

**From:** [Rafferty, Donna](#)  
**To:** [Boyland, David](#)  
**Cc:** [Holmes, Phyllis](#)  
**Subject:** RE: U.S. ITC Investigations (Third Review): Inv. Nos: 701-TA-350 and 731-TA-616 and 618 (Corrosion-Resistant Carbon Steel Flat Products from Germany and Korea)  
**Date:** Tuesday, August 28, 2012 5:08:07 PM  
**Attachments:** [Follow Up Questions to Initial Submission \(David Boyland\).doc](#)  
[CORE Sunset US Producer Questionnaire V.2.doc](#)

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Dear David,

Attached are the answers (in red) to your questions with the exception of #s 5 and 9. I have attached Version 2 of the Questionnaire (because I am unable to extract specific pages or Tables) which includes a revised Table III-10 that details the direct labor costs as requested in Question 3.

I have followed up with the appropriate people on the open questions and am awaiting an answer. I wanted to let you know that I will be out of town on Thursday and Friday of this week, so if I do not receive a response in a timely manner, I will have the answers to these questions early next week when I return.

Regards,

Donna

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**From:** [David.Boyland@usitc.gov](mailto:David.Boyland@usitc.gov) [<mailto:David.Boyland@usitc.gov>]  
**Sent:** Tuesday, August 28, 2012 9:47 AM  
**To:** Rafferty, Donna  
**Subject:** U.S. ITC Investigations (Third Review): Inv. Nos: 701-TA-350 and 731-TA-616 and 618 (Corrosion-Resistant Carbon Steel Flat Products from Germany and Korea)

Good morning Ms. Rafferty,

With regard to the company's U.S. producer questionnaire response in the above-referenced investigations, the attached Word document contains follow-up questions primarily related to the financial section of the U.S. producer questionnaire. As indicated in the attachment and given the report deadlines in this case, I respectfully request that responses be submitted no later than COB August 31, 2012. Please contact me if any of my questions require clarification. Thank you for your attention to this matter.

Regards,

David Boyland, CPA  
Financial Analysis and Accounting Division  
Office of Investigations International Trade Commission  
Phone: 202-708-4725 Fax: 202-205-3205

Corrosion-Resistant Carbon Steel Flat Products from Germany and Korea

U.S. ITC Investigations (Third Review): Inv. No's: 701-TA-350 and 731-TA-616 and 618

Subject: August 22, 2012 U.S. producer questionnaire response of Severstal Dearborn, LLC

Sent to: Donna A. Rafferty, Treasury Analyst, Severstal Dearborn, LLC at draffert@severstalna.com

Below are listed several questions regarding the company's U.S. producer questionnaire response submitted in these investigations. Please provide your response by August 31, 2012. If a response can be submitted prior to that time, it would be appreciated.

Question 1. Please indicate whether it is correct to conclude that only the corrosion-resistant steel operations of the Dearborn, MI facilities are reflected in the above-referenced questionnaire response; i.e., the company's Columbus, MS corrosion-resistant steel operations are not reflected. If this conclusion is correct, please indicate the status of a questionnaire response from the Columbus, MS Severstal facility.

**Our submission does not reflect Columbus, MS operations. We do not know the status of their questionnaire response.**

Question 2. Table III-9. The company is reporting what are interpreted to be non-recurring gains in 2008: \$64.959 million for "Electricity Cont. Settlement" and \$14.680 million for "Massey Settlement." Please confirm that these items reflect gains and are the allocated amounts included in table III-9. Please also identify the specific table III-10 line item where these items are included; i.e., 2008 "other income" in table III-10 does not appear to reflect amounts large enough to include the above-referenced items.

**The \$64.959M for Electricity Cont. Settlement is included in the Other Factory Costs calculation in Table III-10.**

**Massey Settlement (MSC coal damages) was not included in the calculation of Table III-10.**

Question 3. Table III-10. Staff appreciates that the company separately reported raw material costs and other factory costs in table III-10. Staff respectfully requests that the company provide the corresponding amounts for direct labor.

**See attached revised Table III-10 to detail direct labor for each year.**

Question 4. Table III-10. Based on the information in table III-10, the following amounts for average per short ton "raw material costs" were calculated:

(dollars per short ton)	2006	2007	2008	2009	2010	2011	First half 2011	First half 2012
Average raw material costs	277	228	341	337	371	686	717	673

Please generally describe what the primary components of raw material costs represent and whether there were any significant changes in the composition of these costs. Please also identify the primary galvanizing inputs and indicate whether these are included in raw material costs or in "other factory costs."

**Pellets, Scrap, Coke, and Coal**

**Galvanizing inputs (zinc and alloys) are included in Other Factory Costs.**

Question 5. Table III-10. Based on the information in table III-10, the following amounts for average per short ton "Other factory costs" were calculated:

(dollars per short ton)	2006	2007	2008	2009	2010	2011	First half 2011	First half 2012
Average other factory costs	443	621	288	528	471	211	136	181

With respect to the pattern of period-to-period change in average other factory costs, please comment on the extent to which this reflects changes in the company's underlying cost structure during the period examined, as well as variations in factors such as capacity utilization. Please specifically address the substantially higher level of average other factory costs in 2007.

To be provided week of 9/4/12

Continued on following page

Question 6. Table III-10. As reported at the bottom of table III-10, depreciation expense was substantially lower prior to 2008. Given the substantial capital expenditures undertaken during the period (see question 7), it appears reasonable to conclude that the increased level of depreciation expense shown in table III-10 is primarily related to a larger depreciable asset base. Is this conclusion correct? **YES**

Question 7. Table III-12. There was a notable increase in capital expenditures in 2008 through 2010. Please generally describe what projects accounted for the increase in capital expenditures shown in table III-12 and the extent to which they were related directly or indirectly to the company's corrosion-resistant steel operations.

**PLTCM and HDGL.**

**HDGL is directly related to the corrosion-resistant steel operations.**

Question 8. Table III-12. Interim 2011 capital expenditures are greater than full-year 2011 capital expenditures. Since the company is reporting on a calendar-year basis, please examine table III-12 to determine whether interim 2011 capital expenditures have been reported correctly and, as appropriate, make revisions. If the company determines that no changes are necessary to table III-12, please generally explain the above-referenced pattern of capital expenditures.

**This was an input error: the number is \$15,932.**

Question 9. Table III-12. The company is reporting R&D expenses throughout the period. Please generally describe what the reported R&D expenses represent. Note: It also appears that R&D expenses increased, at least in part, in conjunction with higher levels of capital spending.

To be provided week of 9/4/12

Thank you for your attention to this matter. If any of the issues I have raised require clarification, please do not hesitate to contact me.

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**PART III.--FINANCIAL INFORMATION--Continued**

III-10. Operations on corrosion-resistant steel.--Report the revenue and related cost information requested below on the corrosion-resistant steel operations of your U.S. establishment(s).<sup>1</sup> Do not report resales of products. Note that internal consumption and transfers to related firms must be valued at fair market value and purchases from related firms must be at cost.<sup>2</sup> Provide data for your six most recently completed fiscal years in chronological order from left to right, and for the specified interim periods. If your firm was involved in tolling operations (either as the toller or as the tollee), please contact David Boyland at (202) 708-4725 before completing this section of the questionnaire.

Item	Quantity (in short tons) and value (in \$1,000)					
	Fiscal years ended--					
	2006	2007	2008	2009	2010	2011
<b>Net sales quantities:</b> <sup>3</sup>						
Commercial sales ("CS")	708,903	785,528	833,489	582,231	838,165	959,725
Internal consumption ("IC")	0	0	0	0	0	0
Transfers to related firms ("Transfers")	0	0	0	0	0	0
Total net sales quantities	708,903	785,528	833,489	582,231	838,165	959,725
<b>Net sales values:</b> <sup>3</sup>						
Commercial sales	527,718	616,556	676,910	477,086	701,765	886,237
Internal consumption	0	0	0	0	0	0
Transfers to related firms	0	0	0	0	0	0
Total net sales values	527,718	616,556	676,910	477,086	701,765	886,237
<b>Cost of goods sold (COGS):</b> <sup>4</sup>						
Raw materials	196,123	179,303	284,307	195,958	311,162	658,449
Direct labor	44,054	50,193	58,095	38,167	49,617	60,411
Other factory costs	270,314	437,302	182,079	269,260	394,596	141,837
Total COGS	510,491	666,798	524,481	503,384	755,375	860,697
<b>Gross profit or (loss)</b>	17,227	-50,242	152,429	-26,298	-53,610	25,540
<b>Selling, general, and administrative (SG&amp;A) expenses:</b>						
Selling expenses	0	0	0	0	0	0
General and administrative expenses	0	0	0	0	0	0
Total SG&A expenses	11,392	14,582	14,014	8,748	22,608	32,070
<b>Operating income (loss)</b>	5,836	-64,824	138,415	-35,047	-76,218	-6,531
<b>Other income and expenses:</b>						
Interest expense	-5,682	-1,700	-6,990	-7,283	-4,832	-9,499
All other expense items	0	0	0	0	0	0
All other income items	2,803	2,638	8,822	11,514	14,401	11,137
All other income or expenses, net	-2,879	938	1,832	4,231	9,569	1,688
<b>Net income or (loss) before income taxes</b>	2,956	-63,886	140,247	-30,815	-66,649	4,893
<b>Depreciation/amortization included above</b>	1,943	6,282	20,493	20,322	26,641	36,137

**PART III.--FINANCIAL INFORMATION--Continued****III-10. Operations on corrosion-resistant steel.--Continued**

Item	Quantity ( <i>in short tons</i> ) and value ( <i>in \$1,000</i> )	
	January-June 2011	January-June 2012
<b>Net sales quantities:</b> <sup>3</sup>		
Commercial sales	483,500	624,673
Internal consumption	0	0
Transfers to related firms	0	0
Total net sales quantities	483,500	624,673
<b>Net sales values:</b> <sup>3</sup>		
Commercial sales	446,445	593,169
Internal consumption	0	0
Transfers to related firms	0	0
Total net sales values	446,445	593,169
<b>Cost of goods sold (COGS):</b> <sup>4</sup>		
Raw materials	346,819	420,569
Direct labor	29,059	32,145
Other factory costs	36,569	81,128
Total COGS	412,447	533,842
<b>Gross profit or (loss)</b>	33,997	59,326
<b>Selling, general, and administrative (SG&amp;A) expenses:</b>		
Selling expenses	0	0
General and administrative expenses	0	0
Total SG&A expenses	17,520	20,491
<b>Operating income (loss)</b>	16,477	38,835
<b>Other income and expenses:</b>		
Interest expense	-2,756	-9,480
All other expense items	0	0
All other income items	5,236	3,525
All other income or expenses, net	2,480	-5,955
<b>Net income or (loss) before income taxes</b>	18,957	32,880
<b>Depreciation/amortization included above</b>	15,932	29,350

<sup>1</sup> Include only sales (whether domestic or export) and costs related to your U.S. manufacturing operations.

<sup>2</sup> Please eliminate any profits or (losses) on inputs from related firms pursuant question III-8.

<sup>3</sup> Less discounts, returns, allowances, and prepaid freight. The quantities and values should approximate the corresponding shipment quantities and values reported in Part II of this questionnaire.

<sup>4</sup> COGS should include costs associated with CS, IC, and Transfers, as well as export shipments in question II-8.