

**CORROSION RESISTANT CARBON STEEL FLAT PRODUCTS  
FROM GERMANY AND KOREA**

USITC THIRD REVIEW  
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STATEMENT BY:

BOB HOLT,  
VICE PRESIDENT, SALES AND MARKETING  
THYSSENKRUPP STEEL USA, LLC

**CHECK AGAINST DELIVERY**

**BOB HOLT - ITC TESTIMONY**

GOOD AFTERNOON. I AM BOB HOLT, VICE PRESIDENT, SALES AND MARKETING, TKS USA.

**NATIONAL MARKET**

I HAVE WORKED FOR THE AMERICAN STEEL INDUSTRY FOR OVER THIRTY YEARS. I WOULD LIKE TO EXPLAIN TO YOU THE RELATIONSHIP BETWEEN OUR SALES FROM ALABAMA TO IMPORTS FROM GERMANY, AND HOW THOSE IMPORTS ARE TO BE DISPLACED BY OUR U.S. PRODUCTION. WE CONSIDER OUR MARKET TO BE NATIONAL AND ALL COUNTRIES IN NAFTA, ALTHOUGH WE ARE LESS FOCUSED ON CANADA. WHAT I AM GOING TO DESCRIBE TO YOU APPLIES THROUGHOUT THIS AREA.

IT TAKES TIME TO RAMP UP A NEW STEEL MILL AND ITS COATING LINES, PARTICULARLY A MILL THAT IS NOT DOMESTICALLY ESTABLISHED AND THAT HAS NOT HAD EXTENSIVE COMMERCIAL REPRESENTATION IN THE UNITED STATES. TO SUPPLY THE MARKET, WE NOT ONLY HAD TO BUILD A NEW FACILITY, BUT WE HAD TO BREAK INTO THAT MARKET IN ALL FACETS OF THE BUSINESS. THIS INCLUDED NOT ONLY BUILDING THE FACILITY, BUT MORE IMPORTANTLY BUILDING CUSTOMER RELATIONSHIPS, DEMONSTRATING

OPERATING CAPABILITIES, AND OPERATING AT A HIGH LEVEL OF PERFORMANCE. AS MENTIONED EARLIER BY MY COLLEAGUES, TO SUPPLY THE AUTOMOTIVE MARKET, WE MUST ALSO PASS INTENSE QUALIFICATION TESTS OF THE INDIVIDUAL CAR COMPANIES.

DURING TODAY'S PERIOD OF INITIAL PRODUCTION, WE BEGAN BY SELLING CORE PRODUCTS PRIMARILY INTO THE SERVICE CENTER SEGMENT, BOTH IN THE UNITED STATES AND MEXICO. IN THIS SEGMENT, DEMAND HAS IMPROVED SINCE 2009. FOR THE REASONS EXPLAINED BY MY COLLEAGUE STEFAN GRÜNHAGE, THYSSENKRUPP GERMANY DOES NOT SELL INTO THIS SEGMENT, SO THERE ARE NO IMPORTS FOR US TO DISPLACE. THIS MEANS THAT GERMAN IMPORTS OF CORE PRODUCTS DO NOT COMPETE SIGNIFICANTLY WITH NUCOR AND SDI, TWO MAJOR U.S. PRODUCERS THAT PRIMARILY SELL TO NON-AUTOMOTIVE MARKET SEGMENTS, NOR DO THEY COMPETE AGAINST ANY OF THE INTEGRATED STEEL MILLS IN THE LARGE SERVICE CENTER MARKET.

#### **PREP TONS**

CORE IMPORTS FROM THYSSENKRUPP GERMANY ARE EXCLUSIVELY FOR U.S. AUTO COMPANIES, WHERE DEMAND IS STRONG AND GROWING. THESE CUSTOMERS REQUIRE VERY HIGH PERFORMING MATERIALS FROM THYSSENKRUPP AND OTHERS QUALIFIED TO MAKE THESE STEELS. TKS USA IS

ONE OF THE FEW MILLS THAT CAN SUPPLY INTO THIS HIGH END MARKET SEGMENT IN THE UNITED STATES. BUT EVEN THOUGH CONTRACTS ARE IN PLACE FOR TKS USA TO SUPPLY U.S. AUTOMOTIVE COMPANIES, WE CANNOT PROVIDE SUPPLY UNTIL WE FINISH THE TIME CONSUMING QUALIFICATIONS, TESTING PROCESS, AND THEN RAMP-UP PRODUCTION.

TO MEET OUR CONTRACT SUPPLY OBLIGATIONS AND ACCELERATE ENTRY INTO THE AUTOMOTIVE MARKET THESE AUTOMOTIVE CUSTOMERS MUST RECEIVE THE STEEL FROM GERMANY UNTIL ALABAMA CAN SUPPLY IT. THIS IS ALSO ESSENTIAL TO TKS USA COMING FULLY ON LINE WITH THE HIGH END CUSTOMER BASE THAT IS SO IMPORTANT TO OUR FUTURE SUCCESS. THIS IS WHERE THE IMPORTS FROM THYSSENKRUPP GERMANY COME INTO PLAY. THESE IMPORTS ARE THE SO-CALLED PREP TONS, SO THAT THE AUTOMOTIVE CUSTOMERS GET STEEL AS TKS USA COMPLETES START UP. ONCE THAT IS DONE, TKS USA SUPPLY TAKES OVER TO REPLACE THE IMPORTS. THIS REPLACEMENT PROCESS APPLIES TO IMPORTS INTO ALL THREE NAFTA COUNTRIES AS THE LOCAL SUPPLY STRATEGY IS FULLY IMPLEMENTED.

SINCE PREP TONS ULTIMATELY ARE PAVING THE WAY FOR TKS USA SALES, TKS USA LEADS THE PRICE NEGOTIATIONS WITH THESE AUTOMOTIVE CUSTOMERS, WITH INPUT FROM GERMANY. THE PREP TONS PROCESS HAS BEEN SUCCESSFUL WITH SOME OF THE AUTO COMPANIES, BUT NOT ALL. SOME DO NOT WANT TO

GO THROUGH THE PREP TONS PROCESS DUE TO THE DISTANCES AND BECAUSE OF THE LOGISTICS INVOLVED DURING THE REPLACEMENT PHASE. INSTEAD, THESE AUTO COMPANIES WILL CONSIDER SOURCING DIRECTLY FROM TKS USA ONCE WE ARE QUALIFIED BY THEM. THYSSENKRUPP GERMANY HAS NOT SOUGHT TO STEP IN AND TAKE THESE SALES.

THE REPLACEMENT OF PREP TONS WITH TKS USA PRODUCTION IS NOT JUST AN INTENTION, BUT GENERALLY FOLLOWS WELL-DEFINED SCHEDULES. THERE ARE DIFFERENT SCHEDULES FOR DIFFERENT MATERIALS AND DIFFERENT AUTOMOTIVE CUSTOMERS, AND THERE CAN BE VARIATIONS DEPENDING ON FUTURE AUTOMOTIVE PRODUCTION LEVELS OF THE SPECIFIC CAR MODELS INVOLVED. THE PREP TONS LARGELY WILL CONTINUE AT ROUGHLY CURRENT LEVELS WELL INTO 2013, THEN THEY WILL TAIL OFF AND CEASE ALTOGETHER IN 2014. BY THAT TIME, WE EXPECT TKS USA TO HAVE ENTIRELY REPLACED IMPORTS OF HOT DIPPED GALVANIZED CORE PRODUCTS FROM THYSSENKRUPP GERMANY.

#### **MAXIMIZING TKS USA'S VALUE**

THIS PREP TONS AND IMPORT REPLACEMENT PROCESS IS COMMERCIALY ESTABLISHED WITH THE ARRANGEMENTS WITH OUR CUSTOMERS. CHRISTIAN DOHR'S VETO AUTHORITY HELPS TO ENSURE IMPORTS WILL BE REPLACED, BUT

THE TRANSFER IS GOING TO HAPPEN IN ANY EVENT BECAUSE MARKET FORCES COMPEL IT. THE SHIFT TO DOMESTIC PRODUCTION IS ESSENTIAL TO MAXIMIZING THE VALUE OF TKS USA, AN ABSOLUTE TOP PRIORITY OF THYSSENKRUPP AG. I HAVE NO REASON TO BELIEVE THAT ANY OF THIS IS CHANGED BY THE PROCESS UNDERTAKEN BY THYSSENKRUPP REGARDING TKS USA THAT CHRISTIAN DESCRIBED IN HIS TESTIMONY.

### **NON-SUBJECT IMPORTS**

AS TO THE NON-SUBJECT IMPORTS THAT WERE DISCUSSED THIS MORNING FROM PLACES OTHER THAN GERMANY AND KOREA, AS SHOWN IN THE PRE-HEARING REPORT, THEY HAVE NOT SURGED, DROPPING FROM 2.7 MILLION TONS IN 2006 TO 1.6 MILLION TONS IN 2011. THERE HAS BEEN SOME INCREASE IN 2012 OVER 2011, BUT MOST OF THIS IS FROM CANADA. THE MAJOR CANADIAN CORE PRODUCERS TODAY ARE OWNED BY U.S. MILLS, FOLLOWING U.S. STEEL'S ACQUISITION OF STELCO AND ARCELORMITTAL'S ACQUISITION OF DOFASCO. SO EVEN DOMESTIC PRODUCERS OPPOSING GERMANY'S REVOCATION OBVIOUSLY REALIZE THAT NOT ALL IMPORTS ARE ALIKE NOR POTENTIALLY INJURIOUS. IN FACT, NON-SUBJECT IMPORTS HAVE NO BEARING ON GERMAN IMPORTS AFTER REVOCATION. FOR EXAMPLE, THOSE FROM CHINA, TAIWAN, AND INDIA ARE IN ENTIRELY DIFFERENT MARKET SEGMENTS FROM THYSSENKRUPP GERMANY.

BUT NONE OF THIS HAS ANY REAL BEARING ON LIFTING THE ANTIDUMPING ORDER ON GERMANY. IN THE END, THE ORDER IS SIMPLY AN UNNECESSARY COST AND COMPLICATION IN OUR EFFORTS TO DISPLACE CORE IMPORTS FROM GERMANY WITH U.S. PRODUCTION AND GROW OUR BUSINESS IN ALABAMA WITHIN THE AUTOMOTIVE INDUSTRY. IT SHOULD BE REVOKED, AND THIS WOULD HAVE ABSOLUTELY NO IMPACT ON OUR DOMESTIC INDUSTRY.

THANK YOU.