UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation Nos.:
CORROSION-RESISTANT CARBON	)	701-TA-350 and
STEEL FLAT PRODUCTS FROM	)	731-TA-616 and 618
KOREA AND GERMANY	)	(Third Review)

REVISED AND CORRECTED TRANSCRIPT

Pages: 1 through 355

Place: Washington, D.C.

Date: January 9, 2013

HERITAGE REPORTING CORPORATION
Official Reporters
1220 L Street, N.W., Suite 600
Washington, D.C. 20005
(202) 628-4888
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Wednesday,
January 9, 2013

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

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

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P R O C E E D I N G S

(9:30 a.m.)

MR. BISHOP: Will the room please come to order?

CHAIRMAN WILLIAMSON: Good morning. On behalf of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 701-TA-350 and 731-TA-616 and 618 (Third Review), involving Corrosion-Resistant Carbon Steel Flat Products From Germany and Korea.

The purpose of these five-year review investigations is to determine whether revocation of the countervailing duty order on corrosion-resistant carbon steel flat products from Korea and the antidumping duty orders on corrosion-resistant carbon steel flat products from Germany and Korea should be revoked.

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

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary.

Speakers are reminded not to refer in their remarks to business proprietary information. Please speak clearly into the microphone and state your name for the record for the benefit of the court reporter. Finally, if you will be submitting documents that contain information you wish classified as business confidential, your requests should comply with Commission Rule 201.6.

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: No, Mr. Chairman.

CHAIRMAN WILLIAMSON: Very well. Will you please announce our congressional witness?

MR. BISHOP: The Honorable Peter J. Visclosky, United States Representative, 1st District, Indiana.

CHAIRMAN WILLIAMSON: Welcome, Congressman.

MR. VISCLOSKY: Thank you very much. I appreciate the opportunity to testify today on corrosion-resistant flat products. Connected with my testimony is a letter from the Congressional Steel Caucus signed by Chairman Murphy, myself and 19 other

Members, and as always appreciate your careful consideration and deliberation of all of the facts.

In May, the Commerce Department found that a revocation of the orders in this case that were first issued in 1993 would result in continued subsidy margins by the Koreans of seven-tenths of 1 percent to 1.26 percent, and in December of this past year the Commerce Department found that the dumping margins for Germany could increase up to 9.35 percent and for Korea 12.85 percent.

It is projected that in the European community there will be a contraction of the gross domestic product, and obviously there is a great deal of pressure on German industry to export. Obviously the South Koreans have a huge problem relative to competition with the Chinese, whose production of these types of products has increased by 53 percent since 2009.

And some might say that an increase of a margin of seven-tenths of 1 percent is simply petty, is small and is of no consequence. I would argue it differently. Last month we had unfortunately in the United States of America 11.8 million Americans without work. That's a horrific number.

In the 1st Congressional District of

Indiana, 2,948 people applied for unemployment. In the great scheme of things that doesn't sound like a lot, except it's an important number for each one of those families, and it is that 2,948 number added up that comprise 11 million.

And I would hope as you consider the facts today that you remember that those slight margins make all the difference in the world to the industry and those who work in it and again simply appreciate the opportunity to testify again before you.

CHAIRMAN WILLIAMSON: Thank you very much. Any questions for the congressman?

(No response.)

CHAIRMAN WILLIAMSON: No?

MR. VISCLOSKY: Commissioner, thank you very much.

CHAIRMAN WILLIAMSON: Thank you. Good to see you again.

Okay. Now it's time for opening remarks.

MR. BISHOP: Opening remarks on behalf of those in support of continuation of the orders will be by Kathleen W. Cannon, Kelley Drye & Warren.

CHAIRMAN WILLIAMSON: Welcome, Ms. Cannon. You may begin when you're ready.

MS. CANNON: Thank you, Mr. Chairman. Good morning to you and to members of the Commission. The briefs that have been submitted in this case present starkly different pictures of the conditions prevailing in the U.S. and foreign markets for corrosion-resistant steel.

Respondents would have you believe the domestic industry has sailed through the review period insulated from the economic downturns prevailing in the United States and earning strong and healthy profits. They also claim that the Korean and German producers have basically lost interest in and the ability to sell significant import volumes to the U.S. market despite strong evidence to the contrary.

Let's look at the facts. The domestic industry producing corrosion-resistant steel has struggled to sustain its operations and its workforce over the past six years. Numerous production facilities have been closed, and the workers have been laid off. One company, RG Steel, was shut down completely after declaring bankruptcy.

The new state-of-the-art facility that ThyssenKrupp built in Alabama is being sold following a 50 percent asset writedown in 2012 and massive reported losses, losses that Respondents ignore when they talk about the industry's health.

Six of 14 U.S. producers lost money in the last full year examined. In fact, the domestic industry's condition over the current review period is in many respects worse than before the orders were imposed. The industry's average profit to sales ratio was only 2.3 percent over the period of review, a level below the preorder profit level and below all prior average review levels. Generated returns are well below the industry's cost of capital and prevent much needed investments.

As demand has fallen, so too have domestic production and shipments. Much domestic capacity remains unused with the industry operating at below 80 percent utilization rates over the last two years. These facts can hardly be characterized as describing a strong or healthy industry.

Respondents' unwillingness to admit the facts, however, goes far beyond their description of the domestic industry's condition. If you read only the ThyssenKrupp brief, you wouldn't even be aware that its U.S. facility is in the process of being sold. ThyssenKrupp ignores the sale and argues that its ownership of the Alabama facility is a key fact because it now no longer needs to supply the U.S. market from Germany and will do so instead out of

Alabama. It emphasizes a veto power it has over imports from Germany.

Amazingly, ThyssenKrupp fails to acknowledge that it publicly announced the sale of its U.S. facility well before its brief was filed and that it has already received bids from interested buyers. Its latest annual report states that its U.S. operation called Steel Americas has been classified as a discontinued operation. How can you exercise a veto power or control imports when you no longer own the U.S. operations? You can't.

In fact, now that a sale is imminent, ThyssenKrupp has every incentive to increase exports of corrosion-resistant steel from Germany to supply its U.S. customers. In fact, it admits it has been selling to those customers German product already through what it calls prep tons. These prep tons have prepared the customers for a continued supply of the product, but now it will come from Germany, not Alabama.

ThyssenKrupp also ignores the increasing level of unused capacity existing in Germany and the dire condition of the EU economy. The European car market is at a 20-year low, and the German sentiment about the Euro Zone has worsened markedly. Higher

U.S. prices will provide a strong incentive for German producers to export to the United States under these circumstances.

The Korean producers' assertion that there will be no significant volumes of low-priced imports from Korea absent an order is equally baseless. As the import statistics show, import volumes and market shares from Korea are already larger than they were before the order was imposed. The Koreans focus heavily on the U.S. market and undercut U.S. prices even with the order in place.

Given the large and increased capacity of the many subject Korean producers and the increasing oversupply situation in Asia, it is not difficult to project how much worse the competition from Korea will be if the discipline of the orders is removed. Absent an order, subject imports will revert to the use of ever lower prices to obtain sales in this price sensitive market. Customers will use dumped imports to leverage down U.S. prices, forcing U.S. producer prices that are already declining and yielding weak profits down even further.

The fragile domestic industry cannot withstand further price erosion and lost business to unfairly traded imports. Although some things have changed since this order was imposed, the injury that these unfairly traded imports can and likely will inflict on the U.S. steel industry has not. Thank you very much.

CHAIRMAN WILLIAMSON: Thank you.

MR. BISHOP: Opening remarks on behalf of those in opposition to continuation will be by Donald B. Cameron, Morris Manning & Martin, and Kenneth J. Pierce, Hughes Hubbard & Reed.

CHAIRMAN WILLIAMSON: Welcome, Mr. Cameron and Mr. Pierce. You may begin when you're ready.

MR. CAMERON: Thank you, Mr. Chairman and members of the Commission. Don Cameron on behalf of Korean Respondents.

So some things have changed. That is the understatement of the year. There's no question that the ADCVD orders on core from Korea and Germany should be revoked. These two orders have been in effect since 1993; in other words, before cell phones, before the internet and before this U.S. steel industry became a world-class competition. The world has changed. Twenty years is a long time, but this industry is still asking for five more years.

The U.S. core industry that exists today bears little resemblance to the industry that existed two decades ago. The U.S. industry in 1993 was uncompetitive, burdened with staggering legacy costs and faced with the daunting process of restructuring itself in the face of competition from more efficient producers in other parts of the world.

Now the industry has restructured, and many of the U.S. producers have become or are in the process of being vertically integrated through investments in suppliers of their major raw materials. This strategy of vertical integration is a good one that insulates the industry from the cost/price squeezes that have negatively impacted them in the past.

Viewed in the context of the current business cycle, the U.S. industry actually has performed remarkably well, and we don't take that back. Even with the declines in demand that occurred during the cycle as a result of the recession and the slow economic recovery, the U.S. industry gained almost eight percentage points of market share to hold almost 90 percent of the core market in the first half of 2012. The industry also more than doubled its operating income from the beginning to the end of the POR.

The industry's ability to weather the

economic crisis is tied directly to its success in the coveted auto sector. Their dominance in the auto sector is a result of geography, not price, since imports cannot meet the short lead times demanded by the U.S. auto producers. The U.S. industry has also made significant capital investments in core production during the POR. These are not the hallmarks of a vulnerable industry.

Not coincidentally, subject import market share today is lower than at the beginning of the POR. This is not a coincidence, and the same factors that have led to lower market share for imports is likely to limit the import market share in the future.

As you listen to the U.S. industry today, remember that they made the same arguments five years ago with respect to the orders that were revoked, but the predicted import surge didn't occur because the market has changed in fundamental ways.

Twenty years is not temporary relief. It is permanent. An additional five years cannot be justified under the statute. These orders have been in place long enough. It's time for them to be revoked. The industry is not entitled to import relief in perpetuity. Thank you.

MR. PIERCE: Good morning, Commissioners. I am Ken Pierce of Hughes Hubbard & Reed, counsel to ThyssenKrupp and Salzgitter. We concur with Mr. Cameron that a negative determination should issue for both countries if cumulated. Today's domestic industry is consolidated and strong; witness its rapid recovery from the great recession.

From the beginning to the end of the review period, its profits and market share are up, major capital investments have been made and large cash reserves have been amassed. It is anything but vulnerable. Consider that this newly integrated domestic industry has virtually eliminated the threat of a cost/price squeeze during once dreaded raw materials volatility into profits.

Later today ThyssenKrupp will address why revocation for Germany, with its 0.2 percent market share, planned U.S. market withdrawal, zero underselling and high capacity utilization could have no discernable adverse impact on Petitioners and should not be cumulated in any event. The order on Germany should be revoked regardless of ThyssenKrupp having just built the newest mill in this country, an investment that will replace imports from Germany and one that is delivering thousands of new American jobs.

Two recent <u>Stainless</u> reviews involved the sister entity at the same Alabama site, resulting in decumulation and revocation. The same was done twice before in recent Hot-Rolled reviews involving ArcelorMittal and for EVRAZ in Italy in the recent Steel Plate review. Notably, this was the outcome in the Stainless cases, although a potential sale of the stainless operation in Alabama was pending.

Likewise today, ThyssenKrupp has overwhelming financial incentives to ensure the continued strength and prosperity of the domestic corrosion-resistant industry for the foreseeable future, an industry that could not conceivably be harmed by revocation of the German order. Thank you.

CHAIRMAN WILLIAMSON: Thank you.

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

Mr. Chairman, all witnesses have been sworn.

(Witnesses sworn.)

CHAIRMAN WILLIAMSON: Okay. You may begin when you're ready, and welcome to everyone.

MR. HECHT: Good morning. I'm Jim Hecht, and I represent U.S. Steel in this review. I'd like to start by drawing your attention to three critical points. First, the Commission kept these orders in place six years ago and the record now supports relief even more strongly than it did then. Weaker demand has forced U.S. mills to cut production, the industry has seen higher raw material costs and lower profits, and poor market conditions elsewhere are more likely to channel imports to the United States.

Second, the prehearing brief from German producers relied heavily on claims that ThyssenKrupp had served this market from its mill in Alabama, but since that brief was filed ThyssenKrupp executives have made clear that this mill will be sold.

Third, Korean mills are exporting massive volumes around the world, and many of their exports are going to less attractive markets. If the orders are revoked, they will have a compelling incentive to ship much larger volumes to the United States.

Let's look at the record in more detail. Here are the key points on cumulation. As you can see, there are no significant differences between Korean and German imports, and cumulation is the only way you can fully and accurately determine what will happen to U.S. mills if the orders at issue are revoked.

Now let's turn to likely volume. As you

see, subject producers have extensive contacts that can be used to rapidly increase sales upon revocation. The first 10 months of 2012 they were on pace to sell over 300,000 tons of subject product to U.S. customers.

The subject mills also have huge amounts of unused capacity. As you can see here, they have admitted having almost 1.3 million tons of unused capacity in 2011, the last full year for which you have data. But as we've shown in our briefs, we believe that this figure understates the full amount of their excess capacity.

The subject producers need to increase sales here because they have big problems elsewhere. As you know, Europe is facing one of the worst economic crises in its history. This is very bad news for both German and Korean mills, which are very active in Europe.

Here you see that the IMF believes that the Euro Zone's GDP actually fell in 2012 and that it will grow by only 0.16 percent this year. This is simply an ongoing disaster for mills that rely on that market, including the subject producers.

The crisis has hit European vehicle production, which is down by over two million units since the beginning of the period of review. That translates into less demand for corrosion-resistant steel. Not surprisingly, the ongoing crisis in Europe has contributed to a significant decline in German exports, which are down almost 24 percent since 2006.

Furthermore, German mills cannot make up those lost sales in their home market. As you can see here, the German economy is being dragged down by the same crisis that has engulfed the rest of Europe. Given that their exports are falling and that their home market is weak, German mills have been forced to slash output. Thus, they have a compelling incentive to increase exports to the United States.

In their brief, the German mills urge you to disregard these facts and instead assume that ThyssenKrupp will serve this market from their facility in Alabama. Here you see their argument that this fact "cuts across and swamps all other considerations." But it is now clear that ThyssenKrupp is severing its ties to the Alabama plant. That investment cost the company billions. It is currently for sale, and industry observers expect it to be sold this year.

In fact, ThyssenKrupp has stated for financial accounting purposes that its entire Steel

Americas operation, including the Alabama plant, is a "discontinued operation," meaning that it will not be on the books for much longer. In light of these facts, TK's suggestion that its interest lies in serving this market from Alabama should be wholly rejected.

During the review period, Korean mills were engaged in a massive expansion of their own inside Korea. Your staff report shows that since 2005, Korean mills have added almost four million tons of new capacity. Korea's home market cannot justify so much capacity, so Korean exports have grown dramatically. The latest figures indicate an increase of more than 43 percent from 2006 to 2012.

Furthermore, Korean mills have become more dependent on exports. According to the staff report, they exported almost half their production in the first half of 2012. But Korean mills face stiff competition. For example, in 2006, China exported 3.8 million tons of corrosion-resistant steel. Through the first 11 months of last year, China was on pace to export almost 12 million tons of corrosion-resistant steel. Many of those Chinese exports are going into Korea itself.

As Chinese production continues to grow, Korean mills cannot afford to overlook any market, especially one as large as the United States. Korean mills will argue that the orders make no difference because they are already shipping hundreds of thousands of tons here, but as you can see on this slide they are shipping much larger volumes to markets where prices are lower than they are here.

In the absence of relief, it is certain that many of those exports will be redirected to the more attractive U.S. market. In fact, this situation is similar to the one the Commission faced a few years ago with respect to OCTG from Korea. As you can see here, Korean mills were quite active in this market when the order on OCTG from Korea was revoked, but that was nothing compared to what has happened since.

Next we turn to likely price effects. As subject imports pour into this market, they will compete with the domestic like product on the basis of price. As you can see here, both U.S. and subject product are comparable on most factors, including quality. Furthermore, purchasers agreed almost unanimously that prices are a very important factor in purchasing decision.

U.S. mills cannot afford price competition with unfairly traded imports. As you can see here, prices have fallen significantly over the last year. Nevertheless, U.S. prices remain attractive relative to prices in other markets. This fact will encourage the export-oriented subject producers to increase sales to the United States by underselling the domestic like product.

Finally, we consider the likely impact of subject imports. Domestic producers are extremely vulnerable to material injury. As you can see here, through the first half of 2012 U.S. consumption was running well below 2006 levels. Furthermore, the raw material costs incurred by U.S. mills have risen dramatically since the beginning of the period of review. Under these circumstances, it is vital the domestic producers be able to obtain the true market value of their product.

Faced with weak demand and rising cost, U.S. mills have struggled to make a profit. Indeed, their operating margin from 2006 to 2011 was a paltry 2.3 percent, even lower than their margin in the last review. The other side may point to the slightly higher margin reported in the first half of 2012, but even that figure was down from the first half of 2011.

Meanwhile, U.S. mills are dealing with an increase of low-priced imports from various countries, including Taiwan, China, India and Italy. The domestic witnesses will tell you that their business is already suffering as a result.

Finally, we urge you to take a step back and look at the bigger picture. RG Steel, a major U.S. producer, has gone bankrupt and discontinued operations. ThyssenKrupp's effort to build a new plant in Alabama has resulted in huge losses.

The U.S. economy continues to face major problems. In a capital-intensive industry like this one where new investments are necessary to help auto makers meet demanding new environmental standards, the small operating margins you see on the record leave no room for error.

As the examples of RG Steel and ThyssenKrupp show, investments in this industry can go very bad very quickly. Under these circumstances, we urge you not to expose domestic mills to additional unfairly traded imports.

MR. SCHERRBAUM: Good morning. My name is Joe Scherrbaum, and I'm Vice President, Sales, for United States Steel Corporation. I appreciate the opportunity to testify today about the pending orders on corrosion-resistant steel, which is an extremely important product for our company.

As you may know, there are three common varieties of flat-rolled sheet -- hot-rolled steel, cold-rolled steel and corrosion-resistant steel. Of these three products, corrosion-resistant steel is the most technologically advanced and the most valuable in our marketplace, so we have made a major commitment to this product.

Your staff report identifies 10 different locations where U.S. Steel or one of its joint ventures makes corrosion-resistant steel. We also maintain the U.S. Steel Automotive Center in Michigan, a state-of-the-art facility where we research new products for auto applications. In fact, we have developed six new carbon grades of corrosion-resistant steel since the last time you reviewed these orders.

This research is absolutely essential to our long-term success. As you know, the government is pressing auto makers to dramatically improve the fuel efficiency of their vehicles. This is a huge challenge. To help them meet these new environmental standards, the auto companies expect us to develop new steels that will be lighter, stronger, safe and cost effective. Given that we face growing competition from alternative products such as aluminum and composites, it is critical that we do so.

But staying on the cutting edge isn't easy or cheap. Going forward, companies like U.S. Steel have to make major expenditures both in terms of research and in capital expenditures to remain competitive. To justify those expenses, we must be confident that we can earn a rate of return sufficient to cover our cost of capital.

Unfortunately, poor marketing conditions that have existed for an extended period of time have greatly undermined that confidence. I understand that your staff report shows that from 2006 to 2011 the domestic industry has earned an operating margin of only 2.3 percent. That figure doesn't even come close to the type of return required to justify the investment this industry needs.

Other recent experiences are also sending strong warning signs to investors in this market. ThyssenKrupp has admitted to suffering heavy losses on its new mill in Alabama, which costs more than $4 billion to build and is state-of-the-art. Furthermore, in May of 2012, just after a year after buying corrosion-resistant facilities in Maryland and Ohio as part of a $1.2 billion deal with Severstal, RG Steel filed for bankruptcy. In August, its assets were sold for pennies on the dollar.

Meanwhile, we still face very challenging market conditions. In 2012, U.S. consumption of corrosion-resistant steel ran well below 2006 levels for the sixth year in a row. We have seen some improvement in the automotive sector, but the construction market, which plays as significant a role in corrosion-resistant demand and in U.S. Steel's corrosion-resistant business, remained very weak.

In addition, we continue to face significant import competition. U.S. imports of the subject product rose by 38.5 percent from the first half of 2011 to the first half of 2012.

Our customers often talk about their substantial reliance on domestic mills and the need to have a strong domestic steel industry. I would of course wholeheartedly agree that a healthy steel industry is vitally important to our industrial base, and I would suggest that the record before you offers a great illustration of why unfair trade is so dangerous and so damaging.

As you can see, this is an industry that has operated on a very thin margin for many years at the same time it is being asked to make substantial investment in new products and product quality. We are an intensively competitive market with powerful customers that demand cost savings at every turn, and we are only now coming out of one of the worst economic recessions on record.

The simple point I would urge you to consider is that we do not have any margin for error in making this work. Indeed, it does not take a lot of sophisticated analysis to look at this industry's performance through time and understand that any reduction in profitability or sales due to unfair trade could be calamitous.

We want to continue to be, and we can be, the world-class producers that our customers need and desire, but we can only do it with a reasonable assurance of fair play in this market. That is what this case is all about from our perspective.

Germany and Korea are two of the largest producers of corrosion-resistant steel in the world. They make highly sophisticated products capable of meeting the most demanding applications in the market, all the way from construction to automotive. Given the circumstances they face, they have an enormous incentive to increase sales in our market.

Producers in both countries already have many contacts and customers here. Last year, German and Korean mills shipped over 264,000 tons of subject goods to the United States, and subject imports rose by over 42 percent from the first half of 2011 to the first half of 2012.

Make no mistake, these mills face huge challenges in their primary markets. Demand in Europe is extremely depressed because of the economic crisis there, and Ford recently announced plans to close facilities in Belgium and Great Britain. In Asia, Korean mills face brutal competition from subsidized Chinese mills who are under government pressure to make steel with little regard to market conditions. Demand here isn't great, but this is a very attractive market compared to the alternatives. Any salesman would have an intense desire to be active here.

In short, if these orders are revoked we will certainly face a new wave of unfair competition from Germany and Korea, and we simply can't afford that now at this critical juncture. Thus, we urge you to keep these orders in place and give U.S. mills the chance to continue pursuing market-based solutions to our new challenges. Thank you for your attention.

MR. MULL: Good morning. I'm Daniel Mull, the Executive Vice President for Sales and Marketing, ArcelorMittal USA. I have held this position for six years and have worked in the steel industry for 39 years. My job responsibilities include overseeing and coordinating sales of a wide array of flat-rolled steel products for ArcelorMittal, including corrosion-resistant products.

I am here today to support retention of the orders on corrosion-resistant steel from Germany and Korea. My company manufactures a full range of these products, including hot-dipped galvanized, electrogalvanized, zinc aluminum and aluminized products at six facilities in nine coating lines in Indiana, Ohio and Mississippi. We sell these products for use in numerous applications, including to automotive, construction, appliance and service centers for processing.

As part of our efforts to strengthen the company and our corrosion-resistant steel operations, we were forced to go through the painful process of shedding about 1.5 million tons of capacity during the period of review, closing facilities in Lackawanna, New York, and Hennepin, Illinois.

Corrosion-resistant products account for a substantial part of ArcelorMittal USA's total flat-rolled steel production. I don't think I can overstate how important they are to the overall financial performance of my company. Corrosion-resistant steel is among our most highly engineered and value-added product, having gone through our basic steel making, hot-rolling, cold-rolling, then we anneal it and then it goes through our coating facilities.

Corrosion-resistant steel sales are the culmination of all those production processes, and the revenue from these sales support thousands of jobs and billions of dollars in capital investment throughout our flat-rolled operations. It is critical to earn a sufficient return on our corrosion-resistant products to reinvest and support these operations.

Revocation of these orders would pose a serious threat to the financial health of ArcelorMittal's operations. With demand and prices in the rest of the world softening, the subject producers have to look elsewhere to fill their mills. The United States is the obvious market of choice.

Prices in the United States for corrosion-resistant steel have been higher than prices in most of the rest of the world for well over a year, making this market very attractive to the Korean and German producers. The price differential has been enough that the subject producers can undersell domestic producers and get a greater return by selling in the

United States.

The economic slowdown in China is reducing prices and demand there, even while new capacity continues to be installed in Asia. The financial crisis in Europe is also causing demand for corrosion-resistant steel to fall there. Automotive demand in Europe in 2012 fell by 20 percent from 2007 levels, reaching its lowest level in 20 years, and is not expected to recover this year. Ford announced that it's closing three factories in Belgium and Britain. These factors will very likely continue to drive down both demand and prices in Europe.

Under these conditions, the subject producers will have more product to ship to the United States, and they have a financial incentive to ship it here at prices that will further undersell our prices if the orders are lifted. I have every reason to believe that they will do exactly that if given the opportunity to do so without the orders to constrain them.

We know they are interested in this market because they have remained in the market despite being subject to the orders. In the case of the Koreans, they have even increased their exports to the United States to exceed preorder levels. The major subject producers have maintained sales and commercial distribution capabilities in the United States and can sell a range of corrosion-resistant products that compete with products we make.

In particular, both German and Korean producers are recognized suppliers of automotive grades of corrosion-resistant steel, which is a key market for ArcelorMittal USA. The German and Korean industries have first tier producers that our customers know. Our contract customers are very sophisticated and large buyers of corrosion-resistant steel, and they're well aware of both U.S. and world market prices for the product.

As spot prices fall in the United States in the major markets like Europe and Asia, these customers expect new contracts to reflect those declines and will be able to use import prices as leverage in negotiations. As a result, both spot and new contract prices will likely fall in the United States if the subject producers are allowed to increase sales with no check on their ability to dump into this market.

As I mentioned earlier, production of corrosion-resistant steel is critical to my company. This is a capital intensive with high fixed cost business. We must be able to achieve a reasonable return on this product over time given our huge investment. U.S. prices in 2012 were down from 2011 and weakened as the year progressed. Demand has now fully recovered since the recession. Excuse me. Demand has not fully recovered since the recession, and the uncertainty in the economy has made our customers very cautious.

A further increase in the volume of low-priced, dumped and subsidized imports from Korea and Germany will mean even lower prices and lost sales to ArcelorMittal USA and other domestic producers. We are not in a position to withstand such renewed, unfair competition without suffering serious injury.

ArcelorMittal has gone through the difficult process of closing significant corrosion-resistant steel production capacity at the cost of hundreds of jobs during the period. We don't want to go through that again as a result of the return of unfairly traded corrosion-resistant steel from Korea and Germany. On behalf of ArcelorMittal USA and its employees, I urge you to leave these orders in place. Thank you.

MR. BARLOW: Good morning. I'm Gary Barlow, Vice President of Sales and Customer Service at AK

Steel. I succeeded Doug Gant, who testified during the prior sunset review, when Doug retired after 30 years with AK.

Previously I worked with Chicago-based Ryerson, Inc., a national metals processing and distribution company, where I served as Vice President for the Carolinas before being promoted to President for the Northeast Region. I have a Bachelor of Science degree in Accounting and MBA with a concentration in International Business.

Utilizing both blast furnace and electric arc furnace technology, AK manufactures a mix of high value-added carbon, stainless and electrical steels for customers in the United States and abroad. The sunset reviews are extremely important to AK Steel because corrosion-resistant steel, or as we commonly refer to it at AK, coated steel, is a key part of AK's business and essential to AK's overall viability and success.

Coated steel shipments account for over one-half of AK's sales of carbon steel products. Moreover, in terms of overall corporate strategy, AK is striving to increase its value-added sales, moving from hot-rolled to cold-rolled and from cold-rolled to coated products.

The foreign producers covered by these orders include some of the most aggressive and sophisticated companies in the world. They are perfectly positioned to compete for the type of high-end business that we need to survive. AK sells into all coated steel market segments, including automotive, HVAC, appliance and construction. AK competes with subject imports in each of these market segments. Over half of AK's sales of coated steel, however, are to the automotive sector.

Before discussing competition with subject imports, let me first describe demand conditions. The automotive and construction market are the key demand drivers for coated steel products. Although conditions have improved since the severe economic downturn that started in the fall of 2008, both markets remain significantly depressed compared to prerecession levels. Projected U.S. light vehicle sales of 14.4 million units in 2012 is far below the prerecession sales of 16.5 million vehicles in 2006.

The construction market is just starting to emerge from the lows of the great recession. There have only been four years in the past 50 years where annual housing starts have been less than one million units, and we've just lived through those four years.

2012 is slated to be the fifth straight year with housing starts of less than one million units.

Appliance and HVAC customers continue to see relatively flat demand. We need a pickup in the construction markets to spark increased appliance and HVAC activity. In sum, the end markets for coated steel remain very weak.

AK's sales strategy emphasizes quality, delivery and service. The Jacobson survey results indicate that AK's carbon steel customers consistently rate us number one among our direct integrated steel mill competition in quality, service, on-time delivery and overall customer satisfaction.

Chrysler Corporation chose to honor AK during the second quarter of 2012 with its Metallics Supplier of the Year Award. We understand that we were the only metallics supplier worldwide to receive this award. This award reflects AK's corporate mission to serve customers better than any other steel maker.

AK is confident that its strategy of serving the most demanding customers, the toughest product applications and the most difficult markets is the right strategy and that it will serve the company well over time, but fair trade is essential to the success of this strategy.

In the automotive sector of the U.S. market, German producer ThyssenKrupp has the advantage of long-established relationships with German car makers such as BMW, Mercedes and Volkswagen. In fact, ThyssenKrupp established a plant in Alabama to better serve the U.S. production facilities of these important customers and has been gradually obtaining qualification to supply coated steel for certain parts made in those U.S. auto plants.

We understand, however, that TK expects to close on the sale of this plant in 2013. When that occurs, TK will naturally serve those U.S. auto plants from Germany, where its coated steel is already qualified for many models produced by these same auto manufacturers.

U.S. auto transplants of these German brands are important customers for AK Steel. As these transplants increase production and continue to export from these facilities, obtaining a share of the increased demand at fair margin is important to AK. The existing discipline of the order is critical to AK's competitive posture with these U.S. plants of the German auto producers. If the order on Germany is revoked, German export volume to the U.S. facilities of these companies will increase. At the very least, these customers will use the availability of dumped imports from Germany to force us to lower our prices.

Similarly, Korean auto producers Hyundai and Kia are increasing production in the United States as increasing labor costs in Korea make their Korean produced autos less competitive. Hyundai and Kia are affiliated with Hyundai HYSCO Steel. As a result, both auto companies appear to have a preference for sourcing steel from Korea. As Hyundai and Kia increase their market share, sales to these companies become proportionately even more important for both the volume involved and the pricing benchmarks established.

Of course, the Korean and German producers are sophisticated and formidable competitors in the market. They compete aggressively for sales to all auto makers' U.S. plants. They also compete in every other U.S. market segment for coated steel. Thus, U.S. producers must compete across the board with subject imports. In addition, AK is one of only three U.S. producers of aluminized coated steel. We compete directly against imports from POSCO, which makes aluminized coated steel in Korea.

Unfortunately, the German and Korean

producers have a proven track record of unfair trade in the U.S. market. AK does not complain about stiff competition. We face it every day. But competition with dumped imports at prices that can only lead to heavy losses for us is very different. No company that must compete for its investors in the open market can succeed over the long run under such circumstances.

Price remains a critical element of negotiation with all purchasers. Over the years there has been a change in the timing of supply negotiations with automotive purchasers. A lot of the automotive deals are up at the end of the year, but many of them expire through the balance of the year so it's now a staggered expiration process. Thus, unlike the way it used to be where everything was a January 1 start date, it is certainly not that way anymore.

But the negotiation process remains the same. There has never been a negotiation where the automotive purchasers haven't wanted to obtain as low a price as possible. Accordingly, with staggered contracting significant price negotiation and competition are always present in the market.

Let me assure you that few, if any, companies have a greater interest in the long-term health of the U.S. auto industry than AK Steel. We have served this market with quality steel for over 100 years. We want the auto makers to succeed, but our relationships with the auto companies cannot be sustained if we have to meet unfair prices.

The U.S. steel industry in general and coated steel in particular has lagged the general economic recovery due to global overcapacity. As you will see from our confidential questionnaire response, AK Steel's production of coated steel, while recovering, has not returned to prerecession levels. While the auto sector is slowly recovering, our shipments to the auto sector remain very depressed relative to 2006.

Even more troubling is the fact that due to excess global capacity we are facing severe downward pricing pressures on the sales we are making. Among other things, when my predecessor testified in the last sunset review in 2006, China was a net importer of coated steel. Today China is a net exporter. Imports of coated steel from China and Taiwan increased 92 percent from 2009 to 2011 and another 33½ percent from January to September 2011 to January to September 2012.

If these orders are revoked, additional

imports from Germany and Korea will exacerbate the oversupply situation in the United States and cause prices to fall. To permit resumption of unfair price competition from either Korea or Germany would cause material injury to AK Steel and the rest of the U.S. industry.

The Korean and German producers argue that they have no intention of increasing their shipments to the United States, but those assertions are not credible. Production of coated steel involves high fixed cost, so any coated steel producer anywhere in the world is always looking to keep its mills running at as close to full capacity as possible.

Furthermore, the United States is the most attractive market in the world for two key reasons. First, prices in the United States are generally as high or higher than any market in the world. Second, the subject exporters face strong competition in other export markets.

Increased exports to the U.S. market are very likely because of increased competition Korea and Germany face in other export markets from China, Taiwan and other countries. The Korean and German producers cannot fill their capacity in their home markets, and the U.S. market will be their preferred market to which to increase exports if the orders are revoked.

In closing, I want to emphasize AK's commitments to its employees, both present and past. AK's obligation to protect our current workers make safety the number one consideration all the time at AK Steel. We greatly appreciate our workers and their willingness to reach new, equitable contract agreements.

Moreover, we are steadfast in funding our pension obligations. AK's pension contributions since 2005 have ranged between $110 million to $250 million a year. Our contributions for full year 2012 will be $170 million for a total of $1.5 billion contributed since 2005. Despite all of the difficulties that AK has faced, we have never declared bankruptcy and we have not thrown our pension obligations onto the federal government. In fact, we have never missed a pension contribution or a pension payment to our 30,000 retirees.

These are certainly high legacy costs, but these are commitments for which we take responsibility. Quite frankly, we think there should be a place in this country for a world class manufacturer that stands behind its commitments. We think we can, but not if we have to fight a surge of illegal trade.

In sum, the last thing the U.S. market needs is another surge of dumped and subsidized imports. I urge you to keep these orders in place and give us a chance to compete on a level playing field. Thank you for the opportunity to testify this morning.

MR. ANDERSON: Good morning, Chairman Williamson and members of the Commission. I am James Anderson, General Manager of The Techs, a division of Steel Dynamics, Inc. or SDI for short. I have been in the industry for 30 years, including 26 years with The Techs. I am joined today by Tommy Scruggs, the Flat-Roll Sales Manager at SDI, who has 21 years of steel industry experience.

The Techs encompass three different galvanized plants located in Pittsburgh, Pennsylvania. Together with SDI's three galvanized facilities in Butler and Jeffersonville, Indiana, SDI is one of the largest suppliers of galvanized sheet, including Galvalume, to the U.S. service center market and to end users in the construction, agriculture and appliance industries.

At The Techs, we purchase our flat-rolled steel substrate from a variety of eastern United

States suppliers with a large portion from U.S. Steel, which has facilities that are within 10 miles of our plants. We buy limited quantities from our sister division in Indiana. Our most significant costs are by far raw material costs -- steel, zinc and aluminum -- followed by freight, labor and energy costs.

As I've stated, our plants furnish corrosion-resistant sheet to either service centers or directly to end users that mainly serve the construction, the agricultural equipment or appliance market sectors. SDI does not have coated automotive contracts primarily due to the fact that automotive sheet dimensions, quality and grade demands are beyond our design capabilities.

One example of this is that much of the galvanized sheet used for auto bodies requires the use of interstitial free steel, which is a highly ductile and formable steel. I believe the Commission is familiar with these characteristics from your recent sunset review of Tin Mill Products in which you learned that tin mill products are unique to integrated mills because the mini mill production process still has difficulty obtaining required steel formability.

Another example of the difference between galvanized sheet for the auto market and the construction market is that our coating lines produce up to 60 inches wide, while the automotive companies require 72 inch wide product for body panels. In addition, our galvanized lines at SDI and The Techs are designed for the commercial construction markets and not for the auto market. The difference in cost for an auto galvanizing line versus a construction oriented line is approximately fivefold.

So even though one may view galvanized sheet as one large, homogeneous market, from our perspective there are two distinct markets. There's an automotive market and a construction-related market. Unfortunately for us, it's very difficult to earn a profit in the latter at the present time.

The construction markets, which drive demand for our product, have only seen modest recovery from the dire recession of 2009. In fact, we are supplying a smaller slice of a smaller pie as nonsubject imports are inundating the U.S. market at ridiculously low prices because the construction markets around the world are declining, whether in Europe, the Middle East or Asia.

Several Korean producers are significant players in the Galvalume and the light gauge galvanized construction markets. We are concerned that lifting dumping duties will allow these Korean companies to aggressively lower prices and to significantly increase their exports to the United States at the expense of an already eroded and foreign penetrated domestic coated market.

To say that business conditions in the construction market are mediocre would be an understatement. The final third quarter GDP report released by the Department of Commerce in late December 2012 showed that in the second quarter of 2012 the annualized percentage change in investment in nonresidential structures was .02 percent. It then declined to zero -- that's right; dead in the water -- in the third quarter of 2012, even though overall GDP increased by 3.1 percent in that quarter.

It's evident that nonresidential construction is the slowest sector in the U.S. economy. If there is neither an increase in demand or a decrease in corrosion-resistant sheet imports, being one of the lowest cost producers may not be enough. We will likely have to further reduce our operating rates. In 2012, we reduced our staffing at The Techs from four crews to three crews at all of our plants. Increased imports will lead us to reduce further to only two shifts at one or all of our plants.

That is why we are here to ask you to continue the antidumping orders on corrosion-resistant steel from Germany and Korea. Thank you.

MR. BLUME: Good morning. I'm Rick Blume with Nucor Corporation. I'm responsible for all commercial activity for the Nucor Steel Making Group. I appreciate this opportunity to appear before you to explain why the orders under review are critical to Nucor and to the U.S. corrosion-resistant steel industry.

This morning I would like to focus on the construction segment of the corrosion-resistant market, which is of primary importance to Nucor. The construction segment has been hit hard by weak demand and rising imports. U.S. demand for corrosion-resistant steel plummeted during the recession in 2009 and has yet to return to prerecession levels.

Construction demand in particular remains extraordinarily weak and has barely begun to recover from its unprecedented contraction. Recovery is not expected in the near future, and demand will likely remain weak as a result of poor U.S. and poor global economic conditions.

We are also getting pummeled by increasing volumes of low-price imports from subject and nonsubject countries, many of which have been targeted at the construction market. In 2012, corrosion-resistant imports increased by 30 percent from 2011 with imports from Korea increasing by almost 35 percent. These imports are not being driven by U.S. demand. The market has not needed one ton of these imports to service the construction sector.

With the industry's low level capacity utilization, even small volumes of imports will have a negative impact on the market. In fact, we're already seeing this play out. Rising imports at a time of weak demand have resulted in price declines through 2012 with prices falling by more than $100 during the year. Our sales also dropped as the year progressed.

The Commission has Nucor's financial data for the first half of 2012. It can see the adverse impact of weak demand and rising imports on our bottom line. Given its current condition, there can be little question that the industry is vulnerable to subject imports. In fact, the rise of imports from Korea in 2012 is already causing injury to Nucor and our workers.

If the orders are revoked, subject producers will again target the U.S. market with injurious volumes. Indeed, they're doing so now. Subject producers are simply not being forthright if they tell you they have no interest in our market. Despite the imminent sale of its U.S. production assets, TK continues -- continues -- to invest in distribution facilities in the U.S. market. Korean producers in particular are very aggressive and are surging into the U.S. market on a wide variety of commodity grade products, including plate and corrosion-resistant steel.

The Koreans are under great pressure from the Chinese in their home and export markets. The idea that the Koreans are not interested in our market is just as unbelievable as the Japanese claims in the last Hot-Roll review that they had no interest in our market. As soon as the orders were lifted, Japanese hot-roll flooded our market. The same will happen if subject producers are given the opportunity, and they will return at dumped prices.

The Koreans are already targeting our market and other markets around the world with unfairly priced product. Because prices in the U.S. are typically higher than in other export markets, subject producers will choose to sell in our market. Given the choice between losing less in our market and losing more in other markets, they will come here.

A renewed surge of subject imports will cause further material injury to the domestic industry and its workers. At Nucor our workers are already underemployed. We have a no layoff practice, but with our mills running at low levels of capacity utilization our employees are working fewer hours and taking home less pay than they were a few years ago.

Revocation of the orders will only cause further harm to our workers. At a time of high unemployment, a reduction in hours worked and employee income due to dumped and subsidized imports is bad for our company and it's bad for our country. Preserving good paying jobs should be the highest priority.

On behalf of Nucor, our workers and their families, I urge the Commission to leave the orders in place. The orders are just as critical today as they were during the original investigation. Thanks for your time.

MR. KELLER: Good morning. I am Mike Keller, Vice President and Corporate Controller, Nucor Corporation. Today I will be discussing the rates of return the U.S. corrosion-resistant steel industry achieved during the period under review and why those rates of return negatively affect how Nucor evaluates potential investments at our existent plants and in new technologies and facilities.

In a free market system like ours, industries compete for investment. There are hundreds, even thousands, of possible places investors can put their money. They will invest in an industry only if they believe it will generate a higher rate of return than the available alternatives. Companies like Nucor will invest in significant expansions or new facilities only if we conclude that the investment will generate a higher rate of return than the alternatives.

In a highly capital intensive industry like steel, adequate rates of return are absolutely necessary to fund the investments needed to stay competitive. According to the public version of the prehearing staff report, from 2006 through 2011 the industry's average operating income was 2.35 percent. The industry's average net income before income taxes was even lower at 1.42 percent.

Over this period, the average operating income and net income of the domestic corrosion-resistant steel industry were significantly below that for manufacturing in general, as well as for durable goods manufacturing. They were lower than the average rate of return on 10-year Treasury bonds.

While net income and bond yields are not exactly equivalent, I think this comparison is meaningful because Treasury bonds are widely considered to be the safest possible investment. If over an extended period an industry cannot even match the rate of return for risk-free investments, it will find it difficult to justify new investments in itself, to attract investment or to borrow funds at acceptable interest rates.

The Nucor data for the period of review shows performance well above the industry average. Even so, to move forward with new investments Nucor requires rates of return significantly higher than those it achieved for the period. Furthermore, if one considers that additional assets are utilized at the mill to deliver steel to the galvanizing lines, the necessary rate of return would be higher still.

The recent investment outcomes in the corrosion-resistant industry are consistent with the inadequate industry returns. Of the latest two companies to invest significant capital related to the industry, RG is bankrupt and TK is selling its U.S. assets at a fraction of their original investment level.

Nucor invested a substantial amount in a galvanizing facility at its Decatur, Alabama, mill in 2008 and 2009. Today, this investment has not yielded the rates of return Nucor anticipated. This experience and the recent industry results make further Nucor corrosion-resistant investments difficult to justify.

In addition, most of the major corrosion-resistant producers have had their debt ratings downgraded within the last year, further confirming the vulnerability of the domestic industry. ArcelorMittal, U.S. Steel and AK have all been downgraded to noninvestment grade status. In November, Moody's downgraded Nucor to A3, our lowest rating since Moody's initiated coverage. Such downgrades have consequences as debt/credit ratings affect the availability of capital and the interest rates paid on the related debt borrowings.

The long-term health of any industry depends upon its ability to generate rates of return that are high enough to attract outside investment and to justify internal reinvestment. Over the last six years, rates of return for the corrosion-resistant steel industry compare unfavorably to those from other possible investments.

If unfairly traded Korean and German products are allowed back into the U.S. market without the discipline of the orders, it will be even more difficult for the domestic industry to generate acceptable rates of return going forward. Thank you.

MR. KEGLEY: Good morning, Mr. Chairman. Can you hear me? Good morning, Mr. Chairman and Commissioners. My name is Todd Kegley, and I am the President of Local 9231, United Steel Workers, at the ArcelorMittal USA plant located in New Carlisle, Indiana. I have been a proud member of the United Steel Workers, or the USW, for 22 years. I've been at the New Carlisle mill for 22 years.

USW is the largest industrial union in North America and has 850,000 active members producing a wide variety of manufacturing goods, including those steel products at issue today. The ion coat mill produces hot-dipped galvanized, galvaneal and electrogalvanized steel sheet.

As the President of USW Local 9231 for 12 years, it has been a tremendous honor representing the USW members at my plant. I greatly appreciate the opportunity to testify before you today on their behalf. I want to express my concerns with the effects that revocation of the orders on corrosion-resistant steel from Germany and Korea would have on my fellow USW members, our families and our communities.

When the original petition was filed in 1992, New Carlisle was a new plant and I was a new steel worker. That plant was built in 1991 to meet the growing demand for high precision, corrosion-resistant steel products. New Carlisle's mill has one of the most highly trained, expert workforces in the production of corrosion-resistant steel of any company in the world. In terms of technology, quality and market segments, we compete directly with imports from both Korea and Germany.

The company and my fellow USW members working at the plant have definitely benefitted over the years from these trade cases. About a decade ago the company's order books at New Carlisle were completely full. There were never any open turns. But in late 2008, unfortunately things changed almost overnight. Demand collapsed and production plummeted.

The great recession and its aftermath forced the company and our workforce to undergo some previously unheard things at our plant. We had to take furloughs and reduced hours for our USW members. My members at the mill have a continued sense of uncertainty for the future. As the administrator of our pension plan, I see this uncertainty every day as many of our retirement eligible USW member are postponing retirement.

While we avoided layoffs at our plant in New Carlisle, other plants were not as fortunate. I participated in the negotiations on behalf of USW members involving the closings of ArcelorMittal USA's Lackawanna and Hennepin corrosion-resistant steel plants. We all worked very hard to minimize layoffs by moving USW members displaced by those closings to other plants, but due to the severe recession ultimately hundreds of hardworking steel workers were laid off, many who had been in the industry for decades.

As you can imagine, this was devastating to my members, their families and the Lackawanna and Hennepin communities. When plants close, it is the workers and their families who suffer first and suffer most. Unfortunately, our problems did not end after 2009. As demand for corrosion-resistant steel has remained depressed, last year or this year RG Steel closed its Sparrows Point, Warren and Martins Ferry plants, costing hundreds of USW members their jobs.

I worry that any U.S. plant producing

corrosion-resistant steel, including our New Carlisle plant, is vulnerable to a similar fate. It is my understanding that even ThyssenKrupp is selling its brand new Calvert, Alabama, plant and has laid off nearly 200 last August. These troubling events show us just how vulnerable U.S. producers and workers continue to be in this still underperforming economy.

The United Steel Workers union has done its part to keep the U.S. steel industry competitive. Recently, in 2012, we reached a new labor agreement with the industry, including a new three-year agreement with ArcelorMittal USA, which was ratified by the steel workers on October 18, 2012. Recognizing the current fragile economic situation, we feel the result of these negotiations was in everyone's best interest. Most importantly, shutdowns of remaining ArcelorMittal plants in the U.S. was avoided.

I know you cannot eliminate the current economic uncertainty that we all face, but by continuing these orders you can eliminate the threat of unfairly traded imports from Germany and Korea from flooding the U.S. market. No more United Steel Workers should lose their job to keep steel mills in Germany and Korea full.

So on behalf of the 435 USW members at my mill, their families and our communities, I urge you to please continue the orders on corrosion-resistant steel from Germany and Korea. Thank you for your time.

MR. HECHT: That concludes our affirmative presentation.

CHAIRMAN WILLIAMSON: Thank you. Before we begin questioning, I'd like to thank all of the members from the industry who are here today who have taken time away from your businesses and work to come. Your presence is always very valuable to us.

This morning we'll begin the questioning with Commissioner Broadbent.

COMMISSIONER BROADBENT: Thank you, Chairman Williamson.

I guess my first question is for Mr. Hecht, trying to kind of catch myself up on what's happened in the steel industry in the last 20 years. Can you kind of give me the overview of sort of how the restructuring has gone and what we're seeing in terms of integration and more efficiencies, better labor contracts and so forth or more efficient labor contracts?

MR. HECHT: Yes, and I'm sure a number of the industry folks here could speak to that as well.

I think there certainly is a history there. As you know, this industry has gone through a number of crises, a lot of them import driven, in its history.

There was a safeguard proceeding in early 2000, which really did result in the bankruptcy of a very large portion of the industry led to that proceeding, and out of that there was a great deal of restructuring in the industry. There was restructuring of labor contracts. There were efforts to control costs and have savings throughout the industry, and I think those were the types of things that should have been done and that were done and that did assist the industry.

I think what you see on the record here, we see a lot in the briefs from the other side suggesting that this is a new industry and is somehow now invulnerable to the effects of unfair trade or imports, and I guess what I would urge the Commission to look at is that the effects of that restructuring that went on in the industry are fully reflected in the data before the Commission.

You can sort of get a sense of what happened with the industry, what it went through and now what the results the industry is producing are on the record before you, and I think as you've heard from the testimony today the fact is that this is an industry that is operating with very anemic margins currently due to a number of factors, one of which obviously was the recession that occurred during the period of review. Another major factor has been nonsubject imports, which have grown with an increasing presence in this market and are having increasing effects on the industry.

So I guess what I would say overall is that certainly the industry has gone through a number of steps through the history of these orders that have helped it to gain a more competitive position, but it is by no means impervious to the effects of unfair trade, and I think that's why we're here today suggesting that this relief remain so critical.

COMMISSIONER BROADBENT: But in terms of looking at vulnerability, what are the statistics that you would point to as high line numbers we ought to look at?

MR. HECHT: From our standpoint, there's no question that this industry is vulnerable. Five years ago the Commission did not find the industry to be vulnerable, although it did find that a recurrence of unfair trade from these two countries would be likely to lead to a recurrence of injury.

We did not agree with that decision at the time, but I think the evidence of vulnerability is even stronger on this record. The fact is demand is down significantly from what you saw in the last review period. The operating results of the industry are down very significantly from what you saw in the last review period.

The economic circumstances facing the foreign producers are much more grave. The situation in Europe is an absolute disaster. There is enormous amounts of unused capacity out there that could be used and directed towards this market, and with the relative price attractiveness of the U.S. market, notwithstanding the problem we have here, we think there's no question that that would serve as an impetus for the subject producers here to direct additional imports to this market if given the chance.

So we would urge you to revisit that vulnerability finding on the record here for those reasons.

COMMISSIONER BROADBENT: Okay. In terms of these two remaining orders on corrosion-resistant for Korea and Germany, how much of the original injury do you think that they represented?

I know we were looking five years ago at eight countries for CVD petitions and I guess it's nine countries for the dumping petitions. Most of those were revoked, but we have these two left in place, and it seems to me a very small percentage of overall imports that we're looking at. How did they relate to the original injury that we were looking at in this case?

MR. HECHT: Yes. I can kick it off. Certainly the original case did involve a number of other countries and a larger level of total imports. There was no question, however, that these were two very significant players in that market at the time. They were cumulated and considered as a group in assessing injury at the time of the original investigation.

I think the Commission found in the last review that given the circumstances of the market these two countries really did pose the greatest risk, as you saw it going forward in terms of the likelihood of substantial imports into this market and the effects that you would have in this market.

Both of these countries have remained extremely active in the U.S. market throughout the life of these orders, showing extreme interest in the market. As we've talked about, they have customers on the ground here, operations on the ground here that have allowed them to retain that foothold in the market and we think without the discipline of the order would have a major effect going forward.

They are established for uses throughout the market ranging from automotive to construction and the rest of those uses. We think they could compete for sales in all parts of the market, and therefore we think standing alone would definitely be capable of leading to a recurrence of injury if these orders were lifted.

MR. ROSENTHAL: Commissioner, if I could interject, please?

COMMISSIONER BROADBENT: Sure, Mr. Rosenthal.

MR. ROSENTHAL: I think one of the things that -- Paul Rosenthal for Kelley Drye. One of the things that you have to look at is not approaching this in a static way.

The situation with respect to Germany and Korea is much different than it was in the previous review. You've heard a lot already, and you'll hear more this morning, about the crash in the European market and in the German market and so whatever the threat posed by Germany in the previous review, I would argue it's much, much worse at this time.

The same with Korea. In the last review, Korea or China was a net importer of this product, and now they're exporting not only around the world and to the rest of Asia, but they're shipping product into Korea. So Korea is much more desperate, I would argue, to ship their product elsewhere, including to the most attractive available market to them, the United States.

So again, you can't look at this as a static way or even in the domestic industry as much as it has improved in the last number of years in a static way because the industry has gotten more efficient. No question about it. The steel workers have made lots of concessions, but the threats based on the U.S. economy, the European economy and the Asian economy are much different than you've seen in previous reviews.

MR. BARLOW: Ms. Commissioner, one other question. Gary Barlow with AK Steel. I would also contend that with the expansion of the automotive transplant with Hyundai, Kia, as well as the German transplants with BMW, Mercedes and Volkswagen, that these two countries have an inherent interest, more so than maybe some others, to continue to try to increase shipping levels into the United States.

COMMISSIONER BROADBENT: Okay. All right. How are you all competing with these transplants at this point? What are your sales to those transplants?

MR. BARLOW: We're not public on what our individual sales to individual customers would be.

COMMISSIONER BROADBENT: Right.

MR. BARLOW: We'd be glad to address that in the postbriefing. I think in my testimony we said that over half of our corrosion-resistant steel goes to the automotive market, and we are selling to most of those transplants today.

COMMISSIONER BROADBENT: Okay. Thank you. And then, Mr. Vaughn, you had something you wanted to say?

MR. VAUGHN: Yes. I just wanted to, going back to the issue of the original six countries and sort of how these fit in with that, I think that one of the things the Commission looked at the last time, if you sort of look at the last set of reviews, they said okay, we have these six countries.

Canada they kind of treated as sui generis. Then there was Australia, France and Japan. I think the Commission was impressed by the fact that those countries had largely left the U.S. market and did not seem to have as much of an interest in the U.S. market.

But these two countries, Korea and Germany, still had a very active presence here, were still in a strong position to take auto contracts away from the domestic industry and still had strong incentives to do so and so the Commission made its decision that these countries represented a threat that wasn't presented by the other countries.

I think since then, as you've heard from the testimony here, that threat has significantly grown. I mean, the German mills are in terrible trouble in Europe. Korean mills have wildly overbuilt. They've added four million tons of capacity since the last time you guys looked at this, and these mills are literally faced with a choice. They can either try to ship as much stuff to the United States as possible or they are going to face very, very severe problems.

So to the extent they were a threat, some of the other countries I think might have changed some of their behavior to some extent since the orders were originally put in place. These countries are more of a threat now than they were even five years ago.

COMMISSIONER BROADBENT: But, Mr. Vaughn, if you'd just allow me to follow up? Just looking at what evidence we have on the record, I mean, we've got really low margins from Korea, and I think POSCO had its dumping order rescinded due to a de minimis margin. Why haven't they expanded already?

MR. VAUGHN: Well, I think it's important to keep a couple things in mind. First of all, I believe that the situation with POSCO is that the order can be put back in place if they resume dumping, but the other thing to keep in mind is that the deposit rate margin is not necessarily the margin that's going to be charged.

In other words, if we have the right to seek administrative reviews, if it turns out that they're dumping at a much higher margin then we can go and get that margin raised and the duties are increased on them.

So if you look at a situation right now where Korea -- if you look at the volume they're shipping here, which is about 300,000 tons, and we have the volume they're shipping to Europe, which is about 700,000 tons. Look at the data. They're not getting as good a price in Europe. Why would they ship so much, ship over twice as much to Europe as they would here?

It seems clear the only reason is the

orders. They do act as a real restraint on their behavior. That's why they're here and that's why they need the orders revoked, because they're in big trouble and they're looking for customers everywhere in the world and this is the best available market to them.

COMMISSIONER BROADBENT: But we -- I guess I'll follow up later. Thank you.

CHAIRMAN WILLIAMSON: Okay. Thank you.

Respondents have suggested that because U.S. producers now own many of their raw material suppliers they are insulated from increasing raw material prices. To what extent to do you agree with this assertion, and how should this affect our analysis? Yes? Identify yourself, please.

MR. BLUME: Yes. Rick Blume, Nucor. Chairman Williamson, we would disagree with that assertion entirely. I'll speak obviously for Nucor's circumstance. We have made considerable investment both in owning a scrap company, which, by the way, processes scrap. They don't own scrap or mine scrap. We have to go out and secure scrap in an open market in a supply/demand manner and pay whatever the market will pay at that point. By the way, scrap is a global market and it's driven by global supply and demand.

Our processing facilities, in many cases they're shredding automobiles. We don't own those automobiles. Again, we have to go out and we have to secure those automobiles that many of you drive today. Somewhere down the road it's likely that Nucor is going to purchase those vehicles, shred them and recycle those into our operations. That's the scrap side of our business.

We have also invested in a DRI facility to convert iron ore into a usable form in our furnaces, okay, but again, I would remind the Commission that we do not own an iron ore mine, okay, so we are also subject to the supply and demand dynamics of iron ore acquisition throughout the world. So in both case, in neither cases are we shielded from raw material volatility.

CHAIRMAN WILLIAMSON: Okay. Yes? Mr. Barlow?

MR. BARLOW: Thank you. In October of 2011, AK Steel announced a several hundred million dollar acquisition of two strategic investments in coal resources and iron ore with a publicly stated goal that when those two investments become fully operational, which won't be until sometime in 2015, that we will be self-sufficient for about 50 percent of our raw material needs in coking coal and iron ore. The other 50 percent, we will be subject to the full market pressures of supply and demand worldwide.

In addition to that, our shareholders expect the return on the hundreds and hundreds of million dollars of investments to secure our self-reliance on those two products. So I would argue that even though we will be better positioned with the self-reliance of raw materials in iron ore and coking coal in several more years, we will still be exposed to the world dynamics of supply and demand.

CHAIRMAN WILLIAMSON: Okay. Thank you. I was just going to ask, does that mean that for that 50 percent you better operate it efficiently, otherwise --

MR. BARLOW: We definitely have to operate it efficiently and we have to make the return to pay for it, as well as invest further into the company.

CHAIRMAN WILLIAMSON: Okay. Thank you. Mr. Scherrbaum?

MR. SCHERRBAUM: Yes. Mr. Commissioner, Joe Scherrbaum, U.S. Steel. Speaking on behalf of our company in raw materials, we do own our own iron ore, but other significant raw materials, we do not. We buy coal to make the coke for our processes, we buy all of our scrap on the open market, we buy natural gas on the open market, we buy the zinc that goes into corrosion-resistant products on the open market.

Speaking on the iron ore, while we do supply the majority to ourselves, similar to what Mr. Barlow just said, our shareholders expect us to get a fair return in our market return on that asset and that investment we've made on the ore. Again, all the other input costs we buy, or inputs, we buy on market pricing.

CHAIRMAN WILLIAMSON: Okay.

MR. BLUME: Yes. One more comment, Commissioner.

CHAIRMAN WILLIAMSON: Mr. Blume, right? Yes. Okay. I'm sorry.

MR. BLUME: Rick Blume, Nucor. The other point that I would add is that having iron ore mines does not guarantee profitability or success. The integration back to iron ore goes back a long time. That's not a new trend in the business. In fact, the industry has been in and out of owning their own iron ore mines. So having that access, certainly if we look at the history of the steel industry certainly indicates that having iron ore mines would not guarantee profitability or success. There's a lot of bankrupt steel companies along the way over the past 100 years or so.

CHAIRMAN WILLIAMSON: Okay.

MR. MULL: Dan Mull, Arcelor --

CHAIRMAN WILLIAMSON: Sure. Mr. Mull? Yes.

MR. MULL: Looks like we covered it pretty well but I would just reiterate that buying iron ore is like any investment, there's no guarantees, and sometimes you have to sell some of that off, which we have done recently, so, you know, it's no guarantee that you're going to have the lower input costs over a period of time either. So thank you.

CHAIRMAN WILLIAMSON: Okay. I thought maybe you were going to summarize it and sort of say what it means. I guess it may have a marginal impact, but it's not going to be --

MR. MULL: We look at our mining industry as a business on itself and we transact all that business on the going market price.

CHAIRMAN WILLIAMSON: Okay. Okay. Thank you for all of those answers. ThyssenKrupp's prehearing brief at pages 12 and 13 notes several U.S. firms have recently lost money and describes these circumstances of these firms as aberrations which fuel the national average. I was going to ask, do you agree with their assumption? Some of this I know is probably confidential and you might want to reply posthearing, but anything you want to say about that, their arguments here, or else we would do it all posthearing. Yes?

MR. BLUME: Commissioner Williamson, Rick Blume, Nucor. We would definitely disagree with that. Those companies, while they also had very poor performance, as we have seen our own performance deteriorate, the reality is they're part of the marketplace, they're part of the domestic market and they need to be considered in the analysis. It's what we compete against every day.

CHAIRMAN WILLIAMSON: Okay. Thank you. Anybody else want to add to that? Okay. Thank you. I was wondering, what steps is the industry taking to adapt its product mix to CAFE standards, and would changes in the product mix resulting from these standards have a positive or negative impact on future profitability?

MR. SCHERRBAUM: Joe Scherrbaum with U.S. Steel. We are right in the middle of that process. As you know, the CAFE standards, the 54 1/2 mile per gallon direction by 2025, obviously requires, our customers, the auto companies, are requiring us, are requesting us, as I testified, to make lighter, stronger, but still safe and cost-effective steel.

We are in the middle of a tremendous amount of research, running trials and it costs money, which is one of the reasons why we ask you to keep these orders in place, so we do not have our profitability further reduced by competing with unfairly traded imports so we can reinvest in this business and continue to make and learn how to make the products that are going to be required to meet the CAFE standards over the next 10 to 15 years.

CHAIRMAN WILLIAMSON: Okay.

MR. BARLOW: Mr. Commissioner, Gary Barlow with AK Steel. I would generally agree with Mr. Scherrbaum. At this point in time it's still a relatively small piece of the market segment and it is really not material in terms of all of the imports that are coming in from Korea and Germany today.

CHAIRMAN WILLIAMSON: Okay. So the foreign supplies are in no more better competitive position than you all to meet these at this point. Is that a fair assumption?

MR. MULL: Though I'm sure there would be other people in this room would take this position, but we feel we lead, as ArcelorMittal, with the product availability and design work and certainly do not take a back seat to anyone.

CHAIRMAN WILLIAMSON: Okay. Thank you. I was wondering, is there anything similar happening in the construction industry that might affect the types of products that may be demanded in the future that we might want to take, we should take into account here, for those of you in the construction sector or supplying the construction sector. Yes? Could you identify yourself?

MR. KOPF: Yes. Rob Kopf with U.S. Steel. Commissioner Williamson, we are very active in developing new products, new coatings that do things like increase reflectivity for building panels so that the energy efficiency, energy consumption in buildings is actually reduced, energy efficiency increased.

So there's a great deal of work being done to produce construction materials that are assisting in meeting LEED requirements and all those things that develop point systems that go into green buildings and help the industry move forward as well.

CHAIRMAN WILLIAMSON: Okay. Thank you. Have there been any significant changes in the types of subject products sold during the period of review, and are average sales values primarily a function of price levels or was there a product mix factor?

MR. ANDERSON: Mr. Chairman, James Anderson with The Techs. I firmly believe that the price values are a result of product mix. The Techs have a three galvanized line that span the entire thickness and width range of commercially available product. The difference in manufacturing cost between the very light gauge and say the heavier gauge products, the thicknesses, are between $300 and $400 per ton, so I firmly believe that the nonsubject imports coming in today are targeted at those very light thicknesses, those high revenue items.

CHAIRMAN WILLIAMSON: Okay. Thank you. Mr. Blume?

MR. BLUME: Yes. Chairman Williamson, also, I would add to that, with the orders in place it obviously put a lot of incentive for those that wanted to from Germany and Korea to import here really to cherry pick the high end of the market.

The concern is is if the orders are revoked and you open that up, that the import, dumped imports are going to come in and hit an already vulnerable industry. So, you know, we think, in fact, the orders are effective and need to be retained.

CHAIRMAN WILLIAMSON: Okay. Thank you very much. Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman. I'm very glad to see all of you here and appreciate your ability to adjust your schedules. This is not the first of November or whenever we originally had scheduled it and I guess it's just one of many adjustments that you've become accustomed to making in your industry.

I would just note, too, that I think the Chairman is doing a marvelous job at this hearing, and I say that in the context of the last time we met on this topic, which was I think in late November or early December of 2006 with some other guy in the chair, and he did a much worse job because we didn't even get to opening statements, as I recall, until about noon, and then keeping with that level of efficiency right through the hearing, he brought the gavel down at 10:58 that night. Some of you may recall that and have survived it. Based on what I'm seeing so far, I think we won't have that problem today, so good work, Mr. Chairman. I do have some actual questions, too.

Apparent consumption for this over the period of review, we saw a decline from 2006 down into 2009 and then it's been rising again since then. Over that period the domestic industry's share of apparent consumption has risen rather appreciably. What explains this trend, the increasing share of apparent consumption that's accounted for by production and sales of the domestic industry? Mr. Vaughn?

MR. VAUGHN: Well, Commissioner Pearson, one thing I think you'll see when you look at the data is that the market obviously shrank dramatically from 2006 to 2009, and as that happened, you did see the domestic industry have a larger share of a smaller market, to some extent because, you know, imports were simply not as interested in this market during that time period.

However, if you look at what's happened in the last, toward the end of the period, market share fell from 2010 to 2011, fell again from first half of 2011 to first half 2012, and actually, the market share in the first half of 2012 was the lowest for any period for which you have data except for 2006.

So I think that what's happened is, and this is one of the things that we've been talking about, is that as the market has become, it's not a great market, it's still well below 2006 levels, but, you know, it's a relatively attractive market, and what you're seeing is that is drawing in the imports again and that market share is going right, is going back down. So I think that's the main take away there with respect to the data on the market share.

COMMISSIONER PEARSON: Okay, but there will be general agreement that this is a somewhat different pattern than we've seen in other cases recently. I mean we've tended to see one or more import suppliers actually gaining substantial market share and a decrease in the U.S. market share. I know it's a little bit difficult to compare cross products, but I saw this and I thought this is somewhat different, I wonder what's going on here. Any other thoughts on why the domestic industry has done relatively well in terms of building market share over the period of review? Not really, huh?

MR. PRICE: Alan Price. Go ahead.

MR. HECHT: Yes. I would just reiterate I think you really do have to look at 2006 as an unusual year. I think if you go back and look at the data from the prior periods of review, as Stephen said, that year, you really did have an abnormally low market share over this period. The interim period in 2012 was the lowest market share of any other year since the original period of investigation, so I think it, to some degree, may look particularly unusual because of that fact.

As you mentioned the Great Recession, obviously when you see a drop of demand from 23 million tons to 12 million tons in the course of a couple of years, that is an unusual event in the market, needless to say, and I think there was a lot of disruption that that caused.

MR. ROSENTHAL: That's really where I want to pick up, Commissioner Pearson. I don't think that I would characterize this as the domestic industry building market share, it was the rapid exit from this market by imports because of the drop of demand in the recession, and as we're slowing growing out of that the imports have not come in quite as quickly, but they're showing up now in 2011 and 2012 in a way they weren't here in, during the depth of the recession.

So it's not a growth of market share by the building, but it's behavior of the imports. What worries us is what's going to happen absent these orders.

MR. PRICE: Alan Price, Wiley Rein, counsel for Nucor. One of the things you see throughout the global steel market is as you move into 2007 and 2008, the U.S. starts to become a less attractive market as our housing crisis starts to slowly occur and the

Middle East market really becomes the strong market, and there are other strong markets in the world that really become higher priced than the U.S., somewhat unusual in history of steel, but this does happen in this period, so you see a lot of the imports go off to the most attractively priced markets.

As we move back into 2012 and we see recovery, as bad as the recovery is in the U.S., one of the things that was painfully apparent going to the most recent OECD meeting is that this is about as good as it is in the world. Asia is inundated with excess capacity, the Indians today just slapped a bunch of duties on steel to try to deal with imports from China and concerns with China, and Korea and Japan flooding the markets, massive excess capacity, you have Europe in a state of collapse, so you have excess demand, you have excess supply on the Asian side, which is unprecedented, we have more excess supply in the global market for steel overall than we have had in years and we see product in 2012 starting to come back and accelerating into the U.S. market, which means we have prices for core declining significantly, based on CRU, we see profits margins declining despite increasing demand.

So the imports are coming in, they're

accelerating and they're having significant negative effects as they respond to what is, comparatively speaking, a good market at this point.

COMMISSIONER PEARSON: Okay, but following up on that, if you were to look at Table IV-1, which is on page 4-3, it gives information, among other things, for the shipments by five major nonsubject producers to the United States, and those would be Canada, China, India, Mexico and Taiwan, three of them being Asian producers, okay, and we see that for all of them the quantity of shipments they sent here in full year 2011 is quite a bit lower than it was in full year 2006.

So we know they have the capability to ship here because they did it in the past, and yet they have been doing so in somewhat modest quantities in the more recent timeframe. I understand growing a little bit the last couple of years, but, you know, China is one of those countries. In other cases we've seen China often taking market share left and right. What's different about this? Why are we not seeing that sort of pattern?

It almost looks like nobody from elsewhere is all that eager to sell corrosion-resistant steel in the United States because they are handling their sales rather judiciously compared to what we've seen in other cases. Mr. Mull?

MR. MULL: Without too much speculation, there's no doubt that there's a much more conservative approach by most customers into the marketplace and are not willing to buy forward as they did in the past, so, you know, they have been conservative in their approach of taking position, especially right after the recession period.

As we've moved into the 2011/2012 period we have seen more and more people starting to buy and starting to replenish their stocks and taking a position with comfort that the pricing is a little bit more at a level that they can do some forecasting.

COMMISSIONER PEARSON: Mr. --

MR. KOPF: Yes. Rob Kopf with U.S. Steel. Commissioner Pearson, I guess I would like to take issue with the term judicious because we find frequently in the last two plus years that offers from the Asian market have come into this country -- first of all, the offers are increasing, the volumes are increasing in 2011 and once again in 2012, and frequently the offers are more than $200 a ton below domestic pricing offers being made at the time. That just does not appear to be very judicious, in my opinion.

COMMISSIONER PEARSON: Okay. Your point on word choice is well taken. In the back there, Mr.?

MR. DICIANNI: My name is Robert DiCianni and I'm from ArcelorMittal USA out of Chicago. I think one of the reasons that we gained market share over the years that you're highlighting is that the part of the U.S. market that returned was the auto market and the commodity portion of the market really did not recover, and so as a result of that, we didn't see a great surge of commodity products coming in from foreign producers.

However, as the commodity part of the U.S. market does start to recover, and I believe if the orders are rescinded we will begin to see a surge as that part of the market improves.

COMMISSIONER PEARSON: Okay, but we haven't really yet seen it from the nonsubject countries that aren't under order. My time has expired, so, Mr. Chairman, back to you.

CHAIRMAN WILLIAMSON: Thank you. Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Mr. Chairman. Welcome to all of the witnesses. Commissioner Pearson and I, I guess, are the only two who were here for the last review, so we'll be economizing today. We hopefully will not stay late enough that we have to buy pizza for the staff like we did last time.

I want to ask a series of questions about the role, if any, of non-North American corrosion-resistant steel in the U.S. auto sector. In their purchaser questionnaires, U.S. auto producers have said that they purchase all, or almost all, of their corrosion-resistant steel from North American suppliers, and so my first question is, well, I mean if you disagree with that you can tell me, but my first question is whether that would also be true of the auto sector part suppliers.

You know, as you go down the chain, that all, or almost all, of their corrosion-resistant steel is purchased within North America.

MR. SCHERRBAUM: Joe Scherrbaum with U.S. Steel. I think I would disagree with that statement because we are painfully aware of some of the automotive companies in the United States that we supply to that do buy product from Korea and Germany.

MR. BARLOW: Gary Barlow with AK Steel. I would agree with Mr. Scherrbaum, but more importantly, we are subject to the price negotiations of the world price regardless of whether they actually pull the trigger and source from those foreign suppliers or not. We are subject to the competitive pressures of the world dynamics.

COMMISSIONER ARANOFF: For those who are experiencing this competition, do you have an estimate that you use for your own business purposes of what percentage of the auto sector demand is coming from outside of North America, being met from outside of North America? I see a hand way in the back.

MR. DICIANNI: This is Robert DiCianni from ArcelorMittal. In Mexico, where they don't have restrictions on imported steel, we estimate that about 35 percent of the core product is coming in from outside of North America, so it comes from Europe or it comes from Asia. So the capability to supply from long distances is available for companies who really want to do it.

COMMISSIONER ARANOFF: Okay. Well, good. That's a good segue into my next question, which is with respect to products that are coming from outside the region, are the foreign producers or affiliated importers providing just in time delivery or are purchasers inventorying these products at their own risk and expense?

MR. SCHERRBAUM: Joe Scherrbaum from U.S. Steel. Speaking on the automotive side, they are providing just in time delivery. I mean the auto companies are not going to do anything different with them to buy from them than they do from us, where we have to have a full supply chain in place, and the Germans and Koreans do have companies in the U.S. that can completely handle that process for them.

COMMISSIONER ARANOFF: Okay. Now, is this a phenomenon that's limited to German and Korean producers in terms of supplying the auto sector in the U.S. or are there other players in that market from outside this region?

MR. SCHERRBAUM: There are other players. The Chinese are in the automotive business, the Japanese, to a smaller degree, and all have some type of a supply chain set up to handle the delivery aspect you asked about.

COMMISSIONER ARANOFF: Okay. All right. In the back.

MR. BLUME: Yes. Rick Blume, Nucor. The one thing I would add with respect to your earlier question about part suppliers, as you get down the chain in terms of the supply chain, I think there is certainly also more opportunity to purchase foreign material.

Primarily, in many cases, the service center distribution network creates and facilitates some of the just in time that's still required by the automotive industry but they serve that role to be able to bring in foreign product.

Again, I would highlight the point that we made earlier with respect to ThyssenKrupp and their continued investment in distribution while at the same time having made the decision to pull out of steel production. So distribution is a key part of that and a key enabler to allow foreign producers to bring in product to service that industry.

MR. ROSENTHAL: Commissioner Aranoff, if I might jump in on this because there's an answer that I think is relevant to your question, and also to the questions of Commissioner Pearson earlier, and that is what you've seen in the purchasers' questionnaires is that purchasers, including the auto industry, will buy and the pricing is the most important thing to focus on.

Commissioner Pearson was asking, well, gee, you've tried to maintain, you've maintained a fair amount of market share here, why is that, or how is that possible? Well, in a depressed market and you have limited or a very low capacity utilization, you want to hold on to as much of that market share as you can. The customers use the foreign price to beat down the domestic industry on pricing.

If you take a look at the pricing in 2012, you see declining prices over the course of the year, so imports are coming up, domestic prices are going down and you're seeing depressed pricing as you go through the course of the year. So it is not just -- I urge you, don't just look at the volumes here, look at the price affects of these negotiations.

COMMISSIONER ARANOFF: Right. No, that is what the Commission found in the last review where they said that these prices could be used to bargain with domestic producers with respect to contracts in the auto sector.

In their brief, the German Respondents make the argument that while the antidumping duty order has been in place, German producers could have been serving the U.S. market through their other global affiliates, such as ThyssenKrupp's production affiliates in Spain and China, and that the fact that they haven't done so indicates a lack of interest in increased imports from Germany in the event of revocation.

Does anyone on the panel want to talk about ThyssenKrupp's affiliates in Spain and China, whether they make the same things as they make in Germany, whether they had opportunities that they passed up in the U.S. market and whether this tells us anything about how German producers would operate? Doesn't look like I've got any takers for that question.

MR. PRICE: This is Alan Price. We'll respond in the postconference brief. I think there are a number of differences and so I think that's not exactly an argument, just like the argument which ignored the fact that they're essentially divesting their U.S. production assets throughout their entire brief. There are a lot of inaccurate arguments there in that brief.

COMMISSIONER ARANOFF: Okay. I'll have to wait. Okay.

MR. NARKIN: Yes. This is Steve Narkin, Commissioner Aranoff. With respect to the Spain facility I would just point out that at the time of the original investigation, Thyssen was supplying the U.S. product via its plant in Germany and that's why there was no case brought against Spain. So it seems to me that the Commission would have to know more about the capability of that plant in Spain to make things, like automotive steel, that Thyssen has been supplying to the United States in order to make any sense of that argument whatsoever.

COMMISSIONER ARANOFF: Okay. I'm not sure how much time I have left to get into this question but I wanted to ask some of you if you could describe what current contracting practices are in this market, and, in particular, whether contract terms have gotten shorter or changed in any significant way since the prior review. So this would mainly be in the automotive sector, which is where I understand contracts tend to be used. Go ahead.

MR. KOPF: Yes. This is Rob Kopf with U.S. Steel. I would describe, first of all, the contract terms over the last several years as being fairly consistent. Speaking strictly for U.S. Steel, we tend to follow contract patterns that our customers request of us, not the terms that we dictate to our customers. We have not seen a large change in anything over the last few years in terms of the way we do business with our customer base here, in North America, or the U.S. specifically.

COMMISSIONER ARANOFF: Have there been changes, for example, in having more, or different, types of surcharges included in contracts now than five or six years ago when we last looked at the industry?

MR. KOPF: There are many different mechanisms that are used today that probably were not in place the last time the order was reviewed. I will say that some customers prefer to have fixed pricing, which they did back then and they still do today, and they get it today, some customers like to have prices that tend to move with the market so we have accommodated some contract terms that allow for market-based pricing, and some customers like to see the ability for their price to move based upon cost changes that may occur in the marketplace and we have stated in several of our earnings releases, as U.S. Steel, that we have those kinds of mechanisms in place as well.

I just want to reiterate that those are requests that the customers make of us and that we are accommodating. It's a very competitive market out there and we're in no position to be able to dictate the way that the business is transacted with our customers.

MR. BARLOW: Ms. Commissioner, Gary Barlow with AK Steel. I'd just like to reiterate that once a mill supplier is qualified in an OEM, quality is a given. The least common denominator then becomes the importance of price competitiveness. Regardless of whatever mechanisms that may be inherent in individual contract negotiations, price competitiveness with domestic mills and import prices are paramount for securing the contract.

COMMISSIONER ARANOFF: Okay. Take one more answer because I'm over my time.

MR. BLUME: Yes. Rick Blume, Nucor. One of the other points I would add to the discussion around contracts is that sometimes there's a belief that they're very distinct. The reality is that when you negotiate contracts, in many cases it's the spot markets, it's the supply and demand that sets the context for that particular negotiation, so, in fact, you know, imports having an impact on the spot market also can have, and do have, an impact on contracts and how they're negotiated.

To my colleague's comment about some of the index market-based pricing basically also illustrates that the supply and demand, when customers talk about market-based, they're talking about the supply and demand dynamics having an impact on that contract price. So, you know, I think that's an important point to remember as you look at both of those elements of contract versus spot. They're very much in concert with each other.

COMMISSIONER ARANOFF: Mr. Chairman, do I have time to take one more response in the back there? All right. Go ahead.

MR. DICIANNI: This is Robert DiCianni from ArcelorMittal. I just wanted to make a comment about contract lengths. I don't believe that they have changed a lot in the last five or six years, but if anything, I believe they've gotten shorter. With regard to surcharges, at ArcelorMittal, we do not use surcharges.

COMMISSIONER ARANOFF: Okay. Thank you all very much for those answers. Thank you for your patience, Mr. Chairman.

CHAIRMAN WILLIAMSON: Okay. Thank you. Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Mr. Chairman. I join my colleagues in thanking all of you for being here today. As you may recall, Mr. Cameron emphasized in his opening statement that some of the things that the domestic industry said in the previous review in his view did not come to pass when the revocations occurred.

I want to give you an opportunity to respond to that and talk specifically about what the impact of those revocations in the last review was. I know you've talked about some of the nonsubject countries and so forth, but focusing specifically on what happened with, as a result of the revocations.

MR. HECHT: It's Jim Hecht. I can jump in first on that. I guess the first thing I would say is that obviously in the course of this review you had a major event in terms of the Great Recession, which I think was extremely disruptive in this market and I don't think is anything anybody predicted at the time of the last review and I think did have an effect on all players throughout the market.

In terms of what happened with the countries that were let out, and again, it's difficult without them before us now and to see what they were doing or to have a full record to talk about on that, we have seen an increase from those countries, particularly now, after the results of the recession are starting to pass. The Canadians are up now in terms of market share I think to a substantially higher level than they were at the time of that last review, the Japanese are up, the Australians are up. I'm not sure the French are.

So we have seen increases, but I think,

again, it was in the context of a drop in demand from 23 million tons to about 12 1/2 million tons over the space of just a couple years.

As we pointed out in the slide show and in other context, you look at what the Japanese did in the hot-rolled situation when that order was revoked and they said they had no interest in this market and have come back with a vengeance. If you look at Korea specifically, and we had a slide on that, they played a very significant role in this market under order, with the suggestion that that was sort of the level of participation that they expected. When that relief was lifted, we've seen an absolute explosion in Korean imports.

I think that's also going to Commissioner Broadbent's question about duty rates. I think you have to be very careful in looking at a low duty rate and people shipping under it and somehow suggesting that means they could ship unlimited amounts. The way our laws work, just because you have a low duty rate does not mean that you can ship any tonnage you want at any price you want without potential liability for additional duties.

If they try to chase higher volumes with lower prices, their duties are going to go up, not just in the future, but for those very sales. So we think the discipline of the orders is really critical, including for countries like Korea that have maintained a large presence in the market and may have relatively low duty rates.

COMMISSIONER PINKERT: Mr. Vaughn?

MR. VAUGHN: Yes. I agree with what Jim said. If I could just follow up a little bit on the point about OCTG from Korea because I think that is very relevant here. I mean if you look at the record in that case, they were shipping about 200,000 tons a year to the United States, there was a finding that they were not likely to ship much more because they were pretty much shipping as much as they could, and now they're shipping close to 900,000 tons a year.

I would argue that's a more relevant analogy because as we've, I think sort of the consensus today is going to be that this is a relatively attractive market with respect for corrosion-resistant steel compared to some other markets, and so I think what you want to look at is a situation like the OCTG, which was also a relatively attractive market, and how those imports soared, whereas for a lot of the period, from '07 to '10, this was not a relatively attractive market.

So I think that what you should be thinking about is, in the context of a relatively attractive market, when you have a country like Korea that has very large volumes of capacity and is very export dependent, what are we likely to see? I think the better comparison is the OCTG from Korea, as opposed to some of these other countries.

COMMISSIONER PINKERT: Mr. Price?

MR. PRICE: Some of the changes in the global industry are relevant which are related to ownership here, so at this point, part of, a key part of your decision in the prior review was the substantial Japanese investment in the U.S. corrosion industry, which did not exist, by the way, in the hot-rolled industry, and now we're seeing a flood of hot-rolled imports. The ownership of ArcelorMittal in France and the management of that, so they didn't want to undermine their investment, and that is essentially in many respects what has happened, I think, with Canada. It's integrated with both U.S. Steel and ArcelorMittal at this point.

With regard to the Australians, just to put it in perspective, the Australian industry has been crushed by the Chinese. Blue Scope, their principal producer, has hived off now and shut down permanently half of their operations. So trying to generalize what will happen now, I think it's very difficult.

TK tried to adopt what I call the argument, we've invested here argument perhaps, you know, hoping to get away with that argument before it became obvious on the original schedule that this sale, this operation was being sold entirely. That was obvious to everyone in the industry when the prehearing briefs were filed. If there's any doubt, I have their investor presentation where they say this is a discontinued operation, it will be sold by their fiscal year end, which is September 30.

So I think with regard to TK, they obviously have massive distribution interests, they have no ownership interests going forward and the Koreans don't have an ownership interest in the U.S. market, so I think they're very different dynamics to generalize from the last, from those other countries to these countries.

I agree with Mr. Vaughn and Mr. Hecht that the hot-rolled Japan situation is much more relevant and the OCTG Korea situation is much more relevant for this one.

COMMISSIONER PINKERT: Ms. Cannon?

MS. CANNON: I was going to make the point that Mr. Price made regarding the ownership interest of ArcelorMittal which obviously had a significant effect on the imports from Canada and from France, as well as the Japanese situation, which is quite different, but I also would point out to you we have statistics we will put in our posthearing brief that show, for example, Australia, the imports have come up from Australia, but equally importantly, what you'll see is that the average unit values have gone down significantly.

Before that order was revoked the average unit values coming in from Australia were well above those from other countries, and now they're well below them. This was one of the concerns that we have with this case is when the order is revoked, it's not just a volume effect, it's a price effect. I think we're already seeing that with respect to these imports after the order was removed.

COMMISSIONER PINKERT: Thank you. Staying with ArcelorMittal, how would revocation of the order affect ArcelorMittal's strategy in serving the U.S. core market? Its international strategy.

MR. MULL: Dan Mull, ArcelorMittal. Obviously, our global footprint, we look at each region on its own and we certainly try to protect our investments in each of those regions and conduct our business in an orderly fashion.

Where we try to shift shipments, we would be shipping to countries where we do not have large assets and investments, so really do not see that changing our participation and impact here, in the U.S.

COMMISSIONER PINKERT: Thank you. Did anybody wish to add to that?

(No response.)

COMMISSIONER PINKERT: Thank you. If, for purposes of the posthearing, you could submit any documentation about that strategy, I think that would be helpful.

MR. ROSENTHAL: Commissioner, just to -- we'll certainly do that, but that strategy has not changed or is not different for this product than some of the other products you've heard about from ArcelorMittal in the past. So it is the same strategy, and we'll put that information on the record.

COMMISSIONER PINKERT: Thank you. Now, concerning Thyssen's international strategy, is there any information that can be put on the record about how active Thyssen Germany has been in non-European markets?

MR. VAUGHN: Commissioner Pinkert, we will put some information about that on the record. I can tell you that this year, for example, I mean in 2012 through the first 10 months of the year they had sold about 72,000 tons from Germany to, I mean at least Germany as a whole has shipped 72,000 tons of corrosion-resistant steel to Mexico. If you sort of compare the relevant size of the Mexican market and the U.S. market, I mean that's an enormous share of that market. It would be equal to something like 400,000 tons in this market. So we will put that information on the record.

COMMISSIONER PINKERT: Thank you very much. I'm at the end of my round.

CHAIRMAN WILLIAMSON: Thank you. Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Chairman. I would like to thank all of the visitors, the witnesses, for appearing here today. I'd like to give a special thanks to Severstal and U.S. Steel. I had the opportunity to observe the production of corrosion-resistant steel when I visited their plants in Michigan in September, so thank you again.

During the period of review, German pricing products have oversold U.S. pricing products more than they have undersold. What does that tell us about the potential injury to U.S. producers from imported German product? Mr. Hecht?

MR. HECHT: Jim Hecht. I'll start with it. We really don't think it tells you anything when you're operating in the context of an existing antidumping order for the reasons we talked about before, that order does impose discipline in terms of fair pricing in this market, and I think it's far more relevant to look at the experience without the discipline of an order where there was the evidence of underselling on the record. So I think you really have to be careful when you look in the context of an existing order.

Having said that, the Koreans have continued to undersell even with the discipline of an order, which we do think is relevant because it does show, again, the aggressiveness in the market.

COMMISSIONER JOHANSON: Yes, Mr. Vaughn?

MR. VAUGHN: Mr. Stephen Vaughn.

COMMISSIONER JOHANSON: Yes.

MR. VAUGHN: If I could just comment on that as well. I obviously agree with what Jim said. I'd also like to point out that I think it's very important when you look at the situation, especially with respect to ThyssenKrupp, they are in big trouble. I mean they have lost a huge amount of money on this situation in Alabama, they are under really strong fire in the trade press, there are reports they may even get out of the steel business in Europe, their own home market is in terrible trouble, their nearest traditional export markets to Europe are shrinking. They need to move volume.

We've seen this time, and time and time again in the steel industry. These mills are designed to run 24/7, they have strong incentives to run them as long as they can and to sell the tonnage for prices that they can get, and I think that you're going to be in a situation where they're under an incredible pressure to generate volume, to generate sales, and in order to get those sales they will become more aggressive on price. We've seen that over, and over, and over and over.

So I think for now, obviously they're checked by the order, but, you know, once the order is gone or if the order is gone, they will not have that check on their behavior. I think that the Commission has repeatedly found that in the context of a sheet industry like this one, when the volumes come, to get those volumes, they have to compete on the basis of price. You'll see underselling.

COMMISSIONER JOHANSON: Thank you. Mr. Rosenthal?

MR. ROSENTHAL: Yes. Commissioner, I think it's very important to have a firm understanding of what the dumping margins do and don't do and how they work. There was a discussion earlier about product mix and how the Koreans and others are capable and have been selling higher end products.

If you know anything about how the Commerce Department works and dumping calculations work, you know that smart Respondent counsel can minimize dumping margins by having limited sales of higher priced products. You get a lower dumping margin that way. You may even be able to get revoked from the dumping order after a few years of zero margins under the old policy. It doesn't mean, and it doesn't tell you anything about what the behavior will be if the margins are no longer there or you're no longer threatened with the discipline of an administrative review.

So just because you have low margins or even zero margins for a time because you've been able to ship lower quantities of higher priced product does not tell you what's going to happen if the order is revoked. So please understand that as you analyze future behavior. Again, what's going to happen if the discipline is not there is what you need to focus on.

COMMISSIONER JOHANSON: Thank you. Ms. Cannon?

MS. CANNON: Commissioner Johanson, I would also refer you to pages D-22 and D-23 of the prehearing report where there are summaries of purchaser statements as to what would likely happen if the order was revoked as to these two countries. I can't refer to them in public other than to say that a number of purchasers were pointing out that it was not only the underselling, but it was the additional supply expected in the market that was likely going to drive prices down and affect contract negotiations. I think that's a significant factor that the Commission should consider when looking at the potential price effects of imports from both Germany and Korea.

COMMISSIONER JOHANSON: Yes? I guess we have time for maybe one more response.

MS. BECK: Commissioner Johanson, also I would like to point out in the last sunset review, in the determination it was specifically pointed out that the underselling from Germany would cause price suppression. The Commission found that the higher prices in the U.S. market compared to third country markets would permit German producers to undersell the domestic industry and still obtain higher prices than in alternate markets. I would just point out today that is the case, that the prices here, in the U.S. market, are higher than other third country markets.

COMMISSIONER JOHANSON: All right. I thank you for your responses.

CHAIRMAN WILLIAMSON: Excuse me. Ms. Beck, could you please identify yourself for the court reporter.

MS. BECK: Yes. Gina Beck from Georgetown Economic Services.

COMMISSIONER JOHANSON: All right. Mr. Rosenthal, I'd like to follow up on the response you just gave. Could you respond to the Thyssen argument that its imports of core to the United States are high end, high priced steel products produced under long-term contracts for specific automotive applications and thus are not exactly commodities sold on the open market.

MR. ROSENTHAL: That may all be true. It doesn't mean that they are not dumped and wouldn't be injurious to the domestic industry. You can satisfy all those conditions and take sales away from the U.S. industry, and they've got every reason to do that given what you've heard about the market conditions in Germany and the opportunities there, compared to here.

MR. BLUME: Commissioner Johanson?

COMMISSIONER JOHANSON: Yes?

MR. BLUME: Rick Blume, Nucor. One of the points that I would also add is that, you know, as we've seen in the marketplace, ThyssenKrupp has participated to a great extent in other markets, like the construction market and some of these commodity markets that they're referring to, and part of that certainly is as they continue to qualify, and that is a process that takes some time, but the reality is is they're in the markets, and our belief is that even once they sell the facility in Mobile, and again, in light of the continued investment and distribution, they're going to continue to participate in these markets, they're not going to walk away from the customers that they have built, and so it's a concern that, and again, speaks to the need to keep these orders in place.

MR. BARLOW: Mr. Commissioner, Gary Barlow with AK Steel. I would just point out that even though those parts may very well be high quality technical type of product, those are the exact same products that AK Steel produces. When quality is a given, we're competing on a price basis now.

COMMISSIONER JOHANSON: All right. Thank you for your responses. I guess I'm going to walk down this path just a little bit more, once again talking on Thyssen. Thyssen argues that in the future it will be confined to EG products, which are electrogalvanized products, a comparatively small, and shrinking, market product segment, and that these products are not strong substitutes for HDG products. Could you all perhaps respond to that? Yes, Mr. Scherrbaum?

MR. SCHERRBAUM: Yes. Joe Scherrbaum at U.S. Steel. There's been talk for the last 20 years that the EG market is shrinking considerably and we really haven't seen it. It's shrunk a small amount of a change by car companies to hot tip galvanized, but we operate, as you know since you were there, a couple electrogalvanized lines and they are operating today at a pretty good clip, just at the same levels that our hot dipped galvanized lines are.

MR. BARLOW: Gary Barlow with AK Steel. I think ThyssenKrupp is talking out of both sides of their mouth. The ThyssenKrupp Europe contends that all of the tonnage that they're bringing in are truly prep tons to qualify the Alabama mill at the automotive manufacturers.

The ThyssenKrupp Alabama mill does not have an EG line, so therefore, it is inconsistent that, if we believe that the EG product that Germany would be bringing in would be substitutable for the hot dipped product that Alabama will produce.

COMMISSIONER JOHANSON: Thank you.

MR. PRICE: Alan Price, Wiley Rein. More importantly, that whole argument is premised on the fact that TK would be producing hot dipped galvanized product in the U.S. on a going forward basis. TK has said at its investor presentations and every other presentation that those facilities are being divested, so the idea that it would just supply EG out of Germany because that was not produced in the U.S. no longer has the factual predicate that it was going to supply hot dipped from the U.S.

COMMISSIONER JOHANSON: All right. Thank you for your responses. My time is about to expire so that will conclude my questions. I would like to state, though, that my visits to the Severstal and U.S. Steel plants in Michigan did, indeed, show me the difference between, a very visual demonstration of the differences between EG and HDG, so I did find the trip quite useful. Thank you again.

CHAIRMAN WILLIAMSON: Thank you. Commissioner Broadbent?

COMMISSIONER BROADBENT: Thank you. Let's see. I had just some questions about exports. Your exports are a positive part of the picture, I think, that we've got, but you've been arguing that the U.S. market is the most attractive market in the world for corrosion-resistant steel in terms of price and I was just trying to interpret why your aggregate unit values for exports are so high compared to domestic shipment prices.

MR. MULL: Dan Mull, ArcelorMittal. At least for our company, it's a combination of our exports are really strictly to Mexico, they're automotive-related so those are high, and there's also a freight composite that's probably in that price.

COMMISSIONER BROADBENT: How much of it is freight, would you say?

MR. MULL: We can give that to you --

COMMISSIONER BROADBENT: Yes. That would be helpful.

MR. KOPF: This is Rob Kopf with U.S. Steel. One of the things that need to be looked at are, for example, shipments to Mexico. There is no electrogalvanized production down in Mexico so there's a need for that product down in Mexico by car companies that are based both here, in the U.S., headquartered in the U.S. but have production facilities in, for example, Canada or Mexico. So there's a need for that product down there. I would argue that that is a product mix issue more than anything else.

COMMISSIONER BROADBENT: There was another one in the back. Anybody else? Okay.

MR. DICIANNI: This is Bob DiCianni from ArcelorMittal. I was going to make the same point that Dan Mull made that almost all of our exports are automotive steel going down to Mexico and that's why the value of them is so high compared to other shipments.

COMMISSIONER BROADBENT: Okay. Thank you. In their prehearing briefs, the Respondents made the argument that comparing *X* mill prices for corrosion-resistant steel in the U.S. does not take into account the transportation and logistical costs that factor into prices. How do we kind of get a sense of how much it costs to ship corrosion-resistant steel from Germany or Korea? How much of the final product is transportation cost?

MR. KOPF: Commissioner, this is Rob Kopf with U.S. Steel. Transportation costs are a very difficult thing to get your arms around but I guess I'd like to just paint a very simple picture. If you were to produce corrosion-resistant steel in the upper midwest, at one of our facilities up there, and attempt to ship it down into southern Texas, for example, there's a freight cost associated with that.

The same corrosion-resistant steel could be produced in Europe, in Germany, shipped from a northern European port and actually delivered to southern Texas for less freight cost than it costs to get something on a truck or a railcar down into the southern United States.

So I know that the other side might argue that their freight costs are so significant that the delivered value of that product will be much higher than ours. As I recall in the slides, there was about $100 differential. I would argue that in certain parts of the United States, that that $100 differential actually would increase rather than decrease when you add all the freight costs from Europe into the United States.

MR. BARLOW: Ms. Commissioner?

COMMISSIONER BROADBENT: Yes?

MR. BARLOW: Ms. Commissioner, Gary Barlow with AK Steel. I would also say that the motivation for any steel mill to try to keep their coating lines full far exceeds the cost of transportation to move it from Europe or Korea into the United States. Our competitors are willing to absorb those freight expenses, raw material increases and anything else just in order to cover a variable cost to try to achieve 100 percent capacity utilization on their coating lines.

COMMISSIONER BROADBENT: Yes. There was somebody in the background there.

MR. DICIANNI: Robert DiCianni from ArcelorMittal. One of the points I'd like to add is that a lot of the steel mills in Germany and in Korea were actually designed to export steel. They were built on the ocean and exporting steel was a part of their strategic plans from the very beginning.

The mills in the United States are generally in the midwest and it's very difficult for us to ship steel great distances.

COMMISSIONER BROADBENT: Okay. I think I'll go on to the next question. Sorry. This is for ArcelorMittal. You argued in your prehearing brief that there was an overcapacity of corrosion-resistant steel globally, and specifically, a lot of overcapacity in Asia. When we looked at the responses from the questionnaires, firms are generally expecting that global demand will fluctuate and probably increase through 2014, and they are, you know, pointing to countries like China, South Korea and India as really expanding consumption and the markets growing pretty heftily there.

Can you, ArcelorMittal, give me your expectations of what global demand will be in the next few years for this product?

MR. MULL: We can certainly submit that, our forecast for the future, after brief. Some of that we would consider confidential.

COMMISSIONER BROADBENT: Are there sort of independent analysts that you would point to that are looking at these markets and projecting demand?

MR. MULL: Would you repeat --

COMMISSIONER BROADBENT: Is there on the record out there numbers that you could quote that would be from an independent analyst?

MR. MULL: I mean there's many forecasts that are there --

COMMISSIONER BROADBENT: Right. Yes.

MR. MULL: -- that you can look towards. We still believe that there is a glut of capacity globally and that the economies of the global world are going to be slowly recovering, and it's, there will be excess capacity globally through that timeframe you're referencing.

COMMISSIONER BROADBENT: Okay. So you're not seeing a large demand growth in Asia.

MR. MULL: Not to take up all the capacity, no. I mean it's a supply/demand question. You know, just because demand is going to be growing doesn't mean it's going to grow to the point that supply is in balance.

COMMISSIONER BROADBENT: Right. I'm just trying to get a sense on what you're seeing for demand. In the back there.

MR. BLUME: Rick Blume, Nucor. From Nucor's perspective, as we look out and we look at forecasting demand domestic and globally, the challenge we have is certainly all of the considerations of the Chinese economy, the European debt crisis, all of those things, a lot of moving parts to that.

I can tell you one of the disappointing things that we have seen is that since really the Great Recession started, every year we started the year thinking that we could see at least some improvement in demand, and, in fact, in the corrosion industry, typically we would see an increase in the first half, only to see the second half be very, very disappointing in terms of year end results.

So, you know, from our perspective, and I could tell you from forecasting within our company, we've become very weary about having a beginning of the year optimism about seeing demand, and really, we don't see the fundamentals that suggest that demand is going to improve either globally or here.

COMMISSIONER BROADBENT: Okay. This is a question for Mr. Kegley from the United Steelworkers. Really appreciate your participation here because of how important the employment issues are. You all are sort of, the workers are taking probably the brunt of a lot of this restructuring and plant closing that's been going on and it looks like you're doing a good job on sort of accommodating. I know you all are following what's going on with the ThyssenKrupp facility in Alabama. What is the general speculation about who will buy this plant?

MR. KEGLEY: Well, there's a lot of talk on the shop floor, obviously. You know, we're probably one of the newer mills in North America, our plant being built in like '89, 1989.

COMMISSIONER BROADBENT: You're in Pennsylvania? Sorry.

MR. KEGLEY: Indiana.

COMMISSIONER BROADBENT: Indiana. Excuse me.

MR. KEGLEY: Yes. Yes. So we're a relatively new mill ourselves. So I think there's a lot of speculation on the floor of who's going to buy it. I think there's a lot of concern that if a competitor buys it it's going to be bad for us. There's also concern that if ArcelorMittal buys it it will be a concern to us because we're sort of the crown jewel of the company right now and for us to have some reservation about ThyssenKrupp tells me a lot about people's concerns.

So we don't know who's going to buy it, but we think somebody's going to buy it and that's going to put a lot of pressure on us because the same customers that Thyssen is going after with the new plants are the ones that we're trying to get into as well down south and are currently producing foreign as well. So there's a lot of concern either way it goes.

If Thyssen were to be a successful company and wouldn't be going through what they're going through now is also a concern. So it's just a lot of pressure for us where we're at because we're sort of up in the midwest and we're trying to reach down into some of those customers down south and we don't, I mean nobody knows for sure who's going to get it, but a lot of concern on the shop floor about that.

COMMISSIONER BROADBENT: Why don't you think they could have made a go of that facility? What was the problem?

MR. KEGLEY: I mean I don't know for sure what the problem is. I think it was bad timing obviously because with everything going on in the U.S. industry. I mean, quickly, back in time, you mentioned about all the sacrifices that the steelworkers made. Thirty some companies shut down between 1998 to mid-2003, '04. Tens of thousands of steelworkers lost their job. We benefit from that today.

So when Thyssen announced they're going to build that plant, we thought that was a little unusual because a lot of efforts went into consolidating industry. Probably needed to be done back then because there was a lot of competition for pricing and things like that. So I think it did do the industry a lot of good.

So when Thyssen built a new plant down there it was sort of unusual for us because just when the industry got into a very solid position, now, all of a sudden, there's a new player in the game which is going to just kind of take us backwards in time a little bit to have different issues around pricing and things like that. So it was a little unusual that they actually put that kind of investment down there.

COMMISSIONER BROADBENT: Okay. Thank you very much. Appreciate.

CHAIRMAN WILLIAMSON: Okay. Thank you. Mr. Kegley, staying with you, I was wondering if you could comment, I don't know if there have been any recent contract negotiations or new contracts or anything like that that we should take into account in terms of trends we're seeing with labor management relations in the industry.

MR. KEGLEY: I'm sorry, Commissioner, can you repeat that?

CHAIRMAN WILLIAMSON: Have there been any recent contract negotiations or things that we should be taking into account as it might affect our assessment of the industry and also the impact on workers?

MR. KEGLEY: Yes. I think again I think

you'd have to go back a bit in time to the 2004, 2005 negotiation which I was a part of when actually at the time ArcelorMittal merged or purchased ISG, which was a conglomeration of a bunch of bankrupt companies, so if you go back in time to what we did in '05, it was paramount to where we're at in 2012. We went from things like 35 to 40 job classes in 2004, 2005 down to four and five. Our incentive plans were greatly changed, to the point where rather than focused on tonnage it was focused on quality throughput, on-time delivery.

A lot of components went into the incentive plans in '04 and '05 that were necessary changes but were not easy for some of the older plants to get accustomed to. Even though our plant had been doing that for years, it was a big change, so what we did in 2012 was sort of build on those changes that were done in 2004 and 2005, more shops for flexibility. We sort of blended the lines between production and maintenance even a bit more so that there was more shops for flexibility. People weren't so in tune with just having one. This is not my job. It's all of our job. It's all of our job to be successful. So a lot of that took place.

We obviously looked at things around

training for new steel workers, which is a big deal for us. As I said in my statement, one of the things that I've seen over the years is that guys are putting off retirement for years because of the uncertainty around whether their pension is going to be there, around retired healthcare, so what we're seeing now is that we're going to have a compressed window for retirement and both the company and the union recognize that need to address the future of steel workers, so we're starting a program called Steel Workers of the Future, and I think it's a joint effort to try to transition our older workforce into the new generation of steel workers, and both the company and the union are on board with that.

And there's also a big focus on safety that we had during these last negotiations, but more than that, I think we both entered these negotiations in 2012 with 2009 very fresh in our mind. So while we wouldn't call this a concessionary contract we certainly think it was a common-sense approach. You know, we looked at a practical approach to these negotiations. Everybody in our plant and the other plants did not want to have a redo of 2009. So I think we understood that going into that thing. I think both parties at the end of the day got a very acceptable contract and it set us up well for 2015. We have some big issues around OPEB that some of the other companies may not have and a lot of our competitors do not have.

CHAIRMAN WILLIAMSON: Around what?

MR. KEGLEY: OPEB, Other PostEmployment Benefits. I'm sorry. I learned that very well this last time around.

CHAIRMAN WILLIAMSON: Okay.

MR. KEGLEY: But we have some huge issues around that, you know, and I think we've set the groundwork to sort of set that stuff aside moving forward. Obviously healthcare is a rising concern for everybody. We took some major steps towards minimizing the increases in that area and we took some steps for preventative care and wellness, things like that, to lower the costs on the company in terms of healthcare, which is a growing burden that the company has, and it's our future as well.

So we took a lot of major steps towards lowering our overall employment costs, which was a complete strategy throughout both sides of the negotiations. We don't want to repeat what happened in the late '90s or what happened in '09, so we want to be very upfront about that and try to correct that stuff.

CHAIRMAN WILLIAMSON: And going forward, this discussion we have on whether or not to extend these orders, what in fact might that have on the completion of these plans or fulfilling those plans?

MR. KEGLEY: Well, I've been thinking a lot about this because I thought maybe you'd ask something about that with me, but I was first president of my plant back in 1984. I was barely 30 years old, and my focus back then was on trying to get the old guys and old gals pensions and get them on their way. You know, I'm the young guy.

CHAIRMAN WILLIAMSON: You said move over so I can move up.

MR. KEGLEY: Right, exactly. So that was my entire focus. I didn't have kids back then. But now turn the clock down to 2012, those old guys and gals are still there but now I've got their kids that I'm worried about.

Their kids, you know, there's a big emphasis to get their kids employed there. As you know, the job market's not really easy out there. So not only am I worried about them retiring with a good pension with healthcare, I'm worried about their kids having a long-term employment opportunity and having a career at my plant.

I never thought in a million years that would be my focus, but so now that's what I'm dealing with right now. So when we enter negotiations, obviously that's in the back of my mind as well as anything is too and making sure that plant's going to be around for 30, 40 years, or 50 years. And that's really a big deal for me now.

Those old guys, forget about them. I still got a little time. They should have gone a long time ago, but the young guys are the ones I'm worried about.

CHAIRMAN WILLIAMSON: Thank you. I think you're in the position of a lot of parents.

MR. KEGLEY: As far as the revocation of the order, my concern -- obviously, you know, when I first started working there, nobody ever thought my plant would ever see the things we saw in 2009.

So if the revocation of the order to us would make us more vulnerable -- because again, our plant is in the very highest echelon of the fuel industry. It's the very highest quality products that are out there.

So revocation of this order to us would be a great threat to the long-term viability of our plant, our younger members as well as the retirees or the future retirees. So we really think that revocation would greatly hurt the long-term viability of the plant. Thank you for your time.

CHAIRMAN WILLIAMSON: Okay. Thank you very much for that. Does anyone else want to add anything? That very well covered that. Thank you.

I want to turn to a question, Mr. Mull and Mr. Barlow, you both mentioned in your testimony that this is a high fix cost industry, and I was wondering, do you agree with the Korean Respondent's statement in their pre-hearing brief on page two that the domestic industry sharply reduced its fixed costs during 2000 to 2005 from something, 41 percent to 28 percent.

Either now or post hearing, could you estimate the share of total cost for corrosion-resistant steel that is fixed now and provide any evidence you may have to support these estimates and particularly has this share changed significantly during the period of review?

MR. HECHT: I'll kick it off for us. We'd be happy to address that post hearing, and as I commented earlier, obviously there was restructuring and certainly an effort to control cost across the board. I think the important thing to keep in mind here is that all of those things they're talking about are reflected in the record before you.

We think that's a record that shows an industry operating in an environment of extreme competition from a lot of different sources and with results that are anemic at best and show a vulnerable industry.

CHAIRMAN WILLIAMSON: Okay. Thank you.

MR. MULL: Dan Mull, ArcelorMittal. We will also provide that information in post-brief, but I think all these types of questions, I can't emphasize enough, that this business is such a global business and that the global market for steel is so challenging and is very weak, and we've been very lucky the last two years to kind of be on a little bit of an island that the market's kind of recovered a little bit.

But as we look at the total global market, it's going to be very challenging this next year and that's what's really driving our concerns. I can't emphasize enough that the demand is not going to meet the supply side, and the result is that the threat of coming into this market from everywhere including Korea and Germany is a big threat. So I'll leave it at that.

CHAIRMAN WILLIAMSON: Okay. Thank you.

MR. BARLOW: Mr. Chairman, AK Steel will also provide detail in a post brief as well.

CHAIRMAN WILLIAMSON: Thank you.

MR. DORN: Mr. Chairman.

CHAIRMAN WILLIAMSON: Mr. Dorn.

MR. DORN: Let me just say though that from a general perspective, I mean, the point about capital intensity is there for this industry for sure. In two respects it's important for your review here.

One, in looking at operating income margin, you have to realize that in this industry it take more assets to generate those operating profits per dollar of revenue than for most industries, so you would expect this industry to have a higher operating income margin relative to most industries that you see certainly in order to cover the cost of capital.

The other point we'd make is that because fixed costs are high relative to variable costs, every plan has an incentive to maximize its capacity utilization. So if you're a producer in Korea or Germany with excess capacity, you have a high economic motivation to export that incremental ton as long as it covers your variable cost in freight and just a little bit of return of a contribution to your fixed cost.

CHAIRMAN WILLIAMSON: Thank you. Mr. Price?

MR. PRICE: First of all, I agree with Mr. Dorn's comments and it also points out an issue that may be difficult to work slightly across records on capital intensity here.

The Commission Office of Accounting requires us to bring all inputs in at cost which means fundamentally when you look at profitability, there's absolutely no return for any prior stage including hot rolling, cold rolling, blast furnace, et cetera.

So in this capital intensive industry, you have to have very high rates of return and you have to include all of those assets in the calculation. Many of the domestic producers in responding to this record did not include those prior stage assets in this record, so it gives you perhaps an understated view of what the capital intensity is of this industry but also the assets deployed and the fixed assets deployed.

So there's a bunch of accounting issues here, so when you come to rate or return on capital, the Commission staff did not actually calculate a rate of return on assets. I know it's something Commissioner Pearson has often said in past investigations he is curious about.

If you actually do it, it's very small and radically overstated because it doesn't include the full set of assets to get an apples to apples comparison. So you have low returns on an operating level. You have low rates of return on assets, and you've overstated the rates of return on assets if you actually were to do the calculation because of flaws in the accounting.

Commissioner Pinkert has in other investigations along with former Commissioner Lane recognized some of these issues with accounting. So I have started to get at some of the accounting details here, but they do have an impact on the way you look at this. And what you have is incredibly capital-intensive industry with incredibly low rates of return.

CHAIRMAN WILLIAMSON: Okay. Thank you for that, and I did ask the question so, and Commissioner Pearson, you can carry on.

COMMISSIONER PEARSON: Thank you, Mr. Chairman. Yes. First a technical correction. I believe I miss spoke earlier by saying that all of the five major non-subject suppliers had shipped smaller amounts in 2011 than they had in 2006, and then I realized from Mexico, in particular, I had been looking at the 2010 number, and in 2011 they actually shipped marginally more than they did in 2006. So I just wanted you to know that I had recognized the error of my ways. Not all of them, but that one.

Okay, so let's assume that the Respondents when they're in front of us this afternoon make the argument something like we really haven't seen what we would consider a surge of imports from the non-subject producers.

We have two subject countries that if the order is lifted and they go back to their pricing pattern in the original investigation you shouldn't expect to see much pricing pressure because Germany oversold, I think, in 26 out of 27 instances. And Korea oversold, what is it, 13 instances of overselling and 11 instances of underselling. This is from footnote one on table 513, page 527.

So the Respondents may argue we should revoke these orders and there's basically nothing going to happen because you haven't seen an incentive for non-subjects to increase all that much and you don't have the two countries here are not ones that were acting in a terribly predatory way prior to when the order was in place, so why not lift it. Your comments, please, Mr. Vaughn.

MR. VAUGHN: Yeah, Commissioner Pearson, I'd just like to start that off. First of all, let's go back to this issue about what the non-subject imports have been doing.

You have basically, the testimony here has been there's basically two big segments of the market. There's an automotive segment and there's a construction segment. The testimony is that the automotive segment is weak but slowly getting better. The construction segment has just been wiped out.

The non-subject imports, people like China, Taiwan, India are more heavily concentrated in the construction segment than the automotive segment, and that's a big part of why you saw the big increase in 2006 during the construction boom. A lot of those imports ended up going into inventory through 2007.

But even though that market is still very, very weak and these people will tell you it's been terrible, if you look at the first half of 2011, the first half of 2012, big increase from China, big increase from India, big increase from Taiwan. They're coming back.

Now, let's take that and look at the Korea and Germany situation. These are guys who were active both in the construction segment and in the automotive segment. So they have a capacity to sweep in across the board and, thereby, do much more damage or even additional damage on top of what's already happening.

I think the witnesses here would testify and have testified they are, in fact, being hurt by those non-subject imports right now because although the numbers may not seem all that large to you in the context of the weak construction market, they are quite large.

So now you're going to have a situation where you've got the non-subject imports picking up in the construction market. You've got the German and the Korean imports picking up across the board. They may tell you they plan to stay out of here. How is that possible?

I mean, ThyssenKrupp is in terrible shape. They need to be making every sale that they can get. Korea is selling almost twice as much steel to Europe where prices are lower than they are here. The likelihood that they're just going to sort of voluntarily stay on the sidelines, and not run their mills, and not makes sales, and just sort of concede all this business, you know, I just think that's incredibly unlikely.

So the most likely outcome then is you're going to have a situation where everybody is trying to get into this market which, weak as it is, is sort of the last man standing. So the result is going to be incredible price competition, incredible price suppression and even depression, and an industry that's already just barely breaking even.

So it's not like they've been sort of setting prices high and getting a lot of big profits. They're just barely breaking even. That market, that industry will quickly be in big trouble.

COMMISSIONER PEARSON: Any thoughts from people who actually produce steel? Mr. Kopf.

MR. KOPF: Yeah, Rob Kopf with U.S. Steel, Commissioner. We can provide specifics in the post-hearing brief, but I can site examples where we have contract negotiations that have just taken place and spot offers that are continuing to take place where offers from subject countries are more than 10 percent below current market pricing in the United States today. Very damaging in all the negotiations that are taking place at this time.

COMMISSIONER PEARSON: Mr. Scherrbaum, did you have?

MR. SCHERRBAUM: I was going to say the exact same thing, Commissioner, and we can provide more detail in the post-hearing brief.

COMMISSIONER PEARSON: Okay.

MR. ANDERSON: Jim Anderson with STI. Back to the non-subject trends. If you double the 2012 imports from non-subject countries, doubling because the report is for January through June, they're equivalent to 2007. So even though we saw a reduction in imports from 2007, '08, '09, '10, they've been rising and are rising rapidly now.

On a percentage basis, my mental math says they're very equivalent to 2007 and 2008 time frame. And I would like to concur that the bulk of those imports are targeted at the construction markets and the construction markets have not recovered. The construction markets are oversupplied and there's very little return in coated markets in the construction markets.

COMMISSIONER PEARSON: Okay. Well, thank you. Moving along, I wonder if the Respondents will offer an argument along the lines that the demand base for corrosion-resistant steel is a little bit different than we see for some other products and that there might be a stronger preference for local supply rather than imported supply.

Perhaps let me first direct a question to

Ms. Beck who has been waiting for someone to ask her one. Have you had a chance to look at the question of whether there's a larger or smaller percentage of corrosion-resistant steel that moves in international trade relative to some other products, say, rebar, or hot rolled, or standard pipe, something like that?

MS. BECK: I can certainly do so for posthearing.

COMMISSIONER PEARSON: Okay. Thanks. I'd be curious to see that because, you know, there has been this element of a local preference argument that's come up in the Respondents' brief, and I'm just wondering what's your response to that, Mr. Blume, is it?

MR. BLUME: Yes. Commissioner Pearson, certainly I'm going to speak to the construction side of the business although I think it also carries over to a great extent into the automotive market.

We really see no appreciable difference in terms of local preference. Ultimately, what it comes down to with buyers is in many cases it's about the price. Certainly that's what we have to compete against.

So to argue that there is a local preference, you know, certainly there may be if at the end of the day you have a lower price. But ultimately, that really drives to a great extent the decision. And I think there's data been provided to the Commission in terms of a survey that clearly demonstrates that when you survey buyers of steel.

COMMISSIONER PEARSON: Mr. Kopf.

MR. KOPF: Yes, Commissioner, I would like to just point out, I guess, that while there is a statement about local preference, these companies have very well established local presence through their own distribution and service center networks.

ThyssenKrupp, in fact, has a very wide reaching global trading division of their own, and based upon my experience overseas, I'm very familiar with their abilities to serve as very high-quality products from Germany to India, for example, on very sophisticated end-use applications.

I would argue also that it's hard to imagine something much more local than the ThyssenKrupp material services building that sits just down the street from the Jeep plant in Toledo, Ohio. It's about as close as you get.

So I think these companies have the ability to be very local. They've demonstrated on other products like tin mill that they will be more than willing to have materials sitting in distribution centers ready for consumption within two hours of getting a phone call.

COMMISSIONER PEARSON: Is this a product in which imports are not likely to happen unless there is a contact for sale, or is this a product that some people ship and it sits on a dock in the Texas Gulf until somebody buys it?

I mean, we hear that occasionally with rebar and real commodity products, they're just shipped in and then they figure out how to sell them. But is this mostly contracted in advance?

MR. KOPF: I guess I'd like to answer your question this way. This is Rob Kopf again. Recognizing that the construction market is a very significant consumer of erosion resistant steel, you're almost looking at close to what I would call a 50/50 split between maybe the automotive and the construction consumption.

Most of the construction consumption is spot oriented business that is negotiated month to month with customers and there are frequent occurrences where you have cargos of steel that are on the way to the United States without a price connected to that.

And a piece of steel hits the dock in

Houston or somewhere else, and then the negotiation begins to take place. That has a direct impact on the ability for the domestic producers to make a sale to those customers who are buying the steel, first of all, and it has an enormous impact on the price of the steel being negotiated for the next month or two.

COMMISSIONER PEARSON: Okay. Well, thank you. My time's expired.

CHAIRMAN WILLIAMSON: Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Mr. Chairman. With respect to Thyssen's Alabama mill, the odds are that when that plant is sold, if that plant is sold, it's going to continue operating. It's a state of the art mill. It doesn't look as though it's in the same situation as the RG assets that are being disposed of in bankruptcy.

With that said, that's a large addition to domestic supply. My understanding is that it's already qualified with some customers that are in the process of being qualified. In that circumstance, why would German producers be likely to or successful at competing with that mill using product from Germany if the order were revoked? It's got their technology. It's qualified with customers here already.

MR. BARLOW: Ms. Commissioner, Gary Barlow with AK Steel. I think you have to go back to the motivation of any steel mill with a tremendous fixed asset investment and the motivation to keep their production lines as close to full capacity as possible.

The ThyssenKrupp German operation has very deep relationships, as I stated before, with BMW, Mercedes, and Volkswagen in their home country, and their definition of prep tons, they are developing those same relationships here with the United States auto manufacturer transplants for those same companies.

Absent production capabilities here in the United States, it's very likely that they will continue to try to grow their German production with the same customer base that they have been terming prep ton customers from their Alabama operations.

COMMISSIONER ARANOFF: I know Mr. Narkin had had his hand up in the back. I don't want to pass him over just because he's way in the back.

MR. NARKIN: No, I was just going to make the same point about the three German automakers with operations in the southeast.

COMMISSIONER ARANOFF: Okay. Go ahead.

MR. BLUME: Yes. Rick Blume, Nucor. The

other comment that I would make is to recognize that many of these customers preceded the building of this facility in Alabama. In fact, ThyssenKrupp has been supplying the automotive industry for a very long time, so there is really no reason to assume that if they're going to not produce steel in Mobile, Alabama that they're not going to continue those long-standing developed relationships. It just doesn't make sense.

COMMISSIONER ARANOFF: Go ahead, Mr. Price.

MR. PRICE: Alan Price, Wiley Rein. There are a couple of other factors which is it is not certain, for example, that the steel source is going to actually follow with the rolling mill, and that affects qualification. And depending on who owns it and how that all works out, you could end up with essentially a company that does not have the same capability from an automotive perspective owning that facility in Brazil, the hot end in Brazil versus what you want in the U.S.

We do know, for example, that the Brazilian government has offered substantial subsidy offers to CSN to finance the potential purchase of the not end, so all of this stuff is subject to question here.

It is interesting that subsidies are being offered by the Brazilian government here in an attempt to sort of keep these, you know, to sell these assets and to keep them in Brazilian hands. But there's no assurance that these things stay together. It's a different sort of technical hot end issues that develop.

If you end up with a company with a different hot end and a different role, you know, you've got to go through the qualification process again.

ATTORNEY: Okay. I've got one more response here. Go ahead.

MR. KOPF: Commissioner, Rob Kopf with U.S. Steel. One other comment I'd like to make is how do they compete? Well, they'll compete by a price. Thirty-three of the 35 Respondents indicated the price was a very important decision in their patterns of buying steel, and if you have market conditions here that are better than elsewhere in the world, they have a very significant incentive to try and sell steel here at prices better than the rest of the world but lower than the domestic price here.

COMMISSIONER ARANOFF: Okay. Mr. Hecht, do you want to add something as well because I do have another question.

MR. HECHT: Okay. I'll wait.

COMMISSIONER ARANOFF: All right. I wanted to get to this just because it was raised in Respondents' brief and I want to make sure I give you opportunity to respond to it on the record.

The Respondents make the argument that major U.S. corrosion-resistant steel producers are holding substantial cash reserves and that such reserves would weigh heavily against a finding that the industry is vulnerable or can't afford to invest in this product. So let me give you all an opportunity to respond to that on the record if you would like.

MR. HECHT: Jim Hecht. I think we'd prefer to address that post hearing if we could. We think that's an absolutely ridiculous argument to somehow suggest that having some working capital or cash on hand somehow shows that this industry is not vulnerable. We can address the significance of that and the size of it in the context of the companies at issue here post hearing, but I think we would rather do it in that context.

MR. DORN: I'll just add that Moody's doesn't appear to share that view.

COMMISSIONER ARANOFF: Okay. Fair enough.

MR. KELLER: This is Mike Keller from Nucor. I think it's still absolutely essential that we don't forget whenever we deploy cash that you've got to get adequate returns, and we need to emphasize that. And when you look at the period of return here as 6 through 11, we've already emphasized it's 2.3 percent, even if you look at the best period, the six months of 2011 at 6 and-a-half percent, that's not adequate either when you look at the wax of the companies in this industry.

Furthermore, that 2011 data for the first six months, it actually goes down for the full year 2011. The full 2011 year results actually drop to 3.9 percent from 6 and-a-half percent and then even the first six months of 12 are worse than 11, so at the end of the day, you have to put cash where the returns are.

COMMISSIONER ARANOFF: Okay. I wanted to go back to where I was asking questions about pricing and the auto segment of the market. Now, my understanding has always been that auto manufacturers will award supply relationships for particular parts or supplies at the beginning of when they start producing a model, and then they tend to keep that supplier throughout the life of the model barring, you know, some sort of catastrophic problem.

That said, can you explain -- you've talked a lot about how the availability of imports can affect price negotiations, but if someone has a pretty locked in supplier relationship for a particular part, it's going to take a lot, I assume, for that auto manufacturer to actually change suppliers.

Doesn't that limit the extent to which availability of other competitive prices in the market can bring down prices within the lifetime of a particular auto model? Now I see a hand all the way up in the back.

MR. DICIANNI: Yeah, this is Robert DiCianni from ArcelorMittal. They typical life cycle of a platform is about five years, but the auto companies have new platforms coming in all the time and so there are always opportunities to bring in new suppliers. So they will have new platforms available for a new supplier if the new supplier has a package which includes price that is attractive.

COMMISSIONER ARANOFF: All right. Over here.

MR. KOPF: Rob Kopf with U.S. Steel. I'd just like to add to that, Bob is correct in his statement. There is incentive though in the short term if the price gap is significant enough to switch suppliers in the middle of a vehicle platform run.

That's happened. We've gained and lost parts in various negotiations over the years.

And then the threat also becomes not just in the current next year or two but, you know, here today vehicle platforms in 2015, those awards are impacted based upon today's price.

So we have really a very long-term exposure that could be as long as seven or eight years in terms of shifting of parts that we currently have as well as new vehicle awards that is impacted by current price offerings into this market from abroad.

MR. BLUME: Commissioner Aranoff?

COMMISSIONER ARANOFF: In the fourth row.

MR. BLUME: Yeah. Rick Blume, Nucor. One other comment I want to come back to that I made earlier is the fact many of these contacts or a growing percent of these contacts are market-based contacts meaning that they follow an index.

Well, that index moves with the spot market. So while, in fact, you may say you have the business for an extended period of time or for a period of time, typically an annual period, the market price moves and therefore the contact price moves so you can continue to have damaged material impact due to what's happening to the spot market in the context of imports.

COMMISSIONER ARANOFF: Okay. Thank you very much. Those are very helpful answers. Thank you, Mr. Chairman.

CHAIRMAN WILLIAMSON: Commissioner Pinkert?

COMMISSIONER PINKERT: Thank you, Mr. Chairman. Mr. Kegley, you talked a little bit in your testimony about RG Steel and what happened with their production facilities in the United States. How long had you suspected that that was going to be the outcome?

MR. KEGLEY: Well, you know, Sparrows Point was part of that whole deal. They were with us in negotiations in 2004 and 2005. They changed ownership so many times in the last four or five years, I think everybody realized they were in trouble right from the time that they left the ArcelorMittal family because I think them being out there on their own a little bit kind of put them out as a vulnerable plant to begin with. So I think for a number of years we thought there was some concern about whether or not they'd be able to hang around based on that.

COMMISSIONER PINKERT: Thank you. Now, would this panel agree that German corrosion-resistant steel production is moving primarily toward microalloys and other non-subject products?

MR. BLUME: Yes, Commissioner Pinkert, Rick Blume, Nucor. I guess our view of the world, and again it's not as -- we're not a major part of the automotive industry but we do participate. When the claim that grades are moving toward microalloy, we would not disagree with that.

When you talk about microalloy and steel, you're talking about putting expensive elements into the melt, into the mix, okay. So it's a cost issue by microalloying.

The reality is that most customers and most mills in producing higher strength steels which ultimately is what you're getting to, okay, higher strength, we'd prefer to do that in a thermal mechanical way rolling practices within the mills.

So we don't see a major shift toward microalloy. We see more of a focus on, yes, getting to higher strength but doing that in a variety of methods including how we process the steel.

COMMISSIONER PINKERT: Mr. Dorn or Mr. Barlow.

MR. BARLOW: Yes, Gary Barlow with AK Steel. As I mentioned before, advanced high strength steels are clearly an emerging market segment for corrosion-resistant steel specifically in the automotive sector but in today's environment is still a very small percentage of all the corrosion-resistant steel that's utilized in the marketplace.

COMMISSIONER PINKERT: Right. But I'm looking to the near future. If you can project that out the next 12, 18 months, what do you see?

MR. BARLOW: Relatively small gains within that time period, more so probably in the 36 to 48 month type of time frame.

MR. KOPF: Commissioner Pinkert, one thing I would like to add to all of this is as these advanced high strength steels are developed and implemented over months and years, I think it's very important for the Commission to understand that these steels are produced the same way that today's steels are of low carbon and ultra low carbon steels.

They go through a melt shop that makes steel. They go through rolling mills that continue to roll carbon steel, and through thermal mechanical properties or chemistry the properties are made. They will go through corrosion resistant coating lines the same way that yesterday's and today's steels do as well. So I just don't want there to be a misunderstanding that somehow microalloyed steels are going to be a completely different process path that doesn't have an impact on the way we produce steel here today.

MR. BARLOW: Gary Barlow, AK Steel. One follow-up comment. There's significant R&D expenditure and investment being spent at AK Steel and within the domestic industry to make steel that will meet our customers demand today and our customers demand in the future especially as they try to achieve the new CAFE standards which Mr. Scherrbaum mentioned in his testimony.

Absent these orders, we can expect continued price erosion with our corrosion resistant steel from Germany and Korea. That takes the ability to invest further in these R&D initiatives away from the companies that will be impacted.

COMMISSIONER PINKERT: Mr. Hecht?

MR. HECHT: Just a quick point. There's a fair bit of confidential information on the record on this question that does not support the suggestion being made there, so we would welcome the chance to address that post hearing.

COMMISSIONER PINKERT: Certainly, and of course, we'll get the Respondents' view of that as well in the post hearing, I'm hoping.

Mr. Mull?

MR. MULL: I'd just like to reenforce we are working diligently along these lines also with research in developing many product lines. It's a small part of everyone's portfolio at this point in time that's in the automotive side of the business, and we certainly expect that to be a growing trend but it's down the road and certainly would not have an impact immediately.

COMMISSIONER PINKERT: Do you agree with Mr. Barlow's time frame on that?

MR. MULL: I think that's relatively in agreement, yes. We're looking at 2015, 2017 period.

COMMISSIONER PINKERT: Thank you. Now turning to the price comparisons in your pre-hearing brief, do your U.S. German price comparisons fail to take into account differences in logistics costs, transportation, as well as differences in lead times?

MR. HECHT: Jim Hecht. I can kick that off. You know, obviously freight is an issue when you're talking about relative pricing. I guess what I would point out is that we pointed to and I think the staff report and other sources have a lot of data on relative prices in the market.

Some of those published sources, the very point of those is to be able to compare relative pricing across markets, and there's no question that you've seen a dramatic move in terms of higher pricing levels in the U.S. market than in European markets or other markets around the world.

And we think the basic point we made and we think is very clear on the record is that that is going to create relatively more pressure and attractiveness for folks to ship to the U.S. market.

Now, we would never claim that, you know, there's a lot of things that go into a sale, freight and other considerations, and that's certainly one of them. But the overall magnitude of these differences we think would account for freight differences in many of those instances.

And oftentimes you're looking at shipments comparing two different markets where there's freight cost imbedded in both of those shipments as well. So again, we'd be happy to address that further, but we think there's very strong evidence of the attractiveness of this market based on price.

COMMISSIONER PINKERT: Please do address that in the post hearing.

Mr. Vaughn?

MR. VAUGHN: Yeah, just a couple of points to supplement that. I mean, if you look at some of the facts in the record, for example, last year in 2011, there was about 12,000 tons that came into this market from Italy. This year there was over 70,000 tons that came in from Italy.

So obviously the freight costs did not prevent them from taking advantage of a relatively attractive U.S. market. If you look at a situation like the Korean mills, for example, their shipping very, very large volumes to Europe and presumably there would be freight costs associated with those.

And there's no reason to believe that, given that the U.S. market is relatively more attractive than Europe that there'd be a lot of reasons, incentives, to shift from Europe to the United States as a result.

So we will address this in the post hearing, but I think there's a number of reasons to believe that this is a relatively attractive U.S. market and that historically when we are a relatively attractive U.S. market, we attract more imports.

COMMISSIONER PINKERT: Mr. Scherrbaum.

MR. SCHERRBAUM: Yes, George Scherrbaum with U.S. Steel. I also would like to comment on the lead time comment, a part of that question that you had.

As Mr. Kopf said earlier, often foreign producers produce product and put it on the water and ship it here, and it's not even priced. It comes in and then goes into the inventory of a trading company, that type of thing.

So really, because they have a longer transportation time does not really mean that their lead time is longer because they just bring it here in inventory and we have to compete making steel from scratch with steel that's already in inventory on the ground at a dock or at a warehouse.

COMMISSIONER PINKERT: Okay. Mr. Mull?

MR. MULL: Yes. First of all, I think all of us respect their steel making capabilities both in Germany and Korea, and we ship from locations to service automotive people from many parts of Europe to other parts of Asia and elsewhere and to produce automobiles and are able to give service. And we know they have the same kind of capability we do to satisfy these customers.

MR. ROSENTHAL: Perhaps it's restating the obvious but prior to the orders the subject producers showed a great ability to ship product here despite lead time issues, transportation costs, and the like, and they continued to be able to do that. While some things have changed, that hasn't.

To the extent there has been change, it's been the incentive that's been created because of the relatively high prices in the U.S. and the constraints in Asia in terms of supply and demand issues there and a collapsing European market. So they have lots of incentives to overcome whatever transportation and lead time issues might exist, even more so than in prior to this review period.

COMMISSIONER PINKERT: Thank you. Thank you, Mr. Chairman.

CHAIRMAN WILLIAMSON: Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Mr. Chairman. The ThyssenKrupp investment in North America has received quite a bit of attention here, today of course, but I'd like to turn to POSCO now.

Has the establishment of the Posco owned corrosion-resistant steel plant in Mexico made a significant change in the conditions of competition?

MR. SCHERRBAUM: Joe Scherrbaum with U.S. Steel. Our understanding of their facility they put into Mexico is really designed to meet the growing Mexican automotive market and not to really come into the United States. As we continue to get information from our customers, they're still supporting the

United States business from their Posco facility in Korea.

COMMISSIONER JOHANSON: Okay. Yes, Mr. Vaughn.

MR. VAUGHN: Yeah, just to supplement that point, I would note that the Korean export data shows that in the first 11 months of 2012, Korea exported 315,000 tons of corrosion-resistant steel to Mexico and that figure is consistent with data from prior years.

So whatever they've done in Mexico, they're still obviously sending a lot of product from Korea to that market.

MR. BARLOW: Gary Barlow with AK Steel. We will compete with Posco on a direct basis for our aluminized corrosion-resistant steel product and their Mexican operation is not producing aluminized so there would be no impact to AK Steel's aluminized line with the Mexican operation.

MR. BLUME: Commissioner Johanson.

COMMISSIONER JOHANSON: Yes.

MR. BLUME: Rick Blume, Nucor. The other comment that I would make regarding the question is obviously Posco is not the only Korean producer that is a threat to our market and again, particularly with respect to the construction market, Hyundai, Hysco, Donbu, Union are all active participants in bringing in product into the U.S., so it's really not in its entirety a Posco question but we certainly see them as well being a threat.

COMMISSIONER JOHANSON: Yes. I have time for one more response. Yes.

MR. DICIANNI: Robert DiCianni, ArcelorMittal. We believe that Posco is building their facility in Mexico to increase their market share in North America and that they will continue to export from Korea even after that facility is completed.

COMMISSIONER JOHANSON: Okay. Thank you for your responses. In reading through the briefs and the staff report, I did not see this question answered. It's a pretty basic one, so I'll ask it of you all now.

To what extent is corrosion-resistant steel that is sold to the automotive end users interchangeable with corrosion-resistant steel that is sold to construction end users?

MR. ANDERSON: Jim Anderson, SDI. The product quality of automotive is much higher than is required for construction. However, if there is a facility, automotive producing facility, that is not -- has excess capacity, they can very easily run construction products through that facility and serve construction markets.

COMMISSIONER JOHANSON: Do changes have to be made in the facility to make that happen?

MR. ANDERSON: No.

COMMISSIONER JOHANSON: So it's fairly simple to do?

MR. ANDERSON: It's fairly simple to do.

COMMISSIONER JOHANSON: Okay. Yes, Mr. Blume?

MR. BLUME: Commissioner Johanson, Rick Blume, Nucor. I think the other point as well is that we know that Posco is very, very active globally in terms of the construction market, so the idea that maybe they're solely focused on automotive just is not accurate on a global basis.

And I agree with my colleague, Jim Anderson, it's very easy. Those changes in a coating facility happen coil to coil. So it is not difficult at all to go from a grade to another grade when you're producing coated product.

COMMISSIONER JOHANSON: All right. Thank you. And you might have answered my next question, but I'm going to ask it anyway since I think it's relevant to get a clear answer on.

Do you all think that future demand for corrosion-resistant steel will differ depending upon the end use or the market sector, that is, automotive versus construction?

MR. ANDERSON: Jim Anderson, SDI. I firmly believe that the construction markets are very soft. As I pointed out in my testimony, even though there's GDP growth, we don't see construction market growth. So as far as we can see into the future, I believe that the construction demand for coated products remains soft.

COMMISSIONER JOHANSON: Yes, Mr. Scherrbaum.

MR. SCHERRBAUM: Yes, regarding the automotive piece of that, yes, it's been publicized and written that the automotive business is improving in this county, but I would just like to point out still it is not back to and not forecasted to be back next year to the levels that we experienced in car sales in the years 2003 through 2008. So we've bounced off of a very low bottom. It's making progress but still not back to pre-recession levels yet.

COMMISSIONER JOHANSON: All right. Thank

you for your responses. The next is a question I ask in several hearings we've held. It's kind of an interest of mine, and I think it might be relevant here.

Figure 5-3 of the pre-hearing staff report shows that U.S. natural gas prices have been declining in recent years and that's something we are all quite well aware of just from reading newspapers, et cetera. How do natural gas prices in Germany and Korea compare to those in the United States and how does any difference here affect the price for corrosion-resistant steel from those countries?

MR. SCHAGRIN: Commissioner Johanson, this is Roger Schagrin. I do a lot of work in energy products, and so I can tell you the base information out there on natural gas prices is that they're about $3.00 in MCF in the U.S. They're about 10 to $12.00 in Europe and more like 14 to 15 in Asia.

However, in discussing this, this wouldn't make them uncompetitive because if you look at the production costs, it's not insignificant but natural gas as a production cost for making a ton of corrosion-resistant is probably less than one percent of the total production costs is the use of natural gas. So there's a difference.

I would like to point out though, you were talking about construction. Just so the Commission or the gang of four of the Commission doesn't make the same mistake in this case that you made in the CWP case.

When you talk about construction, don't go by rosy forecasts for 2013. Went back and looked. Those same rosy forecasters, their forecasts for 2012 that they're making at the end of 2011 was for a five to six percent increase will wind up with between a zero and a point three percent actual increase in 2012.

So the people in this industry who are selling to construction who are already in 2013, they can see the actual non-residential construction markets for 2013. They are staying very poor, but the forecasters are predicting like an eight percent increase.

So please don't make the wrong decision based on hope beyond because 170 people from the USW and the Keys Port lost their jobs because they can't make CWP towards the end of December. That was a horrible gift at the holidays. They can't make CWP. They can't make lime pipe because they can't get relief in the context of the business cycle. So listen to the testimony not the forecasts for construction, non-residential construction. Thank you.

COMMISSIONER JOHANSON: Thank you. And could I ask for you all to follow-up just a little bit on my question regarding natural gas, how much that does comprise in the production of corrosion-resistant steel?

MR. PRICE: We'll be happy to.

COMMISSIONER JOHANSON: Yes. Thank you. I would appreciate that.

MR. PRICE: We'll be happy to but actually natural gas as a cost component is really principally in earlier stages of production. So I mean, this all goes back to the question of what are you measuring from an accounting standpoint when you ask that question.

As a portion of corrosion-resistant steel, it may be essentially zero, okay. As a proportion going back in the acid chain, it has a small portion of it.

COMMISSIONER JOHANSON: Okay. Thank you. I guess one of the reasons I'm asking this is I've been very fortunate in visiting a number of steel plants in the past few months to see how the product is made. I mean, it must be quite hot to make an understatement. So I always assumed that the cost of fuel would be a very significant factor or at least a significant factor. So once again, if you can answer that, I'd appreciate it. I know it's kind of a basic question, but it would help me understand better. Thank you.

I don't have much time left, but I guess I'll just ask one more question and I don't know how fully you can discuss it during the short period of time, but could you all possibly discuss differences in the channels of distribution price comparisons and import volume trends between Germany and Korea and how these might affect whether or not the subject imports should be treated on accumulated basis? Mr. Vaughn?

MR. VAUGHN: I think we'll address that -- we'll put more detail on that in the post-hearing brief, I would say, however in the past when the Commission has looked at this, they've always found that there wasn't overlap of the channels of distribution between German producers and Korea producers. And that's what you've found when you've accumulated them the last few times you've looked at it, and we will expand on that in our post-hearing brief.

COMMISSIONER JOHANSON: All right. I would appreciate it. Yes, Ms. Hecht?

MR. HECHT: Just to add, we think the base is even stronger than it was last time. Obviously you've seen the Korea mills get even more active and the automotive side of things as well. So we'll walk you through that as well, but we think the case for accumulation is even stronger.

COMMISSIONER JOHANSON: Thank you. I should add, I know you all addressed this in your briefs. I've read them, and it was quite prominent. But as you all know, the German Respondents have a certain opinion on this which they expressed quite strongly as well. So I'm just trying to clarify -- I want added clarification there. Thank you. And my time's expired.

CHAIRMAN WILLIAMSON: Commissioner Broadbent?

COMMISSIONER BROADBENT: Thank you. I wonder if we could just talk about the environmental standards for a few minutes. You indicated the need for more investment to keep up with the changing environmental standards. Is there someone that could give me just a brief overview of what's going to be needed there and kind of an order of magnitude?

MR. ANDERSON: Jim Anderson, SDI. In

regards to the coating operations only, that's where my expertise lies, the environmental standards are growing but the costs are very low compared to other costs of manufacturing.

MR. ROSENTHAL: Commissioner, just to clarify, are you talking about the environmental standards that are imposed on the industry or the industry's changes in this product it needs to make, for example, for the auto industry to meet CAFE standards? I just want to make sure we're answering the right question.

COMMISSIONER BROADBENT: I'm just responding to your PowerPoint which said there was challenges facing the industry, need for investments to keep up with environmental standards. So either way.

MR. ROSENTHAL: Thank you.

MR. SCHERRBAUM: We commented on it earlier, and obviously with this 54 and-a-half miles per gallon that I mentioned earlier, all the automotive companies are obviously looking to take as much weight out of vehicle as they can, and we are currently in the process as our own company and also as an industry group working on processes, methods to make a lighter, stronger product for them to be able to use as opposed to them going to the more expensive aluminum product to get that same weight loss.

COMMISSIONER BROADBENT: Is it possible for you to give us something in the post-hearing brief on how much R&D is involved there?

MR. HECHT: Jim Hecht. Yeah, we'd be happy to do that. There's a fair bit published out on that. The OECD looked at that at one of the recent meetings as well, so we'd be happy to put more information on the record.

COMMISSIONER BROADBENT: Okay. Great. Thank you. Let's see. Forgive me. I've got to go back to the Dewey margins on --

MR. SCRUGGS: Ms. Commissioner?

COMMISSIONER BROADBENT: Yes.

MR. SCRUGGS: This is Tommy Scruggs with Steel Dynamics. If I could just add one comment to that last question?

COMMISSIONER BROADBENT: Sure.

MR. SCRUGGS: I'm merely a salesman, so I wouldn't pretend to be an environmental engineer or anything of that nature, but you know, our industry does spend a tremendous amount of capital to maintain environmental compliance and OSHA compliance. Although our facilities are very modern, we continue every year to invest capital in maintaining air quality standards, investments in back houses, thermal oxidizers to destroy VOC's and things of that nature.

COMMISSIONER BROADBENT: Okay. Thanks. Forgive me. I'm wanting to go back once more to the German overselling. You're sort of attributing their overselling to the duty margins, but the duty margins are considerably lower than the average overselling margins that we have in the report. I think it's about 10 percent compared to about 25 percent. And that the German overselling has been prevalent in each review period and in the original investigation.

Can you just make me feel a little more comfortable about how the margins are not being, this overselling is really being caused by margins that are really not that quite high?

MR. ROSENTHAL: When you say caused by margins, are you talking about dumping margins? Okay. Maybe some of my out counsel have made the argument that the overselling margins have something to do with the dumping margins, but that's not one of the arguments I would make.

I think their overselling or underselling in any given instance may have nothing to do with the level of dumping found in any particular review. The universe of products that are reviewed in an annual review may be totally different than the ones that are put forward for comparison purposes, for purposes of the ITC's underselling and overselling analysis. So there really isn't, in my view, a direct connection between those.

MR. DORN: Commissioner, Joe Dorn for AK Steel. I'd also just make the point that given the fact that it's a counterfactual analysis, I mean, I think the important thing to remember is that every time a German producer is selling steel in the United States, it's looking at its normal value and has to take into consideration the discipline of the order in terms of how it prices that steel.

I mean, these are sophisticated companies. They have sophisticated advisors. They're very -- their margin implications, dumping margin implications or their pricing strategy in the United States is very well known to them and they necessarily take that into account in terms of their pricing in the United States. And they could certainly be much more aggressive in their pricing in the United States without the discipline of the anti-dumping order.

MR. HECHT: Jim Hecht. And just to repeat again, as I said, you have to be careful not to look at that dumping margin and assume that that means they can sell at any price or unlimited volumes and that's what they're going to pay because, again, we have a retrospective system of assessing duties in this country, and if they lower prices to chase more volume, you could see a much higher duty than that.

So without the discipline of an order, our agreement would be they would be free to ship at much more aggressive prices and to attack this market in a way that they are not under order.

COMMISSIONER BROADBENT: Okay. And then just one final question. On the sale of the T.K. facility in Alabama, if this doesn't occur, do we still have a case for accumulation or should we accumulate if they still continue to operate that plant?

MR. ROSENTHAL: I think you cannot assume it won't occur. They've said it will and they're making essentially only public statements for press release purposes but for securities purposes. And so I think that you have to assume based on the facts of this record that they sale will occur. I don't think you can assume otherwise.

MR. PRICE: Alan Price, Wiley Rein. I happen to have their investor presentation here from their year-end last year in front of me. We're happy to put it on the record. I'm surprised T.K. didn't put it on the record and didn't make this explicit when it was filing its pre-hearing brief. This may not have been out there then, but it was pretty clear what was going on.

These are discontinued operations. That's what they've classified them for. Completion is expected by year end. They say multiple times, this will be sold by year end. This company's hemorrhaging money.

They actually at this point can't afford to run this, as Mr. Blume just told me, they're better off probably, you know, shutting this down than continue to hemorrhage money. They're hemorrhaging money in Europe at this point, so the idea that any concept that this won't be sold is not supported by the record at this point.

COMMISSIONER BROADBENT: Okay. Thank you very much. Mr. Hecht?

MR. HECHT: Jim Hecht. I guess to go back to your question, obviously we do think it will be sold for the reasons we've stated. Even if it were not, hypothetically we would still argue you should accumulate those imports and perhaps at another time we can talk in more detail about the Commission's approach to cumulation and reviews.

Clearly, you would have discretion whether to cumulate or not. Presumably the basis there to decumulate would be a conditions of competition analysis where you would view the ownership of a U.S. facility as somehow distinguishing those conditions of competition.

What we have argued is that the purpose of cumulation is to assess sort of the hammering or obviously cumulative effect of imports coming into the market, and you have to be careful not to look for just any difference.

You know, there's always going to be a myriad of differences in the market. The question is do they really go to that question of how do you best assess the combined effective imports. And we would argue even when you've got a U.S. facility here, you've still got to look at what their incentives would be shipping from their home market, what type of excess capacity they've got, what reasons they might have to ship here.

And we think for all the reasons we've discussed, they would still have a lot of incentives to ship to this market and it would have a combined effect with shipments from Korea on the U.S. industry.

COMMISSIONER BROADBENT: Okay. Thank you. Thank you, Mr. Chairman. I don't have any more questions.

CHAIRMAN WILLIAMSON: Thank you. Just a couple of questions. I don't think this has been discussed. What is the impact on the market of the loss of the RG Steel capacity and is this capacity likely to remain out of the market?

MR. KOPF: Mr. Chairman, I've been --

CHAIRMAN WILLIAMSON: Sorry. You didn't --

MR. KOPF: -- Rob Kopf with U.S. Steel.

CHAIRMAN WILLIAMSON: -- right. That's right.

MR. KOPF: I apologize. I've been in the market for a little over 24 years, and I've never incurred an example of a mill going out of business and it having absolutely no effect whatsoever on the market.

In fact, if you look at the public data about spot pricing in the United States, after they went out of business, the spot price in the United States fell precipitously. While they were still running in the early part of the year, the price was actually edging up slightly.

So the fact that they went out of business was one of the biggest non-events that I've seen in my time of being in the industry.

CHAIRMAN WILLIAMSON: Okay. Thank you. Mr. Rosenthal?

MR. ROSENTHAL: Chairman, you asked also about the sale of their assets as well, and again, there has been no effect on the market as a result of the sell off of parts and other equipment there that has added capacity in the industry as a result of those sales.

CHAIRMAN WILLIAMSON: Okay. Thank you. So a total non --

MR. ROSENTHAL: Late replacement parts. They've been used to modernize but there's not an addition of capacity in other companies as a result of that.

CHAIRMAN WILLIAMSON: Okay, thank you. Mr. Vaughn.

MR. VAUGHN: Chairman Williamson, I just wanted to say that, you know, while it was a non-event in the market, I think it is very important for purposes of your analysis because what it shows is that the market is so weak in the United States that even when these facilities shut down it did not stop prices from declining.

So I think, you know, the fact that you could pull these mills off the market and there's obviously so much supply and over supply, products were continuing to fall, and I think that's important for your analysis in terms of looking at the vulnerability of the industry.

CHAIRMAN WILLIAMSON: Okay. Thank you. This is the last question. Mr. Price sort of touched on this or discussed it in part. In your experience, does certification of a mill producing corrosion-resistant steel for large-volume auto manufacturer of the end user typically convey when that mill changes ownership? So does that certification convey?

I know that Mr. Price mentioned that, I guess, if there's a change in maybe the sourcing of some of the components, it might not. But I was wondering if anybody else wanted to sort of amplify on that either now or post hearing?

MR. BARLOW: Gary Barlow with AK Steel. I would concur with that. I think it is unknown whether the certification of an Alabama part would continue to be certified in the future. The certification of a German manufactured part regardless of the sale of the Alabama asset either with or without the Brazilian assets would definitely continue to be certified at the U.S. auto manufacturers.

CHAIRMAN WILLIAMSON: Okay. Thank you. Any other comments on that? Sure. I'm sorry.

MR. KOPF: Mr. Chairman, Rob Kopf with U.S. Steel. I would just like to further add that the qualification process is very unique by customer, and there are a lot of very unique -- many customers have very stringent process path requirements for all stages of steel production all the way through the coating of the steel to make it corrosion resistant.

And I would suggest to you that the other side talking about these prep times being simply something that sets the stage for the facility in Alabama to be qualified, there are numerous end user customers who would not allow a part that was made and coated in Germany and shipped in to the United States to be instantly qualified on the facility in Alabama.

It would require an entirely new process/qualification path which is why I question whether or not these prep tons are simply setting the stage for the facility in Alabama rather than trying to set a permanent footprint here into this market from Germany.

CHAIRMAN WILLIAMSON: Okay. Thank you for that answer. I have no further questions.

Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman. I have a couple. First, Mr. Scherrbaum, you had mentioned in your opening statement that the rate of return to capital has been too low to encourage investment in the industry overall, the average rate of return, and yet on this record we see a substantial amount of variability in terms of the operating results of the various firms in the industry.

Of course, the industry doesn't make a decision to invest based on its average earning. Individual firms make those decisions based on their own specific circumstances.

So would it be rational to think that if there were firms with sufficiently high earnings in the industry that they might continue to invest and do the sorts of things that you had said would be hard for the industry as a whole?

MR. SCHERRBAUM: Sure. I think that would be rational thinking if a firm was making significantly more than the 2.3 percent that I referenced. It wouldn't make sense for us to, for any company to, stay in business and meet growing needs of the marketplace so you would invest.

COMMISSIONER PEARSON: Okay. And for post hearing, could I ask that each of the members of the domestic industry here let us know what your own circumstances might indicate regarding your potential for further investment, or maintenance, all of the sorts of things for which one needs cash every year.

And my last questions has to deal with the reality that this industry has a substantial degree of production capacity relative to apparent consumption. I mean, you've got more production capability than there is total demand.

In addition, there is a new entrant in Alabama that is probably trying to figure out how to fit its capacity into the marketplace and is driving other existing firms in the industry a little bit nuts. I don't know who. At least it's problematic to deal with new entrants at a time when the domestic demand is not completely robust. Okay?

So from this record, should we conclude that the domestic industry is more at risk of injuring itself from intra -- competition among domestic firms rather than having some risk from subject imports if the order was revoked?

I mean, I look at what's going on here on the domestic side, and I think I almost can get myself to the argument that any potential injury from revoking the order with respect to subject imports is not much more than tangential or incidental. So please comment on that.

MR. SCHAGRIN: Commissioner Pearson, this is Roger Schagrin. I think in the past most of the members of this Commission have looked upon investments by an industry during a period of review in a sunset investigation as making the industry more vulnerable because of the fact that, as you stated, those new entrants who have made investments in new capacity have to try to obtain sales and a return on that investment.

And in an already oversupplied market, that's going to put downward pressure on. We do know that except when you get into some very odd circumstances and lack of analysis, that it's price is about supply and demand.

So you initially stated properly when you have more supply coming into static demand, you're going to have downward pressure on prices. Nothing anybody does in this world is going to change those basic laws of economics.

As I say, that makes this industry more vulnerable. Regardless of who buys the ThyssenKrupp

America's facility, and I agree with Mr. Price, if they can't sell it by the end of their fiscal year, they're probably going to have to shut it down rather than taking the entire corporation into bankruptcy because it's public information.

They're a publicly traded company. They are hemorrhaging money. But the new buyer is going to want to try to get some return on whatever they pay, and that's going to put downward pressure.

To the extent that this Commission were to sunset orders, if your analysis is that there will be increased imports, then you would have increased imports coming into a market that is more vulnerable with more domestic supply already pushing down pricing.

You add more import supply to more domestic supply. That gives you even more downward pricing pressure in an industry in which current returns are very, very low compared to costs of capital.

So I would argue rather than being self injury that the Commission should follow its precedents and, in fact, find that it makes the industry more vulnerable.

COMMISSIONER PEARSON: Mr. Kegley.

MR. KEGLEY: Yeah, just quickly just to

restate what had happened in the industry that lead us up to a point in time where the industry became healthy again. Thirty some companies had folded in order for us to be in a competitive situation or at least a pricing situation, and obviously most of us would like for the T.K. plant to never have been built because of what we had all gone through, tens of thousands of workers lost their job. But here we are with this dilemma of a catch 22.

From our vantage point, I can tell you from at least the ArcelorMittal unions that I know, the people I deal with, in terms of whether or not this plant becomes up and becomes fully utilized as the potential of having four galvanizing lines there that we feel or fear that it's going to cost jobs elsewhere.

This is not a matter of, in our opinion, T.K. plant taking over or replacing imports. It's a matter of, in our opinion, taking over domestic production. And we feel that some of the people in jobs today will be out of business and lose their job if it's up and running. Thanks.

COMMISSIONER PEARSON: Mr. Rosenthal.

MR. ROSENTHAL: I do take exception to the notion of self-inflicted injury by the industry.

Industry hasn't been responsible for the collapse and demand, and the T.K. facility, whoever buys it, doesn't necessarily mean that the existing capacity is going to stay where it is today.

If a domestic producer buys it, they may take other capacity out only adding to Mr. Kegley's concerns. But still, I don't regard any of that as a self-inflicted wound. I regard the economic conditions, the collapse and demand, the overall economy, the difficult time in the construction segment of the market as not something that the industry is responsible for.

I do think what we can control and what you can control is whether or not the orders stay in place because you've got pent up demand by the Germans and Korean producers given the difficulty that they're having in their markets.

So I do think you have to take in tort law terms the victim as you find him. We're in a vulnerable condition, and then what happens when the orders are revoked. That is really the analysis I think you should follow.

COMMISSIONER PEARSON: So how do you respond to the idea that given the intensity of competition among domestic producers that I think we see on this record as reflected in relatively modest, average earnings, is there really room for many imports, subject or otherwise, to get in here? I mean, this looks to me like a tough marketplace to get a big foothold in right now as T.K. is proving.

MR. ROSENTHAL: It's not just T.K. and it's not just domestic competition. There's competition from non-subject imports. These are all conditions of competition that you have to consider. But again, it is not attributing injury. It is what is the condition of the industry? Is it vulnerable?

And I would argue it is vulnerable now because of all the things that you've mentioned. That's the analysis, not who caused the vulnerability but is it vulnerable and what happens if the orders are revoked. I don't think it's too simplistic to look at it that way.

COMMISSIONER PEARSON: Mr. Vaughn?

MR. VAUGHN: Yeah, Commissioner, I think you very accurately have described the very, very difficult situation which everybody is facing. And there is not a great win-win type solution here.

I mean, the Koreans have built so much capacity that they have to export over 40 percent of their production. The German mills are in a situation where they've lost huge amounts of money, and they're looking for more customers. And as you say, this is a very competitive market and the people here are trying to hang on and do what they can in difficult market conditions.

The issue is should people who are trading unfairly who are dumping and who are sort of violating the principals that we've established, these principals of fair trade, should they end up being the victors in this?

In other words, they're able to say, well, we have a solution. We can dump our problems in the United States and we can pass off the harm that would have fallen to us and make sure that instead it falls on these domestic producers. That's really the issue here.

It's not a question of, you know, is there a way to avoid people being hurt? Somebody probably is going to be hurt. The question is can foreign mills avoid their hurt by dumping and hurting American mills?

COMMISSIONER PEARSON: I would just add as a word of explanation then for those of you who haven't heard me say this before that I spent enough time in a couple industries where when an enthusiastic firm built too much capacity it just clobbered the margins for everybody for two, three, four years until the market could grow out of it. So I have some sense of what the situation that you're all in. So I just want to make that clear.

Unless anyone has anything more that they think I need to know -- I probably shouldn't have said it that way. I want to thank you all very much for being here. It's been good to see you again. I probably won't be here the next time around assuming we have another review, so I appreciate your testimony.

CHAIRMAN WILLIAMSON: Nothing that you need to know before lunch.

Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Mr. Chairman. Just one question for the record. We talked some about supply relationships between domestic producers and German transplant auto producers.

In the post hearing for the record, if each company could just indicate the volume of product that you've sold over the years of this period of review to the German transplant auto companies in the U.S., that would be helpful. With that, I don't have any further questions. I do want to thank you all for your answers. Thanks, Mr. Chairman.

CHAIRMAN WILLIAMSON: Commissioner Pinkert?

COMMISSIONER PINKERT: Just a quick legal question. There's been a lot of discussion about the disposition of the Alabama plant, whether it's certain, whether it's likely, whether it's going to happen in the near future, and so forth.

What I'm wondering is under the statute, what is the standard of certainty that we should be applying in determining whether to take that disposition into account. In other words, are we supposed to take it into account only if it's certain, only if it's completed, or should we take into account if it's likely. And if the latter, then likely over what period? Mr. Hecht?

MR. HECHT: Yeah, I think I would say that it would be evaluated under a likely standard under the reasonably foreseeable future the way the rest of the analysis is conducted, and I guess we can further brief this post hearing because obviously it's a critical point.

But given that for financial accounting purposes they have declared this a discontinued operation and with that comes certain expectations about the disposition of that plant and in what time period, we think it would be well in excess of any type of likely standard there, very much approaching a certainty standard.

COMMISSIONER PINKERT: Mr. Price?

MR. PRICE: Yeah, I agree with Mr. Hecht, and as our presentation says, it will be sold by year end or fiscal year end which is September 30th. In terms of reasonably foreseeable, certainly that's in the reasonably foreseeable time frame.

The Commission has generally used an 18 to 24 month time frame for steel sunsets given the nature of contract relationships that exist in this and what's reasonably foreseeable, so this is certainly well within the reasonably foreseeable period and it's certainly likely. So I think it should be taken into account and I think it's well past likely, approaching a high degree of certainty given the financial statements that have been made.

COMMISSIONER PINKERT: Mr. Rosenthal, I see you gesturing.

MR. ROSENTHAL: Well, we'll both certainly address this in the post-hearing brief, but we have a high degree of certainty, but that needs to be your standard. I think likely is the standard you need to employ, and I agree with the discussion that you heard from the other counsel so far.

COMMISSIONER PINKERT: Thank you very much. Mr. Chairman, I have no further questions but I want to thank the panel, and I look forward to the additional information that you've promised for the post hearing.

CHAIRMAN WILLIAMSON: Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Mr. Chairman. I have no further questions.

CHAIRMAN WILLIAMSON: Does any Commissioner have any further questions? Commissioner Pearson?

COMMISSIONER PEARSON: I'm sorry, Mr. Chairman. This is just further to Commissioner Pinkert's question. If you're going to address the question of what happens, whether the ThyssenKrupp plant gets sold, please also address how we should handle the uncertainty that it would be bought by another German firm, by a Korean firm, by some firm.

Well, seriously, because it could be transferred and be in exactly the same situation it is now in terms of how we would have to analyze it, so it seems to me that's another degree of uncertainty that we just can't ignore and walk away from. Thank you.

CHAIRMAN WILLIAMSON: Thank you. No further questions from the Commissioners, does staff have any questions for this panel?

MR. FISHBERG: David Fishberg, Office of the General Counsel. We just have one question and it goes to cumulation and it's probably going to be best answered in your post-hearing briefs. I know in your pre-hearing briefs you addressed this somewhat.

In the last review, the Commission undertook an analysis in terms of the way the German and Korean imports were going to compete in the U.S. market, and the Commission looked at a certain amount of factors in making that analysis.

In your post-hearing briefs, can you address those factors that the Commission looked at last go around. Explain whether on the record of this review you think it's a stronger or weaker case, and looking at maybe past Commission decisions, are there any other factors that the Commission should be taking into account in terms of its cumulation analysis.

That would be very helpful for both sides for your post-hearing brief. If you could do that, that would be great. And with that, staff has no further questions.

CHAIRMAN WILLIAMSON: Thank you. Do Respondents have any questions for this panel?

MR. PIERCE: This is Ken Pierce. No, we have no questions for the panel.

CHAIRMAN WILLIAMSON: Okay. Fine. It's time to take a lunch break. We'll reconvene at 2:30. You should remember that this room is not secure, and therefore, don't leave any confidential business information in the room. We'll see you at 2:30. Thank you.

(Whereupon, at 1:25 p.m., the hearing in the above-entitled matter was recessed, to reconvene at 2:30 p.m. this same day, Wednesday, January 9, 2013.)

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A F T E R N O O N   S E S S I O N

(2:30 p.m.)

CHAIRMAN WILLIAMSON: Good afternoon. Mr. Cameron, you may begin when you're ready. Whoever's leading us off.

MR. PIERCE: I'm Ken Pierce of Hughes Hubbard & Reed, counsel to ThyssenKrupp and Salzgitter, two of the three significant German CORE producers. The third, ArcelorMittal is a Petitioner and obviously of no concern to the U.S. industry. Salzgitter has not shipped here over at least the last two review periods, and has no intention of doing so following revocation. For Germany, that leaves the focus solely on ThyssenKrupp.

Cumulated or not, Germany and Korea should be of no serious concern. These orders are 20 years old.

You have heard Petitioners' gloom and doom rhetoric before and it proved false. When the CORE orders were revoked in 2007 for Canada, Japan, France and Australia, those imports entered a collective two and one-half year decline and still have not returned to pre-revocation levels.

The domestic industry did just fine and was unaffected by those revocations involving a far larger group of foreign producers. In fact today all non-subject imports are 8 to 5.5 points below 2006 on a full year and interim basis.

There have been many significant changes in the industry since the last review, let alone the original investigation two decades ago. Consolidation has intensified with the formation of ArcelorMittal. Raw material surcharges have become contracting norms. The four major domestic mills each now has large captive supplies of their man raw materials -- iron ore, coal and scrap. Most recently, natural gas costs have plunged.

Consider the strong state of the highly consolidated domestic CORE industry today. 2011 operating income is above 2006, and interim 2012 is well above 2011 at 6.1 percent. This is without adjusting for some mills' obvious reporting anomalies discussed in our brief that artificially deflate operating income.

Market share has climbed from 81.4 percent in 2006 to 89.3 percent in 2011 -- more than an 8 point jump.

Assets increased from $7.6 billion to $9.6 billion over these five years. So capital investments are not lacking.

Corrosion resistant prices are up significantly with averaging values increasing 25 percent over the review period.

This industry is anything but vulnerable as the threat of raw material cost squeeze has been all but eliminated by captive supplies. The industry's resiliency was tested and proven by its remarkably fast recovery from the 2009 recession.

In June of last year in a sunset review of Brazil, Japan and Russia, the Commission found that the hot-rolled segment of these same domestic mills was not vulnerable, concluding that their performance over nearly the same period simply tracked demand trends and that slow improvement was foreseeable.

With similar reasoning, the Commission found one year ago that the domestic carbon steel plate industry was not vulnerable and revoked the order on Italy.

The same is true today concerning the CORE industry, which likewise is not vulnerable. All development since the recent hot-rolled and plate decisions have only strengthened domestic CORE producers. It would be unreasonable to conclude that an industry this strong is likely to be injured by revoking 20 year old antidumping orders against two countries that combined hold just two percent market share.

Although negative determinations clearly are called for even if Germany and Korea are cumulated, Germany, nevertheless, should not be cumulated. Germany's market share is at two-tenths of one percent and its revocation could not possibly have even an adverse discernable impact on the domestic mills.

In any event, there are compelling reasons why the Commission should exercise its discretion and not cumulate Germany.

First and foremost is ThyssenKrupp's $1.4 billion investment in the domestic CORE industry by construction of a new mill in Calvert, Alabama. Our witnesses will speak to this at length, answer your questions, and the underlying local supply strategy that caused it will be discussed, and to the extent possible in a public forum, will address Petitioner's speculation about ThyssenKrupp Steel USA's future.

Two of the other German mills, by the way, ArcelorMittal and Tata Steel are similarly heavily invested in the United States CORE industry.

The minuscule shipments from Germany are largely composed of prep tons to support the Alabama investment which is to replace these small remaining imports. Uniquely, CORE production in Germany is inexorably shifting from subject carbon to non-subject micro alloys, with ThyssenKrupp's non-subject concentration moving from one quarter to one-third of total CORE production over the review period.

Also uniquely and related to the increased production of non-subject CORE, German imports are solely for the automotive industry, a circumstances that is hardened by ThyssenKrupp's required contract surcharges for raw materials volatility.

With Petitioners' consent the countervailing duty order on CORE from Germany was removed in 2007, and half of German imports, so-called Granocoat products, were exempted from the anti-dumping order on Germany about four years ago. These events happened only with Germany and not Korea.

Surely Germany's revocation would not be likely to lead to material injury to the domestic industry.

Germany is not export oriented as a remarkably stable and very high proportion -- nearly 90 percent -- of shipments are within the European Customs Union with its proximity and possibility of trade barriers, preferential transportation tariffs, and common currency. It is a fantasy to think of these localized shipments as traditional exports.

Germany is subject to no trade barriers, certainly not within the EU nor anywhere else, other than this anti-dumping order. Germany's capacity utilization, reasonably measured under normal operating conditions as the questionnaires instruct, is above 90 percent and no capacity expansions are planned.

There was zero underselling by Germany. A pricing relationship locked in for the foreseeable future by the advent of contract surcharges.

A negative determination should be issue for both Germany and Korea, and if not, without a doubt, for Germany alone.

Our witnesses will speak to each of these issues from the perspective of sales and strategy planning by ThyssenKrupp Germany and concerning the operation and sales of ThyssenKrupp Steel USA in Alabama.

Mr. Stefan Grünhage will begin, follows by Mr. Christian Dohr, and concluding with Mr. Bob Holt. Thank you.

MR. GRÜNHAGE: Good afternoon, Chairman Williamson and Commissioners.

I am Stefan Grünhage Head of Distribution

Service and Senior Manager of Sales Strategy and Planning for ThyssenKrupp Steel Europe AG.

My title describes my responsibilities there. Sales strategy/planning including corrosion resistant products. I'm here from Duisburg to offer information to aid in your decision-making with respect to Germany.

ThyssenKrupp Germany can only sell what it has the capacity to make. Presently for CORE this is about five million tons annually as set forth in the business plan we provided to the Commission. The plan reflects our operational adjustments of practical production capacity to project the demand. For example, the closing of a blast furnace. The plan projects total CORE sales of about five million tons in fiscal year 2012-2013. Thus, realistically, under normal operating conditions our CORE capacity utilization was 94 percent in 2011 and is slightly above that today.

This is all CORE capacity. Non-subject CORE is a large and growing proportion of our sales -- especially micro-alloys developed in response to evolving customer demands. Five years ago they were a quarter of CORE production. Today they are one-third. It is misinformed to consider all CORE products to be fungible. These micro-alloys tend to be advanced high strength steels for the most demanding applications such as hot formed auto parts. It is not easy to simply shift production between these products. It requires significant advance planning and scheduling, and we will not abandon established customers that have set this trend to increase non-subject production.

With no tariffs or even the possibility of trade barriers and nearly all using the Euro as a common currency, ThyssenKrupp's home market, in my mind, is the entire EU. Proximity matters. Transportation is at preferential rates for shipments within the EU. Product standards and specifications and financing are essentially uniform throughout. These are fundamental reasons why this customs union was formed.

Germany is central to it as the main economic engine of Europe. But none of our EU sales are exports in any meaningful sense -- commercially, they are closer to sales between states in the United States. The EU accounts for 93 percent of our total CORE shipments in 2011, so I find it incorrect that Petitioners label ThyssenKrupp as export oriented.

ThyssenKrupp exports small volumes of CORE products to the United States, less than one percent of our total CORE shipments. In recent years about half have been of Granocoat, an excluded carbon CORE product. What remain primarily are so-called "prep tons" to temporarily support TKS USA as it becomes a qualified supplier and ramps up production. Let me explain.

ThyssenKrupp has adopted a local supply strategy where we invest in production near the customers. This reduces transportation and logistics costs, avoids currency exchange risks, and greatly enhances customer relations. In the United States this strategy led us to build TKS USA in Calvert, Alabama. This was a $5 billion in vestment in flat-rolled steel production, both stainless and carbon. $1.4 billion of which relates to CORE production.

My colleagues will tell you more about this investment. Our sales plan is to have TKS USA displace imports from Germany. However, customers must be serviced while TKS USA passes rigorous qualification tests that can take over a year. The new mill also need customers once it is qualified and it comes on line. These related goals are accomplished with so-called "prep tons". These are temporary imports from Germany for TKS USA's customers. These prep tons explain the small increase in subject imports from Germany since 2010.

Shipments of prep tons will end in 2014. Minimal exports will continue after that, but these will be of electrogalvanized CORE, since TKS USA makes hot-dipped galvanized CORE. In the market, hot-dipped galvanized has steadily replaced electrogalvanized over the past decade, because hot-dipped galvanized is less expensive and its performance characteristics have improved. We only make electrogalvanized in Germany, so we will continue exporting it to a few customers in low volumes since TKS USA cannot make this product.

Concerning these U.S. sales, our universe of potential customers has been narrowed by global raw materials volatility. ThyssenKrupp does not have captive raw material supplies. Since 2010 raw materials, especially iron ore and coal, can no longer be purchased under long term contracts. This caused us to require steel contracts with quarterly surcharge mechanisms which means that the automotive sector because our sole U.S. customer base, as no others would accept the surcharges, particularly with five month lead times required for our U.S. shipments. Thus today our only U.S. customers are automotive.

This means our U.S. sales essentially are unaffected by demand trends in other sectors like construction.

ThyssenKrupp has hot-dipped galvanized CORE mills in Spain and China. Both serve their local markets and neither ship to the United States. Given that China and Spain are not subject to antidumping orders, you have a very good indication of what is likely to occur with respect to CORE imports from Germany following revocation. If we were going to behave as Petitioners claim following revocation we would already have flooded the market from Spain and China. Of course we did not do so, and we have no plans to do so.

Our non-U.S. CORE exports from Germany, as small as they are, have been limited to China for two years, despite the fact that there are no trade barriers against German CORE exports in any market except the United States. There is no basis for believing that we would shift these shipments from China to the United States if the antidumping order is revoked. The exports from Germany to China serve our international auto customers that globally require the same CORE products that we make only in Germany. These limited exports from Germany to China are indicative of the composition of our small exports from Germany to the United States if the antidumping order is revoked, as the United States market is to be served by production in Alabama just as soon as the product is available from Alabama.

You heard a lot this morning about prices in different markets, as if the United States were a high-priced magnet poised to draw in a flood of Germany steel after revocation. Let me describe to you how someone in my position looks at this argument.

First, factually it's wrong. Over the past five years sometimes prices in the United States have been higher than in Europe and sometimes lower. The spreads are either way not dramatic and tend to be a function of fluctuating exchange rates as much as anything else.

Petitioners are also wrong about how different markets' comparative prices affect ThyssenKrupp's sales decisions. From the production side, there must be available capacity and we are running close to full capacity. We are not going to abandon customers in the EU market just to chase temporary price differentials.

More basically, it is illogical for Petitioners to argue that we compare ex-mill prices in the United States with ex-mill prices in Germany and choose to sell to the higher of the two. Someone has to pay to move the steel across the Atlantic. At about $90 a ton, transportation costs from Germany are significant. We also incur higher credit and service costs on our U.S. sales.

Then there are lead times. About five months for our U.S. sales as all our production is made to order, making inventory levels meaningless in this review. Customers will not wait that long when they can buy immediately from a nearby U.S. mill without the risks of market prices having changed by the time the material arrives. This alone gives U.S. mills significant price premiums over imports from Germany.

In my experience the price magnet theory is not realistic. In the real world where I help to set ThyssenKrupp's sales strategies and plans, it simply does not hold up. Given customers' all-in acquisition costs and concerns, for the theory to have any credible basis in fact, it would require near permanent price differentials over 25 percent, and that is just not realistic.

Petitioners also have greatly exaggerated conditions in the European economy as I see them for sales planning and strategy purposes. My job requires that I keep a close watch on European demand indicators. The recession of 2009 affected Europe like it did the United States, but not as badly in Germany. And most of Europe, including Germany, has been in sustained recovery for the past two and a half years. I expect this will also be the case for the foreseeable future. It is slower than we would like it, but it is moving in the right direction. And for ThyssenKrupp the economic fundamentals are sound. Auto production is not soaring, but is relatively stable as is construction. Import levels are low and we expect an EU countervailing duty order to soon be imposed on organically coated CORE products from China. Looking forward, customer inventories are low and restocking is soon to commence at significant levels, meaning increased EU shipments for at least the next two quarters.

Certainly there is nothing occurring in the EU market that would likely lead to a flood of steel exports into the United States. Consider that at the depths of the economic crisis in 2009 there was no flood. Instead, CORE imports from Germany dropped to their lowest level in 2009, with market shares below 2008 and 2007. In fact they have been at very low levels throughout the economic up s and downs in this review period. This will not change with revocation as Alabama's production completes full ramp up.

Thank you.

MR. DOHR: Good afternoon Chairman Williamson, Commissioners. My name is Christian Dohr. I'm the President and CEO of ThyssenKrupp Steel USA in Alabama, the nation's newest and most technologically advanced carbon steel rolling mill. We make hot-rolled products, cold-rolled and galvanized flat-rolled steel from slabs supplied from our sister company in Brazil, ThyssenKrupp CSA.

TKS USA was built in Alabama to service the after market pursuant to ThyssenKrupp AG global supply strategy where production proximity to our customers is essential. We are a proud member of the United States steel industry and of the American Iron and Steel Institute. The $5 billion investment in Alabama that my colleague Stefan just described employed 6500 workers to build, 2000 workers to operate the carbon segment, and overall sustains 38,000 indirect jobs.

In addition to our own customer base, the overarching plan is for our production to be sole means by which ThyssenKrupp supplies the after market for hot-dipped galvanized steel products, by far the largest CORE segment accounting for upwards of 80 percent of all CORE consumption. Our target market extends throughout the continental United States, Mexico and into Canada.

Our first galvanizing line went into production in March 2011 and the second later that year. With this, our annual CORE production capacity is one million metric tons. Another galvanizing line will start operation in 2013 and zinc port (Ph) installation, the fourth, is planned to start in 2014. This will bring our total CORE capacity to two million metric tons.

Given the scale of this investment obviously it is in ThyssenKrupp's self-interest to be a part of a strong and vibrant domestic steel industry. For this reason I have been given so-called veto authority over all potential imports from ThyssenKrupp facilities anywhere in the world that might compete with our production. This extends to both the volume and prices of potential imports from affiliates as well as all forms of corrosion resistant steel, since one form of CORE such as electrogalvanized can influence the prices and volumes of another such as our own hot-dipped galvanized.

The effective exercise of this veto authority is great facilitated by the centralization since 2012 of all flat-rolled steel imports from any ThyssenKrupp entity through a single arm, ThyssenKrupp Steel North America, located in Detroit.

Contrary to Petitioners' claim, ThyssenKrupp Steel Service Center in Richburg, Virginia, no longer imports CORE and ThyssenKrupp Taylor Blanks in Michigan of which I was recently president, has been sold.

The strategy for TKS USA in Alabama and ThyssenKrupp CSA in Brazil rested on certain basic economic parameters and these have changed as publicly described by ThyssenKrupp AG in May of last year. This strategy primarily hinged on our access to low cost slab from ThyssenKrupp CSA in Brazil coupled with price premiums for our products in the national market.

But then came the financial crisis, followed by the slow and uneven recovery in the United States in contrast to a strong growth in Brazil. This had corresponding and unforeseen cost and demand effects on the two countries. It caused production costs to rise disproportionately in Brazil due to an increase in labor costs, inflation, and the appreciation of the Brazilian currency. Iron ore prices also rose sharply, and long-term iron ore contracts ceased being offered.

Despite these challenges in the United States we are confident that we will win those customers that value our locally produced steel. These customers include automotive manufacturers as well as heavy equipment and pipe and tube manufacturers who value the quality, grades and sizes of our high strength steel.

TKS USA is seeking certification from all ten of the major auto OEMs in North America, with about 50 percent approvals received thus far. Similar price premiums are less likely in the U.S. service center segments where demand has yet to fully recover and high strength and quality grades are less differentiating factors.

In May of last year, as you know, ThyssenKrupp AG decided to divest the plants in Alabama and Brazil because the integrated tandem of the two plants is economically unsustainable for ThyssenKrupp. But despite this, both plants hold leading positions in terms of technology and conversion costs and can be very attractive for new owners.

This is why ThyssenKrupp AG initiated a sales process which is running completely to plan.

Since November ThyssenKrupp AG has given a selection of potential buyers the opportunity to analyze the plants in a due diligence process. As soon as this process is complete, we expect binding offers. ThyssenKrupp AG is determined to find a new perspective for both plants in the course of fiscal year 2012-2013.

I appreciate your understanding that this is a highly confidential and extremely complex process involving potential investors. I trust that the restraints on my discussing this process any further in public are readily apparent to the Commission.

In the mean time, as has been the case since the mills first became operational, the ramp ups of the two mills in Alabama and Brazil are proceeding apace to completion. It is in ThyssenKrupp's interest that TKS USA be as financially sound as possible to increase its value. Thus I retain and am fully prepared to exercise the veto authority I now hold should that need arise.

The process undertaken by ThyssenKrupp AG also has not changed the prep ton strategy of ThyssenKrupp Germany, supporting TKS USA as it gets qualified by automotive customers and reaches the production levels necessary to serve them directly.

After all as mentioned over the long term the price premiums for high quality high strength steels in automotive are critical to maximizing the value of this major ThyssenKrupp asset in Alabama.

I concur fully with my colleague Stefan. The enhancement of the value of TKS USA is far more important to ThyssenKrupp AG than are the small import volumes from Germany.

Finally, over the coming critical period the antidumping order on Germany is serving no legitimate purpose that I can see. For the many clear reasons given in our pre-hearing brief and testimony, CORE imports from Germany are not going to injure the domestic industry if the antidumping order is revoked. Those duties are merely an expensive nuisance and an unnecessary complication hindering the prep ton strategy that is essential to the full operation of TKS USA so that we may displace imports from Germany and serve our customers throughout the United States as well as Mexico and Canada with our U.S. production.

Thank you.

MR. HOLT: Good afternoon, Mr. Chairman and other Commissioners. I am Bob Holt, Vice President, Sales and Marketing, ThyssenKrupp Steel USA.

I've worked for the American steel industry for over 30 years. I would like to explain to you the relationship between our sales from Alabama to imports from Germany and how those imports are to be displaced by our U.S. production.

We consider our market to be national and all countries in NAFTA, although we are less focused on Canada. What I'm going to describe to you applies throughout this area.

It takes time to ramp up a new steel mill and its coating lines, particularly a mill that is not domestically established and has not had extensive commercial representation in the United States. To supply the market we not only had to build a new facility, but we had to break into that market in all facets of the business. This included not only building the facility, but more importantly building customer relationships, demonstrating operating capabilities, and operating at a high level of performance.

As mentioned earlier by my colleagues, to supply the automotive market we must also pass intense qualification tests of the individual car companies.

During today's period of initial production we began by selling CORE products primarily into the service center segment, both in the United States and

Mexico. In this market segment demand has improved since 2009.

For the reasons explained by my colleague Stefan Grünhage, ThyssenKrupp Germany does not sell into this segment so there are no imports for us to displace. This means that German imports of CORE products do not compete significantly with Nucor and SDI, two major U.S. producers that primarily sell to non-automotive market segments. Nor do they compete against any of the integrated steel mills in the large service center market.

CORE imports from ThyssenKrupp Germany are exclusively for U.S. automotive companies where demand is strong and growing. These customers require very high performing materials from ThyssenKrupp and others qualified to make these steels.

ThyssenKrupp Steel USA is one of the few mills that can supply into this high end market segment in the United States. But even though contracts currently are in place for TKS USA to supply the automotive companies, we cannot provide the steel until we finish the time-consuming testing process and then ramp up production.

To meet our contract supply obligations and accelerate entry into the automotive market, these automotive customers must receive the steel from Germany until Alabama can supply it. This is also essential to ThyssenKrupp Steel USA coming fully on-line with the high end customer base that is so important to our future success. This is where the imports from ThyssenKrupp Germany come into play.

These imports are the so-called prep tons so that the automotive customers get steel as ThyssenKrupp USA completes startup. Once that is completed, ThyssenKrupp Steel USA supply takes over to replace the imports. This replacement process applies to imports into all three NAFTA countries as the local supply strategy is fully implemented.

Since prep tons ultimately are paving the way for ThyssenKrupp Steel USA sales, ThyssenKrupp USA leaves the price negotiations with these automotive customers with input from Germany. In addition, we also supply all the technical support necessary to support that business as well.

The prep ton process has been successful with some of the automotive companies, but not all of them. Some do not want to go through the prep ton process due to the distances and because of the logistics involved during the replacement phase. Instead, these automotive companies will consider sourcing directly from ThyssenKrupp USA once we are qualified by them. ThyssenKrupp Germany has not sought to step in and take these sales.

The replacement of prep tons with ThyssenKrupp Steel USA production is not just an intention, but generally follows a well-defined schedule. There are different schedules for different materials and different automotive customers, and there can be variations depending upon future automotive production levels of the specific car models involved.

The prep tons largely will continue at roughly current levels into 2013. Then they will tail off and cease altogether in 2014. By that time we expect ThyssenKrupp USA to have entirely replaced imports of hot-dipped galvanized CORE products from ThyssenKrupp Germany.

This prep ton and import replacement process is commercially established with the arrangements with our customers. Christian Dohr's veto authority helps ensure imports will be replaced but the transfer is going to happen in any event because market forces compel it.

The shift to domestic production is essential to maximizing the value of ThyssenKrupp

Steel USA, an absolute top priority of ThyssenKrupp AG. I have no reason to believe that any of this is changed by the process undertaken by ThyssenKrupp regarding ThyssenKrupp USA that Christian described in his testimony.

As to the non-subject imports that were discussed this morning from places other than Germany and Korea, as shown in the pre-hearing report they have not surged, dropping from 2.7 million tons in 2006 to 1.6 million tons in 2011.

There has been some increase in 2012 over 2011, but most of this is from Canada.

The major Canadian CORE producers today are owned by U.S. steel mills following U.S. Steel's acquisition of Stelco and ArcelorMittal's acquisition of Dofasco. So even domestic producers opposing Germany's revocation obviously realize that not all imports are alike, nor potentially injurious.

In fact, non-subject imports have no bearing on German imports after revocation. For example, those from China, Taiwan and India are an entirely different market segment from ThyssenKrupp Germany.

But none of this has any real bearing on lifting the antidumping order on Germany. In the end, the order is simply an unnecessary cost and complication in our efforts to displace CORE imports from Germany with U.S. production and grow our business in Alabama within the automotive industry. It should be revoked and this would have absolutely no impact on our domestic industry.

Thank you very much.

MR. CAMERON: Don Cameron from Morris Manning & Martin on behalf of Korean respondents. I'm accompanied by Julie Mendoza and Will Planert and our Korean witnesses.

Before they testify we wanted to just give a little statement to provide some context.

The U.S. CORE industry has enjoyed 20 years of import relief and cannot credibly claim that it will suffer a continuation or reoccurrence of material injury if this order is not maintained for another five years against the only two remaining countries -- Germany and Korea.

Again, they are saying that the U.S. industry requires an additional five years on top of the 20 they've already had of import relief.

Antidumping and CVD orders are not intended to be a permanent fixture of the market. This investigation confirms that the reason the U.S. industry has gained eight percent market share over the POI and doubled their operating income during the period of review has nothing to do with the orders. It has to do with the fundamental change in the industry and its customer base. The U.S. industry today is composed of world class steel producers and they compete effectively in a global steel market.

These are good companies. As the Commission recognized in the last sunset review as part of the process of consolidation and restructuring, the U.S. industry renegotiated labor contracts, shed more than $7.5 billion in legacy costs, and reduced their fixed costs. During these past 20 years these U.S. producers have obtained an optimal position as the dominant suppliers of the most vibrant sector of the U.S. CORE market, the automotive industry. This also explains in part why imports have declined. They simply can't compete to the same extent in that market.

That fact is not a function of the orders. It is a function of geography.

Look at the declining market share of the other suppliers who were sunset five years ago. Look at the declining share of subject imports. Both phenomena are due to the long term structural change in the market which the Commission saw at the time of the last sunset review.

U.S. automotive producers are generally unwilling to depend on the vagaries of import supply. To the extent that other segments of the CORE market have been slower to recover than others, such as the construction sector, imports have also declined in response to that condition. Contrary to Mr. Schagrin, the construction market is recovering and the automobile market is obviously gaining more strength as well.

In a down market that has been slow to recover, purchasers prefer the domestic product and the ability to avoid the uncertainties brought about by long lead times and fluctuating prices.

There is every reason to believe that those market forces will continue to operate in the imminent future.

The U.S. industry has already begun to take the next step forward in consolidating its strength by becoming vertically integrated with the suppliers of their primary raw materials. Despite what they said this morning, this does improve their position with respect to costs.

This is a worldwide phenomenon and U.S. producers have not been left behind. As for the likely behavior of the Respondents if the orders are revoked, the best evidence is what has occurred during the period of review.

Subject imports have declined in significance. Not only have U.S. market forces brought about that change, but both Korean and German producers are highly diversified and the U.S. market is just a small part of that business. Korean capacity utilization exceeds 95 percent. Both Korean and German producers sell primarily to their home and other non-U.S. export markets.

The U.S. market is not the magnet it once was, and price competition is not the name of the game. As stated earlier this morning, it is a global steel market with all that entails.

Predictably, the record in this case shows mixed over and under selling by Korean producers and over selling by the Germans. In most recent quarters, Korean producers have consistently over sold domestic suppliers.

Finally, nobody here on our side is suggesting that Korean producers are going to abandon the U.S. market, and to the extent that that was being promoted this morning, let me dispel that. Nobody said that. We certainly didn't. POSCO will continue to supply the Korean transplant automotive companies -- Hyundai Motors and Kia -- as members of The Hyundai Group. POSCO will continue to supply the automotive sector in small quantities, although this will increasingly be done by non-subject imports from POSCO Mexico and not from Korea. Dongbu and Union will continue to sell small volumes into the construction sector, but their volumes will not be significant in the context of U.S. apparent consumption.

MR. BAEK: Good afternoon. My name is Young-Il Baek, and I'm a manager in the overseas marketing department of POSCO. I have worked for POSCO as a member of trade affairs team for over three years. I appreciate the opportunity to appear before the Commission today to present this subject.

POSCO is the world's fifth largest steel company and sells a wide variety of steel products including CORE in the home market and to markets all over the world. Korea is POSCO's largest market for CORE and normally accounts for 60 to 70 percent of our shipments.

As for export markets, POSCO primarily exports to countries in Asia due to their close proximity and other growing economies such as Turkey and Brazil.

POSCO has also maintained a steady and consistent presence in the U.S. market since the original investigation in 1992. However in recent years POSCO has continued to diversify into a broader market arena and as a result, our level of exports to the United States has steadily declined. This trend will continue in the future as POSCO wants to reduce risks due to over-dependence on a few markets.

POSCO's sale of CORE to the U.S. market are exclusively to the automotive sector, mainly to Kia, Hyundai and Volkswagen. However, POSCO's supply of CORE to the automotive sector has continued to decline during recent years as the U.S. automotive companies have increasingly expressed a preference for domestically produced CORE.

Their reason has nothing to do with the quality of POSCO's CORE, but rather is due to the long lead times, transportation costs, and logistical issues associated with importing from Korea.

Due to their dependence on continuous production schedules, the U.S. automotive companies are increasingly buying from the U.S. domestic producers who can deliver their products much faster and with lower transportation costs and fewer logistical issues associated with importing from

Korea. We expect this trend to continue in the future, and as a result expect our exports to the U.S. to continue to remain at relatively low levels.

Another important reason why we expect our exports to the U.S. to continue to remain low is our recent investments in production facilities in Mexico. Specifically in June 2009, POSCO Mexico's first production facility commenced commercial production of CORE. The continuous galvanizing line has a production capacity of 400,000 tons. Additionally, POSCO Mexico is in the process of constructing a second production facility in Mexico which will have an additional capacity of 500,000 tons. Given its close proximity to the U.S. market, POSCO expects to increase its service to the U.S. market from its Mexico facilities.

Another important development for POSCO is that the Department of Commerce recently revoked the CORE AD order on POSCO in March of last year. The revocation was based on the fact that POSCO consistently had de minimis dumping margins. The revocation occurred only in March last year, and I would like to note that since the revocation of the AD order, POSCO has not materially changed its level of exports to the U.S. market. CVD margins have always been de minimis.

POSCO has continued to ship its products to the U.S. market in small volumes. This is because POSCO's strategy of diversification is not impacted and has never been impacted by the existence of the AD and CVD orders. This will not change if the orders are revoked.

I would also like to address the issue of POSCO's recent capacity additions. In April of last year POSCO added a new continuous galvanizing line at its Pohang plant. The total capacity for this new line is 826,000 short tons. However, of that new capacity 341,000 short tons of this new capacity is for the production of non-subject pickled and oiled hot-rolled steels. The new CORE capacity from this new line is thus 485,000 short tons. This new capacity was added chiefly to serve the construction and household appliances industries in the domestic and emerging markets. The Pohang plant did not have continuous galvanizing line before the construction of the new facility and Gwangyang plant's galvanizing lines are producing CORE mainly to meet the soaring demand for the automotive industry.

Additionally, POSCO had planned to build a new CORE plant in Gwangyang in 2009, but those plans were abandoned and POSCO has no plan to build this plant at this time.

Finally, I would like to briefly address imports from China into Korea. Imports of CORE from China have not had much impact on POSCO's sale in the Korean home market because the quality of the steel is not at the same level as POSCO and is primarily targeted to the construction industry, especially for those who do not require high safety standards such as lightweight steel, structural steel, and roofing panels.

Again, I appreciate the opportunity to present this case before the Commission today, and will do my best to answer any questions you may have.

Thank you.

MR. PI: Good afternoon, my name is Dong-Heui Pi and I am the Deputy General Manager in the Marketing Strategy Team for Hyundai HYSCO. I have worked at HYSCO for seven years and have been in my current position for five years. I am quite familiar with the Hyundai HYSCO's CORE operations and with the CORE market. I appreciate the opportunity to appear before the Commission today.

HYSCO sells a wide variety of steel products including CORE in the home market and to markets around the world. However, because HYSCO is part of the Hyundai Group much of its CORE production is dedicated to supplying the Hyundai Motor Group automotive producers which includes Hyundai Motors and Kia Motors.

HYSCO has overseas processing plants in Europe, India, China, Russia, Brazil and the U.S. in order to support the Hyundai Group's overseas automotive business. As the Hyundai and Kia brands have become more popular and accepted in markets all around the globe, demand for these cars and thus demand for CORE has increased significantly.

Demand for Hyundai and Kia automobiles is still the strongest in the Korean home market where these two brands consistently maintain approximately 80 percent market share. As a result, the large majority of HYSCO's CORE shipments -- approximately 50 to 60 percent -- are made in the home market. We expect this to continue and to even increase as demand for Kia and Hyundai cars continues to grow in Korea.

Automobile demand in other non-U.S. export markets has also been strong. As a result, HYSCO has expanded its exports to these markets to service the growing demand for Hyundai and Kia automobiles. For instance, both Kia and Hyundai are adding additional automobile production plants in China, bringing the total number of automobile production plants in China for Hyundai and Kia combined to six.

Hyundai also recently completed construction of a new auto plant in Brazil. HYSCO supplies CORE to all of these auto plants.

HYSCO has also maintained a steady presence in the U.S. market and sells CORE to both Hyundai Motor Manufacturing Alabama and Kia Motors in Georgia. Given that HYSCO is affiliated with Hyundai Motors and Kia via the Hyundai Group, it is only natural that we supply them with some of their CORE needs. However, both Hyundai and Kia also purchase CORE from the major U.S. producers and in fact now purchase more of their CORE from the U.S. producers than they do from HYSCO.

Hyundai Motors and Kia depends on supply from U.S. producers in order to enjoy the benefits of shorter lead times and just in time delivery, just like every other U.S. auto producer. The lead times from Korea and the transportation costs often make the U.S. producers a more attractive option.

Going forward, HYSCO expects to continue to be a steady supplier to its affiliated automotive companies in the U.S. market and this will not change with or without the existence of the AD/CVD orders.

Because of the advantages the U.S. producers enjoy in being able to supply Hyundai Motors and Kia Motors with a reliable supply of CORE with short lead times, HYSCO does not anticipate that the percentage it supplies to Hyundai and Kia will increase in the foreseeable future.

HYSCO has been subject to numerous AD and CVD administrative reviews at Commerce and has consistently received very low and mostly de minimis margins. HYSCO has never received a calculated CVD margin above de minimis in any administrative review. Our level of exports to the U.S. market thus has not turned upon the existence of AD/CVD orders, but is instead based on market conditions. This will not change if the orders are revoked.

I would also like to address recent capacity additions by HYSCO. In 2011 and 2012 HYSCO expanded its continuous galvanizing line at its Sunchon and Dangjin plants. The nominal capacity increases were 275,000 tons at each plant. This new capacity was brought on line in order to service primarily the domestic market and other non-U.S. export markets.

In addition, HYSCO is in the process of building a new plant in Dangjin that will have a name plate production capacity of 1.65 million short tons.

However, only 550,000 short tons of this new capacity will be for the production of CORE. The remaining capacity will be used for non-subject cold-rolled. This new plant will not be operational until the fourth quarter of 2013. This expanded capacity is based on the requirements of Hyundai and Kia Motors.

HYSCO is, and will continue to be, a steady and consistent supplier of CORE to the U.S. market as a supplier to Hyundai Motors and Kia Motors. However its primary focus will continue to be on its home market and other export markets based on proximity, and as part of HYSCO's strategy to remain diversified in the export markets it supplies. HYSCO has established customers in these non-U.S. export markets and will not divert shipments from those markets to the U.S. in the near future. This is true with or without the existence of the AD/CVD orders.

Thanks again to give the opportunity to appear before the Commission today. Thanks.

MR. CAMERON: Thank you, Mr. Chairman. That concludes the panel's testimony.

CHAIRMAN WILLIAMSON: Thank you very much. I want to express my appreciation to all the witnesses and especially realizing that it's a long trip from Germany and even longer trip from Korea, so I appreciate very much those who have come from overseas for this hearing. As I said, it's very helpful to have the manufacturers here to talk about their product that it sells and their plants.

The questioning begins with me, so I'll move right into that. I guess we should go to Thyssen. I understand that you can't talk about the sale process, you particularly can't talk about the sales process, you don't know who you're going to be negotiating with and what the deals are going to be. But that raises the question of how should we treat this possibility.

Particularly I'm trying to think what we should make of the statements that Mr. Dohr has made about exercising control of all the imports that are coming into this market. And it's probably all going to have to be done post-hearing.

Go ahead.

MR. PIERCE: If I may, perhaps, to offer a framework, and I appreciate your sensitivity to the confidentiality of something like this in a public forum.

But your question and how to frame it is interesting and it goes to a question Commissioner Johanson raised this morning that I've been thinking about since he raised it. The issue of how certain do we have to be.

I'd step back first and say we don't think our case depends on Alabama, but let's say getting to the question of what's going to happen in Alabama, how certain does it have to be.

The legal standard of course is likely to lead to material injury, and within that you can consider conditions of competition. Conditions of competition -- One condition of competition, a major one for Germany is we have a steel mill in Alabama. It is up and operating and is running, it is built, it is not speculation. The veto authority is in place and being exercised. The prep tons process is in place and going forward with that. The customers' expectations of that going through are in place already. All of that is known and concrete.

As you push out to the future and you talk about the divestment -- who, when, what form, how, if? That's all speculation. That's entirely speculative.

A good example of that was this morning and will probably end up as a block quote in our brief was Mr. Price's comments when he was talking about who's going to supply this mill? He started going off on what's going to happen with the Brazilian segment of this? We don't know. What's going to happen? This could happen. That could happen. He was engaged in rank speculation. That's what you're being asked to do here as you consider what might happen with regard to Alabama.

Now we have been as forthcoming as we can be in a public forum. Frankly, there's no hiding the ball on this, this was a public issue. It was in our questionnaire response back in August. As it's evolved, it was in our brief and it's addressed in our testimony and we brought you the witnesses who can discuss it as much as we can. We will give you what we can on the details in our post-hearing brief to the extent they're known. But you're asking for -- You're not asking, but issues are being raised this morning on things that just haven't been determined yet, frankly. It's just quite speculative.

So within the context of the level of certainty, what you can be certain of is there is a mill built and producing in Alabama, it has veto authority over the imports from Germany, the prep ton process is in place and running, contractually locked in. That you can be certain of. What's going to happen a year from now on this other process, the divestment, frankly, you would just be engaging in complete speculation and I don't think you can rest the determination on that.

That's how I think it should be assessed.

CHAIRMAN WILLIAMSON: That still leaves the problem that in the next -- To the extent that you're asking us to decide that imports from Germany are not going to be a problem because during the next 18 months Thyssen's imports will not injure that plant. That was what Mr. Dohr was basically saying. I'm going to be in charge.

Well, as soon as sale happens, unless you can tell us now that hey, it's only going to happen under these conditions that assumption will not be valid, as far as I can see. We don't know what the situation is going to be. But we know there probably will be a change.

MR. PIERCE: We don't know what the situation's going to be.

I would back up two steps. I'm not even sure you have to get to this question. If you did cumulate Germany and Korea, I still don't see grounds for an affirmative determination, frankly. You're talking about less than two percent of a 20 year old order.

CHAIRMAN WILLIAMSON: That's a valid argument.

MR. PIERCE: But before you get to the next point, I think there are also independent grounds for decumulating Germany and to think of a continuing order in Germany of less than two percent of market share is just out there.

On this particular issue, I can't give you any certainty either way on the question, that specific question you're asking because it hasn't been decided yet.

CHAIRMAN WILLIAMSON: Okay, we all know that. So maybe what you -- Are you saying to us irregardless of what happens here, we don't think you have a reason to continue the order on Germany.

MR. PIERCE: Absolutely.

CHAIRMAN WILLIAMSON: And therefore don't worry about this other stuff. All these other factors are so predominant they outweigh it. That's the argument you're making, then okay maybe we can evaluate on that basis. But to the extent that you're also saying to us don't worry, we'll make sure -- Shall we call it the middle relationship which would adjust before other circumstances, if you're saying that applies here, then I have to think about these other questions.

MR. PIERCE: Fair enough. I take your point very well and I think you understand the situation that we're in where we can't speculate about things of that sort. I don't want to give you wrong information.

CHAIRMAN WILLIAMSON: I appreciate your frankness on that. I'm just sort of saying post-hearing if there's any further guidance you want to give us as to how we should deal with the circumstances, and of course the Petitioners will have some views too on that.

MR. PIERCE: We'd be more than happy to.

CHAIRMAN WILLIAMSON: Thank you.

MR. CAMERON: Commissioner?

CHAIRMAN WILLIAMSON: Mr. Cameron.

MR. CAMERON: Just one very brief observation which is that as Ken just said, the cumulated issue here and the issue of revocation does not depend on what is happening with TK Alabama and whether it is sold, whether it's not sold, how you want to determine that. Regardless of that, the facts on the record support the fact that this 20 year old order shouldn't be extended for another five years based upon speculation of whether or not we're going to fall off the fiscal cliff, whether we're going to go into a global depression, whether China is going to overwhelm the entire world and particularly Korea. Maybe they'll invade. You don't know what's going to happen. There could be nuclear weapons that are exploded in North Korea. I don't know.

But I can tell you it's all speculation and not relevant to whether or not these orders ought to be terminated right now.

CHAIRMAN WILLIAMSON: Before you go nuclear, that's --

MR. CAMERON: Right. That's another observation.

(Laughter.)

CHAIRMAN WILLIAMSON: I've posed the issue out there on the other matter. Let me go back and see what other questions I have.

Do you agree with the domestic parties that the Commission should continue to find one domestic like product consisting of the CORE center with the Commerce scope and consistent with Commission prior determinations?

MR. PIERCE: We do.

MR. CAMERON: We agree with one like product, and I think it's important for you to recognize, as I'm sure you're aware, this is a very old order and it's a carbon only order. Like product does not extend to micro-alloys. There's a lot of production in Germany of CORE product that's non-subject merchandise. But that still is sticking with the same like product definition as used before, and we would support that.

CHAIRMAN WILLIAMSON: Thank you.

Also do you agree with the domestic injured parties that the Commission should continue to define the domestic industries comprising all U.S. producers of CORE?

MR. PIERCE: We do, yes.

MR. CAMERON: I think there are issues that are posed by this. We'll address them in the post-hearing brief. But I think that you do have to look at some of the U.S. producers and how that fits in.

CHAIRMAN WILLIAMSON: Thank you.

I think with that I'll stop while I'm ahead. Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman. Permit me to offer my welcome to you also. It's going to be nice to get out of here earlier than we did last time, because of course -- Yes, some of you remember that all too well. And may it go well for both the seller and the buyer assuming a transaction takes place.

Mr. Pierce, you addressed cumulation and you touched on the possibility of a finding of no discernible adverse impact in regard to imports from Germany. Give me a sense. Are you proposing that as the basis that we should use to decumulate? Or are you saying --

MR. PIERCE: No. It's a separate determination before cumulation is considered. I think before you can cumulate you have to determine that a country, if there was revocation, would be likely to have a discernible adverse impact. In our opinion Germany's revocation doesn't even rise to that standard. The imports are just so low and so specialized and so concentrated in the automotive sector, capacities, at high capacity utilization. For all those factors, I think Germany should be revoked under the no discernible adverse impact standard. I think it's that clear.

Failing that, if you find that there would be likely to be an adverse discernible impact on the domestic industry if Germany was revoked, then I think you should exercise your discretion and decumulate Germany based on different conditions of competition from Korea. Whether it be the situation where the CVD order was lifted and half of the imports were excluded with domestic industry consent vis-a-vis Germany, whether it be the much lower market share, whether it be the moving concentration into non-subject CORE production in Germany. Any of those grounds I think are a basis for decumulation.

Added to that, another ground for decumulation would be the investment in Alabama. Failing that, if it's cumulated, I still think there should be revocation because even when you combine these two sources under a 20 year old order, you're still talking about less than two percent market share, and a very small volume of imports that have been relatively stable over the last 15, 20 years or so.

COMMISSIONER PEARSON: Thank you.

I'm among the Commissioners that at times has been willing to consider no discernible adverse impact as a basis for not cumulating. However, I'm also among a group of Commissioners that has taken the approach of first addressing conditions of competition and then subsequently addressing no discernible, so I was wanting to get your sense.

If you were making a strong push that we should decide this on the basis of no discernible adverse impact, then I would want you to go back and explain to me how this case compares to others where I've made that finding. But if you're arguing largely for or at least arguing that it's possible to decumulate on the basis of conditions of competition, then that's less relevant.

MR. PIERCE: We'll address that in the brief. I'm arguing both. I'm arguing we're so small and inconsequential upon revocation there would be no discernible adverse impact given the conditions of competition.

If there were a discernible impact found, if we were to cross that threshold, I still think we should be decumulated maybe for the same grounds, but you don't have to get over the discernible adverse impact hurdle.

COMMISSIONER PEARSON: In that case look at some of my past NDAI findings and let me know whether this case fits within those parameters or whether it's a bit more of a stretch.

MR. PIERCE: Will do.

COMMISSIONER PEARSON: Thanks.

What's your sense of whether the consumers of corrosion resistant steel do have some preference for local supply as compared to supplies coming long distances?

MR. CAMERON: Don Cameron for Korean Respondents.

I think if you look at the purchaser questionnaires, particularly with respect to the automotive sector, it is quite clear and their reasons are also quite clear. They say it's geography. It's long lead times. It's geography. And it was interesting this morning, we heard from Mr. Rosenthal that nothing had changed in the market. The one thing that hasn't changed is you know, they were in the market before the order 20 years ago, and they're in the market now, and really, the basics of the market haven't changed. Well, I beg to differ.

The basics of the market actually have changed. The whole theory that the automobile industry is pursued in that 20 year period in order to become more competitive is the just in time theory of inventory. And actually that does drive certain decisions. One of those decisions actually is a preference for sourcing locally. So that is a huge non-price factor.

You then go from there to this issue of well, if the prices here are higher and therefore automatically it's just going to be this magnet that's going to attract the imports.

Well that assumes that the buyers here are necessarily going to be buying those imports. If you look at those questionnaires I think that it's quite clear, imports are there. Korea and Germany are hardly the sole producers of automotive quality steel. In fact Korea is a rather late comer to this market. The Japanese and other producers have been there for a long time. Again, why is it that the major automobile producers are saying well, yeah, these sources are available, however we prefer to source locally. It's pretty important.

MR. HOLT: Excuse me. My name is Bob Holt. I'm from ThyssenKrupp.

I've had a lot of discussion with customers over the last five years relative to that issue, and to be perfectly honest, when we first started our market entry process we based a lot of our planning on prep tons. Prep tons obviously means steel that's going to come from Germany over here to the United States and help prepare the way for us to get into that automotive business.

Of all the automotive companies out there, we had high expectations that maybe all of them would have an interest in buying prep tons from ThyssenKrupp. As it turned out, it's been just the opposite. There have only been maybe 50 percent of the automotive companies that have had any interest in bringing prep tons in to support their business. And the reasons are pretty obvious.

Despite the fact that we would assure them that we would make sure we would guarantee deliveries and that we would perform in the way that they expected and be competitive, they just don't want to deal with steel that's coming from off-shore, 4,000, 2,000 miles away, and deal with the logistics of bringing steel in from those foreign sources.

So as a result, instead of having 10 companies that we thought would be able to help us get started, we've had five. Of those five, we've had a representation of domestic automotive, Asian automotive and German automotive. But you'd be surprised that the least supportive of the prep tons has been the German automotive companies. In fact they flat out have not wanted to do it, with the exception of one.

So it's been somewhat of a disappointment because we thought it would accelerate our ability to get in automotive, but those are the reasons. They don't want to manage that additional logistics of bringing the steel in.

COMMISSIONER PEARSON: Thank you for that comment. My time has expired.

CHAIRMAN WILLIAMSON: Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you Mr. Chairman, and welcome to this afternoon's panel.

This morning and in their briefs the domestic producers were making the point that even as TK is preparing to sell off its U.S. production assets it continues to retain and has not shown any interest in selling off its U.S. distribution assets.

Can you comment on that please?

MR. HOLT: Yes, ma'am.

The distribution assets of ThyssenKrupp here in the U.S. are really part of a different legal entity within the ThyssenKrupp Group organization. They're not related to the ThyssenKrupp Steel function.

Today within the United States there are only two distribution networks in the United States that handle carbon steel for ThyssenKrupp. One of those is located in Detroit and one of those is located in South Carolina.

The one in Detroit, by the way, was never built with the intention of being a distribution network. It was only built to supply and support the automotive business that Thyssen was supplying to the domestic automotive companies for 20 years prior to this time.

So that leaves really only one other distribution outlet in the United States currently and that's in South Carolina.

At the present time and for the past several years that company has not bought one pound of carbon steel or CORE steel from our ThyssenKrupp parent company. Nor do they intend to.

The reason for that is, well, there are a couple of reasons for that. The reason for that is that they compete with a lot of other service centers in the United States and they also buy from a lot of other mills in the U.S.. I can tell you that there was a lot of sensitivity on the part of some of our competitors in the U.S. when we announced our construction here in Alabama. The concern was, they might not be able to buy from the other producers because of the relationship with ThyssenKrupp, and in fact there were two incidents where domestic mills made a point of stopping shipments to that distribution network because of the relationship with ThyssenKrupp.

But the bottom line really is this. There is no steel being purchased by the distribution operations of ThyssenKrupp right now from Germany. Nor has there been for years.

COMMISSIONER ARANOFF: I'm not sure that entirely answers the question though I do appreciate that factual background. But I think that the implication of the argument that the domestic industry was making is that if the U.S. plant is sold off and if the order is revoked, that ThyssenKrupp Germany would have an existing U.S. distribution network that it could easily use to serve the U.S. market and to keep the customers that it has been cultivating and developing for sales from the U.S. plant even if the U.S. plant was turned over to a new owner.

MR. HOLT: Now I understand what you're saying. I will attempt to answer that and then I will give it to my colleague here from Germany because he ultimately is going to be the one making the decision of whether they ship the steel over here.

But as I said, currently there are no customers being serviced by Germany through our distribution network in the United States nor has there been for the last several years.

MR. DOHR: Let me add something. Christian Dohr, President of ThyssenKrupp Steel USA.

I think what's important to understand is that the mill we built in Alabama includes all functions. It includes also its own sales force. Almost 100 people we have. This is part of the asset and part of the company that will be sold. So talking about a distribution network is just grabbing something out of the air because yes, there is an entity that is called materials and it handles mostly non-carbon steel products. And the entity that handles the steel products here in the U.S. is ThyssenKrupp Steel USA with its own sales force that is up for sale.

MR. GRÜNHAGE: Stefan Grünhage also from ThyssenKrupp, but still Europe so I'm familiar.

A couple of years ago, it was exactly 2009, we decided to channel all sales of ThyssenKrupp Steel Europe and that's mainly our niche products like tin mill products, electrical steel and some other products to one single point of entry in the United States because all of our business is mainly on a long term basis, customer driven.

If you are sending your materials through the trading companies, and really ThyssenKrupp, the trading branch as my colleague explained to you, it's a worldwide network and they are trading not only with steel but many, many other materials. But that is normally not the selling branch. We are using ThyssenKrupp Steel Europe for those sales.

Most portions of it is done directly with the end customer, especially with the OEMs because throughout the world, 93 percent -- I said it before -- goes to the EU. I would say two thirds of this goes to automotive customers, so that is without distribution, without some splitting and cutting and service centers. So it is really not foreseen.

The other reason is that in the United States, especially if we are talking about CORE, we are only talking about automotive sales, and as we explained and I have written in my statement, if the duties will be lifted, yeah, we will make minor shipments to the United States of electrogalvanized, for example, because some customers are still requesting this for specific parts. But that all will be handled also in the future through ThyssenKrupp Steel North America which is the selling arm of the mill. This is specifically there to bring in the various products of various daughter companies also of ThyssenKrupp Steel Europe to the U.S. market.

MR. HOLT: May I say one more thing, please?

COMMISSIONER ARANOFF: Okay.

MR. HOLT: One other aspect, and the question came up this morning about distribution. I believe they were referring to the distribution network that belongs to ThyssenKrupp. And there was a question or a comment made also about an additional distribution center that was going to be made or built in the south as well, which is true.

But I would say this. I would say that the thinking and the mentality of the distribution network and the guys who buy the steel for the distribution network is really no different than the automotive. They don't buy from Germany because they can buy the steel that they need locally and domestically and they don't meed to rely on an import in order to support their customer base. In fact both of those companies right now that do exist today are buying all their steel from the domestic industry today. It's really a matter of simplicity for those guys.

COMMISSIONER ARANOFF: Having heard all of these answers about what distribution assets there are and what the various ones do, all of which is very helpful in understanding the state of play right now, I'm going to now anticipate what the domestic industry's response to these answers would be and I think it would be look, this is all what's happening now but doesn't describe what would happen once the mill is divested and the order is revoked. There was some testimony that if the order was revoked there could be some minor sales of electrogalvanized, so I appreciate that piece of the testimony.

But once TK Europe sells the mill, you're selling the distribution. TK North America goes with it, the marketing arm for carbon products. So then the question is there hasn't been any denial of the domestic industry's claim that it would be in the interest of the German producer to still pursue the customers that have been developed and some of whom are buying German products right now.

MR. HOLT: I think the answer would be -- First of all, the distribution assets would not be sold. As I said, they are part of a different company within the ThyssenKrupp organization. Only the steel mill in Alabama is to be sold.

So the distribution assets that would allow Thyssen Steel in Europe to bring Thyssen Steel in would still exist as part of the ThyssenKrupp organization. And as I said, they currently do not buy steel from the parent company.

MR. PIERCE: I get what you're saying. There's always the question of what's likely and evidence to support what's likely as opposed to frank speculation about what could happen or what's possible.

There is something to consider in particular with that, with the distribution network though, and that is these contract surcharges, the iron ore surcharges, that's a policy of ThyssenKrupp. You don't buy steel from ThyssenKrupp without the possibility of surcharges being built into the price on a quarterly basis. The only U.S. customers that will take those contracts, agree to them, are the automotive customers. That keeps us out of the construction industry or out of the service center industry. So I think there's hard commercial reasons why this flood through the distribution network, if you're thinking service centers, isn't going to happen.

Secondly, and Bob can speak to this as well, you just can't say to a customer okay, we've sold the Alabama mill, now you've got to take the product from me in Germany. It's just not their unilateral decision in Germany to say the prep tons are our customer, we're going to keep them and we're going to sell to you. The customer's not going to agree to that. There are contractual issues. It's not as if

Germany can just say okay, we've paved the way for this customer with Alabama, oh, no, now we're going to keep that customer. They don't have that ability. The customer has a hell of a lot to say about --

COMMISSIONER ARANOFF: No, of course they don't have the right to require the customer to buy from the German parent company, but they certainly have the ability to try and persuade the customer to do so if they're so inclined.

MR. HOLT: There's no mistaking that if they were inclined the could persuade and they would try to persuade the customer to do that. But I think as my colleague Stefan indicated, that has not been the focus of ThyssenKrupp Steel for 20 years or more. In fact even over the life of the last 20 years the steel that has come to the U.S. has really been a legacy of automotive business that they had before the last duties were found against ThyssenKrupp. In fact really the bulk of the steel that came in, CORE products that came in to the United States from ThyssenKrupp was really focused on the automotive industry. And the reason it was focused on the automotive industry, if you'd be interested in knowing, there is kind of an interesting story there, is because there was an automotive company back in the

'80s who entered into some financial difficulties and they were cut off from credit from the domestic industry so they had to find another source of steel. Well, they went to ThyssenKrupp and ThyssenKrupp supplied them the steel and was a major supplier to them for the next, even up until today. Although that has diminished quite a bit over the years.

That's why a distribution center was built in Detroit, to support that automotive company who could not buy steel in the United States.

That picture no longer exists today, but that was really what brought it in and that's why the focus for Thyssen always has been automotive. That's why it's always been primarily with one customer until today.

COMMISSIONER ARANOFF: Thank you. I appreciate all of those answers.

Thank you, Mr. Chairman.

CHAIRMAN WILLIAMSON: Mr. Pinkert?

COMMISSIONER PINKERT: Thank you, Mr. Chairman, and I thank all of you for being here today to help us understand these issues.

I want to stay with that line of questioning and maybe reframe it a little bit.

I understand your testimony about the

distribution network and I understand your testimony about how the customer has a lot of say in what happens with respect to the supplier. But assume just for the sake of this discussion that the Alabama plant has been sold. We don't know the details of who it was sold to, but we know it's been sold. Does that necessarily change the incentives of Thyssen Germany to ship to the United States?

MR. GRÜNHAGE: Stefan Grünhage. I would like to answer to this question. I've been sworn in this day and I know what this means and we have submitted our sales plan to the Commission which gives you a very good picture of our tonnages, which we have foreseen for different customer groups by product and to different markets. As you can see, that's not even really big tonnage. It will fade out of the prep tons in 2014 and we have not more foreseen any tonnages for the United States market.

If we would sell the mill, yes or no, it doesn't really change the picture because we need all our material for our European customers.

Again, 93 percent, up to 95 percent year by year goes to customers in the European Union, and that has not changed over the last 15 years. In every sunset review and I'm testifying here the third time, I explained the same story. That we deem our home market the whole European Union. And now that brings us to seven percent of exports. Are these exports flooding around the world? No. A bit portion of this goes to the neighborhood countries. It's not the EU themselves, but it's Switzerland, still part of Europe; it's Turkey; it's Norway. And that leaves only a small tonnage and this was a traditional business we had in the United States, and in the same size business to China. Why China? Because in China it's more or less the same story like in the United States. We have a joint venture there, where we are serving the automotive market with domestic production. Some certain specific products cannot be produced by our joint venture in China so we ship this to China again.

This is all our picture of exports and material, what we have.

The next step is that more or less and we can like it or not, we made different plans, we have handed over our customers in the United States to our colleagues in Alabama, and at the moment we are colleagues, and that will proceed at the moment because as we heard before, what will happen, who knows, today. Yes, it is announced, we will sell it, but up to then we will strictly stick to what we have and even if it is sold, that will not change the picture because we have not foreseen more tonnages to the United States markets if the orders will be revoked or not.

MR. DOHR: I would like to add one comment, Commissioner Pinkert. Christian Dohr, ThyssenKrupp Steel USA.

When we built the mill in Alabama we brought in all know-how we have within ThyssenKrupp Steel Europe. We brought in in terms of intellectual property, of people who train those producing in Alabama. And when you look at Alabama, we are proud of this mill in terms of its technology and what it can do. It's already supplying the automotive industry in the U.S., but we should not say it's static. It's still in a ramp up. We have two galvanizing lines running right now and there's going to be a third one ramping up. So that volume will increase. We have equipped this plant with the best technology you can buy, with all the know-how from Germany.

So I would say whether we like it or not, we have built the most powerful competitor in this country you can have for a CORE product and that will

remain in this country.
COMMISSIONER PINKERT: Thank you.
This next question is for both the German and the Korean producers and it concerns demand trends in third country markets. Can you describe how the trends in third country markets affect the likelihood of German and Korean producers shipping to the United States in the event of revocation in the reasonably foreseeable future?
MS. MENDOZA: Julie Mendoza for Korean Respondents.
I was looking today after your questions this morning about anybody who projects demand worldwide for automobiles, and there was an article actually today in the Wall Street Journal, that discussed China and production in China of automobiles. The article is talking about the fact that today one out of every four automobiles are actually built in China, and that projections for growth are as much to seven to eight percent this year over last year.
One of the interesting observations in the article is that because of the territorial disputes with Japan that actually the Korean automakers have actually gained a great deal of market share in the

last year and are probably anticipated to do so in the next year.

So obviously the demand in this market, the Chinese market, where as HYSCO, Mr. Pi was testifying, they are very focused on following Hyundai and Kia wherever they're investing. And as he also mentioned, not only do they already both have two plants in China, they're now building a third plant. Each of them is building a third plant in China.

Therefore I think that does say a lot about where they're likely to focus. Not only China, but they have facilities in Russia which is also a very rapidly growing market; in Turkey; in Brazil.

So I think that the old days when the U.S. was the only game in town really aren't true anymore and I think the U.S. industry itself even testified this morning that the Mexican market, they get even better returns in the Mexican market than they do in the U.S. market.

So I think the diversification of the Korean producers to serve these various markets in India and China and these other places with growing populations says a lot about their incentive or their lack of incentive of wanting to focus on this market.

MR. CAMERON: And we do believe that that is contrary to the story that China is somehow overwhelming the Korean CORE industry because there's no evidence of that. Frankly, the record speaks for itself in terms of the record before this Commission in terms of A, the diversification of Korean exports; and B, their ability to compete in the home market.

The economy is growing slowly, we grant that. However, different sectors are growing with different vibrancy. But even the construction sector is growing and the global economy while not projected to take off next year, it's also still projected to have reasonable growth.

So it's not -- We are not entering a depression.

MS. MENDOZA: One quick point also, we're going to put it on the record in our brief, but Goldman Sachs basically in January just a few days ago published a report with respect to the automotive sector which basically reads, "The U.S. automotive market has been the best market for steel in 2012 with North American production growing faster than expected at over 11 percent. U.S. automakers are seeing pent-up demand and currently many U.S. auto qualified flat steel producers such as U.S. Steel claim to be sold out of auto capacity and would need to expand in order to be able to sell more volume.

So we'll be putting that on the record also.

MR. GRÜNHAGE: I would like to add something, Stefan Grünhage again.

With respect to the European market, because we heard this morning a lot of disastrous scenario for Europe. I must tell you, I'm living in Europe, I'm working there, and thank God it is not that bad as maybe the picture has been painted for you.

Yes, we had this financial crisis in 2009 and yes, we are on a slow pace of recovery in Europe and if you look at GDP growth rates, the forecasts vary between minus 0.3 percent which means a little recession in Europe up to close to 0.4 percent, even slow growth. I think the truth might lie somewhere in the middle, so maybe it's a stagnation. But no, you have to look at the various regions within Europe.

The south of Europe is suffering a little bit more than the other regions, and Germany, it's the engine. It's a slow engine. We would like to have more but it's still the engine. And for Germany, GDP growth is expected to increase by 1 to 1.5 percent in 2013.

That brings me especially to the automotive sector. We heard minus 20 percent and other figures this morning. Yes, it is true that our new passenger car registrations have dropped also in Germany, but the production figures in 2012 were only two percent, had decreased only two percent in comparison to 2011. So how could this be? That is that the premium segment and exports of premium cars has nearly compensated totally the loss of passenger car registrations in Europe, and this is a segment, premium cars, where especially German producers are of course BMW, Audi, Mercedes are affected, and that is our CORE customer group. Therefore we see also a good development for 2013. The President of the German Steel Automotive Federation just announced their expectation of an increase of one percent in production in the next year.

MR. PIERCE: Very quickly, I think there are two barometers you can use if you want to test what impact demand is really going to have, not just theoretically if demand goes down in Europe that means a flood of imports from Germany.

You've got Galmed and the two ThyssenKrupp mills -- one in Spain, one in China. They've been in place for many years. You can track what they've done for shipments to the United States through ups and downs in the European economy.

You can look at cold-rolled from Germany after the cold-rolled revocation in the last review. No flood. Even with the 2009 dip in the economy over there.

There are barometers over there that give you assurances as to what the impact of the demand fluctuations in Europe would be regardless of how they might be predicted.

COMMISSIONER PINKERT: Thank you.

Thank you, Mr. Chairman.

CHAIRMAN WILLIAMSON: Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Mr. Chairman, and I would also like to thank all of you for appearing here today, especially those of you who had to travel very long distances to be here. I found it very useful for you to be here, so thank you again.

Mr. Grünhage, I believe you mentioned that ThyssenKrupp is selling just to the U.S. automobile market. Is that correct? So you're not selling to the construction market.

MR. GRÜNHAGE: Talking about CORE products is correct. We have not served the construction market with CORE products I think for at least a decade.

COMMISSIONER JOHANSON: Are there technical reasons for that? Can the corrosion resistant steel that you're producing be used in the construction market or have you just preferred to sell to the --

MR. GRÜNHAGE: What is sold to the construction market is primarily commodity grades which I think mostly every producer in the world can produce. That is not the business model of ThyssenKrupp Steel Europe. Our business model is really that we try to serve the premium segment and that is the automotive industry especially, but also white goods and others which have high demand for a high quality product and that is our differentiation to other producers.

For example, this leads us to be after one Austrian producer in the last year, to be margin leader in Europe, while others are still in the negative red figures a little bit, steel producers. ThyssenKrupp Steel Europe managed it to make a profitable result due to its business model and construction, where the commodities is and where you totally have a different price level is not the segment we are serving.

COMMISSIONER JOHANSON: Okay.

MR. GRÜNHAGE: Not in the export markets. Of course in Europe, to a certain extent, we are serving the construction market as well.

COMMISSIONER JOHANSON: This might be proprietary, and if it is if you can maybe address it in your post-hearing brief. But have you been disadvantaged by the location of your plant in Alabama, given that most auto production in the United States I believe is in the upper Midwest?

MR. DOHR: May I answer that?

COMMISSIONER JOHANSON: Yes.

MR. DOHR: Christian Dohr.

Commissioner Johanson, absolutely not. When you think about the automotive industry in the U.S. and go back 10, 15 years, everybody thinks of Detroit. I actually have lived in Detroit from 2009 until 2012, so through all the recession and the downturn. What we all have witnessed in the last five years is a big move south and that's why ThyssenKrupp has built the mill in Alabama, because today about 50 percent of the North American automotive production is within the area which we call our home market, so those are the southern states of the U.S. and Mexico. That's the market we serve from Calvert, Alabama.

COMMISSIONER JOHANSON: Okay. Thank you.

I'm from Texas and I know there's quite a bit of, there's been a big production increase in

Texas, in San Antonio, I believe, so I guess that makes sense.

Thank you for your answer.

Along those same lines, and this is once again to ThyssenKrupp, do you know, do foreign producers offer warehousing or stocking of imports in the United States to satisfy their purchasers' desires for shorter lead times? This is something which was discussed this morning. I believe one of the Petitioner witnesses stated that there's a fair amount of warehousing of product in the United States, so in other words they do not have that big of an advantage for producing in the United States.

I apologize, that question is based off the top of my head so I didn't really cogitate on it much, but I think you get what I'm asking.

MR. HOLT: I think I understand.

First of all if we distinguish between automotive imports and non-automotive imports that might help explain it a little bit.

First of all, the automotive imports will come in to support an automotive production facility. Parts that are being produced for automobiles at that present time. So I think it's been talked about earlier that a level of inventory has to come in and be stored in order to meet that just in time process for the automotive companies.

So particularly for an importer, and because of the long lead times that are associated with ordering and producing and shipping, importers might have as much as four months of stock sitting in a warehouse to be supplied to that automotive company.

So yes, there will be storage facilities of some sort set up. In some cases they're owned by the company that is shipping the material in. In some cases it's leased or rented through some other storage or processing facility before it goes into the actual automotive company. That's usually set up by the automotive companies themselves.

For the non-automotive business it's not quite as structured as that, and typically what you would find is more of a commodity product coming in as opposed to an automotive product. In those cases, typically the material is generally going to come in and be stored by the producer at some local facility near the point of entry until it is sold to the ultimate customer. Unless of course it's sold before it arrives in country.

Those typically are not owned by the importer. Those are typically going to be leased or rented by the company that's bringing the steel into the United States. Did that help?

COMMISSIONER JOHANSON: Yes it did, thank you. Thank you for your response.

I have one more question for ThyssenKrupp and I apologize to the Korean witnesses. I have a question for you all as well but I think I'll just continue here for a moment with the German producers.

Your brief describes the automobile industry in Germany and Western Europe as being somewhat stable, but given the closures of four plants in Belgium and in Britain and the closure of a Peugeot plant in France, isn't the situation in Europe somewhat unstable?

I believe also there's talk of a Renault, possible Renault closure in the EU.

MR. GRÜNHAGE: What you can see, of course is a drop in new passenger car registration, especially in the south of Europe. And this is in the small sized car segment, let's say where the commodity cars, I don't know what the correct word is. The small, really the small cars that are going in --

COMMISSIONER JOHANSON: The non-luxury.

MR. GRÜNHAGE: Yeah, it's not a BMW, and the others. So it's more effective for it and to a lesser extent also the French producers. So their demand has declined and that as the reason why some automotive producers closed their plants. But again, the German, especially the Germany but also the other European producers serving other region of the world and according to the BDA statement where I was mentioning also the plus one percent expectation on passenger car production next year in Germany, they were saying that in between we're accounting for 80 percent worldwide in the premium segment with our cars. That is the stability, why we are saying that our demand will not drop as much.

It is affecting producers in Spain and Italy and I think our competition, they are suffering more than ThyssenKrupp and the other German producers.

COMMISSIONER JOHANSON: Thank you for your responses.

And now a question for the Korean producers.

Has the increase in China's experts of corrosion resistant steel to Korea from I believe it's 190,000 net tons in 2006 to 2.5 million net tons in 2011, affected your production and your sales?

MR. PI: In my opinion Chinese exports to Korea is not effective in Korean domestic market because some Korean company has struggled in our steel market, but as for high score it don't have any effect from Chinese exports because our main business is for automotive market. So the steel from China is not used for automotive steel market.

MR. CAMERON: I think it's also worthwhile pointing out that number one, the Chinese production is of lower grade, lower quality, so it's going into some very basic uses.

COMMISSIONER JOHANSON: So it's somewhat analogous to what's going on in Germany, perhaps, with -- TK just mentioned that their automotive steels of higher quality, that they have higher quality steel --

MR. CAMERON: That's true. They are different markets. One of the things that was testified to I believe by Mr. Pi, but possibly by Mr. Baek was that yes, there is Chinese material in the market but it is of lower quality, it is serving a different market.

Secondly, it's not as if the Korean market hasn't been growing over that period of time. The Korean market actually has grown quite significantly.

Thirdly, and again, it's useful to point out we heard this morning, there must have been five references to the excess capacity and under capacity utilization in Korea. If you look at the record, the record is clear that the Korean industry is operating at approximately 95 percent capacity, which is not unusual.

That's not what one would call an abundance of capacity ready to pounce on a foreign market. Frankly, if that theory was correct and if that premise was correct, you'd already see it. You can't have it both ways. You can't say that geez, look at the Koreans. Even with the order they've been shoving material in here, and at the same time say well geez if the order is lifted look at all the tonnage that's going to come in here. Yes, the Koreans have had a constant position in the market over the 20 years of the order. We don't apologize for that. We're not suggesting that if the order is lifted there will never be another piece of Korean steel that's coming in. We're not saying that. What we are saying is that the market is pretty orderly, the Korean producers and the evidence is pretty clear that produced at a high level of capacity utilization, and that frankly, they've got a lot of markets. And they've done that intentionally so that they're not dependent on one market or the other. They like the U.S. market. these guys are concentrating on the automotive business. It is a higher quality. And no, these guys aren't affected by imports from China into Korea as much as other producers are.

But yeah, I'm sure there are people who don't want any imports from China into the Korean market just like the U.S. producers don't want a drop of foreign material here. It doesn't work like that. They know that.

COMMISSIONER JOHANSON: Thank you for your responses. I have a few more questions but my time has expired. I will come back in the second round. Thanks.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Broadbent?

COMMISSIONER BROADBENT: Mr. Cameron, just following up on that, what are the plans for future capacity in Korea by these two companies?

MR. CAMERON: As they both testified, they do have capacity increases, and I think they've put it on the record.

COMMISSIONER BROADBENT: I was just trying to get an order of magnitude about what the plans are.

MR. CAMERON: We had about 450,000 tons for POSCO, was it? Of CORE?

MS. MENDOZA: Yes.

MR. CAMERON: POSCO has already put their tonnage into place and actually it's reflected in their questionnaire response. But I think with respect to CORE, it was what, 341,000 out of the 800,000.

In the case of Hyundai, HYSCO, they also have additional capacity that is in the process of coming on stream. So that is not reflected in the questionnaire response which only went up through June. That capacity is right now scheduled to come on stream in the fourth quarter of 2013. I believe it was on the order of 600,000 tons of corrosion resistant -- 550, sorry.

COMMISSIONER BROADBENT: Thanks.

MR. CAMERON: And that 550,000 tons is directly tied to the demands from Kia and Hyundai and primarily for the mills that they are now constructing by Kia and by Hyundai in China. So they've got two new automobile plants.

Again, we've heard a lot about China. We've heard a lot about how China is, again, another economic disaster. Well, that kind of depends. In the case of Kia and Hyundai, they are building each one more automobile facility, so they'll each have three apiece instead of two. And they are expecting HYSCO to have the corrosion resistant steel to supply it. That's what this new capacity is for, for the corrosion resistant.

COMMISSIONER BROADBENT: Do Hyundai and HYSCO believe that the corrosion resistant steel exports to Korea are fairly traded at this point?

MR. CAMERON: From China?

COMMISSIONER BROADBENT: Excuse me, yes. From China to Korea.

MR. CAMERON: She's asking whether or not you think the imports from China are dumped into Korea. Or do you have a view on it.

The Chinese prices I'm sure are low, but whether that's -- If you use a Commerce Department calculation methodology, I'm sure you have a 200 percent margin. I don't think everybody necessarily calculates margins that way. And the question is, they haven't brought any antidumping cases in Korea against it. I think there would probably be difficulty in proving injury, but I honestly don't know. We can try and get some additional information and supply it for post-hearing.

COMMISSIONER BROADBENT: That would be helpful.

Then what sort of dumping actions are Hyundai and POSCO facing in other markets? I think there's an investigation going on in Thailand. Is that correct?

MR. BAEK: In CORE we had an antidumping case from Brazil, but it ended with no injury.

COMMISSIONER BROADBENT: What about Thailand?

MR. BAEK: Except that we only have this case.

COMMISSIONER BROADBENT: So there's no dumping action against Korean exports of CORE to Thailand?

MR. BAEK: that is for color coated steel, but it's not -- POSCO do not produce that. POSCO subsidiary produced color coated steel. Actually I do not have much information on that.

MR. PI: Actually for Thailand, our export problem is very small. We did not participate in the antidumping cases.

MR. CAMERON: There are also other producers in Korea, obviously, so we will get the information for you and submit it for the post-hearing brief. There are producers in Korea that do export color coated. I'm not sure this was a big case, but we'll get that for you and submit it.

COMMISSIONER BROADBENT: That would be

terrific. Thank you.

I'm trying to get a focus on how export oriented the Korean industry is. It seems to me that about 50 percent of your production is exported?

MR. CAMERON: I think a more correct figure is probably around 40.

COMMISSIONER BROADBENT: Forty percent.

Then what proportion goes to what areas of the world? Most of it to Asia, but then can you give me a sense of that?

MR. CAMERON: I think it would make more sense for us to get that data and submit it in the post-hearing brief because off the top of my head I can't give that to you.

Yes, I think most of it goes to Asia, I think a lot of it goes to Asia. I think a lot of it goes to China. But because HYSCO was obviously exporting a lot to China and I think POSCO is as well, but rather than my speculating on those numbers, why don't we get the breakdown for you and we'll submit it in the post-hearing brief.

COMMISSIONER BROADBENT: Okay. I think the preliminary info that we have is that half of the experts go to China and then half are shipped all over the world to different countries, but we'll see if that's right.

MS. MENDOZA: Commissioner, I would just say that I think one of the points we were trying to make is because the plants, the Hyundai and the Kia plants, are located in so many different jurisdictions including India, Turkey, Republic of Czechoslovakia, all of that, that you're going to see a pretty wide diversion because that's kind of where these two producers in particular are focused. But we'll get you the exact information.

COMMISSIONER BROADBENT: Great, that's helpful. Thank you, I appreciate it.

For you two Korean Respondents, in just under half of the price comparisons the Commission has, the Korean price undersold that of or domestic like product. Can you explain why we shouldn't be concerned about this underselling and why it's not a threat?

MR. CAMERON: I believe we oversold in the majority, small majority but a majority of the comparisons. If you look at the information in the staff report, it basically appears that they're underselling a little bit, they're overselling a little bit, it's in about the same relationship. That's a market and I think you have to take that into account when you're also taking into account A, the volumes that are involved, and B you have to take into account the markets that are being sold to.

In other words, to the extent for instance that you're comparing automotive steel and I don't know, I'd have to look at what the comparisons are. But those products are going to be less price sensitive because in fact there is a domestic preference. It has nothing to do with the price of the steel, so there may or may not be overselling. Query, does that drive the sale? And we would suggest to you that the answer to that is no.

MS. MENDOZA: I think Commissioner, the only thing I would add is that if you look at the most recent periods, which are I would think the most indicative, because in some ways those earlier periods were affected by what was going on with the financial situation, that those show a greater predominance of overselling and I guess we would argue that's probably the best information on why the price levels are not likely to cause any injury in the future.

COMMISSIONER BROADBENT: For the post-hearing brief, I wonder if we could get a little more information on the investments that these two companies have made in China, just to understand what's going on in the Chinese market at this point. It tends to loom as a big concern for the Petitioners, of course. Their perspective on what the restrictions are they face there, how easy it is to do business in China, kind of what the outlook is for Chinese production.

MR. CAMERON: We'll be happy to do that.

COMMISSIONER BROADBENT: It looks like I will wait until round two. Thank you.

CHAIRMAN WILLIAMSON: Thank you.

I was wondering if both of you might briefly discuss, in their view what was the effect of the recession in late 2008, 2009, the conditions for competition in the U.S. market. From the perspective of the two industries.

MS. MENDOZA: I think it depends on the division of the market itself. I would suggest that if what you observed was that the U.S. producers actually gained market share during that period of time, and I think the reason for that is that in times of economic uncertainty, and the Commission has seen this in some other cases, where in times of economic uncertainty there's a lot more reluctance to purchase imports. And when demand's falling and the U.S. industry has plenty of capacity, people tend to prefer to buy the domestic product. I think that is what happened.

I would say at the same time that what's now happening is that the economy is recovering. I think from this Goldman Sachs article, it suggests that things are great in that part of the industry. If there's a part of the steel industry that's really doing well, that's it.

So I would say in terms of conditions of competition from the financial, that was kind of something we went through. We're coming out of. And if anything it sort of cemented the U.S. producers' position with their customers during that period of time, and what we've seen since they came out of it is that the U.S. producers continue to have a solid market share in that segment. In both segments of the market.

MR. CAMERON: What you did see with respect to the recession is that it was not only subject imports but it was non-subject imports that generally declined during that period. Again, they were responsive to the market and it is contrary to the theory that is generally being propounded here which is that imports will take any market share at any point at any price. I think the facts don't support that theory.

CHAIRMAN WILLIAMSON: Thank you.

Any other comments?

MR. PIERCE: We concur in those comments. Demand fell off during that period, and imports from Germany followed that demand trend down. They dropped from 46,000 tons to 10,000 tons in '09 to 14,000 tons in 2010. so even at a very small level, they still retreated further as demand went down so it did impact it and it wasn't as if when the market went down the world went into a recession. All of a sudden everybody's ramping up production to keep the mill full, to ship as much as they could to the United States. The facts just don't bear out what Petitioners are claiming is around the corner.

MR. CAMERON: As a matter of fact in the case of Korea, during that time the lowest level of capacity utilization for Korea was reached in 2009, I believe, of something on the order of 81 percent.

Again, the theory is that the Koreans were going to just pump the steel out through the mill regardless of market conditions. Again, that's not the fact. That is not what happened. And it didn't happen either to the U.S. market where they were subject to dumping duties nor to other markets where they weren't. Again, that was what the market was, yes. They got hurt just like everybody else.

CHAIRMAN WILLIAMSON: Thank you.

The domestic producers talked a lot about global oversupply and I was wondering whether or not you all share that view, and what is your view about if there is such an over supply how is it impacting the U.S. market?

MR. HOLT: I would probably concur with that statement. I think particularly here in the United States I would say that given the current level of capacity utilization, I would submit that we are oversupplied at least in the current market, but this is not unusual from what we've seen over the last 20 years either. We're not always running at 90 percent and very seldom do we have that luxury.

I would say globally, I would also say there's an oversupply in the global market as well

CHAIRMAN WILLIAMSON: You say an oversupply both in the U.S. and global market?

MR. HOLT: Yes.

MR. CAMERON: Commissioner, to the extent that there is an oversupply globally, there have been theories that a lot of that is in China. And the question is exactly how efficient is it and how competitive is it. We would suggest to you that every ton of capacity is not equal, and not all producers are equal, and again, is there an oversupply of automotive quality corrosion resistant steel? I would suggest to you that the data suggests there is not.

So I think it kind of depends on how you want to define it.

CHAIRMAN WILLIAMSON: Thank you.

Getting to the question of whether or not the U.S. industry is vulnerable, based on Thyssen's experience in Alabama, what would you say about the vulnerability of the U.S. industry?

MR. DOHR: I would like to take that.

CHAIRMAN WILLIAMSON: Sure.

MR. DOHR: I'm leading that plant. It's a real challenge. There is a fun part to it and a very challenging part to it.

The fun part is more with the people building the mill; the challenging part is the financial one.

I think it's important to understand where the financial challenge comes from and I tried to do that in my testimony, to explain that it's really because things have changed in the U.S. and in Brazil. So we have built this mill based on the assumption of low cost flat supply from Brazil which has turned out to be very different, a very different development over the past five years. So Brazilian labor costs, for example, have increased by 80 percent in the last five years. That's nothing we foresaw when we built this flat production down there. That is the main reason and driver for the losses we have in Alabama.

Nevertheless, it is a state of the art mill that has found its customer and that will have a future.

We look at the industry. I think what we have heard this morning and some of you have asked the questions about is this really an import issue? I don't think we talk about the import issue here, we talk about the industry where several companies have recovered well after 2009 and some have not. So there seems to be some structural issues within that industry, but overall it's a profitable industry. I think the vulnerability, I don't see the vulnerability from imports. What I see certainly is the competition within this market and us bringing a new mill into this market certainly didn't, we didn't win that many friends by doing this. But we strengthened the local industry. That's what we did. So I don't see that kind of a vulnerability as we see good profits for most of the companies.

CHAIRMAN WILLIAMSON: Would you make a distinction between industries that maybe sell primarily to the automotive sector and those that sell to the non-automotive sector? Particularly construction.

MR. DOHR: I think I don't want to get into exactly describing or get my view on our competitors in detail.

What I --

CHAIRMAN WILLIAMSON: I didn't want you to get into that. I was just thinking more about -- Let's withdraw that. If you have some comments in the post-hearing, look at that.

MR. DOHR: I think that companies are very successful who have put in good assets to supply a successful industry and successful industries in the U.S. are definitely the automotive industry. It has recovered very, very fast. Heavy equipment. The U.S. is known for export. We talked about Texas, Caterpillar has just built a plant there and is exporting equipment from there into the world. So if you are a steel supplier providing material to those industries you're in good condition.

There is also competitors who have

established over time a very successful supply chain for construction which is amazing, but not all of them. So there is, I see big differences between the companies that testified this morning, so I would not talk about vulnerable industry, but maybe there are some, a few vulnerable companies there.

CHAIRMAN WILLIAMSON: Mr. Cameron?

MR. CAMERON: Commissioner, just briefly.

We would -- No, there is no way this industry is vulnerable. If you look at the indicia that you have on the record with respect to production, with respect to capacity utilization, shipments, what they're doing, profitability. These indicators are up for this industry and frankly, the cases of the losses of TK, for instance, which they are using to reduce their overall operating profit, nobody is suggesting that the losses of TK are as a result of imports. It's the same thing with RG. Their lawsuit speaks for itself as to what the basis for their complaint is and it has nothing to do with imports. They believe they were not told the truth by Severstal. I don't know what the actual case is, but they're not speaking of imports.

So no, I don't think the case has been made that this industry, which has been protected for 20 years by these orders, are somehow vulnerable to the revocation, to possible injury from the revocation of the orders from Korea and Germany. I don't think that case has been made. I don't think the data supports it.

CHAIRMAN WILLIAMSON: Thank you.

Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman.

Further to the issue of vulnerability, Mr. Cameron, as I understand it the issue of vulnerability is supposed to reflect the condition or the prospects for the domestic industry and it really doesn't hinge on whether the subject imports are playing a role in that, does it?

MR. CAMERON: I think that's correct. But the issue of the imports irrelevant. When you look at, again, the composition of the industry and exactly where some of the larger losses are occurring, it is useful to then look at well, are those one-off issues? Because if they are one-off issues that are contained to an individual company, then no, it's not indicative of the industry. Frankly, it appears that that situation would have occurred regardless of imports because frankly, imports are not a big part of this market.

MR. PIERCE: I would just add, I agree on revocation. I take your point about the status of the industry and you look at it, but vulnerable to what is a relevant question. The standard isn't invulnerable. You re informed about vulnerable to what by whether or not imports caused that vulnerability, so I think it is a relevant consideration.

COMMISSIONER PEARSON: Well, I believe I've been part of a Commission majority at times when we have found an industry not vulnerable and voted in the affirmative and times when we've found an industry vulnerable and voted in the negative. So from the domestic industry we have an impassioned plea that they are vulnerable and you have a different view. I can kind of read the record either way. So I don't know that vulnerability is the dispositive factor here. Is it?

MR. CAMERON: We agree with that. All we're trying to suggest is that it is useful to analyze the industry, as was said this morning, you take it as it lies. Fair enough. And when you're looking at it, it is useful to pick apart exactly what we're talking about. When you're talking about injury -- They put front and center RG Industries. That's great, but exactly what is the cause of that?

COMMISSIONER PEARSON: Isn't he getting knee surgery today?

MR. CAMERON: He is.

I was thinking about that same thing, but I didn't do that. Okay?

COMMISSIONER PEARSON: He may be vulnerable.

MR. CAMERON: And you're now appealing to worst nature, so this is not really quite fair, but hopefully he'll be fine.

RG Industries looks like it's not doing as well as RG3. Okay? But again, that has nothing to do with imports. And that is a relevant consideration. I think that's all we're trying to say to the extent that you're analyzing it. But we agree with you, the issue itself of vulnerability is not dispositive of the issue of revocation. We're all on board with that and we understand that the precedents go both ways. That being said, this industry isn't vulnerable.

COMMISSIONER PEARSON: Okay. Well, thank you for those clarifications. I think -- were they clarifications? Thank you for those comments.

MR. CAMERON: Don't ask.

(Laughter.)

COMMISSIONER PEARSON: I had asked before about whether there's a preference for local supply on the part of buyers. Along with that, your companies trade in the global market. Do you know, do we receive a fair amount of corrosion-resistant steel in the United States that does not have a buyer associated with it at the time it arrives?

MR. CAMERON: I can tell you for a fact that there is no imports of corrosion-resistant steel from Korea that doesn't have a buyer with a price before it leaves Korea, much less before it lands. I mean, you know, we're getting back to the original 1992 case with the fax machine on the boat in the Gulf that was setting the price, the spot price market, and collapsing all the prices. And anybody who reads the transcripts from the 1992 case will see what a joke that was.

But that is what the suggestion was. And now we're going right back to it. In the case of Korea, they produce to order. And those orders are quantity, and they are price.

MR. PIERCE: The same is true for Germany. All production is to order, therefore by definition there is a customer and a set price.

COMMISSIONER PEARSON: Okay. Thank you very much. I had asked the domestic industry whether there was some way to quantify whether the corrosion-resistant steel industry is more localized in the sense that there is a smaller percentage of global production enters international trade. For purposes of the post-hearing, perhaps the firms represented here have economics departments or analysts who could look at that question and give us some perspective on it, perhaps comparing to other products that your firms produce or are familiar with.

You know, we think of the commodity products that we've dealt with a lot here at the Commission, things like rebar, standard pipe, hot-rolled steel. Is that something that we could receive in the post-hearing brief?

MR. CAMERON: So you're trying to -- so the precise question is what?

COMMISSIONER PEARSON: The precise question is if we look at the percentage of these various products that actually moves in international trade, that crosses a border somewhere, is it lower or higher for corrosion-resistant steel than for those other products, and does that tell us anything about whether there is more local demand for -- or demand for local production from buyers of corrosion-resistant steel than might be the case for some other products?

MR. CAMERON: We can look at it.

COMMISSIONER PEARSON: Okay. I understand it's a little bit of a --

MR. CAMERON: Yeah. We can look at it.

COMMISSIONER PEARSON: Can we get a perspective on the industry from a different way?

MR. CAMERON: Yeah. I have no idea, but we can look at it.

COMMISSIONER PEARSON: Okay. Thank you. In some investigations we have firms that come in front of us that have adopted accounting procedures that allow them with some degree of accuracy to predict whether the price that they sell an individual shipment into the United States -- whether the Department of Commerce here would determine that price to be a dumped price or not. I don't know whether I explained that very well, but have your firms adopted such accounting procedures so that you can try to anticipate how Commerce will evaluate your pricing?

MR. GRÜNHAGE: For ThyssenKrupp, I can say we have it in place, especially for the United States. We know our experiences here. And, yes, so that means that our department -- that is why Jörg Wichert is here -- will be contacted if any new business will be done. As I saying, from a dumping perspective, can we make this business, yes or no, and why you cannot be sure because currency exchange rates is changing, but we can give them a very good indication if yes or no.

COMMISSIONER PEARSON: Okay.

MR. PIERCE: And that's not just for CORE products.

MR. GRÜNHAGE: No. That --

(Simultaneous discussion)

MR. PIERCE: -- non-subject merchandise as well.

COMMISSIONER PEARSON: Right.

MR. PIERCE: So that discipline is in place with or without a dumping order.

COMMISSIONER PEARSON: Okay. Thank you. Do you have a sense, Mr. Cameron, of -- okay.

MR. GRÜNHAGE: In between maybe I can come back to your first question of the trade intensity of corrosion. I think due to my experience because I am also responsible for the market economy department within ThyssenKrupp Europe, I think it is true that the more further down you go the value chain, it's less trade intensive because then you have many specific rates, customer tailor-made products, which is not the case, for example, with hot-rolled, where you can make it different. Out of hot-rolled, you can make cold-rolled, electrogalvanized, hot-dipped galvanized. So it's more a commodity product, let's say, hot-rolled.

So I think the trade intensity on hot-rolled is much higher than corrosion-resistant product, and it's also the case because the lead time -- because it's the latest product in the value chain, of course, as long as in for hot-rolled. You have just to produce raw steel and make it hot rolling, and then you can ship it. With the others, you have to kneel it, you have to cold-roll it, you have to zinc it, to galvanize it. So that needs much more time to produce, and it prolongates the lead time, and what we heard before is a longer lead time to a certain extent gives local supply advantage in comparison to imports.

COMMISSIONER PEARSON: Thank you for that elaboration. Mr. Cameron?

MR. CAMERON: Sorry for the delay. They generally monitor their export prices. But I don't think that it would be fair to say that they have a rigid accounting program that they are running on a constant basis.

COMMISSIONER PEARSON: Okay. Well, I note from the record that some Korean producers have managed to have *de minimis* margins, and so somehow --

MR. CAMERON: Oh, yeah, yes. Well, but you can do that by price monitoring. And actually POSCO did that, and its order was revoked by the Commerce Department because of three successive *de minimis* findings. HYSCO generally has been *de minimis*, but not always. Close.

COMMISSIONER PEARSON: For purposes of the post-hearing, could I ask that you put on the record some indication of whether if the orders are revoked, whether similar pricing monitoring would be followed because, you know, this is a big industry in the United States, some $15 billion more or less of domestic consumption. And if it's possible to envision at some point in the future another dumping case being initiated by the domestic industry -- you're surprised, Mr. Cameron?

MR. CAMERON: I'm shocked that there is gambling going on in this establishment.

COMMISSIONER PEARSON: But it would be interesting for post-hearing to know whether your firms have intentions to pay attention to the pricing if the order is revoked.

MR. CAMERON: Absolutely.

COMMISSIONER PEARSON: Thank you very much. Mr. Chairman, I've just gone over time.

CHAIRMAN WILLIAMSON: Commissioner Aranoff.

COMMISSIONER ARANOFF: Thank you, Mr. Chairman. One of the arguments that German producers have made is that ThyssenKrupp has other mills in Spain and China and could have been serving the U.S. market any time it wanted to. It's a facially appealing argument, but I wanted to give you the opportunity to fill the record out on that a little bit more because on the record in this investigation we don't know what those plants produce or how much of it they produce, whether it's automotive quality product, whether there are other conditions of competition that would be different shipping from Spain or China versus from Germany.

So I want to give you the opportunity to provide some factual backup to that argument if you can and if you desire.

MR. PIERCE: Thank you. And we'll put specifics in the post-hearing brief as well. Just to answer the initial question from this morning, both Tygal, which is the mill in China, and Galmed, which is the mill in Spain, both of those make automotive quality, have the ThyssenKrupp technology, could be supplying the U.S. customers. They would have to qualify and go through that process, but some of them are qualified.

Automotive manufacturers are global, of course, and much of their production is global. So I -- you know, we will put more facts on the record. I appreciate the opportunity to be able to document that. I think another barometer that I mentioned before is, you know, what did Germany do after the cold-rolled order was revoked five, six years ago, and the corrosion order in Canada. Still moderate levels of imports, small levels of imports.

So you do have a couple of examples out there. But I appreciate that opportunity, and we'll get the additional information on the record.

COMMISSIONER ARANOFF: Okay. Thank you. And actually, your response leads very well into my next question, which is that there has been references a number of times to the idea that when the recession was going on in the U.S. in 2009 and 2010, there was no flood of imports, you know, based on the global economy being bad, and there hasn't been one since then. But I think this argument about what happened during the global turndown in 2009 is not necessarily relevant to what would happen in the reasonably foreseeable future.

At that time, basically demand dried up

everywhere, and so, you know, foreign producers couldn't sell product in the U.S. Domestic producers couldn't sell product in the U.S. because nobody was buying the product.

I think the argument that the domestic industry is making now is, you know, on a smaller scale more like the Asian financial crisis, that this is a situation where they're arguing that demand in the U.S. isn't great, but it's much better than demand in the rest of the world, and that creates a different incentive structure where some people are buying the product here, and in their view nobody or fewer people are buying the product elsewhere. So --

MR. CAMERON: Well, I take your point, Commissioner, but I guess I don't agree with the theory. First of all -- and your observation about the global recession and how analogous it is, I think you're absolutely right. The point that we were trying to make with respect to that was not so much the fact that, well, imports from Korea didn't surge, and although it's true -- and actually, if you listen to the point of view of the domestic industry, if this had been right before that, they would have told you, if we have a recession here, everything is going to come in from Korea and swamp the market, et cetera.

So, I mean, their theory doesn't change just because there is a recession. But the major point with that was really, when you look at the capacity utilization in Korea -- in other words, it's not just the United States. It was their markets everywhere. And, yes, as a steel mill, these steel producers do like to keep the capacity utilization in the high 90s, which is where it is right now.

But when it was down at 81 percent, there wasn't any artificial jamming out of steel to other markets in order to artificially fill the mill, and that was really the point. And I still think that that's a valid observation to make.

With respect to the idea that this is analogous to the Asian financial crisis --

COMMISSIONER ARANOFF: Well, and you understand that those were my words, not the domestic industry's.

MR. CAMERON: Oh, no, that's fine. Commissioner, that's fine because it's illustrative of the point, which is what you're trying to do, and I understand it. The Asian financial crisis was obviously something in a vastly different level, and I guess I don't see -- let's put it another way. We have heard this morning, and I don't think anybody here is going to disagree with the idea that corrosion-resistant steel, just like other steels, is a global market.

The domestic industry has been testifying to that for some time. How is it that there is a global market for steel, and yet the United States industry somehow in the U.S. somehow has the only prices that are totally different from everywhere else in the world, and this, of course, is the price magnet that is attracting all of the imports, right? How is that possible, number one, in a globally competitive market?

I would suggest to you that, well, that might be the explanation. Of course, there might be other explanations, and those explanations would be, number one, that actually when you take into account freight and other costs, there isn't that price differential in terms of the other markets because you take into account freight, you take into account exchange rates. Basically, they're in parity, and this is exactly what the witnesses from Thyssen have discussed.

Secondly, you do have product mix issues. And thirdly, you have the issue of the automobile industry here that actually prefers domestic supply for reasons unrelated to price, and I believe that that's consistent with what they stated in their questionnaires.

MS. MENDOZA: And, Commissioner Aranoff, I would just add one thing, which is that I think we disagree with their premise. We don't think that this is the only strong market in the world. I think we firmly believe that markets like Brazil, Turkey, China, Southeast Asia, we think all of those markets in fact are quite strong and growing, and that particularly in the automotive sector, but in other sectors as well -- I mean, we saw it in the Far East. There is a lot more construction going on, and that's really building. We saw that a lot in the standard pipe case.

So I guess our -- you know, what we're saying is we don't agree with the assumption that the U.S. is the best market and the strongest market in the world. It may be stronger right now relative to some other markets, but certainly there are many markets around the world that are experiencing much bigger growth rates than the United States is.

COMMISSIONER ARANOFF: Okay. I appreciate those answer. In the prior review, U.S. auto manufacturers indicated that revocation of the orders would allow them to use the availability of imports as a bargaining tool when negotiating prices with domestic CORE steel suppliers, even though they strongly preferred to buy the domestic product.

I would love to ask them if anything has changed, but they seem to be regretting their appearance the last time around. So I'll ask you. That is what the Commission found in the last review, and I want to ask you if we were wrong because we just relied on what they told us. But I will ask you whether anything has changed.

MR. PIERCE: Well, just to complete the record, I mean, Ford did put in a prehearing brief making comments, particularly related to the prep tons. But with regard to the automotive folks, you know, let's consider where the domestic steel industry is today. Three mills make 70 percent of the steel in the United States. We saw any number of questionnaire responses in this review talking about supply constraint issues that are of concern.

If you're an automotive company, even though I'm sure that you want local supply, you want to buy domestic -- they clearly do. They insist on that. But do they want access to global supply? Yes. They're going to want to have that option. They're global competitors. They need to have that. So it wouldn't surprise me.

That's a different question than using the prices to actually negotiate down and undermine U.S. prices. There is too many other overriding factors. But I'm sure they want access to global supply.

MR. CAMERON: Commissioner, just briefly. Once you have made it clear that you have a strong preference, and you are buying domestic, then this, quote unquote, using the foreign producers as a bargaining chip is a pretty weak bargaining chip because it's not going anywhere if everybody knows where you're going to buy from.

Then it turns out that the competition for price is not with the foreign mills. Then the competition for the price becomes with the domestic mills. And we would suggest to you that that's exactly what the record supports, at least in terms of what they have said.

So we get your point, but I don't -- I think the theory of using bargaining chips and the reality of it are totally different in a negotiation because you can't use it as a legitimate bargaining chip unless you're willing to actually do that. Are you going to buy, you know, X percentage of your steel from foreign mills? And the indication from the -- at least from the big suppliers is they haven't been willing to do that. So it's not a very strong chip.

COMMISSIONER ARANOFF: Okay. Thank you all very much for those answers. Thank you, Mr. Chairman.

CHAIRMAN WILLIAMSON: Commissioner Pinkert.

COMMISSIONER PINKERT: Thank you, Mr. Chairman. Staying with you, Mr. Cameron, I'm trying to understand the market logic here, okay? So just bear with me for a second.

If U.S. producers, auto producers, prefer to buy domestic, what should that do to the relative prices between domestic and foreign supply of the CORE?

MR. CAMERON: It depends on what the domestic market and competition is. I mean, if in fact it is they are overwhelmingly purchasing from domestic producers, then I would suggest to you that the price of the foreign CORE is not really all that relevant to the price of the domestic CORE. The domestic CORE is going to be based on how many suppliers do we have here that supply automotive corrosion-resistant. And it's going to be the price between them, not the competition between them and the foreign suppliers.

If you're 2 percent of the market -- I mean, I understand the theory. I've heard the theory before. But I beg to differ that 2 percent of the market is a market setter rather than a market taker. And that is the theory that is being suggested by the industry. I don't think that works.

COMMISSIONER PINKERT: Thank you. I see Mr. Pierce back there holding up his hand, so, Mr. Pierce.

MR. PIERCE: Just briefly. I think the consequence of it is price premiums for the domestic mills. In other words, you know, the domestic mills, the auto producers, they want to buy domestic. That means that there is an advantage for the domestics. They can get price premiums above imports because imports have hurdles that they have to overcome to be able to make the sale. And I think that's what you end up with, and that's a natural way one would think of the price competition, I think.

COMMISSIONER PINKERT: Thank you. Now, I think you remember earlier today there was some testimony by the domestic panel about how we should think of the new investment in the domestic industry insofar as it might impact the vulnerability determination. And I want to give you a chance to respond to this. And this is another one of these theoretical questions where I want you to answer it as if other things were equal. Just considering on its own the question of new investment, new production capacity in the United States in and of itself, does that make the domestic industry more or less vulnerable?

And then once you've answered the *ceteris paribus* question, then you go on to explain why it's relevant or not relevant.

MR. DOHR: Well, let me start with new investments as -- Christian Dohr -- as we have the new investment in Alabama. I think what it very much shows is a strengthening of the local industry. So we have the best assets there, the newest technology, and everything is equipped to the best standard you can buy, for production, the same as for environmental protection, everything around it.

I think that is a big step forward for the industry, adding 2 million tons of CORE capacity in the United States as an investment to strengthen this industry. And I think that takes away vulnerability because that, of course, gives a certain lead in the competitive race with other companies around the world. And this is why I would say that the vulnerability with our investment, although it might in the future no longer be our investment, is being reduced.

COMMISSIONER PINKERT: Mr. Cameron.

MR. CAMERON: With respect to your theoretical question, we believe that theoretically when you have companies that have made the decision that the market is good enough that they should invest the dollars -- in other words, they are going to commit real money to the market -- that is an indication then the market in fact is not vulnerable. That is an indication of faith in the market. It is an indication of where you're scoping out a plan, a business plan, for the future, and you're saying, yes, this investment makes sense to us because it's going to be successful.

Now, the success or failure of that is different, and in fact it doesn't appear that it depended so much upon the U.S. market. It really was a function of individual occurrences with respect to Brazil. I mean, that's a separate issue. But the decision to invest in the United States portion of that was based upon a faith in the market and an evaluation in the market that, hey, this is a good market. Let's invest here.

So I would say that it's a counter -- it is an indication that the market participants do not believe that it is vulnerable, and it's not an indicator of vulnerability in theory.

MR. DOHR: I would like to add one more comment here. This morning it was suggested that the industry is vulnerable and that the German steel mills, especially ThyssenKrupp Steel USA, might be very aggressive in importing steel to this market because of its financial situation.

Well, I think there are some mistakes or some misstatements in there. If you look at the publicly available results of ThyssenKrupp financial results that were published in December, you will see that actually ThyssenKrupp Steel Europe is profitable, and it's profitable although there is this downturn. It's profitable because of the reasons that Stefan Grünhage mentioned, that it is an industry -- it is a company that bases its success on successful customers like the automotive.

So there is no evidence that ThyssenKrupp Steel now desperately needs to seek new customers somewhere.

COMMISSIONER PINKERT: Thank you. Now, where subject and nonsubject products are produced on the same equipment, if we're trying to measure idle capacity, should we combine the idle capacity for both the subject and the nonsubject production so that we arrive at an amount that is possibly exportable to the United States in the event of revocation, an amount of subject product that would be exportable? Mr. Pierce.

MR. PIERCE: No. I think the fair way that you have to assess that additional capacity is to allocate it between subject and nonsubject, probably best based on normal production levels. You can't just assume, okay, we can put all of this capacity into subject, and if there is that growth in demand and production, there wouldn't also be in the nonsubject.

I mean, alternatively, you know, one could assume, okay, well, it's all going to go to nonsubject. Both of those would be wrong. The better way to allocate it is by actual production experience in normal times, I think.

COMMISSIONER PINKERT: For purposes of that particular question, can you give me some idea of what the normal time, what the benchmark would be so that we would have an appropriate allocation?

MR. PIERCE: I'd say over the review period, and as long as there is no strange event that happened, but I'd say something over the review period would be a fair projection, and then you'd project out two years. The more recent you are in time, the more reliable the predictability of the time period is going to be. But I don't think you'd go back any further than that.

COMMISSIONER PINKERT: Thank you. And my last question goes back to the sale of the Alabama plant that we've talked so much about today. And you may remember that I asked the panel earlier today whether the standard that we should be applying to that potential sale is one of likelihood or certainty, or does it have to already have occurred for us to take it into account? And so I'd like to give this panel an opportunity to address that question as well, either here or in the post-hearing.

MR. PIERCE: Well, I think I tried to address that or anticipate that question earlier in our comments. I think the way one has to look at it is, you know, it's likely to -- is revocation likely to lead to material injury. And so it's not that likely standard that applies to what is going to happen with the Alabama plant because the Alabama plant I think is a condition of competition particularly. And what you know in concrete terms is that that mill is there, the prep tons are in place, the veto power is in place.

I think that it's just too speculative as to what is going to happen over the course of time with respect to, you know, who might buy, will someone buy, when will they buy, how might it be structured. I think it's far too speculative, meaning that for you to render a determination based on, well, the automobile is going to be gone, therefore Germany is going to be a likely cause of injury, you have to be pretty darn certain of all the details of how that sale might or might not be structured, and it's just an impossibility. There are too many open questions to reach a level of certainty that would be necessary to make that type of determination, I believe.

COMMISSIONER PINKERT: Thank you very much. Thank you, Mr. Chairman.

CHAIRMAN WILLIAMSON: Commissioner Johanson.

COMMISSIONER JOHANSON: Yes, thank you, Mr. Chairman. This is a question for Mr. Young-il Baek. You spoke during your testimony regarding POSCO's investment in Mexico or investments in Mexico. And this also -- I brought this up this morning as well with the Petitioners, so I want to delve under this a bit deeper.

Your brief states that POSCO is now able to supply the U.S. market with automobile-grade corrosion-resistant steel in part from this facility. Have any U.S. customers qualified the Mexican mill?

MR. HONG: My name is Schoon Hong from POSCO America. Only Hyundai and KIA is qualified for supply.

COMMISSIONER JOHANSON: Okay. And I apologize if this was answered before, but are they importing from that plant?

MR. HONG: Yes, they are.

COMMISSIONER JOHANSON: Okay. And how much does a product range of that mill overlap with POSCO's Korean capacity?

MR. CAMERON: You mean product range in terms of --

COMMISSIONER JOHANSON: Yes, yes. I'm sorry if I'm not being clear.

MR. CAMERON: The question is, is it duplicative of POSCO, and is it replacing POSCO supply.

MR. HONG: Right now the POSCO Mexico is supplying lower grade GI and GA material to KIA and Hyundai. And they're bidding second line because they can build more high quality steel, such as AHSS, advanced high-strength steel. This second line can produce those kind of steel, and eventually replace the imports from Korea.

COMMISSIONER JOHANSON: Okay. Thank you for your responses. And I apologize if it was something that was repetitive, but I was actually -- my staff and I were working on this question, and we kind of noticed that you were already answering the question perhaps. So anyway, I apologize for that.

I'd now like to turn to the German Respondents. And I think Mr. Grünhage might have touched on this earlier. The Respondent briefs mentioned a domestic lead time advantage as one factor that would protect the domestic industry from injury. Do you know if there has been a preference for shorter lead times if a preference for shorter lead times has become more widespread or more pronounced in recent years?

MR. GRÜNHAGE: Well, I can tell you exactly what in Europe has happened, and that is that indeed customers rely on much shorter lead times. Most of them have substantially reduced their stocks to have low capital employed. So and because of the economic uncertainties and the financial crisis, they don't like to have so many material on stock because then they could run into the risk of devaluation of their stocks. That means that in between they are ordering with much more shorter lead times, at least in Europe, their material than before. And that has had an influence on the whole distribution chain.

So I'm not exactly sure if this is the same for the United States. Maybe, Bob, you can answer this.

MR. HOLT: Yes, sir. There has been a strong preference for a reduction in lead times from suppliers to producers in the U.S., particularly in the automotive business. In fact, it's not uncommon today for deliveries and delivery responses to be made within a matter of hours rather than a matter of days these days. So that's certainly the way of the future.

MR. CAMERON: Commissioner?

COMMISSIONER JOHANSON: Yes, Mr. Cameron.

MR. CAMERON: I'd also point out that in the recent standard pipe investigation, lead times actually -- the record was pretty replete with the fact that lead times was an important consideration of purchasers in terms of whether to purchase domestic or imported material. So obviously for the automobile industry, this is a well-known fact, but it's also clearly in the other markets as well, for instance, to supply the construction market.

COMMISSIONER JOHANSON: Do you know why that is happening in the United States? Is it similar to what is happening in Europe, as was discussed by Mr. Grünhage?

MR. CAMERON: It's in order to reduce inventory costs. I mean, number one, everybody wants the convenience of I'd like that, and I'd like it now. But at the same time, they don't want to have to bear the cost of what that takes. It used to be that a lot of companies had their own inventory, and they maintained significant stocks of inventory so that they could run at their convenience.

They had two disadvantages. Number one, you're maintaining out-of-pocket costs for the inventory. Number two, within the last decade at least, and certainly within this particular POR, the issue of raw material volatility, and what has been the impact of raw material volatility? The impact of raw material volatility has been to result in reevaluations of the inventories, whether it be corrosion-resistant steel, whether it be hot-rolled steel, whether it be pipe and tube.

If you're on the wrong end of that inventory valuation, you've got a problem. And therefore one way to minimize the risk -- and this is again a disadvantage to the import's face -- the way to minimize that risk is to not carry that inventory and have somebody else doing it.

So again, it's an factor of economics. But it's a catching up of actually a sound way of doing business. But once you do that, once purchasers do that, and then users do that, they are minimizing the raw material risks and the risks that they're going to be hurt by the volatility of those prices.

MR. GRÜNHAGE: I just wanted to add something to this, and exactly this is fact why we at the moment have nearly the lowest rate of imports on corrosion-resistant steel in Europe, and that is because our customers are refusing to ordering imported material, not from South Korea, not from China, or other sources where they previously see us sometimes -- whereas they previously have bought it from. And that is also a fact of this.

COMMISSIONER JOHANSON: All right. Thank you.

MR. HOLT: And just one last comment. As I said at the beginning, that is the primary reason why the prep ton strategy just did not materialize as we had hoped. People were too reluctant to take the chance of waiting for those long lead times. And I might also add too that this short lead time concept goes far beyond just the automotive industry. I mean, it has moved all the way down the chain into the appliance industry, into the heavy equipment industry, into just about any OEM today.

So even service centers, by the way, are demand shorter lead times from the mill. So it's a concept that's all about economics, as Don mentioned just a few minutes ago.

COMMISSIONER JOHANSON: But, I'm sorry, I don't know very much about the subject. But don't you risk possible shortages of the product?

MR. CAMERON: Which is the reason that they prefer to have domestic supply, because in a risk of that, you have some place that is right next door or has a lead time of two days or three days rather than a lead time of 75 days to 100 days. So, yes, you do risk shortages, and that occasionally occurs.

So that's another reason that people like to diversify supply, to the extent that they can. But, yes, you're absolutely correct.

MR. HOLT: But there is a risk to that, but exactly as you said, but they compensate on that risk by trying to -- or by actually requiring larger stocks of inventory to be held by the supplier in order to compensate for the unforeseen expectation or the unforeseen run-aheads or the unforeseen rejections or the unforeseen -- or the unexpected. But that's how they compensate that.

But it goes back to the supplier who is taking that risk, not the OEM.

COMMISSIONER JOHANSON: So they're transferring the risk back to you all in effect.

MR. HOLT: Absolutely, yeah.

COMMISSIONER JOHANSON: Okay.

MR. HOLT: It's all a matter of economics, too. They no longer have to carry that inventory. They no longer have to manage the inventory.

COMMISSIONER JOHANSON: All right. Thank you. And I'm going to move on. I think I have time for one more question. I believe a similar question was posed to the Korean Respondents, but could you all please respond, the German Respondents please respond, to the argument made by U.S. Steel in its brief at pages 14 to 16 that the reported reduction in Germany's capacity is unsupportable?

MR. GRÜNHAGE: Yeah. I mean, that's a question where we are coming from. There are a lot of different publications out there, and by my view --

and I'm really experienced in this -- they are all overstated.

I can tell you that we have roughly reported to the International Trade Commission exactly what we have available as capacity in our company by coming from the possible number of maximum shifts which you can have within one year, and then looking at what times these shifts cannot operate because there is plant maintenance, repairs, cleanup, modernizations, or others, and this gives you then the available number of shifts in a year, which are available to produce material.

In addition to this, you have assumptions based on historical experience, what product mix you will make on this, on a specific line. And because different products like aluminized products and zinc magnesium needs different times to be produced on the same line, and then you come to an average performance by line, and multiplying this with the given shifts gives you then the real capacity in a year. And that is -- we are always making this plan for the future year, and we have taken this from our plant capacity, which of course is not the paper tiger capacity published somewhere in publications, let's say. And then, of course, we would to add -- to reach 100 percent of this plant capacity.

But then unfortunately we have unforeseen standstills, which are not taken into account when we have reported our capacity to the International Trade Commission because -- and plant maintenance, which was foreseen, took about 10 shifts, now needed out of the hair because material was not there, 15 shifts, and that is the reason why our capacity is 92, 93, and at the moment 94 percent.

COMMISSIONER JOHANSON: All right. Thank you for your response. And my time has expired.

CHAIRMAN WILLIAMSON: Good. Commissioner Broadbent.

COMMISSIONER BROADBENT: Thank you. One thing that stuck in my mind -- this is a question for ThyssenKrupp. And you had mentioned that your labor costs in Brazil had actually gone up 80 percent during the period of review. I don't know what the time period was. Was that a function of exchange rates or how would labor costs go up 80 percent?

MR. DOHR: Yeah. That was over the course of the last five years, Commissioner Broadbent, and it actually includes both. Yes, the labor cost in the country multiplied with whatever the exchange rate was during these two time spots, so converted into U.S.

dollars. That's what we looked at.

COMMISSIONER BROADBENT: Yes.

MR. DOHR: And it's part of the problem in Brazil. Certainly there have been other issues in the ramp-up which added the cost and led to the impairment we recently did. And the question that ThyssenKrupp had to answer in leading to the decision in May 2012 to dispose -- or to sell the assets -- the question we had to answer is what is going to be our view for the next five years out. Where will Brazil be? And we did not find enough evidence to believe that it would come back to the low-cost production country it once was five, six years ago. And that means that the slabs we take from Brazil into the U.S. and draw them in Calvert will have an uncompetitive pricing, and that led to the decision.

COMMISSIONER BROADBENT: And then what would you project the source of slabs would be in the future for that facility?

MR. DOHR: That totally has -- we have to -- you know, it remains to be seen, as this will be part of concept potential buyers will roll out. And everything is possible there right now. I don't want to go into speculating whether we will have a difference slab source in which that could be. What can I tell you is that we have a very high interest in the plant. We have had lots of visitors there before Christmas and now. And there are several parties interested coming with different business concepts.

COMMISSIONER BROADBENT: Okay. At the end of the day here, I can't answer this question myself, so I may have to repeat a question and ask it again, and I apologize for that. Why isn't ThyssenKrupp exporting much outside of the EU right now?

MR. GRÜNHAGE: Sorry. Why we are exporting that much or not so much.

COMMISSIONER BROADBENT: Not so much.

MR. GRÜNHAGE: Not so much. Well, we have never done this during the last 10 or 15 years. It was all destinated for our customers. That's our local supply strategy. And then the mill in Germany is producing for the European market, which is our home market, and we have longstanding customer relationships I would say. Nearly 100 percent of our customers, we are making business with since the last 30, 40 years even. And you just not -- you have good customer relationships in your home market just to go temporarily maybe to another export market.

COMMISSIONER BROADBENT: Okay. So the production you have in the EU goes to EU production of autos and so froth.

MR. GRÜNHAGE: Yes, yes, yes.

COMMISSIONER BROADBENT: And you mentioned that the small passenger car production is falling off, but it's being compensated by --

MR. GRÜNHAGE: By the premium.

COMMISSIONER BROADBENT: -- a rampup in the premium. And where are those cars being sold at this point?

MR. GRÜNHAGE: To a more larger extent to markets like in Asia. Also it goes to China, for example. That is also part of why parts of the automotive production, which was counted in Germany previously, now is counted as Chinese automotive production, while the parts are still being produced in Germany, so that -- but the assembly, the final assembly, is done in China. It seems like -- and that might also be a reason why Petitioners have claimed that production levels went down in Germany, why it seems lower. But actually, the production is still in Germany, but the cars, of course, the premium cars, are sold throughout the whole world.

COMMISSIONER BROADBENT: Okay. So the corrosion-resistant steel goes to parts production in Europe.

MR. GRÜNHAGE: Yes.

COMMISSIONER BROADBENT: Okay. Now, the original period of investigation, Germany was a major exporter of corrosion-resistant steel to the U.S., and then this dropped after the order, of course. So how much of this was a result of the order, and how much of it was a result of your sort of local supply strategy you've been discussing?

MR. GRÜNHAGE: For me, it was not an effect of the order because we shipped constantly over the years still with 10 percent antidumping duty, which we now have in place since 20 years tonnage as to the United States. We always had a huge portion of shipments of nonsubject merchandise. We are shipping runner coat, for example.

But the local supply strategy was the main driver that the U.S. market has over the years not any longer the meaning for ThyssenKrupp Steel Europe as it had in the past 20 years ago. I mean, our company has changed totally. Everything has changed. And so it's not any longer one of our key markets.

COMMISSIONER BROADBENT: Mr. Cameron.

MR. CAMERON: Commissioner, you're asking with respect to prior to 1992, right?

COMMISSIONER BROADBENT: Right.

MR. CAMERON: I mean, it's very interesting. As you know, these petitions were filed six months after the expiration of the second -- of the VRA extension by the George H.W. Bush administration. As you probably have seen -- and actually, I think you were around then -- those cases -- those petitions were massive.

The world has changed so much in terms of the steel world that it's really -- there is very little that you can compare in terms of these markets, in terms of what had occurred before the cases and afterwards. But I can tell you that in fact most of the steel was controlled because it was controlled by the VRAs between 1984 to about, I don't know, April 1992, something like that.

So there was a great deal of control. And then, of course, you also the safeguard action that occurred in 2000. So it's a quite different market between the two, between the before and after, which is kind of the point.

MR. GRÜNHAGE: Maybe I can add to this. The world, especially for ThyssenKrupp, since we are acting in Europe, has changed dramatically. We have seen mergers, especially in Europe, which have taken place. Many, many players who had been there acting in the market 20 years ago are still not any longer there. We had Aceralia, names -- British Steel, which are gone. What a chorus it was in between. It's now tighter in between even.

So there was a huge consolidation with a lot of capacity closures in Europe. At the same time, the European Union has expanded from the EU 15 or 12 -- I am not even sure what it was in 1991 -- to now EU 27, where we come EU 28 possibly in the next foreseeable future. And that has on the one side increased your market, and on the other side has reduced competition. And that, of course -- there is a higher demand for our material now in Europe. And so it's not in any way necessary, and we don't have the material to ship it in the same tonnage as 20 years ago in the United States.

MR. CAMERON: And again, I think this was testified this morning. The number of U.S. producers has been reduced, not necessarily eliminated, but consolidated. And now you have a level of consolidation that is so great that when ArcelorMittal was making their proposal, the Justice Department required them to divest some assets in order to approve it. So in that level of consolidation there is also a competitive advantage in many ways. So it's a very different market.

COMMISSIONER BROADBENT: Okay. I'm still struggling with the transportation and logistic costs, trying to understand the ex mill prices. The Petitioners were arguing that both the German and Korean producers as well as the domestics face transportation and logistical costs, and they were saying that inland transportation could outweigh overseas transport costs for some projects.

What is your response to that, please?

MR. CAMERON: Our response is that once you get it from overseas -- I realize this is going to be a revelation to the U.S. industry. But actually, once you bring it into port, you actually have to transport it overland to wherever you're going. So it is -- an ocean freight is going to depend on what ports you're going to. Some are more expensive depending upon where you're taking it.

So no, we don't agree with that, but we'll be glad to put the transportation costs on the record. I think that's a good idea.

COMMISSIONER BROADBENT: Good. That would be helpful. I don't have any more questions, Mr. Chairman.

CHAIRMAN WILLIAMSON: Thank you. Just a few more questions. Just quickly, I was wondering, since the domestic industry mentioned it this morning, Korean exports to Europe, are those primarily to the auto sector sector, or is there sort of both auto and construction and other?

MR. HONG: They are primarily for automotive sectors.

CHAIRMAN WILLIAMSON: Okay. Thank you. And you talked about some investments in eastern Europe. Good, thank you. Mr. Cameron, could you expand on your statement that small differences in price are not likely to influence purchasing decisions, and how should we reconcile this with the statements where the majority of questionnaire responses that, you know, price is very important, or maybe there isn't a difference?

MR. CAMERON: Well, nobody is denying that price is very important. But again, lead times are also very important, so it depends on what exactly are we comparing. Again, in the case of the automobile companies, are they saying price isn't important? No. They're all saying price is really important. I grant you that.

But price is very important to the automobile companies, and how much are they buying from the two Respondents that are sitting here?

CHAIRMAN WILLIAMSON: Okay. So all those other factors.

MR. CAMERON: Well, exactly.

CHAIRMAN WILLIAMSON: Okay.

MR. CAMERON: So and price premium. So nobody is saying that price isn't important, okay? I mean, we're not saying that. But what we're saying is that when you look at the market and you look at the record of this case and other cases that you've had, the issues of lead times are quite important, and as are nonprice factors. So that's the way we would explain it.

CHAIRMAN WILLIAMSON: Good. Thank you.

MR. PIERCE: I think if you look at it from the customer's perspective, it's not that you look at the accidental price here and the accidental price here, and say where do I get the better price. It's what is it going to cost me to buy domestically. What is it going to cost me to buy an import. And when you have all in cost ,the price comparison just is irrelevant -- it's not irrelevant, but the ex mill basis really doesn't work. You've got to think of it as the customer. What is it going to cost me buy that import.

CHAIRMAN WILLIAMSON: Okay. Thank you.

MR. CAMERON: Do you want to ask another comment?

CHAIRMAN WILLIAMSON: Okay, okay. I think you all have answered it. I want to get us out of here. I was wondering, Commissioner Johanson asked the question this morning about natural gas prices, and basically the domestic industry said it's really insignificant. Do you all agree with that? I mean, the difference in natural gas price between the U.S. and some other -- say Europe and Korea. Is it really relevant? If it's not, we'll move on.

MR. CAMERON: We can look at it. I mean, I think it is fair to say that natural gas price in the United States is actually a raw material advantage here vis-à-vis, for instance, Korea. But we will be glad to get you that information. How significant natural gas is as a component of their total cost, I'm not sure how significant that is.

CHAIRMAN WILLIAMSON: Okay. If it's not, then that's --

MR. CAMERON: Yeah. We'll be glad to find out and let you know.

CHAIRMAN WILLIAMSON: And I was wondering, you know, raw material prices have fluctuated over the period. And I was wondering, do you expect this fluctuation to continue, and what impact might it have on the price of CORE in the future?

MR. PIERCE: Well, for those with surcharges, which is what ThyssenKrupp has to have in their contracts now for sales, that means that the prices are going to move with the raw materials, depending on where raw material quarterly costs are. What that does is it eliminates the possibility that you get a contract price sent or set from ThyssenKrupp over time, and then raw material costs move, and that squeezes the margin on somebody else that is in there.

What it helps to do is remove price suppressive pressures from the market from contract sales essentially. So with the surcharges, it moves with the raw materials. It's a significant development. It's a big change in the market. It has had a lot of effects, a lot of domino effects in the market. And what it also does, it means that if you have captive raw material supplies, even substantial capital raw material supplies, not 100 percent, well, then when raw material price cost go up to your competitor, you're just pocketing more profit because steel prices are moving up. And, you know, what do you do to get more iron ore? You dig a deeper hole.

It's not like you're cost of mining the iron ore move with the market price of the iron ore.

So having captive supply is a big change. That's why the domestic mills are investing so much in setting up capital supply. U.S. Steel testified almost all their iron ore is captive. You know, ArcelorMittal today is the fourth largest iron ore producer in the world?

CHAIRMAN WILLIAMSON: Okay, good. Thank you. I know they have quite -- slight -- a different view about that. But thank you for that perspective. What about for the Korean producers?

MR. CAMERON: The Korean producers do not have surcharges, so volatility of raw material prices is something that is -- it impacts them. But in terms of the U.S. industry perspective on this issue of captive supply of raw materials, it was quite interesting this morning because they were suggesting quite vociferously that, well, what are you talking about. That doesn't have any impact on our competitiveness, and it doesn't insulate us from the market forces.

Now, nobody is suggesting that it is insulating them from market forced, but it does significantly impact their competitiveness. And you don't have to believe me. Let's see what A.K. Steel said. A.K. Steel said in their 10K that investments in iron ore, coal and iron ore, quote, "represents significant steps toward achieving the company's top strategic initiative of vertically integrating the business through increased ownership of some of its key raw materials."

U.S. Steel said, "Our relatively balanced raw materials position in North America and limited dependence on purchase steel scrap have helped mitigate the volatility of our production cost."

So for the industry to sit here today and say, nah, it doesn't have any impact at all, what are you talking about, I don't understand where you got that from -- well, we got it from their annual reports. That's where we got it from.

So I think that there is a credibility issue there. They're vertically integrating for a reason, and they're doing it for exactly the reason that Mr. Pierce is suggesting. It's to -- yes, it mitigates the volatility because a lot of the volatility is dependent on what? It's dependent on demand, not the cost. It's dependent upon the demand. And if the demand drives the price up, then all of a sudden, people that are dependent upon buying that are paying that higher price.

But if you also control that supply, then you're getting that benefit of the increased price of the demand without having to pay for it. So, yes, actually it's a significant change in the nature of this industry and in the competitiveness of this industry.

CHAIRMAN WILLIAMSON: Okay. Thank you. If they disagree with you about significance of it, we'll hear it post-hearing.

MR. CAMERON: They disagree with me for about everything.

CHAIRMAN WILLIAMSON: Okay. And actually, I have no further questions. Commissioner Pearson?

COMMISSIONER PEARSON: Thank you, Mr. Chairman. I also have no further questions, but would like to express my appreciation for your participation and your willingness to answer our many questions. Thank you.

CHAIRMAN WILLIAMSON: Thank you. Commissioner Aranoff?

COMMISSIONER ARANOFF: Thank you, Mr. Chairman. One quick data request. This is directed in particular to ThyssenKrupp. But if the Korean producers also want to answer it, I would appreciate that, too.

For the German producers, we asked in our questionnaire that you separate your shipments into home market, European Union, United States, and other. And I'd like to ask you to break out the other category to the best of your ability to reflect which ones of those are basically in Europe but not in the EU or, you know, otherwise would be considered regional sales versus elsewhere. And you can do that either by going country by country or making your own cut at the data and explaining what you did.

For the Korean producers, if you think that that would add helpfully to an argument about the geography of sales, please feel free to do the same thing with the other category.

MR. CAMERON: We'll be pleased to do that. I think we had already committed to doing that in response to Commissioner Broadbent's request, and I think that you're correct, and we'll look at that. Thank you.

COMMISSIONER ARANOFF: Thank you.

MR. PIERCE: We'd be happy to do that. I believe it's in our questionnaire response already.

COMMISSIONER ARANOFF: Oh, okay.

MR. PIERCE: But we'll put it in the post-hearing brief.

COMMISSIONER ARANOFF: Well, if it's already in your questionnaire, I can just ask staff to extract it and add it in a footnote to the table in the report.

MR. PIERCE: Okay.

CHAIRMAN WILLIAMSON: Thank you. And thank you very much for all your other answers today.

CHAIRMAN WILLIAMSON: Thank you. Commissioner Johanson?

COMMISSIONER JOHANSON: Thank you, Mr. Chairman. I just have one more question, and this is for ThyssenKrupp. ArcelorMittal asserts that demand is currently weak in Europe, and that it temporarily closed a German blast furnace in late 2011 in response to this weak demand. Could you respond to ArcelorMittal's statement that ThyssenKrupp reported no intention of shutting down flat shield capacity, and that this establishes that ThyssenKrupp is not inclined to shut down capacity, but will look to other markets, including the United States, to absorb any excess capacity or idle capacity?

MR. GRÜNHAGE: Yeah. I can tell you that's totally not the truth. ThyssenKrupp Steel Europe has also idled a blast furnace since last year, which is not operating. We have four blast furnaces in our production facility in Duisburg, and only three of them are running since I think now -- since a year, and it's not foreseen to revamp the blast furnace in the foreseeable future.

That is our adoption to reduce the amount which we have seen after the financial crisis, of course, in Europe, as I said before. And in addition to this, we also looked at especially specific on CORE. We have reduced our number of workforce permanently. That means we released really people from work. And that means that we don't have, for example, the people available to run, for example, our electrogalvanizing lines with full shifts, possible in a week. So normally seven days with three shifts a day is 24 shifts you can theoretically produce in one week. But that needs then at least, let's say, five teams with operators that you really could run the mill all the time, and we have permanently reduced our workforce in adoption to the lower demand on this, and this also then reduces, of course, the capacity because if you don't have the people to run the mill, then you don't have the capacity to work this.

So we have adapted to the reduced amount rather than keeping our blast furnace running, feeding our production lines, and then ship the material throughout the world. And again, if you look at our export, at our shipment throughout the years, always above 90 percent in all the years, only in Europe. If there is a financial crisis or not, the picture has not changed. We have reduced then our production and adopted this with lower demand.

COMMISSIONER JOHANSON: All right. Thank you for your response, Mr. Grünhage. And actually, I just thought up one more question, and this will be my final one. And this is a followup to one I asked, I believe it was during the last round.

I had spoken to you about possible instability in the European market due to plant closures for automobiles in Belgium and the UK, and I believe France as well. And I believe I read in the newspaper the other day that there have been no closures of automobile plants in Germany in recent years, and that they were possibly not foreseen. Could you perhaps comment on that?

MR. GRÜNHAGE: Well, up till now, luckily there was no plant closures of automotive industry in Germany. Opal most recently, which is General Motors, announced that they will close production at the Bochum location. That is one plant in Germany out of three. And they will relocate the production to Rüsselsheim, the other plants, in adoption to this.

COMMISSIONER JOHANSON: But that is not shut down at this point.

MR. GRÜNHAGE: At the moment, it's not shut down. I think they announce to do it 2016, I think, is their target.

COMMISSIONER JOHANSON: Okay. Thank you. And that concludes my questions I'd like to once again thank all of your for appearing here today, especially those of you who had to travel very long distances. Thanks.

CHAIRMAN WILLIAMSON: Okay. Thank you. I think the concludes questions from commissioners. Does staff have any questions for this panel

MR. CORKRAN: Douglas Corkran, Office of Investigations. Thank you, Chairman Williamson. Staff has no additional questions.

CHAIRMAN WILLIAMSON: Thank you. Do Petitioners have any questions for this panel?

MR. ROSENTHAL: No, we don't.

CHAIRMAN WILLIAMSON: Thank you. This comes to time for closing statements. Let's see. Petitioners have 6 minutes from direct questioning, 5 for closing, a total of 11 minutes. Respondents have

9 minutes from direct and 5 from closing, for a total of 14 minutes.

It is our custom usually for each side to combine those times, if no objection to that. If so, I want to thank this panel for their testimony. I appreciate it very much, and those who have traveled so far. And we'll dismiss you so that we have closing statements.

MALE VOICE: Thank you, Mr. Chairman.

MALE VOICE: Thank you.

(Pause)

CHAIRMAN WILLIAMSON: Come to order. And you can begin when you're ready.

MR. VAUGHN: Commissioners, this is Stephen Vaughn for U.S. Steel. I'll start off with the closing statement. First of all, a couple of points.

There was testimony several times in the afternoon about the concept of speculation as to what is going to happen with the plant in Alabama. Just to be clear, it is not speculative that the plant is going to be sold. They have told that to the world. They have put that in their financial statements. There is just simply no doubt about that.

Second, there was a discussion about the effects of the orders and the dumping margins on

Korean exports. Clearly, you do see a lot of Korean exports in this market, but that doesn't mean that the orders are not having a big impact. In fact, we believe that it's pretty clear that it limits their ability to chase prices as those prices go down.

Third, there was a lot of discussion about ThyssenKrupp and its business model and how it does things in the world, and how it has done things in the world. The record shows that ThyssenKrupp's business model is not working. They have big problems. They have lost a great deal of money. There is even talk they may get out of the steel business altogether. So I think that you should not assume that whatever they have done in the past is going to necessarily be the road model -- the model for what they're going to do in the future. They have a lot of pressure to increase sales.

Fourth, there was a discussion of capacity, and it was stated that apparently one of the things that happens in calculation of capacity is they're taking into account things like layoffs. We don't think that's consistent with the Commission's instructions in terms of how to calculate capacity because that capacity is still there. The mill is still there. And the plant people can be hired if the business presents itself. And we believe that that business could present itself in the context of a revocation and a chance to return to this market.

ThyssenKrupp has said that it's clear that they've lost a huge amount of money on an effort to build a new mill in Alabama. Now, the whole purpose of that mill was to serve the U.S. market. Today they have said that the mill will be sold, leaving them with no U.S. production facility. Are we now to believe that the German mills will simply turn their back on this market altogether? Where would they go?

The European economy is a basket case, and German mills have been forced to slash production in response to poor market conditions over there. Is it really plausible that they will go on with unused capacity year after year and make no effort to use the customers and contacts they have in the U.S. market to save themselves? Of course not.

What about the Korean mills? Look at the facts. They have built millions of tons of new capacity, capacity that far exceeds the requirements of their home market. To keep those mills running, they have to export millions of tons every year. They are chasing customers all over the world.

Commissioner Broadbent raised this in some of her questions about the different markets. Last year, in the first 11 months of the year, they shipped 155,000 tons to Belgium. They shipped 46,000 tons to El Salvador. They shipped 27,000 tons to Georgia, the country, not the state, 129,000 tons to Iran, 100,000 tons to Malaysia, 315,000 tons to Mexico. You get the picture.

In light of these facts, the notion that they would not take advantage of every possible opportunity to increase sales to this market, one of the largest and most attractive in the world, is absurd. Thus, it is clear that revocation will lead to increased volumes of imports from Germany and Korea. The only remaining question is whether those imports will hurt domestic producers.

The evidence in favor of an affirmative determination on this point is overwhelming. Over six full years, from 2006 to 2011, U.S. mills had an operating income of only 2.3 percent. When R.G. Steel went bankrupt, its mills could not find a buyer that would keep them in operation. When T.K. tried to break into this business with a new mill, they lost a fortune. The evidence is compelling. The domestic producers are vulnerable.

One can understand why German and Korean mills are so eager to see these orders revoked. They need all the sales they can get, and they can sell here, so long as they sell fairly. But they do not have a right to ship unfairly traded goods to the United States to keep their mills running. It's not the fault of U.S. workers and businesses that subject mills have excess capacity or that subject producers are being hurt by poor market conditions abroad.

The domestic producers will pay the price if these orders are revoked, and we get a new flood of unfair trade. I urge you to prevent such a result and to maintain the relief that is in place. Thank you.

MR. ROSENTHAL: I want to pick up on that last point because there was a lot of discussion and I would say numerous references by Mr. Cameron in particular about the age of the order. Well, the Respondents have had the so-called keys to the jailhouse door in their own pockets for the last 20 years. They could have stopped dumping. They could have stopped being subsidized at any time during this period and gotten out from under the effects of the order. They didn't do that. So they're continuing to trade unfairly. And the law does not say the dumping order goes away after a set period of time. In fact, that notion was rejected during the Uruguay round. It says that the orders will stay in place if they ware likely to cause injury or recurrence of injury, a continuation or recurrence.

So Mr. Cameron is likely to get up here another fives times and talk about the age of the orders. He'll talk about cell phones and maybe muskets and the 800-ship Navy. Those are legally irrelevant to the questions before this Commission.

Other misstatements of law are too numerous to get into today, but let me just talk about a few. The discernible adverse impact analysis is not based on current import volumes with the order in effect. That's something the Respondents keep forgetting. We're not talking about the 2 percent share of the market today or how it has been the last 20 years under order. What the Commission has to do is discern what is going to happen after the order is revoked if it is.

So you have to not focus on the arguments made by Respondents, which is up until now everything has been fine, and we have a stable market. The order has been in place. It's supposed to be stable.

Mr. Pierce cites the high capacity utilization rate of Germany to claim that their capacity is constrained. What he ignores is the absolute level of German capacity, not capacity utilization. Even at relatively high capacity utilization rates, the German producers maintain more than enough capacity to swamp this market with their production.

The Respondent's contention that the domestic industry is not vulnerable because imports did not cause the industry's problems currently, that they may have caused it themselves or that there is some other force in play, it's legally irrelevant. The statute and the SAA make clear that vulnerability does not need to relate to imports, nor should it with an order in place. By definition, the condition of the industry is not supposed to be caused by the subject imports.

The fact that Respondents have attempted to rely on whether imports cause vulnerability is one more indication of the weakness of their argument concerning vulnerability.

I want to go back to the question of speculation. We had a very interesting phenomenon today. Mr. Pierce did his best to obfuscate and suggest that there were a lot of unknown unknowns in the phrase of a former Secretary of Defense. But there are certain known knowns. One of them is that this mill will be sold. That has been clearly stated and admitted to by one of the witnesses for ThyssenKrupp today.

Another known known is that that sale will take place by the end of their current fiscal year, which will be September 2013. There is no speculation about either one of those. Yes, Armageddon could take place. There could be tsunami, all these things that Mr. Cameron was talking about earlier could happen.

But those are the statements that the Respondent's witnesses have admitted to. The only issue that is uncertain is who is going to be the buyer. But you know what? That's not something you need to trouble yourself with. The one thing we know is that ThyssenKrupp will not be the buyer. They're the seller. And the entire argument by Thyssen Krupp is that, having this Alabama mill, it changes everything. And therefore, we can control our imports. We've got veto authority.

Their brief says here, on page 39, "Cutting across and swamping all other considerations is the fact that ThyssenKrupp, the largest Germany CORE producer responsible for most -- all subject imports over the past five years, is now a significant member of the domestic industry.

Well, that won't be the case in the reasonably foreseeable future. They're going to be out of that position by September of this year. So they will no longer have veto authority. Imports from Germany can't come in unrestrained by their position as a domestic producer. This is an industry that is vulnerable. It is in a bad position in terms of its finances, and it's facing threats from imports from Europe, which is in a bad condition, and Asia, which has oversupplied.

We urge you to continue these orders. Thank you.

CHAIRMAN WILLIAMSON: Thank you.

(Pause)

CHAIRMAN WILLIAMSON: Mr. Cameron or Mr. Pierce, you can begin when you're ready.

MR. CAMERON: Let me start. I've got some overall things, and I know that Ken has some specifics with respect to ThyssenKrupp.

We just heard -- apparently I am supposedly a believer in the 800-ship Navy. Actually, I remember that dialogue in the recent election. I actually thought that the President had a good point on that. And actually, that's the reason that it is relevant because just as the 800-ship Navy is not the same as what we're talking about now, so it is that the condition of this industry in 1992 or 1991 is really not really the point today. And yet that actually is relevant to this Commission as a legal matter.

As Commissioner Broadbent has been asking these questions -- and she's right. And why is she asking the questions? Is it just because she's curious? No. Actually, I believe it's because the statute asks that you look at what was the condition of this industry at the time of the order, and what is the condition now. And the reality is that it's quite different, and therefore it is relevant, and the age of the order is relevant. And yet the fact that it is 20 years in existence is relevant. And the idea that they need another 5 years because 20 years wasn't long enough is relevant.

Secondly, it was just pointed out by Mr. Rosenthal that, you know, the issue of discernible adverse impact is what will happen, not what has happened. Well, there are two ways to look at this, or a couple of ways to look at it. One is that what has happened under the order is actually relevant to looking forward. It doesn't mean that it's definitive. It doesn't mean that it answers all the questions. But it answers quite a few of the questions because for one thing, it is useful to know. And to the extent that the orders have not had a significant effect on the volumes from Korea, it is relevant to the issue of so do you expect that there would be a big change if the orders are lifted.

And our answer to that question is, well, actually, no, we wouldn't. And evidence that we pointed out this morning in the introduction and Commissioner Pinkert asked the Petitioners, all right, and the question was, well, Mr. Cameron said that if you look at what happened after they took away the order five years ago, that actually imports declined. Do you agree with that statement?

The domestic industry panel started out saying, well, no. I mean, actually, look at imports from Canada. They increased. Now, it was subsequently pointed out by the panel that, well, of course, the imports from Canada are controlled by U.S. producers, U.S. Steel and ArcelorMittal. So it is not quite an answer to suggest that the fact that imports from Canada may have increased because the domestic industry itself decided that it was in their interest to supply from Canada rather than from their U.S. mills that they apparently aren't running at full capacity, for whatever reason, that somehow that is contradicting my statement. I think the answer to that is self-evident. It's not.

So what else did they point out? Well, they then pointed out to the OCTG order. That's interesting. Do you think that the conditions of competition in oil country tubular goods is different from the conditions of competition in this industry? I would suggest that it is. Do you think that removing 2 million tons of Chinese OCTG from the market right after the revocations might have had some impact on the rest of the market? I think maybe it did.

Number three, they aren't the same producers, and they're not the same product. So exactly how is that legally relevant to this decision, and how does that somehow contradict the observation under this order of what these Petitioners said five years ago if this cataclysmic occurrence were to occur and you were to remove the orders? And the answer is nothing happened. Why? Because what was happening under the orders was relevant to what is going on.

So I think that most of the other things that -- I think that we've covered most of the other things. I just want to reemphasize one more thing, and that is this issue of raw material integration, again just to make sure that this point isn't lost. I was rather surprised this morning to hear the domestic industry back peddle from the -- I mean, it's not even a controversial statement, that the reason that they are vertically integrating their raw material supplies is to insulate them from raw material volatility.

You don't have to look any further than the brief submitted by U.S. Steel in which they admit this and say, but, you know, there are other people that are actually paying market prices, and you can see what the market prices are. Again, the fact that they are making a statement at this hearing that it doesn't have any impact doesn't make it so. And I would suggest to you that the statements that they have made in their 10Ks with respect to the benefits that they expect to receive and the importance of the vertical integration of raw material supply, and why that is making them more competitive and more able to withstand the volatility in the marketplace is much more persuasive and much more credible than the statements that they are making in response to Commission questions when they're thinking, oh, my goodness, if that's true, maybe we're not vulnerable, and maybe they'll revoke the order.

I mean, let's get a little credibility here.

That's all I've got to say.

MR. PIERCE: Thank you. The outcome of the German order doesn't turn on, shouldn't turn on, how you view the sale of the mill in Alabama. The two countries are cumulated. There is no grounds for finding the likelihood of material injury, or more likely material injury, from revocation if they're cumulated.

If they're not cumulated because of no discernible adverse impact, or there is no discernible adverse impact, I think you have to find with respect to Germany.

As to Petitioner's guesswork, as to the point that you think the future of the Alabama mill is dispositive, it is guesswork. We have on the record -- we have given you the public statements by ThyssenKrupp AG about the divestiture of the mill. That is their intentions. That is their aspirations. What is going to turn out is all yet to be determined, whether it's with respect to any aspect of that mill or the sale or the form it takes. There is also the question of Brazil.

So I think you have a lot of speculation there, and you can't just assume, as Petitioners say, well, that mill is going to be gone, and then make the next giant leap, well, if that mill is gone, then Germany is going to flood the U.S. market, when there is no evidence to indicating that whatsoever.

So with that, I won't belabor the point with you. But obviously your determination has to be based on evidence. It has to be a likely finding and cannot be based on Petitioner's speculation. Thank you.

MR. CAMERON: Thanks very much for -- actually, for your patience and for taking the time to understand the record and to ask questions. We actually appreciate it, and we appreciate your patience. Thanks.

CHAIRMAN WILLIAMSON: Okay. Thank you. And we appreciate all of the testimony today, and we appreciate all of the witnesses who came from near and far to testify. Posthearing briefs, statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by January 18, 2013. Closing of the record and final release of data to parties is February 6, 2013. Final comments, February 8, 2013. And with that, this hearing is adjourned. Thank you.

(Whereupon, at 6:10 p.m., the hearing in the above-entitled matter was adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Corrosion-Resistant Carbon Steel Flat Products From Korea & Germany

INVESTIGATION NO.: 701-TA-350, 731-TA-616-618

HEARING DATE: January 9, 2013

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: January 9, 2013

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: David W. Jones
Signature of Court Reporter