

Affirmative Statement of Rob Strahs
Vice President, National Accounts and Marketing
Priority Wire and Cable

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Aluminum Wire and Cable from China
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Good morning (afternoon). I am Rob Strahs with Priority Wire and Cable. My current position is Vice President for National Accounts and Marketing.

I have been in the wire and cable industry on and off for over thirty years, first with a manufacturer and more recently with Priority Wire & Cable.

I have come to Washington because you will make a decision that will affect my company's business, and Priority believes very strongly that you should have correct information and correct facts when you make your decision. Quite honestly, what the US producers have told you about the US market here today and what they have stated in their petition conveys an impression that is simply not true from Priority's standpoint. What I intend to do is to give you what Priority believes to

be a more accurate depiction of the US aluminum wire and cable market today. To help speed things along, I intend to refer the aluminum wire and cable as AWC.

I believe that it is best to start with a proper understanding of what AWC is and how it fits in the overall marketplace. Broadly, AWC are aluminum wires and cables that transmit electricity from one place to another place. In the residential segment, AWC is used to transmit electricity from the meter outside to the fuse box inside your house. And in the commercial segment, AWC is used to transmit electricity from the street to your house or within a large building.

History

What is important to understand is that AWC is a relatively new product for this purpose. Historically, copper wire and cable was used almost exclusively to transmit electricity. And it has only been in the past couple of decades that aluminum wire and cable has become much more accepted.

This is my first important competition point. For all applications, copper wire and cable is a substitute for aluminum wire and cable. Just

look at Southwire's product price list, which I have included at the end of my statement. You can see "copper building wire – residential and commercial" and then "aluminum building wire residential and commercial"

And importantly, Southwire and Encore, offer both AWC and copper wire and cable, which I will refer to as CWC. Indeed, it is a correct statement that both Southwire and Encore consider themselves to be primarily a copper company, not an AWC company.

This is important because it really is the relationship of copper and aluminum that spurred growth for AWC. The economic boom of the mid-2000's drove the price of copper to record highs over a short time period. Indeed, copper costs increased 350% from, Jan. 1, 2004 to May 1, 2006, which greatly accelerated the adoption of AWC in place of copper, as developers looked to find ways to save costs for pre-planned bid work. Copper reached a peak of near \$4.00 per pound in June of 2008 then fell to ~1.30 per pound six months later in December 2008.

And quite honestly, it was this volatility in the market that created an opportunity for AWC growth. Distributors who had been crushed by

the fall of copper, were looking to shift that risk elsewhere. That is where Priority Wire & Cable's business model of ordered today, delivered tomorrow provided a strong alternative. Priority Wire & Cable only sold AWC, so Distributors were also driven to sell AWC over CWC and that propelled our growth. Then copper rebounded to a high of over \$4.00 per pound in January of 2011, Distributors did not want to stock copper and get burned again, and Contractors were again looking for cost effective alternatives for already bid jobs. It was the perfect storm to drive growth in AWC.

This leads me to my next very important competition point: Contrary to what you heard from Southwire and Encore, **price is not the only factor that influences AWC sales.** Service, and in particular, availability matters greatly.

From day one we have built our business on a model of service, which is completely different than the approach by Southwire or Encore. They both are old school manufacturers where they take an order, build it and ship it generally in a week or two. We have 15 warehouses throughout the U.S. and ship orders the same day we receive them at a

very high fill rate. How many consumers will wait a week for anything these days?

So yes, there is no question that factors other than price are important. We sell a branded but generic product that we source from **U.S. producers** as well as Chinese and other foreign sources with no differentiation as to the origin of the product. We use the same part number regardless of the origin. The entire industry purchases product based on a generic part number and when it is in inventory from multiple manufactures or suppliers, it is stocked with the same part number, and customers don't care where it came from because of the standards in place. If the wire meets XHHW standards, it is accepted by all. We do not go out to customers with one price or service offering for domestically produced wire and then open our trench coat and say, "hey pssst, I got some Chinese wire here and I'll sell it for 10% less". Most of the AWC in this survey is like gasoline, most people don't care whether it comes from WaWa, Sunoco, BP, Valeo, or Exxon.

That stated, customers have definite preferences concerning service and convenience. Indeed, this is precisely why one gas station

can charge a higher price than another just a half mile away. The higher priced gas station is able to do so because he is offering something else of value.

This is precisely our business model. Of course, price is an important factor. Price is an important factor for every business buying everything. But it is wrong to say that it is the ONLY factor or the most important factor. It is not. If it were, we would not have sales as our prices are routinely above our competitors, including Southwire and Encore. The reason we can stay in business is because we offer our customers something of additional value, namely, just in time delivery and world class service. We have had this business model for years, and adopted it well before we began importing from China.

Just two weeks ago I was told by a National Distributor that we have been high priced for the last 2-3 months, but we will still get our share due to our service. We used to write this business but we lost it to Southwire.

SO, in short, price is an important factor, until availability becomes an issue. And quite bluntly, availability is often a key issue. And we typically win on availability.

Now let's talk about prices. The petition attempted to convey the impression that prices from Priority Wire and Cable moved the entire AWC market. That is flat wrong. In fact, in the AWC market, there is no doubt that Southwire establishes the market selling price for AWC. Southwire sets the industry pricing through the issuance of their list price sheets which are posted on their website. As we have been selling our AWC for years we have a general idea of the market and to simplify it, we just watch for Southwire to announce a price change or issue a new sheet and then we react to it. So if the list prices go up 5%, we take our net prices up 5%. And from what I have seen in the marketplace, our competitors also base their pricing on the Southwire list sheet and everyone reacts to Southwire's announced prices.

And I can tell you with certainty that virtually every other AWC supplier in the market does the same; everyone reacts to Southwire's announced prices.

So we generally price in the range of Southwire and certainly we lose our fair share to Southwire or others, and we often earn business at prices higher than competitors -- Southwire included-- due to our service model which is completely different than Southwire or Encore's and is more like what all consumers expect today which is immediate service.

Pricing Products

I also want to comment on the pricing data that you are attempting to compile. My understanding is that you will use the prices that everyone provides for your so-called pricing products in the questionnaire to undertake a comparison of the US prices versus Chinese prices. I want to tell you that 2 of the 3 pricing products are suitable for this purpose, but one is definitely not. And that is pricing product 2.

Pricing product 2 is for AWC that is referred to as "sweetbriar."

Sweetbriar AWC is the cable that goes from the street to your house.

However, there are very different types of sweetbriar AWC. We only

sell two types of sweetbriar AWC, which are the most basic type of sweetbriar AWC. Southwire sells 5 different types. And the other types are a much more specialized product with thicker insulations and containing a special sealant.

One example is Southwire's SureSeal, which is sweetbriar AWC that has (and I am just quoting here) "a unique cable design with an encapsulated flowable visco-elastic sealant."

All of these other more specialized products falls within the definition of pricing product 2. I am certain that there no imports and therefore no sales of these specialized products from China. And therefore, it is simply not correct, nor fair to compare an average price of pricing product 2 that contains these specialized product with an average price from China that does not.

If you wanted to adjust the pricing product 2 definition, you would simply need to add at the end the phrase "not including SureSealTM products and not including PowerGlideTM"

Other imports sources

Another very important point is the fact that China is not the only foreign supplier to the AWC market. The import records show AWC comes in from a variety of countries as prices similar to Chinese imports.

Important Market Dynamic: Increased Import Duties

The last point I want to make is perhaps the most important. Why are we here? My understanding is that purpose of the AD-CVD law is to provide some remedy to US producers that supposedly have suffered from imports. However, Southwire and Encore have already received substantial remedy from President Trump's trade policies.

First, there were the Section 232 duties on aluminum. Immediately after they were announced, Southwire increased their prices based on the market scare, even though we believe Southwire gets most of its aluminum from US producers and what import they do have come from Argentina which were exempted from the duties. And so, Southwire and

Encore were able to reap the benefits of a 10 percent increase in price without having to incur any of increased costs.

And then, on top of this windfall, Southwire and Encore received another gift from President Trump from the Section 301 duties. AWC imported from China under HTS code 8544.49.90 was included on List 1 of the Section 301 duties and therefore subject to 25 percent extra import duty. Again, Southwire and Encore immediately raised their prices and reaped a windfall without having to pay any additional costs. And now they want more? Really?

Their claim that they know that these extra price increases – which have already happened – will not be enough is completely spurious. Because many import suppliers carry a couple of months of inventory, the extra import duties have not yet had their full effect. Everyone anticipates that Southwire and Encore will continue to reap even more windfall for the foreseeable future.

Southwire and Encore already have full protection from imports from China. They do not need any more.

In Summary:

--We have grown our business on service and our sales of AWC include product from China as well as other foreign and domestic sources we sell at market prices set by Southwire.

That concludes my testimony.



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Southwire/ Ordering/ Current Price Sheets

Current Price Sheets

Note: Canadian Copper Building Wire, Aluminum Wire and Teck90 pricing have moved.

		Current	Previous 1	Previous 2
Transmission	SIMPull® CoilPAK™ and WireBARREL™	09242018K	09192018K	08222018K
	Copper Building Wire - Residential	09242018R	09192018R	08222018R
Substation	Copper Building Wire - Commercial	09242018C	09192018C	08222018C
Distribution	Electrical Bare Copper	09242018B	09192018B	08222018B
	Aluminum Building Wire - Residential	49AR	48AR	47AR
Renewables	Aluminum Building Wire - Commercial	49AC	48AC	47AC
OEM	MC Cable – Type MC-PCS, PVC Jkt & HCF	MP36	MP35	MP34
	MC Cable Intermediate - Copper Conductors	IF36	IF35	IF34
SCR Technologies	MC Cable Feeder - Aluminum Conductors	AF41	AF40	AF39
	MC Cable Feeder - Copper Conductors	MC36	MC35	MC34
Canada	MC Cable - Circuit - Aluminum Armor	AS36	AS35	AS34
	MC Cable - Circuit - Steel Armor	SS36	SS35	SS34
	MC Cable - Circuit - Special Construction	SP36	SP35	SP34
	MC Cable - Circuit - Whips	WH34	WH33	WH32
	Flexible Conduit	DF20	DF19	DF18
	Bare Aluminum Conductor	BA48	BA47	BA46
	Covered Aluminum Conductor	CA48	CA47	CA46
	Medium Voltage - URD	MV30	MV29	MV28
	Utility Bare Copper and Transformer Riser Wire	BC20	BC19	BC18
	Bare, Covered, and MV Aluminum Multiplier Schedule	DS-UTP-82	DS-UTP-81	DS-UTP-80
	Container Charges and Reel Data	62-2		

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