

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
STAINLESS STEEL PLATE FROM) Investigation No.:
BELGIUM, ITALY,) 701-TA-379 and
KOREA, SOUTH AFRICA AND) 731-TA-788, 790-793
TAIWAN)

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Thursday,
 May 26, 2011

Room 101
 International Trade Commission
 500 E Street, S.W.
 Washington, D.C.

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

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On behalf of the International Trade Commission:

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 CHARLOTTE R. LANE, Commissioner
 DANIEL R. PEARSON, Commissioner
 SHARA L. ARANOFF, Commissioner
 DEAN A. PINKERT, Commissioner

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P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN OKUN: Good morning. Investigation No. 701-TA-379 and 731-TA-788 and 790 to 793, second review, involving Stainless Steel Plate from Belgium, Italy, Korea, South Africa, and Taiwan.

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

The schedule setting forth the presentation of this hearing, notice of investigation and transcript order forms are available at the public distribution table.

All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table.

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

1 questions regarding the time allocations should be
2 directed to the Secretary.

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

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

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

15 MR. BISHOP: Yes, Madame Chairman. I would
16 note for the record that, with your permission, I have
17 added Messrs. Salas and Lacor from ThyssenKrupp to
18 page 2 of the witness list for today.

19 CHAIRMAN OKUN: Thank you, Mr. Secretary,
20 and thank you to those witnesses who agreed to stay to
21 be available for questions today. Part of the reason
22 for scheduling back-to-back hearings, which is unusual
23 for the Commission, was to accommodate witnesses on
24 our business, our industry witnesses, who we know have
25 other things they should be doing.

1 It's our job to be here every day, but I
2 know it's your job to be somewhere else. So we
3 appreciate you being with us. And again, we tried to
4 schedule this to accommodate having you here and
5 getting you home in a timely way. So thank you very
6 much for that. And with that, we will begin with
7 opening remarks.

8 MR. BISHOP: Opening remarks on behalf of
9 those in support of continuation of the orders will be
10 by David A. Harquist, Kelley Drye and Warren.

11 CHAIRMAN OKUN: Good morning.

12 MR. HARTQUIST: Good morning, Madame
13 Chairman, members of the Commission, and staff. It's
14 good to see you again this morning.

15 I am David A. Harquist of the law firm
16 Kelley Drye and Warren, here with members of the
17 domestic stainless steel coiled plate industry to ask
18 that you continue the anti-dumping and countervailing
19 duty orders on stainless steel plate from Belgium,
20 Italy, Korea, South Africa, and Taiwan.

21 The stainless coiled plate industry needs
22 continuation of these orders to prevent recurrence of
23 material injury to the industry to the industry if the
24 orders were revoked.

25 While the industry has seen improvement

1 since the great recession of late 2008 and 2009, the
2 recovery has been slow, and is by no means
3 irreversible. The industry is recovering from record-
4 low demand levels of only about 85,000 tons in 2008
5 and 2009.

6 Domestic consumption in 2010 was still among
7 the lowest reported over the life of these orders, and
8 remained about 43 percent below 2006 levels.

9 Despite the remedial effect on subject
10 imports of the orders under review, U.S. producers
11 have suffered declines in most of their trade and
12 financial variables in the most recent years of the
13 current period of review.

14 Compared to either the period of the
15 original investigation or the year in which these
16 orders were last continued, the domestic industry's
17 production and shipment volumes are down, capacity
18 utilization is severely reduced, and we have fewer
19 production and related workers.

20 The average operating profit for 2009 and
21 2010 was low. Volatility in the market could not make
22 continued, would not make improvement continued likely
23 if import volumes increased at prices that undersell
24 the domestic industry.

25 But for the continuing remedial effect of

1 the order subject to the review, the domestic industry
2 would have performed much more poorly during the
3 recession, and would not have improved to the extent
4 it has during the recovery. Moreover, the industry is
5 susceptible to intense swings in raw material costs
6 that put great pressure on pricing. The huge spike in
7 raw material prices in the middle of the period of
8 review, followed by crashing prices and demand that
9 came with the recession, have made the industry's
10 customers very skittish. These customers also
11 continue to perform more poorly than they did before
12 the recession.

13 Under these conditions, domestic industry
14 prices and profits would quickly fall if the market
15 were to try to absorb a surge in imports from the five
16 subject countries at prices that undersell domestic
17 producers.

18 If these orders are revoked, imports from
19 the subject producers will quickly increase. Foreign
20 producers have continued to increase capacity to
21 produce coiled plate, have high levels of unused
22 capacity, and show a significant export orientation.
23 They also face a world market in which there is a glut
24 of capacity to produce stainless plate that is
25 predicted to continue at least through 2015.

1 In contrast, they see an attractive U.S.
2 market with recovering demand, and with higher prices
3 relative to most alternative export markets. Faced
4 with worldwide over-capacity and excess capacity in
5 their own mills, and presented with an open and
6 relatively high-priced U.S. market, subject producers
7 will quickly overwhelm the U.S. producers if the
8 orders are revoked.

9 Past pricing behavior and current
10 underselling by subject imports indicates likely
11 injurious price effects on the domestic industry,
12 absent the discipline of the orders. At a time of
13 volatile raw material costs, it's critical that the
14 industry be able to maintain prices at levels that
15 cover costs, regardless of which way raw materials
16 move.

17 Because the market for stainless steel
18 coiled plate is highly price-sensitive, significant
19 changes in demand or supply can quickly change the
20 outlook for the industry.

21 We respectfully submit an affirmative
22 finding with respect to all of the outstanding orders
23 is warranted in this review.

24 Thank you.

25 CHAIRMAN OKUN: Thank you.

1 MR. BISHOP: Opening remarks on behalf of
2 opposition to the continuation of the orders will be
3 by Lewis E. Leibowitz, Hogan Lovells.

4 CHAIRMAN OKUN: Good morning.

5 MR. LEIBOWITZ: Good morning, Madame
6 Chairman, members of the Commission, staff. Here we
7 are again. I am Lewis Leibowitz, and I appreciate the
8 opportunity to be before you. I'm representing the
9 sole Italian producer of stainless steel plate and
10 coils, and the sole Respondent that is represented
11 here at the hearing.

12 The anti-dumping order on stainless plate
13 and coils should be revoked. Petitioners who have
14 chosen to appear today -- the absence of AK Steel is
15 noted -- have offered no evidence to support their
16 bald assertions.

17 It's not that Mr. Hartquist has his facts
18 wrong; he has no facts. The domestic industry is not
19 in a vulnerable condition, and we'll show that.

20 Subject to producers, including TKAST, the
21 Italian producer, don't have excess capacity.
22 Capacity, as we heard yesterday and we'll hear again
23 today, is a very amorphous concept. The important
24 thing to remember is when you invest in additional
25 capacity, you're optimistic about the future.

1 They also have no support for the assertion
2 that ThyssenKrupp's Alabama mill, which is already up
3 and running but not yet producing stainless steel
4 plate and coils -- will be soon -- is speculative
5 production. It is not speculative; it is real, as
6 your staff who visited the mill found out, and as
7 we'll show further today.

8 The order on Italy clearly should be
9 revoked, looking at the Italian motives and
10 capabilities. They don't have the capacity or the
11 motivation to send stainless plate and coils to the
12 United States. Cumulation with other producers in
13 this case is inappropriate. Likely, imports from
14 Italy will have no discernible adverse impact, because
15 they are going to be essentially zero.

16 TKAST capacity has declined during the POR.
17 Petitioners ignore that. The TK Alabama mill will
18 soon produce stainless plate and coils, on the same
19 equipment which will be used to produce feed stock for
20 stainless steel sheet and strip in Alabama, as we
21 heard yesterday, and for their affiliated mill in
22 Mexico, Mexinox.

23 Because of the interrelationship of
24 stainless plate and coils and stainless sheet and
25 strip, we'll provide additional information on the

1 structure of Alabama's operations and its marketing
2 strategy.

3 A critical part of this strategy is local
4 production of stainless plate and coils, which will be
5 vertically integrated by 2013. This would provide
6 inadequate time for anyone to invade the U.S. market,
7 and then stop in just a couple of years. The Italians
8 don't want to do that.

9 Local production for them means marketing in
10 Italy and Europe. It's an active and vibrant market.
11 And prices are higher, generally, than they are here,
12 because of currency relationships and the cost of
13 transporting material over to the United States,
14 relatively low value compared to sheet and strip, is
15 daunting.

16 The Alabama's marketing structure, as you
17 will hear, will control the affiliate's access to the
18 U.S. and North American markets, in accordance with
19 their local production strategy.

20 The U.S. industry isn't vulnerable because
21 the numbers are solid, in the record. Capacity
22 additions show that the domestic industry is
23 optimistic, not to mention the \$1.4 billion stainless
24 steel mill in Alabama.

25 Capacity utilization in this case is not a

1 meaningful predictor of economic performance. There
2 are other things that are much more useful.

3 Now, the market is inextricably linked, as
4 we said, with stainless sheet and strip. Two
5 Petitioners help make our case. I've already
6 mentioned one: AK Steel has not participated actively
7 in this case. They are not concerned about the
8 continuation of these orders.

9 North American Stainless supports the
10 termination of the orders on South Africa, their
11 affiliate. They're not concerned about exports from
12 South Africa to the United States because they can
13 control them. The domestic industry is speaking with
14 many conflicting voices in this case.

15 Now, the stainless industry has been
16 protected, in one form or another, for 37 years. It's
17 time to end it.

18 Thank you very much.

19 CHAIRMAN OKUN: Thank you.

20 MR. BISHOP: Would our first panel, those in
21 support of continuation of the anti-dumping and
22 countervailing duty orders, please come forward and be
23 seated? Madame Chairman, all witnesses have been
24 sworn.

25 CHAIRMAN OKUN: Thank you. You may proceed,

1 Mr. Hartquist.

2 MR. HARTQUIST: Thank you, Madame Chairman.
3 Given that all the witnesses today appeared yesterday,
4 I won't take the time to reintroduce them to you this
5 morning, and we'll jump right in to testimony by our
6 opening witness, Terry Hartford of Allegheny Ludlum.

7 MR. HARTFORD: Thank you, Skip. Good
8 morning again. I appreciate the opportunity to appear
9 before you again, this time to discuss our stainless
10 coiled plate operations.

11 For the record, I'm Terry Hartford, Vice
12 President and General Manager of the Stainless Sheet
13 Business Unit at ATI Allegheny Ludlum. I've been with
14 Allegheny for almost 30 years. In addition to my
15 responsibilities for overseeing stainless sheet
16 operations, as I discussed yesterday, I'm also
17 responsible for the oversight of all commercial,
18 operational, financial, technical activities for our
19 stainless coiled plate business.

20 I appear today in support of retention of
21 the orders against stainless steel coiled plate from
22 Belgium, Italy, Korea, South Africa, and Taiwan.

23 Allegheny Ludlum was a petitioner in the
24 stainless steel plate cases in the late 1990s. As was
25 true of the stainless sheet market at that time, the

1 stainless plate market was strong, and demand was
2 increasing. Yet even with strong demand, dumped and
3 subsidized imports quickly decimated our market.
4 Their aggressive dump prices caused the industry's
5 operating profits to fall from a positive-19 percent
6 in 1995, to a loss in 1997.

7 This rapid deterioration in the industry's
8 financial condition when unfairly traded imports of
9 stainless plate increased into our market demonstrates
10 how quickly our industry's fortunes can turn, even
11 under strong demand conditions.

12 Unfortunately, we are not looking at those
13 same strong demand conditions today in the U.S. plate
14 market. Consumption of stainless steel plate in the
15 past few years has fallen to levels well below those
16 we enjoyed in the late 1990s, and below those we saw
17 as recently as 2006 and 2007.

18 Although we are seeing some recovery in
19 certain end-use markets, second-quarter-2011 demand
20 appears to be lagging when compared to the first
21 quarter. Our weakened trade position and profit
22 levels in stainless coiled plate are vulnerable to
23 unfairly traded imports today. If subject imports
24 could cause the rapid financial deterioration from a
25 19-percent operating profit to a loss in just three

1 years -- again, that was 1995 to 1997 -- when demand
2 was strong, it is not difficult to project the
3 devastation subject imports will cause to our industry
4 under the reduced demand and depressed-rate conditions
5 we are facing today.

6 As discussed in detail in our brief, the
7 effects of the economic recession were substantial,
8 causing our industry to suffer declines in sales, and
9 a severe deterioration in its financial condition. We
10 were forced to idle one of our mills and to lay off
11 workers.

12 If these orders had not been in effect, the
13 impact of the 2008-to-2010 recession would have been
14 even more damaging to our volume, prices, and
15 profitability.

16 While 2010 saw some upturns from '09, our
17 industry is still in a highly vulnerable condition.
18 The domestic stainless coiled plate industry has
19 significant idled capacity, and needs to recoup lost
20 profits to permit continued investments and
21 facilities.

22 Over the review period, Allegheny Ludlum has
23 invested in improving our efficiency, and in new
24 technologies, to supply the market, and is continuing
25 to do so.

1 As a capital-intensive industry, we must
2 make continued investments to remain competitive. If
3 subject imports surge back into our market and cause
4 the financial losses that they did before the order
5 was imposed, as I have every reason to believe will
6 occur based upon their underselling practices, our
7 industry will not be able to continue to make these
8 needed investments.

9 In the stainless coiled plate market we are
10 seeing some modest recovery this year, but at a level
11 that is still well below historical consumption
12 levels. Nor do we project consumption in the next few
13 years to return to the high demand levels we enjoyed
14 in 2006 and 2007.

15 We are hoping, however, that we are able to
16 supply any modest demand growth that does occur with
17 our unused U.S. capacity. What we cannot afford to
18 have happen is for the subject imports, freed from the
19 restraints of the anti-dumping orders, to surge back
20 into this market and supply U.S. demand growth by
21 selling at low, dumped prices. That is precisely what
22 will happen, however, if the orders are revoked.

23 The countries at issue in this plate review
24 have substantial unused capacity to produce stainless
25 steel plate. In looking at this capacity you should

1 bear in mind that any hot-rolling capacity that a
2 stainless steel producer has that is not being used,
3 could be used to produce coiled plate.

4 Many mills, like Allegheny Ludlum, have
5 significant hot-rolling capacity that is used to
6 produce a wide array of products. When we calculate
7 capacity to produce stainless plate, we allocate
8 capacity to that product, just as we do for other
9 products.

10 But, when there is idle hot-rolling capacity
11 just sitting there, that capacity, whether or not
12 allocated to plate or any other product, could most
13 definitely be used to produce coiled plate.

14 Further, since this hot-rolling capacity is
15 indeed under-utilized, then producers will make
16 decisions at the margin. And the marginal cost of
17 making the next incremental ton is very low. The
18 producer has an incentive to reduce his price in order
19 to use this "free" capacity to make coiled plate. We
20 are confident that these are the actions that the
21 producers and the subject countries will take.

22 What prevents them from fully exploiting
23 this today is the existence of these orders; and if
24 the orders are lifted, they will have an open door to
25 dump low-priced coiled plate in the U.S. market once

1 again. Most of the foreign mills that are subject to
2 this order are major stainless steel producers that
3 manufacture not only plate, but other products, like
4 stainless sheet, that require hot-rolled steel inputs.

5 The companies under review -- Asperam in
6 Belgium, ThyssenKrupp in Italy, POSCO in Korea,
7 Columbus Stainless in South Africa, and YUSCO in
8 Taiwan -- are major producers of stainless products,
9 and have substantial hot-rolling capacity.

10 Further, many of those mills actually added
11 stainless production capacity during the period of the
12 global recession. This new capacity is directed at
13 export markets, with the U.S. market a prime target of
14 the increased and excess capacity.

15 In a capital-intensive industry like
16 stainless steel plate, producers try to increase
17 production when they can to reduce costs. Thus, there
18 is every incentive for these foreign producers, with a
19 demonstrated interest in the U.S. market and an export
20 orientation, to send increasing volumes of stainless
21 plate to the U.S. market if the orders are revoked.

22 With substantial hot-rolling capacity that
23 they individually and collectively possess, those
24 exports would decimate the U.S. stainless plate
25 industry. Chinese production in particular is forcing

1 foreign stainless coiled plate producers to look for
2 new markets. Exports by subject countries that had
3 been focused on China are now being increasingly
4 displaced.

5 China is also increasing its own exports of
6 stainless coiled plate. China is now in that exporter
7 of stainless coiled plate, and targets both the U.S.
8 market and other subject country home markets with
9 those exports.

10 These increased exports by China place
11 further pressure on subject producers to increase
12 exports, as sales in their home markets are displaced.

13 The U.S. market has been and remains an
14 attractive outlet for the subject producers. As was
15 true before the orders were imposed, and has been true
16 to some extent with the orders in place, subject
17 imports will use low dumped prices as a means of
18 penetrating our market.

19 Information you have gathered demonstrates
20 that Belgium is already undercutting U.S. prices in
21 many instances, even with the orders in place. If the
22 orders are removed, the price undercutting by these
23 and other subject imports will become even worse.

24 Absent the orders, the Commerce Department
25 has already found that the subject producers will

1 return to dumping. Their prices will undercut our
2 prices to an even greater degree than they do today.
3 The stainless steel plates industry financial position
4 will deteriorate, and employees will lose jobs.

5 The large available hot-rolling capacity at
6 the major foreign producing and exporting facilities
7 that are subject to these orders will permit them to
8 export massive volumes of stainless plate to the U.S.
9 market. The return of large volumes of low-priced and
10 unfairly traded imports will deprive us of much-needed
11 sales and revenue, and will prevent increased domestic
12 utilization rates.

13 A decline in sales will also translate into
14 a need to idle facilities and lay off workers once
15 again. For all of these reasons, on behalf of
16 Allegheny Ludlum, I urge you to find that injury to
17 our industry is likely to recur if these orders are
18 removed, and to leave the orders in place.

19 Thank you.

20 MR. HARTQUIST: Thank you, Terry. Our next
21 witness is Pat Feeley of North American Stainless.

22 MR. FEELEY: Thank you, Skip. Good morning
23 again. My name is Pat Feeley, and I am Vice President
24 of Commercial Operations for North American Stainless.

25 I have spent the last 26 years in the steel

1 industry, the last 16 of which have been at North
2 American Stainless. My career at NAS has been
3 involved in sales and marketing of stainless steel
4 flat-rolled products, including stainless steel coiled
5 plate.

6 I appreciate the opportunity to testify
7 before you again today to support continuation of the
8 anti-dumping duty orders against Belgium, Italy,
9 Korea, and Taiwan.

10 North American Stainless, located in Ghent,
11 Kentucky, has been producing stainless steel flat-
12 rolled products since 1993. NAS is a world-class
13 manufacturer of stainless steel coiled plate, and this
14 product is a very important part of our product mix.

15 We are competitive with any stainless steel
16 coiled plate producer in the world, as long as that
17 producer is trading fairly, maintaining our
18 participation in this market at healthy production
19 levels, and price is as essential to the overall
20 success of our company.

21 We are very concerned about the injury that
22 will be caused by imports of large quantities of
23 dumped stainless steel plate in coils from these
24 countries. Please keep in mind that the size of the
25 coiled plate market is much smaller than the size of

1 the sheet and strip market; yet the over-capacity that
2 exists for this product in the world market is
3 proportionately as large, or larger. It takes fewer
4 tons of dumped coiled plate to have a significant
5 impact on the market, particularly when those tons are
6 backed by the capacity of some of the largest coiled
7 plate producers in the world, such as ThyssenKrupp,
8 POSCO, YUSCO, and Asperam.

9 These subject companies are four of the six
10 largest stainless steel flat-rolled producers in the
11 world, with the capacity, sales, and marketing
12 organizations to send large quantities of stainless
13 coiled plate to this market at very low prices.

14 When these companies dump stainless coiled
15 plate into this market, it has a serious negative
16 effect on prices. Therefore, it is extremely
17 important that they not be permitted to resume dumping
18 into this market without the discipline of the dumping
19 orders.

20 Like stainless steel sheet and strip,
21 stainless plate and coils is sold primarily on the
22 basis of price, with the major mills largely
23 interchangeable as far as the customer base is
24 concerned. None of the subject foreign producers can
25 honestly claim an advantage over NAS in product

1 offerings for quality. We can produce cold-rolled
2 plate for those customers that want it, and we can
3 produce wide-width plate.

4 The thing our customers tell us when we are
5 negotiating with them is not that NAS can't provide
6 them with the product that they want, but that the
7 subject foreign producers can provide what they want
8 at a lower price. That will become a much bigger
9 problem for NAS if these orders are revoked.

10 Stainless steel coiled plate is sold
11 primarily on the spot market. Given all of the
12 volatility in raw material costs, plate prices and
13 demand over the last several years, our customers have
14 been extremely attuned to small shifts in the market.
15 They expect us to respond to lower prices in the
16 market, or they will seek out lower-priced offers.

17 All other things being equal, the best price
18 is going to take the sale. Available import tonnage
19 at low prices can quickly turn U.S. prices downward,
20 or prevent us from getting the necessary price
21 increase to cover rising costs.

22 NAS has significant unused capacity to
23 produce stainless steel coiled plate, a condition that
24 is likely to persist in the foreseeable future despite
25 moderately increasing demand. The United States is an

1 open and attractive market, with prices and demand
2 levels that are likely to attract increased imports
3 from the subject countries, and they all have active
4 marketing organizations here.

5 The Belgian producer, Asperam, formerly
6 Arcelor Mittal, has remained quite aggressive in this
7 market. They make virtually every product we make,
8 have a lot of unused capacity, and have been very
9 willing to dump in this market. If they are not kept
10 under order, we can expect to see their shipments to
11 the United States surge at whatever low prices are
12 necessary to win additional market share here.

13 The same is true of the producers in Italy,
14 Korea, and Taiwan. Prices for stainless plate in Asia
15 have been lower than those in the United States. And
16 over-capacity for stainless flat-rolled products is
17 greater in Asia than in any part of the world.

18 Demand will not outpace capacity in Asia for
19 many years. And China will likely attract few
20 imports, and engage in more aggressive exporting.

21 As Chinese capacity grows, opportunities for
22 the Korean and Taiwanese producers in Asia are going
23 to decline, and the attractive and open U.S. market
24 will be the market of preference for those producers,
25 if the orders are not maintained.

1 As Mr. Hartford has testified, these subject
2 producers represent a very large amount of capacity
3 likely to be targeting the U.S. market if the orders
4 are revoked. All of these companies have shown an
5 interest in this market, a willingness to undersell us
6 to make sales, and enough excess capacity to drive
7 market prices downward, if they are released from the
8 discipline of the orders.

9 We also know that the producers in each of
10 these, in the subject countries, have remained
11 significant exporters of stainless plate, and that is
12 not likely to change. Given the opportunity to export
13 to the United States without the risk of anti-dumping
14 duties, they will begin exporting to the United States
15 in larger quantities, and at lower prices. An influx
16 of imports of stainless plate into the U.S. market at
17 unfairly low prices will have serious negative
18 consequences for our industry.

19 NAS has benefitted from these orders in a
20 highly competitive and price-sensitive stainless plate
21 market. Just as I testified yesterday, prices must be
22 a function of production costs for the industry to
23 prosper. A market characterized by intense price-
24 based competition cannot afford for a disconnect to
25 occur between prices and cost. We had that disconnect

1 between prices and cost during the recession of 2009,
2 when demand all but disappeared. You've seen what the
3 result was for NAS and the industry in 2009. Things
4 would have been much worse if the orders had not been
5 in place then.

6 The same disconnect between prices and cost
7 can happen very quickly, if there is a significant
8 increase of imports of stainless steel coiled plate at
9 dumped prices.

10 As I testified yesterday, when things go
11 bad, they tend to go bad quickly. The continuation of
12 these orders is therefore critical to the future of
13 the U.S. stainless steel coiled plate industry. And I
14 urge you to continue the orders against Belgium,
15 Italy, Korea, and Taiwan. Thank you.

16 MR. HARTQUIST: Thank you, Pat. Our next
17 witness will be Edward Blot.

18 MR. BLOT: Good morning again. I am Edward
19 Blot, President of Ed Blot and Associates. My company
20 provides consulting services to North American
21 producers, distributors, and consumers of specialty
22 metals. As a regular part of these services, I
23 provide market analyses concerning stainless products.

24 This morning I will address four topics
25 supporting the industry's position that the current

1 orders on stainless plate coil should not be revoked.
2 First I will comment on some statements made by TKAST
3 in their prehearing brief. Second, I will discuss the
4 stainless production and over-capacity in China, as it
5 affects the markets in the U.S., Asia, and Europe.
6 Third, I will discuss how the orders have led to
7 product form shifting from coil to cut plate. And
8 lastly, I will present my analysis for demand over the
9 next few years.

10 In their brief, TKAST claims that the new
11 stainless mill in Alabama will eliminate the need for
12 imports from Italy once the second project phase
13 equipment is installed later this year. However, they
14 admitted at the hearing yesterday that they would not
15 begin plate production at the Alabama mill until 2013.

16 This discrepancy again appears to be part of
17 an ever-changing strategy.

18 The second issue I'd like to address this
19 morning is the China factor, and the effect that the
20 explosion of capacity to produce stainless plate in
21 China is having on the global market and on exports to
22 China by subject producers. That China is now an
23 exporter of stainless plate.

24 Since 2005, China's plate coil exports
25 increased over 100,000 percent, while subject-country

1 total exports to China declined substantially, as
2 shown in the industry brief Exhibit 6.

3 The Chinese research group, NTYKE,
4 calculates that Chinese stainless production will
5 increase 13 percent, to 14 million metric tons this
6 year, while consumption will increase to 11.5 million
7 metric tons, leaving a 2.5-million-ton surplus, much
8 of which will be exported. Those exports will create
9 competitive conditions in the U.S. market, and in many
10 subject country markets as well, as preventing any
11 further increases in imports of stainless plate into
12 China.

13 I would like to direct your attention to my
14 handout, which you should have, from the domestic
15 industry brief at Exhibit 8. Excuse me, at Exhibit 4.
16 This table D tells the Department of Commerce import
17 statistics of stainless plate in both coil and cut
18 length, from the countries subject to these orders.

19 Once the orders were issued, coiled plate
20 shipments from the subject countries decreased as
21 expected. However, there was a significant increase
22 in cut length from the same countries producing coil.
23 Specifically, during the 1996-through-1998 period, cut
24 length from the subject countries averaged about 23
25 percent of their total plate coil shipments in both

1 forms.

2 During the first and second period of
3 reviews, the cut length from the subject countries
4 averaged about 65 percent and 87 percent,
5 respectively, of their total shipments in both forms.
6 Clearly demonstrating the significant product form
7 shifting.

8 The major purchasers of coil plate are
9 distributors, pipe producers, tank manufacturers. The
10 major distributors prefer to inventory coil plate
11 because they have the equipment to cut the coil into
12 any desired length by the end user. The pipe and tank
13 manufacturers prefer coil plate that they roll form,
14 cut to length, and weld.

15 With the orders in place for coil plate at
16 significant margins, each producer could easily offer
17 cut plate at the same price it offered coil to a
18 customer. And the cost increase of producing cut
19 plate from coil, including any yield loss, can easily
20 be absorbed to offset duties in excess of three
21 percent at today's prices.

22 The advantage to the purchaser would be to
23 eliminate the processing costs of coil into cut plate,
24 and the loss of flexibility would be offset by the
25 price.

1 Since KEN MAC Metals is a U.S. distribution
2 arm of ThyssenKrupp, the transition would be easy for
3 them. Also, Ta Chen International produces pipe in
4 Taiwan, with materials sourced from YUSCO. Ta Chen is
5 also a major distributor with locations throughout the
6 U.S. They told me that once the orders were issued,
7 they switched to cut length plate to avoid paying
8 duties on coil plate. If the orders are revoked,
9 however, the economics revert to a preference for the
10 coil plate.

11 In the TKAST brief, they use the 2010
12 consumption growth over 2009 to state that future
13 growth will be robust. Again, this is the same theme
14 expressed by the subject producers during the hearing
15 at the first review. And the Commission may recall
16 that my analysis was for a decrease in consumption
17 over the 2005 and 2007 period, not a robust increase.
18 And the staff report data in the second review verify
19 this declining consumption, just the opposite of what
20 the Respondents presented during the last review.

21 Now, my current analysis is for a very
22 modest, not robust, increase in demand for stainless
23 plate over the next three year. The increased
24 consumption will still put the U.S. market well below
25 previous high levels.

1 You should recognize that the apparent
2 growth in consumption last year was fueled by three
3 major factors, as I stated yesterday. First, the
4 great recession in the U.S. ended, and customers began
5 purchasing for projects that had been on hold due to
6 that recession for available financing.

7 And second, the entire supply chain was
8 rebuilding inventory, in addition to placing orders
9 for their current capital and consumer-good
10 requirements.

11 Third, as the prices started to increase due
12 to raw material costs, the major purchasers were
13 placing additional orders to ensure that they could
14 supply the end users at the lowest cost.

15 The supply chain is now full, and
16 consumption growth will be modest. In the absence of
17 the orders, stainless plate coil producers in the
18 subject countries will have the incentive to ship
19 product back from cut length to coil, and undersell
20 the domestic producer pricing, which is not increasing
21 in a modestly growing market over the next few years.

22 Thank you.

23 MR. HARTQUIST: Thank you. Our last speaker
24 today is Brad Hudgens of Georgetown University.

25 MR. HUDGENS: Good morning. This morning I

1 would like to summarize the likely impacts of the
2 revocation of the orders under review here would have
3 on the domestic industry producing stainless plate and
4 coils. In turn for the likely volume of imports that
5 would enter the United States if the orders are
6 revoked, the producers in each of the subject
7 countries have maintained substantial production
8 capacity. In fact, all of the subject countries have
9 increased capacity since the original investigation.
10 All are export-oriented, and are likely to use their
11 excess capacity to export to the United States.

12 The Commission's record indicates that the
13 United States remains an attractive market for plate
14 imports. In three of the six years of the current
15 period of review, total import market share reached
16 near-historical levels. Absent the duties, imports
17 subject to these reviews would likely have captured
18 more market share from the domestic producers.

19 Asperam, the sole Belgian producer of
20 stainless plate, has substantial unused hot-roll
21 capacity that could be used to increase its production
22 of stainless plate.

23 The data in the staff report that show a
24 reduction in Asperam's capacity during the current
25 period of review are based simply on allocation,

1 rather than on true capacity levels. There is no
2 indication of an actual capacity reduction. Even
3 using these allocated figures, Asperam's capacity to
4 produce stainless plate increased since the original
5 investigation.

6 If the order against Belgium were to be
7 revoked, Asperam would likely use the excess capacity
8 to increase exports to the United States. Asperam
9 continues to be export-oriented, and has maintained a
10 significant U.S. presence during this review period.
11 In fact, it maintains an office in Norristown,
12 Pennsylvania to service the U.S. market.

13 As Mr. Blot indicated just earlier, the
14 record also shows Asperam has shifted a significant
15 share of exports from coiled to cut plate to avoid
16 dumping duties, further increasing its U.S. market
17 presence.

18 With respect to Italy, TKAST has also
19 increased capacity since the original investigation.
20 As I indicated yesterday, TKAST launched a 340-
21 million-euro investment program in 2007 to increase
22 its annual capacity at the Terni facility where
23 stainless plate is produced.

24 The producer continues to be export-
25 oriented, and has been forced to shift sales away from

1 China, to other, smaller markets in recent years. The
2 United States would likely become an important market
3 for TKAST if the order against Italy is revoked, given
4 the evaporating Chinese market and the saturated
5 European market.

6 In yesterday's hearing, ThyssenKrupp
7 testified that its Alabama facility would not start
8 plate production until 2013, so this facility would
9 not affect imports of plate in the foreseeable future.

10 Korean capacity to produce stainless plate
11 is also substantial, and has increased since the
12 original investigation. The reduction in POSCO's
13 capacity shown in the staff report was based on an
14 allocation that merely reflects the fact that POSCO's
15 production levels declined, rather than any actual
16 change in capacity levels.

17 Most importantly, POSCO has substantial
18 unused hot-rolled capacity that could be used to
19 increase its production of stainless plate.

20 As I indicated yesterday, POSCO has made a
21 number of significant investments in the last few
22 years that have affected both its stainless sheet and
23 its plate operations. Related to plate, POSCO
24 announced in 2010 an expansion project to increase its
25 specialty steel capacity to 200,000 metric tons.

1 POSCO specifically indicated that this new capacity
2 would be targeted at export markets. In May 2011,
3 POSCO reported that it was able to spend \$2 billion to
4 expand its stainless facilities.

5 POSCO is export-oriented, but has been
6 historically dependent on China as a major export
7 target market. As China has increased its own
8 capacity, including through POSCO's establishment of
9 its own mill in China, POSCO has been forced to seek
10 out other markets for its unused Korean capacity.

11 Korean exports of late to China which
12 accounted for 77 percent of its exports in 2005,
13 declined by 92 percent during the period of review.
14 Given declines in exports to China and the
15 attractiveness of the U.S. market, POSCO is likely to
16 target the United States as a new export market in the
17 event of revocation.

18 Although none of the producers in South
19 America or Taiwan responded to the Commission's
20 questionnaires, record evidence demonstrates that
21 there is also excess capacity to produce stainless
22 plate in these countries.

23 Columbus, the sole producer of stainless
24 plate in South Africa, continues to be heavily export-
25 oriented, with 75 percent of its sales targeted at

1 export markets, according to its web site.

2 YUSCO in Taiwan is a massive stainless
3 producer. YUSCO has publicly reported that it has
4 purchased a new facility for its hot-rolling mill in
5 2010. Two other Taiwanese plate producers, Yun Chang
6 Industrial and Ta Chin, recently stated that they were
7 increasing production, and specifically cited the
8 United States as a reason for this increase.

9 Export statistics show that Taiwan continues
10 to export stainless plate to a large number of
11 countries, although exports to its main target market,
12 China, declined significantly during the review
13 period. Taiwanese exports to China, which accounted
14 for 68 percent of total Taiwanese plate exports in
15 2005, declined by 79 percent over the review period.

16 Again, given the attractiveness of the U.S.
17 market, the Taiwanese producers are likely to target
18 the United States in the event of revocation.

19 Purchasers and importers also indicated in
20 this review that the volume of subject imports would
21 likely increase upon revocation. They further
22 reported that these imports would likely create a
23 downward pressure on U.S. prices.

24 U.S. imports would likely enter the U.S.
25 market at low and injurious prices. Price comparisons

1 between the domestic and the subject imports show that
2 in five of 13 comparisons, imports undersold the
3 domestic product by substantial margins.

4 Given the underselling in a significant
5 minority of comparisons have occurred with the orders
6 in place, severe price competition would take place in
7 the event the orders were revoked.

8 The U.S. industry is sensitive to both the
9 volume and the price effects of unfair import
10 competition in the event of revocation. While demand
11 still is at historically low levels in 2010, volatile -
12 - I'm sorry -- with demand still at historically low
13 levels in 2010 and volatile raw material costs, and a
14 substantial export-oriented capacity poised to turn
15 toward the United States market, a continuation or
16 return to material injury by reason of the subject
17 imports is imminent absent the continuation of the
18 orders.

19 As a result of the recent economic downturn,
20 the domestic industry producing stainless plate has
21 experienced record-low apparent consumption. In 2008
22 and 2009, consumption was roughly 85,000 short tons in
23 each year, which was less than half of consumption in
24 2006.

25 Although consumption recovered somewhat in

1 2010, it still remains very low compared to the levels
2 over the past 15 years. These low-level demands in
3 turn have resulted in domestic production and
4 employment levels being at below-normal levels in
5 recent years.

6 The U.S. industry's financial position has
7 also been adversely affected, and U.S. producers are
8 vulnerable to continued or recurrent injury if the
9 orders are not kept in place.

10 The prospect of unleashing the unfairly
11 traded imports from the five countries that have
12 continued to sell stainless plate in the U.S. market
13 at unfair prices poses a significant threat to the
14 health of the domestic industry. If the foreign mills
15 who are export-oriented with significant unused
16 capacity available to export to the U.S. market
17 quickly, purchasers confirm that U.S. prices would
18 drop, and U.S. producers would likely lose market
19 share if the orders are revoked.

20 Pricing data in this review and in past
21 investigations show that U.S. importers continue to
22 undersell the domestic product. Revocation of the
23 orders would not only cause trade and financial
24 declines, but put the extensive capital investments
25 made by these U.S. producers at risk.

1 For these reasons, we ask the Commission to
2 maintain the orders on Belgium, Italy, Korea, South
3 Africa, and Taiwan. Thank you.

4 MR. HARTQUIST: That concludes our direct
5 testimony, Madame Chairman. And we'd be happy to
6 answer questions.

7 CHAIRMAN OKUN: Well, thank you very much.
8 And again, thank you so much to all the industry
9 witnesses for appearing here today and providing
10 testimony, and answering our questions. Very much
11 appreciated.

12 Just a reminder to repeat your name when you
13 answer questions for the benefit of the court
14 reporter. And we will start our questioning this
15 morning with Commissioner Aranoff.

16 COMMISSIONER ARANOFF: Thank you, Madame
17 Chairman. And welcome back to all witnesses. I know
18 you're trying to fool us by changing the order of the
19 witnesses in the second row. I'll try not to get this
20 wrong.

21 Mr. Feeley, to the extent that you can on
22 the public record, can you elaborate to us on North
23 American Stainless's position with respect to the
24 order on South Africa?

25 MR. FEELEY: I'd be happy to confer in post-

1 hearing brief.

2 COMMISSIONER ARANOFF: Okay. Then let me
3 just elaborate on what it is that I want to know, so
4 that you can supply that post-hearing.

5 In particular, I'm interested in whether
6 North American Stainless takes a position that imports
7 from South Africa would not be harmful to North
8 American Seamless or to the domestic industry as a
9 whole, and why that would be the case. And given the
10 position that you're taking, why we have the level of
11 participation that we do from the related producer in
12 South Africa. And I'll look forward to those answers.

13 The staff report tells us that the past
14 utilization rate for the domestic industry was
15 relatively low from 2005 through 2010, but North
16 American Seamless added capacity in 2006 and 2008.
17 Can you explain why capacity is being added if there
18 is existing capacity that's been going largely unused?

19 MR. FEELEY: We have added capacity
20 essentially for two reasons. One, for domestic
21 expectations that the market would, indeed, grow. We
22 would be able to utilize our equipment and capacity in
23 a much more efficient manner.

24 And second, we have investments, apart from
25 the United States, located in Malaysia, to be

1 specific. And we have requirements that we're going
2 to fulfill, at least in their interim plans, for
3 supply. As Malaysia and our investment begins to
4 mature, they, too, will backwards-integrate, like NAS,
5 and will be in need of hot-roll capacity as a result.

6 So some of that owing to the domestic market
7 and the forecasts and the assumptions, and then some
8 of that owing to the investments we've made elsewhere
9 in the world.

10 COMMISSIONER ARANOFF: Just to understand
11 that, are you suggesting that some of your capacity in
12 the U.S. is going to be used to supply the affiliated
13 user in Malaysia?

14 MR. FEELEY: Indeed, initially that will be
15 the case.

16 COMMISSIONER ARANOFF: Okay. To what extent
17 were the additions in capacity that you were
18 describing related to the market for this product,
19 which is a relatively small product? Versus the
20 market for other stainless steel products.

21 MR. FEELEY: Certainly, our expectation when
22 the investments were approved were that we would see
23 apparent consumption growth, as I think the numbers
24 have -- as we look back, certainly we have not seen
25 the growth that we had quite expected during the

1 period of the investment decision. So we're hopeful
2 that the market will recover, and that we can realize
3 the investments to a larger extent.

4 COMMISSIONER ARANOFF: Looking at capacity
5 utilization is very challenging when you're looking at
6 a product like this, which is produced in conjunction
7 with other products on the same equipment.

8 The question is, why wasn't the capacity
9 utilization that domestic producers reported higher in
10 the period of 2005 to 2007, when we know that the
11 market was tight, and that some customers were placed
12 on allocation?

13 MR. HARTQUIST: Let me ask my colleagues
14 whether we can discuss that in an open hearing, given
15 that we have essentially two producers here. Brad, is
16 that a problem?

17 (Pause.)

18 MR. HARTQUIST: Commissioner, your question
19 is why was there not greater capacity utilization
20 during a period of relatively high demand for the
21 product, essentially?

22 COMMISSIONER ARANOFF: Yes.

23 MR. HARTQUIST: Okay. Mr. Feeley will
24 respond.

25 MR. FEELEY: Thank you. From our production

1 standpoint, in that timeframe we had added additional
2 cold-rolling capacity. And what once would have been
3 used for hot roll was shifted downstream for the new
4 capacity that we had brought online for cold rolling.
5 So to some extent we used that capacity downstream,
6 and I think therefore the amount of utilization may be
7 somewhat lower than what one would expect, but for the
8 reasons I explained.

9 COMMISSIONER ARANOFF: Just so I understand
10 what you're telling me is, it's an issue of how you
11 allocated the capacity?

12 MR. FEELEY: Yes, indeed.

13 COMMISSIONER ARANOFF: Okay.

14 MR. HARTQUIST: Can I also make one other
15 point regarding the allocation?

16 COMMISSIONER ARANOFF: Yes.

17 MR. HARTQUIST: In a post-hearing brief
18 we'll comment more on the allocation issue. The U.S.
19 producers having to fit purchasers on allocation, it
20 is a very small volume, and very product-specific. So
21 it's, so we'll talk about that in a post-hearing
22 brief.

23 COMMISSIONER ARANOFF: Okay, I appreciate
24 that. Mr. Hartford, did you want to add something?

25 MR. HARTFORD: Just a comment with respect

1 to Allegheny Ludlum. And we can check our numbers in
2 our questionnaires, but I believe our capacity
3 utilization during that period indeed did go up as the
4 market strengthened.

5 COMMISSIONER ARANOFF: Okay. Mr. Blot
6 discussed in his testimony, and also there's
7 information in the brief asserting that a subject
8 producer shifted significantly from stainless steel
9 plate in coiled form to the non-subject cut-to-length
10 plate. But the exhibit that Mr. Blot reproduced for
11 us shows that imports of stainless steel plate, in
12 both the coil form and the cut-to-length form, sell
13 between 2006 and 2010.

14 Does that fact contradict the view that such
15 a substitution was going on?

16 MR. HUDGENS: Commissioner Aranoff, could
17 you repeat your question, please?

18 COMMISSIONER ARANOFF: On the chart that Mr.
19 Blot provided for us, which comes from data that's
20 also in your brief, it shows that U.S. imports of both
21 the subject coil plate and the non-subject cut-to-
22 length plate sell between 2006 and 2010. But we don't
23 see the opposite trend lines that are suggested.

24 MR. HUDGENS: During that time demand
25 declined significantly. And as you'll see, the trends

1 between 2009 and '10 show, you know, almost a doubling
2 of the cut plate imports from the subject countries,
3 to levels that, you know, are higher than all but two
4 of the years during the period that we're reviewing.
5 And those two-year periods were peak consumption
6 years.

7 And another thing to look at is the sheer
8 volume of cut plate, compared to the coil plate, is
9 significant. And that's quite the reverse that it was
10 prior to the imposition of the duties.

11 COMMISSIONER ARANOFF: Okay. Well, followup
12 question just before my time runs out. And I know we
13 heard testimony on this yesterday with regard to
14 sheet. But the cut-to-length product is a value-added
15 product; it's a downstream product that additional
16 production operations are performed on.

17 What is the incentive to shift back, if you
18 found a market for the downstream value-added product?

19 MR. BLOT: The incentive to shift back is
20 the fact that if you can get the coiled product, you
21 do have more flexibility with that particular product
22 in your operations.

23 COMMISSIONER ARANOFF: But you've got
24 finishing equipment that you've paid for, that then
25 you're not using.

1 MR. HARTFORD: Perhaps I can comment here.
2 I think -- and Mr. Blot reported on this, maybe I can
3 try to clarify, if I understand it right.

4 Our customers who are primarily
5 distributors, most, if not all, of them have installed
6 equipment to cut coils to cut lengths. And for the
7 most part, they like to use that equipment. They've
8 made the investment. It gives them flexibility to cut
9 that coil to different lengths, for different
10 customers, and it provides them some additional
11 flexibility.

12 Some of them switched to cut lengths because
13 the price on the cut length was so attractive, because
14 it's not subject to the orders.

15 The amount of the value-add for the producer
16 is very, very small. It's not such that you are
17 performing three or four additional operations, which
18 you can then put a margin on and make higher profit
19 on. You're simply taking that coil, moving it to a
20 subsequent operation, and cutting it into sheets. And
21 the additional value add and the price that you
22 receive for that value add is very small.

23 COMMISSIONER ARANOFF: Okay, I'm going to
24 stop there because my time is up.

25 Madame Chairman, I apologize for getting off

1 to such a bad start.

2 CHAIRMAN OKUN: Commissioner Pinkert.

3 COMMISSIONER PINKERT: Thank you, Madame
4 Chair. And thank you all for explaining what's going
5 on in not just the industry we talked about yesterday,
6 but the industry we're talking about today.

7 Before I begin my questions, I just want to
8 preface them by saying that if I ask a question that I
9 asked yesterday, it's not because I didn't listen to
10 the answer yesterday; it's because the answer might be
11 different, for all I know, for this product.

12 My first question has to do with the, the
13 comment in Mr. Leibowitz's opening statement, that
14 something can be inferred from the fact that AK is not
15 participating today in this proceeding. And I
16 wondered if you might comment on what sort of
17 inference might be drawn from that fact.

18 MR. HARTQUIST: I'll be happy to respond to
19 that, Commissioner Pinkert. What AK has informed us
20 is that this is a very small part of their overall
21 product line, and they don't have sufficient interest
22 in a continuation of the orders to want to take the
23 management time and the cost for the legal fees and
24 economic fees in this proceeding.

25 So they're in the market, they certainly

1 have an interest in what's going on in the market.
2 But in the overall picture for the company, it's
3 relatively small.

4 MS. CANNON: Commissioner Pinkert, could I
5 also add that while they are not here today, they did
6 submit a questionnaire response, and they did indicate
7 their position with regard to the orders in that
8 response. So the Commission has that for the record,
9 as well.

10 COMMISSIONER PINKERT: Thank you. I won't
11 ask you to represent what might be proprietary
12 information, but I appreciate that answer.

13 Now, since this panel was also available for
14 the SSSS hearing, I'm wondering whether you can
15 comment on whether this domestic industry is more or
16 less vulnerable than the domestic industry that you
17 testified about yesterday.

18 MR. HARTFORD: Terry Hartford, Allegheny
19 Ludlum. I think we are as vulnerable here as we are
20 on the sheet and strip case. Certainly it's a smaller
21 market than sheet and strip is, but the dynamics are
22 the same. The products, for the most part, are sold
23 in a similar fashion.

24 Price is the primary driver here. And if we
25 have subject imports undercutting our selling prices

1 here, the price sensitivity of coiled plate is such
2 that the market immediately responds to a lower price.
3 And so you're either selling your current volume at
4 lower prices, or you're losing orders to subject
5 product that's sold at lower prices.

6 And the impact to us as a producer is
7 twofold. Our revenue declines in either case. In the
8 case where we lose volume, our revenue declines, and
9 overall operating activity goes down significantly.
10 And when you look at the impact that that lower
11 activity rate has on the cost structure of a capital-
12 intensive company like ours, it can be significant.

13 So I think the vulnerability in both cases
14 would be the same.

15 COMMISSIONER PINKERT: Let me be a little
16 more specific.

17 MR. HARTQUIST: I would comment,
18 Commissioner, also that the markets for these two
19 products are, are somewhat different. The
20 applications are somewhat different.

21 But in terms of the degree of recovery of
22 the customer base between sheet and strip and plate, I
23 would speculate and invite the industry witnesses to
24 comment on whether there are significant differences
25 in that respect which would relate to vulnerability.

1 In other words, do we have hot markets in
2 certain areas, and poor markets in other areas. That
3 might be quite different for the products. I think
4 that's really what you're getting at.

5 COMMISSIONER PINKERT: Certainly. Yesterday
6 we talked about the bounceback following the great
7 recession. And to the extent that you can supply some
8 information about what your company has seen as we
9 move out of the recession, and compare that with what
10 we talked about yesterday, that would be great. That
11 would be very helpful.

12 MR. FEELEY: Pat Feeley, NAS. The plate
13 market, as Mr. Hartford had alluded to, is rather
14 narrow in scope with volume and applications. We
15 expect moderate recovery, much of that owing to
16 corporate profit and capital expansion, where much of
17 the plate is dedicated. Examples would include, but
18 not be limited to, ethanol markets and the like.

19 So while we look at the market as a whole,
20 when we look at the drive as far as the influence that
21 may be involved with, let's say recovery, certainly
22 the corporations with cap X have far more to say than
23 perhaps a consumer may have to say in what might be
24 viewed as more of a restaurant industry in total.

25 So the driving factors in my estimation

1 would be the corporations and how they're willing to
2 expand and invest profits, presumably that they're
3 recovering, and how they expand their, their output.

4 COMMISSIONER PINKERT: One of the things we
5 talked about yesterday was the changing relationship
6 with the customer that was at least in part a result
7 of the great recession, and the evolution of lead
8 times and other factors that relate to the
9 responsiveness of the producer to the customer.

10 Has the same thing occurred in this
11 industry? And if so, can you give me some detail
12 about what's occurring?

13 MR. HARTFORD: I'd be happy to begin. Terry
14 Hartford, Allegheny Ludlum.

15 Many of the buyers for coiled plate are the
16 same buyers who buy stainless sheet as well. Major
17 distributors would be our major, our biggest customer
18 base on coiled plate. Same is true on stainless sheet
19 and strip, primarily.

20 And so the drivers are very similar. And
21 distributors want to carry less inventory than they
22 have in the past; they have the advantage of carrying
23 less inventory than they have in the past because of
24 the existence of finished-goods depots.

25 And so the characterization of a coiled

1 plate business today is, once again, sold on very
2 short lead times, number one. And in some cases, with
3 depots of finished goods that a customer can draw
4 from. And that is, that does differ from four or five
5 years ago.

6 MR. FEELEY: Pat Feeley, NAS. I, too, would
7 echo Mr. Hartford's comments. The behavior of the
8 buyers, and most of those buyers being categorized as
9 distributors, in this marketplace are no different.
10 Their demands and their requirements are the same for
11 cold rolled as they would be for the coiled plate.

12 And given some of the opportunity to utilize
13 depot, and given some of the requirements for their
14 inventory turn and their profitability, they look and
15 seek this market more so than ever.

16 COMMISSIONER PINKERT: And what's happened
17 to the price competitiveness in the market in the past
18 year? Is that a constant, or are you seeing increased
19 pressure on the producer?

20 MR. FEELEY: Pat Feeley at NAS. The
21 pressure has intensified from our standpoint, both in
22 coiled plate and cut plate. We see far greater depot,
23 we see far greater availability, let's say shorter
24 lead times to some degree, depending on the product.
25 Even so much such that the importers are bringing the

1 product in, and lead times in some cases is a matter
2 of days, rather than weeks.

3 So I'd have to categorically say that the
4 intensity on price and availability has intensified.

5 MR. HARTFORD: I would agree with Mr.
6 Feeley. Our ability to get the selling prices up on
7 coiled plate has been a real challenge. And frankly,
8 we have not been successful doing that recently.

9 COMMISSIONER PINKERT: For the post-hearing,
10 could you give us some documentation on the ability or
11 inability to increase prices over the past year?

12 MR. FEELEY: Yes, I'd be happy to do so.

13 COMMISSIONER PINKERT: Thank you. Thank
14 you, Madame Chairman.

15 CHAIRMAN OKUN: Thank you. And again, thank
16 you to everyone here this morning. And joining with
17 Commissioner Pinkert in saying if I ask the same
18 questions, it's to develop this record, not because I
19 wasn't listening yesterday.

20 And with that, let me just continue on with
21 some questions about the price effects, and what
22 impact these surcharges have for this product. And
23 also if you can just talk about the raw material
24 costs, and where you see those going, and whether
25 there will be, you see any changes ahead. Start with

1 you, Mr. Hartford.

2 MR. HARTFORD: Let me start with surcharges.
3 Terry Hartford, Allegheny Ludlum.

4 We use a surcharge price mechanism on coiled
5 plate, just as we do on sheet and strip. Those
6 surcharges are exactly the same for those grades that
7 we sell as sheet and strip as we do in coiled plate.
8 So the structure of our selling price is a base price,
9 and then a surcharge, which changes each month based
10 upon raw material cost inputs. So it's exactly the
11 same as we talked about yesterday.

12 And the raw material inputs in our business,
13 the primary driver is nickel chromium. Nickel tends
14 to be a very volatile raw material input. If you look
15 at many years' worth of nickel prices, in the past
16 three years we have seen a high of over \$24 a pound,
17 and a low of four dollars and a fraction a pound. And
18 the month-to-month swings can be very volatile. And
19 that volatility obviously translates to a volatility
20 that we see in our net selling price.

21 CHAIRMAN OKUN: Okay. Any producers have
22 anything different?

23 MR. FEELEY: Pat Feeley. I would echo Mr.
24 Hartford's comments.

25 CHAIRMAN OKUN: Okay. Then let me turn to a

1 discussion about the metal margin, which we also
2 discussed yesterday. And if you can comment today on
3 whether, the Respondents have argued that the metal
4 margin is a better measure for studying recent price
5 cost behavior in this industry than the gross profit
6 margin or operating income margin. And I want to have
7 your response to that.

8 MR. HARTFORD: Terry Hartford, Allegheny
9 Ludlum. As I said yesterday, I think that that is the
10 wrong metric for us to look at, as a company, to
11 determine how profitable we are. At the end of the
12 day, it has to be the total price minus the total cost
13 of producing that product but whatever I have left is
14 my operation income and that's what I have available
15 to make future investments and do other things.

16 The metal margin can fluctuate month to
17 month for some of the reasons that we talked about
18 yesterday and that is the times when we are out of
19 phase on our surcharge recovery costs, our surcharge
20 recovery relative to our raw material cost inputs.
21 And in a perfect world that we would be completely in
22 sync in 100 percent of what we sell we would recover
23 the surcharge to cover the cost of the raw material
24 inputs. It doesn't always work that way, so there may
25 be months where our metal margin looks better or worse

1 than in other times of the year. And so for us it has
2 to be about the total price minus the total cost to
3 produce the product.

4 David, I would simply add that the statute
5 also refers specifically to operating profits rather
6 than to margins on the input factors.

7 CHAIRMAN OKUN: I'll give you a chance to go
8 back to these products many times. And I had the
9 impression that we spent a lot more time on metal
10 margin in prior years, but I may be, that may be a
11 misimpression. I don't know if counsel -- I'll look
12 at, might pose something post-hearing if I see
13 something, but I didn't have a chance to check it
14 after yesterday. Because I kept thinking, you know,
15 we've talked about metal margin a lot over the years,
16 and I didn't know if any of the dynamics had changed.
17 But I appreciate those responses.

18 Then perhaps producers could, for those who
19 are exporting, your impression of pricing in other
20 markets. Because again, in this record we've had the
21 opportunity for staff to gather a lot of pricing,
22 transactional prices, in these products for different
23 regions.

24 And I'll, after talking to producers, I'll
25 turn back to Mr. Blot and Mr. Hudgens to talk about

1 what that means for our subject importers. But just
2 your impression of prices in other markets that you
3 are exporting into, if you could give their relative
4 strengths and weaknesses, and what changes you see are
5 anticipated.

6 MR. HARTFORD: Terry Hartford, Allegheny
7 Ludlum. I commented yesterday that we're exporting
8 meaningful quantities of stainless sheet and strip,
9 and we have for the past few years.

10 That's not the case in coiled plate. Our
11 exports of coiled plate have been very, very small
12 compared to those sheet and strip, and very small
13 compared to our overall coiled plate sales.

14 So for our company it's a very, very small
15 portion of what we do.

16 CHAIRMAN OKUN: Okay. Mr. Feeley.

17 MR. FEELEY: Pat Feeley, NAS.

18 CHAIRMAN OKUN: By day two I should have it
19 correct.

20 MR. FEELEY: From our standpoint, we look at
21 the market that we serve on occasion in the Asian-Pac
22 Rim. It's a very competitive environment. We don't
23 necessarily label it as strategic, in a sense, where
24 our exports in coiled plate can vacillate. Most of
25 that with customer requirements over there.

1 And as we've discussed the emerging market
2 and the amount of capacity that those in China are
3 bringing on stream would cause us to say that our
4 expectations are, are less, and that our shipments
5 will decrease, unless something were to change
6 dramatically.

7 So we look at that opportunity as it, as it
8 may just be an opportunity. But it's certainly
9 something that's very competitive. And with that in
10 mind, if we can serve our NAFTA market, we always much
11 prefer to do so.

12 CHAIRMAN OKUN: And you had talked about the
13 impact of additional product coming on line that would
14 compete. And with respect to Malaysia, do you see the
15 Chinese there already? And if so, how do their prices
16 compare?

17 MR. FEELEY: To answer your question, yes.
18 We see the competitive pressure, even given the
19 association with our colleagues in Malaysia. We look
20 at the situation more from the standpoint of supply
21 and necessity.

22 But certainly, given our preference and
23 given some of the opportunities that may exist here in
24 NAFTA, they are far more compelling than what the
25 price arena brings in the Asian-Pac Rim area.

1 CHAIRMAN OKUN: Okay. And then turning back
2 to Mr. Hudgens and Mr. Blot, with respect to, again,
3 the pricing data that we've collected and how that
4 relates to the incentive of subject imports to enter
5 the market -- again, we get a lot of, with the two
6 cases and two days in a row, I didn't have a chance to
7 look at each of those prices from yesterday's staff
8 report versus today's.

9 But my impression when I looked back over it
10 today was that even stronger prices in the European
11 market in recent, during the recent information that
12 was collected, the recent prices for 2010. How does
13 that increase, I guess what's the incentive of our
14 European Union subject imports to come into this
15 market if we see higher prices elsewhere? Or if they
16 see higher prices, or are receiving higher prices
17 elsewhere?

18 MR. HUDGENS: I'd like to make a couple of
19 points regarding that. One is that if you were to
20 look at the non-subject imports of coiled plate, the
21 largest non-subject import source is from Germany.
22 It's from ThyssenKrupp.

23 So you know, they are selling -- the largest
24 source of imports in the U.S. right now is coming from
25 Germany. So they are choosing to export to the United

1 States, even though they have the European market
2 there to supply.

3 In addition, if you look at the other
4 responding subject producers, if you look at their
5 AUVs of their export sales, it shows that their
6 exports to the United States, the AUVs, their sales to
7 the United States are higher than their sales to
8 Europe or Asia or other markets.

9 So their own foreign producer data show that
10 they are shipping product into the United States at a
11 higher price than they are shipping it to their home
12 market, or to, I should say to the other European
13 countries and to other markets.

14 So there is evidence on the record that
15 suggests that the European producers, both subject and
16 non-subject, are interested in the U.S. market because
17 of relatively higher prices than the European markets.

18 CHAIRMAN OKUN: Mr. Blot, did you want to
19 add anything on that?

20 MR. BLOT: I think Mr. Hudgens covered
21 everything on that one.

22 CHAIRMAN OKUN: Okay. Then in my turn maybe
23 I can get one more question in.

24 Mr. Hartquist, in your opening statement you
25 had noted that the, having the order in place was

1 beneficial, particularly during the recession. And I
2 looked at this record, and I'm trying to figure out
3 how to evaluate that, both with respect to the subject
4 imports, and also in looking at the behavior of non-
5 subjects. Again, different fact pattern than we saw
6 at the end of the Asian financial crisis, where we saw
7 the Asian countries come in during a very weak time
8 for their economies, into the U.S. market.

9 Here, you know again, similar to other
10 products, non-subjects go down, everything goes down.
11 So what was the role of the order during that period?

12 MR. HARTQUIST: Well, our view on that,
13 Madame Chairman, is that it's really a very simple
14 one. And that is the market was horrible for everyone
15 during that period.

16 But nevertheless, having the orders in
17 effect helped to prevent it from getting even worse.
18 Because as companies were scrambling to sell product
19 anywhere in the world, they're going to go where it's
20 easiest to get the product in. And if the orders had
21 not been in effect and they hadn't been concerned
22 about possible changes in their anti-dumping margins
23 from increasing the level of dumping, the potential of
24 larger margins based upon an annual review, we think
25 their imports would have been larger during that

1 period of time of very low demand.

2 CHAIRMAN OKUN: Okay. I may have a
3 followup, but I'm over my time, so I'm setting a bad
4 example. So I'll turn to Commissioner Lane and come
5 back.

6 COMMISSIONER LANE: Thank you all for coming
7 back today, and I'm glad that our friends from
8 ThyssenKrupp decided to come back in today so that we
9 could have another day of asking questions. Because
10 I'm still a little confused about the Alabama
11 facility.

12 But right now I am interested in talking
13 about what the staff report points out, that North
14 American Steel and South African producer Columbus
15 Stainless share a common parent: Acerinox SA of
16 Spain.

17 Given the relative shares of home-market
18 production accounted for by these producers, does it
19 follow that Columbus Stainless would face
20 significantly different conditions of competition if
21 the South African order were to be revoked,
22 essentially competing against a sister company in the
23 United States?

24 MR. FEELEY: Pat Feeley at NAS. I'd be
25 happy to answer your question post-hearing brief.

1 COMMISSIONER LANE: Okay, thank you.
2 Sticking with you, it appears that ThyssenKrupp's
3 establishment of production operations in Alabama is
4 far more than simply a plan. It's already advanced.

5 How much weight should we give to
6 ThyssenKrupp's U.S. production operations, and its
7 overall North American supply program, in assessing
8 the likely volume of subject imports from Italy in the
9 foreseeable future? In our analysis of likely volume,
10 as well as discernible adverse impact.

11 Mr. Feeley, we'll start with you, and then
12 we'll go with Mr. Hartford. Or if Ms. Cannon wants to
13 take a shot at it.

14 MS. CANNON: Let me jump in just because
15 part of this is a somewhat legal response.

16 They basically admitted on the record now
17 that they're not starting the plate production until
18 2013, and that's under their plan. And of course, we
19 know that some of those have even been pushed out, so
20 that's the earliest date you're looking at.

21 From a legal perspective, that's outside of
22 the reasonably foreseeable future, really, when
23 they're talking about bringing on plate production.
24 So over the next couple of years, if there's no
25 change, there really is no impact for stainless steel

1 plate industry of that Alabama facility.

2 And that's why we haven't spent a lot of
3 time here today discussing the impact as we were
4 yesterday, because we don't see it affecting this
5 market, or having any effect on precluding the imports
6 from Italy over the next couple of years.

7 COMMISSIONER LANE: Okay. I have one more
8 question, and perhaps you can answer it, too.

9 TKAST urges the Commission not to cumulate
10 Italy with the other subject countries. Are the
11 growing U.S. stainless steel operations of
12 ThyssenKrupp a distinguishing condition of competition
13 influencing the supply of Italian stainless steel
14 coiled plate to the United States?

15 MS. CANNON: Absolutely not, for that exact
16 reason. Yesterday, as you know, I gave legal
17 testimony on the TK facility, and why it was different
18 in terms of how it intended to operate with respect to
19 stainless steel sheet. But that's because that mill
20 has begun operations, and is going to be operating in
21 terms of sheet over the next couple of years. And so
22 I discussed those differentiating factors.

23 For plate, they've admitted they are not
24 going to start this up until at least 2013. So any
25 effects that those production operations are going to

1 have would not differentiate them in terms of
2 cumulation as a differing competitive condition,
3 because they won't have any effect precluding imports
4 from Italy over the next couple of years.

5 COMMISSIONER LANE: Okay, thank you. Mr.
6 Hartquist, this may be a question for you.

7 In its prehearing brief, the Respondent
8 ThyssenKrupp, Respondent, states that the losses
9 occurred in 2009 are not the real story; but rather,
10 the real story is the remarkable recovery experienced
11 by the domestic industry in 2010 despite the lingering
12 effects of the global recession. How do you respond
13 to that statement?

14 MR. HARTQUIST: Well, let me start, and then
15 turn to our industry witnesses who are experiencing
16 this. I guess it's a matter of perspective as to what
17 you view as a remarkable recovery. We do not agree
18 that there has been a remarkable recovery.

19 And with that, I would invite Terry or Pat
20 to comment further.

21 MR. HARTFORD: Terry Hartford, Allegheny
22 Ludlum. I would also not characterize it as a
23 remarkable recovery. I think, as I mentioned
24 yesterday, I think you need to look at the recovery
25 not on a percentage basis of 2010 versus 2009, but an

1 absolute basis.

2 2008 and 2009 consumption levels of coiled
3 plate were half of what they were in 2006, maybe even
4 below half. And so the first step of that recovery
5 was a good step, but I would not call it remarkable.
6 And this market has a long way to go in terms of
7 recovering from an overall consumption standpoint, and
8 certainly recovering from a price standpoint. Because
9 we have not seen price recovery yet.

10 COMMISSIONER LANE: Okay, thank you. Mr.
11 Feeley, did you want to add something?

12 MR. FEELEY: Yes, to amplify, Pat Feeley at
13 NAS. We also see it as moderate recovery, certainly
14 nothing, at least in our sense of the word, or
15 definition, anything that would categorically go to
16 the more historical levels we've witnessed in this
17 product.

18 So it's been slow, it's been arduous. But
19 certainly, as Mr. Hartford had alluded to, year on
20 year perhaps you can cite improvement; but on a more
21 annual, longer-scheme basis, there is far more
22 improvement that we are hopeful awaits.

23 COMMISSIONER LANE: Mr. Hartford, Mr.
24 Feeley, what number would you characterize as
25 remarkable? And you'd be happy?

1 MR. HARTFORD: Well, more than we've had.
2 So what does that mean? We saw a -- and again, I have
3 to be careful with our specific numbers. But you
4 could argue that a 20-percent year-on-year increase in
5 your volume is terrific. But when that figure is
6 still tens of thousands of tons below what we shipped
7 in 2006, it's not remarkable.

8 So what would we be happy with? You know,
9 60-percent or 70-percent year-on-year growth, which
10 probably just isn't realistic. Economies don't
11 recover that quickly, typically.

12 And so I think that 2010 over '09 was a good
13 first step, but we need several years of that type of
14 a pace of a recovery to get this business and this
15 product back to where it should be.

16 COMMISSIONER LANE: Mr. Feeley, did you want
17 to add anything to that?

18 MR. FEELEY: Nothing further.

19 COMMISSIONER LANE: Okay, thank you. Now
20 let's go to --

21 MR. BLOT: Commissioner, I would like to
22 add --

23 COMMISSIONER LANE: Oh, I'm sorry. Go
24 ahead, Mr. Blot.

25 MR. BLOT: Ed Blot here. The 2010 jump in

1 consumption, as I testified, you came out of the
2 recession with the entire pipeline of inventory down.
3 Not just the first purchaser, which might be in this
4 case, say, a distributor. But their customer, and
5 their customers' customers, had driven down their
6 inventories to very, very low levels through the
7 recession.

8 As we're starting to come out of the
9 recession, then they started to build those
10 inventories back up. So the pipeline started to get
11 refilled a little bit. And you're not going to see
12 that growth rate between 2010 and 2009 continue,
13 because the pipeline is now full. As a matter of
14 fact, we're seeing just the opposite as we enter the
15 second quarter and third quarter, as you heard from
16 Mr. Feeley and Mr. Hartford.

17 So when you make that comparison, that
18 really has to be, you know, a factor that goes into
19 that. It's the rebuilding of the inventories that
20 went through.

21 And because the raw material costs were
22 going up during that timeframe, then you also have
23 people buying even more to refill that inventory. And
24 again, it's not just the first buyer; it's all the
25 buyers right through the chain.

1 COMMISSIONER LANE: Mr. Hartford?

2 MR. HARTFORD: If I could just add one, one
3 last thing. You know, what we hope for and what we're
4 really seeing are two different things. And when we
5 look at this year versus a year ago, early in this
6 year we saw a continuation of that recovery, but again
7 at a slow and steady kind of a pace.

8 And as we sit here today, in the middle of
9 the second quarter, we've seen a pause in this
10 recovery. So while we're, we would love to see an
11 acceleration in the year-on-year growth, I think it's
12 going to continue to be a slow and steady recovery for
13 us.

14 COMMISSIONER LANE: Okay, thank you. Madame
15 Chair.

16 CHAIRMAN OKUN: Commissioner Pearson.

17 COMMISSIONER PEARSON: Thank you, Madame
18 Chairman. Welcome again; good to have you here.

19 Is it correct that imports from Italy have
20 had a zero-duty rate since 2002? I don't look behind
21 Congress' margins and I don't pretend to understand
22 what they're up to. My review of the staff report
23 made me draw that inference; I just wanted
24 clarification.

25 MR. LUBERDA: We're not certain of that.

1 That may be the case but we can easily check it, of
2 course. I think that is the case, but the issue is
3 not, from our point of view, whether their duty
4 deposit rate is zero on any given day, whether they
5 can operate under the discipline of the order and make
6 sales here without dumping and driving up that margin
7 in the future.

8 COMMISSIONER PEARSON: Point well
9 taken. I understand that they're still subject to the
10 discipline of the order. But I asked the question for
11 a different reason.

12 Mr. Blot, in the analysis that you
13 provided for us, you made the case that there's been a
14 shift in production from, a shift from imports into
15 the United States from the subject countries, from
16 coiled plate to cut-to-length plate. And we see that
17 in the data for Italy here.

18 Given that Italy appears to have had a
19 zero duty rate for some period of time, what does that
20 tell us? Why, if they have a zero duty rate, why
21 would they go to the effort of shifting away from
22 coiled plate and to cut-to-length plate?

23 MR. BLOT: In my opinion, because they
24 are under the orders as such, they want to make sure,
25 if they started to go back to coil they would end up

1 shipping material in and would then be subject to an
2 administrative review at some later date, which then
3 would perhaps come in with a higher margin than the
4 zero that they were enjoying. So they wanted to stay
5 away from that by continuing to ship the cut plate.

6 COMMISSIONER PEARSON: To the best of your
7 knowledge there's not something else going on in the
8 marketplace where users might have a preference for
9 cut plate or something else that would more than
10 counter-balance the zero duty margin that they have on
11 the coiled plate?

12 MR. BLOT: Not to my knowledge. The major
13 purchasers prefer coil over cut plate. That being
14 distributors, pipe and tube manufacturers as well as
15 tank manufacturers. So they prefer that because they
16 can then take the coil product and cut it to whatever
17 length they need for that application at that
18 location. They can certainly use cut plate if the
19 price is attractive, but their preference would be to
20 have the flexibility.

21 COMMISSIONER PEARSON: The reason for asking
22 is that I thought your argument was interesting and
23 made basic sense, but then Italy looked to me like an
24 outlier, as if maybe there was something else going on
25 that was driving the shift there.

1 MR. BLOT: Commissioner, I'm not aware of it
2 if it is. I don't know everything in the market. I
3 know I come across that way sometimes, but I do not
4 know everything.

5 COMMISSIONER PEARSON: You know a lot more
6 about this market than I do, so that's why I'm asking.

7 To what degree have subject imports from
8 Belgium been concentrated in widths of greater than 60
9 inches?

10 MR. FEELEY: Pat Feeley, NAS.

11 The question may be difficult in terms of
12 completely categorizing how much can be attributed to
13 72 inch and what may not. But I do know that for the
14 products that we do manufacture, we compete and in
15 some cases we find ourselves in a 60-wide arena, not a
16 72-wide arena with Belgium. And as I've testified
17 earlier today, those prices are very low, underselling
18 prices that we are faced with. So I may not be able
19 to answer your 72-inch question directly, but
20 certainly we have quite a bit of knowledge about the
21 60-inch market and the competitive situation that
22 persists.

23 COMMISSIONER PEARSON: Is it complicated to
24 slit plate into narrower lengths. I know it happens
25 all the time with sheet. Is it doable economically

1 with plate?

2 MR. FEELEY: It's a different process. It
3 is difficult. Namely, few have 72-inch wide
4 equipment. So apart from their equipment and what
5 they may or may not have even if provided that
6 equipment. It's unusual to process 72-inch to 60-
7 inch, if I understated the question right.

8 COMMISSIONER PEARSON: I was wondering
9 whether that would be a possibility. If someone
10 wanted a *12-inch plate and 60-inch plate, would it be*
11 *economic to buy 72 and go that way?*

12 MR. FEELEY: *Ordinarily in that product*
13 *form, it's not common with the example you described.*

14 COMMISSIONER PEARSON: *If I understand you*
15 *correctly, you have seen in the U.S. market plate,*
16 *coiled plate from Belgium that is 60 inches or less in*
17 *width.*

18 MR. FEELEY: *Yes, indeed.*

19 COMMISSIONER PEARSON: *During the period of*
20 *review for this investigation.*

21 MR. FEELEY: *Yes.*

22 COMMISSIONER PEARSON: *Okay.*

23 *During the POR did any of the U.S.*
24 *manufacturers, and I understand perhaps no one here*
25 *can speak for AK, but did any U.S. manufacturer*

1 produce coiled plate in a width greater than 60
2 inches?

3 MR. HARTFORD: Terry Hartford for Allegheny.
4 We did not.

5 MR. FEELEY: Pat Feeley at NAS. No, we did
6 not.

7 COMMISSIONER PEARSON: Do you know whether
8 AK did? If you can say on the record. I'm not asking
9 you not go somewhere you shouldn't, but I'm just
10 curious.

11 MR. BLOT: Commissioner, Ed Blot here. I
12 can go on the record. They did not produce material
13 up to 72 inches wide. They were basically at 60
14 inches wide.

15 COMMISSIONER PEARSON: Thank you for that
16 clarification.

17 Some of you at least will recall that in the
18 previous investigation six years ago I found that
19 there would be no discernible adverse impact if the
20 order was to be revoked with respect to imports from
21 Belgium because I found that there was some
22 attenuation of competition between the really wide
23 plate and the narrower plate, and that there were some
24 uses for which the domestic industry couldn't produce
25 the plate.

1 *Has anything changed in the intervening*
2 *years that should prompt me to reconsider this*
3 *question?*

4 *I don't find no discernible adverse impact*
5 *very often, you know, so it's kind of an opportunity*
6 *when one can see it to go ahead and write the opinion.*
7 *Let me know whether I should do it again, or consider*
8 *it again.*

9 *MS. CANNON: Let me jump in here for a*
10 *minute. I'm not sure anything has changed in terms of*
11 *the ability to produce product above 60 inches. NAS*
12 *produces it at 60 inches now which is a pretty wide*
13 *width, and perhaps, is that larger than where you*
14 *were? Or do you know? Where NAS was five years ago?*

15 *MR. FEELEY: For the record we've been at*
16 *60-wide from the very beginning, from the onset.*

17 *MS. CANNON: Okay. So the point though, our*
18 *point on the discernible adverse impact with respect*
19 *to Belgium is that the amount of the U.S. market that*
20 *requires a product that is over 60 inches, up to 72*
21 *inches, is very small. It's tiny. And Belgium makes*
22 *product that is below 72 inches as well, as Mr. Feeley*
23 *just testified. In fact the record I know from the*
24 *last review indicated that that was precisely the*
25 *product they were exporting to third country markets.*

1 to the major concern with respect to Belgium is not
2 the incremental sales between 60 to 72 inches, it's
3 all of the production and sales of the other product
4 that we believe would have a discernible adverse
5 impact given the capacity and other factors we've
6 identified in our brief.

7 MR. HARTFORD: One other comment,
8 Commissioner. That is the portion of the U.S. market
9 that is wider than 60 today, it's our estimate that
10 that's a very small number, probably less than five
11 percent of the market. And so for them to participate
12 in a big way in the United States, they would have to
13 be shipping product, I would think, that's also
14 narrower than 60 inches wide.

15 COMMISSIONER PEARSON: Of course the data
16 are confidential, but I wouldn't see the record as
17 indicating that they're participating in a big way in
18 the U.S. market. They have a presence here, but --
19 I'm just trying to understand. It looked to me as if
20 the presence might be consistent with the focus on
21 plate wider than 72 inches. So if there's anything
22 that could be put on the record in that regard I'd
23 appreciate it.

24 MR. LUBERDA: Commissioner Pearson, to the
25 extent your decision in 2005 was based on the ability

1 to produce cold-rolled plate, the producers in the
2 room today do produce cold-rolled plate for the
3 market, and do compete with the Belgians there.

4 COMMISSIONER PEARSON: Thank you very much.
5 Madame Chairman, my time has expired.

6 CHAIRMAN OKUN: Commissioner Aranoff?

7 COMMISSIONER ARANOFF: Thank you, Madame
8 Chairman.

9 Mr. Feeley, does North American Stainless'
10 parent company formally coordinate exports by its
11 various global affiliates?

12 MR. FEELEY: No, there is no formal
13 arrangement for those events.

14 COMMISSIONER ARANOFF: So does that mean
15 that each affiliate can decide whether it wants to
16 export to the U.S. market and how much it's going to
17 export to the U.S. market without either the parent or
18 your company being able to intervene?

19 MR. FEELEY: I'd be happy to elaborate
20 further at post-brief.

21 COMMISSIONER ARANOFF: I guess I'll have to
22 satisfy myself with that, thank you.

23 Although the precise data are confidential,
24 looking at our record we see a pretty considerable
25 fluctuation in the market share held by non-subject

1 *imports since these orders were imposed. Can anyone*
2 *describe what market factors have accounted for the*
3 *back and forth in the data? Is it new non-subject*
4 *suppliers, new product, or some other factor?? How*
5 *has the domestic industry experienced changes in the*
6 *way that it conceives non-subject imports?*

7 *MR. HARTFORD: Terry Hartford from Allegheny*
8 *Ludlum.*

9 *I think one area where we have seen an*
10 *increase in non-subject imports is with respect to the*
11 *Chinese. In the early 2000's they did not have a*
12 *coiled plate product, certainly one that they were*
13 *shipping to the United States and we have seen more of*
14 *that in recent years. so that could account for a*
15 *portion of the increase in non-subject.*

16 *MR. HUDGENS: The import statistics for*
17 *coiled plate for the non-subject producers show that*
18 *Germany, Sweden and China are the largest non-subject*
19 *producers, and their trends fluctuated based on some*
20 *of the trends of the overall consumption. So there*
21 *was an increase between 2005 and 2007 and then a*
22 *decline, but a very very sharp increase from Germany*
23 *in 2010.*

24 *COMMISSIONER ARANOFF: Mr. Hudgens, you're*
25 *suggesting that non-subject import trends are largely*

1 *consistent with consumption trends? Just let me make*
2 *sure I understand that's what you're saying.*

3 *MR. HUDGENS: Yes.*

4 *COMMISSIONER ARANOFF: Thank you.*

5 *I believe there are various points at which*
6 *the panel has suggested that when we're looking at*
7 *subject producers' capacity, we should be looking not*
8 *just to the capacity that they've allocated to this*
9 *product but to their hot-rolling capacity as a whole.*
10 *I think the same argument was made yesterday with*
11 *respect to sheet. So my question is, if we're going*
12 *to treat all hot-rolling capacity as available to make*
13 *the plate product, don't we run the risk of double-*
14 *counting?*

15 *MR. HUDGENS: I think our argument there is*
16 *that the allocations don't represent the true capacity*
17 *in which these subject producers could shift*
18 *production to plate. If you look at the total hot-*
19 *rolled capacity, they can use that total hot-rolled*
20 *capacity to shift to plate production if necessary.*
21 *So that's more of our argument. As opposed to trying*
22 *to allocate what part would be used for sheet versus*
23 *plate.*

24 *COMMISSIONER ARANOFF: I understand that in*
25 *the abstract. I'm trying to figure out how that*

1 *figures into two votes and two opinions that are going*
2 *to go out at the same time.*

3 *Can the Commission honestly write an opinion*
4 *that says all that capacity is available for sheet and*
5 *we think it's going to be used that way, and then*
6 *write another opinion that says it's all available for*
7 *plate and we think it's going to be used that way?*

8 *MR. HUDGENS: Importantly, we think that the*
9 *allocation, the use of the allocating based on*
10 *production is wrong. Because all that shows is that*
11 *if their production declined with a world recession*
12 *then the capacity levels also declined commensurate*
13 *with that, and that's wrong. When there's nothing*
14 *that these subject producers did to reduce capacity.*
15 *That's our main argument there. All of the subject*
16 *producers have ample capacity to increase production*
17 *significantly based on what's on the record in their*
18 *own questionnaire responses.*

19 *COMMISSIONER ARANOFF: Okay.*

20 *MR. LUBERDA: I think that the Commission*
21 *can treat all available hot-rolling capacity as*
22 *available either to hot-rolled sheet or hot-rolled*
23 *plate. how much of it will go to one or the other, is*
24 *going to depend on market conditions in both, but it*
25 *is available to both markets and I think it's*

1 *perfectly legitimate for the Commission to recognize*
2 *that it is available to be shipped into either of*
3 *those markets, obviously caveating in one opinion or*
4 *the other, but it is available to either market. If*
5 *you look at the overall hot-rolling capacity that's*
6 *available, there is sufficient to ship significantly*
7 *higher quantities from the subject countries into both*
8 *those markets.*

9 *COMMISSIONER ARANOFF: Okay.*

10 *Mr. Hartford?*

11 *MR. HARTFORD: Allen's last point is exactly*
12 *the point I was going to make and I think if you look*
13 *at global capacity to produce hot-rolled, annealed and*
14 *pickled product, whether you choose to sell that as*
15 *coiled plate or whether you choose to direct that to*
16 *your cold-rolled sheet and strip products, I think*
17 *there's ample capacity to satisfy both, plus some. So*
18 *typically, I don't recall producers having to make a*
19 *decision that says I don't have enough capacity to*
20 *satisfy both of these. I think one of the arguments*
21 *that we've made here is that in the event that the*
22 *cold-rolled sheet and strip business may be soft, it's*
23 *very easy to direct that additional capacity of hot-*
24 *rolling, annealing and pickling to the coiled plate*
25 *business. Certainly at a level higher than what might*

1 be allocated in the questionnaires.

2 MS. CANNON: Commissioner Aranoff, at the
3 risk of continuing too long on this answer, there are
4 two points I wanted to make. First, when you look at
5 unused capacity, if it's idle capacity I think you can
6 count it. That doesn't have anything to do with an
7 allocation. You can allocate overall capacity, but if
8 something is sitting there idle and it's not being
9 used at all, it's certainly available to be made into
10 hot-rolled plate. If it's the hot-rolled capacity.
11 And similarly the cold-rolled capacity that's sitting
12 there idle can be made into the cold-rolled plate. So
13 that's the way we've looked at it for our brief.

14 The second point I wanted to make is with
15 respect to ThyssenKrupp's arguments, Mr. Leibowitz
16 said this morning that we've ignored the fact that
17 ThyssenKrupp's capacity has declined. It hasn't
18 declined. Only the allocated capacity has declined,
19 and that's a critical part of our point. The capacity
20 hasn't really been shut down. It's still there. It's
21 just a matter of how they've allocated it.

22 I would point you specifically to what they
23 argued in the last sunset review. In that review, and
24 this is quoted at page 14 of our pre-hearing brief
25 where you say in your report, quoting them, TKAST

1 *indicated, however, that the "only meaning measure" of*
2 *its ability to produce the subject product is its*
3 *overall capacity which includes melting, hot-rolling*
4 *and cold-rolling operations for non-subject product.*

5 *So they also acknowledge that that is the*
6 *proper metric to examine capacity, total capacity and*
7 *available capacity in this case.*

8 *COMMISSIONER ARANOFF: That's helpful. It*
9 *actually segues right to the next question that I was*
10 *going to ask which is with respect to the reduction in*
11 *capacity that's reported for TKAST, the Italian*
12 *producer, you're suggesting there's no information to*
13 *suggest that an of that reduction in capacity is due*
14 *to the closing of the Turin plant? And why is that*
15 *the case? Why do you think it's allocation?*

16 *MS. CANNON: I'm not sure that answer that I*
17 *could do on a public record. I'd probably need to do*
18 *that in proprietary --*

19 *COMMISSIONER ARANOFF: Okay.*

20 *Just for purposes of completeness of the*
21 *record I'm going to repeat a question that I asked*
22 *yesterday, and that is, given Mr. Blot's testimony*
23 *that China has been a net exporter of this product for*
24 *some years now, why is it not the case that the*
25 *subject producers haven't adjusted already to the*

1 *effect of loss of sales in China and increased exports*
2 *from China in their home and third country market such*
3 *that the Commission should not place as much emphasis*
4 *on displacement as an incentive to send product to the*
5 *U.S. market as the Commission did in the prior review?*

6 *MS. CANNON: If you look at Exhibit 6 to our*
7 *brief where we have export and import statistics.*
8 *First of all, I would point out that China has just*
9 *become a net exporter of this product based on these*
10 *data, these are the global trade atlas data, in 2010.*
11 *So that is a recent phenomenon that hasn't been true*
12 *for coiled plate over the last five years.*

13 *But the other thing I would point out is*
14 *that if you also look at the exports from each of the*
15 *subject countries here, you will see that China*
16 *remains an important target market for each of these*
17 *countries even in 2010, that even though the product*
18 *exports have declined, it's still significant and*
19 *therefore that's product that as China continues to*
20 *build up its capacity would be likely exported and*
21 *diverted somewhere else.*

22 *COMMISSIONER ARANOFF: For purposes of post-*
23 *hearing, maybe you want to look at that on a country*
24 *by country basis and distinguish between any shipments*
25 *of China that may be to affiliates of the subject*

1 *producers.*

2 *Thank you very much. I've gone over time*
3 *again, but I don't have any further questions for this*
4 *panel, and I do want to thank you for all your answers*
5 *this morning.*

6 *CHAIRMAN OKUN: Mr. Pinkert?*

7 *COMMISSIONER PINKERT: Thank you, Madame*
8 *Chairman. I only have a few additional questions.*

9 *Does this panel agree with the respondents*
10 *that purchasers prefer, the domestic like product*
11 *purchasers in the U.S. prefer the domestic product,*
12 *and that this would limit or place limits on the*
13 *possibility for subject imports to get into the U.S.*
14 *market upon revocation?*

15 *MR. HARTFORD: Terry Hartford from Allegheny*
16 *Ludlum.*

17 *I think that the U.S. customer base when*
18 *they make their buying decision on coil plate, the*
19 *first thing they think about is the price. And when*
20 *you look at the purchaser's response to the*
21 *questionnaire that's in the public version, price was*
22 *the number one criteria in customers making their buy*
23 *decisions. So we think that first and foremost is the*
24 *first cut, for sure.*

25 *MR. FEELEY: I would echo Mr. Hartford's*

1 *comments and I testified in similar context that the*
2 *price is the overriding factor.*

3 *COMMISSIONER PINKERT: But would you agree*
4 *that there is a preference for the domestic product*
5 *that operates in conjunction with the factors that*
6 *you're talked about?*

7 *MR. HARTFORD: Yes, I would. If the prices*
8 *are the same and all other things being equal, I think*
9 *in a situation like that there would be a preference.*

10 *MR. FEELEY: I concur.*

11 *COMMISSIONER PINKERT: Thank you.*

12 *You may recall yesterday we talked about*
13 *2008 and the decline in consumption and financial*
14 *performance during that year. You may recall that I*
15 *was asking specifically whether that was a fourth*
16 *quarter phenomenon or whether that was a full year*
17 *phenomenon. Obviously my question came to some degree*
18 *from what we know about the great recession. So I ask*
19 *the question to this panel today. Was that mainly a*
20 *fourth quarter phenomenon?*

21 *MR. HARTFORD: In the case of Allegheny*
22 *Ludlum, I believe that it was. I think something that*
23 *we could provide you is, we could give you our*
24 *quarterly shipments for 2008 if that helps answer the*
25 *question, but as I'm sitting here today I think we saw*

1 *the same pattern in coil plate that we saw in sheet*
2 *and strip that I described yesterday, and that is*
3 *pretty good consumption and shipment levels for the*
4 *first three quarters and then a collapse of demand in*
5 *the fourth quarter.*

6 *COMMISSIONER PINKERT: That would be helpful*
7 *as follow-up information to do that.*

8 *Mr. Feeley?*

9 *MR. FEELEY: The same would go for North*
10 *American Stainless. The same phenomenon. We too*
11 *would be happy to share that information.*

12 *COMMISSIONER PINKERT: Thank you.*

13 *Turning to the raw material cost pass-*
14 *through issue, I'm just trying to get my arms around*
15 *how one might make comparisons with, for example, the*
16 *ability to pass through the raw material cost now*
17 *versus the ability to do it back in 2004 at the end of*
18 *the previous period that we looked at.*

19 *MR. HARTFORD: Terry Hartford from Allegheny*
20 *Ludlum. I've not seen a change in our ability to*
21 *implement, execute and collect a surcharge during this*
22 *period of review or even the period prior to that,*
23 *1999 through 2005. We've had these surcharges in*
24 *place for some time. Frankly, they go all the way*
25 *back to the late 1980s when nickel really began to*

1 *spike up and down and we needed some means of*
2 *recovery.*

3 *So that price mechanism has been in place*
4 *for some time. I think our customers understand it.*
5 *They see the same data that we see. They may not be*
6 *real happy about the surcharges, we're not happy about*
7 *the surcharges, but our ability to collect them is the*
8 *same today as it was before.*

9 *MR. FEELEY: Pat Feeley at NAS. I'd also*
10 *echo Mr. Hartford's comments. We are able to attach*
11 *the surcharge without any problem. The volatility*
12 *that now exists in this market has caused more*
13 *emotion, but even with the higher volatility and*
14 *perhaps some emotion the customers are quite aware of*
15 *the surcharge and at this point we have no problem*
16 *collecting the surcharge.*

17 *COMMISSIONER PINKERT: Thank you, Mr.*
18 *Feeley, but take me back to 2004, if you would. Can*
19 *you compare, as Mr. Hartford did, the situation with*
20 *the raw material surcharges at that time versus today?*

21 *MR. FEELEY: We would see the events in 2004*
22 *as no different than today. I trust that that's the*
23 *answer you're looking for?*

24 *COMMISSIONER PINKERT: Well, I'm looking for*
25 *whatever the answer is. But that does answer my*

1 question.

2 MR. FEELEY: Okay.

3 COMMISSIONER PINKERT: In terms of the raw
4 materials that are at issue with the surcharges, has
5 that changed? In other words is the mechanism
6 evolving to encompass a broader range of raw
7 materials?

8 MR. HARTFORD: Not in recent years. If you
9 go all the way back, and I won't belabor this, but in
10 the very early days it was nickel chromium and
11 molybdenum. In the early 2000's we saw increased
12 volatility in other raw material costs. So at
13 Allegheny Ludlum we made some modifications to our
14 surcharge to include vanadium, neodymium and copper
15 were added to our surcharges. Those materials are
16 used in very very small quantities in some of the
17 grades that we produce, but when you look at the cost
18 of those raw materials, even if there's only one
19 percent niobium in one of our products, it has an
20 impact on our cost and we needed to recover that.

21 I think the last modification that we made
22 to our surcharge in terms of adding a new element to
23 our surcharge, would have been 2002 or 2003. Right
24 around that period, as well, we added an energy
25 component to the surcharge to recover rising costs of

1 natural gas at that time. That's a component of the
2 surcharge as well for Allegheny Ludlum.

3 COMMISSIONER PINKERT: Mr. Feeley?

4 MR. FEELEY: We have not changed our
5 surcharge mechanism.. We, unlike Mr. Hartford's
6 comments, we don't have some of the additives or the
7 copper in those examples to speak to given our
8 commodity production. So it's the same as before.

9 MR. HARTFORD: Excuse me. If I could just
10 add one thing.

11 The product lines that we're talking about
12 today, the grades that are predominantly sold in
13 coiled plate are the commodity grades, the 304, 304L,
14 316 and so forth. These additions that I talked about
15 of niobium and copper and some of these things, we
16 don't have those elements in the products, the alloys
17 that are produced in coiled plate today. It's on some
18 of our higher end, more exotic alloys.

19 COMMISSIONER PINKERT: Thank you.

20 My last question is perhaps more of a legal
21 question, although certainly the companies represented
22 on the panel may have a view about this. But assuming
23 that we're in a situation where ThyssenKrupp's U.S.
24 plant is up and running and producing, and I recognize
25 the point that Ms. Cannon made, that this is somewhat

1 *speculative at this point. But assume that it is up*
2 *and running and producing at the full anticipated*
3 *amount. What incentive would ThyssenKrupp have to*
4 *harm pricing in the U.S. market at that point?*

5 *MR. HARTQUIST: I'll start and turn to the*
6 *industry representatives.*

7 *These kinds of decisions are made by*
8 *management, whether it's in individual divisions of*
9 *the companies as in NAS' case, or whether there is*
10 *coordination among the, at the higher levels of the*
11 *parent company.*

12 *I think the correct answer is that there are*
13 *a lot of factors that go into determining where a*
14 *company is going to ship from. What's the demand in*
15 *the local market? Where are they shipping to export*
16 *markets? Do they have mills that they want to fill in*
17 *one location nor another in order to achieve economies*
18 *of scale?*

19 *So I think the short answer is that while*
20 *there may be a preference to ship from a local*
21 *producer, that's not always a determining factor and*
22 *we see that pattern. Maybe my colleagues want to*
23 *comment further.*

24 *MR. HARTFORD: I agree with what Skip said.*
25 *I think we have a similar analogous situation that's*

1 *been going on in sheet and strip for some time where*
2 *Mexinox who considers the U.S. part of their home*
3 *market, ships to this country but despite the fact*
4 *that Mexinox has excess sheet and strip capacity,*
5 *ThyssenKrupp from Germany and Alabama and in some*
6 *cases China continues to ship to this country. so the*
7 *situation I think is similar to the question that*
8 *you're asking, and that is if you have a company who*
9 *thinks they're a local producer and they're not full,*
10 *why would they ship sheet and strip into this market*
11 *from other places? They're doing that today. I can't*
12 *explain why. Maybe it's part of a market share*
13 *objective, but for coiled plate I think the two things*
14 *that are important for us to remember is it's 2013 at*
15 *the earliest that they would be producing coiled plate*
16 *in Alabama, and perhaps that is subject to change.*
17 *That gives ThyssenKrupp Italy a year and a half to two*
18 *years to ship a lot of product into the U.S. market if*
19 *the orders are lifted.*

20 *MR. HUDGENS: Can I make one other comment*
21 *in terms of historical data?*

22 *If you look at import statistics, it shows*
23 *that imports from Germany, that is imports from*
24 *ThyssenKrupp were not a factor before the imposition*
25 *of the order on Italy, but as soon as the imposition*

1 *of the order on Italy occurred, imports from Germany*
2 *increased significantly and now they're the largest*
3 *non-subject source of imports from ThyssenKrupp, so*
4 *there was a shift.*

5 *MR. LUBERDA: Commissioner Pinkert, two very*
6 *quick things.*

7 *One, ThyssenKrupp has said publicly that*
8 *they're looking to massively increase their market*
9 *share in North America for stainless flat-rolled*
10 *products. They want to get something like 25 percent*
11 *of the U.S. market. The only way to do that in a*
12 *price-sensitive product like this, particularly in*
13 *plate where it's dominated by commodity products, is*
14 *to undersell the market.*

15 *They are already doing that for Mexinox in*
16 *the sheet market. There's no reason to believe they*
17 *won't do it in the plate market. I think that's what*
18 *gets them to their stated goal of getting up. And*
19 *don't forget, they're sharing that mill in Alabama*
20 *with not only stainless sheet production, but they're*
21 *also sharing it with carbon sheet production, that*
22 *hot-rolling mill.*

23 *So the decision on how to get to that 25*
24 *percent and which of their global assets to use to do*
25 *it could change at any time. We're talking about a*

1 *decision before they reach full production capacity,*
2 *for several years out beyond the horizon of what's*
3 *reasonable to expect in this proceeding.*

4 *Thank you.*

5 *COMMISSIONER PINKERT: Thank you. And thank*
6 *you, Madame Chairman, for allowing me to go over my*
7 *time.*

8 *CHAIRMAN OKUN: Thank you.*

9 *I think I just have a couple of questions*
10 *left.*

11 *With respect to the last response of how to*
12 *take into account, I know there were several questions*
13 *about the Alabama mill. I think one of the*
14 *interesting questions is, is it reasonably foreseeable*
15 *when you have information on the record, and again I*
16 *understand in this case the testimony we had, and*
17 *we'll have a chance to talk to respondents this*
18 *afternoon, is that 2013 is when they start producing*
19 *in Alabama under the current production of the subject*
20 *product. So the question is, I think I can say that*
21 *they have a production schedule that's going to*
22 *happen. The question is, if you have that, is that a*
23 *different analysis of what will happen in that*
24 *intervening time from now, 2011, to 2013 with respect*
25 *to their subject Italian product? Is it more*

1 reasonable to assume that their strategy will be to
2 want to have their Italian product coming in so that
3 when they're operational they can just substitute?

4 Mr. Hartford is shaking his head. You think
5 that's the strategy they want, to bring their Italian
6 product in, have those customers, and then in 2013
7 substitute?

8 MR. HARTFORD: Yes. I guess a head nod is
9 not on the record. But yes. I think that's exactly
10 what they would do. If indeed they intend to start
11 producing hot-rolled product in Alabama in 2013 I
12 would fully expect that they would increase coil plate
13 imports from Italy to begin to build their customer
14 base and their market share so that when they're ready
15 to produce a product in Alabama they'll already have
16 an established customer base. So I would expect that
17 we would see an increase in those imports between now
18 and then.

19 CHAIRMAN OKUN: Would that be a customer
20 base beyond the customer that they'd already have for
21 the non-subject German product that's in? Would those
22 be different? Because the product mix, you may not be
23 able to answer that. Obviously I'll ask them later.
24 But I'm trying to figure out if there's already German
25 product in from TK, is there further incentive to

1 *bring in the Italian product?*

2 *MR. HARTFORD: I'm not sure if there's*
3 *further incentive. I just think with their long term*
4 *market share goals in the United States, they're going*
5 *to want to get as much coil plate into this market to*
6 *as many customers as they possibly can in the near*
7 *term, so that when they're ready to go, whenever that*
8 *is, they're going to have a broad customer base that*
9 *has been buying from their facility.*

10 *CHAIRMAN OKUN: And then --*

11 *MR. FEELEY: If I may?*

12 *CHAIRMAN OKUN: Please, Mr. Feeley.*

13 *MR. FEELEY: I'd like to add, with the*
14 *configuration with KENMAC as a vertical distributor,*
15 *as Mr. Hartford alludes to, the product can very*
16 *easily be brought to the market in far greater*
17 *fashion, given the distribution arm. With that I*
18 *would suggest that the product is going to be spread*
19 *further than perhaps a mill direct account would*
20 *permit, but through the smaller customers that the*
21 *KENMAC group would permit and allow.*

22 *CHAIRMAN OKUN: Okay.*

23 *Then I guess my additional question on that*
24 *would be, so if you have their product coming from*
25 *Germany, fairly traded product coming from German,*

1 *what would be the incentive to come in with lower-*
2 *priced Italian product from the company, from TK's*
3 *perspective? Would there be an incentive to do that?*

4 *MR. HARTQUIST: You're assuming that if the*
5 *order were revoked?*

6 *CHAIRMAN OKUN: If the order were revoked.*

7 *MR. LUBERDA: To build market share. They*
8 *would do it to build market share, which they have*
9 *stated that they intend to do.*

10 *CHAIRMAN OKUN: So your contention is they*
11 *would bring in lower priced, if the order were lifted.*

12 *MR. LUBERDA: My contention is they would*
13 *bring in, dump product into the marketplace, and the*
14 *way you build market share in a commodity product is*
15 *by pricing it attractively enough for people to buy it*
16 *in preference to other goods. So yes, I'm saying that*
17 *they would undersell the U.S. market to get that.*

18 *Where they were relative to the German*
19 *products I couldn't say today, but they would*
20 *certainly attempt to undersell U.S. products. When*
21 *you're putting that size asset into the marketplace it*
22 *makes sense to put as many tons on the ground as you*
23 *possibly can, get as much market share as you possibly*
24 *can.*

25 *This is a company that has huge debt.*

1 *They've announced they want to take their global*
2 *company and put it out on the market sometime over the*
3 *next year, separated in some way perhaps on the model*
4 *that Aperam did. So for them to make that an*
5 *attractive proposition, the more tons they have out in*
6 *the marketplace globally, as much as they can get in*
7 *this market the better. That would be even more*
8 *important than short-term price maximization for the*
9 *tons they are putting in the market now.*

10 *CHAIRMAN OKUN: I appreciate those comments.*
11 *For post-hearing if you can provide some additional*
12 *analysis of that competition between Germany and Italy*
13 *and the EU, that would be helpful.*

14 *My final question which I think can be done*
15 *for the record, but just follow-up on the argument*
16 *being made about how we should treat capacity and*
17 *treating capacity as a whole as opposed to looking at*
18 *the allocations.*

19 *One, if you can cite to Commission precedent*
20 *you think is consistent with that, and then also for*
21 *counsel to look at what the courts have said about how*
22 *we view capacity for purposes of our analysis. Again,*
23 *I think this strikes me in looking back at some of our*
24 *opinions, as one where I think we rarely say capacity*
25 *is capacity, and yes, theoretically it could go into*

1 one or another, but is there an economic incentive to
2 do so? What's the value-added for cold-rolled versus
3 hot-rolled? So any additional information you can
4 provide in making that argument I think would be
5 helpful.

6 Mr. Hartquist?

7 MR. HARTQUIST: We'll be happy to do so.

8 CHAIRMAN OKUN: I don't have any further
9 questions, but again I want to thank you for all the
10 responses today and yesterday and for post-hearing.

11 I'll turn to Commissioner Lane.

12 COMMISSIONER LANE: Thank you.

13 Table 3-10 of the pre-hearing staff report
14 talks about costs. Where in that table would energy
15 costs appear? Would it be in other factory costs?

16 MR. HUDGENS: Yes.

17 COMMISSIONER LANE: Who answered that,
18 please?

19 MR. HUDGENS: Brad Hudgens.

20 COMMISSIONER LANE: Thank you.

21 What is your largest energy cost?

22 Electricity or natural gas?

23 MR. HARTFORD: For these products it would
24 typically be natural gas.

25 COMMISSIONER LANE: Mr. Feeley, do you agree

1 with that?

2 MR. FEELEY: I do.

3 COMMISSIONER LANE: Mr. Hudgens, could you
4 provide or someone else provide a schedule that shows
5 the energy cost component of expenses as shown on
6 Table 3-10 for the years 2005 to 2010?

7 MR. HUDGENS: Yes, we would be happy to do
8 that in a post-hearing brief.

9 MR. HARTFORD: Commissioner Lane, I was just
10 going to add to my quick answer to you there, and that
11 is that it's not 90/10. The energy consumption costs
12 in producing the products that we make, the front end
13 of our processing, electric arc furnaces use enormous
14 quantities of electricity to melt raw materials into
15 molten metal. In between there we consume a lot of gas
16 in reheating and in anneal lines and so forth. But
17 we'll be happy to get Mr. Hudgens the data.

18 COMMISSIONER LANE: Thank you.

19 The staff report also shows a table. The
20 table is 5-3, and it has a table showing the actual
21 electricity costs and the natural gas costs and the
22 trends.

23 Do you agree with that table that the
24 electricity costs remain relatively stable and that
25 the natural gas costs are somewhat volatile? Has that

1 *been your experience?*

2 *MR. HARTQUIST: Which table are you looking*
3 *at?*

4 *COMMISSIONER LANE: I'm sorry. It's Figure*
5 *5-3. Okay 5-5.*

6 *MR. HARTFORD: We would agree that that's*
7 *been the profile of the input costs from an energy*
8 *standpoint. A slight increase, and you can see the*
9 *sporadic increases in electricity costs. Some of that*
10 *coming as a result of rolling deregulation of certain*
11 *states relative to electrical energy costs, and*
12 *Certainly natural gas prices have fallen in the past*
13 *several years for a variety of reasons.*

14 *COMMISSIONER LANE: Thank you.*

15 *Do you usually have a very large inventory*
16 *of raw materials used for inputs?*

17 *MR. HARTFORD: We do not. At Allegheny*
18 *Ludlum we try to manage that very carefully. We turn*
19 *our inventory, and we can put this in a post-hearing*
20 *brief, but we turn our raw material inventories a*
21 *tremendous number of times a year, specifically to*
22 *avoid the risk of raw material volatility costs.*

23 *COMMISSIONER LANE: Mr. Feeley?*

24 *MR. FEELEY: For the same reasons mentioned,*
25 *the volatility. Our incentive is to turn the scrap*

1 *and inventories over at a quick rate where the market*
2 *will allow and our lead times will permit.*

3 *COMMISSIONER LANE: Thank you.*

4 *Do you value raw material out of inventory*
5 *into the production process in a LIFO method or some*
6 *other method?*

7 *MR. HARTFORD: ATI, Allegheny Ludlum, uses a*
8 *LIFO inventory method for accounting for raw*
9 *materials.*

10 *MR. FEELEY: I can't answer the question,*
11 *but I'd be happy to do so post-brief.*

12 *COMMISSIONER LANE: Thank you.*

13 *Do you carry much, if any, inventory of*
14 *finished product? Or is finished product pretty much*
15 *shipped out as soon as it comes out of the factory?*

16 *MR. HARTFORD: In coiled plate -- Terry*
17 *Hartford, ATI, Allegheny Ludlum. Coiled plate*
18 *historically, we would ship product as soon as it was*
19 *ready. It was made on a customer's order, we would*
20 *produce it, finish it, and ship it as it was finished.*
21 *Today as we discussed a little bit yesterday and*
22 *earlier today, there is a growing prevalence of depots*
23 *or finished goods inventories, and we carry some*
24 *coiled plate in finished goods inventory. Certainly*
25 *more today than just a few years ago.*

1 **MR. FEELEY:** *Pat Feeley at NAS. We too have*
2 *motive to ship direct when permitted from the factory.*
3 *We don't necessary carry coiled plate inventory at*
4 *that stage. But given the array of warehouses that we*
5 *have through the NAFTA region, we too have inventory*
6 *at those locations that we would carry inventory in*
7 *those situations at those locations.*

8 **COMMISSIONER LANE:** *Thank you.*

9 In your pre-hearing brief you talked that
10 subject producers have demonstrated an ability to
11 product shift between stainless steel plate and coils
12 and other products as well as shift quickly between
13 different export markets in response to changing
14 market conditions.

15 Could you please give me some examples of
16 this product shifting? I'd like to know specifically
17 relating to stainless steel plate and coils what
18 production products are most likely to be shifted and
19 how it's determined what product shifts should be
20 made.

21 **MR. BLOT:** Commissioner Lane, I'm not quite
22 sure I fully understood your question from that
23 standpoint. Can you try to rephrase that a little bit
24 differently?

25 **COMMISSIONER LANE:** Yes.

1 I would like to know if it's easy to product
2 shift between stainless steel coil and other products?
3 Do you have examples of that?

4 MR. BLOT: In my testimony of course the
5 stainless steel coil, there's been a shifting that
6 we've seen for the imports coming in to the cut length
7 product. So you start with the coil and then you've
8 got the cut length. That's one product shifting that
9 takes place.

10 COMMISSIONER LANE: Thank you.

11 Do Buy American provisions have an impact on
12 the domestic industry?

13 MR. HARTFORD: Terry Hartford, Allegheny
14 Ludlum. I answered that yesterday as well, I'd be
15 happy to answer it today.

16 As it relates to this product the primary
17 driver in the purchase decision is the selling price.
18 It's the overwhelming factor that we face when selling
19 these products. We don't do a lot of contracts, we do
20 very few contracts frankly in coil plate. It's a spot
21 type of a business. People buy it week to week, month
22 to month, and it's done on a transaction by
23 transaction basis. Price seems to be the most
24 important factor.

25 MR. FEELEY: Pat Feeley, North American

1 Stainless. Apart from rather narrow select markets,
2 an example would be nuclear, I would say that, again,
3 it's a price-driven decision and the Buy American has
4 very little effect.

5 COMMISSIONER LANE: Thank you.

6 One last question. Absent the discipline of
7 the orders on stainless steel plate and coils, what
8 would likely happen to prices in the U.S. market?

9 MR. HARTFORD: Terry Hartford, Allegheny
10 Ludlum. Our two biggest concerns here are that if the
11 orders are lifted number one, there will be a
12 reduction in selling prices. I think the subject
13 countries will see an opportunity to grow their share
14 here, and to see a recovering U.S. market and have an
15 opportunity to sell more in that recovering U.S.
16 market. I think they'll use price as a means to do
17 that as quickly as they can. So I think our selling
18 prices would fall.

19 MR. FEELEY: I too would echo Mr. Hartford's
20 comments. The prices would surely fall. There would
21 be more financial consequences as a result. And given
22 the zeal for their need for market share, I can't
23 think of any other consequence that would result if
24 the orders were to be lifted.

25 COMMISSIONER LANE: Thank you.

1 With that, Madame Chair, I have no more
2 questions. And thank this panel for the answers to
3 the questions that I did have.

4 CHAIRMAN OKUN: Commissioner Pearson?

5 COMMISSIONER PEARSON: Thank you, Madame
6 Chairman. I have one more issue that was of interest
7 to me.

8 My review of the confidential data in Table
9 1-1 regarding imports and exports indicates that the
10 United States has been a net exporter of stainless
11 steel plate and coils most years of the period of
12 review. Would it be reasonable to expect that the
13 United States will remain a competitive exporter, at
14 least as long as the dollar stays relatively weak?

15 MR. HARTQUIST: Mr. Pearson, did I
16 understand you to say a net exporter? In other words
17 greater exports than domestic shipments?

18 COMMISSIONER PEARSON: No, no. Greater
19 exports than imports.

20 MR. HARTQUIST: Okay.

21 COMMISSIONER PEARSON: You match import data
22 with export data and you see which is greater.

23 MR. HARTQUIST: I'm with you, thank you.

24 COMMISSIONER PEARSON: I take it as an
25 indication of export success when you have an industry

1 that is exporting more than it's importing. That's
2 why the question that I followed with was do we have
3 reasons to expect that this export success will
4 continue?

5 MR. HARTQUIST: We'll be happy to respond to
6 that, Commissioner Pearson, but we'd like to put it in
7 the brief if we may.

8 COMMISSIONER PEARSON: That's fine. If the
9 dollar is one issue in competitiveness, go ahead and
10 comment on that. I know we discussed it a little bit
11 yesterday.

12 Does the fact that there's been some degree
13 of success for the industry in export markets suggest
14 that prices for stainless steel plate in at least some
15 overseas markets are reasonably fair, not driven down
16 by unfair trading? The reason for asking is that we
17 see some products where the global markets tend to be
18 depressed because of unfair trading. I'm trying to
19 understand. This looks to me like a product that
20 might not fit that characterization.

21 MR. HARTFORD: Terry Hartford, ATI,
22 Allegheny Ludlum.

23 I commented earlier That we export very very
24 little of this product. Our company's findings are
25 that the export opportunities for us are not terribly

1 attractive. That's why we're exporting as little as
2 we are in coiled plate.

3 MR. FEELEY: As we export coil we see the
4 environment entirely, or more competitive than what we
5 see here in the States. It's a highly competitive
6 situation and from that standpoint alone we're guarded
7 with the opportunities that may come about because of
8 the rather difficult situation with prices abroad.

9 COMMISSIONER PEARSON: Did you comment
10 earlier whether any of your exports are to related
11 companies?

12 MR. FEELEY: No, I had not. Yesterday we
13 had discussed cold-rolled in a different manner. But
14 when we bring the product to Asia it's not within the
15 framework of our organization. It's in the open
16 market.

17 COMMISSIONER PEARSON: thank you.

18 Finally, does the fact that the United
19 States is a net exporter make the industry less
20 vulnerable in the sense that we use the term in
21 reviews?

22 MR. HARTQUIST: Let us also discuss that in
23 the brief because I think the circumstances of the
24 data are confidential and are important to the answer.

25 COMMISSIONER PEARSON: Fair enough.

1 With that I have no further questions, so I
2 thank you all for your perseverance and I hope that
3 you get to do something else tomorrow.

4 (Laughter.)

5 CHAIRMAN OKUN: Are there any other
6 questions from my colleagues?

7 (No audible response.)

8 CHAIRMAN OKUN: Let me turn to staff to see
9 if they have questions of this panel?

10 MR. CORKRAN: Douglas Corkran, Office of
11 Investigations.

12 Thank you, Madame Chairman. Staff has no
13 additional questions.

14 CHAIRMAN OKUN: Let me turn to opposition to
15 continuing the order. Do you have any questions for
16 this panel?

17 MR. LEIBOWITZ: Lewis Leibowitz for TKAST.
18 No questions.

19 CHAIRMAN OKUN: Okay, then before we break
20 for lunch I want to thank the witnesses very much for
21 again appearing here today, staying with us, answering
22 questions, and for the information you'll provide
23 post-hearing. We will take a one hour break for
24 lunch. We'll be in recess until 1:00 p.m.

25 I would remind parties that the room is not

1 secure, so please take any business confidential
2 information with you. Thank you.

3 (Whereupon at 12:00 p.m. the hearing was
4 recessed, to reconvene at 1:00 p.m. this same day,
5 Thursday, May 26, 2011.)

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1 Also joining us today is Bruce Malashevich,
2 President of Economic Consulting Services who is on my
3 far right.

4 Mr. Salas and Mr. Lacor will discuss the new
5 Alabama mill, specifically as it's relevant to
6 stainless steel plate and coils, but keep in mind that
7 this is one mill and I can't think of a better word
8 than continuum of products, but you understand we're
9 not raising the issue of like product here. I will
10 note a few issues later.

11 Before I turn it over to Mr. Salas I just
12 want to give you a brief plate-specific kind of
13 travelogue, which is going to be important.

14 First of all, the difference between black
15 band and white band. Black band is stainless steel
16 plate in coils, usually plate. It could be sheet
17 thicknesses. That is not annealed and pickled. That
18 is sold and shipped and traded under varying
19 circumstances that our witnesses will get into.

20 White band is the same product that has been
21 annealed and pickled. The important thing to remember
22 is that black band is not subject to this order and
23 white band is subject to this order.

24 Also ThyssenKrupp has two European
25 affiliates that are relevant to this discussion.

1 ThyssenKrupp Nirosta who you heard from yesterday in
2 Germany, and TKAST in Italy. Both produce black band
3 and white band.

4 Also we'll be discussing as it comes up the
5 case we discussed yesterday, Arcelor Mittal Nucor. We
6 look forward to further dialogue regarding that case.

7 But without further ado, let me turn it over
8 to Jose-Ramon Salas who will take you through the
9 Alabama production situation specifically with respect
10 to stainless plate and coils.

11 MR. SALAS: Madame Chairman, members of the
12 Commission and staff.

13 Good afternoon. My name is Jose-Ramon
14 Salas. I am Vice President for Operative Planning at
15 ThyssenKrupp Stainless USA, LLC, where I am
16 responsible for coordinating capacities and material
17 distribution to North American customers for both
18 ThyssenKrupp Stainless USA and ThyssenKrupp Mexinox.

19 Before joining ThyssenKrupp Stainless USA I
20 was employed for over 22 years at ThyssenKrupp Mexinox
21 and its predecessor company in Mexico. I thank you
22 for the opportunity to speak with you again today.

23 There has been much discussion this morning
24 again about ThyssenKrupp's establishment of the
25 Greenfield stainless steel mill in Alabama, and there

1 are good reasons for that. ThyssenKrupp's investment
2 of over \$1.4 billion to build this new state of the
3 art and fully integrated U.S. stainless steel mill is
4 without a doubt, again, the most significant
5 development in the North American stainless steel
6 market in the last 20 years, and it is the central
7 element of ThyssenKrupp's North American marketing
8 strategy for the future as you have just heard.

9 I would therefore like to take a few minutes
10 to better acquaint you with the mill and the current
11 status of its production operations.

12 The stainless steel mill in Alabama is part
13 of a larger \$5 billion Greenfield project that also
14 includes significant carbon steel operations and a hot
15 strip mill which is shared by the two segments. When
16 completed in the fourth quarter of 2012 the Alabama
17 mill will be a fully integrated stainless steel flat
18 products plant including a stainless steel melt shop
19 capable of producing approximately one million metric
20 tons of stainless steel slab per year, a hot-rolling
21 line shared with a carbon steel facility of which up
22 to one million metric tons capacity will be available
23 for stainless steel production.

24 The mill will have a hot annealing and
25 pickling line which is used after hot-rolling that

1 will be operational later this year. It will also
2 have three stainless steel cold-rolling lines with an
3 overall production capacity of 350,000 tons per year.
4 Accordingly, annealing and pickling line which is used
5 after cold-rolling the material, and a stainless steel
6 finishing line.

7 The stainless steel operations alone will
8 permanently add 900 well-paying U.S. jobs to the U.S.
9 economy, and already 380 of these employees are
10 working at the facility.

11 Ground was broken on the project in November
12 2007. The construction of the stainless mill and the
13 commissioning of the manufacturing machinery is
14 proceeding over an orderly schedule of backwards
15 integration from the cold-rolled end of the process to
16 the melt shop with the full commissioning expected to
17 be completed in three phases in early 2013.

18 Phase one of operations began in September
19 2010 with the commissioning of the first of three
20 cold-rolling mills -- a 64-inch mill principally
21 focused on producing 48-inch and 60-inch wide
22 products, cold-rolled. Phase one also includes the 74
23 inch cold annealing and pickling line which is used
24 after cold-rolling, as well as finishing equipment.
25 That includes a 64-inch cold polishing line, 74-inch

1 cut to length line, and 64 inch slipping line.

2 Phase two will be fully operational in the
3 fall of 2011. Capacity is now being added with a hot
4 annealing and pickling line for the production of
5 white band or stainless steel plate. Not until 2013,
6 but at the end of this year. White band will be used
7 principally for cold-rolling to make higher value-
8 added products, but stainless steel plate and coils
9 will also be produced for the U.S. and North American
10 market. The construction of the cold-rolling mill
11 will expand our cold-rolling capacity from 120,000 to
12 240,000 tons annually while the hot annealing and
13 pickling line will have a capacity of 700,000 tons per
14 year.

15 Phase three, the final phase, is on schedule
16 to begin in the fall of 2012 with the addition of the
17 third and final cold-rolling mill, a 54-inch cold-
18 rolling mill and a commissioning of the melt shop.

19 When this phase is implemented the Alabama
20 mill will be fully integrated with a cold-rolling
21 capacity of approximately 350,000 tons annually. As
22 the Commission staff was able to observe first-hand,
23 the timetable of this last phase has been accelerated
24 but construction of the melt shop is not significantly
25 advanced. Indeed, the three argon oxygen

1 decarbonization converters, AODs, for the melt shop
2 are already on site.

3 Let me now briefly turn to the sourcing and
4 marketing strategy that underlies the construction of
5 the Alabama mill and the completion of our local
6 supply strategy for North America. My colleague,
7 Stephan Lacor, will speak to this in more detail but
8 let me provide a general overview of how production
9 and marketing is being transformed as the local supply
10 strategy is implemented.

11 Before the Alabama mill was commissioned
12 last year. Mexinox was TK's only North American
13 stainless steel production facility. Mexinox lacks a
14 melt shop and a hot-rolling capability.

15 Mexinox has always relied on the supply of
16 external sources to market plate products in the
17 Mexican market and to further manufacture this plate
18 into cold-rolled products. Reliance on long distance
19 supplies of these feedstocks is not in the long term
20 interest of being a leader in the North American
21 market. Alabama will be the source of hot-rolled
22 feedstock.

23 Alabama's production of stainless steel
24 plate, when the melt shop is commissioned in late 2012
25 or early the following year, will be used for three

1 purposes. Number one, black band feedstock for
2 Mexinox. Number two, cold-rolling into stainless
3 steel and strip in Alabama for the U.S. market.
4 Number three, production of stainless steel plate and
5 coils for the North American market.

6 Consistent with our local production
7 strategy, the small volumes of subject stainless plate
8 and coils, white band, from Germany and Italy in the
9 U.S. market will be at near zero and the Alabama mill
10 will take over this product. Since there are no plans
11 for future imports of stainless steel sheet and
12 stripping coils from Germany and Italy and stainless
13 steel plate and coils from Italy when the mill in
14 Alabama becomes fully operational by the end of 2012,
15 future imports of SSBC are unlikely.

16 As it ramps up production of hot-rolled
17 steel, the Alabama mill will also replace Germany and
18 Italy as its own and Mexinox's principal source of
19 hot-rolled steel, raw materials, or plate feedstock.
20 In other words, all future output of cold-rolled sheet
21 and strip at the Mexican mill after the Alabama mill
22 ramps up will serve to expand total U.S. output of
23 stainless steel plate. Whether that output remains in
24 the U.S. or it is exported back to the U.S. as cold-
25 rolled sheet and strip or sold in Mexico or other

1 markets.

2 As Mr. Lacor will discuss in a moment, TK's
3 North American production and marketing strategy also
4 calls for Germany and Italy to continue to reduce the
5 range of products exported to the U.S. as the Alabama
6 mill assumes responsibility for producing and
7 distributing products previously produced by our
8 European operations.

9 The end result will be an integrated
10 regional production system of stainless steel flat
11 rolled products with the Alabama mill producing
12 stainless steel plate of white band for its own cold-
13 rolling mills and for sale in North America, as well
14 as hot-rolled stainless steel plate not annealed and
15 pickled, or also known as black band, for Mexinox's
16 cold-rolling operation, making sure that the entire
17 North American market is adequately supplied with a
18 full portfolio of flat-rolled stainless steel
19 products. Thank you.

20 MR. LEIBOWITZ: Mr. Lacor?

21 MR. LACOR: Good afternoon Madame Chairman
22 and Commissioners. Thank you for having me again
23 today.

24 My name is Stephan Lacor and I am the Vice
25 President for Sales and Marketing at ThyssenKrupp

1 Stainless USA. I'm also responsible for coordinating
2 commercial activities in Mexico. In these capacities
3 I am responsible for the sales and marketing of all TK
4 Stainless flat products in the United States, Canada
5 and Mexico regardless of what producing mill they come
6 from.

7 Over the last decade and even more so over
8 the last two years, ThyssenKrupp Stainless has
9 significantly overhauled its management structure so
10 as to more effectively manage our local supply
11 strategy. With respect to the U.S. market, these
12 management structures make sure that the policy of
13 local supply is not undercut by competition from other
14 TK Stainless companies outside of North America.

15 Our management control structures ensure
16 that all TK Stainless companies follow appropriate
17 sales and marketing policies that do not damage the
18 U.S. market and thereby jeopardize the billions of
19 dollars that TK has invested in the Alabama mill.

20 Beginning in 2000 ThyssenKrupp began a
21 process of gradually consolidating these distinct
22 distribution organizations under central management
23 and staffing. As a major step in this direction, in
24 2000 TKNA and Mexinox USA, the German subsidiary and
25 the Mexican subsidiary, consolidated administration,

1 sales and distribution staffs with Mexinox USA as the
2 lead company based out of Chicago.

3 In 2004 ASTUSA, the Italian subsidiary,
4 joined these structures. So since 2004 while we had
5 three sales organizations with separate legal
6 entities, the actual day-to-day administration, sales
7 and distribution was all carried out by Mexinox USA on
8 behalf of the companies. In this period I was the
9 Vice President and General Manager of all three legal
10 entities and responsible for the harmonious operation
11 of all three companies in the U.S. and Canadian
12 markets.

13 With the establishment of ASLUSA, this
14 process of consolidating administrative and marketing
15 functions within ThyssenKrupp Stainless in North
16 America is essentially complete. Administration,
17 sales and distribution activities are now being
18 consolidated within the single legal entity
19 ThyssenKrupp Stainless USA. This signals the
20 effective withdrawal of Germany and Italy from the
21 U.S. market to subject stainless products.

22 In fact effective in December 2010, TKA
23 was merged into SLUSH and no longer exists as a
24 separate legal entity. It's a strong signal of the
25 lack of need or desire to bring material in from

1 Italy.

2 In the near future Mexinox USA and TKNNA
3 which is a German subsidiary, will also be merged
4 inside SLUSH.

5 To summarize, under the management
6 structures in place, strategic management of the TK
7 Stainless Steel global operations will continue to be
8 centrally coordinated by the managing board of the
9 stainless global business headed by Mr. Iller who you
10 met yesterday, and the management and coordination
11 locally will be handled within the Stainless USA
12 organization.

13 SLUSA's sales and distribution teams will
14 continue to have the sole responsibility for sales and
15 distribution in the United States and Canada.

16 As Jose-Ramon has mentioned, the
17 establishment of the Alabama mill culminates
18 ThyssenKrupp's Stainless local supply strategy under a
19 centralized sales and marketing management structure.

20 The next step in this rationalization
21 process will be the near complete replacement of
22 imports from Italy and Germany with local Alabama
23 production. With the exception of very limited niche
24 products that may not be locally available, once
25 Alabama mill is operational there will be no need for

1 my sales and marketing teams to source products from
2 outside of North America.

3 It is important to emphasize that the
4 central management of production, sales and
5 distribution from our North American headquarters has
6 as its principal aim to ensure that TK's North
7 American facilities operate effectively to maximize
8 TK's investments in North America and in the United
9 States in particular.

10 Like any other U.S. based producer, SLUSH
11 will not permit any action that could potentially harm
12 the economic viability of U.S. operations and
13 jeopardize the billions that we have invested in the
14 Alabama mill.

15 Thank you.

16 MR. LEIBOWITZ: Thank you, Mr. Lacor. I'll
17 turn it over now to Bruce Malashevich.

18 MR. MALASHEVICH: Good afternoon, Madame
19 Chairman, members of the Commission.

20 I have to say I give petitioner's witnesses
21 a good amount of credit because the apparent confusion
22 of yesterday's morning testimony translated into
23 substantial clarity this morning on some critical
24 issues before the Commission.

25 Let's take the capacity utilization rate, a

1 subject of considerable discussion yesterday. It's
2 now clear that the capacity utilization rates are as
3 absurdly low as they have been reported because
4 petitioners did not follow the express instructions of
5 the Commission's producers questionnaire which is to
6 provide for product mix among other factors in
7 calculating capacity.

8 So my humble opinion is that the Commission
9 should give no weight whatsoever to the capacity
10 utilization rates reported by the domestic industry.

11 There is also clarity on the ability, the
12 pricing power as we described it in the TK pre-hearing
13 brief, of the highly concentrated domestic industry
14 with a major market share today to institutionalize --
15 I emphasize institutionalize -- the automatic pass-
16 through of changes in the costs of raw materials,
17 energy, transport, and in some cases other factors
18 that account for the vast majority of variable costs
19 in the industry.

20 In the TK pre-hearing brief we included an
21 SEC statement, an annual report, various current press
22 releases, by presumably approved by top management
23 senior to the witnesses testifying this morning and
24 yesterday saying that they have no problem passing
25 through surcharges. It happens all the time.

1 You heard express testimony this morning
2 with refreshing clarity by both the industry
3 witnesses. They routinely pass-through and the
4 customers accept all the surcharges.

5 So the noise you heard yesterday about the
6 industry being vulnerable in part because of volatile
7 raw materials costs is really fiction. In fact they
8 have enormous control over the ability to pass through
9 changes in costs that have been institutionalized.

10 Now it happens in various capacities not
11 only in trade actions but in other capacities. I've
12 had occasion to study the stainless steel industry for
13 the 35 years I've been in the consulting business. If
14 you go back in history surcharges were by no means
15 new, but they were sporadic. They were put in place
16 when necessary and then taken off.

17 But one of the big changes that has
18 happened, particularly since the last review, as I
19 say, the institutionalization, the broad acceptance in
20 the customer base, that is just a way of life if they
21 want to buy stainless steel.

22 That goes to the industry's vulnerability
23 and if that isn't enough, I would urge you to look at
24 the APO version of the pre-hearing report for the line
25 that calculates return on assets.

1 As we mentioned in the TK pre-hearing brief,
2 the notion of calculating returns on sales is really
3 inappropriate to this industry because you could have
4 a product that sells for \$100 and the operating
5 income, let's say, is ten. You have pass-through of
6 raw materials costs that makes the price \$150. The
7 profit is ten. As a percentage of sales, you see a
8 substantial decline but in absolute terms the profit
9 is the same, the cash flow is the same. So it really
10 doesn't make much sense in this industry, very
11 materials intensive, to calculate returns or to give
12 substantial weight to returns on sales because of the
13 way the arithmetic works.

14 I think the question of the industry's poor
15 capacity utilization is off the table. I think the
16 question of the industry's vulnerability is off the
17 table.

18 Let me address a few things, please, with
19 respect to Italy in particular. I'm addressing points
20 raised in petitioner's pre-hearing brief.

21 They protest that subject foreign producers
22 have continued to increase capacity, exhibit low
23 capacity utilization, show significant export
24 orientation, exhibit underselling, and have
25 demonstrating shifts between subject and non-subject

1 products. All of these claims do not apply to Italy.
2 Italy saw constant capacity over the POR until 2008
3 when it declined significantly due to a plant shutdown
4 in Turin.

5 Petitioners allege the decrease in reported
6 capacity for Italy declined due to allocation issues
7 as nothing structural occurred. I would submit that
8 closing down an entire plant is structural. Italian
9 capacity was limited by the closing of this plant, as
10 I mentioned, which has put a substantial limit on how
11 much Italy can produce.

12 Italy also has experienced a high rate of
13 capacity utilization. See Staff pre-hearing report at
14 page 4-16. Furthermore, Italy is internally focused.
15 A large share of its production is internally consumed
16 or shipped elsewhere within the EU. I think it's fair
17 to say just by my personal observation, that over the
18 years the Commission has come to accept more than ever
19 before the EU as being a true common market and it's
20 reasonable to consider that that is Italy's home
21 market not only Italy itself. See the pre-hearing
22 report at 4-15.

23 With regard to underselling, Italy hasn't
24 exported product to the United States since the year
25 2000. So there is no data for petitioners to claim

1 underselling for more than a decade.

2 Petitioners have argued that increased
3 shipments of non-subject cut to length product reflect
4 a circumvention of the orders. To the contrary. non-
5 subject imports of cut to length plate have exhibited
6 a declining trend. Please see my Public Exhibit 1
7 that I hope you have before you.

8 This trend certainly shows unexciting
9 numbers with respect to Italy. And in this table we
10 included Germany and Mexico not because they are
11 subject countries in this investigation, but simply
12 because there are countries of interest, shall we say,
13 in this proceeding, and you'll see nothing exciting
14 there either. Literally nothing from Mexico, and
15 declining trends in cut to length imports from Italy
16 and Germany. And just because the question came up
17 earlier in the morning concerning imports of coiled
18 plate, that's on the top part of Exhibit 1, from
19 Germany, they increased, and Mr. Lacor can address
20 that, but basically it's the entire increase is
21 explained by shipmates to the Alabama mill, not for
22 the open market.

23 That should end the debate on the cut to
24 length issue.

25 In turning to domestic industry and studying

1 its current market conditions and likelihood of
2 prospering without the order with respect to Italy,
3 the Commission must appreciate stainless steel plates'
4 long history of import relief. It was kind of fun
5 putting this together, actually, if you did look at
6 Exhibit 2, based entirely on Commission documents. I
7 am somewhat sad to say my professional career more or
8 less coincides with this lengthy history. But I found
9 it interesting because counsel advises me that one of
10 the criteria the Commission should consider in sunset
11 reviews is the effectiveness of the relief.

12 All right, so I took that literally and I
13 strung together all the investigations over the years
14 involving stainless steel plate. I found it rather
15 remarkable, that for every one of the last 38 years
16 some form of import relief has been in effect with
17 respect to stainless plate.

18 Now I ask you, let's accept what petitioners
19 are saying as true. They feel vulnerable,
20 notwithstanding facts to the contrary. If 38 years of
21 relief still leave them vulnerable to imports, then
22 that tells you something and it tells you that
23 continued import relief is going to do nothing, the
24 vulnerability that the industry must feel is owing to
25 other factors. And prolonging the relief has no

1 point.

2 The extraordinary timeline though is only
3 part of the story. Contrary to petitioner's claims,
4 the domestic industry's competitiveness is stronger
5 than ever, especially since the last period of review,
6 and has bounced back from recession.

7 As was noted in the last review, the
8 domestic industry has become more vertically
9 integrated over time. in the 1970s there were 11 U.S.
10 producers according to Commission reports. Today
11 there are three.

12 This consolidation increased efficiencies,
13 dramatically enhanced market power in the U.S. and
14 made the industry more globally competitive.

15 Allegheny Technologies' outgoing CEO
16 commented earlier this month, and I quote, "The most
17 important move in transforming the company was the
18 2004 acquisition of most of the assets of J&L
19 Specialty Steel. At that time Haase said, Haase being
20 the CEO, said the deal gave the company a chance to
21 return its flat-rolled stainless steel business to
22 profitability. In addition, the company had to reach
23 a new labor contract with the United Steelworkers that
24 provided workplace flexibility along with preserving
25 300 jobs. Allegheny Technologies has changed from a

1 traditional manufacturing company to one that adds new
2 products, maintains state of the art equipment,
3 invests in research and development, and does not have
4 to give away its technology to grow.

5 So I ask you to find anywhere in there words
6 suggesting vulnerability.

7 The increased competitiveness of the
8 domestic industry was evidenced by its increasing
9 share of apparent consumption in the last three years,
10 according to the pre-hearing report. While both
11 subject and non-subject imports declined.

12 The industry's global competitiveness is
13 further enhanced by the decline of the dollar which is
14 likely to persist. I'd lose most of my private
15 savings out of U.S. Treasury Bills. I don't know if
16 you've done the same.

17 The current strength of the domestic
18 industry is further demonstrated by its strong
19 recovery from the worst downturn since the great
20 depression. that's already been discussed. You can
21 see the return on investments and operating income
22 numbers in the pre-hearing report.

23 Acerinox, the parent of NAS, when commenting
24 on the 2010 business year report, I quote, "The
25 stainless steel market has corrected three consecutive

1 years of cuts with world production increase of 24.5
2 percent in 2010, returning to historical cumulated
3 growth rate 5.9 percent yearly in the last 60 years.
4 No other metal has ever had a similar behavior."

5 But production and profitability weren't the
6 only indicators to see improvement. In 2010
7 productivity reached its highest level reported while
8 labor costs per unit reached their lowest level since
9 2005. It even increased during the trough of the
10 recession in 2009, which I personally think is a
11 rather amazing statistic since productivity tends to
12 decline in downturns.

13 Company narratives show the same picture.
14 AK Steel stayed at its 10K. It was "able to increase
15 production levels at virtually all of its facilities
16 during 2010. In fact across all of its facilities the
17 company established dozens of production records in
18 2010.

19 Prices are on the upswing despite relatively
20 stable raw materials costs. Allegheny Ludlum
21 reported, "Shipments of our standard products in 2010
22 which primarily include stainless steel hot-rolled and
23 cold-rolled sheet and stainless plate increased 35
24 percent while average transaction prices for these
25 products increased by 33 percent.

1 Strong recovery and increasing profitability
2 are not surprising given the domestic industry's
3 market power as I discussed earlier.

4 Despite petitioner's claims that nearly
5 every major stainless steel plate consuming region in
6 the world currently suffers from over-capacity and
7 that the domestic industry has not recovered from the
8 recession, North American Stainless reported a 31.8
9 percent increase in melting production in 2010 and
10 another 14 percent increase in the first quarter of
11 2011. I have all the documentation which is public to
12 support these quotes.

13 Similarly, AK Steel secured a new \$1 billion
14 five year revolving credit facility, a sign that
15 capital spending plans are on the horizon and there is
16 no problem with the ability to raise capital.

17 Allegheny Ludlum reported construction is
18 ongoing of a new advanced specialty metals hot-rolling
19 and processing facility at their Pennsylvania site.
20 The project is estimated to cost \$1.1 billion and to
21 be completed in 2013. I simply point out the irony
22 concerning the earlier debate on whether 2013 is in
23 the reasonably foreseeable future. I'm not a lawyer.
24 all I can tell you, this comes from Allegheny Ludlum's
25 statement and I have to assume they think 2013 is in

1 the reasonably foreseeable future if they report it in
2 their financial statement.

3 Results from the first quarter of 2011
4 further illustrate the incredible strength of the
5 industry. Acerinox, the parent of NAS, reported more
6 than a six-fold increase in first quarter profit in
7 2011. The company attributed the forecast-beating
8 rise to strength in the U.S. market and predicted that
9 demand should sustain upcoming earnings.

10 Similarly, AK Steel reported a terrific
11 first quarter and that they expect a strong increase
12 in second quarter shipmates from the first quarter
13 with average per ton selling prices seven percent
14 higher.

15 I can go on and on with these quotes, but
16 I'll be happy to provide full documentation post-
17 hearing if you'd like.

18 Turning back to Italy, though, it's
19 important to note that Italian imports of plate have
20 not entered the U.S. since 2000 so it's been an entire
21 decade since Italy has shipped plate to the U.S.
22 market. Clear, Italy does not need the U.S. market.

23 Beyond the current lack of dependence on the
24 U.S. market if the orders were revoked, Italy would
25 not find the U.S. an attractive market. Contrary to

1 claims made by petitioners, Italy is not export-
2 oriented. Instead, Italy relies heavily on internal
3 consumption and shipments within Italy and the EU.
4 Even if the order were revoked, Italy would not export
5 stainless steel plate and coils to the U.S. given the
6 strong focus on its own domestic market, the low value
7 of the dollar, higher prices outside of the U.S. as
8 the pre-hearing report documents, and its own
9 decreased capacity.

10 Since the start of this POR Italy has seen
11 an increasing shift towards supplying stainless steel
12 plate to its home market in the EU. According to
13 petitioner's Exhibit 6, Italian exports to India made
14 up only 1.8 percent of total imports in 2010, so
15 petitioners' reliance on an antidumping in India is
16 overblown, shall we say.

17 Overall, as can be seen in Exhibit 6 of
18 petitioner's pre-hearing brief, total Italian exports
19 declined by 21 percent since 2006. Of all Italian
20 exports in 2010, half of the top ten export markets
21 were located in Europe where it enjoys open access,
22 low freight costs, and strong commercial ties.

23 Furthermore, Italy's capacity to produce
24 stainless plate, as I mentioned, declined in 2008 with
25 the closure of the Turin factory.

1 All these factors make it highly unlikely
2 that Italy would have the ability to ship product to
3 the U.S. if the order is revoked.

4 Just one final point on the metal margin
5 which was a discussion earlier. Commissioner Okun,
6 you are right. There have been multiple past
7 investigations involving scrap-based steel products
8 where the metal margin has been invoked and has been a
9 subject of testimony by domestic and other producers,
10 and has been a focus of attention. So it's nothing
11 new. It's nothing uncommon. And it's a very common
12 measurement in the stainless steel industry as well.

13 There is another reason for that, and
14 Commissioner Lane, I commend you for a very insightful
15 question concerning the valuation of inventory, LIFO
16 or FIFO. These are accounting conventions that could
17 have a significant impact on the rate of profit
18 reported. But I emphasize, they're accounting
19 conventions. They exist only because the tax
20 authorities exist.

21 An economic analysis looks at what we call
22 Economic rent which is basically the difference
23 between the selling price and the cost of materials.
24 Depreciation doesn't enter into the calculation.
25 These are all accounting niceties. The economic rent

1 is what's left over after you've covered raw materials
2 and it's divided between labor and capital.

3 So by referring to the metal margin as
4 opposed to operating income in this industry you get
5 better clarity because you don't, the accounting
6 conventions that could influence the results so
7 significantly become irrelevant. All that washes out.
8 That's one reason why I'm suggesting you place
9 considerable weight on the metal margin in this case
10 for that reason.

11 That concludes my testimony. Thank you.

12 MR. LEIBOWITZ: Madame Chairman, you're
13 interested in getting to questions of our witnesses,
14 and we are too, so that concludes our direct
15 presentation.

16 CHAIRMAN OKUN: Thank you.

17 Before we begin our questions let me take
18 this opportunity to thank the witnesses for being here
19 and for appearing this afternoon to answer our
20 questions. I very much appreciate you making that
21 effort.

22 We'll begin our questions this afternoon
23 with Commissioner Pinkert.

24 COMMISSIONER PINKERT: Thank you, Madame
25 Chairman. I too thank all of you for being here and

1 helping us to understand this case.

2 I want to begin with Dr. Malashevich and ask
3 you, does the timing of the exit of the Italian
4 product from the U.S. market tell us anything about
5 what might occur in the imminent future if the order
6 on Italy were revoked?

7 MR. MALASHEVICH: Commissioner, I'm not the
8 best person to answer that, I'm afraid. I really
9 don't know. I'd defer to my colleagues from
10 ThyssenKrupp.

11 MR. SALAS: We have stated today and
12 yesterday that if the order happened to be revoked
13 Italy would not be bringing subject plate to the U.S.
14 market because we have a new mill, a mill that would
15 be capable of producing, quote/unquote, because
16 production can be used in a very wide number of ways.
17 But we could be producing that by bringing non-subject
18 black band to the U.S., converting it into white band
19 or hot-rolled product which is subject of this
20 investigation, and they would be able to do it. So
21 Stephan Lacor has also stated that he would be the one
22 with the authority to indicate if he needs material
23 from other facilities. At the moment we are
24 responsible for delivering or starting to deliver the
25 resultant profit out of this huge investment from

1 ThyssenKrupp.

2 COMMISSIONER PINKERT: That's helpful, but
3 what I'm wondering about is what might happen with the
4 imports of Italian product while the Alabama plant is
5 ramping up? In other words, before you've reached the
6 objective of full production at the Italian plant.

7 MR. LACOR: At the Alabama plant?

8 COMMISSIONER PINKERT: At the Alabama plant.

9 MR. LACOR: Stephan Lacor.

10 I think the petitioners were suggesting that
11 we might use the next 18 months which is when the melt
12 shop would be finally up and running and the
13 investment is complete, that we would use that period
14 to bring material in from Italy to prepare the market
15 in advance of the Alabama production. What Jose-Ramon
16 is saying, and I'm validating, is we have no need to
17 bring material in from Italy. If we wanted to prepare
18 the market in that way we could either, as Jose-Ramon
19 suggested, convert it from black band using the hot
20 pickling and anneal line which is coming in production
21 in the next three or four months, so we could use that
22 line to convert it, or we could bring it in from
23 Germany.

24 So there is no need for the Italian product
25 to prepare the market.

1 COMMISSIONER PINKERT: Thank you. That's
2 helpful.

3 Let's go to the period after the Alabama
4 plant ramps up. So it's in full production and you've
5 testified that the U.S. sales folks would have the
6 authority to determine whether or not subject product
7 or foreign products from TK comes into the U.S.
8 market. So I'm wondering, is it possible that TK
9 imports could come into the U.S. market without
10 harming TK's U.S. investment? Are you testifying that
11 that's just not possible, or are you saying that it's
12 possible but unlikely, or only under limited
13 circumstances?

14 MR. LACOR: I would say it would be
15 unlikely. It would be highly unlikely. I don't want
16 to say impossible, then I'd think of a scenario. But
17 I can't really think of a scenario in which with the
18 Alabama mill running there would be any need for the
19 plate product from Italy. There's very few niches.
20 On the cold-rolled side yo could say there's much more
21 product diversification on the cold-rolled side. You
22 could conceive of instances where we wouldn't produce
23 it in Alabama and then we might want to bring it in
24 from Europe. But in the case of plate, the product
25 range is very limited and I can't think of any

1 scenario under which it would make sense to bring
2 material in from Italy.

3 COMMISSIONER PINKERT: In terms of the
4 geographical range that would be covered by the
5 Alabama plant, would any part of the U.S. market be
6 part of the range of marketing opportunities for the
7 Alabama plant looking to the future? Once it's fully
8 operational.

9 MR. LACOR: Yes. And I think even
10 petitioners agree with that.

11 In the case of stainless steel, unlike
12 steel, freight is not as big of a factor. So the West
13 Coast is probably the furthest destination and that
14 would get covered by shipping to rail. Otherwise the
15 bulk of the market in the Southeast and the Midwest
16 and all the way up North will be part of the target
17 market. The freight cost relative to the value of the
18 metal are much smaller as comparison to the steel
19 industry.

20 MR. LEIBOWITZ: If I may add two quick
21 points. This is Lewis Leibowitz.

22 Regarding cold-rolled, we talked yesterday
23 about the product diversity and there may be certain
24 niche products that may not be made in Alabama or
25 Mexico. There are a few. But very few and very small

1 volumes. So I just want to be clear on that.

2 And regarding the comparison of freight
3 costs, of course the cost per ton is basically the
4 same ,whether it's carbon steel or stainless steel,
5 but the value of stainless steel is so much higher
6 that the burden that freight places on the shipment of
7 the product is much less important.

8 COMMISSIONER PINKERT: Thank you.

9 Staying with Mr. Lacor, and again I'm
10 thinking about the situation when the Alabama plant is
11 fully operational and the U.S. sales force is
12 considering whether to permit imports from Italy or
13 perhaps other countries to come into the U.S. market.

14 I'm wondering how are the interests of the
15 global enterprise taken into account in making that
16 decision? You've testified that you wouldn't let
17 anything in that would injure the investment in the
18 United States, but how are the interests of the global
19 enterprise taken into account?

20 MR. LACOR: Since I am not responsible for
21 the global enterprise, but I think it's in the self-
22 interests of the global enterprise to protect and make
23 decisions to protect the local market.

24 For example, Mexinox never ships into
25 Europe. It's a rule that even if Mexinox would not be

1 full, we don't go to Europe because that's, Mexinox is
2 not part of that marketplace, to protect the mills and
3 investments in Europe. Now that we have a mill and
4 investment in North America I would think the same
5 rationale applies.

6 MR. LEIBOWITZ: If I may add, Mr. Iller
7 addressed this somewhat yesterday and I think that the
8 differences between the global interests of
9 ThyssenKrupp and the interests of Alabama are more
10 theoretical than real. In the long term the local
11 production strategy that we've outlined is a key
12 component of their global market. An individual sale
13 which may in the short run affect an Italian or a
14 German producer more beneficially than it would harm
15 Alabama could still well be considered not in the
16 global enterprise's interest because you don't want to
17 obliterate those boundaries that you've created and
18 have people thinking in terms of marketing outside
19 their area. If you do, ultimately the whole strategy
20 comes unglued. So I think it's more theoretical than
21 real.

22 COMMISSIONER PINKERT: Thank you.

23 Mr. Salas, do you have projections for
24 production of SS plate in coils over the next few
25 years in the United States?

1 MR. SALAS: We do have some. We have
2 provided some to the staff that visited the plant. If
3 necessary, we would be more than happy to provide
4 those in the post-hearing brief.

5 COMMISSIONER PINKERT: Thank you very much.
6 Thank you, Madame Chairman.

7 CHAIRMAN OKUN: Thank you.

8 Just to follow up on that, it would be
9 helpful just to see that again for purposes of the
10 brief, to provide that.

11 The other thing, in yesterday's hearing you
12 were going to provide what I think the scale-back was,
13 or what the projected scale-back was for the imports
14 from Germany and Italy. Do you have something similar
15 here? Again, I'm trying to understand this period
16 between when you're fully producing, and I understand
17 the argument that you could bring in black band
18 currently, but in terms of imports from Germany right
19 now, are those going to be scaled back?

20 MR. SALAS: Yes. In fact petitioners have
21 already pointed to the large increase in the imports
22 of plate from Germany. Those have been in preparation
23 for the start-up of our cold-rolling mill in Alabama.
24 As of the fall in this year we would then have the
25 opportunity to decide whether it's better for the

1 entire operation to bring the from Germany or from
2 Italy because they will be brought as non-subject
3 black band from either of those two countries, or even
4 perhaps from any other country that is best for the
5 operation, for the start-up.

6 CHAIRMAN OKUN: Just to make sure I
7 understand that. It's being brought in as non-subject
8 from Germany now?

9 MR. SALAS: Germany is not under this order.

10 CHAIRMAN OKUN: Right, but the product
11 itself.

12 MR. SALAS: It is being brought from
13 Germany, the product. Yes, you're right.

14 Then we will have the possibility with a
15 slightly different project. Today it is white band,
16 then it will be in the near future black band and we
17 will go on with the black band until most likely mid
18 2013 as we ramp up our melt shop and the need for hot-
19 rolled coil from any other source reduces to zero.

20 MR. LEIBOWITZ: I just want to make sure
21 we're clear on this. I think it's very important.

22 If Mr. Janovitz is around he could maybe put
23 up the slide that shows the full stainless steel
24 operation while I'm talking.

25 At the moment the increase in imports from

1 Germany are white band. They are annealed and pickled
2 because that hot annealing and pickling line that you
3 see there is not up and running yet. It will be later
4 this year. So once that's up and running in a few
5 months, then the white band that has been brought in
6 up to now will be black band and black band from
7 Germany or Italy is not subject to this order.

8 CHAIRMAN OKUN: I understand that.

9 So for purposes of just making sure that we
10 have, the record is very clear, if there's any
11 business plans or anything prepared not in conjunction
12 with this investigation that could be provided post-
13 hearing that describes that strategy, that would be
14 helpful to have.

15 MR. SALAS: We will be more than happy to
16 provide those.

17 CHAIRMAN OKUN: Mr. Leibowitz, if I could
18 ask you to have Mr. Iller provide a response to the
19 question posed by Commissioner Pinkert about the
20 corporate strategy for the one that Mr. Lacor
21 responded, you noted it wasn't your responsibility and
22 it is Mr. Iller's. So again, what the relationship is
23 between North America and the parent in terms of how
24 these decisions are made.

25 MR. LEIBOWITZ: We'd be delighted to.

1 CHAIRMAN OKUN: Okay, and again, I think
2 perhaps Commissioner Aranoff will go through the list
3 she had asked for yesterday as well, but to the extent
4 there is information that's been put on this record
5 about what the strategy is for the company, again, if
6 there are any documents that are not prepared in
7 response to this investigation that outline that
8 strategy, that's also I think consistent with, as
9 we've talked about, the court cases out there and what
10 the courts have looked to to establish what these
11 affiliations mean. I think it's very helpful for us
12 to have that in our record.

13 MR. LEIBOWITZ: Certainly.

14 CHAIRMAN OKUN: I appreciate that.

15 Going back to understanding what will be
16 happening during this phase before Alabama is
17 producing the subject product, and I do understand
18 what you're saying, which is a shorter time period
19 before the annealing and pickling line is on than
20 2013. But I think one of the other points raised by
21 the domestic industry this morning was why wouldn't
22 you try to expand your market share during that period
23 with whatever product's available? In other words, I
24 understand you want to start this mill and start using
25 that pickling line, but why wouldn't you if you have

1 the opportunity expand your market share in the
2 meantime, and then have even more to put in from this?
3 If you could respond to that, including the pricing
4 issue, both volume and pricing, what impact.

5 MR. LACOR: The first answer is we could be
6 doing that already with product from Germany that is
7 not subject to the order to prepare the market for the
8 white band. We don't do that for a number of reasons.
9 The main reason being there is a customer preference
10 for short domestic mill lead time.

11 So to counteract that preference, we would
12 have to create depot inventories. Experience over the
13 last five years or so with those inventories is
14 because the surcharge fluctuates so radically, it's
15 very risk-intensive. So we've made a decision to not
16 do that.

17 CHAIRMAN OKUN: Okay. I appreciate that
18 explanation.

19 I'm going to turn to Commissioner Lane, and
20 then I'll come back once I figure out --

21 MR. LACOR: If I could just add one more
22 thing to that.

23 CHAIRMAN OKUN: Sure.

24 MR. LACOR: We are measured on
25 profitability, not market share. So this idea that in

1 preparation for the mill we can throw out
2 profitability or not look at profitability, it's
3 almost the other way around. There is very tight
4 control on capital, on the investment budget. We're
5 getting squeezed, like Jose-Ramon said, to make sure
6 that we start providing a return and putting in depot
7 inventories that can then fluctuate, increase working
8 capital, and then create a risk that we have to write
9 down those inventories and create millions of dollars
10 of losses, would not gain us any favor with our
11 company.

12 CHAIRMAN OKUN: Thank you. I appreciate
13 that.

14 Commissioner Lane?

15 COMMISSIONER LANE: Thank you and as I said
16 this morning I appreciate your coming back and
17 answering questions, questions we asked yesterday or
18 at least I asked yesterday. Going back to this issue
19 that until the Alabama plant is fully operational you
20 will bring black band in to use. Now where would the
21 black band come from?

22 MR. SALAS: It could come from different
23 sources, but mainly from our European sister
24 companies.

25 COMMISSIONER LANE: But you say it won't

1 come from your Italian?

2 MR. SALAS: It could come from our Italian
3 and German affiliate companies.

4 COMMISSIONER LANE: And either the black
5 band, whether it comes from Italy or Germany would be
6 non-subject.

7 MR. SALAS: Yes.

8 COMMISSIONER LANE: Then you bring it to the
9 Alabama plant and do something to it?

10 MR. SALAS: Yes. we will convert it from
11 black band into white band, meaning the SSPC product.
12 From there we will cold-roll it to bring cold-rolled
13 product to the market.

14 COMMISSIONER LANE: That process there
15 doesn't rely upon having to send it to Mexico?

16 MR. SALAS: That is correct.

17 COMMISSIONER LANE: It sort of makes sense
18 to me that if you're telling me you can bring black
19 band in from Italy or Germany and the only reason you
20 aren't bringing white band in is because the black
21 band is not subject to the order, that if the order
22 went off on today's product, why wouldn't you then
23 turn around and start bringing the product in from
24 Italy?

25 MR. LACOR: I can answer that, Commissioner.

1 If you look at the schematic and you have
2 the hot anneal and pickle line, several hundred tons.
3 When you put the coil in front of that it's a black
4 band. And then when it comes out the other end it's
5 now white band. So it becomes subject merchandise.

6 This piece of equipment, hot anneal and
7 pickle line, as Mr. Leibowitz pointed out, this is not
8 ready yet. So it's going to be ready in the next
9 three to five months. It will be up and running. So
10 there would be no need to bring in the white band from
11 Europe. The production is just going to be based on
12 the black.

13 COMMISSIONER LANE: I guess my point was, if
14 you had the channels of distribution and you had your
15 system already set up to bring in black band, the same
16 is true, you could bring in white band and just sell
17 it without doing anything further. Is that correct?

18 MR. SALAS: You are correct. But the idea
19 of this whole production flow is to add value here in
20 the United States. So if we bring black band we have
21 the opportunity to add value here by converting it to
22 white, and certainly compared to the cost in Europe,
23 it would be lower here, just from the pure exchange
24 rate, the differential.

25 COMMISSIONER LANE: Could you provide post-

1 hearing the cost of bringing the black band to the
2 Alabama plant, adding the value, and what your costs
3 are then in U.S. dollars, and then the same if you
4 brought in white band from Italy and just sold it on
5 the market here, compare those costs.

6 MR. SALAS: Yes, we are happy to provide
7 that.

8 COMMISSIONER LANE: As I understand it, and
9 maybe after three or four days of testimony I might
10 start understanding this, the product that we had
11 yesterday and the product that we have today are
12 produced on the same facilities, and if you get a huge
13 order for the product that we had yesterday, you could
14 shift your production of plate to coil and you could
15 make more coil. Is that correct?

16 MR. LEIBOWITZ: Commissioner Lane, I'm going
17 to take a stab at this, if I may. It's Lewis
18 Leibowitz.

19 Looking again at the schematic. Today's
20 product goes out the door after the hot annealing and
21 pickling line. When it's done it's white band and
22 that's SSPC and out the door it goes.

23 Yesterday's product continues through the
24 other facilities, the cold-rolling mill, the cold
25 annealing and pickling line, in-lines, in-pass, and

1 finishing, slitting and so forth. So all of those
2 assets are brought into play in cold-rolling and
3 producing sheet.

4 Obviously they're there and the Alabama mill
5 like anyone would want to maximize the use of all that
6 equipment and not send it out the door after the
7 annealing and pickling line.

8 If there was a surge in demand for cold-
9 rolled sheet, then they would probably shift more
10 production to that and have less go out the door as
11 white band.

12 So that's a possibility, but basically you
13 are correct in that all of the products, yesterday's
14 products and today's products, are made using the same
15 equipment up to the point where it comes off the hot
16 annealing and pickling line.

17 COMMISSIONER LANE: I guess I'm having a
18 hard time understanding how I can accept that the
19 orders make no difference on your decision-making on
20 where you're selling, when you've sat here and said
21 that you're bringing in black band solely because it's
22 non-subject, and so that tells me that the orders and
23 whether it's a subject product or a non-subject
24 product really does make a difference in the decision-
25 making.

1 MR. LEIBOWITZ: I believe it's incorrect to
2 say that black band is being brought in because it's
3 not subject to the orders.

4 Black band will be brought in once the hot
5 annealing and pickling line is up and running because
6 they have a hot annealing and pickling line and they
7 don't want to use white band, they want to use the
8 equipment they've just installed to make white band
9 here in the United States. So it's not the order that
10 matters. And remember also, there is a German option
11 and an Italian option. Both are okay as far as black
12 band is concerned. Italy is not okay if the order is
13 not revoked but Germany is okay because German product
14 is not subject to this order at all. They are subject
15 on sheet, but they're not subject on today's product.

16 COMMISSIONER LANE: Right. That's why I was
17 making the point that it's very easy for you to shift
18 from one product to the other.

19 MR. LEIBOWITZ: But the demand for that
20 product will not change. It could give ThyssenKrupp
21 flexibility in theory, to use some German and some
22 Italian if they wanted to, to fill their needs in
23 Alabama, but those needs are very short-lived. We're
24 talking a few months until that hot annealing and
25 pickling line is up and running and then they don't

1 need white band at all and so it will not come in from
2 either country.

3 COMMISSIONER LANE: So as not to further
4 confuse me, tell me one more time when you expect the
5 hot annealing and pickling line to be definitely up
6 and running to the point of commercial viability.

7 MR. SALAS: October at the latest. October
8 2011 that line will be operational.

9 COMMISSIONER LANE: Thank you.

10 In terms of uses, how does stainless steel
11 coiled plate different from cut to length plate?

12 MR. LACOR: In terms of uses, I would say
13 very little. There are probably two types of use.
14 One is general fabrication, so somebody would take a
15 coil, cut it, and then fabricate something from it.
16 There may be uses for CMP also in tubing for wider
17 tubes, then the coil would probably get slit and get
18 manufactured into a tube. So that would be done as a
19 coil, as a strip of a coil.

20 COMMISSIONER LANE: Thank you.

21 MR. LEIBOWITZ: Commissioner Lane, if I can
22 add, based on Mr. Lacor's statement, it's obvious
23 there are some end uses that require coils. For
24 example, if you're making long lengths of welded pipe,
25 you don't want to have cut to length plates to do

1 that. It's very inefficient. Other products could be
2 made with either one. I think this morning it was
3 correctly observed that service centers here in the
4 United States like to cut it to length because they
5 add value to it. So they prefer to buy coils. But
6 they're not end users. They just prepare it for the
7 next person down the line.

8 COMMISSIONER LANE: Thank you.

9 Thank you, Madame Chair.

10 CHAIRMAN OKUN: Commissioner Pearson?

11 COMMISSIONER PEARSON: Thank you, Madame
12 Chairman.

13 Welcome to all of you once again.

14 Let me just follow up on Commissioner Lane's
15 questioning to try to clarify what you're saying about
16 bringing in black band versus white band from Italy.
17 Technically you could bring in either if there was no
18 order. I mean there would be no restriction on
19 bringing either black band from Italy or white band.
20 Is it an economic issue that makes it more desirable
21 to bring in the black band than the white band? Or is
22 there no economic issue that would differentiate,
23 assuming there was no order.

24 MR. LEIBOWITZ: To me there is an economic
25 issue and it stems again from the local supply

1 strategy. This annealing and pickling line has been
2 bought, it's being installed right now, and it will be
3 ready in a few months. Alabama will be judged on its
4 profitability, so it wants to utilize those assets
5 which it's paid for. That's an economic issue.

6 COMMISSIONER PEARSON: The Italian mill also
7 is paid for. Is there an argument that this mill
8 would be more economic to run? Would it give better
9 quality? Would it give higher capacity? How does it
10 compare to the facility in Italy?

11 MR. LEIBOWITZ: Good question. I would
12 defer to my colleagues here.

13 MR. LACOR: I think the biggest way to
14 answer that is the whole mill is built so as to stop
15 importing because importing into the U.S. from Europe
16 is not economically viable in the long run. Because
17 of that the company made the decision to build the
18 mill in Alabama to precisely get out of a European
19 supply for NAFTA. To build a fully integrated NAFTA
20 operation that wouldn't require the material from
21 Europe.

22 COMMISSIONER PEARSON: Which factors make
23 imports from Europe less economic than manufacturing
24 in the United States?

25 MR. LACOR: The strength of the euro

1 relative to the dollar has made the product less and
2 less attractive for the European mills here. And then
3 the lead time, which is that the customers have a
4 strong preference for the four to six week lead time
5 that a domestic mill can provide with regional
6 inventories and stock, and those are not economically
7 viable to do out of Europe.

8 COMMISSIONER PEARSON: Are you able to
9 comment either now or in the post-hearing on whether
10 the actual costs of rolling material in Italy would be
11 higher or lower than the costs that you expect to have
12 at the Alabama facility?

13 MR. SALAS: Yes, we could do that. I would
14 like to add that for this type of production line,
15 it's going to be really big one in capacity, 700,000
16 tons. The first thing that you want to do is to start
17 running as much material as possible so that you start
18 bringing that line to its optimal point of operation .
19 The higher the tonnage that you run, the much faster
20 you will try to reach to that point.

21 COMMISSIONER PEARSON: If you're able to
22 say, is the Italian line smaller or larger than this
23 one?

24 MR. SALAS: It is slightly smaller than this
25 one, but on the other hand we also have to bear in

1 mind that they need to produce white band for their
2 own consumption, for their cold-running operations.

3 So they would only be supplying a small
4 portion of the capacity while we are capable of doing
5 this ourselves.

6 COMMISSIONER PEARSON: Thank you.

7 Could you clarify, what's the maximum width
8 of plate that will be produced in Alabama? Should I
9 understand this diagram to indicate that you have
10 three possibilities coming out of the cold-rolling
11 mills as to what width would be on the product?

12 MR. SALAS: This is Jose-Ramon Salas. Yes,
13 Commissioner Pearson. The entire configuration of
14 this facility is for a maximum of 72 inches, which
15 means that from the casting, already the melt shop
16 will be casting in 72. The hot-rolling mill at the
17 carbon steel plant is capable of hot-rolling those
18 blocks of metal in 72 inches wide to produce the black
19 band or the black coils. The hot annealing and
20 pickling line is also for 72 inches. We can convert
21 from black to white. And we have one cold-rolling
22 mill capable of also running at 72 inches wide. This
23 is the only facility in North America and in the
24 entire Americas with this capacity.

25 COMMISSIONER PEARSON: You were mentioning

1 72 inches and I'm reading 74 inches at the cold-roll
2 mill. Is that because of the necessity to trim the
3 edges?

4 MR. SALAS: The commercial product is 72
5 inches wide, but the actual width of the lines is 74.
6 yes. You need to trim the edges.

7 COMMISSIONER PEARSON: Thank you.

8 Under what circumstances do users prefer to
9 have plate that is wider than 60 inches?

10 MR. LACOR: It's a fabrication. It's large
11 industrial pipe tanks that the wider the product the
12 less weld is required in fabrication. So it's an
13 efficiency thing for the manufacturer.

14 COMMISSIONER PEARSON: A certain diameter of
15 pipe?

16 MR. LACOR: No, not of pipe. Of tanks.

17 MR. LEIBOWITZ: A milk truck, for example,
18 or a railroad tank car that's stainless steel to carry
19 certain chemicals.

20 COMMISSIONER PEARSON: I was thinking about
21 electric weld pipe that we deal with in non-stainless
22 product.

23 MR. LEIBOWITZ: To my knowledge, stainless
24 pipe is rarely if ever made from stainless steel in
25 those dimensions. Unlike carbon steel pipe which can

1 be 72 inches in diameter.

2 COMMISSIONER PEARSON: Okay.

3 MR. LEIBOWITZ: But these tanks are a
4 different story.

5 MR. MALASHEVICH: Excuse me, Commissioner
6 Pearson, Bruce Malashevich. I have to note from an
7 unrelated project that for large containers, tanks or
8 whatever, it's very desirable to have a wider width.
9 a large part of the fabrication cost is in welding the
10 pieces together. So the wider the sheet, the fewer
11 the welds required to cover the same amount of space,
12 which from a fabricator's point of view is a big cost
13 savings.

14 COMMISSIONER PEARSON: Okay. Thank you.
15 This morning we learned that there's currently no
16 U.S. production of plate wider than 60 inches. So,
17 you will enjoy that portion of the marketplace. That
18 will belong to you, except as you compete with
19 imports.

20 MR. LACOR: Exactly.

21 COMMISSIONER PEARSON: Mr. Leibowitz, what,
22 if anything, does that do for my earlier question to
23 the domestic industry about the finding I made in the
24 previous review regarding no discernible adverse
25 impact with Belgium? Must of the argument there was

1 that Belgium was the only country providing plate of
2 72 inches wide and a significant portion of that was
3 coming into the United States for use in products that
4 really wanted the width. If we now are going to have
5 production of that -- of a competing product in the
6 United States, should I reconsider my no discernible
7 adverse impact finding on Belgium? And you may want
8 to think about that and respond in the post-hearing.

9 MR. LEIBOWITZ: I was just going to say,
10 Commissioner, I haven't had an opportunity to give
11 that issue the thought I should, so I would prefer not
12 to shoot from the hip.

13 COMMISSIONER PEARSON: That's fine. No
14 doubt, you'll enjoy going back and reading that
15 opinion and just seeing if it's still relevant.

16 MR. LEIBOWITZ: Absolutely. It's high on my
17 list.

18 COMMISSIONER PEARSON: Okay. Madam
19 Chairman, I have another series of questions, but I
20 think I'll -- rather than start, I'll pass now.

21 CHAIRMAN OKUN: Commissioner Aranoff?

22 COMMISSIONER ARANOFF: Thank you, Madam
23 Chairman. Welcome to the afternoon panel. One
24 question that I asked yesterday that I want to make
25 sure I ask again for the record here, with respect to

1 exports from the Italian production facility, Mr.
2 Leibowitz was talking about exports within the EU
3 market as being akin to home market shipments and,
4 obviously, we have data on the record to show what
5 percent of shipments stay within the European Union.
6 So my question is with respect to shipments that go
7 outside the European Union, if we could get you to
8 break those down for each year of the period as to
9 where those are going, so that, again, we can take a
10 look at sort of different levels of what constitutes a
11 regional shipment.

12 MR. LEIBOWITZ: And certainly that's with
13 respect to Italian shipments of plate?

14 COMMISSIONER ARANOFF: Italian shipments of
15 plate.

16 MR. LEIBOWITZ: Okay.

17 COMMISSIONER ARANOFF: Yes, thank you.

18 MR. LEIBOWITZ: We can do that.

19 COMMISSIONER ARANOFF: Okay. Now, I
20 confess, somehow with all of the excitement of the
21 spill and everything, I lost sight of exactly the last
22 question that Commissioner Pearson asked. Was he
23 asking about cumulation?

24 MR. LEIBOWITZ: He was asking about
25 attenuated competition --

1 COMMISSIONER ARANOFF: Okay.

2 MR. LEIBOWITZ: -- from extra wide plate.

3 COMMISSIONER ARANOFF: And so, he was not
4 asking about cumulation. So, then, I will ask about
5 cumulation. You make your argument based on the
6 assumption that the Commission would properly consider
7 imports from Italian not cumulated with any other
8 country.

9 MR. LEIBOWITZ: Correct.

10 COMMISSIONER ARANOFF: And so, I just want
11 to ask some alternative questions on that. For
12 example, one of the arguments you make in support of
13 not cumulating the Italian product with those from
14 other subject countries is that the Italian industry
15 doesn't have an incentive to compete with its
16 affiliated U.S. production operation. How can we
17 distinguish between Italy and South Africa on that
18 basis? Can we?

19 MR. LEIBOWITZ: I am not as familiar with
20 all of the facts relating to South Africa and I may
21 have to wait until I read the post-hearing brief of
22 Petitioners. We're going to have a section on that
23 issue per your request. So, I don't know -- I know
24 that that's a very fact specific inquiry and I don't
25 want to prejudge what differences there may be. But,

1 in essence, affiliated major facilities that have
2 their own market segment may have a similar policy as
3 ThyssenKrupp does, which is to focus your marketing in
4 the region that you're producing. If that's true in
5 South Africa, then I think the situations are pretty
6 equivalent.

7 COMMISSIONER ARANOFF: And that would make
8 it more difficult for the Commission to not cumulate
9 products from Italy and South Africa, where that the
10 case now. That's not the only factor that's out there
11 to consider, but I'm just pointing that out.

12 MR. LEIBOWITZ: Right. Well, our first
13 point is that there's no discernible adverse impact
14 because imports will be zero from Italy.

15 COMMISSIONER ARANOFF: Okay. Well, and the
16 data that I asked for and outside of your opinion in
17 exports may help me on that point.

18 MR. LEIBOWITZ: It may indeed.

19 COMMISSIONER ARANOFF: Okay. All right.
20 So, if we're looking not at notice from an adverse
21 impact, but now we're looking at discretion with
22 respect to cumulation, so we're looking at why imports
23 from Italy might compete in the U.S. market under
24 different conditions of competition. So, we've just
25 gone over this one, which is the existence of the

1 affiliated facility. So another is this argument that
2 the Italian industry is not export orientated and how
3 does that distinguish the Italian industry from --
4 based on the data that we have in the report; for
5 example, the industry in Taiwan?

6 MR. LEIBOWITZ: I am not up to the minute on
7 the facts in the staff report. We'll certainly be
8 happy to deal with that in post-hearing. But, I'm
9 afraid that's the best I can do --

10 COMMISSIONER ARANOFF: Okay.

11 MR. LEIBOWITZ: -- for the moment.

12 COMMISSIONER ARANOFF: Okay. I'm just sort
13 of looking item-by-item through some of the things
14 that you have posited as the situations that would
15 create differences in how imports from Italy would
16 compete in the U.S. market. And in each case, there
17 is some question about whether at least one of the
18 other subject countries might also fall into that
19 category.

20 MR. LEIBOWITZ: Yes; yes, indeed. And your
21 second issue was export orientation?

22 COMMISSIONER ARANOFF: Yes.

23 MR. LEIBOWITZ: Okay. The first issue being
24 affiliation and, you know, local production; okay.

25 COMMISSIONER ARANOFF: Okay. And for the

1 record, I am obliged to ask you, in the event that the
2 Commission were to decide to cumulate imports from
3 Italy with imports from some or all of the other
4 countries that are subject to this review, would you
5 still be arguing in favor of a negative determination
6 and on what basis?

7 MR. LEIBOWITZ: I'd be happy to provide that
8 post-hearing.

9 COMMISSIONER ARANOFF: Thank you. There's
10 been some discussion with the panel this morning and
11 also yesterday on this issue of whether looking at
12 trends in imports of cut-to-length plate is helpful in
13 identifying what might happen if the orders on coiled
14 plate are revoked. There was a suggestion yesterday
15 that cut-to-length product is further processed value-
16 added product and so it would never make sense to
17 switch back. There was some testimony this morning
18 that service centers prefer the coiled product unless
19 the cut-to-length product is so much cheaper, then it
20 makes sense for them to leave their cutting equipment
21 idle and use things that might not be exactly the
22 right size. And so, I guess I just wanted to kind of
23 get you an open-ended opportunity to comment on all of
24 that, so we can round out the record on that subject.

25 MR. LEIBOWITZ: Delighted to do so.

1 MR. MALASHEVICH: Excuse me, I could answer
2 part of your question here, because part of my
3 testimony, one of my two public exhibits sets forth
4 the public data on that. And as I mentioned, but just
5 to paraphrase, I don't think the notion of shifting
6 toward cut-to-length to -- as a measure of what would
7 happen to the coiled product if the order was revoked.
8 But accepting for purposes of argument that it is an
9 indicator, the data indicate nothing; nothing is
10 happening with respect to cut-to-length product from
11 Italy or, for that matter, the other ThyssenKrupp
12 facilities in Germany and Mexico. In Mexico, the
13 number is zero; in the other two cases, they've been
14 declining. There's no indication of any change,
15 really, to indicate that this is somehow preparing the
16 way to resume shipments of coiled product.

17 MR. LEIBOWITZ: I do think we heard
18 yesterday that the cut-to-length sheet product was
19 phasing about because Alabama is going to make cut-to-
20 length sheet product. That's also true of the plate
21 product. They have slitting lines and finishing
22 lines; that's what the last series of rolls there on
23 the end is. So, they can do that, if they want to.

24 COMMISSIONER ARANOFF: So, you can take
25 something off the hot and pick one line, skip the rest

1 of that thing, and move it over to the last part of
2 the --

3 MR. LEIBOWITZ: I believe so. But, I have
4 someone here who knows more than I do about that.

5 MR. SALAS: This is Ramon Salas. We have
6 one line, which is called the SCMPL. It's a line that
7 can cut to length or slit heavy gauge products like
8 plate, yes.

9 COMMISSIONER ARANOFF: Okay. All right,
10 thank you. This is another question that I asked
11 yesterday. Attached to your pre-hearing brief is a
12 confidential document. This time, it's Exhibit 1, not
13 Exhibit 4, but I think it's the same document that I
14 referred to yesterday. In your post-hearing brief, if
15 you could please identify who wrote the document, when
16 the document was written, and the sources that were
17 relied upon?

18 MR. LEIBOWITZ: Certainly, we'll do that.

19 COMMISSIONER ARANOFF: And if there's any
20 contemporaneous business plans pertaining to the
21 subject matter that was not prepared in the course of
22 this proceeding that you could submit for the record,
23 that would be helpful.

24 MR. LEIBOWITZ: We will do it, if we can.

25 COMMISSIONER ARANOFF: Thank you, very much.

1 Okay, I'm going to be good this time, Madam Chairman,
2 and stop while my light is yellow. Thank you.

3 CHAIRMAN OKUN: Commissioner Pinkert?

4 COMMISSIONER PINKERT: Thank you, Madam
5 Chairman. I had asked a question earlier about the
6 circumstances of the departure from the U.S. market of
7 the Italian imports in 2000 and we got into -- more
8 into the question of what's happening right now and
9 what's likely to happen in the imminent future. So, I
10 want to go back to that question and give you an
11 opportunity to say why you think the circumstances of
12 that departure in 2000 might support the position
13 you're taking about the likely consequences of
14 revocation in this case.

15 MR. LEIBOWITZ: My response would be it's a
16 different world in 2011 than it was in 2000. Clearly,
17 the -- it is reasonable to conclude that the
18 antidumping order played a role in the withdrawal of
19 Italian stainless steel plate and coils from the
20 market in 2000 because the order went into effect in
21 1999.

22 Whether the removal of the order would
23 result in their going back to the way things were in
24 1999 is a very different question and, as I said
25 yesterday, I think there are 1.4 billion reasons why

1 it's a different world. And maybe my colleagues would
2 want to supplement that.

3 MR. LACOR: Yes. I think that's -- that's
4 perfectly true. If it wasn't for the Alabama mill and
5 there was the opportunity to sell from Italy and I
6 think probably not to the levels that existed back
7 then because of the difficulty with the Euro that has
8 made the supply chain out of Europe much less
9 attractive than it was in the past, that they would
10 be. The big difference is we have -- we have Alabama
11 and Alabama is built to substitute those trade flows
12 from Europe.

13 COMMISSIONER PINKERT: Thank you. Mr.
14 Salas, anything to add to that?

15 MR. SALAS: No, Commissioner Pinkert. I
16 think everything has been said. I agree with both of
17 them.

18 COMMISSIONER PINKERT: Thank you. Now for
19 my next question, I don't want to get into the details
20 of Dr. Malashevich's portfolio. But, I do want to ask
21 him what happens to the value of the dollar in
22 economic theory, in the event that monetary conditions
23 in the United States tighten.

24 MR. MALASHEVICH: Mainstream theory would
25 say, all else being equal, everybody said that, if

1 monetary conditions tighten and take the form of
2 higher interest rates, that would tend to strengthen
3 the dollar, assuming everything else is equal. It
4 does not take into account the possibility that the
5 European Central Bank or the Japanese Central Bank or
6 whatever, the Canadians would follow suit, in which
7 case it goes back to square one. It really depends
8 upon what the other monetary authorities of the world
9 will do in the hypothetical situation that the Fed
10 here would raise interest rates for whatever reason in
11 their wisdom.

12 COMMISSIONER PINKERT: Do you have any
13 projections about what's likely to happen in the next
14 year or so, in regard to overall monetary conditions,
15 as well as the value of the dollar?

16 MR. MALASHEVICH: I have to say it's not my
17 field; but if I had such expertise, I'd be out on the
18 tennis court instead of working here.

19 COMMISSIONER PINKERT: Well, again, I'm not
20 asking about your portfolio so much as -- or even
21 other business opportunities, so much as what we can
22 infer, because you did talk about the likely
23 continuation of the weak dollar.

24 MR. MALASHEVICH: My personal view is that
25 owing to the structural deficits of the United States,

1 by that, I mean the national budget deficit, but by no
2 means overlooked, state and local budget deficits, and
3 the deficit on the current account. If we were any
4 country other than the United States, the dollar would
5 have collapsed by 50 percent long ago. It's only
6 because there are those out there willing to hold
7 dollars that that situation has been not as bad as it
8 would be if we were Brazil or Peru or Botswana, with
9 those statistics.

10 MR. LEIBOWITZ: I would add one more factor
11 that suggest that the experts in this field, which I
12 admittedly am not, think that this is a relatively
13 stable situation. With a weak dollar and low interest
14 rates is, if that interest rate grows, our budget
15 deficit would become exponentially worse and our
16 interest payments on the debt would be exponentially
17 worse and, therefore, the Fed and other monetary
18 institutions are constrained not to do that, at least
19 not suddenly and not without some emergency.

20 COMMISSIONER PINKERT: Thank you. I would
21 just ask for the post-hearing that you take a look
22 around, see if you can find any reports or other
23 documentation that would support this view that you're
24 at least suggesting regarding the dollar.

25 MR. MALASHEVICH: I will, Commissioner. It

1 happens that I have a senior colleague who does, in
2 fact, play in that world. So, I will consult her and
3 see what I can find out.

4 COMMISSIONER PINKERT: Thank you. Now
5 another rather speculative question, but it goes to
6 your point about the European market being, in your
7 view, the whole market for the producers that are
8 currently devoting great percentage of their
9 production to the European market. And what I want to
10 ask you to do is imagine that prices are higher in the
11 United States than in the European market for the
12 subject product and you can do this over the next
13 year, let's say, what would prevent switching from
14 supplying the European market over to supplying the
15 U.S. market? Leaving aside the Alabama investment,
16 okay, just leaving that aside, but just in terms of
17 your more general point that we should consider the
18 European market to be the whole market, what are the
19 constraints or the -- the constraints that would
20 prevent that kind of switching, assuming higher prices
21 in the United States?

22 MR. MALASHEVICH: Yes. I'll take an initial
23 stab of that, but I invite my colleagues from TK to
24 add to that. First off, just to use by way of
25 example, the comparative pricing data that appear in

1 the pre-hearing report from the various party sources,
2 those pricing data are useful. On the other hand,
3 they are limited in the sense that they don't account
4 for differences in movement expenses, freight, the
5 harbor fee in the United States, for example, and what
6 other -- other costs are borne in shipping the product
7 across the pond versus between Italy and France, for
8 example. So, that has to be take into account. So,
9 prices in the United States have to be sufficiently
10 higher relative to Europe, to account for those
11 differences.

12 Second, and this is particularly where my
13 colleagues need to chime in, I do a lot of business
14 involving European operations and manufacturing pipes,
15 all kinds of things, including, but not limited to
16 steel. Whether or not there's a long-term contract or
17 a contract at all, there are commercial relationships.
18 I mean, while there are many, many customers for a
19 product, like stainless sheet, the largest, they're
20 always well taken care of and they would account for a
21 disproportionately large share of total demand. And
22 if you're in this business to day or in any business
23 to stay, you don't just turn around and walk away from
24 a comfortable relationship and opportunistically say,
25 well, I'm going to cut you back by 20 percent because

1 I have higher prices in the United States, because I
2 know from experience that -- if that's the way you
3 operate as a supplier, the first thing the customer is
4 going to do, assuming he doesn't cut you off entirely,
5 is say, well, clearly, I'm too reliant on these guys;
6 I'm going to split the business with others. And it's
7 just not something that's done like trading copper on
8 the COMEX or something like that.

9 There are commercial relationships that
10 matter and people are people. They don't like to be
11 ticked off. Now, gentlemen, would you have anything
12 to add?

13 MR. SALAS: I would just -- this is Ramon
14 Salas. I would just support with what Dr. Malashevich
15 just said, the relationships. And perhaps I would add
16 that we unfortunately in the stainless steel industry
17 have learned after suffering a lot from the metal
18 price volatility, how much a negative impact can cost
19 on us. And bringing material from such long
20 distances, as we have stated several times, means
21 having a lot of material at stake in a very long
22 supply chain. Transit times from Europe or Asia are
23 not less than 30 days. Not having material in the
24 production phases and then sitting in inventory to try
25 and find a customer to sell it to, just brings a very

1 high level of risk for the entire profitability of the
2 business. Thank you.

3 COMMISSIONER PINKERT: Thank you. Thank
4 you, Madam Chairman.

5 CHAIRMAN OKUN: Thank you. When you're
6 looking at your -- the prospects for your Alabama
7 plant and you're looking at your competition and other
8 things, customers, and the other domestic producers,
9 but when you're looking at other product coming into
10 the United States, in this case, the non-subject
11 products, Germany counts for a lot of it, but China or
12 other countries, is anything you're worried about or
13 that you see with the Mexinox, that you look at and
14 say, this is a country or these are imports we're
15 worried about because of the price or the companies
16 are big or -- what are you thinking about when you're
17 thinking about your marketing?

18 MR. LACOR: Yeah, I think when we think
19 about the marketing in both parts, but particularly in
20 cold-rolled, we do look at imports, other imports.
21 Mexinox considers the NAFTA regional area, so probably
22 the most concern is Asia, imports from Asia,
23 specifically from China. So, we see those both as an
24 opportunity to go after with the Alabama, some of
25 those volumes, but we also see a risk there because

1 they come in -- they come in very aggressively.

2 CHAIRMAN OKUN: And I know yesterday -- I
3 don't think yesterday that you had the opportunity to
4 comment on -- of the likely imports from China, the
5 capacity or over capacity in China. Mr. Iller
6 yesterday had a made a point of saying -- and he
7 distinguished between -- you know, you ought to
8 distinguish between hot-rolled and cold-rolled and
9 looking at what China's capacity is. With respect to
10 plate, how do you look at China?

11 MR. LACOR: I think Terry Hartford mentioned
12 earlier in the morning that the Chinese are becoming
13 increasingly affecting plate, also. They started with
14 cold-rolled, but now we see them in the plate market,
15 also.

16 CHAIRMAN OKUN: Okay. All right. And then,
17 mr. Malashevich, I wanted to go back to you. I know
18 you've talked about capacity and you focused your
19 remarks on how much weight to put on capacity
20 utilization numbers. I, also, wanted to give you the
21 opportunity here and in post-hearing to address the
22 argument made by the Petitioners around how we should
23 look at capacity overall for purposes of evaluating
24 capacity in other countries, in terms of -- wanted a
25 discussion about this in response to other questions.

1 But, if Respondents can produce everything, should we
2 just be saying -- we should be looking at the bigger
3 number and saying they can produce it all?

4 MR. MALASHEVICH: Please let me give some
5 thought to that. I focused principally on global
6 material in the pre-hearing report and, obviously,
7 material relevant to Italy. I did not look at it
8 country-by-country and I just have to stare at the
9 data for a while and I'll be happy to give you such
10 advice as I have.

11 CHAIRMAN OKUN: Okay. And I would add for
12 Mr. Leibowitz, on that, the same question I posed to
13 Petitioners' counsel, which is if you could look at
14 other Commission cases, as far as court precedent, on
15 what factors we should be looking at when we're
16 considering capacity.

17 MR. LEIBOWITZ: Certainly.

18 CHAIRMAN OKUN: Okay. I appreciate those
19 responses. And then the other question that was asked
20 yesterday, but I think, again, would be important to
21 put on the record and that was Mr. Iller's response to
22 the question about what happens if there is a spinoff,
23 as has been reported in the press, of the stainless
24 operation. And I don't know if he'd be the best
25 person to put that back on the record for purposes of

1 this record, as well.

2 MR. LEIBOWITZ: We can arrange to put that
3 on the record of this case, as well.

4 CHAIRMAN OKUN: Okay. And then just as a
5 reminder, the second part of my question on that was
6 whether there were any internal business documents
7 indicating what decisions were made at those meetings
8 that would be relevant to this proceeding.

9 MR. LEIBOWITZ: Yes. I believe Mr. Iller
10 indicated that they're aiming toward a shareholder's
11 meeting in January of 2012 and between now and then,
12 they'll be considering implementation of whatever
13 options are going to be put to the shareholders. But,
14 I don't think anything is going to be done until that
15 time.

16 MR. MALASHEVICH: Excuse me?

17 CHAIRMAN OKUN: Yes.

18 MR. MALASHEVICH: Madam Chairman, Bruce
19 Malashevich, again. One thing that Mr. Iller told me,
20 that I think he just forgot to mention it in his
21 testimony yesterday, is that assuming the shareholders
22 go along with whatever is going to be proposed, there
23 are regulatory requirements in Europe, particularly in
24 Holland, where there is some kind of a waiting period
25 for a period of six months. So even if whatever is

1 proposed is approved in January, we're looking at
2 least at another six months before anything could
3 actually happen.

4 CHAIRMAN OKUN: Okay, that would be helpful
5 to have in that coordinated response to that question,
6 as well. And then I think my last one, I don't think
7 I posed the question because I don't know that -- I
8 think it's there, but it certainly support
9 Commissioner Aranoff's request that you look at
10 cumulation and conditions of competition and
11 distinguish your argument with respect to Italy vis-a-
12 vis the other countries. You know, of course, the
13 first review, I cumulated everyone. Since that time,
14 there's been a lot of development with respect to my
15 cumulation analysis. So, I'm looking at that again.
16 But, I guess the main question I'll pose is, you know,
17 if five years from now the order from Italy is lifted,
18 but the rest are still on, whether you won't be
19 sitting at that table over there arguing that we keep
20 the order on the others.

21 MR. LEIBOWITZ: I only hope I am sitting at
22 some table.

23 (Laughter.)

24 CHAIRMAN OKUN: Oh, that's a good lawyer
25 answer. I don't think I'll be sitting here. All

1 right. With that, I have no other questions that are
2 relevant to the case. I'll turn to Commissioner Lane.

3 COMMISSIONER LANE: At the rate you're
4 going, you may be here in five years. Let's see,
5 could you describe whether stainless steel plate
6 manufacturing has changed during the period of review
7 and to what extent TKAST and its primary competitors
8 have adopted new manufacturing technologies?

9 MR. SALAS: This is Ramon Salas. To the
10 best of my knowledge, the basic principles for
11 producing this type of products have not changed in
12 the last few years and I would be happy to find out
13 further if there has been any substantial change.

14 COMMISSIONER LANE: Okay, thank you. And
15 I'm assuming that if anything has changed, it's all
16 going to be right there in that Alabama plant.

17 MR. SALAS: Yes, I would think so and it
18 would be basically refinements of previous production
19 processes.

20 COMMISSIONER LANE: Okay, thank you. We
21 talked about -- in your brief, you talked about rising
22 freight costs, which make local and regional markets
23 more attractive to TKAST than shipping to the United
24 States. If you don't know right now, could you
25 provide post-hearing what current freight rates are

1 and how they have risen over the review period?

2 MR. SALAS: This is Ramon Salas. Yes, we
3 will look at that and we'll submit it in the post-
4 hearing brief.

5 COMMISSIONER LANE: Okay, thank you. Since
6 -- go ahead, Mr. --

7 MR. LEIBOWITZ: I can only reiterate what
8 we've heard before and that is one component of
9 freight rates is fuel costs and we know what's
10 happened to those.

11 COMMISSIONER LANE: Right. Since the
12 imposition of the antidumping duty order on stainless
13 steel plates from Italy, has TKAST shifted production
14 from coiled plate to plate cut from coils?

15 MR. LEIBOWITZ: I can give you a partial
16 answer now, but I'd like to supplement it because
17 there has been a considerable amount of change in
18 Italy. As was pointed out before, TKAST once upon a
19 time had two basic facilities, one in Turin in the
20 north of Italy and one in Terni in central Italy.
21 They've closed the one in Turin and they've moved some
22 equipment from that plant down to Terni. Much of it
23 has been installed, but much of it still hasn't. And
24 so there have been considerable changes in
25 investments. One investment of recent vintage that

1 TKAST has made is finishing equipment, cutting to
2 length and so forth. So that has -- that has been a
3 change and I think that was installed within the last
4 five years.

5 COMMISSIONER LANE: Okay, thank you. Yes,
6 sir?

7 MR. SALAS: Commissioner Lane, this is Ramon
8 Salas. If I may add to that. There has been a
9 strategy of TKAST stainless in the last five to seven
10 years, to grow in value addition in basically all of
11 its operations. What Mr. Leibowitz just said is
12 approved together with what we are saying here, a lot
13 of finishing equipment and Mexinox has also a very
14 strong finishing center. So, if there's been some
15 shift from coil plate to cut length, it's just
16 following that part of the strategy, but we will go
17 from this and to what extent this is accurate.

18 COMMISSIONER LANE: Okay, thank you. Have
19 there been any changes in substitutability between
20 subject imports and domestic products since the last
21 review?

22 MR. LEIBOWITZ: One moment, if you don't
23 mind.

24 (Pause.)

25 MR. LEIBOWITZ: We will have to get back to

1 you on that.

2 COMMISSIONER LANE: Okay, thank you. And
3 with that, I have no further questions. And thank you
4 all again for appearing and answering our questions.

5 CHAIRMAN OKUN: Commissioner Pearson?

6 COMMISSIONER PEARSON: Thank you, Madam
7 Chairman. ThyssenKrupp is a company that trades a
8 variety of steel products around the world. So what
9 I'm wondering, looking at this market for stainless
10 steel plate, would you characterize it as one, in
11 which there's a high degree of dumping in global
12 markets, or is this product more or less fairly
13 traded? I'm not talking about just into the United
14 States; but, really, looking at the global
15 marketplace.

16 MR. LEIBOWITZ: The two witnesses here are
17 basically in the western hemisphere, their sphere of
18 interest. I can say that in stainless steel, there is
19 -- there are a few cases around the world, dumping
20 cases that are filed, and that would be, I guess, the
21 best indication of that. It's certainly not as
22 ubiquitous as carbon steel cases, but it's -- you
23 know, it's there. It's steel. Steel is the industry
24 that has the most of these cases, singled by its
25 category. I don't think it's unusually prone to that

1 compared to carbon steel.

2 COMMISSIONER PEARSON: Okay. Do you expect
3 that there will be export opportunities for the
4 Alabama mill, other than the shipments that will go to
5 Mexinox?

6 MR. LACOR: Yeah, I can talk to that. Now,
7 the plan is basically to focus on Mexico, Latin
8 America, and then perhaps bi-products to Asia, bi-
9 products being secondary or side cuts or things that
10 have lower value.

11 COMMISSIONER PEARSON: I'm sorry, say a
12 little bit more about the bi-products.

13 MR. LACOR: Bi-products is basically
14 secondary material.

15 COMMISSIONER PEARSON: Oh, it's something
16 that doesn't make first-grade?

17 MR. LACOR: Exactly, something that doesn't
18 make --

19 COMMISSIONER PEARSON: A little bit off
20 spec?

21 MR. LACOR: Off spec, one way or another.

22 COMMISSIONER PEARSON: Okay.

23 MR. SALAS: Sorry, Commissioner Pearson. I
24 just want to give a list of countries. Canada is also
25 within our radar screen for North America.

1 COMMISSIONER PEARSON: Okay. This morning,
2 I discussed with the domestic industry the fact that
3 the United States has been a net exporter of stainless
4 plate during most of the period of review. This might
5 be for you, Mr. Leibowitz, but how would you assess
6 that in the context of whether the domestic industry
7 is vulnerable? Should it play a role in our analysis
8 of the question of vulnerability?

9 MR. LEIBOWITZ: I think it tends to show
10 that the industry is not vulnerable because it has
11 options. Obviously, the industry is -- if these
12 orders are revoked, I think the country that we have
13 focused on today and the countries that we focused on
14 yesterday are not going to damage the industry. But,
15 if the order is revoked after 38 years, and I'm sorry
16 I misspoke this morning and only estimated 37 or
17 protection, it's going to be, you know, like walking
18 out into the sunlight after two weeks in the basement.
19 They're going to have to adjust their eyesight.

20 Being a net exporter, which means they are
21 powerful and competitive in export markets, certainly
22 means that they are less vulnerable to injury because
23 they have outlets that do not depend on the imposition
24 of trade orders. So, I think it should be considered
25 in that respect.

1 MR. LACOR: Commissioner, this is Stephan
2 Lacor. I think it's also relevant that the domestics
3 are competitive and active, both in Europe, where we
4 have plants, and in Mexico. So, I think it speaks to
5 their ability to be competitive on their own, both in
6 this market and also in the export market.

7 COMMISSIONER PEARSON: Okay. Now, shifting
8 gears, you may have already addressed this. It's
9 getting to be a little bit long here on the second day
10 and so I just forget whether it's been discussed with
11 you, but is it correct to understand that imports to
12 the United States from Italy have had a zero duty rate
13 since 2002?

14 MR. LEIBOWITZ: Not a zero duty rate. A
15 zero deposit rate.

16 COMMISSIONER PEARSON: Thank you, okay.

17 MR. LEIBOWITZ: Yes, that's correct.

18 COMMISSIONER PEARSON: Okay. And yet
19 despite that zero deposit rate, there hasn't been much
20 product that's come from Italy into the United States.

21 MR. LEIBOWITZ: That's also correct and that
22 has to do, I think, with the shift of the Italian
23 producer that we've been discussing at great length
24 today and yesterday, in emphasis. And it also has to
25 do with exchange rate and it also has to do with the

1 retrospective system that the United States employs,
2 unlike any other country, forgive the commercial, and
3 so that you don't know what the actual duty will be
4 until you import the product and go through an
5 administrative review and find out what the Commerce
6 Department calculates with respect to those shipments
7 that you've brought in. And that is a risk that a lot
8 of companies do not wish to take.

9 COMMISSIONER PEARSON: That's another way of
10 describing the disciplining effect of the orders?

11 MR. LEIBOWITZ: I think it's a way of
12 creating a great deal of risk for importers and they
13 can address those risks in a number of ways, but one
14 way is not to import.

15 COMMISSIONER PEARSON: Okay. But then
16 should we infer that if the order is lifted, that risk
17 would disappear and product would come in from Italy?
18 Or --

19 MR. LEIBOWITZ: I would say that would
20 remove a risk, the risk that that shipment would
21 immediately be subject to duties. It would not remove
22 the risk that a new dumping case would be filed, if
23 imports were ramped up to a significant degree. That
24 is certainly a risk that anyone who has been through
25 this once would be very mindful of in determining

1 their future conduct.

2 COMMISSIONER PEARSON: Well, I would just
3 observe that it's a little bit unusual to have a long
4 period of time like we have in this record with Italy,
5 where there has been a zero dumping margin and
6 basically no imports. And so if there are things that
7 we should know about that, that explain it more in the
8 post-hearing, by all means let us know. But more
9 commonly, we would have expected some trader at some
10 point to take advantage of that zero dumping margin --
11 zero dumping deposit rate.

12 MR. LEIBOWITZ: Deposit rate, yeah.

13 COMMISSIONER PEARSON: Thank you.

14 MR. LEIBOWITZ: You would. I think that in
15 this case, there's very few products, if any, that are
16 sold to traders, so it would have to be a corporate
17 decision to do that and the corporate decision has not
18 -- has been not to do that.

19 COMMISSIONER PEARSON: Okay. Mr.
20 Malashevich?

21 MR. MALASHEVICH: I would only add that
22 irrespective of the deposit rate and whether or not an
23 order is in effect, I think what we've testified to
24 collectively earlier is that the fundamental
25 underlying economics are not in favor of shipping

1 products from Europe. Transportation costs, the
2 exchange rate, the corporate strategy, plus the
3 business discussed earlier about just-in-time
4 deliveries, that you need to stock material in the
5 United States, regardless of whether there's an order,
6 those economic realities remain in place.

7 COMMISSIONER PEARSON: Okay. Well, thank
8 you, very much. I believe I have no further
9 questions. Did you have a further comment, Mr.
10 Leibowitz?

11 MR. LEIBOWITZ: I do not, just to thank you
12 for your time.

13 COMMISSIONER PEARSON: Okay. It's been a
14 pleasure.

15 CHAIRMAN OKUN: Commissioner Aranoff?

16 COMMISSIONER ARANOFF: Thank you. I just
17 want to make sure that we've completed the record on
18 this. We discussed it yesterday. We discussed it
19 this morning. And now there's the issue of
20 displacement of subject product from China and whether
21 that creates an incentive or imperative for subject
22 imports to come into the U.S. market. And so
23 specifically with respect to Italy, I didn't know if
24 there's anything else that you want to add.

25 Also, I know that -- well, yesterday, we

1 talked about what TKAST operations were in Asia, but
2 we haven't talked about it with respect to plate. So,
3 I don't know if there's anything you can add to the
4 record on that.

5 MR. LEIBOWITZ: I can say publicly that the
6 operations in Asia do not include production of
7 stainless steel plate and coil. They do include
8 production of stainless steel sheet. I think I'd like
9 to reserve any further comment for the post-hearing
10 because I don't want to cross any lines.

11 COMMISSIONER ARANOFF: Okay.

12 MR. LEIBOWITZ: And I'm not sure where those
13 lines are.

14 COMMISSIONER ARANOFF: That's fine. I mean,
15 the main issue, at least from my standpoint, is that
16 the Commission, in the first review, relied rather
17 heavily on the likelihood of displacement of subject
18 products from the Chinese market, as a reason why
19 there would be an incentive for product to come into
20 the U.S. market and the question is, is that still
21 true? Is that still something that the Commission
22 should rely on as heavily as it did in the first
23 review?

24 MR. LEIBOWITZ: Well, I would say from
25 ThyssenKrupp's standpoint, it's not really an issue.

1 It would not affect the conduct of any ThyssenKrupp
2 company.

3 COMMISSIONER ARANOFF: Okay. Okay, so I'll
4 look forward to more detail on that. And as you're
5 addressing the issue of what we do if we cumulate, you
6 may want to also think about that issue with respect
7 to other countries where it may come into play.

8 MR. LEIBOWITZ: Certainly.

9 COMMISSIONER ARANOFF: Thank you. With
10 that, I have no further questions and I do want to
11 thank the witnesses for staying, to be here with us
12 today.

13 CHAIRMAN OKUN: Thank you. Let me turn to
14 staff to see if they have questions for this panel.

15 MR. CORKRAN: Douglas Corkran, Office of
16 Investigations. Thank you, Madam Chairman. One
17 request, rather than so much a question, which is, in
18 the interest of keeping two different records
19 distinct, to the extent that Mr. Iller was going to
20 provide additional information on capacity
21 optimization efforts in transforming TKAST into a
22 single integrated plant in Italy and what impact that
23 might have on product mix or capacity levels, could
24 that response also be, as far as it relates to stainless
25 steel plate, also included in your post-conference

1 brief -- post-hearing brief, rather? Thank you. And
2 staff has no further questions.

3 CHAIRMAN OKUN: Thank you. Did those in
4 support of continuation of the order have questions
5 for this panel?

6 MR. HARTQUIST: No questions. Thank you,
7 Madam Chairman.

8 CHAIRMAN OKUN: Thank you. All right.
9 Well, before we turn to rebuttal and closing, let me
10 take just an opportunity to thank this panel of
11 witnesses, very much, for staying with us and for
12 answering our questions, for your efforts to provide
13 additional information in post-hearing. And we will
14 take a couple of moments to let this panel go back to
15 the audience.

16 But, let me just review the time remaining.
17 Those in support of continuation have 25 minutes left
18 from direct, with five minutes for closing, for a
19 total of 30 minutes. Those in opposite to
20 continuation of the order have 22 minutes remaining
21 from their direct, plus five minutes for closing, for
22 a total of 27 minutes. If there is no opposition from
23 counsel, we would proceed with combining those times
24 and proceeding with the closing and rebuttal together.

25 MR. LEIBOWITZ: No objection from

1 Respondent.

2 CHAIRMAN OKUN: Okay. All right, then we
3 will take just a couple of moments. And, as we noted
4 yesterday, Mr. Hartquist is usually ready to go, so we
5 will just briefly pause here.

6 MR. LEIBOWITZ: Madam Chairman, may I ask
7 for a five-minute break?

8 CHAIRMAN OKUN: Actually, if we're ready to
9 go, and Mr. Hartquist is ready, it's usually been our
10 intent to just go forward. Is there a particular
11 reason for your request?

12 MR. LEIBOWITZ: I want to have a brief
13 conversation with opposing counsel before we go on to
14 rebuttal, if I may.

15 CHAIRMAN OKUN: Let me say, let's recess for
16 two minutes for you to talk to the Secretary and
17 opposing counsel, to see if this is an appropriate
18 conversation to have and then we'll evaluate.

19 MR. LEIBOWITZ: Very good.

20 (Whereupon, a brief recess was taken.)

21 CHAIRMAN OKUN: Mr. Hartquist, you may
22 proceed.

23 MR. HARTQUIST: Thank you, Madam Chairman.
24 Let me start with reference to Mr. Pat Hassey's quotes
25 with respect to Allegheny's profitability. This one

1 is easily disposed of. Mr. Hassey, in his statements,
2 was talking about the total profitability of Allegheny
3 Technologies, which has many different business
4 segments well beyond stainless coiled plate and he was
5 not referring to -- specifically to coiled plate
6 business.

7 A couple of comments about surcharges. Mr.
8 Malashevich said that the industry should -- the
9 domestic industry should be evaluated based upon the
10 metal margin and not on operating profit and that the
11 surcharge completely protects the domestic industry
12 from raw material viability. But Mr. Lacor said the
13 opposite. He said as far as ThyssenKrupp is
14 concerned, they're measured by their profitability and
15 surcharges, he said, are very risk intensive due to
16 the delays involved. So, I think we have some
17 conflicting testimony from Respondents.

18 And I would note also, and I think we've
19 noted this before with respect to surcharges, a
20 customer's acceptance of raw material volatility, in
21 terms of the prices and the cost of these materials,
22 does not translate into an acceptance of prices.
23 There's a big difference between the components of a
24 surcharge formula, where it's quite public, everybody
25 can measure it and see whether it's fair or not fair

1 in terms of the pass through, but that doesn't mean
2 you've got any protection at all with respect to
3 prices.

4 On capacity, ThyssenKrupp now urges you to
5 look only at their allocated capacity and unused
6 capacity on an allocated basis. But, it's interesting
7 that in the last review, ThyssenKrupp said that the
8 only meaningful measure of their capacity was total
9 hot-rolled capacity. They changed their minds. Even
10 if it is on the basis of allocated capacity, the TKAST
11 capacity is larger now than it was at the time injury
12 was found in the original investigations and their
13 claim of declining capacity is based only on the
14 review period, not what has happened over the life of
15 the order.

16 A couple of words about the incentive of
17 TKAST to ship to the United States. They don't need
18 any help on pricing in order to be able to ship to the
19 U.S. They have existing excess capacity and their
20 marginal cost to produce additional tonnage for
21 exports is very low and the marginal benefit to them
22 is quite high. So, they do have an incentive to ship.

23 They, also, have discussed their regional
24 strategy, that, for example, their European operations
25 would essentially serve only Europe or that region of

1 the world. But here are some interesting statistics:
2 of the top five export markets for TKAST, four of
3 them, Mexico, China, Turkey, and Egypt, are not
4 regional markets near Italy.

5 With respect to their ability to shift from
6 one product to another, the data that they have
7 provided to the Commission shows exactly how quickly
8 they can shift from shift sales of plate from one of
9 their operations to another of the operations. German
10 imports increased almost tenfold from 2009 to 2010, in
11 response to some improvements in the U.S. demand.
12 This is in Mr. Malashevich's Exhibit 1. So, they are
13 very nimble. They can move very quickly if the market
14 requires it.

15 And I'd like to comment on Mr. Leibowitz's
16 37 years or 38 years under order. Mr. Malashevich's
17 commented on this, also. I guess it should be obvious
18 to everybody that we brought and won all of those
19 cases. That's why these orders have been in effect so
20 long because they've proven over decades that they
21 even can't or won't price their products fairly, not
22 dumped, in order to be able to sell into this market.
23 So, yes, there have been orders for a long time and,
24 yes, their behavior has warranted those orders. We
25 had to come here and prove our case, as well as at the

1 Commerce Department.

2 But now, I'm not just going to suggest that
3 I know what's best for ThyssenKrupp, but I am just
4 curious about one aspect of their position here and
5 suggest that you think about this. If you are not
6 going to import from Italy, as they've indicated they
7 don't intend to do, and if you want to help your new
8 operations in the United States, if the ITC decides to
9 cumulate imports, as you have in the past, then why
10 wouldn't ThyssenKrupp want the orders to stay in
11 effect? They're going to be producing in the United
12 States and why wouldn't they want their competitors to
13 be under order because they can ship from Alabama? To
14 me, it just doesn't add up and maybe we'll have some
15 enlighten from Mr. Leibowitz, in this respect.

16 And that concludes our summary. Thank you
17 all, very much. We appreciate it.

18 CHAIRMAN OKUN: Thank you.

19 MR. LEIBOWITZ: Madam Chairman, members of
20 the Commission, I'll save the best for last. I simply
21 want to react to Mr. Hartquist's points. We've had
22 ample opportunity to make our own case just recently.
23 I think we very much appreciate your attention and
24 indulgence in that.

25 I think the record will show that Mr.

1 Hassey, while he was reporting on ATI, Allegheny
2 Teledyne results, did refer specifically to stainless
3 steel plate in those results and referred to it in a
4 positive way. That was the point.

5 As far as the alleged contradiction between
6 the metal margin testimony of Mr. Malashevich and Mr.
7 Lacor's statement about taking risk, the two
8 statements are not contradictory at all. They're
9 entirely consistent. The risk that Mr. Lacor was
10 referring to is sitting on a product that is subject
11 to an alloy surcharge for a long period of time,
12 whether that's on the ocean, in the form of a
13 stainless steel coil with nickel in it, or whether
14 it's sitting in a depot in the United States. If you
15 sit on a product that has a volatile raw material in
16 it, you can buy high and sell low at any time. The
17 only way to avoid that risk is through a mechanism
18 like the alloy surcharge, which works very well if you
19 move that product quickly. If you don't move it
20 quickly, you take a big risk and that's what Mr. Lacor
21 was referring to. And the transoceanic supply lines
22 heighten that risk and that's one of the reasons that
23 ThyssenKrupp is getting rid of that transoceanic
24 supply line. Now, they haven't gotten rid of it yet,
25 but they are in the process of doing so wherever they

1 can.

2 As far as capacity is concerned, we do have
3 a bit of a conundrum here. The statute does refer to
4 operating income. Consider it by all means. But, you
5 don't have to initially follow it, as the only
6 criteria for economic performance. You have to
7 consider all of the factors that you think are
8 relevant. The statute also says that.

9 Capacity is a very difficult thing in a
10 product line like this, where there are many uses for
11 the same product. And to be honest, yes, we did
12 change our minds about the calculation of capacity and
13 part of the reason we changed our mind is because the
14 staff of the Commission in this investigation, on this
15 review, asked us to. We had a serious problem with
16 input and output. We discussed it with them and we
17 presented our capacity figures, both on the input
18 side, the hot-rolling side and the output side, trying
19 to be consistent in how we refer to those numbers.

20 Now, the top five export markets for TKAST,
21 another misleading statistics. Mexico and China, you
22 heard a lot yesterday about Mexico. That's why Mexico
23 is the largest export market for TKAST because they
24 send feedstock down there. They're going to stop
25 doing it. China has another cold-rolling facility,

1 very much like Mexinox in Shanghai. It's a joint
2 venture with a Chinese steel company. Italy does send
3 feedstock to that facility, as well.

4 Turkey and Egypt, I beg to differ with Mr.
5 Hartquist. If you look at your geography, Turkey and
6 Egypt are in the region. They're not in the EU, but
7 Turkey is virtually in the EU for customs and economic
8 purposes. They have a common tariff with the European
9 Union and they have free access to the European
10 market. Incidentally, they're not possibility of
11 dumping cases between Turkey and the EU. That has
12 been -- they've been fully integrated economically.

13 So, they're either supplying feedstock to
14 affiliates or they're in the region. Those are the
15 five major export markets -- excuse me, four. I
16 missed one. If he mentioned five, I only have four
17 down.

18 Now, the improvement in U.S. demand that he
19 referred to, the skyrocketing exports from Germany of
20 white band, we discussed in our presentation. Those
21 are -- that is entirely feedstock for the Alabama
22 mill, getting ready to conduct cold-rolling, to
23 install the hot anneal and pickling line. When that's
24 done, the white band that's been imported will become
25 black band. That's exactly what we said before. So,

1 it's not -- it's not a matter of product shifting;
2 it's a matter of supply feedstock to an affiliate.

3 I've said enough about the 38 years.

4 Obviously, Mr. Hartquist is reluctant to acknowledge
5 the fact that these things have to come to an end at
6 some point. These are not the normal though. He can
7 be forgiven, I guess, for thinking that sometimes they
8 should be the norm. They're not.

9 And if the ITC does cumulate imports, this
10 is my final point, and finds -- and lumps the Italian
11 exports in with all the other countries that didn't
12 bother to appear today or participate in this review,
13 so be it. I'll offer Mr. Hartquist a deal right now.
14 I will take the cumulation in stainless plate, if he
15 agrees to eliminate the order on stainless sheet from
16 Mexico.

17 (Laughter.)

18 MR. LEIBOWITZ: Thank you, very much.

19 CHAIRMAN OKUN: Thank you. Post-hearing
20 briefs, statements responsive to questions, and
21 requests of the Commission and corrections to the
22 transcript must be filed by June 13, 2011. The
23 closing of the record and final release of data to the
24 parties is July 11, 2011, and final comments are due
25 July 13, 2011. If there is no other business to come

1 before the Commission, this hearing is adjourned.

2 (Whereupon, at 3:20 p.m., the hearing was
3 adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Stainless Steel Plate from
Belgium, Italy, Korea, South
Africa, and Taiwan

INVESTIGATION NO.: 701-TA-379, 731-TA-788, 790-793

HEARING DATE: May 26, 2011

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 5/26/11

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, NW - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos E. Gamez
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: David Jones
Signature of Court Reporter