UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**)**	**Investigation Nos.:**
CERTAIN HOT-ROLLED STEEL FLAT	**)**	**701-TA-545-547 and**
PRODUCTS FROM AUSTRALIA, BRAZIL,	**)**	**731-TA-1291-1297**
JAPAN, KOREA, THE NETHERLANDS,	**)**	**(Preliminary)**
TURKEY AND THE UNITED KINGDOM	**)**	

Pages: 1 - 262
Place: Washington, D.C.
Date: Tuesday, September 1, 2015

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KOREA, THE NETHERLANDS, TURKEY,	) (PRELIMINARY)
AND THE UNITED KINGDOM	)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, September 1, 2015

The meeting commenced pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Douglas Corkran, Chair, presiding.

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JFE Steel Corporation

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P R O C E E D I N G S

9:33 a.m

MR. CORKRAN: Good morning and welcome to the United States International Trade Commission's Conference in connection with the preliminary phase of Antidumping and Countervailing Duty investigation numbers 701-TA-545 through 547 and 731-TA-1291 through 1297 concerning certain hot-rolled steel flat products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey and the United Kingdom. My name is Douglas Corkran.

I am one of the Supervisory Investigators in the Office of Investigations and for this particular case I will preside at this conference. Among those present from the Commission Staff are, from my far right Waleed Navarro, the Statistician, Mary Messer, the Investigator, Justin Enck, Investigator, James McClure, the Supervisory Investigator in this case, Peter Sultan Attorney Advisor, James Dempsey Attorney Advisor, Lauren Gamache, Economist and we also may have a second Economist joining us, Cindy Cohen. David Boyland, the Accountant/Auditor and Gerald Houck, the Industry Analyst.

I understand that parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter.

All witnesses must be sworn in before presenting testimony. I understand parties are aware of the time allocations. Any questions regarding time allocations should be addressed with the Secretary. Are there any questions? Mr. Secretary, are there any preliminary matters?

MR. BISHOP: No. Mr. Chairman.

MR. CORKRAN: Very well, Mr. Secretary. Let us proceed with opening remarks.

MR. BISHOP: Opening remarks on behalf of petitioners will be by Stephen P. Vaughn -- Skadden, Arps, Slate, Meagher & Flom.

OPENING REMARKS OF STEPHEN P. VAUGHN

MR. VAUGHN: Good morning. I am Stephen Vaughn representing United States Steel. This is a very straightforward case. It is a classic example of how dumped and subsidized imports can and do harm Domestic Producers. The statutory factors that the Commission normally considers have not only been met here, they have been met beyond any room for doubt. Let us briefly look at each factor.

Cumulation: Imports of hot-rolled steel from all seven of the subject countries rose significantly, even dramatically, from 2012 to 2014. Through the first six months of this year, despite clear evidence that this market is over-supplied, imports from all seven subject countries are on a pace to exceed the volumes they shipped in 2012, the beginning of your period of investigation.

Hot-rolled steel from all of the subject countries is broadly interchangeable, both with each other and with a domestic-like product, which helps to explain why Subject Producers were able to take so much market share so quickly. In short, the Commission can realistically assess subject imports only if it considers them as a single bloc, just as Congress intended.

Volume: The key facts are not in dispute. From 2012 to 2014, the volume of subject imports rose by 1.4 million tons. That's an increase of 80.6%. Almost all of that increase took place last year as an enormous surge of dumped and subsidized steel overwhelmed this market, taking sales from U.S. mills and preventing domestic producers from taking full advantage of improving demand conditions.

By the end of 2014, it was clear that inventory levels had risen, the market was oversupplied and prices were falling. But subject imports kept rising. From the first half of 2014 to the first half of 2015, unfairly traded imports rose by almost seven hundred thousand tons and an increase of 52%. Because subject mills are not responding to the clear signals being sent by the market, trade relief is necessary.

Price effect: In May 2014, the U.S. midwest price for hot-rolled steel was six hundred and eighty-seven dollars a ton. By the end of the year, it was down to six hundred and fourteen dollars a ton. Subject imports just kept coming and Domestic Producers had to cut prices even further to avoid massive shutdowns. By June, the average price of hot-rolled steel in the United States was only four hundred and fifty-six dollars a ton. There can be no doubt that the enormous import volumes and the oversupply that they created played a significant role in this pricing collapse.

Impact: Data from CRU show that last year was the strongest year for hot-rolled steel demand since 2004. Domestic producers require a fair opportunity to take advantage of favorable demand conditions, but they were denied that chance. Instead, this market was attacked and distorted by unfair trade. Underlying demand remains relatively strong, but as imports continue to pour into an over-supplied market, American mills face a grave crisis.

U.S. Steel was recently forced to stop making hot-rolled steel at its mill in Fairfield Alabama. The domestic industry is suffering heavy losses. Once again, these facts are not in dispute and none of them can be explained without reference to the surge of unfair trade.

Threat: We don't think the Commission needs to reach the issue of threat, but if it does the evidence in support of affirmative determinations is overwhelming. Subject mills face major problems, both in their home market and in third country markets. That is why they are being so irresponsible here. In the absence of trade relief, they will continue to try to export their problems to this market and they must be stopped.

In short, this is an easy case for the Commission, which should reach affirmative determinations in all countries, but it is not an easy case for domestic producers. Respondents often act as though clever lawyers were trying to take advantage of some kind of loophole. Nothing could be further from the truth. Domestic producers did not want to bring these cases. They haven't brought new hot-rolled steel cases in fourteen years.

The only reason we are here today is that the Domestic Industry faces an emergency that can only be stopped by trade relief. The subject producers did not have to be here if they had been content with true market competition, these cases never would have been filed. But they decided to cheat the system and thousands of American workers are suffering as a result.

Today, we seek nothing more than fairness, the type of fair trading system Congress counts on the Commission to enforce. Grant this relief and let domestic producers get back to work. Thank you very much.

OPENING REMARKS OF DONALD B. CAMERON

MR. BISHOP: Opening remarks on behalf of respondents will be by Donald B. Cameron - Morris, Manning and Martin.

MR. CAMERON: Don Cameron for Joint Respondents. It's fitting that hot-rolled comes last, after alleging that imports are injuring the domestic producers of cold-rolled and corrosion resistant, the hot-rolled producers now bring a case that threatens the existence of two West Coast producers of core and cold-rolled. That's ironic to say the least. This action is a far more serious threat to those producers of core and cold-rolled than imports.

UPI and Steelscape, the suppliers in question, require dedicated hot-rolled supply to be viable core and cold-rolled producers. Without that supply, they will not survive. And if that is not enough, this case also threatens the burgeoning spiral weld large diameter pipe industry, which depends on imported X-70 grade, a product that is in short supply from U.S. Producers and not available in the thicker grades needed to produce heavy-wall large diameter line pipe.

Keep in mind, at the end of the day, this case is based on two quarters in 2015. It's not based on the performance in 2012 through 2014 or even about 2014. Certainly not about 2014. This is about two quarters. So we ask the Commission to seriously consider the following when listening to the testimony this morning.

Present injury? Seriously? I mean through the end of 2014, operating income was up, net income was up. COGS to sales ratio is down. This applies to total market and the merchant market. Production, shipments, capacity utilization, employment, all improved over the period with shipments and profitability the strongest in the end of 2014 in the last half. This is the period in the import surge.

We said it in core and we repeat it here. There is no present injury in this case. At most, its threat and it isn't that either. In 2015, demand dropped precipitously. With that drop in demand followed domestic shipments and other indicators. But what caused the drop in demand? A lot is explained by the fifty percent drop in OTCG consumption between November of 2014 and June 2015. OCTG Producers were significant consumer of merchant market hot-rolled.

Imports. Imports lag the market because of lead time. But between January and June of 2015, monthly imports have fallen by more than forty-five percent. So long before this petition was filed, the market was already adjusting to falling demand and falling raw material prices. So how do falling monthly import volumes threaten injury?

Within the last ten years, new U.S. Industry producing spiral pipe sprouted up in the U.S. Large diameter spiral-weld pipe was previously imported. These U.S. producers require heavy-walled X-70 to compete with imports of large diameter line pipe. Two-thirds of the requirements of these companies are served by a limited number of qualified U.S. producers on that side of the room. The other one-third is served by imports.

Of these imports, U.S. producers do not supply and are not qualified by the pipelines to supply X-70 over 0.625 inches. Exactly how can imports of a product U.S. producers cannot produce, but which is critical to the pipeline supply, be injuring or threatening U.S. producers? Imports allow these companies to be viable and purchase domestic hot-rolled and expand consumption. U.S. hot-rolled producers can't have these consumers without accepting the imports that are also necessary to support them.

Finally, how do captive imports of hot-rolled steel by Costco to its joint venture UPI, injure or threaten the U.S. hot-rolled producers? How do Nippon Steel and Bluescope Exports of hot-rolled to Steelscape injure or threaten U.S. producers of hot-rolled? We ask this question because these imports enable those producers of core, cold-rolled and tin-plate to survive and compete in the West Coast market. We ask because forty-nine percent of total subject hot-rolled imports are to the West Coast and ninety-eight percent of those subject imports are from Australia, Japan and Korea.

You will hear this afternoon that freight cost and freight car availability make the supply of these West Coast mills via hot-rolled produced in the Midwest unrealistic. Freight costs make long-term supply of hot-rolled for downstream cold-rolled and corrosion resistant production on the West Coast unrealistic. Cost issues aside, the lack of rail cars necessary to transport the volumes required to supply to re-rolling mills makes relying on domestic supply from the Midwest absolutely untenable, which again prompts a question. How are these imports injuring the U.S. Industry?

I would like to take one opportunity and thank Jim for his career in service here and I know every counsel in this room has appeared before you multiple times and I wish you luck with the Kansas City Royals this year.

MR. MCCLURE: You just won the case.

(Laughter)

MR. CAMERON: Let's go home.

Mr. MCCLURE: I'm joking of course.

MR. BISHOP: Will the panel in support of the imposition of the anti-countervailing duty orders please come forward and be seated. Mr. Chairman, all witnesses have been sworn.

MR. CORKRAN: Welcome to the Staff Conference Mr. Rosenthal. You may begin when you are ready.

STATEMENT OF PAUL ROSENTHAL

MR. ROSENTHAL: Thank you. I was going to say something nice about Mr. McClure but obviously he was not capable of hearing that so he decided to depart but for the record I do want to say thank you to Mr. McClure for his many years of service and dedication to the Commission and I was going to even suggest that we'd be happy to hear him ask us questions but I promised to be under oath.

I'm Paul Rosenthal, Kelley Drye providing an opening on behalf of the domestic petitioners. I want to start by providing a little bit of an overview of this record. You heard some of this from Mr. Vaughn earlier in his opening, but there is compelling evidence of the factors that the Commission looks at when it makes its determinations of injury and threat of injury.

With respect to volumes, the record will show that the subject imports are significant and increasing in both absolute terms and relative terms. Concerning prices, the Subject Imports continue to be the driver of what's been happening in the marketplace, undercutting U.S. producers and forcing the Domestic Industry to suffer price depression with respect to effects, subject imports impact on the domestic industry has been devastating as essentially every injury factor shows decline.

As to threat, subject producers have the capacity and the incentive to increase their exports to the United States, which will cause further material injury to the domestic industry and its workers. I'm not going to spend much time on what are right now I'd say the legal issues in this case but with respect to cumulation negligibility I want to state just the following key facts. One is that all of the requirements for cumulation are met.

When the Commission looked at cumulation in the last hot-rolled case filed in 2001, it found those conditions met. They are met today. There is an overlap in competition in subject imports and the domestic product. There is general interchangeability between subject imports amongst themselves as well as the domestic product and the subject imports have some presence in most or all the regions in the U.S. and move in similar channels of distribution.

There is no question that cumulation should be applied for all of the countries subject to investigation. Moreover with respect to negligibility there is no issue here, whether the Commission uses the Import methodology used in the petition or the Staff's revised list of HTS Numbers, imports from all seven countries comfortably exceed the negligibility threshold.

So let's look at the facts on volume. The statute requires that imports be significant, not increasing, but significant. It happens to be that in this case they are increasing and increasing dramatically. The Subject Imports climbed from about 1.7 million tons in 2012 to over 3.1 million tons in 2014, an 80% increase. Now I know Mr. Cameron is going to make it seem that those import volumes were just supplying those poor little suppliers in need of hot-rolled on the West Coast. That does not in any way account for the volume surge that we saw in 2014 and continue to see in 2015.

As this next slide shows, in the 2015 interim, subject imports increased another fifty-two percent. For those particular customers on the West Coast, for the line pipe industry, that's hilarious. Subject imports U.S. Market share rose over the period of investigation too and more than doubled. While this is all happening, the U.S. Producer Market share was declining over the period of investigation too and continued to decline over the interim period.

As slide eight shows, the domestic industry's market share loss is due almost entirely to subject imports.

Contrary to what the Respondents claim, contrary to what Mr. Cameron just said, the subject imports were not filling market needs or simply meeting demand. From 2012 to 2014 as the U.S. Market grew by fifteen percent, the subject imports grew by eighty percent. They weren't just supplying those customers on the West Coast or the one customer you will hear from in the line pipe industry, they were overwhelming the market. Well exceeding any reasonable expectations of demand.

During the interim period, this disconnect persisted as U.S. apparent consumption fell, subject imports continued to grow by fifty percent. The result of the massive import volumes in 2014, again far exceeding marketplace needs was a significant increase in subject import or inventories in 2014 and interim 2015. These high inventories fueled by low price subject imports helped accelerate the price collapse that you saw in interim 2015.

Now, it's often said that even a blind pig finds an acorn now and then, though almost defying nature my friend Mr. Cameron can't ever seem to find causation. No doubt he'll be up here later today waving his arms, questioning causation in this case and saying "how is it possible?" You heard it earlier, "how is it possible with the increased profitability by the domestic industry and relatively stable prices over the earlier part of the investigation that there is causation?"

Well, I am going to talk very slowly as I go through the slides so that everyone will understand what happened in 2014 and interim 2015 to understand not only why there is present material injury but why there is threat of future industry. Read the slide slowly along with me because this will explain why the snapshots that sometimes you see from Commission data that are on annualized basis or a half-year basis don't capture what is going on in the marketplace.

As subject import volumes increased over the period of investigation, the domestic producers initially tried to hold the line on market prices because there is healthy demand for hot-rolled steel in 2014 in particular. As the Industry held the line on pricing, it lost sales volume and market share to the subject imports. Not a difficult concept and in fact, the record will show that.

In 2014, the expanding subject import volumes inundated the U.S. market and the domestic industry. You saw the data on the increased imports in 2014. You saw the data on the increased market share. The doubling of market share. Underselling by the subject imports became rampant and importer and distributor inventor swelled. Domestic producers tried to arrest the subject import volume is by lowering their own prices. They realized if they continued to maintain prices to maintain profitability, they were going to lose market share, which they did.

They said nope, we can't continue to do that. We have high capital investments. We need to run our facilities at a higher capacity utilization rate. We need that volume and therefore we have to drop our prices. What was the result? Declining revenues and price depression and depression.

So in 2015, the bottom dropped out as inventories of Subject Imports of hot-rolled steel grew to still higher levels, the market prices collapsed. From the fourth quarter of 2014 to the second quarter of 2015, domestic producer prices fell from one hundred and fifty to two hundred dollars per ton. That is a lot of price decline and a lot of revenue loss.

Let's just look at this one slide. Mr. Cameron referred to previous cases and the cold-rolled case. Well in that case, he wished away about seven hundred million dollars worth of import volume revenue loss, revenue loss due to import volumes. In this particular case, the revenue lost for one year's worth of import volumes, 1.4 million tons is close to a billion dollars. A billion dollars.

Mr. Cameron will no doubt try to explain that away but to paraphrase former Senator Edward Dirksen who is probably a contemporary of some of ours, actually he preceded me, that said "a billion here, a billion there, pretty soon you are talking about real money". Well, a billion here and a billion there and pretty soon you're talking about real injury and we are talking about real, present injury.

Not surprising, the data show steeply declining pricing for the key products produced by the domestic industry over the period of investigation. I'm sure we will hear the mantra that we've heard before in these cases by the respondents about falling costs leading to the decline in prices but this slide shows that the decrease in net sales values greatly exceeded the cost declines in 2015 and as the witnesses this morning will tell you, if the prices were not going down faster than cost, profitability would be increasing but you know that's not the case.

Mr. McClure, thank you for returning. I was taking your name in vain earlier.

MR. MCCLURE: You were what?

MR. ROSENTHAL: Take a look at this slide. Because of confidentiality concerns, we can't use the actual data but every key injury variable considered by the commission is going down and everyone has a significant decline in interim 2015, production, capacity utilization, domestic shipping volume and value, AUVs, market share; all down. Net sales volume and value, gross profit, operating income, operating income to net sales, net income; all down.

Of course, Mr. Cameron will say this has nothing to do with imports. The 1.4 million ton increase and the billion dollar loss, nothing involving that. And the increase in imports in interim 2015 of fifty-two percent and declining prices has nothing to do with all these declining indicators.

Well, let's take a look at where profits are and the interim periods. If you look at this first profit slide, it shows net operating returns deteriorating substantially between the first six months of 2014 and the first six months of 2015. And by the way, what Mr. Cameron would describe as great profits in 2014 are pretty darn anemic when you're talking about a hot-rolled steel industry that requires huge capital investments and we're at the peak of the demand cycle, the time when this industry needs to make money because it needs to get through an inevitable downturn.

So we're starting, this on the left hand side is not a great profit number to begin with and is now down in a serious negative position. This is a terrible position to be in and it's unsustainable. Take a look at the net profits, not looking any better. In fact, in absolute terms this profit crash is even more dramatic. I'm going to ask you, who is going to invest in this industry if the imports are going to wreak such havoc? Who is going to be employed in this industry if the Subject Imports remain unchecked?

You've heard and you will hear further about the shutdowns that have already taken place in this industry just in the last few weeks. What's going to happen next? Well, what's going to happen next doesn't look pretty. The excess capacity of subject producers far exceeds the market demand for hot-rolled steel. There is a ton of excess capacity in the subject countries and where do you think it is going to go?

Well, first of all it's getting pushed out of their own home markets and their country markets by China, a country that is restrained from shipping to this country. China is overwhelming other markets around the world and of course the subject countries' own economies are doing poorly, so where do you think that product is going to come? It's going to come to the United States if there is no trade relief. In fact, the U.S. happens to be an important market for every one of these countries, either one or two for most and it's in the top ten for Japan but Japan ships to fifty countries so just because it's number nine, don't think it's not an important destination for Japanese producers as well.

So every one of these countries wants to come here, is coming here and will come here in greater volumes and lower prices unless there is trade relief in this case.

In sum, this domestic industry is in dire straits and is very much in need of relief from the on-flood of unfairly traded imports under investigation. Obviously we will get to more details behind all these slides in our post-hearing brief when we can use the proprietary information.

But now I want to turn the microphone over to our witnesses who will describe in more detail the injury and threat of injury that they have suffered as a result of the subject imports. Our first industry witness will be Mr. Mull.

STATEMENT OF DANIEL MULL

MR. MULL: Good morning. I am Daniel Mull, the Executive Vice President for Sales and Marketing of ArcelorMittal USA. My job responsibilities include overseeing and coordinating ArcelorMittal USA sales of all flat-rolled steel products. I am joined by my colleague, Buster Yonych, who is General Manager, Product Control for our company.

We are one of the global industry leaders in the development and production of high-strength, low-alloy and ultra high-strength steels. We sell these products to service centers and end users for use in numerous applications, including automotive, pipe and tube, appliance and construction markets.

ArcelorMittal USA is constantly working on improving our processes and products to meet our customers' needs. You have heard from the domestic industry about the difficult choices we face when confronted by offers of low priced imports. If we want to keep the business with our customer, we have to lower our prices to meet the cheap import competition. This obviously leads to lower revenues and lower profits. But at least we keep our mills running and we don't suffer the problem of increased unit costs because our volume declined.

The alternative choice is to not drop our prices and give up the volume to the import competition. For some steel products, we have given up volume to maintain our profitability. But that is a short-term strategy. A company can only retreat so far before it reaches a tipping point and closes its door in this death spiral. When it comes to hot-rolled steel, we cannot even contemplate retreating into a so-called niche strategy.

The hot-rolled industry is a high-volume, high fixed-cost business. Unless we make efficient use of our investments in these very capital-intensive facilities, we cannot survive, let alone prosper. As you have heard, imports of unfairly traded hot-rolled steel began to surge into the U.S. market in 2014.

We expected to be able to take advantage of a healthy and increasing demand for hot-rolled steel, but subject imports increased by 1.4 million tons between 2013 and 2014. The subject imports grew by an additional 700 thousand tons in the first half of 2015. And their share of the U.S. market increased dramatically in both 2014 and 2015.

This huge influx of imports was extremely harmful for our business. Hot-rolled steel, whether it's a high-strength steel for the automotive industry, commercial grade hot-rolled for construction industry, or skelp for the pipe and tube industry is sold primarily on the basis of price.

Even with customers where we have to qualify to get the business. Price ends up being the critical determining factor in obtaining the sale. To grab the increased market share that they did, the subject imports offered lower pricing fueled by dumping and subsidies.

That has put tremendous pressure on pricing over the last year. If you look at any of the industry indices of hot-rolled steel pricing, you will see declines of nearly $200 per ton since June of 2014. The collapse in pricing is being driven by the large and increasing supply of dumped and subsidized hot-rolled steel imports. No other factor explains what happened to pricing.

U.S. demand for hot-rolled steel has generally been healthy. While raw material costs have fallen, per ton prices for our finished products have declined to a much greater degree. As a result, our financial performance has turned from a meager profit in 2014 to a substantial loss in the first half of 2015.

We have not seen any improvement in prices, sales volumes or profits since June, and don't anticipate any improvements unless these cases move forward.

For a time in 2014, as imports were surging, we were able to maintain some pricing and margins based on our contract business. As I explained to the staff in the recent cold-rolled steel conference, however, contracts do not provide the domestic industry with any insulation from the injurious effects of the sustained surge in subject imports at decreasing prices. In our contract negotiations this year, our customers have used low-spot market prices as leverage to drive down contract pricing. Low import prices in 2015 mean that we will be leaving with those low and injurious contract prices for some time to come.

We are also increasingly seeing contract customers wanting to renegotiate existing contracts before the end of their duration. Because these customers represent important repeat business at significant volumes, we have to weigh the risk of the loss of those contracts in the future against maintaining our price erosion position now.

That represents a very difficult choice for us. Current prices are lower now than they have been for a long time. With demand soft in the rest of the world, without trade relief, things are likely to get much worse. Thank you.

STATEMENT OF DOUGLAS MATTHEWS

MR. MATTHEWS: Good morning. My name is Douglas Matthews and I am Senior Vice President of United States Steel Corporation's North American Flat-Rolled Operations. This is my third appearance before the Commission this summer. I want to say that we appreciate the hard work the Commission staff has put into these very important cases on flat-rolled steel.

Today I am here to give you a business person's perspective on how unfairly traded hot-rolled steel has distorted this market and caused injury to U.S. Steel and our workers. It has been a four-step process and domestic producers have suffered injury at every step.

Step one, we lost sales in 2014. Dumped and subsidized imports rose by almost 1.4 million tons from 2013 to 2014. To put this figure in perspective, it is roughly equal to the production of one of our blast furnaces at our Granite City works, and it is no coincidence that one of our blast furnaces has been down since January of this year.

Each of those 1.4 million tons in unfair trade has been supplied by a domestic producer at a fair price, could have been supplied by a domestic producer at a fair price. U.S. Steel alone has significant unused hot strip mill capacity last year, but imports forced us to lower production of hot-rolled steel by almost 7%. In a business like ours, where companies have significant fixed costs and need to maximize capacity utilization, the loss of so much volume is extremely harmful.

Step two, we had to reduce prices. By the end of 2014, the U.S. market for hot-rolled steel was oversupplied. We had already been forced to accept some decline in U.S. prices during 2014. Hot-rolled spot prices fell by over $70 a ton from May to December of last year. But in the new year, we had to reduce prices even further. From the first half of 2014 to the first half of 2015, the average price for our sales of hot-rolled steel fell by $111 per ton. And much of that decline was a direct consequence of unfair trade.

Step three, we suffered operating losses. From the first half of 2014 to the first half of 2015, imports from subject countries increased by more than 52%. That's roughly 700 thousand tons of additional imports entering an oversupplied market at dumped and subsidized prices. Meanwhile, at U.S. Steel, we not only reduced prices, we also cut production.

Compared to the first six months of last year, our hot-rolled output was down more than 20% in the first half of this year. The combination of falling prices and reduced production has been devastating. Through the first half of 2015, our flat-rolled segment, including hot-rolled production, reported a loss of $131 million.

Step four, we suffered shutdowns and lay-offs. As I've already explained, one of our blast furnaces at Granite City has been down for most of the year due to a lack of orders. Since the spring, our Keetac mining operation has been shut down and production at our Minntac mining operation has been reduced.

We shut down coke batteries at Granite City and Gary works, and two weeks ago, we were forced to shut down much of our operations at Fairfield, including the hot strip mill which produces hot-rolled products. These decisions were painful for all of us, both personally and professionally. But shutdowns of this type are inevitable in a market that is so distorted by unfair trade.

In a fair market, we are confident that we can not only survive, but thrive. To obtain such a market, however, we need strong and effective trade relief. That is why these cases were filed. With all due respect to the Commission and all the important work that you do, we would rather not be here today. We would rather be serving our customers, developing new products, and building for our future.

Unfortunately, we have been harmed by unfair trade. We were not only -- we were not the ones who built the excess capacity around the world. We were not the ones who sought to avoid the consequences of that excess capacity by dumping hot-rolled steel into the U.S. market.

All we want, all we've ever wanted from this Commission is a fair -- a chance to sell some of the best hot-rolled steel in the world under fair conditions. In other words, we want this market to reward hard work and innovation, not dumping and subsidies. That is the American way.

On behalf of the thousands of workers, on behalf of the enormous potential that awaits one of America's greatest and most historic companies, I urge you to give us trade relief we need. We will do the rest. Thank you very much.

STATEMENT OF ROBERT KOPF

MR. KOPF: Good morning. I am Robert Kopf, the General Manager of Revenue Management for United States Steel Corporation, a job that requires me to have great familiarity with conditions in the market for hot-rolled steel.

I agree with the points made by Mr. Matthews and

I would like to address a few other points likely to arise today. In the first place, the Commission should reject, fully and completely, the notion that this case involves unique imported products that are not readily available from the domestic industry.

U.S. Steel is one of the great steel producers in the world. We make every type of hot-rolled steel for which there is any significant demand in this market. And we are not alone. There are other domestic producers who regularly make and sell all the major grades of hot-rolled steel.

At all times relevant to this investigation, U.S. Steel could have taken more orders and made much more hot-rolled steel. Because we have significant fixed costs, we want to use as much of our capacity as possible. Any suggestion that you might hear that we have turned away orders is completely false, full stop.

The Commission should also reject the notion that there is no connection between the surge in imports in 2014 and falling prices in 2015, and are, no doubt, depressing our prices. Excuse me, for one thing, unfairly traded imports continue pouring into this market in 2015 and are, no doubt, depressing our prices. For another, it is absurd to suggest that subject imports can affect U.S. pricing at only the precise moment those imports enter into this market.

The mere offer of dumped or subsidized cheap hot-rolled volume forces the domestic industry to reduce prices in order to retain that volume. In other instances, it takes some time for the full effect of unfair trade to be felt. When it comes to contracts sales, for example, this may not occur until the contract comes up for renewal.

We saw a significant volume of hot-rolled steel pursuant to contracts of one year or less in duration. And those contracts have been, and continue to be, renegotiated against the backdrop, the background of too much supply and very low-spot prices. Every time unfairly traded imports force us to accept a lower price for our contract sales of hot-rolled steel, we suffer further injury.

Unfair trade has numerous other effects on our prices that develop only over time. For example, we see downward pressure on prices after increases of unfairly traded imports create too much inventory, as occurred at the end of last year. And, of course, many of the price cuts at issue here took place only after U.S. producers had lost a significant volume of market share, and could not afford to lose any more.

As these examples show, not all price effects are instantaneous. But such effects are still very real and very harmful. Finally, the other side may claim that falling demand for energy tubular products is the source of our injury. This should be rejected.

Energy tubular products represent only one component of demand for hot-rolled steel. And other significant drivers, particularly the automotive, construction and railcar markets, have been favorable. All in all, CRU data indicates that apparent U.S. consumption of hot-rolled steel during the first half of 2015 was roughly at 2012 levels.

Of course, this figure understates the actual underlying demand for hot-rolled steel because it does not account for the fact that the year began with excessive inventories. But even assuming that real demand is at 2012 levels, that cannot possibly explain the losses we have experiences, nor does it explain the significant decrease in domestic mill hot-rolled shipments when comparing the first half of 2012 to the first half of this year.

In 2012 our flat-rolled segment, including hot-rolled steel, made $400 million. In the first half of this year, our flat-rolled segment lost $131 million. Millions of tons of unfairly traded imports, imports that have taken sales and forced us to lower our prices, are the only credible explanation for our poor performance this year.

In short, you should have no doubt that subject imports have caused material injury to domestic producers and will cause more injury in the absence of trade relief. Grant this relief and give us the chance to compete on a level playing field. Thank you for the opportunity to testify.

STATEMENT OF RICK BLUME

MR. BLUME: Good morning. I'm Rick Blume with Nucor Corporation, and I am responsible for all commercial activity for the Nucor steel making group. This is my third appearance before the Commission staff in just over two months, proof that the U.S. steel industry has been forced into crisis by a surge of dumped and subsidized imports across multiple product lines.

Unfortunately, the U.S. hot-roll industry has been devastated by a surge of unfairly traded imports from Australia, Brazil, Japan, Korea, the Netherlands, Turkey and the UK. In a market with steady to increasing demand, the domestic hot-roll industry should be producing more steel, making more money and employing more workers.

Indeed, we're producing less steel, losing more money and working fewer hours. All as a direct result of dumped and subsidized imports from the seven countries under investigation. The domestic hot-roll industry is being injured by these unfairly traded imports and the injury will only get worse unless relief is granted.

Domestic demand for hot-roll steel has increased since 2012. As the U.S. economy recovers from the recent recession. The primary demand drivers for hot-rolled, including construction and autos, have been steady or growing. And Nucor was well-positioned to benefit from the favorable market conditions. As a result, Nucor purchased the Gallatin Steel Company, a hot-roll steel producer in Kentucky.

With demand expected to increase and because we bought Gallatin at the fraction of the cost of a new facility, Nucor anticipated that its investment would reap profitable returns. But that has not been the case. Since the purchase was completed in the mid-2014, Gallatin's profitability has dropped considerably.

In the first half of this year, Nucor Gallatin's net income plummeted, and the facility is now operating at a loss. This loss along with the decline in Nucor's overall hot-rolled operations is the direct result of the surge in dump and subsidized subject imports. As subject imports began surging in 2013 and 2014, they first stole market share from Nucor and other U.S. producers. At a time when we should have seen increased sales from rising demands, we instead lost market share and our sales were sluggish.

The injury caused by subject imports has become especially pronounced this year. As imports surged into the market and built into inventories, U.S. prices collapsed, falling by more than $230 per ton from May of 2014 to May of 2015. The eagerness of importers to sell on CRU minus terms further depressed and suppressed our prices and volumes.

With collapsing prices, Nucor's performance plummeted. In the first half of 2015 our production and net sales dropped dramatically and our net income plunged. Our capacity utilization is at its lowest level during the period of investigation and far below the historic production levels for these same facilities.

Clearly, we're struggling at a time when we should be performing well. This limits our ability to make important investments in certain hot-roll operations. And as I mentioned previously, our returns on early investments are wholly inadequate. This is material injury by any measure.

This afternoon, respondents may offer several reasons unrelated to subject imports to explain the sharp decline in the domestic industry's performance. None of these explanations are accurate. First, respondents will likely claim that the U.S. industry's decline is due to the declines in our country tubular goods market, as you heard at the core conference.

However, demand in the non-energy pipe and tube market, which is significant market for Nucor, has grown steadily over the last few years. In fact, Nucor's recent decline in shipments to the tubular sector are similar to the declines in shipments to other end-use segments that we supply.

You should ask the respondents this afternoon. Why, if the decline in the OCTG market is so significant, its subject imports continue to surge into the U.S. market? The injury we're facing is a direct result of low-priced subject imports, pure and simple.

Second, you may hear this afternoon that contracts insulate the domestic industry from subject imports, but they do not. Unlike the cold-rolled market for Nucor, the majority of our hot-rolled sales are spot sales. And spot prices are directly impacted by subject import pricing. In turn, when spot prices decline, contract pricing inevitably follows.

As a result, the entire order book, whether spot or contract, is negatively impacted by dumped and subsidized imports. Finally, you will likely hear claims that the U.S. industry cannot supply certain portions of the market. Once again, this is not true. U.S. producers manufacture a full range of hot-rolled steel products and compete across the full spectrum of steel qualities. I would be skeptical of any claims this afternoon that the domestic industry does not qualify to supply certain products and that imports are therefore necessary. Refusing to qualify domestic producer is often code for, 'I don't want to buy from you because I can get a better price elsewhere.' That better price is often dumped and subsidized subject imports.

In addition, we regularly supply customers in the western U.S. and we are cost-competitive in terms of shipping there. If anyone says that we can't compete on the west coast because of freight, they're dead wrong. What we can't compete with are dumped and subsidized subject imports.

Unfortunately the problem of unfairly priced imports from the subject countries, it's only getting worse. Massive global overcapacity coupled with slowing demand abroad is resulting in a flood of dumped and subsidized hot-rolled imports in global markets.

This global crisis is widely acknowledged, as country after country's increasing tariffs on hot-rolled and other sheet products. Indeed, we are not alone in seeing the dangers of unfairly traded imports, as our European and Turkish competitors also see dumped and subsidized imports as a cause of injury.

I can't wait to hear later today why Tata Euro and the Turkish industry believe that imports harm their markets, but not ours. On behalf of Nucor, my 23,000 teammates and their families, I urge the Commission to find that imports of hot-rolled steel from the subject countries have injured our industry and threaten us with further material injury. Thank you.

STATEMENT BY MR. SCOTT LAUSCHKE

MR. LAUSCHKE: Good morning. My name is Scott Lauschke. I serve as Vice President of Sales and Customer Service at AK Steel Corporation. I am accompanied today by Rich Pinson, AK Steel's General Manager of carbon sales for the manufacturing and distribution market segments.

AK Steel produces a broad range of hot-rolled steel products at our mills in Ohio, Kentucky, Michigan and Pennsylvania. These products are capable of meeting the most demanding customer specifications.

AK Steel sells hot-rolled steel into all significant end-use market segments including automotive, construction, and conversion such as pipe and tube manufacturing and for a wide variety of en-use applications.

In the first half of 2015, hot-rolled steel represented approximately 20 percent of AK Steel's sales of flat-rolled steel. Our manufacturing facilities however, are capable of producing substantially more hot-rolled steel than they are currently producing. We are here today because of the dramatic increase of dumped and subsidized hot-rolled steel imports since 2012. The subject foreign producers have offered lower prices and taken substantial market share from A K Steel and other U.S. producers.

The increasing supply of unfairly traded imports has had a severe, adverse impact on AK Steel's selling prices, shipment volumes, capacity utilization, and financial results.

Among other things, the unfairly traded imports have impaired the return of numerous investments that we have made in production facilities, new products, and more efficient production processes.

In particular AK Steel's $700 million investment to acquire the Dearborn Works from Severstall in July 2014 has been severely impacted by the increasing volume and declining prices of these dumped and subsidized imports. We originally anticipated cost-based synergies of approximately $25 million in 2015 from the Dearborn acquisition. Despite unfavorable market conditions resulting from the surge in subject imports, we are on pace to exceed this goal having already achieved approximately $27 million in cost-based synergies through just the first half of this year.

The fact that our corporate-wide profits have declined over this period despite outstanding results from our work force to achieve these cost savings, clearly illustrates the devastating impact of the surge in subject imports.

Hot-rolled steel is produced to common industry and customer specifications. Purchasers general consider all qualified products to be equivalent whether produced domestically or supplied from a foreign country.

Moreover, from the perspective of product lead time, there is no significant advantage for domestic producers. Imports are readily available from service centers or warehouse inventory. And the staging of this product results in similar lead times whether it is produced domestically or imported. Because the quality and availability of domestic products and subject imports are highly comparable, price is most commonly the determining factor in the purchasing decision.

None of AK Steel's hot-rolled steel products is insulated from import competition. And to the best of my knowledge all imported hot-rolled products are readily available from domestic sources.

While our spot-market sales are impacted directly and immediately by subject imports, the impact on our contract sales may either be immediate or delayed in time. For example, the price terms in many of our contracts change on either a monthly or quarterly basis in relation to market price indices such as those published by CRU or Platz. Those contracts are thus immediately impacted by declining market prices.

Other contracts, however, involve fixed prices over the duration of the agreement. Prices in these contracts will be negatively impacted at the time of contract expiration as customers renegotiate new terms which reflect current spot market conditions. If we do not adjust our prices downward to reflect the lower spot market prices resulting from unfairly traded imports, then we will lose sales volume from these contract customers.

Demand for hot-rolled steel is largely drive by general economic conditions, construction activity, and automotive sales. Given current demand conditions, U.S. market prices for hot-rolled steel should be near record high levels. Instead, U.S. market prices have fallen sharply during the period of investigation.

The reason for the price drop is obvious, the surge in dumped and subsidized subject imports has resulted in substantial lost volume for AK Steel and has caused us to reduce our prices on remaining sales to meet the lower import prices.

We have had no choice but to reduce prices to avoid losing additional sales volume that is needed to maintain capacity utilization and contribute to covering our substantial fixed costs. We cannot continue down this path. But, if we raise prices in the face of the lower-priced dumped and subsidized imports, we will lose additional volume to these subject imports. This would result in lower production, lower capacity utilization and higher per-unit fixed costs which would further adversely affect our revenues and our profits.

In response, we would need to reduce our workforce, our capital expenditures and our R&D expenditures for hot-rolled steel. In short, AK Steel is suffering both a significant loss of volume and negative price effects due to unfair competition from subject imports of hot-rolled steel.

On behalf of AK Steel and its dedicated workforce, I strongly urge the Commission to make affirmative determinations in these investigations.

Thank you.

STATEMENT BY GLENN PUSHIS

MR. PUSHIS: Good morning, Mr. Corkran and the members of the Commission staff. For the record, my name is Glenn Pushis and I am Vice President for the flat-rolled group of Steel Dynamics, Incorporated.

I am accompanied today by Mr. Tommy Scruggs, our general manager of sales for the flat-rolled group.

In addition to our original Greenfield, thin slap, mini-mill plant in Butler, Indiana, SBI purchased the assets of Severstall's Columbus, Mississippi plant in September of 2014 for $1.625 billion. That purchase added 3.4 million tons of hot-rolling capacity to the existing 3 million tons of hot-rolling capacity that we have in Butler.

We have not come close to achieving our anticipated return on that investment due to the surge of unfairly traded flat-rolled steel in the U.S. which has necessitate our filing of cases on core, cold-rolled, and hot-rolled products.

Given our present finishing capabilities to produce further value-added flat-rolled at the two plants, we would like to sell about 3.5 million tons of hot-rolled annually from these two facilities.

The Mississippi plant is the newest flat-rolled steel mill in the United States and it is truly an incredible facility. The markets in the southeast and the southwest are growing markets with a lot of investment and new downstream manufacturing. We are truly excited about these market opportunities. However, if you had seen from our data and I'm sure that of the industry in general, unfairly traded imports entering the United States have had devastating volume and price effects on our operations.

Our profits on hot-rolled have fallen by nearly 50 percent in 2015 as a result of the convergence of lower volume throughput of our mills along with lower pricing.

At SDI we will put our facilities and our people up against anyone in the world. There's no doubt in my mind that imports are unfairly traded when they undersell us in markets in which we enjoy a tremendous freight advantage over those imports. Therefore, we urge the Commission to restore fair trade in the marketplace and make an affirmative preliminary determination.

Thank you.

STATEMENT OF JEFF MOSKALUK

MR. MOSKALUK: Good morning, Mr. Corkran and members of the Commission staff. For the record, my name is Jeff Moskaluk and I'm Vice President and chief commercial officer for SSAB Americas known in the marketplace as SSAB, oh, sorry SSAB Enterprises which is known in the market as SSAB Americas.

We operate two Greenfield state-of-the-art flat-rolled mini mills in Mount Pellier, Iowa and Mobile, Alabama. With stucco mills that allow us to produce either cut-to-length plate or coiled plate.

While cut-to-length plate is our primary product, coiled plate represents a significant portion of our output and is critical to our ability to both balance the mills' output as well as operate our electric furnaces at higher capacity utilization rates.

Within the coiled plate market, one of our key areas of focus is coiled plate for spiraled weld pipe mills. This market is very active as a number of long-delayed pipeline projects have been approved so that gas and oil from the new shale areas can move to end-use markets.

Usually pipe producers check with suppliers before they bid the pipeline companies on the projects. Even though we have bid aggressively, for these pipeline projects we have found that over the past 18 months our spiral weld pipe mill customers are increasingly buying lower-priced X-70 coiled plate from producers subject to these cases.

SSAB America's predecessor company, IPSCO, operated the first spiral-line pipe mill in North America. This is a product that we know well and I think our product range and quality is equal to or better than any company in the world. Like the other coiled-plate and sheet producers on this panel, we have also seen tremendous price erosion for less demanding coil plate specifications sold to service centers and other end users. This is a result of a significant loss of tonnage this year which has dramatically impacted our work force and our mini mills that depend on production bonuses for much of their compensation.

We have also seen profit erosion as a result of lower utilization rates and lower prices.

On behalf of 1,300 employees at SSAB Americas, we ask that you make affirmative determinations in these investigations.

STATEMENT OF ROXANNE BROWN

MS. BROWN: Good morning. My name is Roxanne Brown and I'm the assistant legislative director for the

United Steel Workers. The USW is the largest industrial union in North America with more than 850,000 members. Our union has been steadfast in our opposition to the practices of foreign governments and foreign companies seeking to gain an unfair advantage by violating U.S. and international trade rules. Such actions have had a devastating effect on American manufacturers and their workers.

As you are aware, the USW has participated in the recent ITC staff conferences covering corrosion-resistant and cold-rolled steel. I am here today on behalf of our steel worker members and retirees to discuss yet more unfair trading practices, this time involving hot-rolled steel.

The USW represents thousands of workers in several different states and in more than a dozen plants operated by AK Steel, ArcelorMittal, USA, and U.S. Steel. For our members and their families it is essential that the Commission provide trade relief from unfairly traded imports from the seven countries subject to this investigation.

The U.S. hot-rolled steel industry and its workers has faced unfair competition from numerous countries over the years. The Commission first granted the domestic industry trade relief in 1982 against unfairly traded hot-rolled imports from Korea. Antidumping and countervailing duty orders were imposed against three other countries, Brazil, Japan, and Russia in 1998 and against 11 more countries in 2000.

Several of the orders imposed in 1998 and 2000 have been revoked. While antidumping orders remain in effect for China, India, Indonesia, Russia, Taiwan, Thailand, and the Ukraine and countervailing duty orders remain in place for India, Indonesia, and Thailand.

While this relief has been very important, dumped and subsidized imports from numerous countries not covered by an order have once again flooded the U.S. market capturing sales and U.S. market share from domestic producers and severely reducing domestic prices and production of hot-rolled steel.

This massive surge of dumped and subsidized imports from the subject countries threatens the economic livelihood of American steel workers. As members of the industry have just testified, production curtailments and layoffs occurred during the period of investigation and will likely continue if relief is not provided.

Indeed, the upcoming closure of U.S. Steel's Fairfield Works Mill in Birmingham, Alabama will affect about 1,100 workers. The onslaught of unfairly traded imports from the subject countries has also caused our members to suffer reduced work hours and shrinking paychecks during the period of investigation as their employers were forced to cut back production.

Those number represent actual jobs for hardworking Americans and less pay for them to take home to their families.

Underneath the data you collect for these trade cases lies the real injury being caused by dumped and subsidized imports. Harm to steel workers, retirees, their families, and entire communities that depend and thrive on the success of these mills.

The USW and its members have worked closely with domestic producers to ensure the viability of the hot-rolled steel industry. We will continue to work to save steel worker jobs and to protect the benefits of our retirees. But doing that in the face of unfairly traded imports has been increasingly difficult.

While we are here today to talk about hot-rolled steel products, I must note that the domestic industry has filed three steel cases in the past three months alone covering the major large tonnage products, corrosion-resistant steel, cold-rolled steel and most recently hot-rolled steel.

Unless relief is granted the injury will continue. Production cut backs which we have seen in the first half of 2015 and will likely continue unless orders are in place mean further reduced work hours, threatened livelihoods, and family budgets and job and security. We take pride in our partnership with the companies, because when steel producers do well, steel workers do well.

Unfortunately, when business suffers, our members and their families are the first to suffer the consequences through layoffs and reduced hours.

American steel workers can compete with imports from any country in the world as long as the competition is fair. But we alone cannot stop the injury being caused by the massive over capacity, government subsidies, and unfair pricing coming from the seven subject countries. Even if the U.S. economy continues to improve, the domestic steel industry is facing a crisis caused by others trying to export their problems here.

We are counting on the Commission to enforce the trade laws to ensure that competition is fair. When it is, there is no question that American steel workers and the products we make could compete with imports from any country in the world.

On behalf of our union's members who make hot-rolled steel, the retirees that depend on the health of this industry, and all of the communities they support, I urge you to do the right thing and determine that these unfair imports are injuring the U.S. hot-rolled steel industry and its workers.

Thank you and I appreciate the opportunity to be here this morning.

MR. ROSENTHAL: Mr. Corkran, that concludes our direct presentation. The panel will be happy to answer questions.

MR. McCLURE: Jim McClure. Mr. Rosenthal, I take the risk of thanking you for whatever kind words you may have said. I just want it noted for the record that the reason I was absent was I was changing out of my sneakers into my Sunday-go-to-meeting shoes so I would look remotely professional, sort of like trying to make a silk purse out of a sow's ear.

MR. ROSENTHAL: You may want to check the transcript, Mr. McClure, before you thank me.

MR. McCLURE: Yes, there always is risk.

MR. CORKRAN: I would very much like to thank this panel for your presentation. And I would like to turn to my colleagues for questions. I'd like to start first with Mr. Novaro, any questions?

MR. NOVARO: No questions at this time.

MR. CORKRAN: Thank you, Mr. Novaro.

MR. CORKRAN: Ms. Messer?

MS. MESSER: Thank you. I'm Mary Messer, Office of Investigation, one of the investigators working here. Thank you for the panel again for traveling to present testimony. We appreciate it. It's very helpful for us.

I'm not a stranger to hot-rolled steel though it has been many years since I've worked on a case. So, please bear with me if I ask some rather elementary questions in the interest of getting it on the public record for us.

I would like to start with some general questions on the production process. Can you, and perhaps, Mr. Kopf, I'm not sure if you would like to answer this or Mr. Blume, can you please explain the technical expertise that's involved in hot rolling the product and that which is involved with simply pickling and oiling?

MR. BLUME: Rick Blume, Nucor Steel. Yes, I'd be glad to answer that question. You know, the production of hot-rolled starts from raw material either using an ore-based blast furnace type operation or as in our case at Nucor, we're the largest recycler in North America using scrap and in some cases some direct reduced iron into our operations. So the expertise is very high. Frankly we employ many, many metallurgical engineers in our operations to make sure that we are able to provide to our customer a product that is exactly to their requirements and to the performance of the steel. So it's certainly steel production, hot-rolled production is a very high-tech, high-tech operation.

If you've been to our facilities, if you walk through our plant it becomes very obvious that it's a high-tech operation.

With respect to pickling and oiling the product, that is a downstream operation from hot-rolled. It's a much more basic product, basically taking--it's a process in which you take off or extract any scale formation that might have occurred on the strip by using--running the strip through acid bath. There are some other technologies to do that. But that's a much more basic type operation. And then the oiling is simply putting on a rust preventative oiling after the pickling, after the removing of scale.

MS. MESSER: Okay. Thank you.

Can you also compare the capital investment that's involved in each of those types of processes?

MR. BLUME: Sure, the capital, Rick Blume, Nucor. The capital investment in being able to produce hot-rolled are investments in hundreds of millions of dollars to be able to make that type of product. If you'll look at from a pickling standpoint, you know, you might be talking--you're talking maybe $20, 25 million for a pickling line. So the magnitude is much, much different in terms of producing hot-rolled coil and then the subsequent pickling of the product.

MS. MESSER: Thank you. Mr. Matthews?

MR. MATTHEWS: Doug Matthews, U.S. Steel. So if I take it a step back and look at the hot rolling process, we take a slab, in our particular case, and we put it through a reheat furnace where we reheat it up to a specific temperature, a very precise temperature, and then we roll it down a line which is the hot rolling process. It goes through a series of stands which define the dimensional tolerance, if you will, of the order that will be specified by the customer and then there's very critical temperature controlled processes that manage the temperature at each step in the process all the way until it's coiled and then it become a hot-rolled coil.

When we think about a pickling process, we're not necessarily changing dimensional aspects of the coil other than possibly side trimming the coil. But we are cleaning the strip surface. So it's a much less intense, much less scientific process. And generally it is for downstream operations that you start into the cold-rolling process as well.

And I would like to point out that the capital investment I think it might even be more significant on a hot-strip method described by Mr. Blume. I think there's some recent hot-strip mills that have been built here in the United States over the last ten years that were in the billion dollar range. And pickling lines are typically less than $100 million depending on how sophisticated they are.

And you actually see where there are service centers that actually have pickling processes as part of a service center offering for our customer base as well.

MR. BLUME: Rick Blume, Nucor. A few more comments and I agree with my colleague, when I mentioned hundreds of millions, certainly approaching a billion dollars in terms of those investments. So our answer is essentially the same.

The other point that I would make in terms of pickling and oiling, recognize it's a surface treatment. In many cases there are outside party service centers that do the same kind of process. So, again, the technical aspect of pickling and oiling is much, much less than the demands of being able to produce hot-rolled coil.

MR. MULL: But just like that, Dan Mull, ArcelorMittal, within the steel-making and the hot-rolling process, all of the properties of the collection are pretty much established through the chemistry and the steelmaking or in the mechanical rolling or within some type of a heat-treatment and cooling. And that's where all of the knowledge and also the risk of making sure that product meets the needs of your customer. The pickling process is to treat the surface and clean it. And we send a lot of product out to service centers have to that pickled on the outside. So it's a whole different part of the business.

MR. PRICE: Alan Price, Wiley Rein. Appreciating why you're asking this question is probably jumping at a question Mr. Sultan may ask. We do not think that--counsel for Nucor, by the way, Wiley Rein. We do not think that pickling and oiling is enough to include a company that does that in the domestic industry or that is not adequate domestic production. You have to hot-roll to be a domestic producer of hot-rolled steel.

MS. MESSER: Thank you, appreciate that.

Can you give us an idea as to how many companies at service centers simply oil and pickle and that don't also do the hot-rolled process?

MR. KOPF: Rob Kopf with U.S. Steel. I would say that the number of service centers that would pickle and oil product is in the dozens here in the United States. And I cannot think of any that actually hot roll steel themselves.

MS. MESSER: Okay. I note that in previous hot-roll investigations these oilers, picklers, whatever you call them have not been listed as U.S. producers. Industry publications that I've looked at also do not list these as U.S. producers. Has there been any change such that the Commission should consider these picklers, oilers as part of the domestic industry?

MR. MULL: Dan Mull, ArcelorMittal. Certainly we would consider them processors. We'd consider them as processors, service centers. We certainly don't consider them to be producers nor should you consider that.

MS. MESSER: Okay. Thank you very much. That concludes my questions.

MR. ENCK: Hi, I'm Justin Enck, an investigator here at the ITC. And, like Mary, I'm new to the industry. My experience extends back to the filing of this petition. So thank you all for here to answer our questions.

I guess first question for counsel sort of a standard question, what sort of data do we use for imports? Do we use the combination of official stats and questionnaire responses for alloys or only official stats?

MR. ROSENTHAL: Paul Rosenthal, Kelley Drye. We think for present purposes, understanding that there are still some questions about the HGS numbers that Ms. Messer had suggested that you should for import statistics go ahead and use those HGS numbers, at least for this preliminary investigation.

We do think that there's probably some numbers there that don't belong and some numbers that have been actually suggested for exclusion that probably should be back in that listing. But we haven't really had time to be more specific about that.

So for present purposes we're fine and our data presentation relied on the HGS numbers that have been suggested by staff, but we don't want to suggest that that's a final conclusion behalf of the lawyers, at least, representing the domestic industry. I'm looking around the table can anyone disagree here?

MR. VAUGHN: No, I mean, this is Stephen Vaughn for U.S. Steel, and I agree with what Mr. Rosenthal just said. In fact, our numbers also relied on the HGS codes that were suggested by staff.

MR. PRICE: Alan Price, Wiley Rein, I will address this more. I agree with my colleagues, we'll also address this in our post-conference brief. It is notable that when you do the import compilations from the importer questionnaires, in some cases we're coming up with imports in excess of the stats we're looking at. So, again, this is the type of issue that gets sorted out or ultimately at a final determination we think.

MR. ENCK: Okay. Thank you.

Mr. Cameron mentioned that the Midwest is insulated from import competition. I was wondering if you could--if anyone in the industry could let me know--characterize freight costs that he's referring to?

MR. KOPF: Rob Kopf with U.S. Steel. I couldn't disagree with that statement more. First of all, U.S. Steel has been a long-time producer of hot-rolled steel and shipped it out to the west coast of the United States. So we're very well aware of the cost of getting product out to the west. Conversely we're very aware of the cost of getting steel from the west coast to the center part of the United States. If we can do it from the Midwest to the west, why can't it come from the west into the center part of the United States?

Furthermore, there are a great many import offers that are made into this country that are delivered into the Great Lakes themselves by boat. So it's foolish to think that somehow steel producers that are located in northwest Indiana, southern Indiana, or Ohio, or wherever, are somehow insulated from the impact of imports. We're seeing them everywhere in the United States at all times.

MR. BLUME: Rick Blume, Nucor. I agree with my colleague in terms of there's no insulation. In fact, you know, the market itself is integrated. We've testified to that in other conferences. The fact of the matter is the import offers affect nationwide the pricing levels. As we've mentioned before, we're selling to some of the most sophisticated buyers, not only in the U.S. but in the world.

In fact, the pricing impact in an integrated market like the U.S. market is such that offers, regardless of where they initiate from, have an impact to the U.S. pricing level. Then beyond that, the point about freights. Also, it's very easy to transport steel, either by rail or by vessel, and in fact we see that quite frequently.

The fact of the matter is we compete in the midwest against import offers, whether they come in west coast, whether they come in Great Lakes, or whether they come in on the east coast. So it's a competitive force in the integrated market.

MR. MULL: Dan Mull, ArcelorMittal. I happen to live in the midwest. I live actually in northwest Indiana, and as last year took place, I used to drive into our office in Chicago. But I'd drive by the facilities that do most of the storage in Gary and the northern parts, and those were rafter-filled with imported steel.

There were also record shipments into the ports of northwest Indiana, and actually that's really what's causing our problem today, because now there is a supply chain, and all they need to do is replenish all the inventory that they've built in these storage facilities. So you know, it's readily available. It's there and it's a bargain.

MR. MATTHEWS: This is Doug Matthews, U.S. Steel. Just to further add, and I agree with the statements that were already made. So if we think about, you know, the west coast market and imports coming from the west coast market and the claim by the Respondents that they have a transportation advantage, then largely you would start to think about the Respondents like that are coming from Asia or Australia.

So when we look at the import statistics over the time period of 2012 to 2014, imports from those countries came in at a higher rate by 50 percent increase into other ports other than their traditional west coast ports. So that's ports of New Orleans, that's ports of Mobile, that's ports in the Great Lakes.

So this is -- they can move these products on water easily around the United States. It's an assault from all dimensions.

MR. MOSKALUK: Jeff Moskaluk with SSAB. Just specific to your question about the west coast, we sell and service customers on the west coast regularly from our mill in Iowa, and we see products that land in the west coast that we compete with on the west coast, Mountain states and into the midwest, and then those products end up being distributed from those selling points further into the midwest.

So it's clear that, as everyone has stated here, those products are not somehow embargoed to stay on the west coast. They travel well into the Midwest.

MR. ENCK: Thank you. Could you tell about the effect of energy prices on the prices of hot-rolled steel, the decrease in energy prices recently?

MR. KOPF: Rob Kopf with U.S. Steel. As far as energy prices goes specific to hot-rolled steel, and I think as you phrase it, the cost of making steel, we see other inputs, raw material inputs as having a far greater percent impact on cost changes in steel cost, versus change in oil prices or natural gas prices.

They certainly -- natural gas is used in a hot strip mill to heat furnaces, so there is an impact for sure. But I would not characterize the changes in energy prices as having a tremendous impact on the cost of making hot-rolled steel.

MR. MOSKALUK: Jeff Moskaluk with SSAB. The issue of declining energy prices in steel manufacturing, in the case of our facilities, we are electric shop furnaces, similar to what Mr. Blume explained for Nucor. So our largest expenses for energy are electricity and natural gas.

Neither of those have changed significantly at all over the Period of Investigation. If you're referring to oil prices, they've had a tremendous swing perhaps. But that is not a large energy cost for steelmaking in our facilities at all.

MR. BLUME: Rick Blume, Nucor. I would agree with my colleague, and in fact, you know, the energy prices and energy is not bought on a, you know, on a month to month basis. So we have not really seen any kind of cost, significant cost benefit from that.

MR. ENCK: Okay, thank you. That's all the questions I have for now.

MR. COCKRAN: Thank you, Mr. Enck. I'm going to proceed at this point on to Mr. Sultan.

MR. SULTAN: I'm Peter Sultan with the general counsel's office. Can I just follow up on the answer that you just gave. I'm not sure -- okay. I'd like to just follow up on the answer you just gave, Mr. Moskaluk and Mr. Blume.

You said that falling oil prices haven't had much of an effect on your energy costs, but you also said that natural gas prices are important to you, and if I recall, natural gas prices took a pretty steep dive maybe last year, 2014.

MR. MOSKALUK: In relative terms, the movement's not anywhere as significant as oil, and I think I was addressing that comparison. There's no doubt natural gas prices have moved around. We tend to have to buy forward on natural gas, so there's some averaging in how we purchase because we don't buy natural gas on a consistent spot basis.

And likewise, just the movement in gas. It is at historically low levels and has been for a significant period of time. So on the percentage of the cost change in our input cost, it's not what it would appear to be if it was say an oil-based cost. That was the point I was making.

MR. BLUME: Rick Blume, Nucor, and I would have a similar response, you know. The natural gas has moved around to some extent, but we're not buying natural gas in the spot market. So it really depends on the contractual terms that you have with some of these inputs.

MR. MULL: Dan Mull, ArcelorMittal. Certainly, we've seen some improvement in our energy cost, and we have in some of our other raw materials. But as I testified, not anywhere near to the degree of what we saw happen to our pricing, and if there was any reason that raw material and energy costs in the second or the first half of 2015, we'd be making money if the pricing of our product hadn't been impacted, and that's once again a direct result of the oversupply that's occurred as a result of the imports.

MR. VAUGHN: Mr. Sultan, this is Stephen Vaughn. I just wanted to just -- to sort of clarify our theory of the case too. I mean it's odd that the other side would sort of suggest or have any sort of suggestion that raw material costs are necessarily a negative sign for the domestic industry. I mean if anything, you would have thought that any change in energy cost or raw material cost would have helped the industry be more competitive and keep a larger share of the market.

Given that background, to the extent energy costs, they got any benefit from those energy costs, you would have think that would have helped them retain market share. Instead as we know, they've been overwhelmed by imports and have been losing market share, even in countries that don't have the same sort of natural gas market as the United States.

So if anything, from our perspective, this is all further evidence of the, you know, unfairness of what's going on and the extent to which the unfair trade is disrupting true market competition.

MR. SULTAN: Thank you for those answers. Moving on to a different subject, in the petition you say that the scope is very similar to that of the 2000-2001 investigations, but that it's been updated to reflect, and I'm quoting, "changes to steel-making processes and products." Could the industry perhaps elaborate on that a little bit?

MR. KOPF: Rob Kopf with U.S. Steel. In the last 15 years, we've seen a tremendous amount of new grades that we've developed to satisfy things like lightweighting that the automotive industry is attempting to accomplish. We're always trying to invest in our business, invest in research and development, to try and improve upon the products that we are producing. So in that sense, we're just trying to make sure that all of the grades of steel that are now being produced here in this market that might not have been produced 15 years ago are encompassed in the scope of this.

MR. LAUSCHKE: This is Scott Lauschke with AK Steel. I would add that when you look at the universe of hot-rolled products, hot-rolled steel really encompasses a wide number of grades of sizes, of quality levels. The term "hot-rolled" is pretty broad. Many of those products within that scope are highly interchangeable.

So if a traditional definition say for example was carbon steel, now in the last 10-15 years you've seen a proliferation of what are called microalloy grades, where you add slight, very slight additions of elements like columbium or titanium to give a slight boost in strength, a slight change in microstructure. Those grades are interchangeable with the some of the traditional carbon, what were just called carbon steels.

So by -- we want to make sure that because products are so easily switched and switched among suppliers, the fact that there are qualified mills around the world, not only domestic U.S. but in all of the subject countries, we need to be able -- we need to be sure that people keep in mind that these products are interchangeable and can be switched very easily. That's why we're broadening the scope.

MR. MATTHEWS: Doug Matthews, U.S. Steel to further add on to Mr. Lauschke's comment, when we think about the evolution of what our customer requirements are, we interact with our customers on a regular basis, trying to define what is new and needed in their markets, so that we're able to be a supply chain for them on a go-forward basis.

I think this goes to the context around the capital intensive nature of this business, and the high cost that we carry around research and development, reinvesting in our facilities. So when we talk about profitability, you know, we need to be able to earn reasonable returns on the product we sell, so we can reinvest in designing the future grades that our customers are going to require, and investing in our facilities, to be able to manufacture those products.

So the scope expansion that would have occurred would have been because the industry has been moving in that direction over the time period.

MR. SULTAN: Thank you. Moving on to the subject of the definition of the domestic industry, this is a question probably more for counsel, I noticed that USS POSCO filed an entry of appearance as a domestic producer. Do you have a position as to whether they should be treated as part of the domestic industry or not?

MR. SCHAGRIN: Mr. Sultan, this is Roger Schagrin on behalf of SSAB and SDI. We'll address this further in our post-conference brief, when we talk about like product for the domestic industry. But our position is that UPI, which does not produce hot-rolled steel, is not a member of the domestic industry.

They appear as a company, in terms of their capabilities, to just pickle and oil product and, as I think was already stated by a number of industry representatives, this industry is composed of producers who can hot-roll steel on mills that cost hundreds of millions of dollars, if not well over a billion dollars to get the chemistries, mechanical properties between the slabs that come out of an electric furnace or a blast furnace, appropriate for their customers' needs.

And as to even though UPI has a steel mill that produces cold-rolled galvanized sheet and tin mill products, they do not have hot rolling mills, and therefore just pickle and oil products makes them no different than a service center, which would have a $20 million pickling line. So we do not believe that they are a member of the domestic industry like those who are at this table today, and we'll address that further in our post-conference brief.

MR. SULTAN: Thank you. Just one more question on the definition of the domestic industry. Are you aware of any related party issues in these investigations? A question for counsel.

MR. SCHAGRIN: Yeah, this is Roger Schagrin. We'll address them in our post-conference brief, any related party issues.

MR. SULTAN: Thank you. Moving on to a different subject, and that is the captive production provision in the statute, I was a little bit surprised not to hear anything about that this morning. So I'll go back to what you've laid out in the petition, and in the petition, you urge the Commission to apply that provision, due to the fact that the threshold provision has been satisfied, that is that a large share of U.S. production is internally consumed to make steel products.

But you don't address whether the two statutory factors for applying that provision are satisfied. Can you comment on that?

MR. VAUGHN: Yeah, Stephen Vaughn for U.S. Steel. We believe that obviously the threshold provisions have been satisfied, that you have significant captive production and significant downstream sales. With respect to the two statutory factors, we think the evidence is clear that the overwhelming amount of hot-rolled steel that is internally consumed or transferred does not come back into the market as hot-rolled steel. So we believe that factor is satisfied.

And then finally, you know, I think the record is clear that hot-rolled is the predominant material input in the downstream products, is the predominant material input for cold-rolled, for corrosion resistant, for welded pipe, and so that factor is also satisfied. So we believe the statutory factors are satisfied, and that the Commission has to focus on the merchant market in these investigations.

MR. SULTAN: Thank you. Just one more question about that provision. In the petition, you urge us to apply the captive production provision in evaluating market share. What about financial performance?

MR. VAUGHN: Yes we -- Stephen Vaughn again. We believe that under the statute, it is supposed to be -- you're supposed to focus on the merchant market, both in terms of market share and in terms of financial performance, and we believe that it is appropriate to apply the captive production in both of those areas.

However, we would also argue, and I believe in fact the presentation, the arguments we've been making have been based largely on what's in the merchant market. We also believe, however, that if you look at the overall market, you're going to see very similar trends and very similar results and for a very similar cause.

But yes, to be specific on your question, we would say the captive production provision should be applied as it is in the statute.

MR. SULTAN: Thank you. That's all I have.

MR. COCKRAN: Thank you, Mr. Sultan. Before I turn to Ms. Gamache for questions, I wanted to follow up on one bit of testimony, to make sure that I had a clear sense of it in my mind. Mr. Mull, I believe you were talking about seeing substantial volumes of inventories, rafter-full inventories during the winter time in the -- in your region.

Can you discuss the dynamic of what happens with imports during the winter time, with respect to Great Lake deliveries? Is there a transportation issue that is affected by the change in seasons in the Great Lakes region?

MR. MULL: Yes. Dan Mull, ArcelorMittal. There certainly is a period of time when the Great Lakes does close down for shipment, and normally what happens is we see somewhat of an inventory build taking place. So that's not too surprising. But it's the magnitude of the build that's taking place that's so different than what we've experienced in the past.

That really was being built from the beginning of the first quarter, the end of the first quarter of 2014, as the product was being shipped into the United States through the balance of that year, and has continued to come in.

MR. MATTHEWS: Doug Matthews.

MR. BLUME: I'm sorry, go ahead.

MR. MATTHEWS: Yeah. Just to follow up on Mr. Mull's response, so largely the Welland Canal, which is the connection between Lake Erie and Lake Ontario, is the restriction, if you will, from the Lakes' closure and a Lake opening standpoint. Somewhere around December 31st annually is when the Welland Canal would close. Somewhere around March 15th is when the Welland Canal would open back up, and the Lakes would be largely navigable outside of that closure period, to be able to bring in with lake-type vessels all imported type products that would be coming in.

The alternative route though is frankly to come into a port of Baltimore or one of the exterior eastern or western seaboard ports and transport to any location in the U.S. via rail as well. So that is an option that is year-round. So you may see inventory builds based on lower cost freight coming in with vessels, but incrementally higher cost freight can still get imported products anywhere in this country any time of the year.

MR. BLUME: Rick Blume, Nucor. I'd like to add a comment to that as well. Obviously, there is access to New Orleans up the river system. So I agree entirely with my colleague that, you know, the river system itself is an opportunity to continue to have the surge of imports coming in.

So the impression that, you know, when you have an issue at the Lakes that imports aren't a factor, that's not the case and in fact we see a lot of imports coming up through Houston, up through the Mississippi, up the Ohio River, offloaded onto rail. So the access remains year-round.

MR. MOSKALUK: Jeff Moskaluk from SSAB. Mr. Corkran, you may have asked the question. I presume you're wondering if perhaps some materials brought in in advance to cover the period when the Lakes may be closed for navigation. That may occur, but that would be a small part of what the problem is.

What we see quite often is that during that period, we also see large numbers of unsold inventories arriving into various ports, including the Great Lakes, and that can happen on the west coast, in the Gulf, on the east coast as well. It creates a separate phenomenon, which is the appearance of virtual service center existing at the ports, where trading companies now have inventory on the ground that they will resell out of an inventory that's sitting, and it's brought in dumped, subsidized but unsold or not for a specific client at the time it's brought in.

And so while what you were asking is was there any preparation for the Lakes closing that may occur, that's a very small degree. What we really see more often is the unsold inventory that arrives and sits unsold at the dock during the closure in the Great Lakes, but also during open navigation at all the other ports.

MR. ROSENTHAL: Mr. Corkran, Paul Rosenthal, Kelley Drye. I turn back to Slide 11 of my presentation to remind you of the increase in importer inventories during the interim periods. Of course the interim periods included the winter months, when the Great Lakes might be frozen. But if you take a look at this, the increased inventory build-up has been quite dramatic.

It has nothing to do with weather, and it is this 2015 increase that has been overhanging the market, and as I mentioned in my testimony, has been a crucial part of the collapse of pricing in this interim period. Again, this buildup is unrelated to whether -- unrelated to freezing of the Great Lakes or any phenomenon, meteorological or otherwise that Mr. Cameron might talk about later today.

MR. KOPF: I'm sorry. Rob Kopf, U.S. Steel. One more comment. I'd like to just avoid any ambiguity on the subject. There is year-round access to the Great Lakes, to bring in any kind of product including hot-rolled steel. You can bring product into New Orleans, you can offload it directly from an ocean-going vessel onto a barge and barge product all the way up the Mississippi River, over through the canal and into the Great Lakes.

That can be done in January, it can be done in July, it can be done in December, it doesn't matter. It is year-round access. So there is no sort of restriction in terms of winter months and winter availability, to bring imported product into the Great Lakes.

MR. PRICE: Alan Price, Wiley Rein. So as import volumes surged in 2014, we saw at year-end a substantial buildup in importer inventories at the end of 2014. Inventories also, you know, overwhelmed the marketplace as the imports overwhelmed the total amount of shipments and contribute to a large wholesale inventory buildup throughout the supply -- in the supply chain, and had a hammering effect, depressing demand in what is otherwise a relatively strong demand period in 2015. So apparent domestic consumption looks like it's down, and frankly real consumption is quite robust.

MR. COCKRAN: Thank you very much for that. I appreciate it, and I will now resume the questioning with Ms. Gamache.

MS. GAMACHE: Hello. I'm Lauren Gamache from the Office of Economics. The next few questions I have are intended to understand where your purchasers are coming from and their sort of perspectives with all of this, and further understanding the end uses of hot-rolled. I understand that there are a wide variety of end uses.

Are there particular grades or types of hot-rolled steel that are exclusively used for the automotive applications or other applications, or conversely, are there some applications that can only use particular grades of hot-rolled steel?

MR. MOSKALUK: Jeff Moskaluk with SSAB. I'll start, and I'm sure others can add to this. But typically, end use market segments and in some cases particular customers will have either specific grades or tolerances or chemistries, or in some cases, some companies will have a proprietary grade that maybe matches an industry standard grade, but it's proprietary to their use.

So depending on segments, depending on end use customers, you'll see some of the grades and dimensions change from segment to segment. It is still hot-rolled. We still have the capability to make all of those mixes. So it doesn't exclude us just because one customer calls it something and one calls it something else.

Typically, we can make those chemistries, those dimensions, those tolerances. So we adapt to the end use market of the customer, but from our perspective it's hot-rolled steel.

MR. KOPF: Rob Kopf with U.S. Steel, adding to those comments, which I agree with. There are, for example, API, American Petroleum Institute, grades, you will hear people refer to as maybe an X-70 grade. X-70 is kind of a, what I would call a broad-based category and I know the customers that we talk to, they will want an X-70 application, but they will actually order some small chemistry variations within that, to satisfy some of their own internal requirements.

So, very generally speaking, there are applications that can go into line plate market as an example that will be X-70 but certain customers want to order certain things. Even order-to-order different ways. But all in all, it can be made by everybody, it can be purchased here or abroad by anybody. There's no, there's nothing that makes it so specific or proprietary that limits the supply availability of that.

MR. BLUME: Rick Blume, Nucor. Uh, add a couple of comments to that. I think, in general, in bulk, the hot-roll market, as we've talked about before, is interchangeable. The product is interchangeable. There are some metallurgy that can be done, but it's not a significant portion of this market. Fundamentally, the hot-roll product is bought and sold on the basis of price. And it's very interchangeable, and again, that's why the impact that you're seeing, the devastating impact to the industry by these illegal imports is so significant. And so I wanted to share that point that the -- about interchangeability, about price, um, and the bulk of hot-roll sales, you know, are fundamentally interchangeable.

MR. MATTHEWS: This is Doug Matthews, U.S. Steel. If I could just kinda step back a little bit further, just to further elaborate. So when we think about our manufacturing process, you know, we actually, you heard earlier, the chemistry and rolling process creates the mechanical properties of the dimensional tolerances that are required by customers. You know, so we've invested our, in our capabilities, to meet what U.S. demand is, because we've been here for a long time.

And we continually meet with our customers to talk about, what is the growing demands that they have, what are the markets that they're wanting to serve and be able to have the capability to be supportive of them. So we regularly meet with customers and we invest in our facilities.

We have the finite capability to meet any chemistry that is consumed in this market. We have the rolling capability to meet, I'm gonna say the lion's share, if not all of the market, with regard to grades, mechanical properties, dimensional tolerances, across the board. I mean, we continually interact with our customers in order to be able to satisfy those requirements.

And largely, when you think about the different capabilities that we have at our different facilities, you know, they may be different vintages of equipment, they may be different design for different widths, different gauges, but really, it's about being a long-time producer in the U.S. market and adapting to what the U.S. market demands are. And that's an ongoing evolutionary process that we continually strive to do.

MR. ROSENTHAL: Paul Rosenthal, Kelley Drye, on behalf of our firm, two summary points if I might. One is what you've heard from the industry witnesses is that they really do produce all these different grades for all the different applications and so the claims by respondents that there are customer needs that go unmet because the domestic industry can't supply them is simply untrue.

Second, the respondents try to make the, create the impression that there are these particular applications, again, that can't be met by the domestic industry and they make it sound as if the volumes that are going into these unique applications are so huge, that they might somehow account for the surge that you've seen in the statistics that we provided.

Again, that is untrue. The applications that they're gonna talk about are a relatively small part of the overall marketplace and can no way account for the import surges that have taken place in 2014 and from 2015.

MR. PRICE: Alan Price, Wiley Rein. I would just add to that, that I think for the overwhelming sets of products the domestic industry produces, all the variety, sizes and grades, as you've heard the commercial witnesses testify to, in each of these cases in a prelim, you know, when you set up a pricing series, you sometimes look at the definition and you think it always is, oh, this is right, well, in core we realize in certain products we should've said 'not painted' and so, all of a sudden you create underselling or overselling by imports because you have painted against unpainted mismatched against it.

There are certain small, in cold-rolled, I think there were somewhat similar things, although I think the reporting may have been more creative to try to create overselling there. Uh, I won't go into that, because of confidential information. And in this series, you know, you will see, sometimes in certain instances where they're overselling by hundreds of dollars with low volume product.

Domestic industry makes those products. The pricing series wasn't set up to capture those products, and sometimes it's deliberate misreporting and sometimes it's the refinement of the exact language of the pricing product definition doesn't really, for example, eliminate those spurious products, which are not, you know, which create instances, lots of instances of overselling with not a lot of volume associated with them. So those are things we work on towards the final, you know, in the final determination, we'll address those in our post conference brief, also.

MR. SCHAGRIN: This is Roger Schagrin. Just one final point as you're, you know, trying to figure out the domestic industry's capabilities compared to imports and that is, because you'll hear from both UPI and Steelscape this afternoon. You know, they'll certainly make arguments to you that they need special hot-rolled from their 'parent' or in one case, I guess, 'half-parent', that can't be satisfied by the domestic industry.

And we would completely disagree with that. You know, the other 'half-parent' of UPI is at this table today, U.S. Steel. They're certainly well aware, because at one time they owned that entire facility, of what the needs are. And they produce, you know, obviously hot-roll steel that goes into cold-rolled galvanized and tin mill.

Steelscape has previously been supplied by SDI, which is ready to supply them again. Once again, they're also one of the major U.S. producers of corrosion-resistant steel in the United States. CSI, in fact, sits five miles away from Steelscape's operations in California and also produces corrosion-resistant steel. So, I guess it's an issue that'll be briefed, an issue that the Commission has to address, but we do not believe that foreign ownership of a mill in the United States gives that foreign owner a legal right to transfer subject products at dumped and subsidized prices.

We believe the law applies as fully to steel transferred under those relationships as it does to sales to unrelated parties. But, I guess, for purposes of your question, the key point for the Commission to keep in mind, particularly as you hear their testimony this afternoon, is that we believe this domestic industry is fully capable of supplying all of those needs and the only question is price.

The domestic industry doesn't want to supply those needs at the same prices as the dumped and subsidized supplies those companies are receiving. Thank you.

MR. VAUGHN: Stephen Vaughn for U.S. Steel. And I agree with the other comments. I think the way for you to really check this is just look at what's been going on with market share. Right, I mean, we're not see This isn't a situation where these guys were serving one market and they're continuing to serve that market. I mean what happened was, is that their market share has gone up dramatically, and you can see that from, you know, looking at any of the sources of data that you look at. And what that indicates is, is that they are not simply sort of serving markets that are not available to domestic producers or the domestic producers haven't been serving in the past. They are going and taking sales that otherwise would have been made by the domestic industries to customers that otherwise would have been served by the domestic industry and could have been served by the domestic industry.

And there's no, there's no evidence and there's no indication on the record that, you know, there's been kinda new grades or anything like that, that's been invented to explain the fact that, you know, all of a sudden, out of nowhere, they just take $1.4 million tons worth of sales in 2014 and it's just not credible. And so I think by looking at those numbers, that sort of supports and backs up everything that you've been hearing from this panel.

MR. PRICE: Alan Price, Wiley Rein. Now morphing into some of these west coast issues and, I'm not sure if you're gonna ask a separate set of questions or not, but I can address some of those, some of those now.

First of all, the U.S. industry is fully competitive on a transportation basis into the west coast. If you'll look at total transportation costs from the foreign mill, and the domestic mill, compared to the west coast, they're actually surprisingly similar. We'll provide information on that in our post conference brief.

You know, Nucor has the trading company. They trade around the world. They understand what all of these costs are, and frankly as a general matter, if you look at modern logistics and how things are sold, frankly your pricing series concept of basing on a U.S. basis point is somewhat, I think dated back in practice.

It may have made sense in the 60's, 70's and 80's, but doesn't necessarily make sense today with logistics for everything, whether it's a Dell computer coming from Tianjin or Shanghai or Walmart sourcing a notebook around the world. It's all FOB plant and what a total logistics cost is.

And so, we are competitive, but I want to go to some of these comments that the domestic industry doesn't ship to the west coast. It does, it ships to the western U.S., it's fully competitive.

I happen to have a document here from, and we'll put this in our post conference brief, from Steelscape that they gave out in April of this year, about their transportation and logistics, and who their domestic supply chain is. And while you may hear various comments that, oh we're dependent upon Australia and Japan, that's their import supply chain. They've also identified their domestic supplies of raw materials which were North Star BlueScope in Ohio and Nucor.

So, their biller supply in the U.S., from U.S. facilities, in this case, say Nucor Indiana, is not really in dispute. It's, you know, the decision is, do you want dumped or subsidized imports? Not only do they source domestically, etc., you've heard various comments about railcars. They use, they transport about, by their own calculations, if I do the conversion of what their number of railcars by the tonnage that a railcar typically takes, they move about 220 thousand tons via rail.

Again, there's no railcar shortage. This is one of those great, you know, those things, let's create this red herring and see if the Commission can collect it. Oh, and, it's not just a one-way movement of product. They're very proud of the fact that they, from their Kalama based facilities, they ship, they ship into the Midwest. So, the idea that there's not a unified market or that they can't ship here or the imports don't enter the west and move east and that the U.S. producers can't supply and don't supply the Western consumers of hot-rolled steel is just wrong.

MS. GAMACHE: Thank you. Moving on. Are there any factors other than price that are important to purchasers? I hear that price is very important, but are there other qualities or characteristics that purchasers look for?

MR. MOSKALUK: Sure. Jeff Moskaluk, SSAB.

Customers worry about all kinds of dimension tolerances, chemistry, physical properties, and price. So, in a descending order, you know, the supply base will meet the tolerances, they'll meet the specification for dimensions, they'll meet chemistry, and so it ends up with price being the last variable. Because once we've met all the others, it becomes price that is the last negotiated part of the deal.

MR. MULL: Quality, availability, all those things play into a decision. It's not any different than buying anything else. What it all gets down to, if you meet those requirements, the buyer expects to get that product and it gets down to price.

MR. ROSENTHAL: And I think it's fair to say as you've heard, all the companies represented at this table, probably all the companies in the back of the room can meet the specs, can meet the quality and dimensional and all the other expectations, which is why that's usually not an issue. And usually what it comes down to, is since everyone can, are world-class players, the question is always price.

MR. MATTHEWS: Doug Matthews, U.S. Steel. I'd just like to expand a little bit further on price. So, so when you get into a negotiation with a customer, you talk about meeting the customer requirements and all the things that were previously said are exactly correct.

They also, in the discussion relative to price is references to public indices. So generally those public indices become, are the discussion point around competitive price with specifically for that application but the public indices, the changes in public indices, what the trends are, those all are factors that the buy-sell relationship has to take into account. So, to the extent that subsidized imports, illegal imports are coming into this country and affecting the indices, it enters into price negotiations on every deal we do.

MR. VAUGHN: Stephen Vaughn. I would just, for U.S. Steel. I would just like to point out, I mean you, the Commission actually looked at this issue fairly recently, around January 2014. They had five year reviews on hot-rolled steel and they held, in January 2014, in light of the high degree of interchangeability and comparable quality of hot-rolled steel from different sources, price will likely continue to be the principal factor influencing purchasing decisions in the reasonably foreseeable future. And I think that's totally consistent with what everyone here's been saying.

MR. BLUME: Rick Blume, Nucor. A couple of comments on price as well. You know, if you look at what has occurred over the recent years, certainly it's never been easier, I think, to import product, steel product into the U.S. Looking at CRU minus pricing, that aspect of pricing undercuts, depresses pricing over the long term. It also allows a future pricing to be set.

You know, people used to talk about a lag in time in terms of pricing, and in fact, even priced to an index, so the index pricing makes it much easier. There was discussion earlier about modern logistics that have allowed certainly a much easier to import the product. We look at creative terms that are offered.

So, you know, it's, it's no surprise to see the volumes of imports that we have because of the aggressiveness of the importers wanting to export their unemployment, take away U.S. jobs, take away hours from our teammates, okay, and certainly have been willing to make those accommodations to be able to export that unemployment.

MR. KOPF: Rob Kopf with U.S. Steel. One more comment I'd like to make on price. I just, Mr. Blume just mentioned CRU minus pricing and I think it's very important to recognize that we have several instances where, and we can provide this in post hearing, the comments, where subject countries are actually offering product here at prices not even yet to be determined, at guaranteed discounts under all market conditions relative to domestic pricing.

They will offer pricing for the future that will say, we'll always give you this discount relative to the domestic market price. So, if you're the buyer here, there's really relatively little risk and, uh, all this is, is a guarantee that they are going to take market share from the domestic mills, at all times. All market circumstances.

MR. PRICE: Alan Price, Wiley Rien, talking with Nucor, one of the other things that's out there that is fundamentally changed over the last couple of decades is, we're essentially in a zero or negative interest rate environment, so that means long-term financing is not a significant issue and many of the importers will offer very long-term credit terms and often below what the purchaser can actually even buy at or finance at.

So the imports' credit terms actually help depress, you know, also part of their advantage that they actually compete on, as part of the price. You know, and so here, get this really cheap price and you don't have to pay any for a long time. The idea that there's somehow any discount for imports inherent and is also an obsolete and erroneous concept and also, I would say, not relevant under the law.

MS. GAMACHE: Thank you. Are there differences in the types of purchasers and whether they opt for contracts or buying on the spot market?

MR. BLUME: Rick Blume, Nucor. Regarding

purchasing styles, contracts, what we have found is that there's a variety of types of arrangements that are made, but a single buyer might in fact choose to do spot, choose to do some level of contract with, you know, reset points, that has been discussed before. Index pricing.

So there, there's really not, from our view, necessarily one industry that sets up purchases using one particular methodology, and frankly, as we said earlier, or as I said earlier, in the conference, we're dealing with some of the most sophisticated buyers in the world.

And so ultimately they will select or request and demand, you know, a pricing scenario that fits their view of where the market is: Are prices falling? Are prices expected to improve? Certainly they'll modify that. So it's a variety of methodology.

MR. KOPF: Rob Kopf with U.S. Steel. I agree with Mr. Blume. Some people want to buy transaction by transaction. Some people want to buy all their steel for a year under what is, a so-called contract.

I find it ironic in a lot of cases, that those are considered contract, because all it does is cap the price of steel and when those buyers get the opportunity to buy cheap and dumped subsidized imports in this country, they'll just start buying off of the agreement, and buy from abroad. So, in this case, the industry will sell transaction by transaction, will sell contracts that have flexible prices that adjust with the market.

And those contract prices end up getting clobbered as the imports, cheap subsidized imports arrive in here. And we enter into new contract negotiations for even fixed price contracts for hot-rolled, where the starting point has been driven down so low because of the import prices here that we're stuck with a very untenable situation for a year. So, those are all the grim details.

MR. MASKALUK: Jeff Maskaluk with SSAB. I agree with all of the comments previously made, and I'd like to point out perhaps one other different scenario. There are some types of products where they're bought as a project. And so the material is defined for volume and a time period and that would be very typical in something like line pipe or an X-70 type of order.

And the significant note in the difference there is that if you lose that order up against dumped or subsidized pricing, it is gone entirely. It's not like the pipe makers are going to return every month and spot buy for the project, and so in some cases, the risks on things like projects is when you lose it to unfairly traded products, it's gone completely. It's no opportunity to recover it through spot market or some other buying pattern.

MR. MATTHEWS: Doug Matthews, U.S. Steel. I guess just to comment a little bit further. So when we think about spot or contract commercial relationships with customers, even in a contract situation, we've had specific examples and we can discuss in a post hearing brief in more detail, where customers have demanded that we reopen contracts to reduce prices based upon a precipitous fall and collapse of the public indices that are out there as well. With the threat of lose future business if you don't open up a current contract period.

MR. BLUME: Rick Blume. Another comment regarding the contract business. Many times what we're seeing today is that while there may be some expected level of volume, maybe a min-max, in many cases in this environment where cheap, unfair imports are readily available, that in fact even contract buyers will buy to the minimums of those contracts, frankly, they'll buy under the minimum of those contracts and then they'll layer in this unfairly traded product.

MR. SCRUGGS: Tommy Scruggs with Steel Dynamics. One more point that hasn't been made. Much of the steel today is purchased by manufacturers through distribution. Much of that may be on a contract with a distributor and those distributors may purchase on a contractual basis from domestic mills, but it's not unusual for them to purchase transactionally offshore and support their contracts with their end users.

MS. GAMACHE: Thank you so much for answering all of my questions. I'll hand it back.

MR. CORKRAN: Thank you very much, Ms. Gamache. Mr. Boyland?

MR. BOYLAND: Thank you. Good morning. I've sent each company follow-up questions, which I appreciate your time responding to. I have follow-up questions here as well, which are company specific, so I don't expect you to answer them here.

But, um, in terms of other factory costs, I would appreciate it if each company could provide a breakdown specifically with respect to the interim period, 2014 compared to 2015, and describe what were the primary factors explaining the change. In some cases it was an increase, in some cases it was a decrease. So I would appreciate it if each company could look at those interim other factory costs and describe what were the primary factors driving whatever the directional change was, increase or decrease. Again, that's post conference.

With respect to the question Justin had regarding energy, each company basically indicated that it's a small share relative to total cost, raw materials, the primary. In terms of actual share, could each company provide in the post conference an average, a reasonable estimate of what the energy makes up of total cost of goods sold, that would be very helpful. If you want to provide a range in terms of high-to-low, that would be appreciated, and also to the extent that there were any specific notable increases in energy costs, that would be important to understand the trend, that would be helpful as well.

With regard to the industry's acquisitions during the period, I believe there were a number. In terms of each company's objective, could, here in the post conference, could each company provide what the underlying rationale was, was it a product that you were trying to develop, etc., that would be very helpful if you could describe that now or later.

MR. LAUSCHKE: I was gonna say, let's address that in the post conference briefs.

MR. BOYLAND: That'd be appreciated. Thank you. Also with regard to the consolidations, it would be helpful to understand the extent to which the consolidation of the acquisition has been fully implemented, and to the extent if there were disruptions that occurred that would have impacted financial results, that we're looking at, it sounded like from the testimony it was, with respect to a few of the acquisitions, that it appeared to have gone smoothly with regard to AK Steel. The synergies you spoke about appear to have come about.

MR. LAUSCHKE: That's right. I'd be happy to take a few moments to talk about it if you'd like.

MR. BOYLAND: Yeah. And I guess part of it is the extent to which the overall operations that we're looking at were impacted. I think that's kind of important.

MR. LAUSCHKE: Sure, Scott Lauschke with AK Steel. I'll just sum up in a couple of moments our acquisition of Severstal's Dearborn operations in Michigan. When Dearborn, or when Severstal elected to exit the North American market last year, AK Steel saw an outstanding opportunity to acquire what we felt were some excellent assets at a very fair price.

Severstal had invested well north of a billion, actually approaching $2 billion over the prior five years on some of their assets, and we thought that they were world-class, very well designed. We thought that they were being run very well with a good work force.

But we also saw a great opportunity to improve on what they were doing. We ended up transacting the deal in July of '14 for about $700 million, far less than the $2 billion that they had just invested, and that $700 million investment also included $300 million-ish in working capital, in inventory, so it was more like a $400 million investment for us, just an outstanding price to pay.

We looked at it as, this is not adding capacity to a market that's already saturated with global overcapacity, but rather an opportunity to really improve and gain efficiencies and do things better. AK Steel is known for outstanding operating rigor, and we felt that we could do a better job. Severstal was doing a good job, we thought we could do a lot better and we've proven that.

If you look at any of our metrics and we'll be happy to provide details in our post conference brief. Any metric you look at, rather like from first time quality, from rework, from rejects, from customer claims, from environmental discharges and our favorite one, employee safety, we have made just absolutely unbelievable gains in this eight or ten months that we've owned the operations.

So we really could not be more pleased with what we've purchased. We felt we had a very solid business case when we did our due diligence last spring and last summer. We saw very strong demand, primarily in North American automotive and increasing demand in construction. We felt this was going to be an accretive investment that would pay for itself very quickly and on the demand side, we were spot on. Everything we assumed would happened, happened.

What we completely misread, and I stated this two weeks ago, was the supply side. We didn't see these, this import trend continuing. We didn't see the inventory build, we didn't see the underselling occurred at the levels that we've observed since then, and the prices have plummeted. So we have not realized quite the true impact from a total net profit standpoint that we had hoped to achieve. But when you look at the synergies, we estimated $25 million in synergies in the first year, in 2015. In the first half of the year, we're already in excess of that. So the things that we can control, the operational excellence, keeping our people safe, doing things right, making high quality steel, we're doing that in spades, but the market is just beyond our control, and that's why we're here, for your help.

MR. BOYLAND: Thank you.

MR. BOYLAND: Thank you. And I guess again sort of a general question to all the producers that had acquisitions during the period, in their response to my questions, if you could also indicate the extent to which other operations within your group were impacted.

I think ArcelorMittal, one of -- at least my understanding, is that in addition to the ThyssenKrupp acquisition, you're now purchasing Slab from Brazil as part of the arrangement? I guess one of the questions would be the extent to which that's impacting other parts of ArcelorMittal.

MR. MULL: Well, that was part of the agreement. It was the -- certainly is ongoing and we'll be happy to address that in the brief.

MR. BOYLAND: Thank you. Just again, as a general question, which may have to be answered in post-conference, product mix during the period, it sounded like from the testimony that downstream products, there wasn't any one specific category that changed, that would have explained a significant decline in volume.

I kind of interpreted that to mean that overall, the profile of the products being sold has remained pretty much the same during the period. Is that correct? Was there any significant change in the types of products being sold?

MR. ROSENTHAL: Paul Rosenthal, Kelley Drye. To clarify, you're talking about during the Period of Investigation?

MR. BOYLAND: Yes sir.

MR. LAUSCHKE: This is Scott Lauschke from AK Steel. I would say in our case, the fact that we've been here three times in two months is testimony to the fact that we make hot roll, we make cold roll, we make coated and corrosion-resistant products. When you look at our overall mix of those products, over the Period of Investigation it's been fairly consistent.

There's always a little bit of variation year to year or quarter to quarter. But overall, it's been very consistent. But the other thing that's been very consistent is the significant decline in all three markets from a pricing standpoint. So the effect of the things that -- the issues that we're here to discuss today for hot roll apply exactly to cold roll and to corrosion resistant as well.

MR. BOYLAND: Thank you. Yeah and again, part of it is simply to isolate the effect of lower prices and if there was an impact, of product mix. If anybody has, you know, other --

MR. MULL: I was just going to say the same thing. ArcelorMittal, Dan Mull. We've seen little change in our mix in the hot roll market.

MR. VAUGHN: Mr. Boyland, this is Stephen Vaughn for U.S. Steel. Another point, I think we can sort of take a look at, to kind of help address that question, relates to the data on the pricing products, because there's obviously not a change in the product mix there. So if you look at the prices for say Products 1, 2, 3 and 4, you could get a good sense of, you know, here's the same product and here's what's happening there. That will kind of help you see that the, you know, how the pricing affected the price of an individual product.

MR. BOYLAND: That's fair enough. The other question was related to metal margin. I know at least one company and probably more publicly talk about it as an important part of pricing. Is that true for all of the U.S.

producers, at least the Petitioners? Is metal margin an important way of determining the price sales value?

MR. BLUME: Rick Blume, Nucor. The market price really is determined by the supply and demand in the marketplace, and as was previously described, during the period we actually saw some improving level of demand, again which should translate into a more profitable time for the industry.

But the predominant influence during that period was the surge of imports. So it was a supply problem, as was mentioned before, of illegally traded imports. So again, we talk often about the cyclicality of the business, the high fixed cost of the business. It's imperative that this industry earn a reasonable return in the up cycle, and when that up cycle is taken away by imports, it puts tremendous pressure on the industry.

I will tell you that Nucor as a company is probably the only producer here today that has an investment grade rating. The industry is in crisis because at the time when we should be making more money, in fact we're not -- we're not doing that. One final point I want to make on that if I could please, you know, we talk often about the investment, the investment in an acquisition and you know, what were you thinking. Well, that was explained what was happening.

But also the industry has to continue because of high, fixed cost, continue to invest in our business, to meet, you know, the requirements of customers, to keep our equipment running. It's imperative that we have the financial wherewithal in the good times to be able to make those kind of investments. So we've talked about -- I've talked about that in the prior hearings.

But one of the key points that I'd like to make about, and maybe it's somewhat unique to Nucor but I don't think so, and that is the human impact to this particular issue, why it's important to make money in the good times. We have -- at Nucor we have a no layoff practice. We do not lay off our team mates. We believe that it's difficult, that when times get tough that you lay off your people, and yet you bring them back or try to bring them back and tell them how important they are to your operation.

So as a company, we've opted to pursue a no layoff practice. Well, the reason you do that is because you expect that there will be a time beyond the current difficulties that you'll have an up cycle, that in fact you'll have hours for the team mates to work, okay.

So when we see this occurring, where we start to see an improvement in demand you say okay team mates, looks like things are going to get better. We're going to have more hours for you to work and illegal imports come in and take that business from us.

Not only does it impact, you know, our capital, our investment in our plants, our acquisition plans, it also impacts our team mates.

MR. ROSENTHAL: Paul Rosenthal, Kelley Drye. Mr. Boyland, I brought back on the screen Slide 19, just to reiterate what Mr. Blume had to say and to underscore a crucial point here. We talked about the capital intensive nature of this industry. You already heard Mr. Cameron say -- suggest that 2014 was a great year, and the industry was doing very well, and imports had no impact on the domestic industry, no causation during 2014.

We reject that notion. As Mr. Blume has said, that's an up year. Demand is up. The industry was expecting to make more of anticipated doing better, and they should have with demand up. But that profit that you will see in 2014, both on an interim basis and a four year basis, were totally anemic, totally inadequate for an industry that has to invest, as you've heard today.

So we went from what as an anemic profit in 2014, not the happy days, fat, dumb and happy characterization that you heard from Mr. Cameron, an anemic profit in 2014 when the industry should have been booming, to these losses that you're seeing in interim 2015. One more reason to reject this notion that the industry wasn't injured in 2014. It was, and this injury has only worsened in interim 2015. Thank you.

MR. MATTHEWS: Mr. Boyland, Doug Matthews, U.S. Steel. If you don't mind, could you put Slide 16 up please? Fifteen, I'm sorry. Yes sir. Back one. Yeah.

I think this gets to maybe the heart of the question that you're asking, and for the case, the hot rolled case that we're here to talk about today and the impact that subject imports and hot roll have had on this market and on these domestic producers, shows specifically that proceeds and volume are down as a result of the subject imports flooding into this market and taking market share from domestic producers, at a greater rate than the cost of domestic producers going down during the same time period.

I actually had the opportunity to testify at all three cases this summer. We can show you during the CORE presentation the exact same effect, of imports flooded into the market, prices started to fall, volumes started to reduce, domestic industry was injured, shut down facilities. We would appreciate the ITC's decision to move forward with an investigation on core.

Two weeks ago, we sat before you. We talked about cold rolled products. We can present the same exact chart in cold rolled products. Subject imports came in, flooded the market, built inventories, prices declined, market share was lost by the domestic industry. We could not reduce our costs at a rate in which prices were collapsing. The domestic industry was clearly injured in that case, and we hope the ITC will find for that as well.

As we sit before you today, we have the same situation. It's an all-out assault across all product lines, going into the markets that the domestic industry are more than capable of making, and should be thriving based on apparent demand. But we're not, because we're losing money because the imports continue to assault this market.

MR. BOYLAND: Thank you, and I think the original question was metal margin, and I really was sort of more interested -- and I appreciate all the testimony. It does help. But I think I was really trying to get on the record that that is an important part routinely within the industry. It's not something that the U.S. ITC is just sort of throwing out there. If it is an important measure, we can look at the margin.

MR. MOSKALUK: Jeff Moskaluk from SSAB. So just on that concept, that's often used as a proxy to measure the health of the industry perhaps.

You know, many people try and correlate the concept that that somehow is involved in pricing, and I can tell you that pricing is more the, you know, one to one negotiation between customer and supplier based on other options including, you know, dumped or subsidized products.

But the metal margin you're referring to quite often, and I suppose when it's referenced by other parties here, it's often used as a proxy for judging the health of the industry, the ability to reinvest, the ability to return a profit, to reward our team mates and employees with, you know, bonuses or any type of incremental pay for more time worked.

MR. VAUGHN: Mr. Boyland, this is Stephen Vaughn for U.S. Steel. I'd just like to sort of enter two caveats with respect to the issue of metal margin. A couple of things I want, I would like the staff to keep in mind. In the first place, if you're just sort of talking about comparing sort of what's the price of steel compared to say raw material costs, right, one of the things that happens a lot of times, and there's been extensive testimony on this point for years and years, that steel production carries high, fixed costs.

So if you have a situation where an industry is forced to cut production because of lost sales, that can affect their per ton costs, other than the raw material costs. Their labor cost may go up on a per ton basis, especially if you have a sort of no layoff policy; their other factory costs may go up on a per ton basis because you're having to spread those same fixed costs, but with less tonnage.

So just by looking at the raw material costs versus the net sales value, you miss that. So that's one caveat I think the Commission needs to keep in mind.

I think another caveat the Commission needs to be aware of is that I'm a little surprised at the willingness of Respondents to come in here and say well, in this year, the domestic industry made this much for profit, and therefore the domestic industry wasn't injured.

I mean I don't understand sort of what is their basis for making those type of arguments. They're not steel, you know, counsel are not steelmakers, they're not businessmen. They're not the sort of people who have invested their money in this. So for them to sort of sit here and say this or that rate of return shows that you weren't injured, I don't really understand kind of the basis for that.

Congress has indicated that the domestic industry can suffer material injury even if it's profitable or even if its performance has improved, and that can occur if you have a situation where the domestic industry was not able to make the profits it should have been able to make in a fair market.

So I would just urge you, especially as you hear the arguments this afternoon, to keep those two caveats in mind. The evidence here is overwhelming and beyond question that these people lost millions of tons in sales and hundreds of millions of tons in revenue that they otherwise would have had without the effect of these imports, and it's hard for me to understand how that cannot be measured as injury.

MR. LAUSCHKE: Mr. Boyland, this is Scott Lauschke. If you're asking us to provide some details on this metal margin our post-conference briefs, I was wondering if you could just clarify exactly what the definition of that is. Is this gross margin, operating net or something other?

MR. BOYLAND: And that actually kind of led into the point that I think each company may have a different definition of metal margin, and I think what we can actually calculate, based on the information you reported, is sort of a hybrid of a metal margin, because we've got the actual sales value that's recognized, and we have an accounting raw material cost.

I don't think that's actually what you would normally say, metal margin to be normally a spot versus what the current raw material price is. So it's a little different than what you'd wind up with in accounting. So --

MR. PRICE: I think we'll all come back and address this in the post-conference brief. The one thing

I'll just come back at, which is I find it fascinating, listening to Mr. Cameron's arguments here, when you then go someplace like the OECD and everyone's talking about, including the OECD's secretary on the Steel Committee, that the steel industry right now is not even close to earning adequate returns globally, and frankly in the U.S. at this point.

It is in a state of crisis, and the question is whether the U.S. industry's capacity is going to shut down, and we've already seen shutdowns such as Fairfield unfortunately, or the shutdowns are going to be elsewhere. Enormous capacity adjustments have to be made. Returns are just wholly inadequate as a whole.

MR. BOYLAND: Thank you, and I think actually that kind of reiterates the point, that the additional information I'm asking for would sort of help isolate how costs are changed and what's driving the change. To the extent that the shutdowns themselves are impacting the financial results, I would encourage the companies to sort of expound on that as well.

I think that it just helps to understand the trend, the pattern that we're looking at and I'll turn it over to Mr. Houck. That's my questions. Thank you.

MR. CORKRAN: Thank you, Mr. Boyland. Mr. Houck.

MR. HOUCK: Gerry Houck, Office of Industries. I think the panel will be relieved to know that I have no questions to ask at this time.

MR. CORKRAN: Thank you, Mr. Houck. Mr. McClure had to step away, and he has at least one question that I will, if he's not back, I will try to frame. One question I had goes to ArcelorMittal. To what extent does the U.S.-based operation for ArcelorMittal influence or even control the volume of hot-rolled steel entering the U.S. market from any ArcelorMittal affiliates in other countries?

MR. MULL: Dan Mull, ArcelorMittal. We have the policy that the chief commercial officer in a region, so in the United States, is the -- has the control over any product that would be coming in from any of our affiliates, from a pricing and availability standpoint.

So that's where it rests, and we are not bringing in currently hot-rolled other than two items that really complement our offering to some specific customers, because we don't have the capabilities. But we do have competitors that do, and as a result, that's the only way we can compete with them.

MR. ROSENTHAL: Paul Rosenthal, Kelley Drye, and I think Mister -- you were talking to Mr. Mull, who is the person who makes those decisions, about whether any affiliate produced steel can be brought into the U.S., and he's a very hard guy to convince on that score. There's virtually nothing that comes in that is produced here.

MR. MULL: We have not been bringing in hot roll, and we have plenty to sell and we have plenty to produce in the United States, and we certainly would not compete with ourselves.

MR. CORKRAN: Thank you very much. I appreciate that response. My next question goes to some of the discussion with respect to a question Ms. Gamache asked, and there was a reference to customers using public indices as a frame of reference for price negotiations. I was wondering if you could get a little more specificity on the types of indices that are used, and specifically the products that those customers are referencing.

Are they simply referencing hot rolled steel prices? Are they referencing upstream or downstream products or inputs when they negotiate with price, on prices? What is the gamut of indices that are referenced in these negotiations?

MR. KOPF: Rob Kopf with U.S. Steel. We have actually testified before in the cold roll case just a couple of weeks ago, that there are a myriad of arrangements. Really, it can get down to customer by customer kinds of specificity, in terms of how indices are used. But I guess from a broad-based perspective, you know, CRU is largely used in this market. Platt's is largely used in this market, and the price of hot-rolled steel will typically change up or down based upon the movement of those indices.

I think we can get into more detail in our post-hearing comments regarding specifics on -- or the mechanics of it, if you will. But some might start with a starting point. Some might start with just whatever the number is it is, that sort of thing. We do not see, at least in U.S. Steel's portfolio, a hot-rolled price changes that really are referencing changes to some other public index of some other product. We tend to look at these things and price our product based upon changes in hot-rolled pricing.

MR. LAUSCHKE: Mr. Corkran, this is Scott Lauschke with AK Steel. As I testified earlier today and as was just stated, I believe that's correct. CRU and Platt's, at least for our company, do tend to be the two most commonly used referenced indices. Of the two, CRU is the most common.

Within CRU, what they published, they actually publish three separate price indices, one for hot roll, one for cold roll and then one for coated-type products like galvanized. All three of those are customers, whatever product they may be purchasing, will reference those, the applicable index, when they're wanting to renegotiate their contracts.

Now on the subject of contracts as -- if I just take this calendar year and I look at the contracts for AK Steel that have expired say from January 1 to date, because we do have contracts that expire at different times of the year, I can assure you that in all those cases, they're pointing to a specific index or indices, if they buy more than one type of product, and they're seeing the same trends in all of them.

So the price downs are 150, 200 dollars a ton down from whenever the contract was first established, whether that was 12 months ago or whatever.

And what I'm finding, at least in my case, my basket of customers, is there are three types of customers. One is the customer who says I am going to agree to the terms of my contract, ride it out, but you will drop your price significantly come the date of our new contract, and if you do not, you will lose significant business.

But at least they're honorable in that they will agree to the terms and they will, you know, adhere to the terms of their contract and ride it out.

The second group of customers, maybe I'd call them a little bit less honorable, they'll basically say I need you to drop your prices earlier than my, I'll pick a date, September 30th contract expiration. I need you to do it now and if you don't, there is this threat that then I will take business away and it may happen right --

It probably won't happen right away. I may have to qualify someone else. I may have to kind of switch around. But I'm telling you, if you don't accelerate the expiration of our current contract and give me relief and give me lower prices now, you will lose business.

The third one is the most egregious, and that's the one that says I need that expiration accelerated now, and if you don't, I'm taking business right now. I'm not going to wait until the end of our contract. You're going to lose it right now. So as Mr. Blume said earlier, he's got a lot of customers that are only buying to the minimum.

I've got some folks who are saying forget the contract. It's essentially ripping it up. I'm not even going to buy to the minimum. You will drop your prices now. We have examples of all three of those types of customers and all in this calendar year, and we will be happy to provide the names of those customers and the details in our post-conference filing. But that's kind of what we're up against, and it's across all three of those different product categories.

MR. BLUME: Rick Blume, Nucor. Another point to be raised regarding the indices that were mentioned, CRU and

I agree with colleagues here, and Platt's are the dominant indices that are used to strike contracts, contractual terms. We testified to this in prior hearings that these indices are based on or are expected to reflect the spot market, okay. So you begin to see the bridge that goes from spot pricing to contract pricing, because these contracts will in fact move with the CRU or Platt's index, which again is reflective of the spot market.

So you can then begin to understand the impact that unfairly traded imports will have, the negative impact, the direct impact to spot prices, which then cascades back in the contracts, and those adjustments, because it's all ultimately tied together based on those indices.

MR. SCHAGRIN: This is Roger Schagrin, Mr. Corkran. You know, this being the third hearing in which contracts versus spot pricing have been discussed in the past two months, and you've heard a lot from lawyers on these panels, who are obviously international trade lawyers not commercial litigators.

But I'm always struck by the fact of hearing the way these sales people, because you always have marketing people, talk about these contracts with their customers, that to a lawyer with some knowledge of contract law, these really sound to me like supply agreements.

I mean how often you hear about all these customers coming in and saying I want this changed, I want this changed and I want this changed, you know. If you and I enter into a sales contract for a home, we don't turn around two weeks later and say oh, home prices dropped in this neighborhood. I want my deposit back or do that.

So I really think it's almost a misnomer for the Commission to look at the relationship between suppliers in the steel industry and their customers, as if these folks are entering into legally binding contracts and ask any of them the last time they went into a courtroom and said hey, automobile company or automobile parts, you know, you're not living up to your agreement. They just don't do it.

So just hearing this now three times in three months, I think it's much more appropriate for the Commission at least to think about these supply relationships more as supply agreements than contracts, which to lawyers and we know I think five or six Commissioners are lawyers, they might actually think that oh, these folks have contracts. These contracts can insulate, because they're enforceable written contracts can insulate this industry from the injury caused by the imports in the spot market.

It just seems to me that, you know, these folks, for better or for worse, they are stuck in a kind of uneven relationship with many of their customers, which have supply agreements in which the customers say okay, I want to make changes in my supply agreements, based on changes in market conditions.

MR. LAUSCHKE: Yes, and this is Scott Lauschke. I'd like to just expand on that a bit. He's absolutely right, and when I first entered the steel industry 22 years ago and heard of this phenomenon of contracts sort of not being honored, and I asked the same question. You have a contract. A contract is a contract.

The difference is, to the analogy raised earlier, when you buy a house, it's a one-time transaction. You're meeting a buyer, you're the seller, whatever it may be. But you're never going to deal with that person again. You're going to have a transaction, an arms' length transaction. It will be done and you move on your merry way. You never run into that person again.

When you're dealing with a supply relationship, a steel supplier to a customer, some of these relationships literally go back over 100 years. AK Steel, its roots Armco started in 1900. We've been making steel for 115 years. Some of our customers, some of our major automotive OEMs, we were supplying their original platforms in the early 1900's and we continue to supply them today.

Those are our customers and yes, we have agreements with them. We have memorandums of understanding.

We have kind of shake hands agreements, and assuming there's no major changes in the world, you know, most of the time those agreements end up playing out like they should.

But when there's unfairly dumped and subsidized imports that bring market prices down $200 a ton in less than 12 months, naturally those customers are going to say this is untenable. I'm assuming some of my competitors are somehow taking advantage of it, so therefore I have to take advantage of it.

So I hate to do this to you AK Steel, and I know you're a long-term supplier to us, but I need some help, and if you can't help me now, it's going to be my job as a buyer. I won't be here in six months. So you either help me now or, I don't know, but you're not going to have the business you used to have.

We have to look at this. If we've supplied them for 100 years, I want to continue to supply them for another 100 years. So you have to look at it from a long-term relationship standpoint, and as such, that's absolutely right. These contracts are memorandums of understanding that unfortunately are very negotiable, even within the duration of the term, and that's what we're dealing with.

MR. ROSENTHAL: Mr. Corkran, two more quick points if I might. Paul Rosenthal, Kelley Drye. The last part that Mr. Lauschke underscores. You're not -- unlike a house sale, where you might actually sue the other party of they reneged on the contract, you don't sue your supplier, because they're -- if you want be their supplier ever again, and that's why this is totally different than the average contract that most Commissioners and most of us actually think of.

It's an important point and I understand in some previous proceedings some folks had a difficult time wrapping their minds around these agreements and calling them contracts.

The second point that I want to make, and this goes back to the colloquy I think you had I had at the corrosion resistant conference, and that goes as to when does that injury occur, when the spot prices fall and the contracts get renegotiated? I tongue in cheek refer to this as not an epistemological problem. It's a real issue of law for the Commission.

Our view is that once these contracts get renegotiated as a result of the import underselling the pricing pressure they're putting on, that is when the injury commences. That's when the injury occurs.

It doesn't necessarily show up in the financials until some later point, but it's like getting poisoned. You're injured then. You may not die for a few more months. You may not close your facilities for six months, but you've been poisoned when that contract's been renegotiated.

It's a very important concept for the Commission and the staff to understand. The long-term effects you've heard described very clearly, but there are significant short-term effects too. When these companies see that their revenues are going down and down and down, they're rethinking our investments.

Are we going to make the return on investments we need? Are we going to be able to do the things that have been testified by the members of the industry, in order to stay in business? So I urge the Commission to take a more expansive view not only of what is really a contract or not, but of when the injury occurs when the contract renegotiations commence.

MR. CORKRAN: Thank you. I appreciate those comments, and I'd like to touch on something that has been -- I've been interested in as we've moved from corrosion resistant to cold rolled steel and now finally to hot rolled, and some of the comments today.

We've just talked about -- we just heard testimony to the effect of imports bringing the market down by $200 a ton. Very early in the presentation, we heard that no other factor explains what happened to prices, other than the subject imports. I'd really like to probe that. I'd really like to know what is the role of primary raw materials, such as scrap?

What are some of the things that may affect scrap prices like availability of DRI? Is it really fair to or is it really accurate, rather, to attribute movement in hot-rolled steel solely to supply and demand issues? So I'll throw that out.

MR. VAUGHN: This is Stephen Vaughn, and I'd like to just start, and then other people can weigh in. I want to just start because I, you know, I think you might have quoted one of the things I said in the opening. Let me just sort of tell you at least how I view this question, in terms of what I think the Commission needs to do and in terms of what we've been arguing.

That is this. You can go back over the past 14-15 years, during this whole time period when there were no new trade cases, and you can see lots and lots of fluctuations in the price of hot-rolled steel. I mean it's gone up, it's gone down. So there may be other factors. There clearly are other factors that affect the price of hot-rolled steel from one year to the next.

Some of that may involve demand, some of that may involve raw material cost. Now we have a case in which the Commission has to sort of decide have there been price effects. In other words, has the imports had a negative adverse effect on the price of steel, of the hot-rolled steel.

So when I say you can't explain what's happening in the market without reference to the imports, I'm not necessarily saying, you know, there weren't any other effects, there wasn't anything else that was happening. It was only, you know, the imports.

But what I am saying is, is that if you're an industry that all of a sudden is incurring heavy losses, and you have an industry that is all of a sudden facing huge levels of inventory at a time when that sort of came out of the blue, in terms of market participants weren't expecting that, and you have an industry in which you have repeated testimony of people having to go back and renegotiate deals and everything, and all of this is sort of new and different and in the context of this dramatic surge of the imports, then that satisfies the legal requirement to show that the imports have had price effects.

We don't have to show that every change, every dollar of every change is caused by the imports. But what we can show and what we have shown is, is that if not for the surge of imports, you would not see the level of collapse that you've seen.

MR. KOPF: Rob Kopf with U.S. Steel. At the end of your question, Mr. Corkran, you talked about supply demand. So I guess I'd like to address a few specific issues to that. The other side's going to talk about the fact that the energy markets here have precipitously declined, and they're going to blame the fact that oil country tubular goods aren't needed here, to the entire reason why we're not shipping hot-rolled steel at the rates we were.

Let me give you some facts. Domestic producers of oil country welded tubular goods consume about two million tons a year of hot-rolled, and if the market here has gone down 50 percent, which we can say maybe it is now, but on January 1st it wasn't, that would imply now it's maybe a million tons. If you want to take it to the first half of the year, that would be 500,000 tons.

Well, why is the domestic industry shipments of hot-rolled almost double that in the first half of the year? Now let's also talk about a couple of other demand factors. Automotive production is up over two percent this year. They consume a great deal of hot-rolled steel. Domestic shipments to the hot roll industry are down 12.3 percent this year. Why is that? Imported steel.

Let's look at the construction market. The construction market is up anywhere from six to eight percent this year, depending on what publication or what reference point you want to have. Domestic shipments of hot-rolled steel to the construction industry are down six and a half percent this year. Why? Because of imported steel.

The line pipe market is actually better. You're going to hear people talking about the need for supply of line pipe later this afternoon. Well, we'd certainly love to supply that, but that's all coming at the expense of imports as well.

I'd also like to talk about supply, and you're going to hear the other side talk this afternoon about the need to protect two operations out on the west coast, and that's the only reason that they want us to all hot roll steel here. Well that's simply not the case. Japan is shipping product to six different ports other than the one that would be going into Washington in the first half of this year.

Japan, interestingly enough, testified here with me sitting in the room in 2012 that they had no interest in this market. Korea shipped more steel, hot-rolled steel into this country in the first half of 2015 to other ports, other than the one out in Pittsburg, California. So more than half of what they've sold here is going to other locations that are consuming hot-rolled steel, not to UPI.

Finally, Australia has shipped to about half dozen other ports than the one that will be going to Steelscape. So you tell me the importers here are very interested in supplying this market with more than just the captive production that they claim, and the demand for product is up and it's coming at our expense, because our shipments don't reflect that.

MR. MOSKALUK: Jeff Moskaluk with SSAB. Your question was, you know, how closely related is a change in raw materials to pricing I think is what you were asking, and I can characterize for you that when the phone rings and I talk to a customer, they may comment on the price of scrap, and they may comment on that being an indication on the level of market activity, presumably if there's less scrap being bought because mills are operating at lower utilization; there will be a lower price for scrap.

Sometimes it's the flow of scrap because of harsh weather conditions that it goes up. All kinds of things can change scrap. But typically when the phone rings, the customer says I need this price because I can get it from this country at this low number, and they may mention scrap, but that's not the motivation for price. It's usually based on a supply option for like goods, where they can get it at a cheaper or dumped price.

So I think our customers are aware of raw material pricing. I think they understand the changes in raw material pricing and what that does mean to us and, you know, activity levels. I can tell you this. We've had periods and I believe in 2013 there are a couple of examples, where scrap went up in a particular month while we were lowering price.

I couldn't call anyone and tell them that I needed more money that month because scrap had gone up. That conversation would be completely out of bounds. It wouldn't be accepted by the customer, because he would point out that he had supply from others at a different price and that's it. So while I think they paid close attention to it, it is not a primary driver in the pricing conversation.

MR. BLUME: Rick Blume, Nucor. In the prior hearings, I testified to the point that our experience relative -- raw materials relative to steel prices, that in fact if you look at the data, steel prices dropped first, they dropped faster and they dropped farther than scrap prices. To me, that sums up and answers that particular question.

MR. CORKRAN: Thank you all very much. I have no additional questions, but let me turn to Mr. McClure.

MR. McCLURE: Thank you. Jim McClure, Office of Investigations. Just two questions. Mr. Kopf, you mentioned shipping to other ports than Pittsburg, California. Are those other ports on the west coast or --

MR. KOPF: No, they are not. We see evidence of material arriving from subject countries in the Gulf of

Mexico, Southern California. Obviously that is west coast. But east coast, it's all over the United States.

MR. McCLURE: Okay.

MR. KOPF: And I would include also, I'm sorry in that, they do bring product into the Great Lakes as well.

MR. VAUGHN: Mr. McClure, I'm sorry. Yeah, this is Stephen Vaughn. I actually do have some data on this point. In the first half of 2015, looking at the import data just for Korea, for example, they had 151,000 tons into the Port of Houston; they had 138,000 tons into the Port of New Orleans; they had 73,715 tons into the Port of Los Angeles. So they are very active in other markets.

I would also point out that Australia, for example, in the first half of 2015, let me just get this right. Australia had -- I'm sorry, I've got it right here. They had 32,000 tons into the Gulf ports in the first half of the year; Japan had 90, almost 92,000 tons into the Gulf ports in the first half of the year; and Korea, as I indicated earlier, had 291,000 tons into the Gulf ports in the first half of the year.

So are all -- so all seven of the subject countries were very active in the Gulf, including those three countries, and we did want to get that on the record. So thank you.

MR. McCLURE: Thank you, Mr. Vaughn. My other question, mention of demand being down in OCTG and obviously, we had an OCTG -- that's another case I'm glad I didn't work on.

Anyway, in the not-too-distant past, seemingly somebody would have benefitted from the imposition of those orders, and my question is did the domestic industry benefit? Did some of the subject countries, specifically the Pacific Rim countries, others, or did both benefit a little?

MR. SCHAGRIN: Mr. McClure, this is Roger Schagrin. You're so lucky you missed the OCTG case.

MR. McCLURE: I know.

MR. SCHAGRIN: I almost wish I missed it. In fact, maybe I did miss it, because unfortunately the answer to your question, which is probably an appropriate consideration for you this afternoon, is that even though the Commerce Department imposed duties ranging from 11 to 17 percent starting in July of last year, imports of -- against Korea, imports of OCTG from Korea then reached levels in a declining market of over 200,000 tons a month by the beginning of this year.

So it's almost amazing to me that Mr. Cameron for the Koreans, because they're his clients, would actually come in here and say well, the problem for the U.S. industry is that OCTG demand has disappeared. Well in fact, because of the recount, overall demand has declined, but the share of the market taken by the Koreans and the displacement is just amazing, in that they are essentially putting most of the U.S. welded OCTG mills out of business. They are shut down.

So it's almost like saying oh look, the steel guys are suffering because their customers are disappearing, when they, the Koreans, are the ones who are killing the demand. It's like, you know, people killing their parents and say I'm orphans. The fact is that, you know, the Koreans would be more than happy if they also killed all these steel mills of all these people. They just don't care.

And certainly Mr. Cameron, who's actually from Cleveland, Ohio, could care less if the Korean steel industry destroyed and had shut down every OCTG, line pipe, standard pipe and electric furnace and blast furnace in this country. That's why we need laws and we need more laws than just Title VII. But it was a good question, and it's shocking that the domestic industry. I have a lot of unhappy clients. Why have imports gone out of control after you impose duties?

MR. McCLURE: Okay. Mr. Price is about to jump out of his seat.

MR. PRICE: So first of all, let's go back a few more steps. There was a sunset a few years ago, where the Koreans said well, we're about at a couple of hundred thousand tons of OCTG capacity. We're at capacity. We can't ship anymore until they shipped about a million tons at the end of the last case. Now despite an order, they're continuing to ship more and more and more.

They're shipping a lot of line pipe. The Korean -- understand the situation is that they need to move volume. They overbuilt their capacity. They need to move volume. They'll move volume in any form possible, whether it's welded line pipe, whether it's welded OCTG, whether it's hot rolled, cold rolled or galvanized. Each and every one of the products they're trying to move more, and the U.S. market is an attractive market, and they will take it in any form they can.

By the way, we're seeing similar things with Korea ^^^^ with Turkey, where they have massive excess capacities, subject to dumping and subsidy cases in these same types of pipe product, and they're trying to move now, all of a sudden we see substantial increases in hot rolled imports come in too.

What we're seeing are sets of endemic problems due to massive overcapacity, and the simple answer is that the collapse in OCTG demand, the U.S. industry was probably already, on the OCTG side, did not benefit substantially from the initial round of this case, because the Koreans just continued to ship.

So the collapse in demand just puts more pressure on the Koreans to ultimately put more hot-rolled in the U.S., because they can't ship it any more in the pipe because there is -- because they've already maxed out that market. So they're only going to focus more on hot rolled, more on cold rolled, more on galvanized.

MR. MATTHEWS: Mr. McClure, Doug Matthews.

MR. McCLURE: Sure.

MR. MATTHEWS: I actually have, I think, a unique position here testifying today, that U.S. Steel actually participates directly in the OCTG business, and a prior position which I held with U.S. Steel was responsibility for our tubular segment. I actually sat here during the preliminary hearing and talked about the threat and injury that was being created by in particular Korea, but also subject countries that were importing OCTG into this market.

If you recall, the rapid increase in unconventional drilling was going to revitalize a domestic industry that was somewhat in question, and over the time period, we aligned with what our customer requirements were and invested in our facility capabilities in order to be able to make the types of tubular products that would be supported in -- be supportive of unconventional drilling to the expansion that it actually delivered.

We made numerous capital investments over the 2009 to 2013 time period, for which we testified at that hearing and talked about those. We also made investments in our flat rolled facilities, because we wanted to have the capability not only to support our domestic tubular -- our own tubular business, but we wanted to be third party supporters of the OCTG business.

There were lots of new mills being installed in the United States to support the domestic industry, we sought relief from subsidized and illegally traded OCTG coming in into this market. We got relief, at least we thought we did, but we didn't really. So the domestic industry, both on the flat rolled side and on the OCTG side, is substantially injured and never really benefitted from the unconventional drilling expansion that came across through the period up until 2014.

So when the Respondents this afternoon want to talk about how the domestic industry is really -- this is about loss of demand and energy tubular products, that's just blatantly false. It's a smokescreen. It doesn't hold merit because we never benefitted from it.

MR. McCLURE: Thank you.

MR. VAUGHN: Mr. McClure, Stephen Vaughn. I was also involved in the OCTG cases, and as you could see, we all feel strongly about them. But I'd like to make one additional point and that is this.

What I remember about those cases and one of the things I remember about those cases, I remember the Respondents coming in over and over and over and over, talking about how strong demand was for energy tubular products, how demand for energy tubular products was going to insulate everybody from harm, how the domestic industry was doing fine despite the surge of imports.

Now, when you look back on those years, it's not a question of, you know, what's the relief going to be going forward; we all hope that going forward, the relief will be extremely effective. But we can't get back the years that they took away. We can't get back the sales that were lost, you know, which should have been times where this industry, that industry could have made money and saved money and had investments and hired people and gotten ready for the future.

That's gone. That's just lost. You can look at the numbers and you could say oh, they made this rate of return in those years, they made that rate of return in those years. But they were still injured, because they should have been able to make more. And now here we are, the flat rolled industry was, you know, the hot rolled steel industry like the other flat rolled products saw a dramatic drop off in demand as a result of the economic crisis.

Time passes, demand slowly picks up, and as you hear, auto demand is relatively healthy, construction demand is relatively healthy. What happened? The same thing. They come in, 2014 is gone. That year is in the books. The money that could have been made that year is not going to be made, and that's injury, just like it was injury in the OCTG industry.

MR. PRICE: Alan Price, one more thing. Sorry, we often hear that a lot about this one.

MR. McCLURE: Really?

MR. PRICE: Yeah. You know, the idea that somehow or other because you have foreign facilities; therefore, you're allowed to benefit from dumped and subsidized imports and that excuses it is just false. Or you have a right to supply off of those offshore facilities is just ill-founded. Probably one of the two most sophisticated, three most sophisticated energy tubular producers in the world have to source most of its hot rolled from U.S. supply.

Now they have plenty of foreign flat-rolled facilities. If they wanted to use the excuse that some of the other people are using, they would have said oh, excuse me, we do that. In fact, they could have sourced and anyone here can source from domestic supply.

The choice to buy dumped, foreign product and subsidized foreign product is injurious to the U.S. industry. You look at global producers with massive excess capacities; they're trying to move it. They're trying to move it at cheap prices. You look at the Australian industry, for example. Right now, they have -- they have substantial crisis. Their capacity right now is -- has no home going forward because their auto industry is shutting down on them.

Therefore, they are desperate to move hot rolled into any outlet, and this is an attractive outlet for them. At this point, the industry needs relief. The industry needs to be in a position of dealing with the unfairly-traded imports, and there is no excuse because well, there's some affiliation here.

That's not an excuse. The industry is being harmed and the industry was harmed from OCTG imports, yeah. Of course, you know, the OCTG industry was, okay. But you know, at the end of the day, the Koreans are desperate to move volume, because they have far more capacity than the domestic market can consume.

The Australians are in the same position, in a significantly worse position going forward. The Japanese are in that position in spades. So the idea that somehow or other oh, there's something here that's unique or different and there's no effect, it's just not true and it's not accurate.

MR. McCLURE: Thank you. As I go through conferences and hearings, I always look for, you know, phrases, wording you thought you'd never hear in a transcript, or cites you never thought you'd see. The two that come to mind this morning, one from Mr. Schagrin by way of testimony, "murder your parents." The other would be the sight of an unnamed senior partner carrying lunches down the hall.

So anyway, gentlemen and ladies, thanks to all of you. It's always great to put names and faces together to people who do the work. I know you surely have better things to do than sit in front of us. But we appreciate those of you who have come from afar. It's always nice to see the people who are paying the billable hours of this assemblage. With that, thank you.

MR. CORKRAN: Let me ask very briefly, are there any additional questions from the panel? There's one question, yes.

MS. MESSER: Sorry. Mary Messer, Office of Investigations. I just wanted to follow up very quickly on something Mr. Blume that you mentioned, about Nucor having a no layoff policy. So this is a two-part question, one for you and one for the rest of the U.S. producers that are here today.

How then do you respond to any kind of production downturns, and then do any of the -- can the other producers here indicate whether or not your firm also has a no layoff policy?

MR. BLUME: Rick Blume, Nucor, and thank you very much for asking that question, because I left out a very important detail of the no layoff practice, and that is this. Our team mates, there's another policy we often talk about as pay for performance. Our production workers, two-thirds of their pay actually comes from production and bonus, from producing quality tons.

So what ultimately happens in a downturn when the tons are not available, what happens is they suffer immediately, and in fact they're paid week by week based on the output of the -- and the productive capability of the unit. So when we get in a period of downturn, we don't lay off our employees. They continue to have their benefits. But their pay can be significantly impacted; their families are significantly impacted by that fact.

So it's a -- in many cases, it's a share of the pain, it's a share of the gain. Unfortunately, we're not seeing the gain because the imports are coming in at a time when we expect to see the gain and be able to share and have more hours for our team mates and more bonus for our team mates, and certainly they can work on their own personal balance sheets and, you know, have bigger bank accounts during those time periods, the same as a business would do. So I think that's an important point.

MR. PRICE: There's actually one other element to this, which is I think everyone, probably other than Mr. McClure, probably has a pension that's essentially a 401(k)-type pension plan. Maybe okay.

MR. McCLURE: I've got both.

MR. PRICE: You've got both, okay. You're a smart man. You stayed into the old pension system. So in the Nucor system, there is profit -- there is profit-sharing in the pensions or in essence the 401(k) system is essentially the company contribution is a portion of the profits. When profits are diminished, the workers simply don't get that contribution.

That has a very significant long-term impact on the workers. Just imagine the answer to be each one of you, gee there's a deficit in the federal government this year. You're not going to get the U.S. government match, okay. So that's, you know, these are long-term and very significant consequences.

MR. MATTHEWS: Doug Matthews, U.S. Steel. We're an integrated producer. Our facilities are represented by the United Steelworkers, and the way that we handle workforce reductions is governed by our collective bargaining agreement. But we're not set up like was just described by Mr. Blume with a high variable component to our compensation structure.

Generally, we have base wage rates that are established based on skill level and responsibility for a specific task. Whenever we have downturns in market conditions, you know, we go through a process where we meet with the local unions. We have a mechanism that's called layoff minimization.

Layoff minimization, we work cooperatively with our union representatives to reduce overtime first. We offer voluntary vacations. We may actually schedule mandatory vacations. Generally, if the market down cycle is short-lived, we're able to not get in the position where layoffs would be required. But if it is going to be prolonged and we can't address it through short work weeks, reduced overtime, vacation, rescheduling etcetera, we move towards layoffs.

And generally, it's the least senior employees that get laid off first, and depending on the degree of the downturn and the extent and length of the downturn, and then also the units that are affected would determine how many people would ultimately get laid off, and we've had thousands of people that have been laid off.

MR. MOSKALUK: Jeff Moskaluk with SSAB. The model that Mr. Blume described is very similar for our employees in our two mills in Mobile and Montpelier. We have not had -- in our history, we've not had to lay off, and that includes even the significant downturn in '09.

There are some other complications, including things like contributions to 401(k), where in fact because the compensation is reduced so much for some of our team mates in the mill, that they may have to tap into their 401(k), which is also extremely harmful to them, because it takes away the possibility of future, you know, monies for them to have in retirement.

The other thing that occurs, why we don't have a layoff policy is, if someone should leave the company at that time that we may not replace it, which puts an additional strain on the remaining team members, who have to work harder for the hours that we are working. So you know, it has a significant impact where we don't lay people off, and that sounds, you know, tremendous.

The impact on them is still very meaningful. Two-thirds or more of their pay gets reduced through the lack of production bonuses, and it has a real implication on both them and their families and the communities that they live in.

MR. PUSHIS: Glenn Pushis with Steel Dynamics. We have a very similar system to Nucor and SSAB. We also have been 20 years and not had layoffs on our steel side. I don't know if that's a written policy, but we do not lay off anyone.

A little bit of a modified program. We have a production bonus that's paid weekly. Monthly we pay out a conversion bonus based on conversion costs through the units, and then we have a profit-sharing that's yearly and then also restricted units for every employee in our company. So very similar.

MR. LAUSCHKE: And Scott Lauschke with AK Steel. We also do not have a formal, written no layoff policy. However, we operate as though we do. We go to great lengths to avoid layoffs at any cost.

When times are tough and our mills are not running at full capacity, we get very creative with how we deploy our people. We do things, everything from increased maintenance to clean up to painting. Our facilities probably never looked better than they do right now, because we're not operating at the kind of levels that we'd like to be.

But I will mention that as an integrated steel producer, you take something like a blast furnace, for example. Once you start a blast furnace up, that blast furnace is going to run 24-7, 365 for years at a time, and if you take a blast furnace down, you're talking tens of millions, it could be hundreds of millions to bring it back up.

So when you have an operation like that, that is not running at full capacity, you can scale it back a little bit. But you'd need crews. You need the full complement of people to operate that equipment, to operate it safely. So you couldn't lay off, even if you wanted to, and that's why our costs skyrocket.

That's why our fixed cost becomes such a very high percentage in this kind of environment, and that's why the harm has been done and continues to be -- looks like it will continue to be harm going forward unless we are able to get some relief.

MR. MULL: Dan Mull, AcelorMittal. We also work with the United Steelworkers labor agreement. Our policies and procedures are very similar to what Mr. Matthews outlined. We certainly do try to figure out creative ways to continue to keep employment when you can from a maintenance standpoint, or back down on the amount of turns you run a facility. I think everybody in this room, there's no real substitution for volume, and if you don't get the volume because there's too much supply in the marketplace, obviously we get to deal with the challenges of having to manage a very delicate situation.

MS. BROWN: This is Roxanne Brown with the Steelworkers. The question wasn't posed to the union, but I just feel like it's important for us to respond. You've heard from U.S. Steel and AK Steel and ArcelorMittal that the workers are represented by the Steelworkers union, and what we've seen over the last six, seven months is, you know, massive layoffs across, you know, a series of our facilities, across all products.

For us and our members, this is wholly unsustainable, and I think what you've heard, not just in this staff conference but in the last, the previous two staff conferences on CORE and on cold rolled, is that we're on a very dangerous path in this industry, and one that our members hope we can see some relief from the Commission. So thank you.

MR. CORKRAN: Thank you. Mr. Secretary, are there any other issues that I need to address before dismissing the panel?

MR. BISHOP: No, Mr. Chairman.

MR. CORKRAN: Thank you very much. Thank you very much for your testimony. This panel is dismissed. We will reconvene at 1:25. Thank you very much.

(Whereupon a lunch break was taken to be reconvened at 1:25 p.m.)

AFTERNOON SESSION

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

MR. CORKRAN: Mr. Secretary, are there any preliminary matters to consider?

MR. BISHOP: Mr. Chairman, the Panel In Opposition to the Imposition of Antidumping and Countervailing Duty Orders have been seated. All witnesses have been sworn.

MR. CORKRAN: Thank you very much.

Mr. Cameron, you may begin.

STATEMENT OF JIM DOUGAN

MR. DOUGAN: Good afternoon. My name is Jim Dougan of ECS appearing on behalf of Joint Respondents.

The record evidence provides serious challenges to Petitioners' arguments. To begin with, their only credible injury case is limited to the first half of 2015. Prior to 2015, all of the domestic industry's indicia follow the same trend: stable or slightly improving in 2012, 2013, and the first half of 2014, and then a spike in improvement in the second half of 2014.

As shown at slide one, this trend applies across the board. Through the end of 2014, operating income margin and net income margin are both up, and cause to sales ratios are down, whether measured for the merchant market or the industry's total operations.

Production, shipments, and capacity utilization are likewise up, and so is employment. Interestingly, Subject Import volume followed a similar trend. See slide two. Slightly increasing in 2012, 2013, and the first half of 2014, a larger increase in second-half 2014, and then after a temporary spike in January 2015, a sharp decline, over 45 percent, for the remainder of first-half 2015.

Thus, while Subject Import volume and market share increased, so did domestic producers' performance--and not by a little, by a lot. In fact, but for the impact of one U.S. producer whose data are highly questionable and problematic, something of which staff is already aware, U.S. producers' financial performance is even better than shown at slide one and, more importantly, the industry's results in the merchant market outperformed its overall business.

Even without any adjustment, however, the second half of 2014 represented the domestic industry's strongest performance during the POI by far. So through the end of 2014, Petitioners have no credible current Material Injury case at all.

But what happened in the first half of 2015? The first and most important thing that happened was that demand declined. This can be seen in the apparent consumption data shown at slide three, whether calculated for the Merchant Market alone or for the total market, which includes U.S. producers' captive consumption.

This decline was largely attributable to a sharp decline in demand for tubular products, which is among the largest end-use segment destinations for U.S. Hot Rolled producers.

This decline was driven primarily by plummeting demand for OCTG as shown at slide four. That is a 49 percent decline in an OCTG consumption from November 2014 to July 2015. It was actually 50 percent through June.

Later on in this panel my colleague, Mr. Malashevich, will point to further reasons for that decline.

Import volume and market share increased when the first half of 2015 is viewed in aggregate, but that is largely attributable to a one-month peak in January 2015. After that peak, import volume dropped precipitously. When looking at slide two, please remember that orders for those imports were placed as much as three or four months prior, and were responding to factors in the market at that time.

It also means that the point of competition in a purchase decision between domestic and imported Hot Rolled was made in the second half of 2014 when U.S. producers were doing very well and had their highest capacity utilization of the POI.

The second thing that happened in first-half 2015 was that U.S. producers' prices declined sharply in response to the demand and, similarly, sharp declines in raw material costs. Petitioners have pointed out that the drop in their prices in first-half 2015 was greater than the decline in raw materials' cost, but a little context is necessary for why that may have been so.

First, prices for Hot Rolled Coil are substantially higher in the U.S. market than in other markets. See slide five. Moreover, that gap widened in the second half of 2014 as U.S. producers held or, in some cases, even increased prices in spite of decreasing raw material costs and increasing Subject Import volume and market share.

This explains the domestic industry's strong profitability in the second half of 2014. And so long as demand remains steady, U.S. producers could maintain these prices. But at the end of 2014, demand for OCTG and other products plummeted and, as shown at slide six, raw materials' prices, especially scrap prices, accelerated the decline they began earlier in the year.

Essentially, gravity kicked in and pulled the U.S. producers' prices down. In fact, it pulled their prices down even more than import prices, as shown at slide seven, to the point where there is a significant amount of over-selling by subject imports in the first half of 2015.

This is partly because U.S. prices had even farther to fall, given the late 2014 increases. But it's also because their prices are more quickly responsive to the sharp changes in raw material costs and demand in 2015, given imports' longer lead time.

These price declines are not attributable to the allegedly injurious effect of subject imports. In fact, the questionnaire data summarized in slide eight shown that underselling was heavily concentrated in 2014 when U.S. producers enjoyed their best performance of the POI.

To the degree that there was an inventory overhang at the end of 2014 that got destocked in 2015, the U.S. producers themselves created it. As shown at slide 9, the questionnaire data reveal that in 2014 U.S. producers accounted for the overwhelming majority of shipments to service centers.

Moreover, as summarized in slide 10, just the increase in U.S. producers' shipments to service centers between the first and second half of 2014 was several times the increase in imported shipments to that channel.

The foregoing discussion demonstrates that whatever credible current material injury case Petitioners have is limited to the first half of 2015. And even then, any declines in performance were driven by factors other than Subject Imports.

But the locus of possible injury is even smaller than that. It's not only limited to the first half of 2015, but also by attenuated competition due to geography and differences in product mix.

As shown at slide 11, 49 percent of total subject imports over the POI arrived at ports in the West region. The Western region of the U.S. has a comparatively small presence for domestic suppliers who are mainly concentrated in the Midwest and Southeast.

As you will hear from witnesses today, there are significant logistic obstacles faced by West Coast consumers seeking to obtain supply from Hot Rolled producers east of the Rockies.

Mr. Cameron's point in his introduction today was not that the Midwest is insulated from import competition, but that customers on the West Coast cannot get adequate domestic supply from the Midwest mills. But there is another reason the Region of Entry matters. Ninety-eight percent of Subject Imports entering in the West Region were from Australia, Japan, and Korea. And as you will hear from witnesses on this panel, these imports were brought in to serve the captive consumption of U.S. Steel producers, UPI, and Steelscape.

These imports are not resold into the merchant market and do not compete in any meaningful sense with the domestic industry.

Thus, nearly half of Subject Imports during the

POI did not compete with shipments from U.S. producers. Of the remaining Subject Imports, there are also significant quantities sold with specification, either chemical or dimensional, that are not available from domestic products. And other witnesses on the panel today will speak more to those points.

In sum, what this means is that the evidence that could credibly support the current Material Injury finding is vanishingly small, which warrants a negative determination by the Commission.

With regard to Threat, as noted earlier in slide two, Subject Import volume has been on a declining trend since January 2015. While this may not be apparent from the six-month interim data examined by the Commission, looking at trends on a more granular monthly level is relevant for the Commission's threat analysis.

Moreover, foreign producers expect volumes to decline further in the remainder of 2015 and 2016. And this is reasonable as, despite protestations in this morning's panel, the U.S. is a small market for producers in Subject countries.

Slide 12, which is an aggregation of foreign producer data, shows this. The blue bar is home market internal consumption. The red bar is home market commercial shipments. And the purple bar is exports to markets other than the United States. The tiny green bar at the top is what represents exports to the United States. That accounts for roughly 2 percent of these producers' total shipment over the POI. And this is inclusive of everyone. We're not talking about leaving out China here like we were in Cold Rolled.

Again, the U.S. market is not even close to a major market for these producers. Moreover, foreign producers' capacity utilization is very high. Their capacity has not increased over the POI, and is not projected to increase.

And even if there were capacity increases that occurred at some point in the future, given what's shown at slide 12 it would be extremely unlikely that it would be added for the purpose of serving the U.S. market.

With regard to inventory, foreign producers' inventories as a percent of total shipments were small and steady, ranging from 2 to 3 percent over the POI. And importers' inventories declined as a percentage of U.S. shipments from second-half 2014 to first-half 2015. Thus, these factors do not provide an indication of imminent threat.

I will stop here and address the remaining threat criteria in post-conference. But like those I've already discussed, they support a negative determination.

Thank you.

STATEMENT OF RUSTY FISHER

MR. FISHER: Good afternoon. My name is Rusty Fisher and I'm Senior Vice President of Sales and Marketing of the Americans for Welspun Tubular.

I have been in the steel pipe business for over 33 years. Welspun Tubular is a U.S. manufacturer of line pipe located in Little Rock, Arkansas. We provide approximately 900 well-paying jobs for the local community.

Note that Welspun has invested $300 million in a state-of-the-art facility in Little Rock since 2008, and all 900 jobs I discussed have been created since 2008. This trade case puts those jobs at risk.

I am joined today by Skip Herald, CEO of the Americas, Welspun Pipe, and Dave Delie, President of Welspun Tubular.

Our most important product is large-diameter spot-welded line pipe in Grade X-70 for transmission of crude oil and natural gas. This business is 100 percent of project business. We manufacture this product from Hot-Rolled Coils, primarily Grade X-70, in wall thicknesses ranging from 322 to 1 inch. In our questionnaire we've broken out the quantities by size.

Our business has been growing, so our demand for Hot-Rolled Coils has been growing. I can't describe how devastated we were to see this case filed and to discover that it included products that we depend on for the survival of our mill. Once Welspun is selected as a pipe source for a project, we then work with technical experts for the project to determine the specific sources of supply for the pipes that we will produce.

The pipeline operators have past experience with suppliers and are familiar with producers' capabilities to produce a product to certain technical and dimensional specification. We have already provided Welspun's AML in our questionnaire response.

Hot-Rolled Coil imports of these products tend to arrive in large shipments and are concentrated in periods when the project supply is needed. Therefore, import volumes fluctuate significantly and correlate with these large projects.

Today I am here to ask the ITC to preserve our supply of Hot-Rolled Coils that we need to survive and continue to operate our plant. We prefer to buy domestic, and the Commission can see from our questionnaire response that our purchases from domestic producers have been growing.

However, there are two insurmountable problems that we face if we only have access to domestic supply.

First, we require X-70 that has a wall thickness in excess of 625 wall for certain of our production of heavy-wall pipe, and there are no U.S. producers that can produce that product. None.

There are a handful of producers in the world that can supply this 625 wall Hot-Rolled Coil, and the heavier the material it is the fewer the producers there are, and that goes world-wide.

Pipeline operators specify the Hot-Rolled Coil they will accept for projects, and there is no overlap in end-use between X-70 over 625 and other Hot-Rolled. It makes no sense to cover a product like this in a trade case when there is no domestic supply.

`U.S. producers of downstream products are hurt because they can't access essential supply. Given the clear distinctions between X-70 Hot-Rolled Coil over 625 and remaining products of Hot-Rolled Coil, it should be treated as a separate Like Product if it is not excluded from the case.

Second, even for Hot-Rolled Coil with wall thicknesses below 625, we must maintain a variety of suppliers because we are constantly bidding on projects and we need to make sure that we are not overly dependent on a particular supplier during a particular timeframe.

There are only two approved U.S. companies that qualify to supply Welspun with X-70 below 625, and we are not their only customers. Moreover, U.S. producers of Hot-Rolled Coil had some production problems recently during the winter and spring of 2014 when the Great Lakes were shut down to barge traffic and certain producers ran short of iron ore.

We have provided the details in our questionnaire response.

These projects that we bid on have to be completed on time and the requirements are very strict. There are only a handful of these projects, and these are huge projects with hundreds of millions of dollars at stake.

If a company fails to perform for a particular pipeline project, you can forget about future business. That is the reason we prefer domestic supply, but the nature of our business means we cannot be overly dependent on any one source.

In summary, we ask the ITC to consider the following:

The last time a major trade case against multiple countries was filed against Hot-Rolled Coil, the Large-Diameter API Spiral Weld Industry did not exist in the United States. Essentially, this API Large-Diameter Spiral Industry has been created in the U.S. since 2008.

Spiral process pipe is supplying a significant portion of the large-diameter high-yield line pipe used to transport oil and gas across the U.S. via cross-country pipeline. The X-70 Hot Rolled Coil above 625 that we require for our heavy-walled spiral pipe production is not produced in the USA. At a minimum, the Commission should exclude this material as a separate Like Product that cannot possibly be injuring the domestic industry.

Furthermore, even as to X-70 below 625, imports are necessary because of a limited number of qualified domestic producers and the demanding nature of the end-user market.

Thus, these imports are not injuring the domestic industry. On behalf of the 900 employees of Welspun Tubular in Little Rock, we ask that you grant us an exclusion for X-70 Ht Rolled Coil so that we can continue to operate the pipe mill and provide good-paying jobs.

Thank you.

STATEMENT OF J. MALCOLM GRAY

MR. GRAY: Good afternoon. My name is Malcolm Gray. I am the President and Founder of the Microalloyed Steel Institute. I have been in the steel industry for more than 50 years, and I am one of the developers of the type of steel that is used--it's a very sophisticated product--used for pipe. It is more sophisticated than in ships, buildings, or even submarines, which may surprise you. It's a very sophisticated product.

Our company provides advice to steel makers, pipe producers, and end users worldwide, the end-user being the oil and gas producers.

I have written many specifications for the oil and gas projects I've been in charge of. I've been in charge of approving pipe and their coil vendors for each individual project--and this is on a global basis.

Our firm also performs third-party inspections of the production to ensure that the procedures, negotiated procedures, are actually followed. So we station third-party inspectors in the coil-producing mill, and in the pipe mill.

Hot-Rolled X-70 grade coil is used for approximately 90 percent of large-diameter spiral weld production in the U.S. In the United States, U.S. Steel, ArselorMittal, and SSAB, can all produce to wall thicknesses less than point five inches, but for walls who exceed half an inch, point five, the producers in the United States have great difficulty to produce this material to the standards that meet the requirements of the major oil and gas projects.

In fact, there are few U.S. producers who can do so, including U.S. Steel, Gary, and ArselorMittal in their new facility in Calvert, Alabama.

SSAB has some marginal capability, but they have problems including poor surface quality, impurity levels that affect the weldability of the steel. U.S. producers have simply not made the investment in these heavy grade products.

Even the best U.S. producers cannot produce today in wall thicknesses that exceed five-eighths of an inch, point zero six two five inch, for grade X-70.

In my role as a technical advisor to many major oil and gas projects, I have never had pipe producers propose to use domestic Hot-Rolled Coil in thicknesses above .625. The limitations are simply practical.

The crop shear which trims the slab before it tenders the finishing mill doesn't have the capacity to cut those transfer slabs. And the coilers cannot coil steel above .625. So there's simply no capability--no physical capability.

To many mills, if we think about new coil and steel dynamics, these are limited to point five inches because they're not configured to produce the sophisticated product which is API Coil. They're more configured for Hot-Rolled lighter gauge and for conversion to Cold-Rolled.

So we can't meet the specified requirements above point five inch, or sometimes not even at point five inch, on the large number of many mills. So that limits us to integrated mills like U.S. Steel and ArcelorMittal.

Now my comments about capability are based on a typical design temperature of zero degree C, 32 degrees F. But if we consider that some projects have above-ground pipelines in Alaska or in the northern United States, then the design temperature may be minus 20 degrees C, or minus 50, and these mills, the gauge limitation goes down further. So when it goes down from .625 to .5, or 3/8ths, it's a problem for us to get the required steel.

Foreign producers with the capability of producing the required wall thicknesses above .625 include POSCO, Salzgitter in Germany, JFE, and the newly merged Nippon Steel-Sumitomo in Japan, and maybe there's several others if we scratched around.

Some examples where such large-diameter heavy-wall pipe is required include high-pressure pipelines, pipelines running under rivers, under roads, and pipelines near heavily populated areas where we reduce the operating stress by using heavier wall.

The line pipe business is very heavily regulated by the Department of Transportation, Office of Pipeline Safety, with the acronym PHMSA, Pipeline and Hazardous Materials Safety Administration is a very tough regular of interstate pipelines, especially when they're carrying products such as flammable liquids and gas.

The specific type of pipe required, the weight and wall thickness of th pipe, the method of manufacture, the metallurgical characteristics, are all regulated by PHMSA. And they're all relevant to public safety.

In sum, very heavy walled material of .625 inch X-70 cannot be sourced here in the U.S. because it's not produced. While U.S. producers may think they may be able to do it in the future, I have grave doubts about that because the required investment in rolling equipment does not appear to be forthcoming.

Even for wall thicknesses below .625 inches, it is obvious the spiral pipe producer needs a range of suppliers to reliably serve the market. Steel mills have predictable maintenance shutdowns and have unpredictable problems like fires, weather-related, or raw material issues.

If you do not perform well on a project, either because of time limits or providing subpar product, projects--major projects will be very reluctant to grant you repeat business. Oil and gas projects can't risk that kind of liability or delay in service.

Thank you.

STATEMENT OF HYUN MI CHO

MS. CHO: Good afternoon. My name is Hyun Mi Cho. I am Manager in the Steel Business Strategy Department at

POSCO Korea.

POSCO is the largest hot-rolled producer in Korea. I am accompanied by Dan Eversmyer of POSCO America. POSCO America is the parent company of UPI, and its president represents POSCO's beneficial interest in UPI on the Management Committee.

POSCO is a 50/50 joint owner with US Steel in USS-POSCO Industries, or UPI. UPI is a domestic producer of Pickled & Oiled hot rolled, Cold Rolled, Galvanized, and Tin Plate in Pittsburg, California.

POSCO captively supplies the overwhelming share of the Hot-Rolled Coil that UPI requires to produce its products. UPI employs over 650 employees and has 488 steel workers represented by the United Steelworkers Union.

From its inception, the business model upon which UPI was founded by US Steel and POSCO was that it would operate as a domestic producer of down-stream flat-rolled products using significant volumes of dedicated long-term supply of hot-rolled coil produced by POSCO in Korea. Stated simply, UPI cannot survive without access to POSCO's hot-rolled coil.

The supply to UPI from both partners is based on a price formula. The final price to UPI is a delivered price, inclusive of freight. That price is designed to take into account UPI's prices for its end products and enable

UPI to make a profit.

Historically, POSCO and US Steel supplies roughly 50 percent each of captive hot-rolled supply. Since 2013, however, US Steel's participation in UPI's supply of hot-rolled has declined significantly.

POSCO increased its share of hot-rolled supply to UPI specifically because US Steel pulled back. US Steel has the right to supply UPI half of its HR needs but decided to supply far less in 2014 and the first half of 2015. The reasons were unclear, but in 23014 US Steel had outages in production that disrupted the supply of hot-rolled until at least July.

POSCO remains by far the dominant supplier to UPI for the reasons stated. Around 2013, both partners agreed that there was a problem with the hot-rolled supply to UPI and that UPI would be authorized to purchase hot-rolled from third parties under certain conditions. Both USU Steel and POSCO have to approve the third-party supply to UPI and both companies have the right of first refusal.

Therefore, in October 2013, five major U.S. domestic mills were requested by UPI to bid on up to 100,000 tons per year of hot-rolled beginning in 2014.

Some mills did not respond, and only one negotiated beyond quality parameters, but their bid did not conform to the requirements set by US Steel and POSCO.

Therefore, most third-party hot-rolled have been imported. Neither the third-party bands nor the POSCO supply compete with U.S. production. And UPI has never resold hot-rolled back into the merchant market without value added.

Virtually every major domestic producer with cold reduction facilities has an established dedicated supply of hot-rolled. This includes Steelscape, who you will hear from this afternoon, and CSI which imports slab primarily from its owners.

The quantities required to supply UPI are significant, and since integrated producers will supply their own cold-rolled and galvanized mills before selling hot-rolled onto the merchant market, it is not realistic for UPI to rely primarily on the merchant market for hot-rolled substrate.

Integrated mills have to reserve these quantities in their production schedules. These quantities are not routinely reserved for the merchant market sales. The other reason for the importance of dedicated supply is that variances in supply introduce significant variables into the chemistries, dimensions, surface quality, and performance characteristics of the producers' finished products making it difficult to meet customer specifications in a reliable and consistent manner.

Without a guaranteed consistent source of supply, a cold reduction mill such as UPI's cannot run efficiently as it was designed and calibrated to do. In the competitive West Coast market, it will not remain in business.

UPI was originally designed to run extra large coils. UPI's Pickled Line Tandem Cold Mill, one of the few that runs both Tin and sheet, accepts coils as large as 1,350 PIW, pounds per inch width, and UPI's downstream facilities have been upgraded to accommodate larger incoming coils as well.

The average POSCO hot band coil is 1,270 PIW. These larger coils--large coils enhance UPI'S efficiencies and cost effectiveness. Incoming hot band coil size directly impacts line yields and unit productivity. There are few mills in North America that produce coils this large. This means UPI is dependent upon obtaining the vast majority of these high PIW coils from POSCO.

Freight is also an important issue when considering supply of UPI or any West Coast producer. The freight issue is not only one of cost, it is also one of rail capacity.

While there is rail capacity to temporarily meet intermittent needs either for hot-rolled supply or finished products such as galvanized or tin plate, the lack of rail car capacity interferes with the ability of mills in the

East and Midwest to ship large quantities of hot-rolled coil to the West Coast on a timely and regular basis.

Regular deliveries to the West Coast in the quantities required could be problematic over the long term due to the lack of cars. The West Coast is served only by the BNSF and UP Railroads from the Midwest, and that is the reality of the situation that UPI faces.

There are three re-rollers located on the West Coast. UPI is the only producer of tin plate on the West Coast and, as a result, the West Coast tin plate market is served almost entirely by UPI and imports of tin plate.

The mills in the Midwest supply very small amounts of cold-rolled annealed, corrosion resistant still, and tin mill products to the West Coast. So absent UPI, the West Coast will be dramatically under supplied in cold-rolled annealed, corrosion resistant, and tin products leading to severe economic problems.

UPI will only be able to sustain its Cold-Rolled, Galvanized, and Tin Mill business if it can assure its customers that their own operations will not be interrupted by UPI's inability to obtain an adequate supply of hot bands.

Ninety percent of UPI's customers are located in California, Oregon, and Washington. They are well aware of the problems of depending on steel supply from the Midwest.

Those customers will turn primarily to offshore suppliers for their cold-rolled, galvanized, and tin plate requirements, or close their business due to lack of available steel.

Also, in 2014 POSCO's exports of hot=rolled increased considerably not only because exports to UPI increased, but also because exports of X-70 Grade required for large diameter line pipe increased as well. Moreover, POSCO's exports of X-70 jumped significantly in 2015 due to the supply of line pipe projects.

And a final word about the Korean industry producing hot-rolled is that Dongbu Steel has now closed its hot-rolled capacity, and it leaves only POSCO and Hyundai Steel as a producer of hot-rolled steel in Korea.

Thank you.

STATEMENT OF JOHN CROSS

MR. CROSS: Good afternoon. My name is John Cross and I am President of Steelscape, LLC, a U.S. producer of zinc-and aluminum-coated steel with major production facilities in Kalama, Washington and Rancho Cucamonga, California. I have over 28 years of experience in the steel industry, including over 3 and a half years with Steelscape.

At the outset, let me state that we do not manufacture or sell hot-rolled steel. Instead, we purchase hot-rolled coil, or HRC, almost entirely from our two joint-venture owners, BlueScope of Australia and Nippon Steel Sumitomo Metals Corporation of Japan. Steelscape's facilities in Kalama process imported HRC by subjecting it to a series of acid baths, and then use a reversing cold mill to reduce the thickness and then ultimately galvanize our steel substrate.

We also ship a portion of the cold-rolled coil we produce in Kalama to our facility in Rancho Cucamonga to apply a zinc-aluminum coating as our Rancho Cucamonga facility does not have a pickling line or cold-roll mill. Both of our facilities can paint the metallic coated coil as well.

Our two facilities on the West Coast employ almost 400 people. Together they represent a commitment of over $150 million to the U.S. steel industry. Our primary focus is supplying coated and painted steel to the building and construction industry in the Western United States. As part of this focus, we sell about one-third of our production to our affiliated building component companies, BlueScope Buildings North America and ASC Profiles. The remainder is supplied to unrelated consumers of painted, galvanized and zinc-aluminum coils, almost exclusively in the Western U.S. To support these operations, we must purchase around 400,000 tons of HRC each year.

As a Western US steel producer, our facility is necessarily dependent upon receiving our feedstock from Australia and Japan. Our cold-rolling facility in Kalama, Washington is located immediately next to a deep-water port where ships can offload hot-rolled coil and truck it directly to our production storage area. Our facility is thus ideally located to receive HRC by ship.

On the other hand, it is clearly not suited to receive HRC by rail. The facility rail infrastructure is designed to support outbound shipments of 50 percent of our HRC consumption for further processing in our Rancho facility. We do not have the physical space, handling equipment or tracks to accommodate receiving HRC by rail. As a result, we are designed to function using hot-rolled coil imported from abroad.

It is important to understand that the Western United States is a relatively separate market for steel. Just as we sell virtually all of our coated steel in the Western United States, we have great difficulties obtaining our feedstock from U.S. producers. There are only two producers of HRC in the West, Oregon Steel Mills and CSI. But our product material tolerances eliminate Oregon Steel as a viable source and CSI has only recently expressed an interest in supplying our needs.

In addition, we have explored and are currently testing the possibility of purchasing cold-rolled coil from

CSI and UPI for our Rancho Cucamonga facility.

In order to purchase HRC from other U.S. mills, it would need to be sourced from mills located in the Great Lakes or Gulf areas. We have explored this option in the past. In 2012-2013, BlueScope of Australia, then our sole owner, was forced to shut down one of its blast furnaces, leaving us with a potentially serious shortage of steel. We therefore contacted the major U.S. mills outside the Western United States to see if they were willing and able to supply us with our needs. Suffice it to say that there were no realistic offers from U.S. mills for ongoing supply. At the time, when there was no indication of dumping cases at all against hot-rolled steel, we could not obtain an offer of steel that was within $50 a ton of the market price. We were forced to conclude that we simply could not obtain a practical supply of steel from U.S. mills.

Fortunately for us, when BlueScope reduced its supply to us in 2013 we were able to obtain a commitment from Nippon Steel Sumitomo Metals Corporation to purchase a 50 percent interest in what has now become our joint-venture owner as of early 2013.

As part of this commitment, NSSMC agreed to supply us with about half our needs of hot-rolled coil. They essentially made up for the shortfall we faced when our parent, BlueScope, had to reduce its shipments.

A good part of the reason for the impracticability of obtaining steel from Eastern mills involves freight costs. For us to purchase hot-rolled steel from U.S. producers on the Great Lakes or the Gulf, they would have to ship that by rail. However, the rail costs of shipping from those mill is between $40 and $60 more per ton in freight costs than it costs to obtain the steel from Australia or the Pacific, even at the same ex-mill price. The difference alone would essentially eliminate all of the profit we make on sales of coated steel in the United States, threatening our very existence as a U.S. producer.

Recently, the cost of shipping by rail has become even more costly, as U.S. rail companies are experiencing severe capacity constraints and even obtaining steel by rail has become an iffy proposition. And, as I have mentioned, our Kalama plant is not designed to receive large quantities of steel by rail.

At the same time, our two parents have dedicated their exports to the U.S. largely to Steelscape. In the first half of 2015, some 66.2 percent of BlueScope's exports of HRC to the U.S. went to Steelscape. Although I do not have the precise figures for NSSMC, it is my understanding that virtually all of its exports have gone to Steelscape. This situation both reflects the dedication of our joint-venture owners to Steelscape's operations and underlines the relative isolation of the Western U.S. market.

With respect to Australia, for example, BlueScope's importer questionnaire shows that in 2014 over 71 percent of its shipments of HRC went to the West Coast, either to Steelscape or UPI.

It is apparent that under these conditions, imported coil from Australia is not displacing sales of hot-rolled coil from U.S. producers. U.S. mills have historically not been interested in supplying us with meaningful quantities of HRC. From time to time in the past we have received occasional inquiries from U.S. mills in the Eastern half of the country when they find themselves with excess steel; they have then offered offer to sell us small amounts of HRC to "fill their production schedules." Occasionally, we have purchased steel from them, but the relatively high costs of shipping steel across the Rockies means that none of these mills has been willing or able to provide us with HRC on an ongoing basis so as to meet our needs of over 30,000 tons per month.

With respect to West Coast suppliers, there is really only one significant producer of hot-rolled in the Western market, and that is California Steel. However, CSI is primarily a supplier of galvanized steel. As such, they are a competitor for Steelscape's galvanized steel products.

It is not in CSI's economic interest to supply us with significant amounts of hot-rolled coil, just so that we can compete with them for galvanized products. We have been able to approach them to supply us with some cold-rolled steel for our Rancho Cucamonga galvalume operation, since CSI does not make galvalume steel. But as a supplier of HRC they are just not a viable option.

Given this situation, it is obvious that Steelscape's importation of hot-rolled coil from Australia and Japan does not injure or threaten the U.S. hot-rolled steel industry. Our imported hot-rolled coils do not deprive the U.S. hot-rolled industry of a single sale, because mills simply cannot offer a viable supply. Thus, our imports take no market share from the domestic industry.

On the contrary, if we could not purchase hot-rolled steel from Australia or Japan, our best hope would be to try to obtain it from other Pacific sources. We would not purchase HRC from the domestic industry. If we cannot obtain sufficient HRC from other import sources, our ability to continue as a domestic producer of coated steel will be imperiled. This would put at risk not only our operations in Kalama, Washington and Rancho Cucamonga, California, but also the 2,100 employees of our building component companies, both of which depend upon our production of high-quality painted, galvanized and galvalume steel coils for their production of building components.

As a U.S. producer of coated steel, I am sympathetic to U.S. producers' concerns with imports. We have faced stiff competition from Chinese suppliers of coated steel and have supported the antidumping case against them. But the hot-rolled steel we import from Australia and Japan does not injure or threaten the U.S. hot-rolled steel industry at all.

On the contrary, it is essential to our being able to compete as a viable domestic producer of coated steel.

Thank you.

STATEMENT OF RICHARD WEINER

MR. WEINER: Good afternoon, my name is Richard Weiner of Sibley Austin, appearing on behalf of the four integrated Japanese producers of subject hot-rolled steel products and their affiliated U.S. importers.

I am joined by Mr. Yashiro Hori, Executive Vice President of Nippon Steel and Sumitomo Metal, U.S.A. and Mr. Tadaaki Yamaguchi, President of JFA Steel, America.

At the outset I would like to underscore three themes. First, hot-rolled steel imports from Japan do not compete with other hot-rolled products in the U.S. market and so Japan should be decumulated. Once decumulated Japanese subject imports have not been a cause of material injury to the U.S. industry.

Second, any injury suffered by the U.S. industry is not by reason of subject imports. Rather, other factors such as the appreciation of the U.S. dollar, decline in raw material prices, and reduced demand from the energy sector caused U.S. hot-rolled steel prices to decline.

Third, the Japanese industry is operating at very high capacity utilization and is focused mainly on supplying hot-rolled steel in Japan and other Asian markets. As such, hot-rolled steel imports from Japan do not threaten the U.S. industry.

I now turn to Mr. Hori.

STATEMENT OF YOSHIRO HORI

MR. HORI: My name is Yoshiro Hori of NSSM USA, a subsidiary of Nippon Steel and Sumitomo Metal Corporation of Japan. NSSMC is a world-leading integrated steel producer, with production in over 15 countries including Japan. Based on my 15 years' of marketing experience with NSSM USA and NSSMC, I have deep knowledge of the U.S. and global markets for hot-rolled steel. I will discuss three issues today.

First, hot-rolled steel imports from Japan do not compete with other hot-rolled products in the U.S. market because they are mainly sold to affiliated U.S. companies for captive consumption or are specialized products not readily available from U.S. suppliers. The detail is confidential and will be supplied post conference, but I will provide a public overview from NSSMC's perspective, and Mr. Yamaguchi will do the same for JFE Steel.

NSSMC's hot-rolled exports to the United States during the POI have been sold predominantly to Steelscape, which is a 50/50 joint venture between NSSMC and BlueScope Steel Limited of Australia. Steelscape uses hot-rolled coil to produce metal coated and painted materials for the building and construction industry. Steelscape's production facilities are on the West Coast, in Washington and in California.

Due to high transportation costs, it is not financially sensible for Steelscape to purchase hot-rolled coil from U.S. mills located in the eastern United States, so Steelscape sources almost all of its hot-rolled coil from NSSMC in Japan and BSL in Australia. These captively consumed imports do not compete with U.S.-like products.

Of NSSMC's remaining U.S. hot-rolled exports during the POI, the vast majority were specialized products not readily available from U.S. suppliers. These exports were mainly: unique hot-rolled coil for producing coiled tubing developed jointly by NSSMC and a customer, which NSSMC has supplied since the 1980s; and high-strength steel for producing automotive wheels sold to a customer that NSSMC has also supplied since the 1980s. The fact that this auto parts customer purchases our hot-rolled steel is instructive, because U.S. auto parts makers have a preference to buy local steel and will purchase imported steel only when their requirements are not readily available locally.

Second the Japanese Mills' business strategy is to focus mainly on the home and Asian export markets, where Japanese Mills have numerous investments, joint ventures, and long-term customers. The Commission recognized this fact in its negative sunset review determination on hot-rolled steel from Japan in June 2011. Nothing has changed since then with respect to the Japanese Mills' primary emphasis on the home and Asian markets.

Indeed, backed by demand for our products in Asia, the Japanese Mills have been operating near full capacity. These facts demonstrate that subject imports from Japan pose no threat to U.S. industry.

Finally, hot-rolled steel prices declined in the U.S. market during the POI not because of the subject imports, but rather other reasons. First, the U.S. dollar appreciated by about 12 percent between mid-2014 and mid-2015.

Second, raw material prices fell sharply. Specifically, iron ore prices fell by about 60 percent from the start of 2014 to mid-2015, and the price of scrap steel used by U.S. mini mills fell by about 30 percent between mid-2014 and mid-2015. In my experience, the price of U.S. flat products moves in the same direction as raw material prices.

And third, oil prices fell by about 50 percent between mid-2014 and mid-2015, resulting in reduced hot-rolled steel demand from the energy sector.

Thank you. I now turn to Mr. Yamaguchi.

STATEMENT OF TADAAKI YAMAGUCHI

MR. YAMAGUCHI: Good afternoon. My name is Tadaaki Yamaguchi, President of JFE Steel, America, subsidiary of JFE Steel Corporation Japan, one of the world's leading integrated steel producers.

I have been in my current position since April, but I have worked in the steel industry since 1990. I will provide confidential details post-conference, but here I would like to provide a brief public explanation of why our hot-rolled exports do not compete with U.S.-like products.

Specifically, almost all of our U.S. hot-rolled exports are to U.S. pipe mills which purchase high-quality hot band from us because they find it difficult to obtain such hot band from U.S. suppliers.

Our hot-rolled export volumes to the United States fluctate in accordance with demand from our pipe mill customers which in turn depends on demand from particular pipeline projects in the United States.

Our U.S. hot-rolled imports therefore do not compete with U.S.-like product.

Thank you.

STATEMENT OF OYA SEHIRLIOGLU

MS. SEHIRLIOGLU: My name is Oya Sehirlioglu legal officer of the Erdemir Group. I'm here today with my colleague, Mr. Hakan Bozoglu, Erdemir's International Sales Manager.

We are primarily -- we are here primarily to try to answer any questions you may have, but I have a few brief remarks.

First, Erdemir is not shipping dumped or subsidized product to the United States. Erdemir is a strong proponent of fair trade and responsible competition.

Second, Erdemir has a very small presence in the United States. We produce primarily for the Turkish domestic market and our other export markets are stable and far more significant than the United States.

Third, in addition to HR steel, we also produce heavy plate billet, and wire rod as well as value-added flat products. HR coil is not a key to our success, as our focus is increasingly shifting to higher-value-added downstream products. We are not a threat to the U.S. industry.

Thank you, and I would be pleased to answer any questions you may have.

STATEMENT OF MR. JOSE GASCA

MR. GASCA: Ladies and gentlemen of the Commission staff, good afternoon. My name is Jose Gasca, Chief Commercial Officer of Medtrade, Incorporated, an importer of hot-rolled coil from Turkey.

MedTrade is a U.S.-based subsidiary of Colakoglu Metalurji in Turkey. I have worked for over 22 years in the steel industry, primarily in manufacturing and international trading. I have been a customer of some of the domestic mills presenting today, and most of my colleagues producing overseas.

I have many years of experience in developing markets and business on a sustainable basis such as in Europe and North America. I joined Medtrade in 2012 as Colakoglu was just beginning to establish itself as a quality supplier of hot-rolled coil in the U.S.

I am here today primarily to answer your questions and will keep my remarks brief.

Colakoglu and Medtrade are not dumping or shipping subsidized product into the United States. We simply are reacting to improving demand conditions in the United States and requests from a relatively few regular customers who have had difficulty obtaining material from

U.S. producers. We serve predominantly the Gulf Coast and to a much lesser extent, East Coast markets. We focus on geographic markets where our logistics make us competitive. Some of our material has gone to energy tubular and the standard pipe producers in the United States. But most is sold to processors and distributors who then sell to the construction, transportation, and agricultural sectors.

We sell at relatively high prices and have good results given the spread between raw material costs and U.S. prices. Given the degree to which the U.S. industry is already sheltered between captive consumption for their downstream operations and other advantages, we do not understand the need for this case other than to squeeze out their downstream competitors in markets like pipe and fabricated construction.

Thank you and I would be pleased to answer your questions as best as I can.

STATEMENT OF CRAIG LEWIS

MR. LEWIS: Craig Lewis of Hogan Lovells on behalf of Brazilian producer CSN.

In the brief time I've been allotted, I'd like to draw the Commission's attention to certain facts that support a negative determination of threat for Brazil.

First, the Brazilian industry is not export oriented. The Commission has made that determination during the 2011 sunset review of hot-rolled steel and the data before the Commission again overwhelmingly supports this conclusion.

Almost all Brazilian hot-rolled steel is consumed domestically or in the manufacture of downstream products. Further, the share of U.S. hot-rolled steel consumption accounted for by Brazilian imports remained insignificant throughout the review period.

Second, in evaluating the capacity to export hot-rolled steel from Brazil, the Commission must exclude ArcelorMittal Brazil. As the Commission has found in the past, and as a testimony before the Commission this morning confirms, ArcelorMittal enforces a corporate policy prohibiting exports to the United States in competition with its U.S. production facilities.

Third, despite a recent downturn in economic activity in Brazil, Brazilian capacity utilization remains high, not least buoyed by international competition and the manufacture of downstream cold-rolled and galvanized products.

Fourth, a very large proportion of CSN's limited hot-rolled exports to the United States were transferred for consumption by CSN's wholly-owned steel producer in Terra Haute, Indiana to be rerolled into cold-rolled and galvanized steel. Far from competing with U.S. product and causing harm, these imports by CSN LLC have supported hundreds of well-paying jobs in the U.S.

Last, but not least, the pricing data does not support a finding of price undercutting by Brazilian imports. To the contrary, while I'm constrained in what I can state publicly, we will demonstrate in our post-conference brief that neither the number of instances of underselling nor the level or the timing of Brazilian import prices lends support to petitioner's claim that Brazilian imports have had a negative impact on the U.S. industry. Subject imports from Brazil particularly in the most recent 12 months have had no possible adverse impact on domestic prices for hot-rolled steel.

Thank you.

STATEMENT OF BRUCE MALASHEVICH

MR. MALASHEVICH: Good afternoon, Mr. Corkran, members of staff, Bruce Malashevich with Economic Consulting Services, LLC, appearing on behalf of the U.K. and Netherlands.

I would like to focus your attention once again on one of the points that Mr. Dougan mentioned earlier. The very sharp decline of subject imports in 2015 when examined on a monthly basis. My Exhibit 1 shows that clearly. The decline clearly disrupts any alleged causal link between subject imports and adverse changes in the domestic industry's condition.

Only in 2015 did the U.S. industry begin to see declines in its performance after achieving solid and steady results in 2014. It's absolutely clear that the industry suffered no import-related injury prior to 2014.

Now, look at what imports have been doing in 2015. As my Exhibit 1 shows, subject imports have been declining sharply, by approximately 45 percent since their peak in January. And considering the extended time required from ordered to delivery by overseas mills, the decline in import activity actually began in the last months of 2014. The point is clear, there is simply no correlation between the performance of subject imports and the 2015 problems of the domestic industry.

Now look backward in time in my Exhibit 1. Subject imports were flat in 2012 and most of 2013 and only began to increase in December 2013. Most of the increase then occurred in quite a short time period. The five months between August of '14 and January of '15. This is a so-called import surge. But compare this with the petition's exhibit I-4. Throughout this entire period of subject imports increase, you will see no decline in industry operating results. Petition I-4 shows that clearly that is the case.

Again, no correlation at all. But there are important economic factors that do show such correlation and suggest very different causes of the U.S. industry's problems in 2015. One major factor is energy demand. We've heard about the use of hot-rolled steel in tubular products destined for the energy market.

My Exhibit 2 overlays the behavior of subject hot-rolled imports with various indicia of energy prices and drilling activity. Of course the patters of behavior are not perfect matches because after all much of the hot-rolled shipments go into non-energy applications including captive production of cold-rolled and corrosion-resistant products. But the trends are approximately synchronous and particularly so in the first half of 2015. It is that period that's critical for this case and you can see that all energy related to man indicators plunged almost perfectly in tune with the volume of subject imports.

This is not just my view. My Exhibit 3 confirms the linkage through quotations from petitioners themselves in numerous 10Qs and earnings teleconferences lamenting the effects of falling energy prices on demand for tubular products and hot-rolling operations generally.

You also need to look at domestic supply side difficulties to explain the 2004 rise in subject imports and their sharp fall. In early 2014 your data confirmed that demand was increasing strongly. But the ability of domestic producers to meet that demand was curtailed by the effects of the extremely severe weather of 2013-14.

Another consequence of customers' 2014 supply uncertainties was a substantial increase in service center inventories. As Mr. Dougan's chart showed, excuse me, the overwhelming majority of steel going into those inventories was from domestic mills, not subject imports. This inventory destocking reduced both apparent consumption of hot-rolled steel and reduced demand for downstream products especially cold-rolled steel. This coupled with the decline in hot-rolled steel demand in the oil sector largely explains both the 2015 drop in apparent consumption and the 2015 drop in subject imports. There are other causes, these are detailed in my Exhibits 4 and 5 and I urge the Commission to explore these non-import causes thoroughly.

Thank you.

MR. CUNNINGHAM: Mr. Chairman. Dick Cunningham with Steptoe and Johnson. I would like to ask that the exhibits of Mr. Dugan and Mr. Malashevich be accepted in the record and then I would beg thirty seconds for a point of personal privilege.

MR. CORKRAN: Granted.

MR. CUNNINGHAM: Jim, all of the Counsel and the economic consultants here would like to say to you in fondness, in gratitude, in admiration and in the immortal words of the Grateful Dead, "what a long, strange trip it's been".

MR. MCCLURE: Again, quoting the Grateful Dead, something I didn't expect to hear. Thank you, I appreciate it.

MR. CAMERON: With that, we're done and we brought it in on time. So we passed test number one.

MR. CORKRAN: Thank you very much. Let me turn first to Mr. Navarro to ask if he has any questions.

MR. NAVARRO: No questions at this time.

MR. CORKRAN: Thank you very much. Ms. Messer.

MS. MESSER: Thank you. Mary Messer, Office of Investigations. First off, I think I would like to give your panel a chance to comment on the Petitioners' testimony this morning. Mr. Dougan and Mr. Malashevich both mentioned that there was an increase from 2012 to 2014 and that only in the first half of 2015 did the Domestic Industry show declines. So what I would like to hear from you is a comment on what Domestic Industry said that during this 2012 to 2014 period that their increase was anemic. That this profit should have been a time period when they were booming, rather that their profits were anemic.

I would also like to ask you to comment on their Exhibit Number Seven where they show that their market share was declining during this time.

MR. DOUGAN: Jim Dougan, ECS. I will start, one thing that I will note is that in response to the question when the Petitioners were mentioning that their performance had been anemic, they referenced only their first half of 2014 performance and they elided the second half 2014 which, if you could put that back up, our point wasn't just that their performance was steady. It's that in the second half of 2014 it got much, much better, which is at odds with the idea. I mean if those lines were all flat we could say we will you know, maybe they could have, but they actually got much better in the 2nd half and if you would look at this, this is true for the Merchant market and this is true for their total business overall including captive consumption.

So to me, that is at odds with this idea of causation. You know, everyone would always like to be making more profits but what you are being asked to find it what is the relationship, not their profitability to some sort of abstract level of desire, but rather what is the relationship, causal relationship between the behavior of Subject Imports and the performance of the Domestic Industry. I submit to you that at the time when the subject imports were increasing the most is the time when they enjoyed their best performance of the examined period, that would break that causal link.

MR. CAMERON: Ms. Messer. One other thing that we would like to point out here is Mr. Dougan alluded to it in his testimony. There is a serious question when you analyze the Domestic Industry data correctly as to whether or not, and we believe this is so, the merchant market is outperforming the total Domestic Producer of hot-rolled looking at their indicia of performance.

That raises some serious question of causality. This is the same question that was raised in cold-rolled and of course the answer that they had as to why that would be, well they didn't really have an answer for that. But what that suggests is that there is less going on with respect to the direct impact of subject imports on Merchant Market sales of hot-rolled and you can see from the testimony as to why that would be because it is far less than the overall numbers that they are presenting that there is also a significant impact on these same producers from what? From the major products that they produce.

Oh, what are those? I believe two weeks ago it was cold-rolled and I believe the two weeks before that it was corrosion resistant and those are not the impact of hot-rolled steel imports on these producers. Those are impacts on downstream production. It is the same with the pipe and tube. So, you know, we understand that there is going to be a focus on the Merchant Market but you cannot divorce the overall construct and the way that these companies operate. These companies mostly are integrated producers. There are many causes, there are many things that are going on with them that have nothing to do with imports of hot-rolled steel.

MR. CUNNINGHAM: Mr. Chairman, I wonder if I could add something. Dick Cunningham, Steptoe and Johnson. Ms. Messer, you raised two really important facets of what I think are the Achilles heels of the Petitioners presentation here. First, they talk as if we've been in a steel cycle and we've reached the top of the cycle and by God we didn't get enough profit at the top of the cycle and now it's all gone down. Well the rest of their testimony doesn't support that, as they say, yes, part of the market, the oil sector has gone down but autos are going up, construction is going up. Most forecasts you hear of the U.S. Economy don't say that we're going into a recession, that the cycle has peaked.

We have, as most economists I think say, certainly as the Administration would say, Donald Trump might disagree, this economy has a ways to go. We're engaged in the slow recovery from a Great Recession. So I think it's hard to evaluate, it's hard to say "you should grant relief to an industry because at this point it didn't get the full benefits of an upcycle in the economy because we just haven't had a full upcycle in the economy.

Second point I want to make relates to market share and look how many aspects of the Petitioners' charts and their testimony talk about market share and not production. Not shipments, not profits, at least not until 2015. I would just suggest that, I've been doing this stuff for a long time. I've actually been here even longer than Mr. McClure and anyone can believe that. I think should there have been times when the Commission has looked at market share loss as an element of injury.

It's always been, in my experience in conjunction with other things that have gone seriously wrong for the industry. I can't recall a case and I think the Commission should be very reluctant to take the position that simply loss of market share when the industry's other results are very strong, as they were throughout this 2012 and certainly the later part of 2014. The only market share loss, that alone can constitute material injury.

So, I think one of the problems that you see when the industry comes in here is they talk about market share because that's what they've got to talk about until they get the 2015 when they have a disjunction between imports and they have no correlation problem. But that 2012 to 2014 period, really, all they have to talk about is market share and that doesn't do it for you when you have been doing well and everything else.

MR. DOUGAN: Ms. Messer, Jim Dougan from ECS again. One other thing I wanted to point out, this is actually echoes what Mr. Cunningham just said. This product has been examined before obviously and so we looked at some of the historical data and what I noticed was if you look at the period from the most recent Sunset Review, the capacity utilization experienced by this industry in particular in the latter half of 2014 was higher despite the fact that the overall capacity is higher now than it was then. So not only have they increased capacity since that previous Sunset but they actually also increased their utilization.

They are doing very well from a volume perspective as well and I think in particular the observed decline in market share for the first half of 2015 is largely contributable to that one month of a spike which is sort of a one month aberration that has since been corrected and that has to do with the timing differences in responses to importers perception of demand and when those orders were placed.

MS. MESSER: Okay, so did I hear you correctly earlier indicating that the downturn then for the Domestic Industry during the first half of 2015 was largely due to a downturn in the economy or the demand.

MR. DOUGAN: No, no. There were a couple of factors. One was a downturn in demand as observed in the apparent consumption figures and that is, by the way, not only for the Merchant Market figures but for the other business as well which would suggest that it's market wide, not only in the Merchant Market, not only affected by Subject Imports. So, whatever is going on in the economy at large, the demand for this product as observed in the data that we have on the record, declined in the first half of 2015 relative to the first half and the second half of 2014.

MS. MESSER: So is that just an aberrational blip? Mr. Cunningham I thought you said that generally we are on an upcycle.

MR. CUNNINGHAM: Well certainly you have a downturn in the oil sector part which radically affected this industry. I would suggest this, Mr. Malashevich said that probably the two biggest factors were that and the destocking of the U.S. Industry's own steel that went into inventories. There was a quite substantial decline in demand during this period. I just caution you against saying this was an overall downturn in the whole economy or even a downturn that's going to continue.

I don't have a great crystal ball, but I don't know anybody who's out there saying that any economist out there saying "boy, it's over. We're going into recession now." I don't see that.

MS. MESSER: So what caused the downturn in demand during the first half of 2015 for hot-rolled steel?

MR. CUNNINGHAM: The facts that I just mentioned, the one was the destocking phenomenon and one was the -- .

Dick Cunningham again. Sorry Jim, I forgot to use the name again. I'm one of the worst violators on that, I know. The destocking phenomenon contributed to a significant downturn in demand and the oil sector downturn, which we all know the price of oil has fallen dramatically and drilling in the United States as well. Look at Mr. Dougan's charts. Now, I don't know what the future is for oil. I don't think anybody does right now but I don't know anybody who is predicting a continuing recession here either. So I wouldn't base a commission decision on some permanent down turn in the economy. But if you did so, you are looking at downturns in demand. You're not looking at effects of imports.

MR. DOUGAN: Ms. Messer, Jim Dougan. One thing also I wanted to point out. In addition, there were the two factors that attributed to the decreased performance of the industry in 2015. One was demand and Mr. Cunningham just explained that. The other was a decline in price. The reasons for that decline in price, I addressed no my testimony but if you could look at slide six, my computer died. Sorry, you all have handouts. Sorry everybody.

Anyway, slide six, which as I discussed in my testimony despite the increasing import volume and market share, U.S. Producer prices did not respond and declined in response to raw material declines until demand also fell. I mean, there was this delayed, they kind of defied gravity for a while, which explains their increased profitability in the second half of 2014 by the way, but when those two things coincided, you have finally they couldn't hold off against the raw material declines any longer when the demand went down.

Once those two things came together then their prices came down sharply so that explains the price decline. So it's really those things in combination.

MR. MALASHEVICH: Ms. Messer, this is Bruce Malashevich, I might add just a point. I think in most cases we all use the expressions apparent consumption and demand interchangeably, but as you know there's an important distinction. Apparent consumption being called apparent because there's no adjustment for inventory at the level of final demand. In most cases, it really doesn't matter.

But in this case it matters a lot in explaining developments in the first half of 2015. When you have a chance to thumb through the 10Q Quotations in one of my exhibits, you will see that in the minds of the chief executives and Petitioners in particular, the outlook is quite strong for flat-rolled carbon steel in the areas of autos, appliances and more recently construction. They drive everything for cold-rolled and corrosion resistant but in this respect hot-rolled is very different because of its significant reliance on the energy sector and tubular products go into that sector.

So apparent consumption declined in the first half because there was inventory restocking. Final demand continued to move positively except in the energy sector. That's what differentiates hot-rolled from the other flat-rolled cases now pending and it helps to explain why there is a difference between the direction of final demand in 2015 and apparent consumption.

MS. MESSER: Thank you. I appreciate those responses. I would like to move on to Mr. Fisher brought up the separate like product. I would like to give you the opportunity Ms. Mendoza, Mr. Miller and Mr. Cameron to go through the six factors the Commission normally looks at since this is the first time we're hearing of this, we would like to learn more about it here in the post-conference as well.

MS. MENDOZA: Sure. I mean, this is Julie Mendoza. We are happy really to walk through those factors in our brief but if you have questions specifically for these witnesses about differences in terms of the production capability and as Mr. Gray always reminds me, it's not really just having the machinery and the ability to do it but it's also having the technical expertise and know-how. So if you have those kind of questions for them I am sure they would be happy to respond to those. I think what we're trying to say is that the level of 0.625, there is no domestic production of this product for the reasons that they've said.

In terms of uses, I think they've talked about those. So in terms of the factual basis of our like-product argument, I am sure they'd be happy to provide more information about that.

MS. MESSER: Can you give us a general idea of differences in price? Is it a continuum there or is it just?

MS. MENDOZA: The differences in hot-rolled coil prices for the product that you purchase versus the commodity-grade hot-rolled coil, how do those compare?

MR. FISHER: So we pay an extra forty. Rusty Fisher, Welspun. I'll comment and then I'll let my colleagues come behind me. We pay an extra for this type of material because you have adders to make X-70 and obviously the heavier the wall, the fewer the producers and the more expensive that it gets. That goes for around the world and the United States as well. We just recently purchased some material exceeding 800 wall and that material obviously goes for a higher price than quarter wall X-70. It's just the nature of the beast of who can make it. So that's the best answer I can give you.

MR. GRAY: If you look at the basic, oh Malcolm Gray Mocroalloyed Steel Institute. If you look at the piece of paper with the chemical composition of the steel used for a bridge, for instance, that's structural steel or ships. It looks almost identical to the chemical composition of X-70 line pipe. The main difference is the production sequence involves special thermal practices. You have to roll in such a way that the productivity goes down when you're making pipe versus a simple structural steel.

There also is much more testing required in a pipe specification than in a structural specification. You are worried about strength and toughness to some extent but large diameter pipelines are built with very straight, they have to have fracture control plan, so if they get a hole in the pipeline they don't have catastrophic propagating fractures. So that attracts extra testing so the extra testing involved, there's extra processing involved. The extra processing can lower productivity by 20 or 30 percent.

But the sad thing for the steel mills also is in all our markets, hot-rolled coil for making pipe is very competitively priced. It is the most difficult thing to make and you've got the lowest margin I think.

MR. MCCLURE: One question. Jim McClure. Mind my own rules. I assume you all are working with Commerce perhaps on an exclusion from Scope or am I wrong?

MR. CAMERON: As soon as they initiate the case, yeah.

MR. MCCLURE: Okay, thank you.

MR. CAMERON: I mean, we are going to try and as you now, working with Scope and the Commerce department means working with petitioners so we will see exactly how cooperative everybody is.

MR. MCCLURE: Oh I'm sure everybody will lock arm and arm.

MS. MESSER: Okay, I'm going to move on to my last question. I just want to give this panel an opportunity. I was expecting I guess to see UPI here. I see on the calendar they are not here. So I wanted to give you guys an opportunity to respond to the line of questioning I had for the petitioners that is for companies, domestic companies, pickled and oiled, we consider them domestic producers.

MR. CAMERON: Let me just say two things. We brought a representative from POSAM. We heard that UPI was also not going to testify so we brought somebody from POSAM. POSAM is the representative of the POSCO interest on UPI's Board Executive Management Committee and they are the importer of record of most of the steel. You are really asking two questions. In the questionnaire to the foreign producers for instance, POSCO is asked do you have any affiliated parties that produce subject merchandise. The answer that POSCO gave was just "well, we are kind of affiliated with U.S. Steel". I don't remember how they were treated then.

The other company that was listed was UPI and the reason that UPI was listed was very simple. They produce pickled and oiled. It's a very new product for them, but they do produce it and because UPI produces it we recorded it. That's a matter of fact. That's not a matter of conjecture. They produce it. They sell small amounts on the Merchant Market and therefore it was our understanding that yes, okay. So they produce hot-rolled steel, which is sold on the Merchant Market so they submitted to you a response.

There is a second question in your question which is the legal question of whether or not pickled and oiled constitutes a product, in other words production of pickled and oiled makes them a domestic producer or do you want to treat them as a processor like you would the threaders in

OCTG? I mean that's an analogous situation. At OCTG, heat treatment is considered to be part of the Domestic Industry where as if you just do threading and coupling it was considered not to be.

That's a legal question and we would be glad to respond in our post-hearing brief. I will tell you that in our opinion with respect to the issues that you are looking at which is the accumulation of data, whether the data be the financial data or the trade data, the inclusion of UPI is not going to have any impact on the data one way or the other. But it was submitted because we thought that was the correct way in responses to the Commission.

But as far as the legal question as to whether or not the Commission should treat them as a part of the Domestic Industry? We think that you should but this case is not going to stand or fall on whether or not UPI is considered part of the Domestic Industry. But we will address the question further in the post-hearing brief.

MS. MESSER: Alright.

MS. MENDOZA: Julie Mendoza. Ms. Messer, could I just go back for one moment to your question about like product on the issue of the particular uses of this product because I wanted to make it very clear that what we're saying on the X-70/0.625 right is that these guys came into this market in 2008. Okay, prior to that there was not really a need for this type of material. Nobody consumed it. So when they came into the market and started to demand this material they had to go out and determine exactly who was able to supply it both domestically and internationally because as they said there are not that many international suppliers either.

So on your question about you know, what are the differences, I think it would be very useful for them to discuss exactly the kind of very demanding situations in which this particular product is used. Again, you know, it's certainly the case that there are other products like X70 that can be used for other uses but I think what they will explain to you is that this particular product can only be used for certain end uses and can't be substituted for other products and by the same measure this product is not going to be downgraded to be used for any other use because you know it's way too expensive and way too specialized for that and as a consequence, the only products that ever get downgraded in any circumstance or when people don't care about grade, they don't care about anything. I think somebody said as long as it's round and has a hole in it maybe they can use it but they're saying for this particular product there really is no interchangeability. If you don't mind, let Rusty talk a little bit about that, please.

MR. FISHER: I don't know what else you would do with this type of steel. It's a very specialized, it's very demanding to produce and the uses of it are basically, specifically for X70 line pipe to very technical specifications that exceed the API 5L considerably in a lot of instances. It's just not something someone would run for every day steel. It's a totally different product. I guess that is the best way I can describe it.

MR. DELIE: Dave Delie, Welspun. One of the things that I want to bring up, even this morning when the producers were talking, I think the fellow from U.S. Steel mentioned that X70 is kind of a grade of steel and it's kind of specialized for each project and specialized for each producer. So depending on my mill versus somebody else's mill for the same project, there would be little tweaks in it. So, it's a specialized engineered steel.

It's not just an X-70 grade, one size fits all. It's actually, and Malcolm will tell you this, depending on the use, where the pipeline is going to be located, what it's going to be carrying, a bunch of different factors will actually engineer the requirements for the steel and then the steel has to be engineered for that particular project so almost a lot of X70's are different even though API calls it, Malcolm will add specs another thirty or forty pages and I will let him talk about that, which makes it very difficult for us and them.

So it's a very specialized steel and it is for each particular project, which makes it unique compared to a commodity grade steel that can be warehoused or inventoried. We have to buy it specific project to project, especially in the large diameter with heavier walls. There are some smaller sizes and things like that but we're not arguing the standard pipe or something like that.

For big projects, this is the big, large diameter line pipe, it's really a specialized steel, especially to get over half-inch. The higher and higher you go in the wall thicknesses, the tougher and tougher and more limited people in the world that can make it. I used to run hot strip metals and like Malcolm said, it's not easy. It's just not the chemistry, it's all the process control that you have to go into and the other thing that makes this unique for the pricing is the risk the producer has to make because there is so much testing, they could have major, major rejects.

So before we even allow a supplier or even before a supplier will supply us, they want to ensure that they have a lot of trials with us, not just one or two. They want to be one hundred percent certain because they don't want to take the risk of producing fifty thousand tons and find out that we rejected fifty thousand tons of steel.

So there is a lot more than "yes, I just made this for so and so suppliers so I could supply you". They will want to run it on our mill maybe once, two three times and that takes a while to do, you know, a couple years to develop and we have been working with the industry. If you look at our history you can see that they're complaining that imports are taking a larger share. They've been growing their business with us consistently over the last several years.

MR. GRAY: I think I'm just -- Malcolm Gray again. I'd just like to differentiate one more time that there is an industry specification. It's very complicated, maybe 90 pages long, and we write another 20 pages to put the pipe maker and his coil supplier through a lot of paces related to safety.

So if you have a pipeline going through your backyard, you'd be happy that we messed around with the specification to ensure that accidents became very rare. But those requirements that we add to the specification require outbound steel making. The purity level, sulfur, phosphorus, nitrogen, I could go along like that, is very expensive to refine the steel to that level, and the quality of secondary refining, so-called secondary refining, is not that advanced in this country.

This country's behind the rest of the world in terms of its ability to produce high-quality line pipe scalp. If you have a bridge, a ship or remarkably, a submarine, the impurity levels in submarine steels are three or four times higher than in the, in a low cost line pipe coil.

So it's very sophisticated. It's not the easiest thing to produce, especially when you're being watched by a third party, of doing all the things you said you were going to do, and then all the remarkable amount of testing and, you can test both ends and the middle of a coil, and it might still have areas there that are not reliable.

So, the steel composition, the sophistication of the alloy designs and then, it's not a simple product to manufacture compared with, say, a bridge steel or building structural steels are not very sophisticated.

MR. ELLIS: Excuse me, way in the back here. This is Neil Ellis, Sidley. I'm almost in the same room as you folks. Um, we just wanted to mention on behalf of the Japanese steel mills that we have similar views on the unique characteristics of X-70 pipe steel. So we just wanted to make it clear that it's a general understanding among the producers as to the unusual characteristics, project-specific natures of this particular steel product. Thank you.

MR. HERALD: Skip Herald with Welspun. Just a comment though. I want to make it clear that this is not the only wall thickness that we use to manufacture products, but it is a critical part of what we do because Rusty, too, can attest that without this, you also lose the rest of the order. Yeah, the 625. So without the 625, even though that may be part of the order that we use an import for, there's still another significant part of the order that we would use domestic for.

So it's not like all of our mill operates on or above .625. So Rusty can, Rusty, why don't you give the example of just a recent order?

MR. FISHER: So the next -- Rusty Fisher, Welspun. I'm sorry. So the next large order we're gonna go to is,

is a large project in the western part of Texas, and a significant part of the order is material and a wall thickness, X-70, that can be rolled in the United States.

The majority of that order went to the United States. We had to place the heavy order, the over 800 wall overseas with one of the countries here, that's a subject import, and they were the only ones that wanted to run it. They did a terrific job of putting their specification together to please the end-user, and so we placed that portion of the order with them.

But had we not done that, we had to agree to roll both, and my colleague, Dave Delie, would probably not want to run the 800 wall if he had his druthers, but we had to run the 800 wall to get the 600 wall, to get the business, the domestic supplier who got the majority of the order, he would have not gotten a 100 thousand tons, had we not bought the material overseas. And that's the crux of why we're here. And so --

MS. MESSER: Thank you, those were all the questions I had.

MR. CORKRAN: Thank you, Ms. Messer. Mr. Enck.

MR. ENCK: Thank you. Justin Enck, Investigations. Mr. Gray mentioned a number of companies capable of producing the thick-wall line pipe, POSCO, Salicher, JFE, sorry?

MS. MENDOZA: Would you clarify the thickness you're talking about. Over 625?

MR. ENCK: Over 625, the thick-wall. JFE, NSSMC and several others.

MR. GRAY: They also make pipe, so they don't go about to sell the raw material.

MR. FISHER: So ArcelorMittal can make it in Bremen, in Germany, as well. Rusty Fisher with Welspun. ArcelorMittal can make it in Germany, that can't make it in the United States.

MR. GRAY: Yeah, the transportation costs for ArcelorMittal is supplying a mill very similar to the Welspun mill in Greece. But the freight from southern France to Greece is a lot lower than coming into the U.S., so they're all well-polished and well-practiced, well-respected manufacturers, but they're not always in the right place.

MR. McCLURE: Jim McClure. OK, so is ArcelorMittal the only one that falls in the 'others' category that you mentioned?

MR. GRAY: I'm not understanding. I'm sorry?

MR. McCLURE: Are there any other non-U.S. producers that would fall in the 'others' category?

MR. GRAY: Above .625?

MR. McCLURE: Right.

MR. GRAY: Yes. Well, I mentioned that ...

MR. McCLURE: ArcelorMittal, anybody else?

MR. GRAY: Yes, we mentioned JFE.

MR. McCLURE: Right, right. You have named four or five and then you, uh, there is the term 'others' and what I'm trying to figure out is --

MR. GRAY: Others, yeah.

MR. MCCLURE: Others --

MR. GRAY: Well, if you want to hear about

China, there are maybe eleven world class manufacturers of this product in China.

MR. McCLURE: OK.

MR. GRAY: I have a buyer from China National Petroleum. We bought four million tons for two pipelines, 7000 kilometers long. So the leading steel makers in the world are in China today. Nothing in Japan. They used to be in Japan.

MR. McCLURE: OK. Thank you.

MR. CAMERON: I was just gonna say, we'll check the list and fill out the others for you to make sure that it's complete.

MR. McCLURE: Checking it twice, OK.

MR. ENCK: Could anybody give me an estimate of what proportion of the line pipe market is, the heavy wall?

MR. FISHER: So I don't have an exact number. I can just say that when it comes up, it depends on the nature of the course of the pipeline. If it goes through a swamp, it may have more heavy-wall requirement. If it goes through a heavily populated area, they have more heavy-walled requirement.

But there is no, I can't give you an exact number. It depends on the year, it depends on the particular pipeline that's being constructed as to how they do it. How many rivers it has to cross, just all kinds of factors like that.

MR. GRAY: You can make a guess. Malcolm Gray. I would say 15-18%, something like that. So special cases and also, when we put pipe offshore there's not much spiral pipe going offshore because there's some prejudice against it, which is unfounded, but when we put pipe offshore in the water, we need the negative buoyancy, it has to sink, and it's better to use heavy-walled steel to sink than to use light-wall and put concrete coating. Concrete coating helps it sink, but it's more expensive than using all-steel. So, my guess would be 15-20%. Road crossings, river crossings and highly populated areas, urban areas.

MR. ENCK: OK, thank you. That's all the questions I have.

MR. CORKRAN: Thank you, Mr. Enck. We'll turn to Mr. Sultan now.

MR. SULTAN: Peter Sultan of the General Counsel's office. I have a general question for respondents. Apart from the light product argument that's being made with respect to X-70, do you agree with the petitioners' proposed definition of domestic light product? Does anyone have any comments to make? What about the petitioners' definition of a domestic industry? Nothing to say? OK.

MR. CAMERON: Yeah, we'll look at the domestic industry and get back to you. I think they're suggesting that, at least this morning they were suggesting that the UPI is not part of the domestic industry.

I mean, okay, so we'll address that in post hearing brief. We don't agree. As I've said, I don't think it's going to push anything one way or the other. The importance of UPI is not that it, I mean, let's be honest here. The importance of UPI is not as a producer.

It is the fact that UPI, just like Steelscape is dependent for its existence, despite what was said by petitioners this morning. On a dedicated supply of hot-rolled steel. I mean, when you're talking about, what did Steelscape refer to? 60,000 tons I think? 60,000 a month, you're talking about more than that for UPI.

The idea that there is rail capacity to deliver that quantity of steel to the west coast producers is in the realm of the fantastic. So you know, there is a reason that that the west coast is somewhat isolated from the rest of the country.

Nobody said that you can't buy steel, that the Midwest producers don't sell some steel on the west coast. And nobody said that all west coast producers have a wall there like, well, like we've been hearing in the news lately and that none of their production goes outside of the west coast.

But what we are saying and I'm sure the witness from Steelscape can elaborate on this, is that most of the production that they sell is in the west coast, a vast majority of it as we testified to for UPI, was something on the order of 90% of their 10-mil, of their tin-plate, their core and their corrosion and their cold-rolled. Steelscape, we suspect is the same.

So, yeah, can there be supplies from the Midwest? Yeah. Can you supply in a re-roller that requires 60-80 thousand tons per month? No, you can't. And that's the reason that these producers are dependent on dedicated supplies. Not a coincidence. So that is the real issue with UPI. It's a similar issue with Steelscape.

MR. PLANERT: Will Planert, Morris Manning. Just one other point. As Ms. Cho testified, they, you know, because there was a suggestion this morning from the U.S. producers, well, you know, we'd like to supply these guys. Well, in the case of UPI, U.S. Steel has the contractual right to supply up to 50% of their steel, and in 2013, not in response to any surge of any imports, but in 2013 it was U.S. Steel that informed UPI we're not gonna do that.

You go out and look at getting a third party supplier. So, there's clearly an issue in getting the kind of supplies, at least that UPI needs, in terms of steady, heavy volumes out there. Because, you know, contrary to what was suggested, the major domestic producer is declining to supply that.

MR. CAMERON: And it should be noted, the major domestic producer has a veto power on every third party sale and purchase that is made by UPI. Don Cameron, sorry.

MR. SULTAN: My next question, and my last question is for Mr. Weiner, Mr. Hori and Mr. Yamaguchi. As I understand it, you're arguing that subject imports from Japan should not be cumulated with those from the other six countries. Is this because you contend that those imports are not fungible with the domestic like product or with imports from the other six countries?

MR. YAMAGUCHI: As we explain at the statement, our product is very special in terms of quality-wise, very high quality and also the customer of ours is very strategic customer, long-term relationship customer. Then, therefore, we think we should be decumulated, and then in detail, we will provide post conference.

MR. SULTAN: Mr. Weiner, I would hope that you would present your argument in the context of the four-factor analysis for assessing cumulation.

MR. WEINER: Of course, we'd be happy to do so.

MR. SULTAN: That's all I have. Thank you.

MR. CORKRAN: Thank you, Mr. Sultan. Ms. Gamache?

MS. GAMACHE: Thanks to everyone for coming to answer our questions. I guess I'm having a little bit of trouble reconciling what we heard from the petitioners this morning and from what we're hearing now regarding transportation and logistics. I guess from a purchaser's perspective, is this something that they consider when they're making their purchases or is it reflected in price. How does this manifest?

MR. CROSS: Sorry about that. John Cross. In terms of transportation costs, it's certainly a factor. It's also one of congestion, too. As was stated a little while ago, physically getting that into the facilities and making it happen on a consistent basis is a major issue.

So can you rail coil from the east to the west? You absolutely can. Can you do it on a consistent basis? I would say that there would be considerable challenges with that.

In the case of our facilities, the way they're structured. They're built right on a port -- literally you can take coil off of the ship and put it in our yard. So there would be a lot of difficulty with doing that, just in the sheer volume or amount that would be involved.

If you look at ocean freight, it's about half the cost of transportation costs of rail from the east. Kind of a good rule of thumb. It depends on the size of the shipment, dedicated cargo, etc., but it is considerably less expensive to ship it by ocean, as long as it's a reasonable quantity.

MR. DUNN: This is Chris Dunn, on behalf of BlueScope. I want to just add that -- you heard actually what I thought was some pretty nifty footwork this morning from petitioners and their counsel on what's available and what can be shipped across markets.

Two points in particular: They said, well, BlueScope, or rather Steelscape has identified North Star Steel as the supplier of theirs. North Star Steel is an affiliated company of BlueScope. And they supply roughly 500 tons a month to Steelscape for very specialized uses requiring, among other things, Buy American, American content. So they have to get a very small amount of their production from domestic producers. And, you know, whatever the price is, in order to be able to sell those products.

However, in terms of actual importation or actual inputs to their product, that's 6,000 tons out of roughly 400,000 tons a year. In terms of, let me move the thing a little bit to Australia, specifically, because John is really Steelscape, which, as you know, is jointly owned. In terms of Australia, you hear that well, Australia ships all around the United States.

Well, you can take an isolated incident or two, but if you look at the period of investigation, the whole three year period of investigation, three and a half year period of investigation, and you look at port data. And there was -- again, this is another piece of slight of hand of petitioners' counsel saying, 'Well, if you take the port data and take Australia and Asia,' whatever Asia is, 'and you add them together, and you'll see that the increase is 50% above what it has traditionally been. But let's look.'

I mean, I don't know what to make of that statement. But let's look at it over the whole period of investigation. Over the period of investigation, Australia, as a country, and Australia as a country remains BlueScope. It doesn't, unlike all of the other respondents here, we are one producer. We don't have anybody else to worry about or explain away. We have 91% of our exports went to the west coast ports. That's Seattle, Portland, and Los Angeles. 91%. That's a pretty closed-in market. That's a pretty closed-in supply.

MR. NOLAN: This is Matt Nolan for the Turkish respondents, just to pick up on that last thought. Turkey is no stranger to shipping transportation costs and getting material, because we've gotta take scrap over to Turkey, translate it into steel, and then take it back to wherever it's going, so they know quite a bit about this concept, and clearly, shipborne traffic is by far the least expensive way to transport steel.

I think the Commission knows this, we've seen this time and time again. And if you look at where Turkey operates in the market, it's, it's extremely concentrated in the Gulf Coast region, I'd say in the order of over 80% is just in the Gulf region, the Gulf Coast region. That's Houston, Tampa, New Orleans areas. And that's not, that's not by accident, because that's where they could be competitive on price. They can't make it with transportation costs going further north.

And one of the comments I heard from my colleagues this morning, from MedTrade was, 'I thought they closed the Great Lakes in the wintertime to traffic', so it's a little hard to understand where that's coming from. Jose, do you want to comment for a second?

MR. GASCA: Sure. Thanks, Matt. Jose Gasca, Colakoglu MedTrade. I mean in my 20 years of selling steel in this country, as a steel trader and a producer, shipping into the Midwest by barges via New Orleans in the winter is extremely difficult, almost impossible. The Great Lakes simply get frozen. I mean it's possible to ship, but the vessel, the barge, will not move.

Another comment is as Matt rightly said, I mean we are not on a world that demands on the Midwest. We do know many of the customers. We do have a good relationship with many of them. We do have on a continuous basis request inquiries. We have respectfully declined, simply because the math is not there, and we, our model is based on compilation of markets, not as our competition.

And for us, it doesn't make sense to offer material in the Midwest. The comments made by Matt, the concentration of our tanks coming into the Gulf Region is, are accurate. I would just add that in the case of our shipments going to Brownsville, 90% of that material goes into Mexico, so just for your consideration. Thank you very much.

MR. CAMERON: Just on your point with respect, Don Cameron, with respect to your point on the freight, the testimony really was rather incredible. They made a couple of statements, I will refer you and we will submit in our post hearing brief, an article that appeared in the American Metal Market May 31st of this year, referring to transportation concerns still add to metal concerns and they are complaining about the logistics of rail and truck.

And it has become a high priority for a couple of the associations, including Steel Manufacturers Association. This isn't a figment of anybody's imagination. Rail costs have gone up significantly, and that has, in fact, further isolated the west coast market. But adding to that is the rail car shortage, which was not addressed whatsoever this morning by the witnesses. And it happens to be a very serious problem.

Secondly, in the case of POSCO, part of the investment in UPI also called for POSCO to build, construct dedicated vessels that would actually carry the coils from Korea to UPI and deliver them to the factory, I believe that's a correct statement.

Thirdly, it was interesting this morning, we heard a statement about, well, the 'all steel travels, so it comes into the west coast and it travels'. Well, I suggest to you that that was, geez, somewhat an overstatement by petitioners.

The point that we were making in the exhibit that Mr. Dugan gave with respect to the percentage of the 49% that went in to the west coast, the total subject steel imports, and the fact that 97% of the subject imports were Australia, Japan and Korea.

We're not saying that all of that went to Steelscape or UPI, but we are saying that a huge chunk of that went to Steelscape and UPI and I can say one thing definitively about the steel, the hot-rolled steel that was imported by UPI and Steelscape. It didn't travel anywhere except to get processed by UPI and get processed by Steelscape. And that is the point. Because these guys can't make that steel get processed by those companies efficiently and make them competitive. And without that imported steel, these companies can't survive.

MR. DUNN: Chris Dunn again. I just want to add before my esteemed colleague pops a blood vessel. I just would like to focus you, in terms of the regionality and the separateness of the west coast region.

There is a question in the domestic producers' questionnaire that says, how, what percentage of your sales, of your shipments rather, what percentage of your shipments go 0-500, 500-1000, over 1000 miles? You will find that the percentage over 1000 miles is risible, it's negligible. Just look at those numbers. Just look at those responses. And to me, I can't think of anything that says more clearly, this is a geographically segmented market.

MR. WEINER: This is Richard Weiner from Sidley on behalf of the Japanese mill. You have the questionnaire responses, but in public, in a public forum. Just let us say that the vast majority -- the majority of Japanese imports of subject merchandise are from Nippon-Sumitomo and a very, very large percentage of theirs goes to Steelscape and therefore to the west coast.

There was also a point made this morning, about how the Japanese, despite the statement I just made, actually supplied a large number of ports, and we're not debating that. What we're saying that the vast majority or the majority goes to the west coast and of the remainder, the majority goes to the Gulf, as Mr. Yamaguchi as explained for pipe.

So, we're not saying that there aren't little bits and pieces elsewhere, but we're saying that our story if very clear and it's shown in our questionnaire.

MR. CUNNINGHAM: This is Dick Cunningham. The U.S. industry as you say, says that steel travels. I'd like to make request to them that they get their travel agent to contact the Dutch in the Netherlands, because none of our steel travels to the west coast at all.

MS. GAMACHE: Thank you. Do you as respondents agree with the petitioners' claim that all types of steel can be made domestically? That they can make all types, all grades of steel?

MR. CAMERON: No.

MR. PLANERT: Will Planert from Morris-Manning. I don't think any of the respondents believe that, but specifically just reiterate, for Welspun, they've testified very clearly that there are products, specifically the X-70 over .625 are simply not available from any U.S. producer.

And I think I'd also point out that there was a little bit of a contradiction in petitioners' testimony as well this morning. On the one hand, you're right.

There was this general statement, look, we can produce anything, whatever it is we'll produce it, and at the same time we heard the representative of ArcelorMittal explain that, well, there's a few products that we import from our affiliates because they're complementary to our U.S. production, because we really don't make those.

So, that alone, I think suggests that, no, they obviously can make, you know, if we're talking the general run of commercial quality steel, sure, but there are a number of unique products and certainly, in the case of the Welspun product, that they can't make.

MR. FISHER: Rusty Fisher, Welspun and I would reiterate again there are absolutely products that we buy that we can't buy domestically.

I would go a little further to tell you that if you go back to 2008 when Welspun started, one of the key suppliers in the United States now was not in operation at that time. They have since come up and they do an excellent job and they are getting better all the time and then the other supplier that we have for X-70 I think at the time 2008 I think that David said that they could maybe make 500, 550 wall at best and now they are up to 625 wall, so its limited but there has been an increase in capabilities in the U.S. but it is still isn't all-encompassing.

And when you get to that 500 to 625 range there is maybe two, you know, there's two that can make it and it's limited so --

MS. CHO: Hyun Mi Cho from POSCO. So there's another aspect about UPI that I would like to emphasize, so the grade and the quality issue is one concern but from UPI's perspective the quantity that it requires cannot be substituted from the domestic mills is my understanding and another aspect that I would like to emphasize is the PIW issue, it's the pound inches per width so in order to operate that roller you need to have a big coil and that -- it's very difficult to get from the domestic mills and not even you know having it ship over there is difficult, but having that large coil is also difficult.

MR. CAMERON: Our information -- Don Cameron, our information with respect to the coil size -- and the coil size is very important and if you go back to the 1980 -1992 case you will see that it was critical back then, but the number of U.S. producers that do produce on a regular basis coils with a PIW of 1250 and over, 1250 and over I believe there are two.

I believe there's ArcelorMittal, and there's U.S. Steel. We are not saying there are no U.S. producers but what we are saying is there are limited U.S. producers and just to re-emphasize what Hyun Mi said and I think we would like to hear Steelscape comment as well.

The other issue, just to broaden the aspect of the question because it is not simply a matter of can you make this grade and this chemistry right, it's also, we are talking about the practicalities of making steel and when you have a re-roller you then have to be able to have the practicalities of having the available steel in your plant to manufacture on time every time.

If you are making 10 mill, if you don't have the -- if you can't deliver on time to the tin can producers right, you are losing that business to overseas producers so the question of dedicated supply and the quantities that you are talking about for re-rolling as we said in the direct testimony, it is not a coincidence that all re-rollers in the U.S., every one of them has a dedicated supply of steel -- of hot rolled input or substrate in the case of CSI it's the slab, and for SDI or these other mills to suggest that UPI and Steelscape can survive on the merchant market no sweat is not -- that is a vast exaggeration.

MR. CROSS: This is John Cross. Yes to add to that from time to time we do solicit we get quotations and offers from domestic mills. We buy some material from time to time but as I said in my testimony it is critical that we have over 30 to 35,000 tons of steel on a consistent basis every month and to that point relying on rail traffic or lanes that are already congested in the fall in particular, train traffic alone coming into the Pacific Northwest is tremendous so if we were relying on rail traffic and we had any kind of disruptions in inventory, it would either mean that our inventory would balloon to a point that it was not manageable or we would have outages.

If we have outages we are out of business. Our customers rely on us for just in time deliveries on the west coast, a very competitive market and we have to be in a position to service them and we have to be able to service them with quality and in timely distribution.

MR. DUNN: Chris Dunn again and further to that point and again in response to what I have termed the footwork of the domestic industry, someone said this morning, "well their CSI is right next to Steelscape's facility in Rancho Cucamonga, California. It is in fact just down the street read that Steelscape's Rancho facility does not have a cold rolled mill. They cannot buy hot -- that facility cannot buy hot-rolled from CSI."

And as Mr. Cross explained previously they are by the way a producer of galvanized so they are a competitor so would they like to sell hot-rolled, ship it up to Kalama, Washington and then have CSI try to sell it in competition to them? I don't think they can be depended upon as a serious source of supply for hot-rolled but again as Mr. Cross explained we are exploring trying to get some of their cold-rolled for the Rancho facility but cold-rolled is not here today this is not a cold-rolled case.

MR. KAUFMAN: Joel Kaufman, Steptoe & Johnson, on behalf of Tata Netherlands. We have a number of products that -- Tata Netherlands has always been a niche player in the U.S. market and always work with their customer and customer's customer to develop products.

We have a number of products that are not made domestically, I will outline them in our post-hearing brief, one of which as far as we know Tata Netherlands rolls to 81 inches wide. We know of no U.S. producer that is rolling that wide and the mini mills basically go up to 60 inches. You have got as far as we know up to maybe 78 inches but no one rolls as wide as 81 and so we have got that and a number of other products we will outline in our brief.

MR. GRAY: One more time, the question came about like products and other products that cannot be manufactured in the U.S. and maybe I concentrated on the heavy gauge for the spiral pipe making but there are other products that it's a cyclical market that when the pipeline is going to be carrying CO2 or hydrogen sulfide, these are called "sour service" pipelines. They tend to be in smaller diameter for gathering lines so in the ERW range for Welspun that there is no North American manufacturer of sour service-grade coils which is typically not X-70, X-60 it tends to be lower strength.

X-60, X-65 -- so somewhere in these deliberations we should be identifying that there is no sour service capability. Maybe it's not bothered Welspun until now but once a few inquiries come out for the shale place tend not to be sour but the traditional fields tends to be sour in particularly in Canada.

And also the reason for that lack of availability comes back to the steel making and refining. The impurity levels for sour service have to be very low, much lower than for regular X-70. Then an emerging market around the world is for X-80 which is the next level up from X-70. The international pipeliner's are using X-80 in great abundance, there are two major X-80 pipelines in this country, one is the Shiam Plains 600 kilometers long and that's an X-80 pipeline and the pipe was manufactured partly by Everest, used to be Ipsco in Canada and it was partly manufactured by Napa Pipe before it got torn down and low-cost housing so there is no manufacturer of X-80 and it is only a matter of time before it comes.

MR. YAMAGUCHI: Tadaski Yamaguchi from JFE Steel. For the X-70 thickness over a .625 this is in domestic steel mill cannot produce such kind of a product.

MS. GAMACHE: Thank you very much that concludes my questions.

MR. CORKRAN: Thank you Ms. Gamache, Mr. Boyland?

MR. BOYLAND: Thank you very much for your testimony I have no questions.

MR. CORKRAN: Thank you Mr. Boyland, Mr. Houck?

MR. HOUCK: Yes I have one quick question for Miss Hyun Mi Cho, you referred to the shut-down of the hot mill, do you have any information to indicate whether that hot mill is still there or if they have taken steps to dismantle it and remove it?

MS. CHO: I know this information from just knowing, it's pretty much wide open in the media, it's in the media but for the details of it I would be able to get that in our post-conference brief.

MR. HOUCK: We would be interested in that if you could provide it.

MR. CAMERON: We will get that data for you, thank you.

MR. HOUCK: Thank you I have no other questions. Thank you very much.

MR. CORKRAN: Thank you I've got a couple of questions. First Miss Cho can you provide me more detail, we were talking about shipments to the west coast so prior to 2013 or up through 2013 how much steel was U.S. steel, how much hot-rolled was U.S. Steel supplying UPI?

MS. CHO: It is confidential information I would like to address that in the brief.

MR. CORKRAN: Okay well let me rephrase that. What is UPI's published capacity rate for its steel products which I think would be a rough proxy for its consumption level?

MR. EVERSMYER: The estimated is --

MR. CORKRAN: Go ahead.

MR. EVERSMYER: This is Dan at POSCO America. The estimated capacity is 1.2 million tons.

MR. CORKRAN: Okay and then in your written testimony you suggested that we still have 2013 -- there was a formula where U.S. Steel was providing on the order of 50% requirements, okay, and how was UPI receiving that was it by rail, by ocean borne, how was it received?

MR. EVERSMYER: This is Dan at POSCO America. Yeah, U.S. Steel typically has supplied UPI by rail.

MR. CORKRAN: Okay now that we have established the ability to ship to the west and --

MR. ELLIS: Excuse me Mr. Corkran, I would suggest to you that it is not a coincidence that they reduced the amount that they shipped to the west because the rail cars have increased and the logistics have become more difficult. We have never denied that the shipped -- that U.S. Steel has shipped considerable quantities to the UPI over the period of time -- over the 30 years that they have been in existence, but the proof is somewhat in the pudding in terms of the amount that they have reduced their shipments and the rail costs are a reality.

Whether that is the reason I really don't know I'm not here to speak for them but so I don't think that it would be correct to say that yes we have established that you can ship from the Midwest to the west coast and therefore it is not a problem with respect to the overall construct so.

MR. CORKRAN: Was there anything else going on in 2013? I believe the testimony referred to a price formula did that change in 2013?

MR. EVERSMYER: Yes this is Dan at POSCO I think we would rather submit that information in the brief later.

MR. CORKRAN: Okay but was 2013 the first year that supply was opened up to third parties?

MR. EVERSMYER: Yes this is Dan at POSCO, yeah that's correct. I would like to point out for the record that the procurement policies that UPI was operating under were set by the management committee which has three members from each of the parent companies, U.S. Steel and POSCO America and all decisions were unanimous they were approved by all parties.

MR. ELLIS: Excuse me this is Neil Ellis for the Japanese mills and this is confidential so I will put it in the post-conference brief but what we are hearing from POSCO and also from Mr. Cameron is reflected in some of the information that we have received from Japanese mills as well about the availability and supply to UPI.

MR. CORKRAN: Thank you. Let me sort of rephrase my statement. What I said before that we had established the volumes to the west coast I meant in general not necessarily in the last two years but I would ask those in possession of the information that led up to the decisions that resulted in the shifting supply for UPI POSCO to provide as much information as possible around that in your brief.

MR. CAMERON: We will be glad to do the best we can.

MR. CORKRAN: My next question is for Mr. Fisher. Mr. Fisher can you give me a sense of Welspun's purchases of X70 graded product compared to the other line of pipe API grades or for that matter if you produced water transmission products or other products that don't rely on API grades, what does X70 account for in your purchases?

MR. FISHER: You would likely be 100% of the spiral weld production that we have as X-70 right now, you just rarely see X-65. X-80 was something that we thought we would see several years back but it really never has come on in the United States the way that we thought it would so it is an X-70 rolled right now in the United States.

You know separately we produce CRW pipe and we are not up here complaining about the ability to get hot-rolled coil for CRW pipe because this is mostly half inch roll and under and it's generally readily available in the United States. Some of the thin slab casters, many of those can make it, it's not as demanding as the spiral weld material but probably in the small diameter X-70 it depends on the year but X-70 might account for in our product range maybe 30 to 50% I think depending on the year of the smaller diameter.

But of the larger diameter and I define larger diameter -- we'll define that as 30 inch and bigger. 30 inch and larger would be 100% X-70 at this point in time.

MR. CORKRAN: Thank you very much I probably will look forward to hearing more about that at a later time.

MR. GRAY: This is Malcolm Gray one more time. You brought the question of the manufacture of water pipe, well we have never approved a spiral pipe mill that makes water pipe as well as gas transmission pipe because the quality culture is not there the way you inspect the weld and if it is a leaking water pipe that doesn't matter that much -- a sprinkler system, but if it is gas that's a very serious -- so there are spiral mills specifically a spiral mill making for water and also for other fabrications but it is very rare, well we have never bought from a mill that is also making water pipe.

MR. FISHER: Rusty Fisher with Welspun. We don't make any water pipe in the United States, just to clarify. We are an API mill that's what we make. There are those that do make water pipe with so much milder steel, and much less a rigorous process to make that pipe, to produce that pipe.

MR. DELIE: Dave Delie from Welspun. One thing I want to point out too is the difference in volume that we have in the small diameter plant, it makes a smaller CRW and the larger diameter spiral pipe. We have 175,000 metric ton capacity in the small diameter mill and the large diameter mill is 350,000 metric tons so it is a significant portion of our business is in the large diameter which is almost 100%, X-70 as Rusty mentioned.

MR. CORKRAN: Thank you very much, I very much appreciate that. I had a question for Brazilian -- for CSN. Can you characterize, you drew parallels to 2011 and the importance of exports for hot-rolled steel. Does the market for hot-rolled steel in Brazil at the present time look very much like it did in 2011, in 2011 I'm thinking just a great deal of optimism about the World Cup, the Olympics, I look now and I see Brazilian conferences talking about this being the worst crisis for Brazilian Steel, it just almost seems like two very different markets we are talking about, please enlighten me.

MR. LEWIS: Sure, Craig Lewis, Hogan Lovelis on behalf of CSN. First of all there is no doubt that the economic conditions in Brazil are not as strong as they were in 2011. As you point out there is a lot of optimism about the Olympics and the World Cup et cetera, but you know market conditions are clearly not as strong as they were then.

That said and I think the Commission's data confirms this particularly with respect to hot-rolled steel as opposed to a lesser degree with other downstream products, cold-rolled et cetera. There's no doubt that the Brazilian industry continues to be inwardly focused and not particularly export oriented. I don't think I can speak to the specific percentages, they are not on the record but they are still within the range of what they were in 2011, they are not appreciably different.

There is a tiny minority of total shipments that are exported.

MR. CORKRAN: Thank you all very much. For my part thank you very much for your responses I appreciate it. I am going to turn to Mr. McClure now.

MR. MCCLURE: Jim McClure. I just wanted to take this opportunity to thank all of you for all the nice comments. I have had a great time at the ITC for 38 years.

I can honestly say I have truly enjoyed the work and God knows in this town there aren't many people who can say that.

And to my young uninitiated colleagues, Mr. Navarro, Mr. Enck, Miss Gamache and Miss Dempsey, welcome to the Don Cameron experience. Don't worry it's not hazardous to your health, I have survived it 38 years and God knows Miss Mendoza survives it 5 days a week, with that I bid you adieu.

MR. CORKRAN: I turn to the remainder of the team to see if there are any additional questions. No? No. Mr. Bishop are there any other?

MR. BISHOP: No. Mr. Chairman we are ready to proceed with closing remarks.

MR. CORKRAN: Thank you very much we will take about 5 minutes to prepare for closing comments.

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

MR. CORKRAN: Mr. Secretary, is there any additional business for us to address?

MR. BISHOP: Yes, Mr. Chairman.

Before we turn to closing remarks, we will hear from Mr. Larry W. Hanson of the Law Offices of Larry W. Hanson, on behalf of the American Institute of International Steel.

Welcome to you, Mr. Hanson. You may begin when you're ready.

MR. HANSON: Thank you. My name is Larry Hanson. I am here representing the American Institute for International Steel.

I want to thank the Commission for allowing us to appear as an interested party this afternoon. It is my first appearance before the Commission, so I want to thank Ms. Bellamy and Mr. Bishop who have been incredibly helpful to me.

AIIS is a 65-year-old investing trade organization. It includes a significant number of importers of foreign steel. They also represent businesses that use steel, and of course indirectly consumers of steel.

We also work cooperatively with other industry organizations, other businesses that use steel and keenly recognize the sheer need for steel in countless U.S. industries.

There is no disagreement in this room, or even outside this room, about the importance of steel to the U.S. economy. It is essential. It touches everything. Every single industry. Every single product in some way touches steel. Whether steel is involved in the actual product or the manufacture of that product, steel is essential to everything, and every industry in our country here.

Because of this, and the shortage of supply, disruptions of product flow, actions that serve as artificial price supports have a direct and significant impact on all U.S. businesses that use steel, make product with steel, or indirectly all U.S. consumers that buy an uncountable number of products that are involving steel, either in the product themselves or in the manufacturing of the product.

The significance of steel to the U.S. economy underscores the importance of the work of this Commission. We at AIIS recognize, applaud, and support the Commission and its staff in evaluating competing explanations for market conditions, pricing impact, and competition.

As a matter of policy, AIIS opposes the imposition of tariffs that protect inefficient steel production, inefficient steel distribution worldwide, or wherever that might be found.

All of us as consumers of steel and steel consumers worldwide are simply not well served by the protection of the few at the expense of the many.

It is in this important work and the review of that, the imports of hot-rolled steel, that we urge the Commission to consider the interests of the consumers of steel and their needs and the needs of the U.S economy for the uninterrupted distribution of steel.

We believe that you will find that consumers are not well served by the imposition of protective tariffs on imports of hot-rolled steel or other steel that comes before this Commission.

Thank you.

MR. CORKRAN: Let me turn to my colleagues and ask if there are any questions?

(No response.)

MR. CORKRAN: Actually, let me ask one. Because you said that AIIS opposes the use of tariffs that protect inefficient steel producers, does AIIS--somebody will be upset by that--

(Laughter.)

MR. CORKRAN: Does AIIS have a position on subsidies? Because not all of the investigations that are before the Commission today involve allegations of dumping. Some of them involve allegations of subsidies.

MR. HANSON: Clearly we draw a distinction between subsidies and dumping. We have not taken a position, as far as I know, in any proceeding ever about hard-core, against subsidies as a whole. We could imagine a circumstance where subsidies would be found by this Commission to be valid under the law and therefore could be applied.

MR. CORKRAN: Very good. Any questions?

(No response.)

MR. CORKRAN: Thank you. Mr. Hanson, I appreciate it, and I appreciate your patience in waiting to the very end of the day. We appreciate your testimony.

MR. HANSON: Thank you.

MR. BISHOP: Mr. Chairman, we will now proceed with closing remarks. Closing remarks on behalf of Petitioners will be by Alan H. Price of Wiley Rein, and Stephen A. Jones of King and Spalding.

MR. CORKRAN: Thank you, Mr. Chairman, and welcome, gentlemen. You may begin when you are ready.

CLOSING REMARKS OF ALAN H. PRICE

MR. PRICE: Good afternoon. I am Alan H. Price, counsel for Nucor Corporation.

The U.S. Hot-Rolled industry is in crisis as a direct result of the surge in unfairly traded imports from the seven countries. At this preliminary phase, the Commission must decide whether there is a reasonable indication--that's all the standard is; it's a low threshold standard--that the domestic industry is materially injured or threatened with material injury by reason of the Subject Imports.

The answer is a resounding "yes." Indeed, it stretches credulity to argue that the dumped and subsidized imports at question are not a cause of material injury or threat thereof.

And while Mr. Cameron may believe that injury by imports in all sheet products justifies relief to none, we believe that relief is just and deserved in all sheet products. In each, the Subject Imports are a cause of material injury and threat thereof.

Now let me focus on Hot-Rolled further.

First, each of the statutory factors for cumulation is easily met. So the Commission should cumulate Subject Imports from all countries. Subject Imports and the domestic Like Product are highly interchangeable as the Commission has concluded in various past reviews.

Subject imports and domestic Hot-Rolled are present in overlapping geographic markets, including the West Coast and non-West Coast markets, and once imports enter they move around the U.S. very readily.

Imports and domestic producers also have common channels of distribution and are simultaneously present in the market. Testimony this morning, as well as lost revenue and sales allegations demonstrate that the subject imports and the domestic industry compete head to head throughout the market.

Second, the volume of subject imports is significant both absolutely and relative to domestic consumption. Subject imports increased an astounding 80 percent from 2012 to 2014, and totaled more than 3.1 million tons in 2014. Subject imports jumped another 52 percent in the first half of 2015, compared to the prior first half, and show no signs of stopping.

And I just want to note that in the first half of 2015 imports were above the levels of any prior half-year period, and exceeded 2012 and 2013 annual levels. So this is a huge surge, and it is not receding. The imports were massive. They increased. They were rapidly surged in, with the bulk of the increase obviously occurring in 2014 and 2015. The import surge caused an inventory buildup and contributed to that in 2014, and weighed heavily on the market, a fact supported by the data collected by the Commission.

And the surge in imports caused inventories and induced what Mr. Dougan concedes was a devastating price collapse in 2015. Imports more than doubled their market share over the POI, stealing share away from the U.S. industry. As a result, U.S. producers were not able to take advantage of the steady and growing demand in the U.S. market, with much of the increase in demand going to subject imports.

Indeed, virtually every ton of the increase in subject imports came at the expense of domestic shipments almost on a ton-for-ton basis.

Third, Subject Imports have had significant price effects, depressing and suppressing prices. As Subject

Imports surged into the market in 2014, U.S. prices began to drop from their peak in May of 2014. U.S. prices dropped more than $230 a ton by May of 2015. The price collapse accelerated in 2015 as U.S. producers were forced to slash prices to maintain production, but Subject Imports continued to surge into the U.S. in large volumes of import-induced inventories further depressed that market.

The data collected by the Commission provides additional evidence of under-selling by the Subject Imports which have contributed to the depression and suppression of prices and the under-selling occurred greatest--in the greatest quantity in 2014, corresponding exactly with the import surge.

Fourth, Subject Imports have had a devastating impact on the domestic hot-rolled industry. As you have heard this morning, the surge in Subject Imports suppressed domestic performance in 2014. In the first half of 2015, each of the key financial indicators fell dramatically as Subject Import penetration reached its highest level over the POI.

Production, shipments, sales, volume, sales value, capacity utilization, hours worked, and wages paid all declined. Operating and net income dropped sharply, and significant losses occurred in both the merchant and overall market. Certainly there is a reasonable indication of injury.

With regard to Welspun, I will just add that the U.S. industry will address this in the post-hearing briefs, but we fundamentally disagree with most of the claims and will provide that in great detail. And so we will just--I will now hand the mike over to Mr. Jones.

CLOSING REMARKS OF STEVE JONES

MR. JONES: Steve Jones from King & Spalding for AK Steel.

First of all on volume, the Respondents conceded that imports were up 81 percent from 2012 to 2014, and 52 percent from interim '14 to interim '15. That's an increase in imports under any definition.

No matter which way you look at it, Respondents had two graphs here where they try to splice the data and make some sort of an argument that imports haven't increased. But no matter which way you look at it, the level that they say constitutes a decline in the second quarter of this year is still higher than all but six months during the period of investigation.

And this is at a time when the market is already severely oversupplied. Under what alternate universe is the spike in imports during January 2015 considered a normal level of imports such that a decline from that spike constitutes a decline in imports?

The Respondents' argument on that point is not credible and this Commission should reject it.

With respect to imports relative to U.S. consumption, it was ignored in the Respondents' slides. Mr. Cunningham noted that all they have is market share loss. Well, it's a significant market share loss.

Look at Petitioners' slide eight where ton-for-ton the increase in imports constitutes a decline in the U.S. industry's share. And that resulted in 1.4 million tons of lost sales, almost a billion tons in lost revenue. That is clearly material injury in 2014 that is directly and immediately caused by Subject Imports.

And as Mr. Dougan helpfully noted, that was at a time when under-selling was at its most concentrated. We agree. A surge in imports under-sold domestic producers. That's what caused the increase in market share. That's what caused the domestic industry to decline in market share. And that's what caused the adverse impact.

There is no dispute from Respondents that Subject Import AUVs have declined, and domestic producer shipment AUVs have declined, or that importers' inventories have increased.

Given that there has been a sharp increase in import volume and market share, a drop in import AUVs and increasing importer inventories, subject imports at the very least have materially contributed to the significant drop in domestic prices during this period. That's why the profits of the domestic industry have fallen so sharply during the interim period.

Respondents--with respect to Adverse Impact, Respondents don't deny that all indicators in the domestic industry fell from '14 to '15, and imports increased 52 percent and have continued their onslaught of the market. That is material injury, and that is directly correlated to the increasing imports.

There are other aspects of clear correlation on this record. The Respondents' argument that there's no correlation here simply has no factual foundation.

The argument that the industry is not injured in '14, Respondents ignore the lost market share, and again the lost volume and the lost revenue.

Finally, they point to meager profits earned in the context of strong demand in 2014, but as you all know Congress recently instructed the Commission not to reach a negative determination merely because the industry is profitable. That should certainly be the case where the profits are temporary and largely attributable to contract prices that were negotiated prior to the import surge.

Just a couple of points on some of the individual countries here. The Japanese industry, interestingly enough, said basically the same thing today that they said in 2011, which is that we make specialty products and we're not causing--we're not causing a problem.

In fact, in 2011 they said they weren't really interested in exporting to the U.S. market. And if you just compare the import volumes from Japan during this period with the import volumes during that sunset review period of review, the increase is enormous.

The Japanese witness, one of the witnesses from Japan today said, quote, "nothing has changed since then."

I would respectfully ask: Really?

With respect to Brazil, the same thing. The Brazilian industry came before you in 2011 and told you it was not planning to increase exports to the United States, and that turned out not to be true as well.

There is no difference between Japan and Brazil or any other country with respect to export orientation or interest in this market. There is no reason for any of these subject countries to be decumulated.

In closing, I see my red light, I would just paraphrase the great Roger Daltry and urge you all not to be fooled again. Thank you, very much.

MR. BISHOP: Closing remarks on behalf of Respondents will be given by Richard O. Cunningham, Steptoe & Johnson.

MR. CORKRAN: Thank you, Mr. Secretary.

Mr. Cunningham, you may begin when you are ready.

CLOSING REMARKS OF MR. RICHARD CUNNINGHAM

MR. CUNNINGHAM: In response to Mr. Jones, I would first say it is only Rock & Roll but I like it.

I'd like to take a few moments to talk about two issues. One is I think the key issue that you, the staff, need to help the Commission on. The other is an issue that has been a lot discussed here but you may think it's not that important after all.

This is an interesting case. It's an interesting case because it's very rare that you get a case where the importers' arguments are simpler and more straightforward than the Petitioners' arguments. Let me tell you what I mean by that, and it will get me to the first issue here.

It is very clear here that this industry was doing just fine, not suffering injury, through 2014. It is very clear that it had injury in 2015. The issue is, what caused that injury? That's the big problem for the Petitioners, and that's where they tie themselves in knots. That's where there's lots of complexity to their side of the case.

Their argument, as best I can understand it, is: We lost all that market share, 2012 to 2014, but, gee, the figures still show we were doing good, we were making more money, we were selling more, the prices were fine.

And then things changed in 2015. And what happened is we had to reclaim market share. We were desperate to get volume and market share back, and so we cut the heck out of our prices--dramatically had to cut the heck out of our prices.

Now of course they say that that's to meet imports. Let's think about that for just a second, because I sort of think of this as one of those arguments that sounds pretty good when you say it fast, but when you look at it close it doesn't stand up.

Now let me focus on, cast your mind toward the last quarter of 2014. And you might take a look at page one of Mr. Dugan's charts. And they're nice because they break it down. Three of those charts, actually all of those charts are broken down by the last half of 2014 and the first half of 2014.

Here's where the industry comes to you and says there came a point where we became desperate. We had to get volume. We had to cut prices to do it. It's clear that wasn't the posture they were in in the last half of 2014. Look at all these figures here.

Their volume is up. Their capacity utilization was up. And as Mr. Dugan said, it was at levels higher than they were in the last time you looked at this industry in the sunset review and found that it wasn't vulnerable to imports. Their profits were well up.

I ask you whether it is even remotely credible that these pictures show an industry that has to do what this industry says is the key thing that caused its injury. Namely, we were desperate to get volume back to save ourselves, and we cut prices to do it. You can't do that.

But if you listen closely to what they say, that is really not what they say. They say they had to cut prices in 2015 to meet conditions in 2015. And they say it's all about getting market share back. Forget about market share, please. In this issue it's volume, not market share that counts.

We've told you there are a bunch of other factors that contributed to declines in import prices, most notably declines in raw materials, declines in all sorts of commodity prices. Put that aside for a second and let's just look at what the U.S. industry says. This is a volume issue. We had to get the volume back. We had to cut prices.

Is it imports behavior in 2015? Because remember, last half of 2014 it wasn't any behavior of anything that gave them--made them so desperate. It had to be something that occurred in 2015. Was it imports behavior? I don't think you can reasonably find that.

Imports were declining. Sure there was a spike in the first month, but imports were declining through this period.

But turn if you would for a second to Mr. Dugan's chart number 3. It says demand declined in 2015. And particularly demand declined between the last half of 2014 and the first half of 2015.

Now these figures--I did some calculations. Those bars don't look like such a dramatic decline, but remember this is demand in the whole market that dwarfs imports which are a relatively small portion of this market. I would suggest you take a look. Do some computations. I did it myself. I can't discuss it in public. I did it myself on the Petitioners tables of domestic consumption, and it comes out to a very big decline in domestic consumption between the last half of 2014 and the last half of 2015.

I don't think Petitioners are wooling you around when they said we needed to get volume back, and we needed to cut prices to do so, but I don't think it's remotely credible, and you need to analyze this to tell the Commission whether it's remotely credible, that it was getting volume back from imports that they had to do.

You had a very substantial decline in domestic consumption. And the U.S. industry priced the heck out of things to get volume back. That's what happened here, and that's nothing to do with imports.

Let me turn now to another issue in this case that got talked a lot about. You asked a question about whether there was a temporary phenomenon here, and you were talking about something else, whether it was a temporary decline in demand in 2015. There's one clearly temporary phenomenon that happened in this case, and it happened in 2014.

And that is, there was a substantial increase in imports--what the U.S. industry constantly refers to as "the surge," --I tried to do that in sephocal tones but I'm not real good at that. And there's a lot of talk about what causes the surge.

We had a lot of discussion with you about the cold winter, and the closing of the lakes, and the difficulties that--the various difficulties the U.S. industry had that led to the U.S. industry not being able to handle the significant increase in demand that occurred, that everybody agrees occurred in 2014.

Their story is entirely different. Their story is, here are these foreign producers. They all have sluggish or declining domestic markets. They all have big excess capacity--not true of my clients in the Netherlands, by the way, but I had to get that in.

There's a problem with that argument, though. Because they say that's been true all along. They say that's true now. They say that's true in their threat argument. They say that's why you ought to find threat. All those things that they say are producing the big surge in imports in 2014, they say they're still there now.

Turn back a page. Look at the chart on number two, and look at what happened to the imports this year. Look at that decline. Forty-six point seven percent decline. If all those factors are bringing increases in imports or looking towards increases in imports that caused that surge in 2014, if all those factors are still here, why do you have a 46.7 percent decline this year? It's not credible.

But let me pause here for just a second because I think we have much the better of that argument. But frankly, I don't think you have to decide that. You don't have to decide what caused--for purposes of present injury, you don't have to decide what caused the surge in imports in 2014.

The important fact is that it ended. It started. It was pronounced. It's long gone. Imports have fallen dramatically since then. And what caused it is not for present injury purposes relevant, I suggest to the Commission's analysis.

It may have some relevance to threat. If you were to find that some cause that's likely to recur--it's not there now, was there in 2014, likely to recur--I can't imagine what that would be--but that might be relevant to threat. But it's not relevant to present injury. What's relevant to present injury is the correlations.

What's relevant to present injury is the link between rising imports and declining U.S. operating results. That linkage never occurs. It never occurs in 2014. It never occurs in 2015. There really isn't a case here. There is no present injury case. And I don't think there's a heck of a lot of threat case either.

So, Jim, it's really been good. I'm going to miss giving you gas for the next God knows how many years I'm going to be able to hang on here. You know me, they're going to have to carry me out feet first.

Gentlemen, thank you, ladies, thank you for your attention.

MR. BISHOP: Mr. Chairman, before we continue I just wanted to let everyone know that I just received word that John Greenwald passed away today. I just wanted to let everyone know. He was a good colleague and a good guy. Thanks.

MR. CORKRAN: I'd like to thank everyone in this room for all your help and your testimony today. On behalf of the Commission and the staff, I want to thank all the witnesses who came here today, and all the counsel for helping us gain a better understanding of the product and the conditions of competition in the Hot-Rolled Steel Flat Products Industry.

We have had a lot of levity here today, which is very good, and I'm just kind of sorry that we're now going to end on a down note. So I don't think there's really much I can say further on that.

Before concluding, please let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for the submission of post-conference briefs is Friday, September 4th.

If briefs contain proprietary information, a public version is due on Tuesday, September 8th. The Commission has tentatively scheduled its vote on these investigations for Thursday, September 24th, and it will report its determinations to the Secretary of the Department of Commerce on Friday, September 25th.

The Commissioners opinions will be issued on Friday, October 2nd.

Thank you all very much for coming. This conference is adjourned.

(Whereupon, the meeting was adjourned at 4:20 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey and the United Kingdom

INVESTIGATION NOS.: 701-TA-545-547 and 731-TA-1291-1297

HEARING DATE: 9-1-2015

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 9-1-2015

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

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I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Gregory Johnson
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I hereby certify that I reported the above-referenced proceedings 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 proceedings.

SIGNED: Gaynell Catherine
Signature of Court Reporter