipbuilding and things like that which I
13 imagine we will talk further about.

14 Finally, I'd like to talk a little bit about
15 the analysis we tried to present in our prehearing
16 brief, which was to look at this, what is effect that
17 the imports that my client, Dongkuk, its exports it's
18 made to the United States has had on the U.S. market,
19 and we have a somewhat unusual situation here.

20 Normally, we come to the sunset reviews,
21 nobody's exported, we all tell you we're not going to
22 export in the future, we didn't export in the past,
23 we're not going to export in the future, or the U.S.
24 industry says you didn't export in the past, but you
25 are going to export in the future, and you're looking

1 at five years where there no participation of the
2 imports in the U.S. market, and you have no way of
3 telling what would happen in the U.S. market today.

4 In this case, it's different because Dongkuk
5 did have sales in the U.S. market, at least through
6 2008, and so you have a kind of natural laboratory for
7 testing what happens when Dongkuk is in the market,
8 and because Dongkuk also withdrew from the market, you
9 can see what happens when Dongkuk is in the market,
10 what happens when they're not in the market, what
11 happens with the products that they sell, and you look
12 at the U.S. prices for the products that Dongkuk
13 sells, what happens to those prices?

14 What about the prices for the products that
15 Dongkuk didn't sell? Shouldn't there be a difference
16 if Dongkuk was having an effect on the U.S. market?
17 You don't see it. You can look at the individual
18 products were Dongkuk did sell, and you can see over
19 the period they had some relatively higher volumes in
20 some parts of the period and lower in others, and for
21 other products, it's a different trend, and you look
22 at those, and you say well, if Dongkuk was affecting
23 prices, then when they were selling a lot, or
24 relatively a lot, you would expect U.S. prices to be
25 depressed.

1 When Dongkuk, wasn't selling a lot, you'd
2 expect U.S. prices to be higher if we were having an
3 adverse effect, but you don't see that at all. In
4 fact, when you look at the data on pricing, you see no
5 impact from Dongkuk whether Dongkuk is in the market,
6 not in the market, it has no impact on what's going on
7 with the U.S. producers' prices. The other thing you
8 can do is you can look at how the U.S. producer's
9 profitability correlates to imports from Dongkuk, and
10 we've presented that in our prehearing brief.

11 I've given you on page 6 just the trend.
12 You've seen it. The Japanese did it as a bar graph.
13 I've done it as a line graph, but you see the
14 percentage profit rate for the U.S. producers. You
15 see it very high from 2004 to 2008, in excess of 20
16 percent of sales, falls in 2009 obviously because of
17 the financial crisis, and then pops back up in the
18 first half of 2011.

19 On the next page, page 7 of our handout,
20 I've overlaid that profit history with the import
21 history. And this is all imports, includes POSCO, as
22 non-subject imports, as well as subject imports; in
23 our brief we provided the analysis showing you only
24 subject imports.

25 But what you see is that when imports from

1 Korea are at their highest, the U.S. industry is
2 actually earning record profits. And as the U.S.
3 industry's profits fall off precipitously in 2009 to a
4 loss, Korea disappears from the market.

5 You would think that the U.S. industry would
6 want us in the market. Because when we come in, their
7 profits go up. But certainly you can't say that we
8 have caused any sort of financial harm. To the
9 contrary, when you look at our imports against their
10 profit, you see there's no adverse effect from
11 imports. And when they start showing an adverse
12 effect, losses, we're out of the market.

13 Finally, talk a little bit about an issue
14 that no one I think has talked about so far, which is,
15 what is a reasonably foreseeable period in this case.

16 Mr. Schagrin was telling us that the
17 shipbuilders will have their orders books full for the
18 next two years; and I've seen some press reports that
19 some of them have their order books full through 2014,
20 which I think is more than two years. That's two
21 years in which the shipbuilders are going to be fully
22 busy, using all the plate they can.

23 Now, what happens after two years? Well, we
24 don't know that today. And the fact that there might
25 be no orders today -- and that is in fact not true,

1 there are orders today. But if there were no orders
2 today, it doesn't mean there wouldn't be an order
3 tomorrow, or next, or six months from now or a year
4 from now, that would fill up their order book.

5 So we simply have no way of knowing, beyond
6 2014, what's going to happen. But we do know for a
7 certainty that through end of 2013, in some cases
8 2014, the demand in shipbuilding is going to be there.
9 Demand in other markets, as you heard from the
10 Japanese counsel, in energy is certainly booming. And
11 that's where we expect the sales to be.

12 And so these drastic warnings you've heard
13 about how the world is coming to an end, that
14 shipbuilding is going to disappear as a business,
15 simply not true. And we can provide further
16 information. The Korean producers had actually signed
17 some very major sales for ships in July of this year,
18 and we can talk about that further.

19 Finally, to make a last point, which is,
20 when Dongkuk left the U.S. market at the end of 2008
21 because of the financial crisis, they worked very hard
22 to develop new markets for their product; to look, you
23 know, they had been selling, they had longstanding
24 relationships in the U.S. market, but the U.S. market
25 basically disappeared. Because of the financial

1 crisis, they went elsewhere.

2 As a business matter, it is not in their
3 interest to drop existing customers to chase a few
4 dollars more in the short term. Yes, prices vary a
5 little bit from time to time, but there is, in the
6 long term, if you get a reputation for dropping your
7 customers, after you've worked hard to build the
8 relationship, you're going to find that nobody wants
9 to do business with you, because they won't be able to
10 rely on you. And this is I think true for all
11 producers in almost all industries; they're very
12 reluctant to just shift like that.

13 You know, economists may tell you: "Oh, the
14 price is higher, they should shift, that's what a
15 rational businessperson would do." In a one-turn game,
16 that might be right. But when you're looking at
17 things in the long run, lots of turns, long-term
18 relationships, it's simply not the way things happen.

19 Finally, I know there's been arguments about
20 prices in the U.S. being much higher than in other
21 markets. And for whatever reason, I don't think the
22 information is particularly confidential, but it's all
23 bracketed in the staff report, and so I can't talk
24 about it in detail.

25 I think it's clear if you look at that, it

1 is not a development that just happened in 2011 for
2 the first time ever. And so you have to ask if prices
3 in the U.S. are higher than in Korea in earlier
4 periods, or in 2011 for that matter, why is POSCO not
5 selling in the U.S. market?

6 POSCO isn't. POSCO has voted with its feet.
7 Its actions show you that the numbers you're getting,
8 that the prices in the U.S. market are higher, simply
9 cannot be correct.

10 With that, I think I have used up almost all
11 of our allotted time. I will save whatever we have
12 left for rebuttal. Thank you very much.

13 VICE CHAIRMAN WILLIAMSON: Thank you, Mr.
14 Winton. I just want to thank all of the witnesses for
15 their testimony. I particularly want to express
16 thanks to those who have come from out of town to be
17 here today. And this afternoon we'll begin the
18 testimony, the questioning with Commissioner Pinkert.

19 COMMISSIONER PINKERT: Thank you, Mr.
20 Chairman. And I thank all of you for being here
21 today, and for helping us to understand what is
22 happening and likely to happen in this industry.

23 I want to begin with a question for Mr.
24 Wood. And I want to preface it by saying I note your
25 testimony about past shipbuilding activity, as well as

1 the order backlog in that segment.

2 But I'm wondering, can you address more
3 directly expected future demand in the shipbuilding
4 segment?

5 MR. WOOD: Okay, well, thank you,
6 Commissioner Pinkert. Let me try.

7 Let me start by saying that the data we have
8 given you on shipbuilding I think is about as
9 contemporaneous as it can possibly be. The data in
10 the prehearing brief was published in September; it
11 covers through the first half of 2011. So in that
12 sense, it is, it is spot-on with the data period for
13 which you've collected information on the U.S. market.

14 Now, in terms of projecting out future
15 demand, what we can say I think are the following
16 things. We know what the order backlog is, and we
17 know how long it would take to work off that backlog,
18 even if they never received another order of ships.

19 And you know, maybe we can quarrel with the
20 numbers but -- we think it's close to two years, I
21 heard, you know, slightly lower numbers this morning
22 but the fact is, it's a very substantial backlog. And
23 if you compare it to where we were at the start of
24 this review period, it is an enormous increase.
25 Enormous increase.

1 Okay, so that suggests to us, and it's what
2 we said in our brief, that the shipyards are going to
3 be pretty darn busy for the next few years.

4 Now, the other piece of that is how much
5 new, how many new orders, how much new is going to be
6 added to that backlog.

7 Well, we know that for the first six months
8 of 2011 at least, that the balance between new orders
9 and production has to have been pretty much one to
10 one, because that backlog hasn't gone down at all.
11 Well, six million tons out of 235 million. We had it
12 on our chart. So that suggests that, at the moment,
13 things are still quite strong.

14 And we'll put some material in our
15 posthearing brief, I think Jeff alluded to it a moment
16 ago, but the Korean shipbuilders are actually doing
17 surprisingly well this year. I was very surprised at
18 some of what I heard this morning. And I think we're
19 going to be able to show you some data that suggests
20 that market is going to be quite good, going forward.

21 COMMISSIONER PINKERT: How up to date do you
22 think that data will be?

23 MR. WOOD: The data, I think it's going to
24 be the announcements they have made in the last month
25 or so. I mean, we're already current through June,

1 and so we'll be trying to point you to developments
2 since then.

3 And then if I may just add one more thing to
4 it. I think it's very important, and I hope the
5 Commission will recognize, that these shipbuilders are
6 also, by and large, very prime constructors for
7 energy-related applications. These are the people who
8 are building the offshore platforms, the drill rigs,
9 the floating, you know, the semi-submersibles, things
10 like that. And that is demand that we think is poised
11 to really skyrocket, going forward.

12 So if you look at it net-net, we think it's
13 a very strong market.

14 COMMISSIONER PINKERT: Thank you. Now,
15 turning to Mr. Waite. I'm intrigued by this issue of
16 the affiliated companies, and I want to ask you
17 whether the Evraz U.S. companies hold a veto over
18 shipments into the U.S. market by their affiliates in
19 Italy.

20 MR. WAITE: Thank you, Commissioner Pinkert.
21 I was prepared to answer that question before my
22 client's sister company this morning said that that
23 information was being treated on a confidential basis.
24 So I will respect that, since it is a, since it is a
25 question directed at the position and action of the

1 Evraz U.S. companies, and we will address it fully in
2 our post-hearing brief.

3 COMMISSIONER PINKERT: Thank you. And Dr.
4 Magrath.

5 MR. MAGRATH: Commissioner, I don't know, as
6 well. But again, for either Evraz in, you know,
7 Pollini or elsewhere in Europe, or being able to
8 dictate shipments to the U.S. or Evraz, the two
9 facilities, the United States being affect to affect
10 imports, that just isn't the way, I mean in terms of
11 my study in the issue, that a multi-national
12 corporation works.

13 All those decisions, it's a hallmark again
14 of the multi-national corporation, they all come from
15 the top down. And the different sells, if you will,
16 really don't have much contact with each other
17 laterally, and typically don't have any say in the
18 decisions made from the top.

19 This is general to multi-national
20 corporations.

21 COMMISSIONER PINKERT: Okay. Well, that
22 answer, Dr. Magrath, may preempt my next question, but
23 I'm going to ask it anyway as a hypothetical. And
24 then in the post-hearing, you can address it, if in
25 fact the assumptions behind it prove to be accurate.

1 But assume that the U.S. companies, the
2 Evraz U.S. companies, do have some sort of veto power.
3 If they do, please address under what circumstances
4 they would use that power.

5 MR. WAITE: We will address that in our
6 post-hearing brief, as I'm sure counsel for Evraz U.S.
7 will also address that same question you asked this
8 morning. Yes, Commissioner.

9 COMMISSIONER PINKERT: Thank you.

10 MR. MAGRATH: Very shortly, Commissioner. I
11 think they're still in the room, so you can ask them.

12 COMMISSIONER PINKERT: Well, I would ask all
13 parties to look at that issue for the post-hearing.

14 Now, staying with the Italian issue for the
15 moment. I am concerned about what to do about the
16 parties that are not participating in this proceeding.
17 I understand your argument that, for example, one of
18 those companies is not subject to the anti-dumping
19 order, and I understand that there is some, some
20 circumstantial evidence or some historical evidence
21 that might suggest limited participation in the U.S.
22 market by that company.

23 But do we have direct evidence of the intent
24 of that company, or any other non-participating
25 company, with respect to the U.S. market?

1 MR. WAITE: Yes, we do, Commissioner
2 Pinkert. Again, it's Fred Waite.

3 We have presented to you in our prehearing
4 brief statements by virtually all of the other Italian
5 plate producers regarding their marketing plans and
6 strategies as they appear in their public statements
7 and web sites. They all state that their primary
8 focus is the European market. One says that it ships
9 two thirds of its entire production into Italy, and
10 the balance goes into the rest of Europe.

11 Ilva makes it very plain, in its public
12 pronouncements, that it takes pride of place of being
13 the largest steel plant, not only in Italy, but also
14 in Europe; and that it sees Europe as its primary
15 market.

16 Some of these mills, also on their public
17 sites, Commissioner, list their sales offices, their
18 marketing representatives and agents. And it's very
19 telling that when those offices are listed, every one
20 of them is located in Europe, and every one, save one,
21 identifies a European country as the territory covered
22 by that office. The one exception deals with an
23 office that handles sales to Israel, as well as
24 several European countries.

25 So we do have that information. Now, that

1 does not diminish the disappointment that I'm sure the
2 Commission has, and I know that we have, that other
3 Italian plate producers have chosen not to respond in
4 this proceeding, and not to provide to the Commission
5 information about their operations directly.

6 We can only assume that they are not here
7 because they simply don't care about the orders in the
8 United States. Because, as I said, their public
9 pronouncements, their history of their shipments,
10 makes it plain that they see their markets elsewhere,
11 5,000 miles to the east of here.

12 COMMISSIONER PINKERT: One additional
13 question about the situation in Europe, which you can
14 address in the post-hearing. But is there any reason
15 to think, in light of recent macroeconomic
16 circumstances in Europe, that the demand that the
17 Italian producers have historically relied upon in
18 Europe is in the process of disintegrating?

19 MR. WAITE: That, again, is a very
20 insightful question, and one that I don't think that
21 anyone in this room, or perhaps any room on this
22 planet, can answer in terms of what's happening in
23 Europe.

24 Because it appears to me, as a layperson,
25 that what's happening in Europe is driven primarily at

1 the moment by political considerations. That is,
2 decisions being made by national parliaments in
3 members of the European Union with respect to the
4 agreements that have been reached with the Greek
5 Government on providing bailout insurance, so that
6 that government does not default on its major
7 obligations. Sending, of course, a signal that the
8 European Union, supported by the International
9 Monetary Fund, would be prepared to take similar
10 action for other members of the Euro Zone that might
11 be similarly situated in the future. Portugal, Spain,
12 Italy, and Ireland have been mentioned, either in the
13 past or in the present, as perhaps falling into that
14 condition.

15 So with all of the trepidation of trying to
16 predict the future, I can only say that the markets in
17 Europe, for the most recent data that we have
18 available, are still important large markets; they are
19 still consuming the plate produced by the Italian
20 industry, as well as other European producers. And I
21 would also say that for the nearby geographic markets,
22 North Africa and the Middle East, those have been very
23 buoyant over the years. And if, indeed, all of the
24 discussion we heard this morning and earlier this
25 afternoon about the importance of energy development

1 continues to hold sway, then countries along the North
2 African coastline - Libya, Morocco, and Algeria,
3 traditional markets for the Italian industry, Turkey,
4 the Gulf States - will certainly be absorbing a great
5 deal of steel, including steel plate, for their
6 extraction and production and distribution networks.

7 COMMISSIONER PINKERT: Thank you. I would
8 just ask that for the post-hearing, you supplement
9 that answer with as up-to-date a data series as you
10 can concerning demand in the European market.

11 MR. WAITE: We shall do that. And I assume
12 by that question, Commissioner, demand for cut-to-
13 length carbon steel plate.

14 COMMISSIONER PINKERT: Correct. Thank you
15 very much. Thank you.

16 VICE CHAIRMAN WILLIAMSON: This question is
17 for the Japanese Respondents. In its brief at pages
18 39 to 40, Nucor argues that Japanese Respondents
19 reported 2010 export quantities that are much lower
20 than official Japanese export statistics.

21 Either now or in post-hearing, could you
22 address this assertion?

23 MR. WOOD: Yes, Vice Chairman Williamson.
24 This is Chris Wood again.

25 I have a couple of points to make on that.

1 One is, we will certainly address it in post-hearing,
2 because it's a numbers issue that I think is probably
3 a little complicated to deal with here.

4 At the big-picture level, we think that
5 their numbers, when they have pulled these export
6 statistics, they are including enormous quantities of
7 non-subject merchandise. Enormous quantities. And
8 that's the reason for the difference.

9 And if you'll permit me, I also want to say
10 I was actually a little offended at the way that was
11 put in their brief. I mean, we take our
12 responsibilities to this Commission, and to supply
13 accurate data, extremely seriously, both as counsel
14 and our clients do, as well. And the suggestion that
15 we are intentionally under-reporting the data I
16 thought was uncalled for.

17 We've done this quite a bit, and we'll
18 certainly do our best.

19 VICE CHAIRMAN WILLIAMSON: Well, you will
20 have a chance to rebut it in the post-hearing.

21 MR. WOOD: Yes, exactly.

22 VICE CHAIRMAN WILLIAMSON: Thank you. Also
23 for the Japanese Respondents. On Table 4-11 of the
24 staff report, it shows that Japanese exports of CTL
25 plate to markets outside of Asia, the U.S., and the EU

1 increased substantially from 2009 to 2010. And it
2 also increased between, and these exports also
3 increased between interim 2010 and interim 2011.

4 And can you explain the origin of this
5 increase, why this increase occurred, and whether it's
6 significant for our determination? So this is exports
7 outside of Asia, the U.S., and the EU.

8 MR. WOOD: Yes, Vice Chairman Williamson.
9 Chris Wood again.

10 We absolutely can explain that. And I think
11 the question is whether our witness is comfortable
12 explaining the specific circumstances in the public
13 hearing, or whether we want to do that in a
14 confidential submission.

15 MR. AOYAMA: So this is Aoyama, Nippon
16 Steel. And we will submit in detail in the post-
17 hearing brief. But as a general explanation, there
18 was a certain demand or request from the customers
19 outside Asia to get the very specific or special cut-
20 to-length plate for the energy sector use. So that is
21 the reason why that you see there's some increase of
22 exports from Japan to that destination.

23 MR. WOOD: And if I may, Vice Chairman
24 Williamson. We would also direct you to Exhibits 9
25 and, I believe, 11 of our, of our prehearing brief.

1 We'll spell this out in our post-hearing submission,
2 but that largely explains where the increase is coming
3 from.

4 VICE CHAIRMAN WILLIAMSON: Okay, thank you.
5 I look forward to the further details in post-hearing.
6 Thank you.

7 There was a lot of discussion this morning
8 about - well, some discussion this morning about
9 shipping costs. And the Japanese producers have
10 indicated that raising freight costs are a
11 disincentive to producers to export to the U.S.

12 And of course, Nucor disagreed with this,
13 and particularly pointed to the difference between
14 bulk, large-volume shipments, and small shipments.

15 And I was wondering if you disagree with
16 their analysis.

17 MR. AOYAMA: Okay, this is Aoyama, Nippon
18 Steel again. Regarding the freight costs, the
19 analysis of Nucor people, I have no objection to that,
20 having said that I am in the big volume business means
21 that I have lower freight costs. Our point is, we,
22 Japanese, Nippon Steel, have no intention, no capacity
23 to ship out big quantity of cut-to-length freight to
24 the United States. Even though the big volume can get
25 that lower freight cost.

1 Because we are busy serving the growing
2 demand in Asia for shipbuilding or in energy sector's
3 demand. So we are not in a position to think about
4 exporting a big quantity of commodity-grade freight to
5 the United States. That is our position.

6 VICE CHAIRMAN WILLIAMSON: Okay. So in
7 other words, it's not the freight costs that are the
8 disincentive to increase.

9 MR. AOYAMA: It's not the single factor
10 which decides our options. It's okay?

11 VICE CHAIRMAN WILLIAMSON: Okay, yes. Thank
12 you, I get the picture. I used to work for the Port
13 Authority in New York and New Jersey. I'm always
14 potentially interested in shipping costs.

15 Okay. For the Korean producers, does
16 Dongkuk have a position on cumulation? Mr. Winton.

17 MR. WINTON: Of course we have a position on
18 cumulation.

19 VICE CHAIRMAN WILLIAMSON: Would you mind
20 stating it?

21 MR. WINTON: Yes. I think our position, one
22 of the statutory issues, you are not required to
23 cumulate, you're not supposed to cumulate when imports
24 are not likely to have a discernible adverse impact on
25 the U.S. industry. And I think from our arguments

1 looking out to the future where the Korean producers
2 are selling, there is simply no evidence that supports
3 the conclusion that there is a likelihood of a
4 discernible adverse impact from Korea; and therefore,
5 Korea should not be cumulated with any of the other
6 countries.

7 We can, of course, discuss other factors.
8 You can always find there are differences, there are
9 similarities; but fundamentally, we don't see that we,
10 you know, we are going to ever be a problem for the
11 U.S. producers.

12 VICE CHAIRMAN WILLIAMSON: Okay. And that,
13 so you're saying it's not on the basis of your
14 capacity, but on where the shipments are likely to go
15 that we should be considering this?

16 MR. WINTON: Well, capacity. We are, as I
17 said, we are operating at very, very high levels of
18 capacity. We've heard today, you know, my client has
19 added capacity, Hyundai Steel has started production
20 in 2010 in its added capacity. And we keep hearing
21 there is capacity, but we haven't looked at the other
22 side of this. Which is that there is demand for that
23 capacity in Korea.

24 Korea has actually been importing steel. On
25 the whole, it doesn't produce enough slabs. My client

1 actually doesn't produce slabs; it purchases slabs,
2 and just re-rolls them.

3 But to my knowledge, there is no excess
4 Korean capacity, notwithstanding the frightened
5 complaints of the U.S. producers. It simply doesn't
6 exist.

7 And more generally, if I may. This case is
8 really not about the U.S. market, as far as my client
9 is concerned, and I think the Japanese would agree
10 with it. We all focus on the U.S. market. We're
11 Americans; we live here, and we're worried about the
12 U.S. industry. And we saw the workers come in. We
13 all feel terrible for people who are at risk.

14 But the reality for my client is, this is
15 about the Asian market. Korea came out of the
16 financial crisis of 2008 much faster than the United
17 States, because of booming markets in China, because
18 of booming markets in other areas of Asia.

19 And so what we've had here as the great
20 recession has not been a great recession to Korea at
21 all. And it's not been a great recession to China at
22 all. And in fact, we heard that China is going to
23 continue to grow; it's just a question of how much
24 it's going to grow.

25 And so when you look at it from the

1 perspective of the Japanese producers or the Korean
2 producers, this is about what's going to happen in the
3 Asia markets, and we see growth. Yes, of course there
4 are things, you can always worry about things. But
5 all the evidence we have, continuing orders, good
6 order backlog, booming energy demand, that's growth.

7 So we don't, we don't think there is excess
8 capacity, and we don't see any basis for the Korean
9 producers to start shipping to the United States in
10 volumes that would have any sort of discernible
11 adverse impact on the U.S. producers.

12 Now, I can talk about differences between
13 Korea and other countries, but to me, that's sort of
14 beyond the point. Because the key fact is I don't see
15 us being in the U.S. market, given the demand that's
16 been described in Asia.

17 VICE CHAIRMAN WILLIAMSON: So are you
18 suggesting there will be no discernible adverse
19 impact, and not to worry about cumulation?

20 MR. WINTON: I think if you find no
21 discernible adverse impact, then you are required not
22 to accumulate; and you don't need to look at the other
23 factors regarding cumulation.

24 But we can certainly address them in our
25 submission. You know, there are differences in

1 patterns of, you know, the exports, where we've been
2 in the U.S. market and then have withdrawn from the
3 U.S. market. It's a different story for Korea than I
4 think the other countries. But fundamentally, I don't
5 see a discernible adverse impact. I think you can,
6 and there are Court cases which say that you are
7 allowed to simply say that's enough, no discernible
8 adverse impact, we don't need to worry about the other
9 stuff.

10 VICE CHAIRMAN WILLIAMSON: Okay, thank you
11 for that clarification. My time is about to expire,
12 so let's see, Commissioner Lane.

13 COMMISSIONER LANE: Thank you. And welcome
14 to the afternoon panel.

15 Mr. Wood or your client, this question is
16 for you. Do you agree with Mr. Schagrin's opening
17 remarks that the shipbuilding market is heading for a
18 critical trough in the next 18 to 24 months?

19 MR. WOOD: Chris Wood, Commissioner Lane.
20 Thank you for that question.

21 The answer is no, we don't agree with that
22 at all. I mean, I thought it was interesting, because
23 we largely, I think, agree on the data itself, the
24 data that's in the record. I didn't hear anybody
25 quarreling with the data on the record.

1 The question is the interpretation of it.
2 And you look at the data, and you say well, what data
3 is most probative of what's going to happen in the
4 future. And you would look at the backlog.

5 And one of the charts we put up there shows
6 you that over the period of this review, the backlog,
7 measured beginning to end, has gone up by 100 million
8 gross tons. I mean, in the history of shipbuilding,
9 that's an enormous number.

10 Now, Mr. Schagrin told you over and over
11 again, oh, a 40-percent fall, a 40-percent fall in the
12 backlog in two years. And that's true. You can go to
13 2008, which is the, again, the peak history, the peak
14 year in recorded history of shipbuilding by some
15 enormous margin, and say oh, it's fallen from that
16 peak, and we would concede that. But the backlog
17 that's still there is very healthy, by both historical
18 standards and by recent standards. And that's going
19 to support a lot of shipbuilding.

20 And, as we said, you know, a number of the
21 shipbuilders are reporting really good orders this
22 year. So we just don't believe it's that bad. I'm
23 sorry. That was a long-winded way of saying no, we
24 don't agree with the characterization that you heard
25 this morning.

1 MR. WINTON: Would it be okay if I just
2 stepped in quickly?

3 COMMISSIONER LANE: Yes, certainly.

4 MR. WINTON: Just for anecdotal evidence,
5 we've been looking at some trade reports. In July of
6 2011, so just three months ago and in the third
7 quarter, the Danish shipping company, Maersk. First
8 of all, it placed an order for 20 ships of 18,000 tons
9 with a Korean shipyard, and then started talking about
10 buying 10 more of the 10,000-ton ships with the so-
11 called new Panamax. And by the way, I think it's
12 terrific that they've widened the Panama Canal so they
13 can get bigger ships through, and so people are buying
14 these "new Panamax" transport cargo ships. It's
15 wonderful.

16 And in addition, you have the 20 ships of
17 18,000 tons, 10 ships of 10,000 tons. And then it
18 says the development comes after Maersk is planning to
19 announce the firming up of options for another 10
20 vessels of 18,000 tons to be delivered through 2013 to
21 2015. That was July 1.

22 On July 6, Samsung announced that it had won
23 a \$1.2 billion deal to build two deepwater drill ships
24 for Maersk Drilling. Which then Samsung goes on to
25 say our total orders are up more than 50 percent from

1 last year, as of July 2011.

2 So the notion that nobody is getting orders
3 any more is simply untrue. The facts simply don't
4 support that claim.

5 COMMISSIONER LANE: Whatever it was that you
6 were reading from, can you put that in the record so
7 that we can review it, also?

8 MR. WINTON: Absolutely.

9 COMMISSIONER LANE: Okay, thank you. Let me
10 stick with you, Mr. Winton. In your - no, I'm sorry,
11 it wasn't you. The Japanese Respondents.

12 On page, well, it's not numbered, but it's
13 the part of the chart that says, "Demand for natural
14 gas in Asia is rising quickly, and is projected to
15 grow by 125 percent by 2025."

16 In looking at that chart, well, first of
17 all, I'm sort of surprised that you're showing that
18 the demand for natural gas in the United States is not
19 more than it is. And so do you have an explanation
20 for that?

21 MR. WOOD: Well, Commissioner Lane, this is
22 Chris Wood. And honestly, I don't have an explanation
23 for that, other than that those are the numbers in
24 the, in the report. It may very well be that the
25 report explains the basis for those projections. And

1 if it would be helpful for you, I'm happy to look at
2 that and address it in the post-hearing.

3 But to be candid, we were sort of more
4 focused on the Asia trend when we were putting the
5 slides together.

6 COMMISSIONER LANE: Well, I think that an
7 explanation would be, would be appropriate. Now let
8 me ask you my real question.

9 It shows here that from 2008, the demand in
10 Japan and Asia is going up. And it meets the demand
11 in the United States in the year 2015.

12 Now, are you asking us to say that the
13 reasonably foreseeable future is beyond 2015?

14 MR. WOOD: No, ma'am. No, we're not asking
15 the Commission to adopt a period for looking at the
16 reasonable foreseeable future that's, you know, that's
17 eight or 10 or 15 years out.

18 What we were hoping to show in this chart is
19 that the trendline is consistently up for the Asian
20 Region. And as that demand increases, that's what
21 drives the development of new energy-related
22 infrastructure. And that infrastructure, in turn,
23 demands new supplies of cut-to-length plate.

24 So, you know, for taking gas as an example,
25 you might think about liquefied natural gas transport

1 vessels, for example. If this projected trendline is
2 true, going off into the future, people are going to
3 be building new capacity to serve that demand. The
4 same thing for drilling projects and, you know,
5 offshore platforms to manage it, and the like. So
6 that's all we're saying.

7 COMMISSIONER LANE: By the same token, if
8 we're looking at the reasonably foreseeable future,
9 the demand for infrastructure natural gas is greater
10 in the United States than it is in Asia.

11 MR. WOOD: Well, actually, I think,
12 Commissioner Lane, the way I would read this is that
13 the existing level of demand in the United States is
14 higher than in Asia right now. But presumably, we
15 have the infrastructure in place to deal with that
16 demand.

17 And the point we're making is that it's
18 really the growth. It's the growth that drives the
19 demand for new infrastructure. And that's where we
20 think the, you know, the Asian market is more
21 attractive for the mills.

22 COMMISSIONER LANE: Do you agree that - and
23 I think you probably answered this before, but I
24 forget. Do you agree that the U.S. market has higher
25 prices than prices in other parts of the world?

1 MR. WOOD: Chris Wood again, Commissioner.
2 I think that, I'm struggling a little bit with how to
3 answer this, because much of the pricing data is
4 confidential.

5 COMMISSIONER LANE: A yes would be nice.

6 MR. WOOD: Well, let me put it this way. If
7 recollection serves, the steel bench marker data that
8 one of the domestic companies put on the record I
9 believe is public, disagrees ... thank you. And yes,
10 you're absolutely right. That certainly shows a
11 pricing differential between the U.S. and other
12 regions.

13 Now, I would suggest to you that it would
14 also be, in a sense because you've gone to the trouble
15 of collecting all this very detailed data from the
16 respondents themselves as to where they sell and what
17 prices they sell at, I would suggest to you that that
18 might be a better source for what is actually being
19 sold, and what the prices are.

20 COMMISSIONER LANE: Okay. Let's assume that
21 the prices in the United States are higher. And let's
22 assume that there is excess capacity from these five
23 countries. And let's assume that the United States is
24 really serious about becoming energy-independent, and
25 one of the ways to do that is increase for the

1 exploration of natural gas and oil.

2 Would, then, the United States become an
3 attractive market for these five countries, if the
4 orders were revoked?

5 MR. WOOD: Well, let me start with that.
6 Chris Wood again. And I guess I have to make two
7 qualifications at the outset.

8 One is that I really can't speak for the
9 five countries. I can tell you about the Japanese
10 mills.

11 COMMISSIONER LANE: That's fine.

12 MR. WOOD: And I'm afraid you'll have to go
13 elsewhere. And I guess I would have to, I would have
14 trouble accepting one of your starting assumptions
15 about the excess capacity, at least in Japan. Because
16 we really aren't seeing that in the data, I think,
17 that you have right here.

18 And then, you know, I think, and I may ask
19 Mr. Aoyama or Mr. Kato to supplement me. But I think
20 the point we'd like to get across this afternoon is
21 that, at a macro level, the focus of these companies
22 is on Asia. Because in the short, we think that in
23 the short, mid, long term, that's really where the
24 opportunities are.

25 And so when you look at where you're going

1 to invest finite resources, in terms of, you know, the
2 capacity that's available to sell, in terms of the,
3 you know, the effort you're going to make to go out
4 and develop customers and distribution channels, I
5 really don't think that revocation of the order is
6 going to have much of an effect.

7 COMMISSIONER LANE: Okay, thank you. Mr.
8 Winton, I'll get back to you on my next round.

9 Vice Chairman Williamson.

10 VICE CHAIRMAN WILLIAMSON: Commissioner
11 Pearson.

12 COMMISSIONER PEARSON: Thank you, Mr.
13 Chairman. Welcome to all of you. It's good to have
14 you here this afternoon. And I appreciate the fact
15 that we have three countries represented. It's always
16 a help in these reviews to have multiple countries
17 come. I wish we had a clean sweep, but we are glad
18 that you're here.

19 Mr. Winton, in respect to cumulation, you
20 are arguing that we should find no discernible adverse
21 impact with respect to Korea. You may be aware that
22 Chairman Okun and I have, for several years, used a
23 procedure where we look first at differences in
24 conditions of competition to see whether that might
25 provide grounds not to cumulate. And then if we find

1 that that doesn't exist, then we'll look at no
2 discernible.

3 You can imagine the interesting situation we
4 might be in, looking at those, any differences of
5 conditions of competition informed largely by Ms.
6 Cannon's view. And she's extremely eloquent and
7 articulate on cumulation. I must say I've learned a
8 great deal from her over the years on that subject.

9 But it might be helpful to know what you
10 think about those conditions, so that we could, so the
11 Chairman and I could be informed using our normal
12 procedure. We use that procedure not to make life
13 difficult for counsel, but because in our reading, it
14 flows most naturally from the structure of the statute
15 itself.

16 MR. WINTON: And of course, it's my goal to
17 be as helpful as possible, though it may not always
18 seem that way.

19 Let me, we have an interesting factual
20 situation here. I know what the conditions of
21 competition that my client will face in the U.S.
22 market, because they have sold in the U.S. market. I
23 also know that they have chosen to withdraw from the
24 U.S. market because there are better opportunities
25 elsewhere.

1 And just one sort of detour, which is, if
2 the prices in the U.S. market really are higher than
3 the prices in Korea, and we're told hundreds of
4 dollars per ton, we can sell in the U.S. without
5 dumping. Dumping is selling in the U.S. at a lower
6 price. So you know, we could sell in the U.S. market
7 without dumping, and then the dumping order wouldn't
8 mean anything, if really the prices were higher.

9 I think you see people voting with their
10 feet, that the prices in the U.S. market they can get
11 really aren't higher, and there are problems with the
12 data. But in any event, we know what the conditions
13 of competition are, and we'll address sort of how my
14 client sold in the market.

15 The other countries, you know, we don't
16 know. They've all withdrawn from the U.S. market; you
17 know, they're pursuing other opportunities, they're
18 pursuing Europe, they're pursuing Asian markets.
19 Sounds a lot like the Asian market we're pursuing.

20 And so I think there are some differences.
21 We have a U.S. subsidiary that handles other non-
22 subject products. And so there are things you could
23 look at, you know, and look at the trends in imports,
24 which is obviously one of the conditions of
25 competition. You look at things like that, and we'll

1 lay all of that out.

2 So I think there are differences in the
3 conditions of competition. And I don't mean to short-
4 circuit the analysis, but on the other hand, when it
5 seems to me that the end result has to be so clear
6 that, you know, I don't want you to do unnecessary
7 extra work when I can short-circuit it for you. And
8 so that was my goal.

9 COMMISSIONER PEARSON: Well, I appreciate
10 that. But you know, I have at times found no
11 discernable adverse impact, and so I have a record of
12 decisions on that issue.

13 If you've got time, you might want to go
14 back and look at those previous decisions and let me
15 know if there are any of them that line up at all with
16 what you're proposing here in regard to Korea.
17 Because there might be such a situation, I'm not
18 recalling it right off-hand. But that doesn't mean
19 much, because I don't recall things very well if they
20 happened further back than about yesterday.

21 MR. WINTON: We will certainly undertake
22 that analysis for our post-hearing brief.

23 COMMISSIONER PEARSON: Okay, thank you.
24 Sticking with you, if I could, for a minute, Mr.
25 Winton. Earlier Mr. Wood offered to provide updated

1 information on shipbuilding in respect to Japan. Are
2 you in a position to do the same for Korea?

3 MR. WINTON: I will try. I will be honest,
4 we have not found - the Japanese Shipbuilding
5 Association provides what is not just Japan, but Korea
6 and China, as well.

7 COMMISSIONER PEARSON: Oh, okay.

8 MR. WINTON: And it's a very neat and
9 comprehensive source. There is a Korean Shipbuilding
10 Association; I have not been able to penetrate its web
11 site in a way to find the data, but I am sure, with
12 enough time and work, one might be -

13 COMMISSIONER PEARSON: Okay, well, I hadn't
14 realized that Mr. Wood, in essence, was undertaking
15 that assignment, as well. So if that gives us
16 everything we need to know, that's fine. Don't do
17 extra work there. You're going to be spending enough
18 time on no discernible adverse impact.

19 Then one more for you, Mr. Winton. Could
20 you please explain the tonnage figures you've listed
21 for newly ordered vessels? My experience with dry
22 bulk vessels is to get one that will fit through the
23 current Panama Canal; you're talking about between
24 50,000 and 60,000 dead-weight tons. And the vessels
25 you were talking about were smaller, at 10,000 to

1 18,000 tons, which wouldn't even be a handy-size
2 vessel in the world that I'm more familiar with.

3 So there must be something going on there
4 with tons that I'm not understanding. So either now,
5 if anyone understands what my confusion is, or for
6 purposes of post-hearing, if you could sort that out,
7 that will be great.

8 MR. WINTON: No, I was reading this quickly,
9 and it doesn't say tons; it says TEU, which I imagine
10 is something different. But I'm not a shipper.

11 COMMISSIONER PEARSON: Okay. But you have
12 no reason to think you're talking about relatively
13 small vessels here.

14 MR. WINTON: No, no. In fact, the articles
15 about the first Maersk order, which I refer to as the
16 18,000-TEU giants, are actually too big to go through
17 even the new Panama Canal. They are bigger than new
18 Panamax.

19 And then what they refer to as the, I
20 believe it's the 10,000-TEU, whatever TEU is, I
21 apologize for not knowing, are the new Panamax size.

22 COMMISSIONER PEARSON: Okay. Well, this
23 will make the reading of the post-hearing submissions
24 interesting, that's for sure. Okay.

25 Then for those of you who have some

1 experience with, or are able to find out some things
2 about shipbuilding, can you give us any idea what
3 percentage of the current order book is devoted to
4 vessels for transportation, as compared to vessels for
5 oil exploration or support of that activity?

6 Because it occurs to me that's an
7 interesting question, because I understand the need to
8 move things around the world right now is a little bit
9 weak with the economy not being as robust as we would
10 like. But the demand for drilling, that's an entirely
11 different thing. Any thoughts on that, Mr. Wood?

12 MR. WOOD: Yes, Commissioner Pearson.
13 That's a question that - it's a good question, and
14 it's one I can't answer right at this moment. But I
15 am pretty sure that I have seen the data that breaks
16 that, that has that breakout. I mean, at least in
17 terms of the types of vessels that are pending
18 construction, and the ones that are being ordered.

19 And so I think, I suspect that as part of
20 our homework assignment for the post-hearing brief, we
21 can try to enlighten you on that, as well.

22 COMMISSIONER PEARSON: Okay, thanks, I
23 appreciate that. Now, staying with you, Mr. Wood, or
24 perhaps for the Japanese producers. For the post-
25 hearing, could you provide a breakdown of Japanese

1 shipments to Asian markets between commodity grades
2 and more specialty, higher-end grades of plate?

3 MR. WOOD: Chris Wood again, Commissioner.
4 The answer is yes, we will, we will do our best with
5 that. I suspect that you are familiar already with
6 the data we provided in Exhibit 4 of our prehearing
7 brief, which will give you a breakout by end use
8 application.

9 COMMISSIONER PEARSON: Probably not as
10 familiar as I should be.

11 MR. WOOD: Okay. Well, let me just suggest
12 to you that when we heard discussion of commodity
13 plate this morning, we heard quite a bit about A-36
14 grades, construction material sold to distributors,
15 things like that. And our breakout in Exhibit 4 will
16 give you those data, by end-use segment, which may be
17 a pretty good proxy for the commodity versus more
18 specialty grades.

19 COMMISSIONER PEARSON: Okay, thank you.
20 Because that is an issue that the domestic industry
21 has raised. And I hear basically you saying that if
22 product is sold to the United States from Japan, it
23 will be high-end stuff. But if you're producing low,
24 lower commodity-grade stuff, where is it going, is
25 kind of the question.

1 MR. WOOD: Right. And I think our basic
2 response to that is that if you, if you look at what
3 is being sent to markets outside of Asia in cut-to-
4 length plate by the Japanese producers, I mean, we can
5 break that out for you. But the average unit values,
6 you have that data. The average unit values show you
7 that it is not commodity-grade product at all. And I
8 don't know if you want to add anything.

9 COMMISSIONER PEARSON: No, that's fine.
10 Well, my time has not yet quite expired, so I will
11 stop now. Thank you very much.

12 COMMISSIONER ARANOFF: Thank you, Mr.
13 Chairman.

14 One of the things that was discussed this
15 morning was an assertion on the part of a number of
16 the witnesses on behalf of the domestic industry that
17 the Japanese producers operate blast furnaces, and
18 that the economics of blast furnaces require that you
19 be at a high rate of capacity utilization, and that
20 you basically pump out plate regardless of whether
21 there is really demand for it and sell it at whatever
22 price you can. So I wanted to ask the Japanese
23 industry to please respond to that.

24 First in terms of the extent that there are
25 blast furnaces in use, and then blast furnace

1 economics.

2 MR. WOOD: This is Chris Wood, Commissioner
3 Aranoff. I'll start and it may be there are industry
4 witnesses that want to add something to that.

5 To start with, yes, all four of the
6 responding Japanese producers that you have all
7 operate blast furnaces so it is, yes, all blast
8 furnace operation.

9 Now you have the actual capacity utilization
10 data for the period for the Japanese industry there.
11 I think the public report would tend not to support
12 the assertion that we will continue to operate the
13 blast furnaces at maximum capacity no matter what.
14 There was definitely a demand fall-off in 2009 in
15 Japan, and that's reflected in the capacity
16 utilization figures.

17 The other point I wanted to make on this is
18 that you heard a lot this morning about this allegedly
19 slowing demand in Asia, and that we're continuing to
20 pump out this product notwithstanding that. But if
21 you look at the staff report data for the first six
22 months of 2011, it just doesn't hold up. The capacity
23 utilization is very high, true, but the prices are
24 also much higher year on year. That's not consistent
25 with the economics that was outlined this morning that

1 we're just pushing out product no matter what the
2 price.

3 COMMISSIONER ARANOFF: I appreciate that
4 answer.

5 One of the other things that came up this
6 morning was that there may not any longer be a direct
7 correlation between demand for line pipe and demand
8 for cut-to-length plate because of the spiral weld
9 process. A lot of the testimony that Respondents gave
10 this morning about energy demand translating into line
11 pipe demand translating in to cut-to-length plate
12 demand, I guess I would ask you to respond to the idea
13 that spiral welding is taking off around the world so
14 the connection is not as direct as it once was.

15 MR. AOYAMA: Takeo Aoyama. There are both
16 spiral pipe and cut-to-length large diameter pipe are
17 used for the energy sectors. In the more severe
18 circumstances the cut-to-length large diameter pipe is
19 used, and in not so severe situations the spiral pipe
20 is usually used. So that both co-exist.

21 What I mean is that there are correlations
22 of the cut-to-length demand and the energy sector
23 demand. But I cannot say that the total pipe demand
24 is for cut-to-length. I don't say that.

25 COMMISSIONER ARANOFF: Okay.

1 MR. AOYAMA: The durability of welding
2 portion is so critical. In serious circumstances the
3 cut-to-length made large diameter pipe is preferred
4 because the spiral pipe have some difficulties in
5 terms of the strength, the welding part.

6 COMMISSIONER ARANOFF: If there's anything
7 that you want to provide post-hearing on the relative
8 demand for spiral weld versus the line pipe that's
9 made out of cut-to-length plate, that would be
10 helpful. But I understand the gist of the argument.

11 MR. WOOD: Thank you. We'll look into that.

12 COMMISSIONER ARANOFF: Okay, thanks.

13 I hate to go into this yet again, but I have
14 one more follow-up question on this issue of the ship-
15 building backlog. That is the data that you have are
16 through June of 2011. If there's anything that's
17 available that goes up later through September, that
18 would be helpful. But also, there was some testimony
19 on the panel this morning that there are
20 cancellations, that there have been cancellations in
21 orders or sort of slow-downs so that the delivery date
22 is pushed out which I guess is sort of the next best
23 thing to a cancellation.

24 So I wanted to ask both the Japanese and
25 Korean Respondents who sell into this market whether

1 you are aware of order cancellations in the
2 shipbuilding market.

3 MR. WOOD: Just to start, Commissioner
4 Aranoff, Chris Wood.

5 I don't know what those data, I don't know
6 whether the cancellation argument is anecdotal or
7 whether there are data behind it. All we can do at
8 some level is look at the data that are available to
9 us, it was published in September. If there were
10 large numbers of cancellations you would expect to see
11 a substantial reduction in the backlog at the first
12 half of 2011. Clearly we don't see that. So that
13 suggests to me that it's probably not as significant
14 as perhaps it was portrayed this morning, to the
15 extent there are such cancellations.

16 In terms of updated data, we're relying
17 largely on the statistics from this shipbuilding
18 association in Japan. My understanding is they
19 publish every six months, so if there's something new
20 I can find, I'll get it to you.

21 COMMISSIONER ARANOFF: Fair enough.

22 MR. WOOD: Otherwise it may be more
23 anecdotal.

24 COMMISSIONER ARANOFF: That's fine. And it
25 may be that one of your clients who follows demand in

1 this area can give an affidavit on what they've seen
2 with respect to how common cancellations are in the
3 market.

4 Mr. Winton, did you want to add anything on
5 this point? You don't have to.

6 MR. WINTON: I will take advantage of that
7 option.

8 COMMISSIONER ARANOFF: Fair enough.

9 In the 2007 sunset review, there was an
10 argument made about displacement of subject country
11 exports to third countries due to China's
12 transformation from a net importer into a net exporter
13 of cut-to-length plate. And the Commission found that
14 any displacement that might have happened had already
15 happened and was not going to result in additional
16 volumes being displaced and maybe available to be sent
17 to the U.S. market.

18 But in the current review the domestic
19 producers are arguing again that cut-to-length plate
20 from China they're arguing is now pushing some subject
21 producers out of their home markets.

22 Can the Respondents address that for each of
23 their relevant countries?

24 MR. WAITE: Commissioner Aranoff, Fred Waite
25 on behalf of Evraz Palini in Italy. Perhaps I could

1 start.

2 We're not aware of that phenomenon in Europe
3 of Italian plate producers or indeed European plate
4 producers generally being pushed out of their home
5 market or the single market of the European Union. We
6 will develop that further in our post-hearing, if we
7 may. We can get statistics and look at trend lines.
8 But that does not appear to be an issue. It's not one
9 that's been raised to us by our client, and it's not
10 one that our client has said is of particular concern
11 to the Italian industry.

12 It appears that the primary concern to the
13 Italian industry as it is I believe to the U.S.
14 industry and that is the state of the overall economy
15 because that's what really drives consumption of a
16 product like cut-to-length plate.

17 MR. WOOD: I'll start for Japan.

18 I think the point you started with is really
19 the key from our perspective, which is that capacity
20 growth in China is by no means new. This has been
21 going on for quite some time, certainly throughout the
22 period of the review.

23 You have the data on our shipments to these
24 Asian markets where we're allegedly being pushed out
25 of and I think it just doesn't support that argument.

1 If you're going to see some dramatic
2 reduction in shipments or even a reduction in the rate
3 of growth, one would think you would have seen it by
4 now. And you don't.

5 I think the reason behind that is what Mr.
6 Aoyama testified to this morning. We really don't
7 view cut-to-length plate as a commodity product.

8 When I think of the Japanese steel and cut-
9 to-length plate, it's kind of like the German machine
10 tool industry or something. They're not selling into
11 those markets where there's very --

12 COMMISSIONER ARANOFF: Right, but in the
13 home market they are selling a full range of products.
14 So if you can give me something on what's going on in
15 the home market with respect to competition with
16 China, that would be helpful.

17 MR. WOOD: We can look at that, yes.

18 COMMISSIONER ARANOFF: Okay.

19 My time is up, but Mr. Winton, do you have a
20 quick answer or do you want to get to it in post-
21 hearing?

22 MR. WINTON: I'll give you a quick answer
23 and then get to it in post-hearing.

24 I'd just direct your attention to an article
25 that Nucor submitted in Appendix 2E of their

1 submission which says Hyundai Heavy, the big Korean
2 shipbuilder, may reduce China steel plate imports, and
3 the Chief Operating Officer said, and this is March
4 16, 2010, "There's no reason for us to buy more from
5 overseas. It's not like Chinese steel plates are
6 cheaper than those from Korea and Japan."

7 COMMISSIONER ARANOFF: I appreciate those
8 answers. Thank you, Mr. Chairman.

9 VICE CHAIRMAN WILLIAMSON: Commissioner
10 Pinkert?

11 COMMISSIONER PINKERT: Thank you.

12 Mr. Winton, can you supply information
13 either here or in the post-hearing about any new
14 capacity coming on-line in Korea in 2012 or 2013?

15 MR. WINTON: I think, let me research that
16 and give you a comprehensive answer. I have an
17 answer, but unlike some of the lawyers I prefer to
18 check before giving you the truth.

19 COMMISSIONER PINKERT: Thank you.

20 For the entire panel, how should I view the
21 claims made by the Petitioners about the very recent
22 impact of non-subject imports in the U.S. market? You
23 can take that on in terms of relevance, you can take
24 it on in terms of the facts. I'm just looking for
25 your response to those claims, and in particular the

1 claim that those non-subject imports have had a price
2 impact in the U.S. market.

3 MR. HARRISON: Donald Harrison.

4 I think the burden of the testimony on
5 behalf of the Japanese Respondents is essentially the
6 focus of these Japanese companies is on Japan and
7 Asian markets. They simply don't have experience with
8 the U.S. market to be able to assess the impact of
9 non-subject imports on the prices here.

10 The testimony has been replete with evidence
11 that they have focused since years ago when there was
12 the Asian crisis and we've seen a dramatic change, and
13 they've rationally concluded that their markets are in
14 Asia and Japan. So we don't have evidence that would
15 allow us to assess what the implications would be in
16 the U.S. market.

17 COMMISSIONER PINKERT: Thank you.

18 MR. WAITE: Commissioner Pinkert, Fred Waite
19 on behalf of Evraz Palini.

20 Even more perhaps than the Japanese,
21 ironically Evraz Palini has very little information
22 about the state of the U.S. market. Obviously its
23 sister corporations have a great deal more information
24 in that regard. But we've only seen import data
25 through the end of August which I believe is the only

1 official statistical information that is currently
2 available. I believe September data should become
3 available next month.

4 So we will take a look, obviously, before
5 the September data comes out because that will be
6 after the date of the post-hearing, to see what the
7 import trends do look like and where the steel is
8 coming from, if that may be of any help. But I do
9 believe that our sister corporation in the United
10 States is much better situated to respond to that
11 question.

12 COMMISSIONER PINKERT: Thank you.

13 Mr. Winton, I'm expecting that you'll have
14 more to say about conditions in the U.S. market than
15 some of your colleagues on this panel.

16 MR. WINTON: I'm not sure right now. I find
17 the argument a little confusing, honestly, and maybe I
18 don't understand it. But as I said before, Nucor came
19 out this morning and they showed us this wonderful
20 beautiful chart. If you guys want to see what I'm
21 talking about, you can see. It says, look, imports
22 from Korea are way up. You say wow, okay. It says
23 non-subject imports. Okay, that must be POSCO. No,
24 it's not. This is plate-in-coils, not cut-to-length
25 plate.

1 So when they say we're being hurt by pricing
2 for non-subject imports, I'm not sure what it is
3 they're talking about. We see a lot in their
4 submissions where they're talking about hot-rolled
5 coil prices or slab prices, what's going on in the
6 slab market. What's going on in the hot-rolled coil
7 market. I don't know what exactly it is they're
8 complaining about and it's a little hard to answer the
9 question without knowing that.

10 I can certainly check with my client and get
11 their perspective on what's happening in the U.S.
12 market.

13 I'm also troubled by this notion that
14 somehow because we've withdrawn from the U.S. market
15 to focus on Asia as the Japanese have as well, the
16 fact that other people that are not subject to orders
17 are allegedly harming the U.S. industry that we should
18 be punished for that. If they have complaints about
19 other countries coming in and causing them harm, they
20 can file a case against the other countries. Nothing
21 prevents them from doing it. they can ensure those
22 imports are fairly traded. It's not a reason to
23 punish us because somebody else is dumping. That's
24 contrary to the notion of the dumping laws.

25 COMMISSIONER PINKERT: Let me supplement the

1 question. Not to make any definitive judgment about
2 relevance here, but just to supplement the question
3 with some of the testimony that we heard this morning
4 that the subjects and the non-subjects are making
5 decisions about the U.S. market independently of one
6 another.

7 So the thought, or at least the idea that
8 might be behind that is that the non-subjects,
9 whatever impact they're having, is going to continue
10 and then that impact would be on top of or in addition
11 to any impact that the subject imports might have in
12 the U.S. market.

13 So if that's the theory, what's your
14 response to it?

15 Since you actually represent a client that
16 has been active in the U.S. market.

17 MR. WINTON: I will consult with my client
18 because they know what's going on in the U.S. market.
19 I have talked to them, but I don't know as much as
20 they do.

21 But to back up a second, we participated in
22 the U.S. market. My client exported, I won't say a
23 large quantity but certainly relatively large compared
24 to other imports. I think we accounted for not just
25 most of the imports from Korea but most of the subject

1 imports. But it really was during a defined time
2 period. It was from 2004 to 2008 and when we were
3 selling at that time the U.S. market was extremely
4 profitable for everybody. This was when the U.S.
5 producers were making 20-plus percent profits.

6 When the U.S. market, I won't say collapsed,
7 but fell with the financial crisis in 2009, we stopped
8 selling, more or less. Small volumes.

9 So I'm not sure that we can answer, but I
10 will talk with my client and see if they have
11 information about it, sort of what's going on with
12 non-subject imports and what do we see from that. But
13 I hope you won't mind, I'm going to focus them on the
14 products that are at issue in this case, which is cut-
15 to-length plate.

16 I understand Nucor, for example, is really a
17 hot-rolled coil producer who makes hot-rolled coil
18 which they can cut and it becomes plate. But the fact
19 that they care about hot-rolled coil imports which I
20 understand they do, doesn't mean this case cares about
21 hot-rolled coil imports, because that's not the
22 subject merchandise.

23 COMMISSIONER PINKERT: I understand. Thank
24 you.

25 Did you have any additional comment, Mr.

1 Wood?

2 MR. WOOD: With your permission,
3 Commissioner Pinkert, I think we might also be better
4 off trying to deal with that in a post-hearing
5 submission.

6 There's the very obvious point that if you
7 take their argument at face value that prices are
8 being knocked down by non-subject imports, then again,
9 using the logic of their argument that must imply that
10 the market is going to become increasingly less
11 attractive to the subject producers, right? You can't
12 have it both ways on that. You can't say that prices
13 -- But I think we need to think on that a little bit
14 and we'll try to spin that out in a post-hearing
15 submission.

16 COMMISSIONER PINKERT: Thank you. Thank you
17 very much.

18 Turning back to Europe for the moment, I
19 understand that during the period there is an argument
20 that you've made about the relationship between the
21 dollar and the euro that has made it perhaps less
22 attractive for the Italian producer to ship to the
23 United States. Is that relationship continuing on
24 into the present?

25 MR. MAGRATH: Commissioner Pinkert, it was

1 as of the, when we filed our brief. However, one of
2 the big points in that chart that we had in the brief
3 was not only the trend of the euro versus the dollar
4 but also the increased volatility recently.

5 Currency movements are one thing if they're
6 slow and steady, but if they go up and down like that,
7 if there's a high vex, it really chills trade. In
8 stocks and in international steel trade from Europe to
9 the extent there is much.

10 COMMISSIONER PINKERT: Thank you.

11 I would ask you for the post-hearing to give
12 us any information you might have about new plate
13 capacity coming on-line in Italy including any by
14 Trosteel Italy in the foreseeable future.

15 MR. WAITE: We will do that, Commissioner.

16 COMMISSIONER PINKERT: Thank you.

17 Thank you, Mr. Chairman, and I thank the
18 panel.

19 VICE CHAIRMAN WILLIAMSON: Thank you.

20 I just have a couple of questions. This is
21 for everybody.

22 How do you respond to the domestic industry
23 parties' argument that the data show significant roll-
24 over capacity for cut-to-length plate, and will this
25 over-capacity persist into the foreseeable future?

1 MR. WOOD: Well, Vice Chairman Williamson,
2 Chris Wood for the Japanese Respondents.

3 If I can start with us, and perhaps my co-
4 counsel would like to add some more.

5 Again, we're handicapped a little bit by the
6 fact that the worldwide capacity data that's in the
7 record all appears to be proprietary, so we will deal
8 with some of the specifics in a post-hearing. But I
9 know at least for the Japanese producers, when you
10 look over the period as a whole, the over-capacity has
11 not just, the alleged over-capacity at least has not
12 emerged out of nowhere. It's been there throughout
13 the period. Notwithstanding that, we've maintained
14 very high capacity utilization rates including the
15 first half of this year, and I think that's a function
16 of the business model which is that they focus on
17 those segments of the cut-to-length plate markets
18 where we've got a competitive advantage. Mr. Aoyama
19 spoke to that a little bit this morning, and we can,
20 we tried to provide as much as we could in our brief
21 about that. But the short answer, I guess, is that we
22 don't view ourselves as competing ton for ton with
23 every marginal ton of capacity that's out there in
24 China or the Ukraine or anywhere else.

25 VICE CHAIRMAN WILLIAMSON: I think

1 Commissioner Pearson has asked you to give a breakdown
2 of what you consider the I guess high end and what you
3 consider the commodity grade. I guess that's for both
4 the home market in terms of what are you competing
5 globally, so I'm looking forward to seeing that in
6 relationship to the question I just posed.

7 MR. WINTON: As I said, I know my clients'
8 data. Their capacity utilization is very high, even
9 though they have added capacity during this period.
10 They see the demand in Korea being there for their
11 products.

12 Mr. Schagrin told you this morning that the
13 Koreans are going to buy from my client, not from
14 anybody else. So I don't know if he's right. Mr.
15 Schagrin is always positive, but not always accurate.

16 Nevertheless, if that's the case, we don't
17 have anything to worry about. We're at high capacity
18 utilization and according to Mr. Schagrin none of the
19 Korean customers will buy from anyone else if they can
20 buy from us.

21 VICE CHAIRMAN WILLIAMSON: And you're going
22 to be at high capacity for the foreseeable future too?

23 MR. WINTON: As far as we know. That's what
24 our data show. But anyway, we will look into and
25 provide more information in a confidential response.

1 VICE CHAIRMAN WILLIAMSON: Okay.

2 Mr. Waite, do you have anything to add?

3 MR. WAITE: Only, Vice Chairman, that our
4 understanding is and we're trying to get more
5 information from the rest of the Italian industry on
6 their capacity utilization rates, but we understand
7 that they're quite robust. And of course if you look
8 at our clients' response to the Commission's foreign
9 producers questionnaire, you will see that it operates
10 also at a very high capacity utilization rate and in
11 particular the most recent period, that is the first
12 half of 2011, it certainly far exceeds the full
13 capacity figure that was given this morning by the
14 domestic industry of approximately 89 or 90 percent.
15 it's far above that.

16 VICE CHAIRMAN WILLIAMSON: Thank you.

17 My final question, this is for the Japanese
18 Respondents, on page 20 ArcelorMittal's brief states
19 that Tokyo Steel and Chua Steel Plate have significant
20 unused plate capacity. Can you respond to this
21 assertion either now or post-hearing?

22 MR. AOYAMA: It is true that they are
23 expanding their production capacity in Japan, but to
24 the best of my knowledge they have never export their
25 cut-to-length outside Japan.

1 And furthermore their quality or their
2 primary target in the market is construction in
3 domestic market in Japan.

4 VICE CHAIRMAN WILLIAMSON: Thank you for
5 that clarification.

6 With that I have no further questions.

7 Commissioner Lane?

8 COMMISSIONER LANE: Thank you.

9 Mr. Winton, I'll come back to you to let you
10 answer the question that I had asked before, which
11 related to the exhibit on demand for natural gas in
12 Asia, and it shows that the demand in Asia and the
13 United States will meet in the year 2015, and asked
14 whether or not you thought that was in the reasonably
15 foreseeable future.

16 MR. WINTON: I don't think it's in the
17 reasonably foreseeable future and I don't remember any
18 cases where the Commission has tried to look out that
19 far. We're talking about steel plate here.

20 I do think, and you asked in follow-up to
21 that, whether the U.S. market would become attractive
22 given certain assumptions.

23 COMMISSIONER LANE: Yes.

24 MR. WINTON: -- capacity --

25 COMMISSIONER LANE: Our effort to become

1 energy independent.

2 MR. WINTON: The evidence shows that if the
3 U.S. market is attractive, my client has sold in the
4 U.S. market. I mean that is what happened. The U.S.
5 market was attractive, but it was attractive because
6 people were making lots of money in the U.S. market.

7 It comes back to, if prices in the U.S.
8 market are really that much higher than in the rest of
9 the world, we can sell here without dumping. POSCO
10 could sell here dumping or not because they're not
11 subject. We could sell without dumping, and we have
12 more or less done that in the past notwithstanding the
13 dumping order.

14 So positing a situation where the U.S.
15 market is the most attractive market in the world, and
16 they're making lots of money here, would there be room
17 for us in this market under your description of the
18 situation? It sounds to me like there would be.

19 I'm not sure, you said the U.S. trends look
20 low to you, and I'm not an expert on this by any
21 means, but they look low to me too because when you
22 think about what's happening with natural gas now,
23 with the fracking and the development of resources and
24 the notion that the United States is going to have
25 more natural gas than it knows what to do with and we

1 can reduce imported oil and use of coal and things
2 like that, demand for natural gas in the United
3 States, there will be supply and it will be low-priced
4 natural gas supply and I imagine demand would go up
5 which would mean there would be increased
6 opportunities for the U.S. producers to sell into that
7 market. That doesn't mean if we participate in this
8 that we're causing injury.

9 What they're positing is demand in the
10 United states craters, nobody's buying plate, and then
11 the Koreans come in and the Japanese come in on top of
12 us and they stomp us to death. That is their
13 description of the case. You're describing a
14 different situation. The U.S. market is booming,
15 there's unbelievable expansion of demand, prices are
16 high. Would there be room for other producers? Well,
17 if you look at the situation from 2004 to 2008, my
18 client sold something like 200,000 tons in 2006 and
19 the U.S. industry had its highest profit going back
20 since you have data.

21 Is that a problem for them?

22 As I said before, I think the U.S. industry
23 should welcome the situation where my client would
24 sell in the U.S. market because when my client sells
25 in the U.S. market it's because it's a very profitable

1 market for everyone. My client has other profitable
2 markets it can serve, and it's not going to switch out
3 of profitable markets where it has longstanding
4 relationships to sell at low prices in the U.S.. But
5 that's not what you described in your hypothetical.

6 COMMISSIONER LANE: No. In my hypothetical
7 I can describe what the demand in the United States
8 might be, but we can't get over the fact that your
9 company right now has a dumping margin and assuming
10 that it would come in, if demand increases, it would
11 be at a dumped price which has its own consequences.

12 MR. WINTON: I'm not sure it's fair to
13 assume that. There's an inherently contradictory
14 statement by the U.S. producers. On the one hand,
15 prices here are so high, everybody else is going to
16 want to sell here. On the other hand, when they sell
17 here they'll sell at prices below what they get in
18 Korea or Japan or other markets so there will be
19 dumping.

20 It can't be both, right? Either prices here
21 are higher, in which case we'd sell without dumping;
22 or prices here are lower, in which case if we sold
23 here we'd be dumping but we'd be stupid to sell here.
24 It can't be both. That's a fundamental inconsistency
25 in what the U.S. producers have said.

1 Commerce has said we would dump, and if
2 Commerce says we would dump that means prices in the
3 U.S., according to Commerce, are going to be lower.
4 If you don't agree with Commerce -- But that's between
5 you and Commerce. But it can't be that prices in the
6 U.S. are both going to be lower and higher than prices
7 in Korea at the same time.

8 COMMISSIONER LANE: Maybe I missed
9 something. I never said that the prices would be
10 lower in the United States. I said the demand was
11 going to be high, the prices were going to be high.
12 Why then wouldn't Korea come in when there was all
13 this demand because of natural gas?

14 MR. WINTON: Suppose right now we're selling
15 in Korea at a price of 100 and the price in the United
16 States is 80, then we have no real incentive to sell
17 in the United States.

18 Then let's say the price in the United
19 States goes up to 120. Obviously we have an incentive
20 to sell in the United States at that point because
21 it's a higher price than in Korea. But at the same
22 time, if the price in the United States is higher than
23 the price in Korea, that's not dumping. As I think
24 Mr. Price said before when describing my client's
25 experience, he said dumping orders don't prevent you

1 from selling, they prevent you from selling at dumped
2 prices or if you sell at dumped prices you have to pay
3 a duty.

4 So if the prices as you describe it are
5 higher in the United States we can well. We're not
6 dumping. The anti-dumping order has no impact. If
7 the prices are lower in the United States why would we
8 sell here? We have a market, we're operating at high
9 levels of capacity utilization. Why would we want to
10 sell here to lose money?

11 COMMISSIONER LANE: Dr. Magrath, I have a
12 question for you relating to your chart number two.

13 You're focusing, of course, on the Italian
14 market and it shows that 1997, 1998 there was product
15 coming in from Italy. In 2004 there was product
16 coming in from Italy. Then from 2005 to 2011 there's
17 no product coming in from Italy.

18 But we did put an order on, we retained the
19 order in 2005. What has changed since 2005 to the
20 present that would cause us to not keep the order on
21 Italy?

22 MR. MAGRATH: This is the U.S. market and
23 U.S. market share --

24 COMMISSIONER LANE: Microphone?

25 MR. MAGRATH: This is the U.S. market, not

1 the Italian market, and it's --

2 COMMISSIONER LANE: I was calling it the
3 Italian product coming into the United States.

4 MR. MAGRATH: What has changed is the
5 section we testified to as to conditions of
6 competition. The composition of the U.S. industry,
7 the globalization of the U.S. facilities along with
8 facilities in subject import and non-subject import
9 countries, and Evraz is a prime example of that. So
10 are all of them except Nucor. That is a
11 transformation of the U.S. industry that provides much
12 different conditions of competition than was prevalent
13 in both the original investigation and the first
14 review. I detail that again in chart four.

15 This has to do with the rise of --

16 COMMISSIONER LANE: Consolidation in sales
17 and all of that?

18 MR. MAGRATH: Maybe that too, but the
19 primary point is the introduction and now the very
20 strong presence of multinational corporations with
21 global strategies of local supply strategy, global
22 allocation and access to capital. One of the
23 petitioners makes that very strong point in his
24 questionnaire, by the way. We'll tell you who in the
25 post-hearing brief.

1 This amounts to a radical change in this
2 condition of competition and therefore puts in doubt
3 things like cumulation in one analysis and discernible
4 impact via the majority Commission's analysis.

5 COMMISSIONER LANE: Thank you.

6 VICE CHAIRMAN WILLIAMSON: Commissioner
7 Pearson?

8 COMMISSIONER PEARSON: Thank you, Mr.
9 Chairman.

10 Does anyone have any thoughts on why we may
11 be seeing an increase in non-subject imports into the
12 U.S. market in the third quarter of this year?

13 Mr. Magrath? No one has any thoughts?

14 MR. MAGRATH: Very briefly, excuse me, I
15 mean I missed that part of Petitioner's presentation,
16 but the data, as Mr. Waite said, the data for the
17 third quarter is not in.

18 COMMISSIONER PEARSON: Right. That's why I
19 said we may be experiencing. I don't think we have
20 data yet that gives us complete confidence.

21 MR. MAGRATH: No. So I can't say why that
22 statement is --

23 COMMISSIONER PEARSON: In the event that
24 product was imported in the month of September, let's
25 say it had come from one of your clients with whom you

1 are familiar, when would that product have been
2 ordered? What's the lead time between order and
3 delivery in the marketplace as we now know it?

4 Perhaps Mr. Winton could help, because his
5 client actually has done a fair amount of exporting to
6 the United States in the not too distant past.

7 MR. MAGRATH: Commissioner, one quick point,
8 in terms of our client, Palini, that order would take
9 a long time because Palini is at a very high level of
10 capacity utilization and can't shift destinations
11 readily.

12 COMMISSIONER PEARSON: Any other
13 observations, comments?

14 MR. HARRISON: This is Donald Harrison.

15 The one observation I would make, and it
16 goes to a clarification, and really in response to
17 Commissioner Aranoff when there was the suggestion
18 made that somehow these blast furnaces are pumping out
19 all of this steel without regard to where it might go.
20 All of the steel is, as reflected in your question,
21 produced by the Japanese producers, all the cut-to-
22 length, is produced to order. There is an actual
23 order that is placed and it's for particular
24 specifications that are then produced to that order.

25 So I think the question you have is what is

1 the time from the time the order is placed to the time
2 that the product is then manufactured and the product
3 is then gotten ready to ship and then actually shipped
4 to the United States and then arrives in the United
5 States?

6 COMMISSIONER PEARSON: Exactly.

7 MR. HARRISON: As I say, because the
8 Japanese producers have not sold to the United States
9 in a number of years, we don't have direct information
10 on that currently.

11 COMMISSIONER PEARSON: Mr. Wood?

12 MR. WOOD: Having said that, Commissioner
13 Pearson, there are some shipments of non-subject cut-
14 to-length plate. That's what shows up in Table C-1 of
15 the staff report. So my sense is that we should be
16 able to go to our clients and get you an answer on
17 that for the post-hearing, if that would be
18 acceptable.

19 COMMISSIONER PEARSON: That would be
20 helpful.

21 Mr. Winton, did you have anything to add
22 now?

23 MR. WINTON: No, not now. We will answer in
24 the post-hearing, too.

25 And it's not urgent, but I did find the

1 answer to the question about the tonnage of the ships.

2 COMMISSIONER PEARSON: The Vice Chairman
3 provided me a very helpful answer there too. So I now
4 understand the concept of 20 foot equivalent units.

5 MR. WINTON: At least that's what the
6 internet told me.

7 COMMISSIONER PEARSON: Yes, those are the
8 smaller sized containers, not the 40 footers, but you
9 measure one and the other. So yes, a vessel that
10 would hold 10,000 containers would seem to me not to
11 be a small vessel.

12 For the post-hearing you might tell me how
13 many tons of steel go into building that thing, okay?

14 (Laughter.)

15 The reason for asking that question about
16 delivery time, lead time, is that we had testimony
17 this morning that demand in the U.S. market was quite
18 robust in the first half of the calendar year. It
19 seemed to me that it was possible that some steel was
20 ordered then and it didn't arrive until September or
21 even currently. If that's the case and if we now have
22 a slackening in U.S. demand it's possible that new
23 orders for imported steel are no longer being made
24 such that we would go through a period of a few months
25 in which we have a bump up of imported steel, and then

1 it goes away.

2 It's interesting, because if that's what's
3 going on it comes at a time when we're trying to
4 understand what's likely to happen in the reasonably
5 foreseeable future.

6 So if for purposes of the post-hearing you
7 could tell us anything about this, let me know whether
8 I'm all wrong, that would be helpful.

9 Mr. Magrath, you've already decided I'm all
10 wrong. Okay.

11 (Laughter.)

12 MR. MAGRATH: Just quickly, Commissioner,
13 you just said, and apparently Petitioners said the
14 next couple of months, the next quarter. That isn't
15 the foreseeable future, that's the imminent future
16 like an original investigation.

17 COMMISSIONER PEARSON: I understand that,
18 but on this record right now I don't think we have
19 anyone positing that this increase is likely to be
20 short-term. So if you think there's a rationale that
21 it is short-term it might not be entirely bad to put
22 it on the record.

23 MR. MAGRATH: We will in the brief.

24 COMMISSIONER PEARSON: Okay, thanks.

25 Mr. Kato, I had one final question for you.

1 You have sat here very politely and haven't
2 said a thing. It seems to me not entirely fair
3 because you made the trip to come all the way here.

4 My question is, are the interests of
5 Sumitomo similar to those expressed by Mr. Aoyama on
6 behalf of Nippon? Or are there any additional issues
7 you would wish to add?

8 MR. KATO: Thank you, Commissioner, for
9 taking care of me.

10 In the case of Sumitomo entirely we are on
11 the same course as Nippon Steel. We focus on the
12 products for shipbuilding and the high end products
13 for off-shore structures and line pipe.

14 In addition we have been in long-term
15 relationship with customers in those sectors,
16 especially in Asia where we could take advantage of
17 location and we have made kind of a long-term
18 relationship based on the reliability and the quality
19 of our products. It took us a long time. We have a
20 long history with the kind of customers.

21 So this is our sales strategy, just similar
22 as Nippon Steel. Since we are specialized in the
23 technology for high end products, especially for
24 energy sector, as you know. So we won't change the
25 strategy because basically we are responsible for

1 supplying to our customers with a long-term
2 relationship in order to satisfy the demand for the
3 kind of energy sectors. We would be running, we are
4 seeing that we will be running at high level of
5 capacity in the foreseeable future.

6 So there will be little availability for
7 export to the U.S. market.

8 COMMISSIONER PEARSON: One additional
9 question. Does your office in Chicago serve the
10 entire U.S. market? It covers the full country?

11 MR. KATO: Yes.

12 COMMISSIONER PEARSON: Also into Canada?

13 MR. KATO: Partly Canada, yes. We are
14 taking care of the Canadian market in terms of railway
15 axle for railway.

16 COMMISSIONER PEARSON: Thank you. Thank you
17 very much for being here. I appreciate all of you
18 sharing the afternoon with us.

19 With that, Mr. Chairman, I have no further
20 questions.

21 VICE CHAIRMAN WILLIAMSON: Thank you
22 Commissioner Pearson.

23 Commissioner Aranoff?

24 COMMISSIONER ARANOFF: Thank you, Mr.
25 Chairman.

1 I don't think any of my colleagues have
2 already asked this question. To what extent are
3 Japanese and Korean producers competing for sales to
4 the same shipbuilding customers in the Japanese and
5 Korean home markets or in China?

6 MR. AOYAMA: Aoyama, Nippon Steel.

7 Yes, we are competing with each other. For
8 example, for Korean shipbuilders Nippon Steel and
9 other Japanese mills are supplying cut-to-length plate
10 at the same time that the Korean producers are
11 supplying their cut-to-length to the Korean
12 shipbuilders.

13 But actually, as you know, the production
14 capacity in Korean producer is rather new, and
15 Japanese mills, including Nippon Steel and Sumitomo
16 have a long relationship with customers in Korea,
17 shipbuilding customers, and through our relationship
18 we build up, for example joint product research
19 activities or special way of delivery of materials or
20 something like that. So orders do not happen to
21 immediately shift from our products to Korean
22 products.

23 But in short, we are competing with each
24 other.

25 COMMISSIONER ARANOFF: Are there Chinese

1 producers who can compete in this market?

2 MR. AOYAMA: With Chinese producers?

3 COMMISSIONER ARANOFF: To provide cut-to-
4 length plate to shipbuilders, either in China or
5 outside of China?

6 MR. AOYAMA: Yes, but speaking about the
7 Chinese producers, we can say that we have still the
8 advantage in terms of the quality and product service.

9 COMMISSIONER ARANOFF: Okay.
10 One of the arguments that was made by the
11 morning panel was that the market for cut-to-length
12 plate differs from the market for hot-rolled because
13 Japanese producers in particular have fewer related or
14 sort of captive down-stream customers.

15 I know that in your brief you did provide
16 some examples of some long-term customer
17 relationships, some of which are contractual and some
18 of which are not, but I guess they seemed kind of
19 anecdotal to me so I wanted to offer you the
20 opportunity post-hearing if you would like to try and
21 quantify how much of exports outside of Japan are
22 accounted for by relationships which can somehow be
23 documented as long-term and committed relationships.

24 MR. WOOD: Thank you, Commissioner Aranoff.
25 Chris Wood. We'll do that for the post-hearing brief.

1 If you'll permit me just one minute. I found
2 it at some level very interesting to hear that
3 dialogue this morning where it seemed that in large
4 measure the domestic industry conceded that the
5 argument that we made to you in the hot-rolled case,
6 in the corrosion case, about the relationships and the
7 vertical supply strategies, was correct. That
8 certainly wasn't the reaction I had coming out of the
9 hearing earlier this year, but --

10 COMMISSIONER ARANOFF: I would say they
11 conceded that we had accepted that argument.

12 MR. WOOD: That may be fair.

13 But I think if you take a step back and look
14 at the bigger picture, though, what's going on in each
15 of, this is the third one of these flat-rolled steel
16 cases, and the basic alignment is the same in all
17 three of them. There're the argument on one side that
18 says there's higher prices in the U.S. and too much
19 capacity in Asia and that's going to push us here.
20 and we say no, our long-term business strategy is
21 focused on Asia and there are good reasons for that.

22 All we can say is that in the first two
23 cases you've got a developing record that says
24 frankly, we're right. What we're telling you here in
25 those two cases was correct and we're telling you the

1 same thing today and we think we're right there too.

2 COMMISSIONER ARANOFF: Just to wrap up I
3 want to repeat the question that I asked the morning
4 panel in order to sort of emphasize how much I'm
5 thinking about it. You can take a stab at it now
6 since you've had longer to think about it, or you can
7 take up the option that the domestic industry panel
8 did and get to it in the post-hearing.

9 This has to do with the issue of what the
10 Commission needs to do to reach a principal
11 determination in these reviews in a situation where
12 maybe we're not going to be willing to go out on a
13 limb and predict what we think demand in the U.S.
14 market is going to look like more than a few months
15 out.

16 If there's any hints that any of the
17 Respondents want to offer for how we ought to face
18 that situation, I'd really like to hear them, either
19 now or later.

20 MR. HARRISON: Commissioner Aranoff, we will
21 certainly provide our thoughts in the post-hearing
22 brief, but I frankly did find it a rather
23 extraordinary argument. We have this detailed record
24 and the argument essentially disregarded that detailed
25 record. On the one hand the argument was made that we

1 can tell you that our forecasts are very pessimistic
2 and we think this market's going to be devastated and
3 it's so vulnerable and therefore any imports in this
4 market are likely to tip the balance and we're going
5 to have these devastating consequences. On the one
6 hand.

7 Then when you ask the question, well how
8 accurate are your predictions and projections? The
9 concession was made well, we really can't say. We
10 don't really know.

11 So on the one hand they were coming before
12 you and saying disregard the record that you have for
13 the first six months and what's been collected and
14 rely upon this anecdotal other evidence we're telling
15 you. On the other hand they're conceding that these
16 projections and predictions are inherently unreliable.

17 We'll amplify that in our post-hearing
18 brief, of course, but we don't think of course you
19 should rely upon that to make a principal decision in
20 this case.

21 COMMISSIONER ARANOFF: We did have some
22 testimony this morning from distributors who said we
23 really worry about the subject imports if the demand
24 situation is bad. Which is a whole, a different way
25 of looking.

1 In any event, I'll -- Mr. Magrath, did you
2 want to add something?

3 MR. MAGRATH: Yes. Simply this issue, of
4 course, the foreseeable future, it's inherently
5 speculative. Everybody has a problem with it. But as
6 you stated, the Commission in the past several recent
7 steel cases, the majority appear to recognize, and all
8 the Commissioners appear to recognize there is a
9 fundamental change, a very great change, in the
10 composition of the U.S. industry and in the
11 composition of international trade. All nutshelled in
12 something called local supply strategy.

13 That is a permanent change, Commissioner.
14 Multinational corporations are not going to go away.
15 So I think you can use that as a tool to look to the
16 foreseeable future in the U.S. market.

17 COMMISSIONER ARANOFF: I appreciate those
18 thoughts and I'll look forward to anything you add in
19 post-hearing.

20 I do want to thank this afternoon's panel
21 for all of your testimony. I know we set you with a
22 lot of work to do in the next week, so thank you in
23 advance for that.

24 Thank you, Mr. Chairman.

25 VICE CHAIRMAN WILLIAMSON: Commissioner

1 Pinkert?

2 COMMISSIONER PINKERT: I have nothing
3 further for the panel, but I also appreciate the
4 answers and look forward to the additional information
5 that you've promised to give us in the post-hearing.

6 VICE CHAIRMAN WILLIAMSON: I have no further
7 questions.

8 Do any of the other Commissioners have
9 questions?

10 (No response.)

11 VICE CHAIRMAN WILLIAMSON: Seeing that there
12 are no further questions from here, does Staff have
13 any questions of this panel?

14 MR. CORKRAN: Douglas Corkran, Office of
15 Investigations.

16 Thank you, Vice Chairman Williamson. The
17 Staff has no additional questions.

18 VICE CHAIRMAN WILLIAMSON: Do Petitioners
19 have any questions for this panel?

20 MR. SCHAGRIN: No.

21 VICE CHAIRMAN WILLIAMSON: Okay. Before we
22 go to closing arguments I'll give the time
23 allocations.

24 Those in support of continuation, there are
25 13 direct minutes plus 5 for closing for a total of 18

1 minutes.

2 For those in opposition to continuation, you
3 have 2 minutes direct and 5 closing for a total of 7
4 minutes.

5 As is our custom, we usually combine that.
6 Does anyone have any objection? With no objection to
7 that we'll proceed to dismiss this panel.

8 I want to thank you all for your testimony,
9 and we'll move to closing arguments.

10 (Pause.)

11 MR. BISHOP: Will the room please come to
12 order?

13 VICE CHAIRMAN WILLIAMSON: Okay.

14 MR. SCHAGRIN: Thank you.

15 Roger Schagrin on behalf of SSAB and Evraz.

16 Let me begin with Japan and talk about their
17 issues and talk about shipbuilding.

18 The Japanese Respondents have basically
19 focused on two issues. They say they don't primarily
20 make commodity plate, they make specialized products,
21 they focus on they said both energy applications which
22 might require some specialized plates such as X90 and
23 X100, and then they focus on shipbuilding.

24 They didn't really focus on shipbuilding
25 plate being any different from commodity plate,

1 because it's not. Everyone in the industry can tell
2 you that shipbuilding plate is very basic plate with
3 some additional testing.

4 So they've got all of this capacity, most of
5 which is focused on the Asian shipbuilding markets.

6 Now there's no doubt shipbuilding has grown.
7 There's no doubt that Asia is not currently having a
8 financial crisis. In 1998 the Japanese shipped over
9 300,000 tons to the U.S. during the Asian financial
10 crisis. Now we have the European financial crisis.
11 There is no doubt that spreading around the world, and
12 I'll talk later about how much the world has changed
13 just since the end of the first half of this year.

14 In terms of demand for oil and gas in Asia,
15 that does not equate to more demand for Japanese
16 plate. Japan is not going to produce any oil or gas.
17 They have none. China is going to produce much of the
18 new oil and gas in Asia and they're going to use
19 mostly Chinese products. In fact even though China is
20 producing lots of oil and gas and demanding increased
21 oil and gas, they had enough OCTG to ship three
22 million tons here in 2008.

23 So it's not about demand, it's about
24 capacity. One thing that's clear from this record is
25 capacity throughout Asia to make plate has been

1 absolutely skyrocketing. The reason for that was
2 because of the huge increase in demand for
3 shipbuilding plate which is in the Japanese comments.
4 I mean production in terms of shipbuilding between
5 2004 and 2011 has tripled. From 33 million tons a
6 year, gross tons, to doubling the 2011 number, the
7 first half was 51 million, to 102 million. That's
8 because they also massively increased their
9 shipbuilding capacity.

10 There's only one problem with that. That
11 is, as the shipping, it's not the absolute number of
12 orders still on the books, the question is how much
13 are the orders in terms of the months of shipbuilding
14 capacity? Those numbers clearly have fallen by over
15 50 percent in just the last two and a half years. The
16 backlog in 2008 was 325 million. They were only
17 producing less than 60 million, so it was five and a
18 half years backlog.

19 By 2011 production is running 102 million
20 tons but the backlog as of the first half was just
21 down to 225 million, so they're down to two and a
22 quarter. By the end of 2011 they're going to be down
23 to one and three-quarter years. At some point, as
24 everybody recognizes in Japan, South Korea and China,
25 the demand for ships is plummeting because there's an

1 over-supply of ships.

2 So even if Korea has recently gotten orders,
3 we'll present you with information, unfortunately the
4 most recent information we can find is from July,
5 nothing more recent. Orders into Japanese shipyards
6 are down 74 percent year on year.

7 So in the board rooms in the Japanese,
8 Korean, I'm sure Chinese, I'm sure Indonesian, Indian
9 plate mills, they must have alarm bells going off.
10 We've added these millions and millions and millions
11 of tons of new plate capacity, and they were all added
12 for shipbuilding, and within the next two or three
13 years demand for shipbuilding plate is going to
14 virtually disappear.

15 Will it come back some day? Yes, of course
16 it will. But how many more years? And what will
17 happen to the U.S. industry if we don't have relief
18 from unfair trade?

19 Now to Korea. Dongkuk says gee, you don't
20 have to worry about us. We're only here when times
21 are good and the dumping margins don't really matter
22 to us, and Korean demand was up by 1.5 million tons
23 between 2009 and 2010. Yeah, but Korean capacity
24 expanded by like 4 or 5 million tons. they're
25 bringing on these major new plate mills.

1 Why is Dongkuk fighting so hard to get out?
2 Because the last time the Department of Commerce did a
3 review in April '09 they found Dongkuk dumping at a
4 rate of 5.5 percent. Do you know what that must have
5 cost them giving how much plate they shipped here?
6 That's got to be 100 times Mr. Winton's fee. No
7 wonder they are fighting so hard.

8 But the real reason is, as Mr. Price will
9 talk about later, for the last quarter we talked about
10 non-subject imports, well Korea based on SIMA data for
11 plate, cut-length, which we will put in our post-
12 hearing brief, this does not include a ton of plate
13 and coil. I think you can rely on the census license
14 data. It's actual data for July and August.
15 Licensing data for September and part of October.
16 Korea was the third largest supplier to the U.S.
17 market. So Dongkuk is back already. And I think with
18 them having shipped nearly 25,000 tons while the U.S.
19 market is going down the tubes, that's reason enough
20 for this Commission to continue the orders.

21 As to Italy, there's not much to say. They
22 talked about some of the Italian mills. We think the
23 biggest problem will certainly be Metinvest, a company
24 they didn't talk about very much, a company that is
25 actively marketing the U.S. market, and a company

1 we'll give you information on how big their capacity
2 is.

3 Let me conclude by talking about
4 vulnerability. In the past two and a half years the
5 U.S. industry has had one good half-year, and now
6 that's over. Demand is abating, non-subject imports
7 are flooding into the U.S. market, prices are
8 plummeting. It is getting very, very bad. Prices are
9 plummeting so much as was mentioned, they're writing
10 about it in the Wall Street Journal. I mean steel
11 prices in this country are plummeting right now.

12 You heard today from workers that at least
13 at ArcelorMittal and Nucor Mills, their hours are
14 already being severely reduced.

15 Now I've always believed this Commission has
16 properly enforced the sunset review statute in
17 accordance with both the statute and legislative
18 history. And that is when you find an industry to be
19 doing extremely well and invulnerable, then you need a
20 big surge of imports in order to say we're going to
21 continue the orders.

22 You look at that in '07 when this industry
23 had three years of 20, 30 percent profitability, and
24 you said you know what? We will sunset these '11
25 orders. Now some of these countries are back, but you

1 did the right thing. And amazingly talk about a lack
2 of vision, none of us at the end of '07 knew the world
3 was going to essentially have a massive financial
4 crisis 10 or 12 months later, so shame on us. But you
5 did the best you could, we did the best we could,
6 that's the way it goes.

7 When you find an industry that's very
8 vulnerable, then you find you only require a small
9 increase in imports. This industry is very vulnerable
10 now. We're going to give you more information, but
11 with no offense, anybody in this world would have to
12 be a Florida flamingo with their head in the sand to
13 not recognize that the world has changed dramatically
14 since July 1st. Look at your 401K, look at mine.
15 These things are plummeting. The world has really
16 changed. It's so bad I'm going to have to keep
17 working. That's okay, I enjoy it.

18 We've got the EU financial crisis, and now
19 we have all these new offerings of plate. Things are
20 getting worse, this industry is vulnerable, you need
21 to continue these orders.

22 MR. ROSENTHAL: Given our time allocations
23 amongst ourselves, I only have time to continue my
24 role as Mr. Schagrin's pilot fish today.

25 (Laughter.)

1 The one point I want to emphasize has to do
2 with Korea. There was a lot of discussion earlier by
3 the Respondents about the Koreans' interest in the
4 U.S. market, but if you actually look at the data
5 you'll see they've been in this market continuously
6 and their imports have increased during the course of
7 this year.

8 If you listened to the distributors you'll
9 know that increase was not necessarily a benign one.
10 To the contrary, the testimony you heard today was
11 that the increased imports by the Korean producers
12 were at lower prices, and low enough prices to depress
13 the prices of the U.S. producers. That's a very, very
14 important point as you ponder what the future is going
15 to be like in this declining demand situation, and
16 when you've got a clearly interested producer here,
17 and lots of other Korean capacity, both subject and
18 non-subject, able to come in and penetrate this
19 market.

20 Thank you.

21 MR. PRICE: Alan Price.

22 Very quickly.

23 Based upon the testimony we heard from the
24 Respondents today, ample demand in Asia, not one of
25 them has any reason to put any cut-to-length plate in

1 the U.S., we shouldn't see any cut-to-length plate
2 surging into the U.S., pretty straight-forward.
3 Dongkuk has said that over and over and over again.

4 I'm sorry we didn't have a chance to print
5 this up. We can't connect this. This is the SIMA
6 data. We'll give you the web site and put pretty
7 charts in our brief.

8 As you see in the first five months there
9 were very few Korean imports. Then once you get into
10 June, you start ending up with 6,000 tons; then July,
11 9,000 tons; August, 4,000 tons; September, 10,000
12 tons; so far in October nearly 11,000 tons of cut-to-
13 length plate from Korea.

14 Now I don't know if it's Dongkuk, I don't
15 know if it's POSCO, to be honest with you. What it
16 is, it shows that if there this great situation in
17 Korea and in Asia, this capacity would not be here.
18 It is showing up here, it is directly affecting the
19 companies, it is directly affecting prices, and it is
20 directly affecting people like Ms. Beavers and all of
21 the folks in the USW and every worker in this industry
22 whose hours are now being cut because of this
23 increase.

24 Nearly 40,000 tons in the second five months
25 of the year, and that's the official data from the

1 U.S. government. It does include carbon and alloy.
2 Our information for Korea, it is all carbon at this
3 point.

4 So we see this massive increase in Korean
5 imports coming in of cut-to-length product, contrary
6 to all the testimony you heard today.

7 We see coil coming in too. Again, slightly
8 different. The point is if these capacity situations
9 and these markets were so robust, frankly we wouldn't
10 see any of this stuff coming from Asia to here. We're
11 seeing a lot of it increase. We're seeing our markets
12 collapse. They're seeing their markets collapse.
13 You're having Fitch reporting for this year we're
14 going to see a three to four percent decline in demand
15 overall for the entire world steel market, so we're
16 seeing sharp and substantial negative impact.

17 We do know, thanks to Gibbs and Dunn, with
18 orders in place we generally do a lot better. We also
19 know that without orders in place things can erode
20 pretty quickly as they are now as these Korean imports
21 have entered the U.S. market.

22 With that I'd like to go to my prepared
23 closing.

24 I want to thank the Commission for their
25 time today and I would especially like to thank the

1 Staff for all their hard work. I'd also like to
2 suggest that the most important number in this
3 investigation may very well be 3800. I'll come back
4 to that number in a minute.

5 First, I would note that the vast majority
6 of the foreign producers did not cooperate with the
7 Commission investigation. No producer exporter from
8 India or Indonesia participated. Only one Italian
9 producer. And we have one Korean producer.

10 What's critical with the Italian and Korean
11 producers, which was remarkable, is they appeared here
12 through counsel and through experts, but didn't give
13 you the opportunity to actually talk to a businessman
14 and find out what's really going on. It's very easy
15 for the counsel to testify, but you have a hard time
16 testing what's really going on without asking them
17 questions. Playing fair is cheap. We all do it. We
18 all fly around the world. It's not hard to do.
19 Plenty of people speak English. Translators are here.
20 Again, they denied that opportunity, with the
21 exception of the Japanese who did make witnesses
22 available to you.

23 We've also heard today uncontroverted
24 testimony about the current economic climate which is
25 at best uncertain. What looked bright and healthy in

1 July as Mr. Damico talked about, has frankly become
2 concerning and gloomy as Ben Bernanke has said now.
3 You don't have to be an economist to know that we are
4 on the verge of a double dip recession and even if we
5 don't technically enter a double dip, in the declining
6 cycle we are now in, even a small quantity of dumped
7 or subsidized imports will cause material injury.

8 No reasonable person could contend
9 otherwise.

10 So the question becomes if the orders are
11 removed, what will come here?

12 to begin with, the Commission has previously
13 determined that the subject producers are able to
14 quickly ship large volumes of dumped and subsidized
15 imports to the U.S. market and we've seen this again
16 with the recurrence of Korea recently.

17 Producers in each of the subject countries
18 have produced plate in increasingly large volumes and
19 have massive amounts of capacity without regard for
20 demand resulting in millions of tons of excess
21 capacity in 2010 alone. This applies to all
22 countries, and whether or not they are here today.

23 Even a fraction of this volume would quickly
24 overwhelm the weakened U.S. industry. And again,
25 demand is much smaller today than it was at the time

1 of the original investigation.

2 As the current flood of subject and non-
3 subject Korean plate demonstrates, subject producers
4 have the ability and interest to flood the U.S. market
5 with subject cut-to-length plate. Indeed the excess
6 capacity in Asia as demonstrated by Korea and their
7 interest in the U.S. market and elsewhere makes
8 substantial exports from all subject producers a
9 certainty or more probable than not in the event of
10 revocation.

11 And regardless of whatever our Japanese
12 friends said today, they maintain plenty of capacity
13 and produce plenty of commodity grade plate and are
14 extremely export oriented. This market is attractive.
15 It's attractive both for pure commodity grades, but
16 also for the higher end grades which are ArcelorMittal
17 and SSAB both produce.

18 But the question remains, would they send
19 their excess production here? Yes they would, and
20 this is why. The subject producers are highly
21 dependent on exports. They are exporting more than 12
22 million tons in 2010 into more than 200 global
23 markets. They are being displaced from their home
24 markets and regional markets from Chinese plate, and
25 Chinese producers by the way now have the most modern

1 and efficient facilities in the world. On top of this
2 with the current price gap, the U.S. is extremely
3 attractive.

4 So just based upon these facts alone an
5 affirmative determination is warranted, but we haven't
6 spoken about possibly the most important number, and
7 that brings me back to the figure 3800. This is the
8 number of production workers in the cut-to-length
9 plate industry. There are 3800 workers and their
10 families who will be impacted by the Commission's
11 decision.

12 The purpose of the U.S. dumping law is to
13 provide protection to U.S. companies and their workers
14 from the injurious effects of dumped imports.

15 U.S. workers like Ms. Beavers who testified
16 before you this morning, they need protection from
17 dumped and subsidized imports. 3800 workers.
18 Actually according to the Staff report, 3875
19 production workers stand to be harmed.

20 Especially in this uncertain economic
21 climate, these families deserve to be protect5ed from
22 unfairly priced imports. These mills are often the
23 largest and best employers in their communities. When
24 times are good an companies are not forced to compete
25 against unfairly priced imports the workers make good

1 livings, providing well for themselves and their
2 families.

3 However, in bad times, for example with a
4 national 9 percent unemployment rate and a declining
5 economy, the ability to make the mortgage payment or
6 the car payment or the semester's tuition payment or
7 even pay the electricity bill may be affected if
8 dumped imports are again allowed unfettered access to
9 the U.S. market.

10 The evidence of record already demonstrates
11 that injury would recur if the orders are lifted.
12 Indeed, the Commission has at least 3800 reasons to
13 keep the order in place.

14 Thank you.

15 VICE CHAIRMAN WILLIAMSON: Thank you.

16 We'll hear from the Respondents now.

17 (Pause.)

18 VICE CHAIRMAN WILLIAMSON: Mr. Winton, Mr.
19 Wood, begin when you're ready.

20 MR. WOOD: Thank you, Vice Chairman
21 Williamson. Again, Chris Wood for Gibson, Dunn &
22 Crutcher. I'll be very brief, just summarizing some
23 closing remarks.

24 Obviously we heard a lot about shipbuilding
25 today. Much of it diametrically opposed. I think our

1 position on this is we would just ask you to look at
2 the data that's on the record. The data show that at
3 the end of 2010 you had 235 million tons in the order
4 book, six months later you had 229 million tons. Does
5 that sound like a massive fall-off? Actually, at that
6 rate it would take 20 years to work through the
7 backlog of that. So I just don't think the situation
8 is as dire as Mr. Schagrin has portrayed it.

9 You did have a very, I think overheated is a
10 fair way to describe it, an overheated shipbuilding
11 market in 2008. It built the backlog up to historic
12 levels. We're seeing a return now to normal levels,
13 but I suspect if you asked any producer back in 2004
14 how would you feel about a 100 million gross ton
15 increase in the shipbuilding backlog in five years,
16 any one of them would have taken that sight unseen.

17 Let me move briefly to energy. We heard
18 less about that.

19 But we think the data are so compelling on
20 this point that all of the economic growth projections
21 are that the economies in Asia need more energy.
22 That's going to require more infrastructure and that's
23 going to require more cut-to-length plate to build
24 that infrastructure. It's a very simple equation and
25 the fact that the Korean shipbuilders are frankly a

1 lot of the same people that are building this
2 infrastructure is, again, a very good fact for the
3 Japanese producers.

4 Again, if you look at the record nothing
5 about the current data on the industry in Japan would
6 give you any indication that this is an industry
7 heading for a fall or looking for alternative markets.
8 Capacity utilization is extremely high. That's not
9 because they're just pushing tons out. It's because
10 the demand is there.

11 If you look at the pricing trends in Japan,
12 in Asia, in other markets, they're all up in 2011.
13 This is a strong market and it's for the very reasons
14 Mr. Aoyama told you about this afternoon. There's
15 just not a lot of interest in redirecting shipments to
16 the U.S..

17 Let Me speak very briefly to vulnerability
18 on this. I think it's awfully rare that you would
19 come in and see a steel industry posting five
20 consecutive years of 20 percent plus operating margins
21 from 2004 to 2008. That's a fantastic record. They
22 should be congratulated on their ability to achieve
23 that.

24 Did they suffer a downturn in 2009 when
25 their economy went south? You bet. Everybody did.

1 But I tell you, the recovery has been pretty
2 remarkable. If you look at your record data for the
3 first half of 2011, very strong.

4 I would urge you to compare it to the hot-
5 rolled steel industry that you looked at earlier this
6 year and made a finding that that industry was not
7 vulnerable to a recurrence or a continuation of
8 material injury, and we think the data on this
9 industry are actually much stronger.

10 We showed you the slide earlier today that
11 not just as of July 1, as Mr. Schagrin said. At the
12 end of July Mr. Damico was saying that this is a very
13 healthy plate market in the United States and
14 projecting that it's going to continue to be healthy
15 towards the end of the year. I think you have to take
16 that at face value.

17 The other point, just general point I'd
18 make, I think you have to be very careful about
19 putting too much weight or extrapolating too much from
20 anecdotal evidence about developments outside of your
21 review period. It's very easy to come in and say that
22 things are going to change very quickly.

23 I'm going to turn it over to Jeff.

24 MR. WINTON: Just to follow up on that
25 point, I think the one thing that's clear from today

1 is that if you make the decision based on the record
2 through June, the first six months of this year,
3 everybody seems to agree that we won. This whole case
4 has now become about the U.S. producers coming in with
5 extra record evidence, anecdotal, telling you how bad
6 things are going to be. They don't have any
7 statistics to support it, you don't have questionnaire
8 responses to support it, we haven't had an opportunity
9 to argue about it, to analyze the data. Instead in
10 their pre-hearing briefs and then today at the hearing
11 they've sprung on us this notion that despite the fact
12 that they are doing fine through the first half,
13 really, it's not good.

14 You're left with the notion that they
15 believe that, let's say they're right. They've had
16 one bad quarter. One bad quarter potentially. And
17 they want you to keep an order in place because they
18 may have had one bad quarter although they can't
19 really prove it.

20 I think it's instructive, the Commission has
21 always said that it finds interim year data less
22 reliable than full year data when it makes its
23 determinations. Here you're not even being asked to
24 make a decision based on interim data. You're being
25 asked to make a decision based on anecdotal data

1 outside the interim period. It's just crazy to me.

2 I have to say I said something bad about Mr.
3 Schagrin before, and I want to apologize for it. I
4 like Mr. Schagrin enormously, and I've done this a lot
5 of times with him. Sometimes he does what he did
6 today and says if you don't care about the U.S. market
7 why are you fighting so hard? My client doesn't seem
8 to be fighting that hard. That's at least what Mr.
9 Price says, we should be fighting harder.

10 I don't think you can make a decision based
11 on whether a company chooses to send a lawyer or not
12 and frankly, my client, I advocated that they come in
13 and at least tell the Commission what they're doing
14 and what's going on. They shouldn't be penalized for
15 that.

16 We've heard about this massive flood of
17 imports from Korea, but when you look at it, 40,000
18 tons, if that's the right number and I haven't seen
19 the data, in the context of a U.S. market that's what,
20 six-something more? In 1998 imports were two million
21 tons. They're complaining about 40,000 tons if that's
22 the right number?

23 I appreciate good advocacy. I appreciate
24 people who believe passionately for their clients.
25 But in the end your job is to make decisions that are

1 supported on the record based on the data, using the
2 methodology that you've developed for these cases.

3 On that I think it's clear these orders
4 should be revoked.

5 VICE CHAIRMAN WILLIAMSON: Thank you.

6 Okay, to close the hearing. Post-hearing
7 briefs, statements responsive to questions and
8 requests of the Commission and corrections to the
9 transcript must be filed by October 28, 2011.

10 Closing of the record and final release of
11 data to parties is on November 22, 2011.

12 And final comments are due November 29,
13 2011.

14 With that, that brings our hearing to a
15 close. I want to express appreciation to all of those
16 who participated today. Thank you.

17 (Whereupon, at 5:10 p.m., the hearing in the
18 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION**TITLE:** Cut-to-Length, Carbon-Quality Steel Plate**INVESTIGATION NO.:** 701-TA-388-391 and 731-TA-817-821**HEARING DATE:** October 19, 2011**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: October 20, 2011

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: Rebecca McCrary
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: Gabriel Gheorghiu
Signature of Court Reporter