Aluminum Wire and Cable from China

Investigation Nos. 701-TA-611 and 731-TA-1428 (Preliminary)

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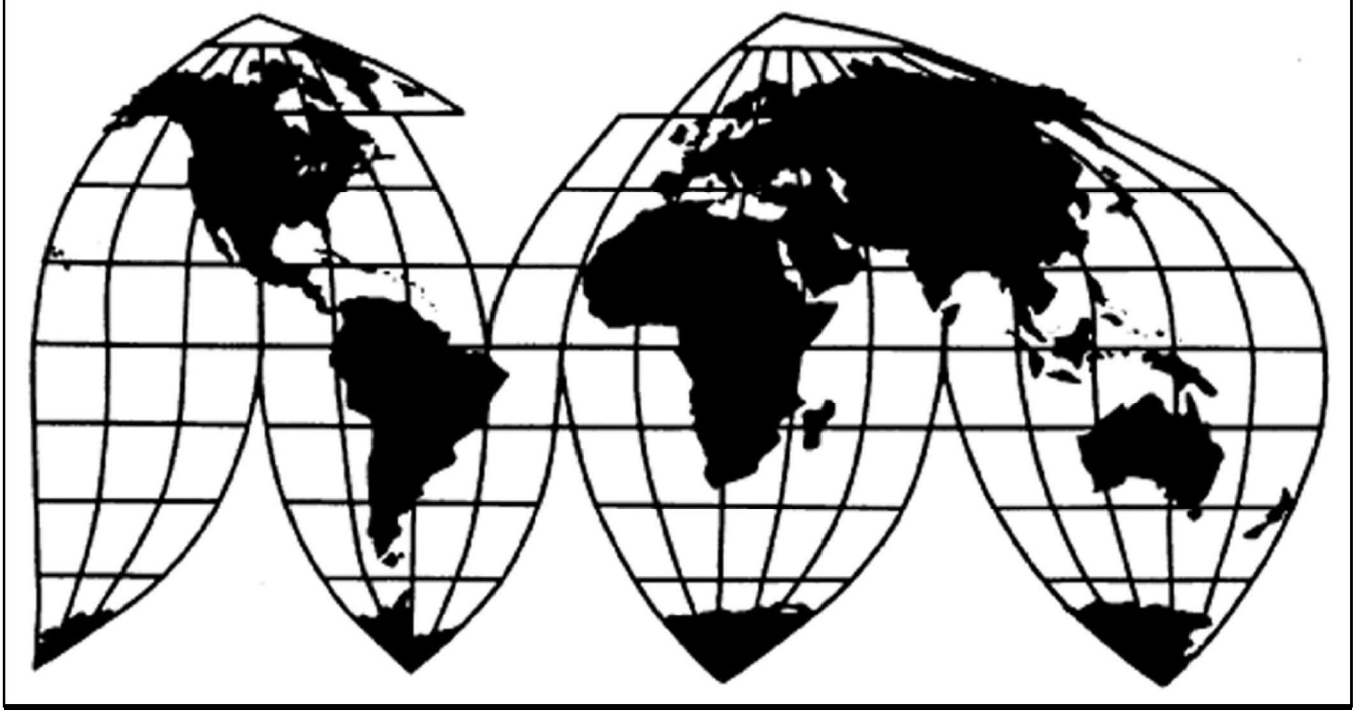
U.S. International Trade Commission



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U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published. Such information is identified by brackets or by parallel lines in confidential reports and is deleted and replaced with asterisks in public reports.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-611 and 731-TA-1428 (Preliminary)

Aluminum Wire and Cable from China

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of aluminum wire and cable from China that are alleged to be sold in the United States at less than fair value ("LTFV") and to be subsidized by the government of China.[2]

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the U.S. Department of Commerce ("Commerce") of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

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[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(f)).

[2] 83 FR 52811 and 83 FR 52805 (October 18, 2018).

BACKGROUND

On September 21, 2018, Encore Wire Corporation, McKinney, Texas, and Southwire Company, LLC, Carrollton, Georgia, filed petitions with the Commission and Commerce, alleging that an industry in the United States is materially injured or threatened with material injury by reason of subsidized and LTFV imports of aluminum wire and cable from China. Accordingly, effective September 21, 2018, the Commission, pursuant to sections 703(a) and 733(a) of the Act (19 U.S.C. 1671b(a) and 1673b(a)), instituted countervailing duty investigation No. 701-TA-611 and antidumping duty investigation No. 731-TA-1428 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of September 27, 2018 (83 FR 48864). The conference was held in Washington, DC, on October 12, 2018, and all persons who requested the opportunity were permitted to appear in person or by counsel.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of aluminum wire and cable ("AWC") from China that are allegedly sold in the United States at less than fair value and are allegedly subsidized by the government of China.

I. The Legal Standard for Preliminary Determinations

The legal standard for preliminary antidumping and countervailing duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determinations, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[1] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[2]

II. Background

Parties to the Investigation. Encore Wire Corporation ("Encore") and Southwire Company, LLC ("Southwire"), U.S. producers of AWC, filed the petitions in these investigations on September 21, 2018. Petitioners appeared at the staff conference and jointly submitted a postconference brief. One respondent entity, Priority Wire & Cable, Inc. ("Priority"), an importer of subject merchandise, appeared at the conference and submitted a postconference brief.

Data Coverage. U.S. industry data are based on the questionnaire responses of five producers, accounting for all known U.S. production of AWC in 2017.[3] U.S. import data are based on questionnaire responses from 14 U.S. importers, accounting for a majority of total subject imports in 2017.[4] The Commission received responses to its questionnaires from five producers of subject merchandise in China, as well as two firms in China that did not produce subject merchandise but exported it to the United States. The five producers of subject

[1] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

[2] *American Lamb Co.,* 785 F.2d at 1001; *see also Texas Crushed Stone Co. v. United States*, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[3] Confidential Report ("CR") at I-5; Public Report ("PR") at I-4.

[4] CR at IV-1; PR at IV-1.

merchandise accounted for approximately *** percent of subject imports from China in 2017, but *** percent of overall production of AWC in China in 2017.[5]

III. Domestic Like Product

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[6] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[7] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[8]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[9] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[10] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[11] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized

[5] CR at VII-3; PR at VII-3; *see* CR/PR at Tables VII-1, VII-2.

[6] 19 U.S.C. § 1677(4)(A).

[7] 19 U.S.C. § 1677(4)(A).

[8] 19 U.S.C. § 1677(10).

[9] *See, e.g., Cleo Inc. v. United States,* 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States,* 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. *See Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[10] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[11] *See*, *e.g.*, *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49*; see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

and/or sold at less than fair value,[12] the Commission determines what domestic product is like the imported articles Commerce has identified.[13] The Commission may, where appropriate, include domestic articles in the domestic like product in addition to those described in the scope.[14]

In its notices of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

> The scope of the investigation covers aluminum wire and cable, which is defined as an assembly of one or more electrical conductors made from 8000 Series Aluminum Alloys (defined in accordance with ASTM B800), Aluminum Alloy 1350 (defined in accordance with ASTM B230/B230M or B609/B609M), and/or Aluminum Alloy 6201 (defined in accordance with ASTM B398/B398M), provided that: (1) at least one of the electrical conductors is insulated; (2) each insulated electrical conductor has a voltage rating greater than 80 volts and not exceeding 1000 volts; and (3) at least one electrical conductor is stranded and has a size not less than 16.5 thousand circular mil (kcmil) and not greater than 1000 kcmil. The assembly may: (1) include a grounding or neutral conductor; (2) be clad with aluminum, steel, or other base metal; or (3) include a steel support center wire, one or more connectors, a tape shield, a jacket or other covering, and/or filler materials.
>
> Most aluminum wire and cable products conform to National Electrical Code (NEC) types THHN, THWN, THWN-2, XHHW-2, USE, USE-2, RHH, RHW, or RHW-2, and also conform to Underwriters Laboratories (UL) standards UL-44, UL-83, UL-758, UL-854, UL-1063, UL-1277, UL-1569, UL-1581, or UL-4703, but such conformity is not required for the merchandise to be included within the scope.
>
> The scope of the investigation specifically excludes conductors that are included in equipment already assembled at the time of importation. Also excluded are aluminum wire and cable products in actual lengths less than six feet.

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[12] *See*, *e.g.*, *USEC, Inc. v. United States*, 34 Fed. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[13] *Hosiden Corp. v. Advanced Display Mfrs.,* 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

[14] *See*, *e.g.*, *Pure Magnesium from China and Israel*, Inv. Nos. 701-TA-403 and 731-TA-895-96 (Final), USITC Pub. 3467 at 8 n.34 (Nov. 2001); *Torrington,* 747 F. Supp. at 748-49 (holding that the Commission is not legally required to limit the domestic like product to the product advocated by the petitioner, co-extensive with the scope).

> The merchandise covered by the investigation is currently classifiable under subheading 8544.49.9000 of the Harmonized Tariff Schedule of the United States (HTSUS). Products subject to the scope may also enter under HTSUS subheading 8544.42.9090. The HTSUS subheadings are provided for convenience and customs purposes. The written description of the scope of the investigation is dispositive.[15]

AWC products are insulated electrical conductors that are manufactured to meet industry standards and electrical codes. AWC is used in the transmission and distribution of electricity, using aluminum's relatively high thermal and electrical conductivities to transmit electrical power in industrial and commercial applications, as well as in some residential applications.[16]

A. Arguments of the Parties

Petitioners' *Argument*. Petitioners argue that the Commission should define a single like product including all types of AWC described in the scope based on examination of the Commission's traditional like product factors.[17] Petitioners argue that out-of-scope copper wire and cable should not be included in the domestic like product, because there is a clear dividing line between AWC and copper wire and cable based on the different raw materials from which they are produced.[18]

Respondent's *Argument*. Priority states that it agrees with the like product definition proposed by petitioners for purposes of the preliminary phase of these investigations, but reserves the right to revisit the issue in any final phase of these investigations.[19]

B. Analysis

Based on the record, we define a single domestic like product consisting of AWC, coextensive with the scope of the investigations.

Physical Characteristics and Uses. All AWC products share the same basic physical characteristics, with aluminum-based conductivity at their core. All are used in electrical applications in residential, industrial, and commercial settings.[20] By contrast, copper wire and cable, while also used for electrical conductivity, is manufactured using different raw materials

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[15] *Aluminum Wire and Cable From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 83 Fed. Reg. 52811, 52815 (Oct. 18, 2018); *Aluminum Wire and Cable From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 83 Fed. Reg. 52805, 52808 (Oct. 18, 2018).

[16] CR at I-9; PR at I-8; Transcript of Conference ("Conference Tr.") at 17 (Jones), 23-24 (Asher).

[17] Petitioners' Postconference Brief at I-7 to I-8.

[18] Petitioners' Postconference Brief at I-8 to I-10.

[19] Conference Tr. at 96-97 (Porter).

[20] CR at I-9; PR at I-8; Conference Tr. at 17 (Jones), 23-24 (Asher); Petitioners' Postconference Brief at I-7.

(*i.e.,* copper). Aluminum is much lighter than copper, making AWC more suitable than copper wire and cable for certain applications, such as overhead transmission cables.[21]

Manufacturing Facilities, Production Processes, and Employees. All domestically produced AWC is manufactured in the same production facilities with the same employees using common production processes.[22] By contrast, petitioners assert that the manufacturing process for copper wire and cable is distinct from the process used to produce AWC. Encore produces AWC in separate facilities using different employees and processes from those it uses to produce copper wire and cable. Southwire, on the other hand, has facilities that produce both AWC and copper wire and cable, albeit through different processes, and possibly using different machinery, with significant costs and downtime required to switch from producing one to producing the other.[23]

Channels of Distribution. Domestically produced AWC is primarily sold to distributors.[24] In 2017, *** percent of U.S. producers' U.S. shipments went to distributors, while *** percent went to end users.[25] There is no information on the record regarding channels of distribution for copper wire and cable.

Interchangeability. AWC from one producer made to a particular specification is interchangeable with AWC made by another producer to the same specification.[26] By contrast, petitioners assert that there is limited interchangeability between AWC and copper wire given local codes or product specifications that may require one or the other, as well as particular uses especially suitable for AWC (*e.g.,* feeder wire that traverses long distances or hangs overhead) or copper wire and cable (small circuit wiring in residential buildings).[27]

Producer and Customer Perceptions. According to petitioners, producers and customers consider AWC to comprise a single product category that is distinct from copper wire and cable.[28]

Price. According to petitioners, the prices of AWC products are within a range with differences based on the combination of features in particular AWC products.[29] The Commission's pricing data indicate some variations between the prices of the three domestically produced pricing products.[30] There is limited information on the record regarding relative prices of copper wire and cable.

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[21] CR at I-9 to I-10; PR at I-8; Conference Tr. at 18 (Jones), 24, 49 (Asher), 46 (Kieffer).

[22] *See* CR at I-14 to I-16; PR at I-11 to I-12; Conference Tr. at 17-18 (Jones).

[23] CR at I-16 n.40; PR at I-12 n.40; Conference Tr. at 36 (Jones), 37 (Asher)

[24] Conference Tr. at 19 (Kieffer), 25, 59 (Asher).

[25] CR/PR at Table II-1.

[26] Conference Tr. at 24-25 (Asher); Petitioners' Postconference Brief at I-8; Petition at 88.

[27] Conference Tr. at 18-19, 52 (Jones), 24-25 (Asher), 46 (Kieffer); Petitioners' Postconference Brief at I-9, II-9 to II-10. In contrast, Priority argues that copper wire and cable is a suitable physical substitute for virtually every application of AWC, but there is little information on the record to support this conclusion. Priority's Postconference Brief at 4.

[28] Petitioners' Postconference Brief at I-8; Petition at 89.

[29] Petitioners' Postconference Brief at I-8; Petition at 89.

[30] CR/PR at Tables V-3 to V-5.

Conclusion. The record shows that all AWC shares the same basic physical characteristics and uses and is manufactured in the same production facilities with the same employees using common production processes, and that AWC made to a particular specification is interchangeable. By contrast, copper wire and cable has different physical characteristics given the difference in raw materials used, and is produced using a different production process. Accordingly, based on the record, and in the absence of any argument to the contrary, we define a single domestic like product consisting of AWC that is coextensive with the scope of the investigations.[31]

IV. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[32] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

Based on our domestic like product definition, we define the domestic industry to include all U.S. producers of AWC.[33]

V. Negligible Imports

Pursuant to Section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to a domestic like product that account for less than 3 percent of all such merchandise imported into the United States during the most recent 12 months for which data are available preceding the filing of the petition shall generally be deemed negligible.[34]

Imports from China accounted for *** percent of total U.S. imports of AWC by quantity from September 2017 through August 2018, the 12-month period preceding filing of the

[31] To the extent that Priority or any other party seeks for the Commission to reexamine the definition of the domestic like product in any final phase of these investigations, it should identify any other potential like products for data collection in its comments on the draft questionnaires. *See* 19 C.F.R. § 207.20(b).

[32] 19 U.S.C. § 1677(4)(A).

[33] There are no related party or other domestic industry issues in these investigations. *See* CR at III-2, III-9; PR at III-2, III-6. Petitioners argue that the domestic industry should be defined to consist of the five U.S. producers of AWC identified in the petition: Encore, Southwire, Prysmian Group (including General Cable) ("Prysmian"), Nexans Group ("Nexans"), and Cerro Wire LLC ("Cerro"). Petitioners' Postconference Brief at I-10. Priority states that for purposes of the preliminary phase of these investigations, it agrees with the definition of the domestic industry proposed by petitioners. Conference Tr. at 97 (Porter).

[34] 19 U.S.C. §§ 1671b(a), 1673b(a), 1677(24)(A)(i), 1677(24)(B).

petitions.[35] Because this exceeds the pertinent 3 percent statutory threshold, we find that imports from China are not negligible.

VI. Reasonable Indication of Material Injury by Reason of Subject Imports

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[36] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[37] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[38] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[39] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[40]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[41] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[42] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports

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[35] CR at IV-5; PR at IV-4.

[36] 19 U.S.C. §§ 1671b(a), 1673b(a). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of reasonable indication of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments here.

[37] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[38] 19 U.S.C. § 1677(7)(A).

[39] 19 U.S.C. § 1677(7)(C)(iii).

[40] 19 U.S.C. § 1677(7)(C)(iii).

[41] 19 U.S.C. §§ 1671b(a), 1673b(a).

[42] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[43]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[44] In performing its examination, however, the Commission need not isolate the injury caused by other factors from injury caused by unfairly traded imports.[45] Nor does the

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[43] The Federal Circuit, in addressing the causation standard of the statute, has observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[44] Uruguay Round Agreements Act Statement of Administrative Action (SAA), H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

[45] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n* , 266 F.3d at 1345. ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e*., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute (Continued…)

"by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[46] It is clear that the existence of injury caused by other factors does not compel a negative determination.[47]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[48] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[49]

The Federal Circuit's decisions in *Gerald Metals*, *Bratsk,* and *Mittal Steel* all involved cases in which the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[50] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have

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(…Continued)
"does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[46] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[47] *See Nippon*, 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[48] *Mittal Steel*, 542 F.3d at 877-78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 793 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

[49] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[50] *Mittal Steel*, 542 F.3d at 875-79.

"evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[51] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[52]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[53] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[54]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Demand Conditions

AWC is generally used to conduct electrical power in residential, industrial, and commercial applications.[55] AWC is used in new construction projects, and demand for AWC is accordingly driven by demand in the construction sector.[56] U.S. construction activity increased over the January 2015-June 2018 period of investigation ("POI"), as the value of U.S. nonresidential construction put in place during the POI increased by 18 percent, and the value

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[51] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

[52] To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

[53] We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[54] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp*., 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[55] CR at I-4, II-1, II-5; PR at I-3, II-1, II-3.

[56] CR at II-1, II-5 to II-6; PR at II-1, II-3.

of U.S. residential construction increased by 39 percent.[57] A majority of responding firms reported that U.S. demand for AWC had increased since the beginning of the POI, while several firms reported that demand had fluctuated.[58]

Apparent U.S. consumption increased by 10.9 percent between 2015 and 2017, from 415.5 million pounds in 2015 to 426.0 million pounds in 2016 and 460.8 million pounds in 2017. It was 237.9 million pounds in January-June ("interim") 2017, and slightly lower, at 232.8 million pounds, in interim 2018.[59]

2. Supply Conditions

The domestic industry consists of five U.S. producers: Cerro, Encore, Nexans, Prysmian, and Southwire.[60] The domestic industry accounted for 77.6 percent of apparent U.S. consumption in 2015, after which this share declined to 74.7 percent in 2016 and then further to 71.7 percent in 2017; it was 70.2 percent in interim 2017 and 72.7 percent in interim 2018.[61] In 2014, Encore made a decision to undertake a substantial expansion of its AWC production facility in McKinney, Texas, with capital expenditures and installation work on the expansion project continuing during the POI.[62] *** undertook expansion of its production facilities at *** between ***.[63]

The market share of subject imports increased from *** percent in 2015 to *** percent in 2016 and *** percent in 2017; it was *** percent in interim 2017 and lower, at *** percent, in interim 2018.[64]

The market share of nonsubject imports declined from *** percent in 2015 to *** percent in 2016, and then increased to *** percent in 2017; it was *** percent in interim 2017 and *** percent in interim 2018.[65] The largest sources of nonsubject imports during the POI were Mexico, Canada, Ecuador, and Turkey.[66]

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[57] CR at II-6; PR at II-4; CR/PR at Figure II-1.

[58] CR at II-7; PR at II-5.

[59] CR/PR at Tables IV-3, C-1.

[60] CR/PR at Table III-1.

[61] CR/PR at Table IV-4.

[62] Conference Tr. at 15-16, 34, 35 (Jones); Petitioners' Postconference Brief at II-14; CR/PR at Table III-3; CR at VI-13; PR at VI-4.

[63] CR/PR at Table III-3. Notwithstanding these expansions, the change in the domestic industry's capacity during the POI was fairly modest. Capacity increased by 1.3 percent between 2015 and 2017, and was slightly lower in interim 2018 than in interim 2017. CR/PR at Tables III-4, C-1. While *** capacity *** throughout the POI ***, *** capacity increased by *** pounds from 2016 to 2017. CR/PR at Table III-4.

[64] CR/PR at Table IV-4.

[65] CR/PR at Table IV-4.

[66] CR at II-4; PR at II-3.

3. Substitutability and Other Conditions

The record indicates that there is a high degree of substitutability between subject imports and the domestic like product.[67] A substantial majority of responding U.S. producers and importers (11 of 13) reported that subject imports and the domestic like product could always or frequently be used interchangeably, and no firm reported any factor that limited interchangeability in the U.S. market.[68]

The record indicates that price is an important factor in purchasing decisions for AWC. Purchasers responding to the Commission's lost sales/lost revenue survey most often identified price/cost as a major factor in their purchasing decisions (8 firms), followed by availability (6 firms), quality (5 firms), and delivery (2 firms).[69] When U.S. producers and importers were asked about the significance of differences other than price between subject imports and the domestic like product in sales of AWC in the U.S. market, a substantial majority of responding firms (10 of 13) reported that non-price differences were only sometimes or never important, while three firms reported that non-price differences were always or frequently important.[70]

Prices for AWC are publicly available in price lists, which tend to contain prices at similar levels for different suppliers across the industry. Volume and other discounts are commonly applied to list prices such that the final net price, where competition occurs for sales, includes these discounts.[71] Petitioners state that purchasers routinely communicate discounts offered by different suppliers.[72] A majority of sales of both the domestic like product and subject imports are made through spot sales.[73]

Subject imports and the domestic like product are generally sold in the same channels of distribution, primarily to distributors.[74] Both U.S. producers and U.S. importers reported that most of their U.S. commercial shipments came from U.S. inventories.[75]

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[67] CR at II-9 to II-10; PR at II-6 to II-7.

[68] CR/PR at Table II-5; CR at II-9 to II-10; PR at II-6 to II-7.

[69] CR at II-9; PR at II-6.

[70] Five firms reported that non-price differences were never important; five reported that they were sometimes important; one reported that they were frequently important; and two reported that they were always important. The only firms reporting that differences other than price were frequently or always important were importers. CR/PR at Table II-6.

[71] CR at V-4, V-6; PR at V-2, V-3 to V-4; Conference Tr. at 56-58 (Asher), 107-108 (Strahs).

[72] Petitioners' Postconference Brief at I-12; Conference Tr. at 25-26 (Asher).

[73] CR at V-5; PR at V-3. For the domestic like product, *** percent of U.S. commercial shipments in 2017 were made through spot sales, *** percent through long-term contracts, *** percent through one-year contracts, and *** percent through short-term contracts. CR/PR at Table V-2. For subject imports, *** percent of sales in 2017 were made through spot sales, *** percent through short-term contracts, and *** percent through one-year contracts. *Id.*

[74] In 2017, *** percent of U.S. producers' U.S. shipments went to distributors, and *** percent went to end users, while *** percent of U.S. importers' shipments of subject merchandise went to distributors and *** percent went to end users. CR/PR at Table II-1.

[75] U.S. producers reported that 84.0 percent of their commercial shipments came from inventories, with lead times averaging 5.5 days, while 16.0 percent were produced to order, with lead times averaging 25.9 days. U.S. importers reported that 79.8 percent of their commercial shipments (Continued…)

The principal substitute product for AWC is copper wire and cable. Substitution between these products is limited by local building ordinances that may require one product over the other, the heavier weight of copper wire than AWC, and the higher price of copper relative to aluminum.[76] The parties agree that demand for AWC may be affected by the relative prices of aluminum and copper.[77]

The major raw material used in AWC is aluminum wire rod. Most U.S. producers produce their own aluminum wire rod from aluminum scrap, primary aluminum, and alloying materials.[78] The price of aluminum sheet scrap declined by *** percent from January to December 2015, then increased by *** percent from December 2015 to June 2018, with an overall decline of *** percent during the POI.[79] The price of primary aluminum, as measured by the London Metal Exchange ("LME") and the Midwest price premium, fluctuated but increased overall during the POI. The LME plus Midwest premium price for primary aluminum declined by *** percent from January to November 2015, then increased by *** percent from November 2015 to May 2018, before declining at the end of the POI, with an overall increase of *** percent over the POI.[80]

On March 8, 2018, the President issued a proclamation imposing a ten percent tariff on imports of certain aluminum products (including on imports of certain raw materials used by the domestic industry, but not on imports of AWC) under Section 232 of the Trade Expansion Act of 1962.[81] On June 20, 2018, the Administration announced that it was imposing a 25 percent tariff on imports of AWC from China, effective July 6, 2018, under Section 301 of the Trade Act of 1974 ("Section 301 tariffs").[82]

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[83]

The volume of subject imports rose by *** percent between 2015 and 2017, increasing from *** pounds in 2015 to *** pounds in 2016 and *** pounds in 2017; it was *** pounds in interim 2017 and *** pounds, in interim 2018.[84]

(…Continued)
came from U.S. inventories, with lead times averaging 1.2 days, while 20.2 percent were produced to order, with lead times averaging 82.5 days. CR at II-9; PR at II-6.

[76] CR at II-8; PR at II-5 to II-6.

[77] Petitioners' Postconference Brief at I-13; Priority's Postconference Brief at 4-5.

[78] CR at I-14 and N.38; V-1; PR at I-11 and n.38. Southwire produces its own aluminum rod feedstock, but Encore purchases coiled aluminum rod. CR at I-14 n.38; PR at I-11 n.38; Conference Tr. at 17 (Jones).

[79] CR at V-1; PR at V-1; CR/PR at Figure V-1.

[80] CR at V-2 to V-3; PR at V-1 to V-2; CR/PR at Figure V-2.

[81] CR at I-8; PR at I-7; Conference Tr. at 26-27, 35 (Jones).

[82] CR at I-8; PR at I-7; see Petition, Volume 1, at 2.

[83] 19 U.S.C. § 1677(7)(C)(i).

The market share of subject imports increased from *** percent in 2015 to *** percent in 2016 and *** percent in 2017; it was *** percent in interim 2017 and *** percent in interim 2018.[85] Subject imports gained *** percentage points of market share at the expense of the domestic industry, which lost 5.9 percentage points overall, between 2015 and 2017.[86]

We conclude that the volume of subject imports and the increase in that volume are significant both in absolute terms and relative to U.S. consumption.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[87]

As discussed in section VI.B.3 above, the record indicates that subject imports and the domestic like product are highly substitutable, and that price is an important factor in purchasing decisions for AWC.

The Commission collected quarterly f.o.b. pricing data on sales of three AWC products shipped to unrelated U.S. customers during the POI.[88] Four U.S. producers and six importers

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(…Continued)

[84] CR/PR at Table IV-2; CR at IV-2; PR at IV-2.

[85] CR/PR at Table IV-4.

[86] The domestic industry's share of apparent U.S. consumption declined from 77.6 percent in 2015 to 74.7 percent in 2016 and 71.7 percent in 2017. CR/PR at Table IV-4.

[87] 19 U.S.C. § 1677(7)(C)(ii).

[88] CR at V-6; PR at V-4. The three pricing products are:

Product 1.-- Type SE (Style R) cables containing three 600 volt conductors made of Aluminum Alloy 8000 Series, plus a neutral/ground wire, with American Wire Gauge (AWG) sizes of 4/0, 4/0, 4/0, and 2/0

Product 2.-- "Sweetbriar" underground distribution cables containing two 600 volt conductors made of Aluminum Alloy 1350 Series, plus a neutral/ground wire, with American Wire Gauge (AWG) sizes of 4/0, 4/0, and 2/0, excluding sureseal and powerglide.

Product 3.-- Type XHHW wires rated at 600 volts, with the conductor made of Aluminum Alloy 8000 Series, with a size of 500 kcmil.

CR at V-7; PR at V-4. Priority argues that the Commission's pricing data for product 2 should not be used for its underselling analysis, asserting that the definition of product 2 includes several high-priced premium products offered by Southwire for which there are no imports from China (Southwire's "Sureseal" and "Powerglide" products). Conference Tr. at 78-79 (Strahs); Priority's Postconference Brief at 16-17. In response to Priority's assertions, Commission staff revised the definition of product 2 in the (Continued…)

provided usable pricing data for sales of the requested products, although not all firms reported pricing data for all products for all quarters.[89] The pricing data reported by these firms accounted for approximately 3.2 percent of U.S. producers' U.S. shipments of AWC and *** percent of U.S. shipments of subject imports from China in 2017.[90]

Subject imports undersold the domestic like product in 38 of 42 quarterly comparisons, at margins ranging between 0.4 percent and 20.2 percent, and an average margin of underselling of 5.9 percent.[91] There were *** pounds of subject imports in quarters with underselling, as compared to *** pounds of subject imports in quarters with overselling. Thus, *** percent of the volume of subject imports covered by the Commission's pricing data was sold during quarters in which the average price of these imports was less than that of the comparable domestic product.[92] Additionally, of eight purchasers responding to the Commission's lost sales/lost revenue survey, five reported purchasing subject imports instead of domestic product and that subject import prices were lower than those for U.S. produced AWC; three of these purchasers reported that price was a primary reason for their decision to purchase subject imports rather than domestic product.[93] Given the high degree of substitutability between subject imports and the domestic like product and the importance of price in purchasing decisions, we find the underselling by subject imports to be significant.[94]

We also considered pricing trends during the POI. Prices declined between January 2015 and June 2018 for both subject imports and the domestic like product. U.S. producers' prices declined between the first quarter of 2015 and the second quarter of 2018 by *** percent for product 1, *** percent for product 2, and *** percent for product 3, while over the same period subject import prices declined by *** percent for product 1, *** percent for

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(…Continued)
Commission Report from that in the questionnaires so that "Sureseal" and "Powerglide" products are specifically excluded from the definition of product 2. CR at V-7; PR at V-4. In addition, Commission staff ***. CR at V-7 n.11; PR at V-7 n.11; *see also* Petitioners' Postconference Brief at II-8. Accordingly, we consider all of the pricing data for product 2 in our analysis of the price effects of subject imports, including in our underselling analysis.

[89] CR at V-7; PR at V-4.

[90] CR at V-7; PR at V-5. In any final phase of these investigations, we will seek to increase coverage by our pricing products. We request that the parties propose, in their comments on the Commission's draft questionnaires, additional specific pricing products that are likely to cover substantial quantities of U.S. shipments of subject imports and the domestic like product in head-to-head competition in the U.S. market.

[91] CR/PR at Table V-7.

[92] CR/PR at Table V-7.

[93] CR at V-16 to V-17; PR at V-7; CR/PR at Table V-9.

[94] Priority argues that the margins of underselling here are too low to be significant, noting that the domestic industry was able to raise its prices during the POI. Priority's Postconference Brief at 1, 18-20. As we discuss further below, however, while prices for the domestic like product rose during discrete portions of the POI, they declined overall. Moreover, the increases that did occur were insufficient to cover the industry's rising costs, resulting in a cost-price squeeze.

product 2, and *** percent for product 3.[95] Declines in U.S. producers' prices[96] occurred despite the overall increase in apparent U.S. consumption during the POI.[97] Given the significant and increasing volume of subject imports, their significant and pervasive underselling, and the increase in apparent U.S. consumption during the POI, we find for purposes of the preliminary phase of these investigations that subject imports depressed prices of the domestic like product to a significant degree.

The record also indicates price suppression. The domestic industry's ratio of cost of goods sold ("COGS") to net sales increased from *** percent in 2015 to *** percent in 2016 and *** percent in 2017; it was *** percent in interim 2017 and higher, at *** percent, in interim 2018.[98] From 2016 to 2017, the industry's raw material cost per pound increased by ***, (and its overall COGS rose by *** per pound), but its net sales average unit value ("AUV") increased by only *** per pound.[99] In light of trends in demand and raw materials costs, the domestic industry should have been able to raise prices, but instead experienced a cost-price squeeze. The record of these preliminary phase investigations indicates that this was because of the significant and increasing volume of low-priced subject imports. We consequently find that subject imports prevented price increases by the domestic industry, which otherwise would have occurred, to a significant degree.

Priority disputes petitioners' argument that AWC is sold primarily on the basis of price, asserting that non-price factors such as availability and delivery are more important to purchasing decisions for AWC. It argues that any increase in sales of subject merchandise was not a result of lower prices, but rather of the superior service, availability, and just-in-time delivery that it states it provides to its customers and the two petitioning firms do not.[100] However, the current record does not support Priority's assertion that price is not an important factor in purchasing decisions. As noted, the factor most frequently identified by purchasers as a major factor in their purchasing decisions was price/cost (8 firms),[101] and a substantial majority of responding firms (10 of 13) reported that non-price differences between subject imports and domestically produced AWC were only sometimes or never important in

[95] CR/PR at Table V-8. U.S. producer's prices increased in the first two quarters of 2018 for products 1 and 2, and in the second quarter of 2018 for product 3. Subject import prices increased in the first two quarters of 2018 for products 1 and 3; they increased in the first quarter of 2018 for product 2 but then declined in the second quarter. CR/PR at Tables V-3 to V-5.

[96] We also note that, of eight purchasers responding to the Commission's lost sales/lost revenue survey, two reported that U.S. producers had reduced their prices in order to compete with lower-priced imports from China, with the estimated price reductions ranging from 5 to 15 percent. CR at V-17; PR at V-7; CR/PR at Table V-10.

[97] Apparent U.S. consumption increased from 415.5 million pounds in 2015 to 426.0 million pounds in 2016 and 460.8 million pounds in 2017. It was 237.9 million pounds in interim 2017 and 232.8 million pounds in interim 2018. CR/PR at Tables IV-3, C-1.

[98] CR/PR at Tables VI-1, C-1.

[99] CR/PR at Table VI-2.

[100] Priority's Postconference Brief at 8-13.

[101] CR at II-9; PR at II-6.

purchasing decisions.[102] Furthermore, Priority's argument focuses only on competition between its imports and the two petitioners rather than on overall subject imports and the U.S. market as a whole.[103]

We therefore find that the subject imports had significant price effects.

E. Impact of the Subject Imports[104]

Section 771(7)(C)(iii) of the Tariff Act provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry." These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debt, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[105]

The domestic industry saw small increases between 2015 and 2017 in capacity, production, net sales quantity, U.S. shipments, and most employment indicators, but those increases were at levels well below the 10.9 percent increase in apparent U.S. consumption during the period.[106] Moreover, the industry lost market share between 2015 and 2017, its revenues declined and its COGS increased, and all of its financial indicators declined sharply.[107]

The domestic industry's capacity increased by 1.3 percent between 2015 and 2017; it declined slightly from 492.1 million pounds in 2015 to 490.9 million pounds in 2016 and then increased to 498.7 million pounds in 2017.[108] Production increased by 1.7 percent from 2015 to 2017, declining slightly from 355.5 million pounds in 2015 to 355.0 million pounds in 2016 and

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[102] CR/PR at Table II-6.

[103] While Priority accounted for *** percent of imports of subject merchandise from China in 2017, the record indicates that there were at least *** other U.S. importers of subject merchandise. CR/PR at Table IV-1. In addition to petitioners Encore and Southwire, the domestic industry includes U.S. producers Prysmian, Cerro, and Nexans. *See* section VI.B.2 above. In any final phase of these investigations, we will seek more detailed information from purchasers regarding the importance of various factors in purchasing decisions and on the comparability of the domestic like product and subject imports with respect to those factors.

[104] In its notice initiating the antidumping duty investigation on AWC from China, Commerce reported estimated dumping margins ranging from 53.54 to 63.47 percent. *Aluminum Wire and Cable From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 83 Fed. Reg. 52811, 52814 (Oct. 18, 2018).

[105] 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

[106] CR/PR at Table C-1.

[107] While a number of the domestic industry's performance indicators relating to output and employment were higher in interim 2018 than in interim 2017, its financial performance was worse. CR/PR at Table C-1.

[108] CR/PR at Tables III-4, C-1. Capacity was 250.0 million pounds in interim 2017 and slightly lower, at 248.5 million pounds, in interim 2018. *Id.*

then increasing to 361.7 million pounds in 2017.[109] Capacity utilization increased slightly from 72.2 percent in 2015 to 72.3 percent in 2016 and 72.5 percent in 2017.[110]

Net sales quantity increased by *** percent from 2015 to 2017, declining *** from *** pounds in 2015 to *** pounds in 2016 and then increasing to *** pounds in 2017.[111] U.S. shipments increased by 2.4 percent from 2015 to 2017, declining from 322.6 million pounds in 2015 to 318.2 million pounds in 2016 and then increasing to 330.4 million pounds in 2017.[112] The domestic industry's share of apparent U.S. consumption declined from 77.6 percent in 2015 to 74.7 percent in 2016 and 71.7 percent in 2017.[113] End-of-period inventories declined by 9.2 percent from 2015 to 2017, increasing from 45.9 million pounds in 2015 to 48.2 million pounds in 2016, and then declining to 41.7 million pounds in 2017.[114]

Employment rose by 5.2 percent from 2015 to 2017, increasing from 1,756 production-related workers ("PRWs") in 2015 to 1,844 PRWs in 2016 and 1,848 PRWs in 2017.[115] Hours worked declined slightly by 0.6 percent from 2015 to 2017, increasing from 4.74 million hours in 2015 to 4.78 million hours in 2016, before declining to 4.71 million hours in 2017.[116] Wages paid rose by *** percent from 2015 to 2017, increasing from $*** in 2015 to $*** in 2016 and $*** in 2017.[117] Productivity increased by 2.4 percent from 2015 to 2017, declining (in pounds per hour) from 75.1 in 2015 to 74.3 in 2016 and then increasing to 76.8 in 2017.[118]

Revenues declined overall by *** percent from 2015 to 2017, declining from $*** in 2015 to $*** in 2016, and then recovering somewhat to $*** in 2017 but remaining below the 2015 level.[119] The industry's ratio of COGS to net sales increased from *** percent in 2015 to

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[109] CR/PR at Tables III-4, C-1. Production was 182.2 million pounds in interim 2017 and higher, at 193.9 million pounds, in interim 2018. *Id.*

[110] CR/PR at Tables III-4, C-1. Capacity utilization was 72.9 percent in interim 2017 and higher, at 78.0 percent, in interim 2018. *Id.*

[111] CR/PR at Tables VI-1, C-1. Net sales quantity was *** pounds in interim 2017 and higher, at *** pounds, in interim 2018. *Id.*

[112] CR/PR at Tables III-6, C-1. U.S. shipments were 167.1 million pounds in interim 2017 and higher, at 169.3 million pounds, in interim 2018. *Id.*

[113] CR/PR at Tables IV-4, C-1. The domestic industry's share of apparent U.S. consumption was 70.2 percent in interim 2017 and 72.7 percent in interim 2018. *Id.*

[114] CR/PR at Tables III-7, C-1. End-of-period inventories were 48.0 million pounds in interim 2017 and 47.9 million pounds in interim 2018. *Id.*

[115] CR/PR at Tables III-8, C-1. Employment was 1,806 PRWs in interim 2017 and higher, at *** PRWs, in interim 2018. *Id.*

[116] CR/PR at Tables III-8, C-1. Hours worked were 2.3 million hours in interim 2017 and higher, at *** hours, in interim 2018. *Id.*

[117] CR/PR at Tables III-8, C-1. Wages paid were $*** in interim 2017 and higher, at $***, in interim 2018. *Id.*

[118] CR/PR at Tables III-8, C-1. Productivity was 78.7 pounds per hour in interim 2017 and higher, at *** pounds per hour, in interim 2018. *Id.*

[119] CR/PR at Tables VI-1, C-1. Revenues were $*** in interim 2017 and higher, at $***, in interim 2018. *Id.*

*** percent in 2016 and *** percent in 2017.[120] Gross profit declined by *** percent from 2015 to 2017, from $*** in 2015 to $*** in 2016 and $*** in 2017.[121] Operating income fell by *** percent from 2015 to 2017, declining from $*** in 2015 to $*** in 2016 and $*** in 2017.[122] The industry's operating income margin declined from *** percent in 2015 to *** percent in 2016 and *** percent in 2017.[123] Net income fell by *** percent from 2015 to 2017, from $*** in 2015 to $*** in 2016 and $*** in 2017.[124] Capital expenditures fell by *** percent between 2015 and 2017, declining from $*** in 2015 to $*** in 2016 and $*** in 2017.[125]

The significant and increasing volume of low-priced subject imports during the POI prevented the domestic industry from fully benefitting from the substantial increase in U.S. demand for AWC during the period. As a result of the significant and pervasive underselling by subject imports, they gained *** percentage points of market share between 2015 and 2017 at the expense of the domestic industry, and maintained an elevated market share in interim 2018.[126] Because of its lost market share, the domestic industry saw increases in its production, net sales quantity, U.S. shipments, and most employment indicators between 2015 and 2017 that were relatively modest in the context of the 10.9 percent increase in apparent U.S. consumption during that period.[127] Furthermore, because of the price-depressing and price-suppressing effects of subject imports, domestic industry revenues were lower than they would have been otherwise. Indeed, the domestic industry's revenues declined by *** percent decline between 2015 and 2017 despite an increase in its net sales quantity,[128] and the industry experienced a cost-price squeeze, as reflected in the *** percentage point increase in its COGS to net sales ratio between 2015 and 2017.[129] The decline in the domestic industry's revenues as a result of sales and revenues lost to low-priced subject imports in conjunction with the

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[120] CR/PR at Tables VI-1, C-1. The ratio of COGS to net sales was *** percent in interim 2017 and higher, at *** percent, in interim 2018. *Id.*

[121] CR/PR at Tables VI-1, C-1. Gross profit was $*** in interim 2017 and lower, at $***, in interim 2018. *Id.*

[122] CR/PR at Tables VI-1, C-1. Operating income was $*** in interim 2017 and *** in interim 2018. *Id.*

[123] CR/PR at Tables VI-1, C-1. The operating margin was *** percent in interim 2017 and negative *** percent in interim 2018. *Id.*

[124] CR/PR at Tables VI-1, C-1. Net income was $*** in interim 2017 and *** in interim 2018. *Id.*

[125] CR/PR at Tables VI-5, C-1. Capital expenditures were $*** in interim 2017 and $*** in interim 2018. *Id.* *** accounted for *** percent of the industry's capital expenditures during the POI, reflecting ***. CR at VI-12 to VI-13; PR at VI-4. The domestic industry incurred research and development ("R&D") expenses of $*** in 2015, $*** in 2016, and $*** in 2017. R&D expenses were $*** in interim 2017 and $*** in interim 2018. CR/PR at Table VI-5.

[126] Subject imports' market share increased from *** percent in 2015 to *** percent in 2016 and *** percent in 2017, while the domestic industry's market share declined from 77.6 percent in 2015 to 74.7 percent in 2016 and 71.7 percent in 2017. CR/PR at Table IV-4. Subject import market share was *** percent in interim 2018, higher than in any full year of the POI. *Id.*

[127] CR/PR at Table C-1.

[128] CR/PR at Table C-1.

[129] CR/PR at Table VI-1, C-1.

increase in its costs in turn led to a sharp decline in the industry's financial performance.[130] The domestic industry's operating income declined by *** percent between 2015 and 2017, and its operating income margin declined from *** percent to *** percent.[131]

Priority argues that subject imports cannot currently be materially injuring the domestic industry in light of the 25 percent Section 301 tariffs imposed on imports of AWC from China effective July 6, 2018, which it asserts resulted in a decline in subject import volumes, an increase in subject import prices, and an improvement in the condition of the domestic industry after the end of the POI.[132] Priority therefore argues that the Commission should deemphasize questionnaire data (*i.e.,* the quantitative data collected through June 30, 2018) and instead focus on available data after the POI with respect to the effect of the Section 301 tariffs.[133] By contrast, petitioners argue that the Section 301 tariffs resulted in only a fleeting increase in subject import prices, which quickly declined back to their pre-tariff levels.[134] Official import statistics (which may contain out-of-scope merchandise) presented by Priority indicate that the reported volume of imports of AWC from China declined from July to August 2018, and the AUV of these imports increased.[135] However, a one-month change in official import statistics from July to August 2018 does not provide a sufficient basis to draw conclusions that outweigh the evidence collected by the Commission covering the January 2015 through June 2018 period.[136] Furthermore, we have not collected data on U.S. AWC prices or the domestic industry's financial performance after the end of the POI. In our analysis, we look at the entire POI, and the limited information on the record regarding any effects of the Section 301 tariffs after the POI does not outweigh the substantial evidence of injury by subject imports, including at the end of the POI, and thus provides no basis for altering our finding on this record of the adverse impact that subject imports caused to the domestic industry.[137]

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[130] CR/PR at Table VI-1, C-1.

[131] CR/PR at Table C-1. As previously discussed, the domestic industry's financial performance deteriorated further in interim 2018. *See id.*

[132] Priority's Postconference Brief at 2-3, 25-28.

[133] The Commission did collect narrative questionnaire data from U.S. producers and importers regarding their perceptions of the effects of the Section 301 tariffs and the Section 232 tariffs.

[134] Petitioners' Postconference Brief at I-27 to I-28, II-11 to II-13.

[135] Official import statistics presented by Priority show that reported imports of AWC from China declined from 8.6 million pounds in July 2018 to 2.15 million pounds in August 2018, and that their AUV increased from $1.84 per pound in July 2018 to $3.16 per pound in August 2018. Priority's Postconference Brief at Exh. 5.

[136] We note that U.S. importers reported *** inventories of subject merchandise as of the end of June 2018, which could limit the effects in the U.S. market of a short-term decline in subject import volume. U.S. importers reported ending inventories of subject merchandise for June 2018 of *** pounds, equivalent to *** percent of U.S. shipments of subject imports during interim 2018. CR/PR at Table VII-7. A Priority witness testified that the company was still "working off inventory we've had in stock for before the tariffs went into place." Conference Tr. at 93-94 (Strahs).

[137] In any final phase of these investigations, we will investigate further the effects of the Section 301 tariffs (as well as the Section 232 tariffs) on the AWC market in the United States.

In our analysis of the impact of subject imports on the domestic industry, we have taken into account whether there are other factors that may have had an adverse impact on the industry during the POI to ensure that we are not attributing injury from other factors to the subject imports. In this respect, we have examined the role of nonsubject imports, which were a relatively steady presence in the U.S. market over the POI.[138] Priority asserts that the prices of nonsubject imports during the POI were lower than those of subject imports, as reflected in their respective AUVs.[139] The record, however, indicates that the AUV for nonsubject imports was stable and substantially higher than that for subject imports throughout the entire POI.[140] Thus, the available AUV data do not support Priority's contention that nonsubject imports were priced lower than subject imports throughout the POI. Nonsubject imports therefore do not explain the depression and suppression of U.S. producers' prices. Nonsubject imports also cannot explain the magnitude of the domestic industry's market share loss during the POI and the consequent decline in the domestic industry's revenues and financial performance. Accordingly, we find that subject imports had injurious effects on the domestic industry distinct from any effects from imports from other sources.[141]

Priority also argues that competition among U.S. producers had a greater effect than subject imports on U.S. producers' prices, asserting that *** was the *** source of AWC in the U.S. market.[142] However, intra-industry competition does not explain the significant

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[138] The market share of nonsubject imports declined from *** percent in 2015 to *** percent in 2016, and then increased to *** percent in 2017; it was *** percent in interim 2017 and lower, at *** percent, in interim 2018. CR/PR at Table IV-4. While the market share of nonsubject imports increased by *** percentage points between 2015 and 2017, the increase in the market share of subject imports, *** percentage points, was substantially larger. CR/PR at Table C-1.

[139] Priority's Postconference Brief at 2, 22-25. The Commission did not collect pricing data with respect to nonsubject imports in the preliminary phase of these investigations. The available AUV data must be viewed with caution in light of the fact that differences in AUVs may reflect differences in product mix.

[140] The AUV (per pound) for nonsubject imports was $*** in 2015, $*** in 2016, and $*** in 2017; it was $*** in interim 2017 and $*** in interim 2018. The AUV (per pound) for subject imports was $*** in 2015, $*** in 2016, and $*** in 2017; it was $*** in interim 2017 and $*** in interim 2018. CR/PR at Table IV-2.

The trend in AUVs using U.S. shipment data rather than import data was somewhat different; the AUV for U.S. shipments of nonsubject imports was lower than that for U.S. shipments of subject imports in 2015 and 2016, but higher in 2017 and interim 2018. The AUV (per pound) for U.S. shipments of nonsubject imports was $*** in 2015, $*** in 2016, and $*** in 2017; it was $*** in interim 2017 and $*** in interim 2018. The AUV (per pound) for U.S. shipments of subject imports was $*** in 2015, $*** in 2016, and $*** in 2017; it was $*** in interim 2017 and $*** in interim 2018. CR/PR at Table C-1.

[141] In any final phase of these investigations, we will examine further the role of nonsubject imports in the U.S. market.

[142] Priority's Postconference Brief at 21. *** did not submit usable pricing data to the Commission. While available AUV data show that *** had a *** AUV than other domestic producers during the POI, this may reflect differences in product mix. CR/PR at Table VI-3.

underselling of the domestic industry as a whole by subject imports or the consequent loss of market share to the subject imports.

We therefore conclude, for purposes of these preliminary phase investigations, that the subject imports have had a significant impact on the domestic industry.

VII. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of AWC from China that are allegedly subsidized by the government of China and are allegedly sold in the United States at less than fair value.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by Encore Wire Corporation ("Encore"), McKinney, Texas, and Southwire Company, LLC ("Southwire"), Carrollton, Georgia, on September 21, 2018, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of aluminum wire and cable ("AWC")[1] from China. The following tabulation provides information relating to the background of these investigations.[2] [3]

Effective date	Action
September 21, 2018	Petitions filed with Commerce and the Commission; institution of Commission investigations (83 FR 48864, September 27, 2018)
October 12, 2018	Commission's conference
October 11, 2018	Commerce's notice of initiation of AD and CVD investigations (83 FR 52811 and 83 FR 52805, October 18, 2018)
November 2, 2018	Commission's vote
November 5, 2018	Commission's determinations
November 13, 2018	Commission's views

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject in this proceeding.

[2] Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission's website (www.usitc.gov).

[3] A list of witnesses appearing at the conference is presented in appendix B of this report.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that-—[4]

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.. . .In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative*

[4] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—[5]

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, alleged subsidy/dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

AWC is generally used for electrical power in residential, industrial, and commercial applications.[6] The leading U.S. producers of AWC are ***, while leading producers of AWC in China include ***. The leading U.S. importer of AWC from China is ***. Leading importers of product from nonsubject countries (primarily Mexico, Canada, Ecuador, and Turkey) include ***.

Apparent U.S. consumption of AWC totaled approximately 460.8 million pounds ($869.7 million) in 2017. Currently, five firms are known to produce AWC in the United States. U.S. producers' U.S. shipments of AWC totaled 330.4 million pounds ($630.9 million) in 2017, and accounted for 71.7 percent of apparent U.S. consumption by quantity and 72.5 percent by value. U.S. imports from subject sources totaled *** pounds ($*** million) in 2017 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value. U.S. imports from nonsubject sources totaled *** pounds ($*** million) in 2017 and accounted for *** percent of apparent U.S. consumption by quantity and *** percent by value.

[5] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.
[6] Petition, p. 8.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of five firms that accounted for all U.S. production of AWC during 2017. U.S. imports are based on questionnaire responses of 14 firms that accounted for the majority of U.S. imports of AWC during 2017.

PREVIOUS AND RELATED INVESTIGATIONS

AWC has not been the subject of any prior countervailing or antidumping duty investigations in the United States.

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On October 18, 2018, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on AWC from China.[7] Commerce identified the following government programs in China:

A. Preferential lending:
    1. Policy loans to the aluminum wire and cable industry
    2. Export loans from Chinese state-owned banks
    3. Preferential loans for SOEs
    4. Export credits from Export-Import Bank of China
        a. Export seller's credit
        b. Export buyer's credit
B. Exemptions for SOE's from distributing dividends
    1. Exemptions for SOE's from distributing dividends
C. Tax programs
    1. Income tax reductions for high or new technology enterprises
    2. Income tax deductions for research and development expenses under the enterprise income tax law
    3. Income tax concessions for enterprises engaged in comprehensive resource utilization
    4. Income tax deductions/credits for purchase of special equipment
    5. Tax grants, rebates, and credits in the Yixing Economic Development Zone
    6. Tax incentives for businesses in the China (Shanghai) Pilot Free Trade Zone

[7] *Aluminum Wire and Cable From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 83 FR 52805, October 18, 2018.

D. Indirect tax programs
    1. Import tariff and VAT exemptions on imported equipment for encouraged industries
    2. VAT rebates on domestically-produced equipment
    3. Deed tax exemption for SOEs undergoing mergers or restructuring
E. Government provision of goods and services for less than adequate remuneration (LTAR)
    1. Provision of land use-rights to aluminum wire and cable producers
    2. Provision of land and land use-rights to SOEs
    3. Provision of land use rights in Nanching Economic Development Zone
    4. Provision of primary aluminum for LTAR
    5. Provision of electricity for LTAR
    6. Provision of steam coal for LTAR
F. Grant programs
    1. GOC and sub-central government subsidies for the development of Famous Brands and China World Top Brands
    2. The State Key Technology Project Fund
    3. Foreign trade development fund grants
    4. Grants for energy conservation and emission reduction
    5. Grants for retirement of capacity

Alleged sales at LTFV

On October 18, 2018, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigation on AWC from China.[8] Commerce has initiated an antidumping duty investigation based on estimated dumping margins of 53.54 – 63.47 percent for AWC from China.

[8] *Aluminum Wire and Cable From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*, 83 FR 52811, October 18, 2018.

THE SUBJECT MERCHANDISE

Commerce's scope

In the current proceeding, Commerce has defined the scope as follows:[9]

The scope of the investigation covers aluminum wire and cable, which is defined as an assembly of one or more electrical conductors made from 8000 Series Aluminum Alloys (defined in accordance with ASTM B800), Aluminum Alloy 1350 (defined in accordance with ASTM B230/B230M or B609/B609M), and/or Aluminum Alloy 6201 (defined in accordance with ASTM B398/B398M), provided that: (1) At least one of the electrical conductors is insulated; (2) each insulated electrical conductor has a voltage rating greater than 80 volts and not exceeding 1000 volts; and (3) at least one electrical conductor is stranded and has a size not less than 16.5 thousand circular mil (kcmil) and not greater than 1000 kcmil. The assembly may: (1) Include a grounding or neutral conductor; (2) be clad with aluminum, steel, or other base metal; or (3) include a steel support center wire, one or more connectors, a tape shield, a jacket or other covering, and/or filler materials.

Most aluminum wire and cable products conform to National Electrical Code (NEC) types THHN, THWN, THWN-2, XHHW-2, USE, USE-2, RHH, RHW, or RHW-2, and also conform to Underwriters Laboratories (UL) standards UL-44, UL-83, UL-758, UL-854, UL-1063, UL-1277, UL-1569, UL-1581, or UL-4703, but such conformity is not required for the merchandise to be included within the scope.

The scope of the investigation specifically excludes conductors that are included in equipment already assembled at the time of importation. Also excluded are aluminum wire and cable products in actual lengths less than six feet.

The merchandise covered by the investigation is currently classifiable under subheading 8544.49.9000 of the Harmonized Tariff Schedule of the United States (HTSUS). Products subject to the scope may also enter under HTSUS subheading 8544.42.9090. The HTSUS subheadings are provided for convenience and customs purposes. The written description of the scope of the investigation is dispositive.

Tariff treatment

Based upon Commerce's scope, information available to the Commission indicates that the merchandise subject to these investigations is provided for Harmonized Tariff Schedule of the United States ("HTSUS" or "HTS") subheading 8544.49.90. The subject products may also be

[9] Ibid.

imported under HTS statistical reporting number 8544.42.9090. The 2018 general rate of duty is 3.9 percent ad valorem for HTS subheading 8544.49.90 and 2.6 percent ad valorem for HTS subheading 8544.42.90.[10] Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection.

Sections 232 and 301 tariff treatment

HTS subheadings 8544.49.90 and HTS 8544.42.90 were not included in the enumeration of the aluminum articles subject to the additional 10 percent ad valorem national-security duties under Section 232 of the *Trade Expansion Act of 1962*, as amended.[11] See U.S. notes 19(a) and 19(b), subchapter III of chapter 99.[12]

HTS subheading 8544.49.90 for other electrical conductors, for a voltage exceeding 80 volts but not exceeding 1,000 volts, other than of copper, was included among the products imported from China that are subject to an additional 25 percent ad valorem duty (annexes A and B of 83 FR 28710) under Section 301 of the *Trade Act of 1974*.[13] See U.S. notes 20(a) and 20(b), subchapter III of chapter 99.[14]

HTS subheading 8544.42.90 for other electrical conductors, for a voltage not exceeding 1,000 volts, not fitted with modular telephone connectors, and not of a kind used for telecommunications, was included among the products imported from China that are subject to an additional initial 10 percent ad valorem duty, to rise to 25 percent ad valorem (annexes A and C of 83 FR 47974) on January 1, 2019 (annex B of 83 FR 47974), under Section 301 of the *Trade Act of 1974*.[15] See U.S. notes 20(e) and 20(f), subchapter III of chapter 99.[16]

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[10] *HTSUS (2018) Revision 13*, USITC Publication No. 4832, October 2018, p. 85-87.

[11] *Imports of Aluminum Into the United States*, Presidential Proclamation 9704, March 8, 2018, 83 FR 11619, March 15, 2018.

[12] *HTSUS (2018) Revision 13*, USITC Publication No. 4832, October 2018, pp. 99-III-12, 99-III-66.

[13] *Notice of Action and Request for Public Comment Concerning Proposed Determination of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 28710, June 20, 2018.

[14] *HTSUS (2018) Revision 13*, USITC Publication No. 4832, October 2018, pp. 99-III-13 - 99-III-14, 99-III-17, 99-III-66.

[15] *Notice of Modification of Section 301 Action: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation*, 83 FR 47974, September 21, 2018.

[16] *HTSUS (2018) Revision 13*, USITC Publication No. 4832, October 2018, pp. 99-III-21 - 99-III-22, 99-III-43, 99-III-67.

THE PRODUCT

Description and applications[17]

AWC end-use applications rely on aluminum's relatively high thermal and electrical conductivities[18] to transmit electrical power in industrial, commercial, and residential applications.[19] Most AWC is sold into industrial and commercial applications with only an estimated 10 percent into residential applications.[20] The combined physical characteristics of AWC products influence the specific application(s) for which they are suited, including either above-ground or underground; and either interior- or exterior building applications. Compared to copper, aluminum is more suitable for overhead power-transmission cables, due to its lighter weight, and is also more suitable for long-distance, underground power-transmission cables, due to its lesser cost.[21] AWC is generally categorized into three end-use segments of "feeder," "intermediate," and "circuit" wiring.[22] Roughly 80 percent of AWC sales is to the feeder segment (which routes electric power from the utility pole to the meter base and from the meter base to the distribution panel board of a building), and 20 percent to the intermediate segment (which includes branch circuits throughout a building).[23] By contrast, smaller-diameter circuit wiring is almost exclusively of copper, particularly in residential buildings due to electrical-code requirements.[24] In commercial applications, intermediate wiring can be of either aluminum or copper.[25]

According to a Priority witness, AWC is substitutable for copper wire and cable ("CWC") in almost all applications, despite code restrictions.[26] Historically, CWC was utilized in electric-power transmission and distribution applications, but AWC increasingly became more

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[17] Unless otherwise noted, this information is based on Petition, vol. 1, pp. 8-10.

[18] Aluminum is also malleable, ductile, and readily worked. Aluminum conductors also offer advantages of one-half the weight per unit length, twice the conductivity on a weight basis, and lower cost, compared to copper conductors.

[19] Overall demand for AWC is driven by macroeconomic conditions, industrial and commercial construction activity, and building renovations. Conference transcript, p. 19 (Jones).

[20] Conference transcript, p. 54 (Levy).

[21] Conference transcript, p. 24 (Asher), pp. 46 and 49 (Kieffer); Petitioners' postconference brief, p. II-10.

[22] Conference transcript, p. 18 (Jones).

[23] Conference transcript, p. 19 (Jones); Petitioners' postconference brief, pp. II-9 – II-10.

[24] Conference transcript, pp. 19 (Jones), 25 (Asher), 48-49 (Kieffer); Petitioners' postconference brief, p. II-10.

[25] Conference transcript, p. 47 (Kieffer).

Counsel to Encore further elaborated during the staff conference that in Manhattan, where the power supply is located in the basement of high-rise buildings, aluminum is selected for its lighter weight to distribute electric power vertically upward. By contrast, in Las Vegas, where the power supply is located on the roof, copper is selected to distribute electric power vertically downwards. Conference transcript, p. 49 (Levy).

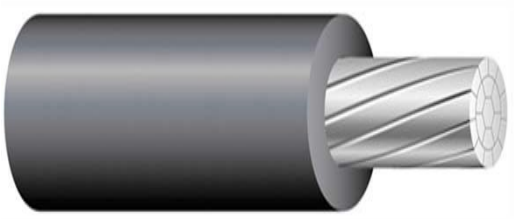
[26] Conference transcript, p. 70 (Strahs); Priority's postconference brief, p. 4.

acceptable over the past couple of decades, as developers sought a cheaper alternative material during the robust economic conditions of the mid-2000s that drove-up copper prices to record highs between January 2004 and May 2006.[27]

AWC products (generally rated at 600 volts)[28] consist of one or more electrical conductors[29] of one or more aluminum alloys: 8000 Series Aluminum Alloys,[30] Aluminum Alloy 1350,[31] and/or Aluminum Alloy 6201.[32] These aluminum alloys provide different combinations of electrical conductivity and tensile strength, which make them more or less suitable for a particular application. For example, Aluminum 1350 has relatively high conductivity but lower strength than other alloys.

AWC may or may not include a neutral or grounding conductor made of aluminum or copper, and may include a metal or fiber-optic element typically used for signal transmission. "Stranding"— bundling or wrapping wire strands together— improves the AWC's flexibility while preserving its capacity to carry electrical current. Manufacturers commonly rely on their own proprietary stranding processes and configurations. For AWCs that have multiple conductors, the conductors may be combined in different ways, such as twisted or laid flat with a jacket around them, sometimes referred to as "cabling" (figure I-1).

Figure I-1
AWC: Cross-sectional view of an insulated aluminum cable showing three concentric layers of stranded conductor wires



Source: Petitioners' postconference brief, Responses to Questions from Commission Staff, XIV Electronic Image,p. II-16.

[27] Conference transcript, pp. 69-71 (Strahs); Priority's postconference brief, pp. 4-5.

[28] Conference transcript, p. 17 (Jones).

[29] A stranded conductor is typically referred to as a "wire," and a "cable" typically contains two or more conductors. However, the term "cable" may sometimes refer to stranded wires. Petition, p. 11.

[30] ASTM, "B800-05 (Reapproved 2015) Standard Specification for 8000 Series Aluminum Alloy Wire for Electrical Purposes—Annealed and Intermediate Tempers," Petition, Exhibit GEN-05.

[31] ASTM, "B230/B230M- 07 (Reapproved 2016), Standard Specification for Aluminum 1350-H19 Wire for Electrical Purposes," Petition, Exhibit Gen-06; ASTM, "B609/B609M-12 (Reapproved 2016), Standard Specification for Aluminum 1350 Round Wire, Annealed and Intermediate Tempers, for Electrical Purposes," Petition, Exhibit GEN-07.

[32] ASTM, "B398/B398M-15, Aluminum-Alloy 6201-T81 and 6201-T83 Wire for Electrical Purposes," Petition, Exhibit Gen-08.

AWC within the scope of these investigations is distinguished by having at least one electrical conductor that is insulated. Such insulation includes black or colored polyvinyl chloride ("PVC") or cross-link polyethylene ("XLPE"), and may vary in thickness. The type and thickness of the insulation influences the moisture and heat characteristics of the AWC. PVC insulation is often used when sunlight resistance is important, while thicker or higher-grade insulation is needed for higher-voltage applications. The insulation may be covered with a nylon sheath to enhance the AWC's resistance to oil and gas. AWC may also be covered with aluminum or steel cladding armor to further protect the AWC from abrasions, cutting, or chemical reactions.

The industry designates standard AWC types with each having distinct combinations of the features, described above, appropriate to their intended end use(s). Moreover, each type typically conforms to one or more UL standards and/or National Electrical Code ("NEC") specifications, which denote temperature ratings, voltage, wet or dry conditions ratings, or other product attributes.[33]

For example, SE Cable is commonly used to convey power from the service drop (e.g., a utility pole) to the meter base, and from the meter base to the distribution panel board. This standard AWC type can also be used in interior wiring as branch circuits to ranges, ovens, cooking units, and clothes dryers. In addition, Type SE Cable is:

- Manufactured in accordance with UL-854 and installed in accordance with Article 338 of the NEC;
- Assembled with compact stranded conductors of Aluminum Alloy 8000 Series, including a ground/neutral conductor of stranded bare aluminum; and
- Insulated with high-dielectric strength, heat- and moisture-resistant, black or colored PVC, rated for continuous use at 90° C, wet or dry.

Type SE Cable and other AWC types are standardized across the industry, with all AWC of a given type being interchangeable and substitutable, regardless of the manufacturer.[34] All AWC is designated by a specific part number, across all manufacturers. Suppliers can provide co-mingled AWC, having a common part number, of both U.S. and foreign origin.[35] In case of an AWC that does not bear a manufacturer's brand name or a supplier's manufacturer-specific E-number, it may be difficult to identify where it was produced.[36]

[33] For more information about typical UL standards used in various AWC types, see: Petition, Exhibit GEN-11, "UL 44, Thermoset-Insulated Wires and Cables."

[34] Specifications and details for various AWC types covered by this petition are provided in Petition, Exhibit GEN-12.

[35] Conference transcript, p. 78 (Strahs).

[36] Conference transcript, p. 111 (Strahs and Porter).

Manufacturing processes[37]

AWC firms start with unwrought aluminum rod[38] as the feedstock for the multi-stage manufacturing process with up to nine distinctive steps:

(1) Drawing— Coiled, unwrought aluminum rod is lubricated prior to being pulled through a series of successively smaller-diameter dies to reduce its cross section into circular or trapezoidal-shaped strands.[39]

(2) Annealing— Work-hardened, drawn aluminum must be annealed to soften it and restore its ductility by batch annealing in furnaces at 800-900° F for several hours followed by controlled cooling in a chamber for several hours.

(3) Stranding— Individual strands are laid down on a common axis as the stranding machine's head rotates to form a single strand. To form a six-wire system, six strands are helically wound around a center strand. Additional layers are arranged around the first 7 strands in a progression of 12 strands in the second layer, 18 strands in the third layer, and 24 strands in the fourth layer. Other systems for compact strand conductors may omit the center strand and lay the strands in progression of 5 strands, 9 strands, 15 strand, etc. Stranding improves the flexibility of the wires while preserving their electrical current-carrying capacity. Compact stranded conductors have unique shapes so that when they are combined, they form a round configuration. AWC manufacturers commonly produce their own proprietary stranded configurations.

(4) Insulating— Insulation is applied typically by pressure-extruding PVC or XLPE onto the stranded wire at high temperature. The insulation also may be covered by a layer of extruded nylon.

(5) Cabling— Two or more individual conductors may be cabled (twisted together) with other conductors to achieve the desired features of the finished product. For example, combinations of individual conductors may be twisted together with conductors of the same size and type, with different (e.g., insulated ground or neutral) conductors, or with uninsulated supporting neutral conductors.

(6) Armoring— Cabled or parallel conductors can be armored by wrapping them with a separator tape and covering them with interlocked aluminum or steel cladding armor.

(7) Jacketing— Conductors or armored cable may also be jacketed. The conductors with optional filler are surrounded by a tape separator and covered with a PVC or other jacketing

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[37] Unless otherwise noted, this information is based on Petition, vol. 1, pp. 11-13.

[38] AWC manufacturers either produce their own aluminum rod in-house or purchase it from outside suppliers. Encore purchases coiled aluminum rod but Southwire and other domestic AWC firms produce their own aluminum rod feedstock. Conference transcript, p. 17 (Jones).

Witnesses for both the Petitioners and Respondent testified that they were not aware of whether or not Chinese AWC firms purchase or produce their own aluminum rod feedstock. Conference transcript, p. 60 (Asher and Jones), p. 110 (Strahs).

[39] Concentric strand conductors may be drawn through a die to reduce its diameter by 3 percent to produce compressed concentric strand conductors.

material. A jacket may be applied over combinations of individual conductors that may be left parallel without twisting, with non-metallic fillers added to fill-in the indentations formed by the curvature of the conductors so that the cable assembly is as round as possible. Type SE Style U, which has a rounded rectangular cross-section, consists of two parallel conductors surrounded by helical bare ground wires, wrapped by a glass-reinforced tape shield and covered by an extruded PVC jacket. After insulating or jacketing, a legend may be printed on the outside surface.

(8) Testing— Machine operators and quality-control inspectors conduct routine product inspections. The Petitioners manufacture and typically test all of their products in accordance with UL standards. Finished cables typically undergo electrical-continuity testing to ensure compliance with the manufacturer's own quality standards and those of UL.

(9) Packaging— Finished cable is either wound onto reels or coiled and shrink-wrapped for shipment. AWC may also be cut to length at a customer's request.

According to Petitioners' witnesses, firms cannot readily switch to producing CWC on their AWC equipment without significant additional change-over costs and down-time due to the different physical characteristics of the two metals.[40]

DOMESTIC LIKE PRODUCT ISSUES

No issues with respect to domestic like product have been raised in these investigations. The petitioner proposes a single domestic like product definition of AWC, corresponding to the scope of the investigations.[41] Respondents agree with petitioner's definition of the domestic like product for purposes of the preliminary phase investigations, but reserve the right to comment should the investigations reach a final phase.[42]

[40] Encore has dedicated AWC and CWC production lines. Some Southwire facilities produce both AWC and other products, but the change-over requires different tooling, flushing-out oil systems, and sometimes switching wire-drawing equipment. Conference transcript, pp. 36 (Jones), 37 (Asher); Petitioners' postconference brief, pp. I-8 – I-9, II-10 – II-11.

[41] Petition, vol. 1, p. 87.

[42] Conference transcript, pp. 96-97 (Porter).

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PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

AWC is used for commercial and residential construction to provide electrical power to these structures. Demand is thus related to construction activity.

Apparent U.S. consumption of AWC increased during 2015-17. Overall, apparent U.S. consumption in 2017 was 10.9 percent higher than in 2015.

CHANNELS OF DISTRIBUTION

U.S. producers sold mainly to distributors. Importers sold through distributors more than U.S. producers as shown in table II-1.

Table II-1
AWC: U.S. producers' and importers' U.S. shipments, by sources and channels of distribution, 2015-17. January to June 2017, and January to June 2018

* * * * * * *

GEOGRAPHIC DISTRIBUTION

Most U.S. producers and most importers reported selling AWC to all regions in the contiguous United States (table II-2). U.S. producers tend to ship further in the United States than importers. For U.S. producers, *** percent of sales were within 100 miles of their production facility, *** percent were between 101 and 1,000 miles, and *** percent were over 1,000 miles. Importers sold *** percent within 100 miles of their U.S. point of shipment, *** percent between 101 and 1,000 miles, and *** percent over 1,000 miles.

Table II-2
AWC: Geographic market areas in the United States served by U.S. producers and importers

Region	U.S. producers	Importers
Northeast	5	6
Midwest	5	6
Southeast	5	6
Central Southwest	5	7
Mountain	5	6
Pacific Coast	4	6
Other[1]	2	2
All regions (except Other)	4	6
Reporting firms	5	7

[1] All other U.S. markets, including AK, HI, PR, and VI.

Source: Compiled from data submitted in response to Commission questionnaires.

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SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Table II-3 provides a summary of the supply factors regarding AWC from U.S. producers and from China.

Table II-3
AWC: Supply factors that affect the ability to increase shipments to the U.S. market

	Capacity (1,000 pounds)		Capacity utilization (percent)		Ratio of inventories to total shipments (percent)		Shipments by market, 2017 (percent)		Able to shift to alternate products
Country	2015	2017	2015	2017	2015	2017	Home market shipments	Exports to non-U.S. markets	No. of firms reporting "yes"
United States	***	***	***	***	***	***	***	***	4 of 5
China	***	***	***	***	***	***	***	***	3 of 7

Note.—Responding U.S. producers accounted for all of U.S. production of AWC in 2017. Responding foreign producer/exporter firms accounted for the majority of U.S. imports of AWC from China during 2017. For additional data on the number of responding firms and their share of U.S. production and of U.S. imports from each subject country, please refer to Part I, "Summary Data and Data Sources."

Source: Compiled from data submitted in response to Commission questionnaires.

Domestic production

Based on available information, U.S. producers of AWC have the ability to respond to changes in demand with large changes in the quantity of shipments of U.S.-produced AWC to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity, and ability to shift shipments from alternate markets and inventories.

Capacity utilization increased slightly while capacity increased from 2015 to 2017. Capacity utilization was higher in the firms half for 2018 than in the firms half of 2017, while capacity was slightly lower. The principal export markets are Canada and Mexico. Other products that U.S. producers reportedly can produce on the same equipment as AWC are copper wire and uninsulated wire. Factors affecting U.S. producers' ability to shift production include down time required when changing from AWC to copper wire and cable. One U.S. producer (***) reported that the switch required *** hours and led to $*** in wasted material.

Subject imports from China

Based on available information, producers of AWC from China have the ability to respond to changes in demand with moderate to high changes in the quantity of shipments of AWC to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity or inventories, ability to shift shipments from

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alternate markets, and increasing capacity. Factors mitigating responsiveness of supply include limited inventories and a smaller capacity than that reported by the U.S. producers.

Chinese capacity and production both increased between 2015 and 2017, resulting in higher capacity utilization in 2017. Other products that responding foreign producers reportedly can produce on the same equipment as AWC are copper cables, bare wire, PV cable, and other types of aluminum cable. Factors affecting foreign producers' ability to shift production include the fact that copper wire and cable rather than AWC tends to be used in China.

Imports from nonsubject sources

Nonsubject imports accounted for *** percent of total U.S. imports in 2017. The largest sources of nonsubject imports during January 2015-March 2018 were Mexico, Canada, Ecuador, and Turkey.

Supply constraints

All 5 responding producers and 9 of the 12 responding importers reported that there were no supply constraints. Three importers reported supply constraints including: financial risk of purchasing from China; inability to meet shipment commitments due to the 301 tariffs; and longer lead times.

U.S. demand

Based on available information, the overall demand for AWC is likely to experience small changes in response to changes in price. The main contributing factors are the somewhat limited range of substitute products and the small cost share of AWC in most of its end-use products.

End uses and cost share

U.S. demand for AWC depends on the demand for U.S.-produced downstream products. Reported end uses include residential and commercial construction. Petitioners estimate that the cost of AWC commercial construction would be 2 to 8 percent of the total cost of the construction.[1] Petitioners estimate that commercial/nonresidential construction represents over 90 percent of total sales.[2] Respondents estimate that 0.33 percent of the cost of a home would be the cost of AWC.[3]

AWC accounts for a small share of the cost of the end-use products in which it is used. Reported cost shares for some end uses were as follows: residential, commercial, or utility

[1] Conference transcript, p. 56 (Jones).
[2] Conference transcript, p. 54 (Jones).
[3] Conference transcript, pp. 102-103 (Strahs).

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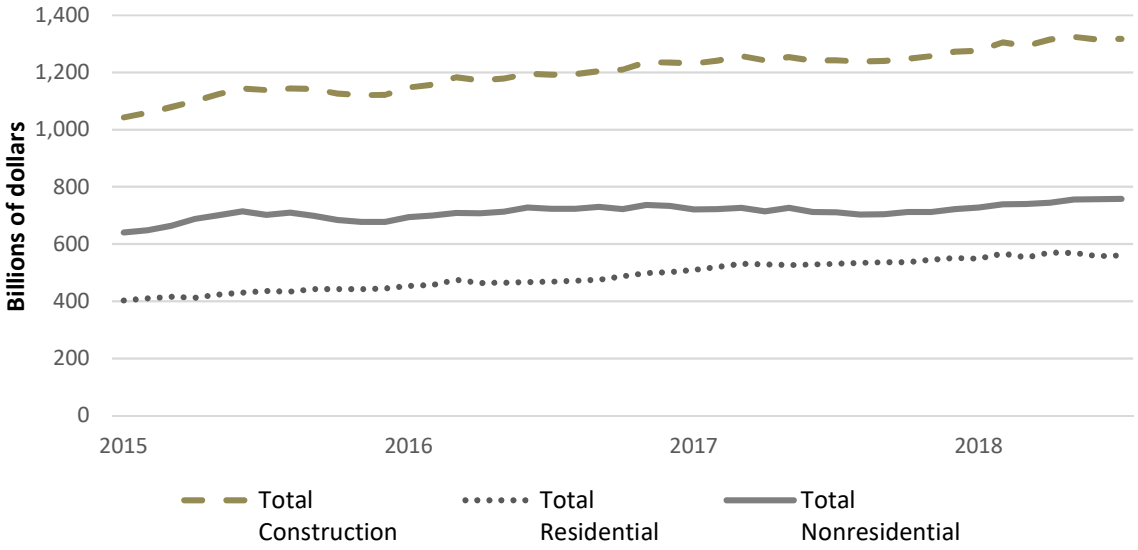
wiring, 20 percent; power feed to a building, 15 percent; building construction, 3 percent; and utility power distribution, 1 percent.

Business cycles

Three of 5 responding U.S. producers and 5 of 13 responding importers indicated that the market was subject to business cycles. Specifically, AWC is used in new construction and thus demand increases with construction. All 5 U.S. producers and 11 of 13 responding importers indicated that the market is not subject to distinctive conditions of competition. One importer reported that Chinese product was flooding the market.[4] Four importers reported changes to business cycles or conditions of competition since 2015, two of these reported competition from Chinese product, one reported growing demand in the residential market, and one reported increased U.S. manufacturing facilities, increased inventories, new service competitors, and the shift of manufactures selling to end users, rather than only to distributors.

Demand for AWC is driven by demand in the construction sector. The value of U.S. nonresidential construction increased 18 percent from $640.3 billion in January 2015 to $757.7 billion in July 2018 and the value of U.S. residential construction increased 39 percent from $402.5 billion in January 2015 to $559.7 billion in July 2018 (figure II-1).

Figure II-1
U.S. construction: Total, residential, and nonresidential construction put in place, seasonally adjusted, monthly, January 2015-July 2018



Source: Manufacturing, Mining, and Construction Statistics, Construction Spending, U.S. Census Bureau, http://www.census.gov/construction/c30/historical_data.html; retrieved October 10, 2018.

All 5 responding U.S. producers and 12 of the 14 responding importers reported that they were familiar with the 301 investigation. One of the 5 responding producers and 9 of 11

[4] One importer reported distinctive conditions of competition including ***.

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responding importers reported that the 301 investigation affected their firm or the market. The impact importers reported on their firms from the 301 investigation include customers wanting to buy before the increase, increased price, thin margins, decreased sales, delay in supply, and reduced ability to service customers. Importers also reported changes in the market as a result of the 301 investigation including: more price fluctuations; brief uncertainty followed by business as usual; inventory shortages; and increased prices. Two producers gave details on the effect of the 301 investigation on their firms and the market including: Chinese product continued to be available at deep discounts, and a short term (45 day) increase in price and demand that subsided in the following months.

U.S. producers and importers anticipated different impact from the 301 investigation. One of the five producers anticipated improvements from the 301 investigation, while four anticipated no change. Most responding importers reported that they anticipated that market conditions would "strongly worsen" (4 of 11) or "worsen" (3 of 11) as a result of the 301 investigation while two importers each anticipated "no change" and "improvements,"

All five U.S. producers and 10 of 13 importers reported they were familiar with the 232 investigation. Most U.S. producers (4 of 5 responding) and most importers (8 of 9 responding) reported that the imposition of the 232 tariffs had increased the cost of aluminum.

Demand trends

Most firms reported that U.S. demand for AWC increased since January 1, 2015 (table II-4). The only other response was that demand fluctuated.

Table II-4
AWC: Firms' responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	4	---	---	1
Importers	8	---	---	5
Demand outside the United States				
U.S. producers	2	---	---	---
Importers	2	---	---	3

Source: Compiled from data submitted in response to Commission questionnaires.

Substitute products

The main substitute for AWC is copper wire and cable. All 5 responding U.S. producers and 5 of 12 responding importers reported that there were substitutes for AWC. Copper wire and/or cable were the only products that were reported as a substitute. Substitution between these products was limited by local building ordinances, the heavier weight of copper wire, and the higher cost of copper. Copper and aluminum are good substitutes according to one importer because they have equivalent UL ratings, and substitution into AWC increases as the spread between the prices of copper and aluminum increases. One of five responding

producers and two of four responding importers reported that the price of copper wire and cable affects the price of AWC.[5]

Petitioners claim that half of AWC sales are in applications for which copper is never used.[6] In contrast, respondents claim that copper wire and cable is a substitute for AWC in all applications in which AWC is used.[7]

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported AWC depends upon such factors as relative prices, quality (e.g., grade standards such as UL rating, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, reliability of supply, product services, etc.). Staff believes that there is high degree of substitutability between domestically produced AWC and AWC imported from subject sources, based on the high level of interchangeability and similar delivery times.

Lead times

AWC is primarily sold from inventory. U.S. producers reported that 84.0 percent of their commercial shipments came from inventories, with lead times averaging 5.5 days. The remaining 16.0 percent of their commercial shipments were produced-to-order, with lead times averaging 25.9 days. Importers reported that 79.8 percent of their commercial shipments came from U.S. inventories, with lead times averaging 1.2 days. The remaining 20.2 percent of their commercial shipments were produced-to-order, with lead times averaging 82.5 days.

Factors affecting purchasing decisions

Purchasers responding to lost sales lost revenue allegations[8] were asked to identify the main purchasing factors their firm considered in their purchasing decisions for AWC. The major purchasing factors identified by firms include price/cost (listed by 8 firms), availability (6 firms), quality (5 firms), delivery (2 firms), support (1 firm), UL certification (1 firm), and vendor relationship (1 firm).

Comparison of U.S.-produced and imported AWC

In order to determine whether U.S.-produced AWC can generally be used in the same applications as imports from China, U.S. producers and importers were asked whether the products can always, frequently, sometimes, or never be used interchangeably. As shown in table II-5, most U.S. producers reported that product from all sources could always be used

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[5] One importer (***) reported that ***.

[6] Conference transcript, p. 24 (Asher).

[7] Conference transcript, p. 70 (Strahs).

[8] This information is compiled from responses by purchasers identified by Petitioners to the lost sales lost revenue allegations. See Part V for additional information.

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interchangeably. Most importers reported that product from all sources could always or frequently be used interchangeably. No firm reported any factor that limited interchangeability in the U.S. market.

Table II-5
AWC: Interchangeability between AWC produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	3	---	---	1	5	3	---	1
Nonsubject countries comparisons:								
U.S. vs. nonsubject	3	---	---	1	3	3	2	1
China vs. nonsubject	3	---	---	---	2	2	---	---

Note.—A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

In addition, producers and importers were asked to assess how often differences other than price were significant in sales of AWC from the United States, subject, or nonsubject countries. As seen in table II-6, all responding U.S. producers reported that there were either sometimes or never differences other than price for AWC from all country pairs. Importer responses were more varied. Most importers reported that there were either sometimes or never differences other than price for AWC produced in the United States and China. Four importers reported that there were sometimes differences other than price between U.S. product and product from nonsubject countries, while two each reported that there were always, frequently, or never differences other than price. Two of three responding importers reported that there were sometimes differences other than price between AWC from China and from nonsubject countries. Differences reported include the need for approval by utilities or companies such as underwriter laboratories, product and transportation availability, lead times, and freight costs.

Table II-6
AWC: Significance of differences other than price between AWC produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	---	---	2	2	2	1	3	3
Nonsubject countries comparisons:								
U.S. vs. nonsubject	---	---	1	2	2	2	4	2
China vs. nonsubject	---	---	1	1	1	---	2	---

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of five firms that accounted for all U.S. production of AWC during 2017.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to five firms based on information contained in the petition. Five firms provided usable data on their productive operations. Staff believes that these responses represent all U.S. production of AWC.

Table III-1 lists U.S. producers of AWC, their production locations, positions on the petition, and shares of total production.

Table III-1
AWC: U.S. producers of AWC, their positions on the petition, production locations, and shares of reported production, 2017

Firm	Position on petition	Production location(s)	Share of production (percent)
Cerro	***	Ogden, UT	***
Encore	Petitioner	McKinney, TX	***
Nexans	***	Chester, NY	***
Prysmian	***	Sedalia, MO Abbevile, SC Williamsport, PA Marshall, TX	***
Southwire	Petitioner	Carrollton, GA Villa Rica, GA Starkville, MS	***
Total			***

Note.--***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table III-2 presents information on U.S. producers' ownership, related and/or affiliated firms of AWC.

Table III-2
AWC: U.S. producers' ownership, related and/or affiliated firms

* * * * * * *

As indicated in table III-2, no U.S. producers are related to foreign producers of the subject merchandise and no U.S. producers are related to U.S. importers of the subject merchandise. In addition, as discussed in greater detail below, no U.S. producers directly import the subject merchandise or purchase the subject merchandise from U.S. importers.

Table III-3 presents U.S. producers' reported changes in operations since January 1, 2015.

Table III-3
AWC: U.S. producers' reported changes in operations, since January 1, 2015

* * * * * * *

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-4 and figure III-1 present U.S. producers' production, capacity, and capacity utilization. Domestic producers' AWC production increased by 1.7 percent during 2015-17, and was 6.4 percent higher in January-June 2018 than in January-June 2017. ***.

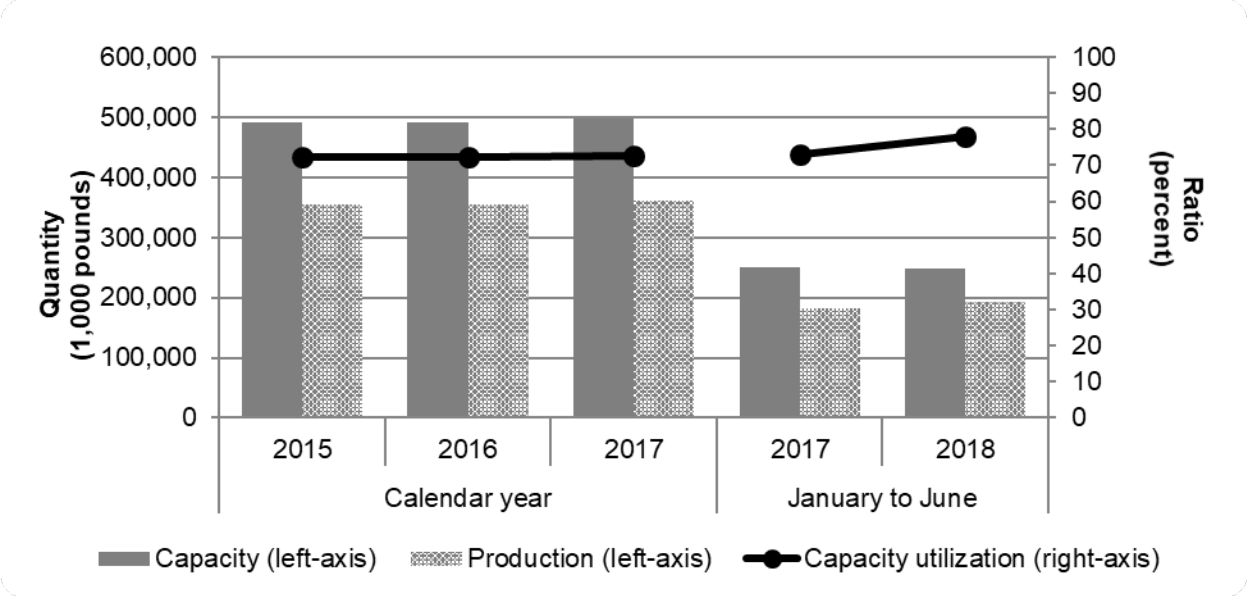
Table III-4
AWC: U.S. producers' production, capacity, and capacity utilization, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January-June	
	2015	2016	2017	2017	2018
	Capacity (1,000 pounds)				
Cerro	***	***	***	***	***
Encore	***	***	***	***	***
Nexans	***	***	***	***	***
Prysmian	***	***	***	***	***
Southwire	***	***	***	***	***
Total capacity	492,124	490,930	498,739	249,969	248,468
	Production (1,000 pounds)				
Cerro	***	***	***	***	***
Encore	***	***	***	***	***
Nexans	***	***	***	***	***
Prysmian	***	***	***	***	***
Southwire	***	***	***	***	***
Total production	355,485	355,041	361,652	182,179	193,894
	Capacity utilization (percent)				
Cerro	***	***	***	***	***
Encore	***	***	***	***	***
Nexans	***	***	***	***	***
Prysmian	***	***	***	***	***
Southwire	***	***	***	***	***
Average capacity utilization	72.2	72.3	72.5	72.9	78.0

Note.--Staff allocated AWC capacity for *** based on a ratio of its overall production.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure III-1
AWC: U.S. producers' production, capacity, and capacity utilization, 2015-17, January-June 2017, and January-June 2018



Source: Compiled from data submitted in response to Commission questionnaires.

Constraints on capacity

All five responding U.S. producers reported constraints in the manufacturing process. Constraints in the manufacturing process include machinery and equipment capacity, including capacity to produce strand, which impacts the amount of AWC that can be produced, bottlenecks in cabling individual wire conductors, and product mix. Constraints also include "market demand at prices {that can} sustain profitability."

Alternative products

As shown in table III-5, the majority (approximately *** percent) of production on the same machinery and equipment as AWC was dedicated to alternative products. Four of five firms reported production of other products, with *** accounting for the majority. Firms reported producing copper wire and cables, higher voltage copper and aluminum products, and uninsulated aluminum wire.

Firms were asked about their ability to switch production from AWC to other products. *** reports that some equipment is dual purpose, but drawing machines and cablers are limited to AWC. *** reports that the aluminum plant could theoretically produce insulated wire and cable with higher voltage ratings, but would first require investing in upstream PVC manufacturing operations. *** reports its ability to switch production, to some extent, to copper building wire products as well as higher voltage aluminum and copper products. *** reports its ability to switch to the copper equivalent of in-scope AWC. Representatives from

Encore and Southwire testified that switching from AWC production to the production of copper equivalents is very costly and inefficient, requiring many hours of downtime.[1]

Table III-5
AWC: U.S. producers' overall plant capacity and production on the same equipment as subject production, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January to June	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
Overall capacity	***	***	***	***	***
Production:					
AWC	355,485	355,041	361,652	182,179	193,894
Out-of-scope production	***	***	***	***	***
Total production on same machinery	***	***	***	***	***
	Ratios and shares (percent)				
Overall capacity utilization	***	***	***	***	***
Share of production:					
AWC	***	***	***	***	***
Out-of-scope production	***	***	***	***	***
Total production on same machinery	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. U.S. shipments by quantity increased overall by 2.4 percent during 2015-17, and were 1.3 percent higher in January-June 2018 than in the same period in 2017. Although U.S. shipment volume increased during 2015-17, the value of such shipments decreased by 5.8 percent. As a result, unit values decreased by 8.0 percent between 2015 and 2017, from $2.08 per pound to $1.91 per pound. U.S. producers' U.S. shipments accounted for the vast majority of total shipments (*** percent in 2017). Two of the five responding firms, *** reported export shipments, with *** accounting for the majority. Exports increased by *** percent between 2015 and 2017, and were *** percent higher in January-June 2018 than in January-June 2017. No U.S. producer reported internal consumption of AWC. In addition, *** was the only U.S. producer to report *** transfers to related firms.

[1] Conference transcript, pp. 36-37 (Jones, Asher)

Table III-6
AWC: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January to June	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
U.S. shipments	322,648	318,215	330,394	167,097	169,259
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Value (1,000 dollars)				
U.S. shipments	670,056	610,068	630,924	318,745	328,452
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Unit value (dollars per pound)				
U.S. shipments	2.08	1.92	1.91	1.91	1.94
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Share of quantity (percent)				
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***
	Share of value (percent)				
U.S. shipments	***	***	***	***	***
Export shipments	***	***	***	***	***
Total shipments	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' INVENTORIES

Table III-7 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments**.** The U.S. industry's inventories of AWC decreased by 9.2 percent during 2015-17, and were slightly lower in January-June 2018 than in January-June 2017. The ratio of inventories to production ranged between 11.5 percent in 2017 and 13.6 percent in 2016, while the ratio of inventories to U.S. shipments ranged between 12.6 percent in 2017 and 15.2 percent in 2016. The high volume of inventories relative to production and shipments is common in the AWC industry, as producers must respond quickly to meet customer demands, and be able to ship on a same-day or next-day basis.[2]

[2] Conference transcript, pp. 37-39 (Jones, Levy, Asher, Kieffer); and petitioners' postconference brief, Responses to questions from Commission staff, p. II-15.

Table III-7
AWC: U.S. producers' inventories, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January to June	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
U.S. producers' end-of-period inventories	45,892	48,231	41,657	47,952	47,899
	Ratio (percent)				
Ratio of inventories to.--					
U.S. production	12.9	13.6	11.5	13.2	12.4
U.S. shipments	14.2	15.2	12.6	14.3	14.1
Total shipments	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' IMPORTS AND PURCHASES

Two of five U.S. producers imported AWC during the period of investigation. *** reported importing AWC from nonsubject sources. *** imports small quantities from *** and cited *** as its reason for importing. Similarly, *** imported *** from ***. Its reasons for importing were ***. No U.S. producer reported purchases of AWC from any source.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-8 shows U.S. producers' employment-related data. All employment-related indicators increased during 2015-17, with the exception of hours worked. The number of production and related workers ("PRWs") increased by 5.2 percent between 2015 and 2017, and was *** percent higher in January-June 2018 than in January-June 2017. This increase is mostly due to ***.[3] Wages paid similarly increased during 2015-17, by *** percent, and were higher in January-June 2018 than in January-June 2017. Productivity and unit labor costs also increased between 2015 and 2017, by 2.4 percent and 3.4 percent respectively; productivity was higher in January-June 2018 when compared to the same period in 2017 while unit labor costs were unchanged.

[3] ***.

Table III-8
AWC: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January to June	
	2015	2016	2017	2017	2018
Production and related workers (PRWs) (number)	1,756	1,844	1,848	1,806	***
Total hours worked (1,000 hours)	4,736	4,780	4,706	2,316	***
Hours worked per PRW (hours)	2,697	2,592	2,547	1,282	***
Wages paid ($1,000)	***	***	***	***	***
Hourly wages (dollars per hour)	***	***	***	***	***
Productivity (pounds per hour)	75.1	74.3	76.8	78.7	***
Unit labor costs (dollars per pound)	$0.25	$0.25	$0.26	$0.25	***

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 38 firms believed to be importers of subject AWC, as well as to all U.S. producers of AWC.[1] Usable questionnaire responses were received from 14 companies, representing the majority of U.S. imports from China in 2017.[2] [3]

Table IV-1 lists all responding U.S. importers of AWC from China and other sources, their locations, and their shares of U.S. imports, in 2017.

Table IV-1
AWC: U.S. importers, their headquarters, and share of total imports by source, 2017

Firm	Headquarters	Share of imports by source (percent)		
		China	Nonsubject sources	All import sources
American Wire	Aventura, FL	***	***	***
Cameron	Little Rock, AR	***	***	***
CME	Suwanee, GA	***	***	***
Condumex	Grand Prairie, TX	***	***	***
Electrocables del Caribe	San Juan, PR	***	***	***
Electrocables USA	Tamarac, FL	***	***	***
Hascelik	Fort Lee, NJ	***	***	***
Houston Wire	Houston, TX	***	***	***
ICC	Fort Lee, NJ	***	***	***
Legacy	Irving, TX	***	***	***
Nexans	Chester, NY	***	***	***
Priority	Little Rock, AR	***	***	***
Prysmian	Highland Heights, KY	***	***	***
Repwire	Doral, FL	***	***	***
Total		***	***	***

Note.--***.

Source: Compiled from data submitted in response to Commission questionnaires.

[1] The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have accounted for more than one percent of total imports under HTS subheading 8544.49.9000 in 2017.

[2] *** importer questionnaire response was used in part. Please see staff correspondence with ***, October 24, 2018, EDIS doc. no. 660099.

[3] Nine additional firms certified that they had not imported AWC from any source since January 1, 2015. In addition, *** confirmed that it imported AWC from subject and nonsubject sources but did not provide a questionnaire response. Staff correspondence with ***, October 18, 2018, EDIS doc. no. 659774.

U.S. IMPORTS

Table IV-2 and figure IV-1 present information on U.S. imports of AWC from China and all other sources. Total U.S. imports, by quantity, increased overall by 44.0 percent during 2015-17, and were 19.4 percent lower in January-June 2018 than in January-June 2017. Subject U.S. imports from China increased overall by *** percent during 2015-17, and were *** percent lower in January-June 2018 when compared to the same period in 2017. Average unit values from subject sources decreased by *** percent between 2015 and 2017, and were *** percent higher in January-June 2018 than in January-June 2017. Average unit values from nonsubject sources *** between 2015 and 2017, and were *** percent higher in January-June 2018 than in January-June 2017. The ratio of U.S. imports of subject AWC to U.S. production increased during 2015-17, reaching *** percent of U.S. production in 2017. The leading nonsubject sources of AWC imports are Mexico, Canada, Ecuador, and Turkey.

Table IV-2
AWC: U.S. imports by source, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January-June	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	98,212	108,671	141,449	75,059	60,492
	Value (1,000 dollars)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	171,154	173,903	223,898	116,619	100,608
	Unit value (dollars per pound)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	1.74	1.60	1.58	1.55	1.66
	Share of quantity (percent)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	100.0	100.0	100.0	100.0	100.0
	Ratio to U.S. production				
U.S. imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	27.6	30.6	39.1	41.2	31.2

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-1

AWC: U.S. import volumes and average unit values, 2015-17, January-June 2017, and January-June 2018

* * * * * * *

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[4] Negligible imports are generally defined in the Act, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[5] Imports from China accounted for *** percent of total imports of AWC by quantity during September 2017 through August 2018.

APPARENT U.S. CONSUMPTION

Table IV-3 presents data on apparent U.S. consumption for AWC. Apparent consumption increased by 10.9 percent during 2015-17, and was 2.1 percent lower in January-June 2018 than in January-June 2017.

[4] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[5] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

Table IV-3
AWC: U.S. shipments of domestic product, U.S. shipments of imports, and apparent U.S. consumption, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January-June	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
U.S. producers' U.S. shipments	322,648	318,215	330,394	167,097	169,259
U.S. shipments of imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	92,874	107,815	130,369	70,766	63,521
Apparent U.S. consumption	415,522	426,030	460,763	237,862	232,780
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	670,056	610,068	630,924	318,745	328,452
U.S. shipments of imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	202,810	208,773	238,790	124,552	125,999
Apparent U.S. consumption	872,866	818,841	869,714	443,296	454,451

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. MARKET SHARES

U.S. market share data are presented in table IV-4 and figure IV-2. Producers' market share decreased by 5.9 percentage points between 2015 and 2017, and was 2.5 percentage points higher in January-June 2018 than in January-June 2017. Both subject and nonsubject import market shares increased during 2015-17, by *** and *** percentage points respectively, and were lower in January-June 2018 than in January-June 2017.

Table IV-4
AWC: U.S. consumption and market shares, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January to June	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
Apparent U.S. consumption	415,522	426,030	460,763	237,862	232,780
	Share of quantity (percent)				
U.S. producers' U.S. shipments	77.6	74.7	71.7	70.2	72.7
U.S. shipments of imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	22.4	25.3	28.3	29.8	27.3
	Value (1,000 dollars)				
Apparent U.S. consumption	872,866	818,841	869,714	443,296	454,451
	Share of value (percent)				
U.S. producers' U.S. shipments	76.8	74.5	72.5	71.9	72.3
U.S. shipments of imports from.--China	***	***	***	***	***
Nonsubject sources	***	***	***	***	***
All import sources	23.2	25.5	27.5	28.1	27.7

Source: Compiled from data submitted in response to Commission questionnaires.

Figure IV-2
AWC: Apparent U.S. consumption, 2015-17, January to June 2017, and January to June 2018

* * * * * * *

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

The major raw material used in AWC is aluminum wire rod. Most U.S. producers produce their own wire rod from aluminum scrap, primary aluminum, and alloying materials.[1] Aluminum scrap prices are presented in figure V-1.[2] The price of aluminum sheet scrap fluctuated between January 2015 and August 2018. As seen in figure V-1, the price of aluminum sheet scrap decreased by *** percent from January 2015 to December 2015, increased by *** percent from December 2015 to June 2018, and decreased by *** percent from June 2018 to August 2018. The price of aluminum scrap decreased *** percent between January 2015 and June 2018.

Figure V-1
Aluminum sheet scrap: Aluminum sheet scrap prices, January 2015-August 2018

* * * * * * *

The London Metal Exchange ("LME") and the LME plus the Midwest price premium were the two most commonly reported sources for aluminum prices in the United States. As seen in figure V-2, the LME price of high-grade aluminum has fluctuated since 2015, decreasing *** percent from January 2015 to November 2015, increasing by *** percent from November 2015 to May 2018, and decreasing by *** percent from May 2018 to August 2018. The LME price increased 23.9 percent between January 2015 and June 2018.

The Midwest premium is a daily premium to the LME price applicable to U.S. firms purchasing aluminum.[3] [4] Traditionally, the Midwest premium has been less than ten cents per pound, but in 2014-15 the premium increased to a historic high of more than 24 cents.[5] During this period, industry sources reported that aluminum end users believed that the "aggressive queue-management schemes of LME warehouse operators" were the root cause of the higher

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[1] Conference transcript, p. 60 (Asher).

[2] Conference transcript, p. 35 (Levy).

[3] The Midwest premium is based on physical spot deals, bids, and offers reported through a daily survey of spot buyers and sellers, and uses a representative sample of producers, traders, and different types of end users. It reflects both deliveries to a typical freight consumer in a broad U.S. Midwest region via truck or rail as well as the transaction costs. Source: S & P Global Platts, *Methodology and Specifications Guide: Nonferrous*, April 2017.

[4] The Midwest premium price of aluminum decreased *** percent from January 2015 to October 2015, increased by *** percent from October 2015 to May 2018, and decreased by *** percent from May 2018 to August 2018. Source: Platts Metals Week Price Notification Monthly Reports.

[5] Aluminum Foil Conference Transcript, pp. 110-111 (Casey).

Midwest premium prices. However, aluminum producers and warehouse operators stated that the increases were in part due to decreasing U.S. smelting capacity and increased demand in financing or investing in aluminum.[6] As seen in figure V-2, the LME plus Midwest premium price for aluminum has fluctuated since 2015, decreasing *** percent from January 2015 to November 2015, increasing by *** percent from November 2015 to May 2018, and decreasing by *** percent from May 2018 to August 2018. The LME plus Midwest premium price for aluminum price increased *** percent between January 2015 and June 2018.

Figure V-2
Aluminum price indices: LME (High Grade) and LME plus Midwest premium price index of aluminum, January 2015-August 2018

* * * * * * *

U.S. inland transportation costs

All five responding U.S. producers and all eight responding importers reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from 2 to 7 percent while importers reported costs of 1 to 5 percent.

PRICING PRACTICES

Pricing methods

AWC prices are publicly available in price lists, which tend to be very similar across the industry.[7] Prices of the different gauges of AWC are interrelated so that firms can calculate all prices from the price of any individual product on the list.[8] List prices are adjusted from time to time in order to reflect the publicly available price of aluminum and other costs.[9] Firms compete on prices by the size of the discounts applied to these price lists.[10]

All U.S. producers and most importers reported using transaction-by-transaction negotiations for pricing. As presented in table V-1, U.S. producers and importers also frequently use price lists and contracts to set prices. Importers that did not report using price lists were asked if they sold AWC using price lists with discounts off the price list. Three of the four responding importers reported that they did. The other (***) reported that it based price on costs, desired profit margins, the current price of aluminum, and purchase volume.

[6] Reuters, *Aluminum Premiums Adjust to Life After the Queues*, June 15, 2016.
[7] Conference transcript, p. 56-57, 107 (Asher, Strahs).
[8] Conference transcript, p. 56-57, 107 (Asher, Strahs).
[9] Conference transcript, p. 56-57 (Asher).
[10] Conference transcript, p. 57-58 (Asher).

Table V-1
AWC: U.S. producers' and importers of subject AWC's reported price setting methods, by number of responding firms[1]

Method	U.S. producers	Importers
Transaction-by-transaction	5	11
Contract	3	3
Set price list	4	8
Other	---	1
Responding firms	5	13

[1] The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

Source: Compiled from data submitted in response to Commission questionnaires.

Most sales of U.S. produced (*** percent) and most imported Chinese AWC (*** percent) is sold in spot sales. For the remainder of U.S. product, long-term contracts, *** percent of sales; one-year contracts, *** percent of sales; and short-term contracts account for *** percent of sales. The remainder of subject imports are sold under short-term contracts (*** percent) and one-year contracts (*** percent). As shown in table V-2, U.S. producers and importers of subject AWC reported their 2017 U.S. commercial shipments by type of sale.

Table V-2
AWC: U.S. producers' and importers of subject AWC's shares of U.S. commercial shipments by type of sale, 2017

* * * * * * *

The three U.S. producers that reported using different contract terms (although each firm reported the same terms for contracts of different lengths. *** reported that prices are fixed, there are no price renegotiations, and prices are not indexed to raw material costs. *** reported that contracts fix price and quantity, there are price renegotiations during the contract, and prices are indexed to raw material costs. *** reported that contracts fix price, there are no contract renegotiations during the contract and that prices are indexed to raw material costs. Most importers that reported contracts reported similar contract terms. All three responding importers reported that prices are not renegotiated during a short-term contract and contracts fix both price and quantity, and contract prices are not indexed to raw material prices. The importer reporting one-year contracts reported prices are not renegotiated during a one-year contract, contracts fix both price and quantity, and that contract prices are not indexed to raw material prices.

Purchasers provided a general description of their firms' method of purchase for AWC. Most purchasers reported "individual purchases" and one reported that purchases were based on usage or customer requests.

Sales terms and discounts

U.S. producers and importers typically quote prices on a delivered basis. All five responding producers reported volume discounts, three reported quantity discounts, and three

reported "other" discounts, including discounts off the price list that are based on level of purchase, negotiated annual rebates based on volume, and early payment discounts. Importers' discount policy responses differ more than those of the U.S. producers. Six of 13 responding importers offered either quantity or volume discounts (or both), 3 importers reported no discount policies, and five reported other discounts including early payment discount and discounts off price list.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following AWC products shipped to unrelated U.S. customers during January 2015-June 2018.

Product 1.-- Type SE (Style R) cables containing three 600 volt conductors made of Aluminum Alloy 8000 Series, plus a neutral/ground wire, with American Wire Gauge (AWG) sizes of 4/0, 4/0, 4/0, and 2/0

Product 2.-- "Sweetbriar" underground distribution cables containing two 600 volt conductors made of Aluminum Alloy 1350 Series, plus a neutral/ground wire, with American Wire Gauge (AWG) sizes of 4/0, 4/0, and 2/0, excluding sureseal and powerglide.[11]

Product 3.-- Type XHHW wires rated at 600 volts, with the conductor made of Aluminum Alloy 8000 Series, with a size of 500 kcmil.

Four U.S. producers and six[12] importers provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters.[13] Pricing data reported by these firms accounted for approximately 3.2 percent of U.S. producers' U.S. shipments of AWC and 11.7 percent of U.S. shipments of subject imports from China in 2017.

Price data for products 1-3 are presented in tables V-3 to V-5 and figures V-3 to V-5. Price data were available from both U.S. producers and China for all three products, in all quarters between January 2015, and June 2018. Nonsubject country prices were not collected.

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[11] Respondent requested that the definition of product 2 be changed to exclude sureseal and powerglide products. Respondent also claimed that only Southwire produced these products. Conference transcript, p. 79. ***. Staff correspondence with ***, October 16, 2018.

[12] Pricing data provided by *** were excluded because the data appeared to be incorrect.

[13] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

Table V-3
AWC: Weighted-average f.o.b. prices and quantities of domestic and imported product 1 and margins of underselling/(overselling), by quarters, January 2015-June 2018

* * * * * * *

Table V-4
AWC: Weighted-average f.o.b. prices and quantities of domestic and imported product 2 and margins of underselling/(overselling), by quarters, January 2015-June 2018

* * * * * * *

Table V-5
AWC: Weighted-average f.o.b. prices and quantities of domestic and imported product 3 and margins of underselling/(overselling), by quarters, January 2015-June 2018

* * * * * * *

Figure V-3
AWC: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2015-June 2018

* * * * * * *

Figure V-4
AWC: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2015-June 2018

* * * * * * *

Figure V-5
AWC: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2015-June 2018

* * * * * * *

Price trends

In general, prices decreased during January 2015-June 2018. Table V-6 summarizes the price trends, by country and by product. As shown in the table, domestic price decreases ranged from *** to *** percent during January 2015-June 2018 while import price decreases ranged from *** to *** percent.

Table V-6
AWC: Summary of weighted-average f.o.b. prices for products 1-3 from the United States and China

Item	Number of quarters	Low price (per pound)	High price (per pound)	Change in price[1] (percent)
Product 1				
United States	14	***	***	***
China	14	***	***	***
Product 2				
United States	14	***	***	***
China	14	***	***	***
Product 3				
United States	14	***	***	***
China	14	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Price comparisons

As shown in table V-7, prices for product imported from China were below those for U.S.-produced product in 38 of 42 instances (27.1 million pounds); margins of underselling ranged from 0.4 to 20.2 percent. In the remaining four instances (3.2 million pounds), prices for product from China were between 0.3 and 2.7 percent above prices for the domestic product.

Table V-7
AWC: Instances of underselling/overselling and the range and average of margins, by country, January 2015-June 2018

Product	Underselling				
	Number of quarters	Quantity (pounds)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	12	***	***	***	***
Product 2	14	***	***	***	***
Product 3	12	***	***	***	***
Total	38	***	5.9	0.4	20.2
Product	**(Overselling)**				
	Number of quarters	Quantity (pounds)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	2	***	***	***	***
Product 2	0	0	---	---	---
Product 3	2	***	***	***	***
Total	4	***	(1.5)	(0.3)	(2.7)

Source: Compiled from data submitted in response to Commission questionnaires.

LOST SALES AND LOST REVENUE

All four responding U.S. producers reported that they had both reduced prices and lost sales because of imports of AWC from China. Two U.S. producers submitted usable lost sales

and lost revenue allegations. The two responding U.S. producers identified 19 firms where they both lost sales and lost revenue.

Staff contacted 19 purchasers and received responses from 8 purchasers. Responding purchasers reported purchasing 93.3 million pounds of AWC during January 2015-June 2018 (table V-8).

Table V-8
AWC: Purchasers' responses to purchasing patterns

* * * * * * *

During 2017, responding purchasers purchased 94.6 percent from U.S. producers, 3.3 percent from China, 0.0 percent from nonsubject countries, and 2.1 percent from "unknown source" countries. Of the responding purchasers, two reported decreasing purchases from domestic producers, four reported increasing purchases, two reported no change, and all purchased domestic product.[14] Explanations for increasing purchases of domestic product included competitive pricing and availability. Explanations for decreasing purchases of domestic product included lower overall aluminum sales, lower pricing from imported material, and pricing issues. Explanations for increasing purchases of Chinese product included competitive pricing.

Of the eight responding purchasers, five reported that, since 2015, they had purchased imported AWC from China instead of U.S.-produced product. All five of these purchasers reported that subject import prices were lower than U.S.-produced product, and three of these purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product. Two purchasers estimated the quantity of AWC from China purchased instead of domestic product; quantities were *** pounds and *** pounds (table V-9). Purchasers identified *** as non-price reasons for purchasing imported rather than U.S.-produced product.

Table V-9
AWC: Purchasers' responses to purchasing subject imports instead of domestic product

* * * * * * *

Of the eight responding purchasers, two reported that U.S. producers had reduced prices in order to compete with lower-priced imports from China (table V-10; four reported that they did not know). The reported estimated price reduction ranged from 5 to 15 percent. In describing the price reductions, one purchaser indicated that the reduction could be greater than estimated but more research would be required.

[14] Of the eight responding purchasers, three purchasers indicated that they did not know the source of the aluminum wire and cable they purchased.

Table V-10
AWC: Purchasers' responses to U.S. producer price reductions

* * * * * * *

In responding to the lost sales lost revenue survey, some purchasers provided additional information on purchases and market dynamics. One purchaser noted that the wire price follows aluminum to a degree, but not nearly as much as the copper wire market follows copper. Another stated that although price is frequently a factor, but that timely delivery is also an important factor. One purchaser also mentioned that contracts typically include base metals escalation/de-escalation clauses.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

INTRODUCTION

The financial results of five U.S. producers (Cerro, Encore, Nexans, Prysmian, and Southwire) of AWC are presented in this section of the report. All U.S. producers reported their financial data on a calendar year basis. Commercial sales account for *** reported AWC revenue,[1] and no firms reported tolling operations.

*** represented the large majority of sales during the period for which data were requested, at *** and *** percent of 2017 total net sales volume, respectively. *** each represented between *** percent of 2017 total net sales volume.

OPERATIONS ON AWC

Table VI-1 presents aggregated data on U.S. producers' operations on AWC. Table VI-2 shows the changes in the average unit values of select financial indicators. Table VI-3 presents selected company-specific financial data.

Net sales

As shown in table VI-1, the total net sales volume of AWC increased by *** percent from 2015 to 2017, while the total net sales value declined by *** percent during this time. In January-June 2018 compared to January-June 2017, the total net sales volume and value were higher. U.S. producers' reported mixed directional trends in terms of volume and value, as shown in table VI-3.

For the industry as a whole, the average net sales unit value decreased from $*** per pound in 2015 to $*** per pound in 2017, and was higher in January-June 2018 at $*** per pound compared to the same period in 2017 at $*** per pound. The net sales unit values of all U.S. producers followed the declining trend from 2015 to 2017. All firms *** reported a higher net sales unit value in January-June 2018 than January-June 2017.

Cost of goods sold and gross profit or (loss)

The largest component of cost of goods sold ("COGS") is raw materials (primarily aluminum), accounting for between *** percent (January-June 2018) and *** percent (2017) of total COGS. Table VI-1 shows that the industry's per-pound raw material costs irregularly increased by *** percent from 2015 to 2017, and were *** percent lower in the first two quarters of 2018 compared to the first two quarters of 2017. As seen in table VI-3, two U.S. producers (***) reported an increase in per pound raw material costs from 2015 to 2017, while

[1] ***.

the other three reporting firms reported a decline. [2] *** reported higher per pound raw material costs in January-June 2018 than in January-June 2017. ***.[3]

Table VI-1
AWC: Results of operations of U.S. producers, 2015-17, January-June 2017, and January-June 2018

* * * * * * *

Table VI-2
AWC: Changes in average unit values, between calendar years and partial year periods

* * * * * * *

Table VI-3
AWC: Selected results of operations of U.S. producers, by firm, 2015-17, January-June 2017, and January-June 2018

* * * * * * *

Most reporting firms reported that aluminum represents *** to *** percent of reported 2017 COGS, with the remaining ***to *** percent reflecting insulation and wrapping costs.[4] [5]

The second largest component of COGS is other factory costs, which accounted for between *** percent (2017) and *** other factory costs declined by *** percent from 2015 to 2017, but were higher in the first two quarters of 2018 compared to the first two quarters of 2017. [6]

Lastly, direct labor is the smallest component of COGS, representing between *** percent (January-June 2017) and *** percent (2016) of total COGS. Direct labor moved within a relatively narrow range on a per pound basis and as a ratio to net sales.

Gross profit declined from $*** in 2015 to $*** in 2017, and was lower in January-June 2018 ($***) than in January-June 2017 ($***). All firms reported a decline in their gross profit margin (gross profit as a ratio to net sales) from 2015 to 2017, and all firms reported lower gross profit margins between the comparable interim periods (table VI-3).

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[2] ***. U.S. producers' questionnaire, questions III-7 and III-8.

[3] ***. Email response from ***, October 22, 2018. ***.

[4] U.S. producers' questionnaire responses, question III-9c. ***. ***. Petitioners' postconference brief, p. I-27, fn. 87.

[5] Petitioners and Respondent Priority presented their arguments regarding the effects of Section 232 and Section 301 tariffs on the U.S. industry during the January 2015 to June 2018 time frame, as well as the third quarter of 2018. See Petitioners' postconference brief, pp. I-25 to I-28, and II-12 to II-14. See Priority's postconference brief, pp. 25-28.

[6] See footnote 3 in this section of the report. In addition, ***. Email from ***, October 24, 2018.

Tables VI-1 and VI-2 show that for the industry as a whole, despite little change overall in per pound COGS from 2015 to 2017, the decline in per pound net sales value led to a decline in the gross profit margin. While both per-unit net sales and COGS were higher in interim 2018 than in interim 2017, per-unit COGS increased more, and led to a lower gross profit margin between the comparable interim periods.

Selling, general, and administrative expense and operating income or (loss)

Selling, general, and administrative ("SG&A") expenses as a ratio to net sales moved within a relatively narrow range from *** percent (2015) to *** percent (January-June 2018). SG&A expenses represented *** percent of total operating costs and expenses during the period examined. Although total SG&A expenses were at the lowest level of the full-year periods in 2017, the industry's SG&A expense ratio generally increased from 2015 to 2017 as the net sales value declined overall during this time. The industry's SG&A expense ratio was higher in January-June 2018 than in January-June 2017.[7]

On an overall basis and similar to the trend in gross profit, operating income declined from $*** in 2015 to $*** in 2017. In interim 2018, the industry reported an operating loss of $*** compared to an operating profit of $*** in interim 2017. All firms reported a decline in their operating margin (operating income as a ratio to net sales) from 2015 to 2017, and all firms reported lower operating margins between the comparable interim periods (table VI-3).

All other expenses and net income or (loss)

Classified below the operating income level are interest expense, other expense, and other income, which are usually allocated to the product line from high levels in the corporation. The combined effect of these line items improved from 2015 to 2017 as net expenses declined. Net expenses were higher in January-June 2018 than in January-June 2017.[8]

On an overall basis and similar to the trend in operating income, net income declined from $*** in 2015 to $*** in 2017. In interim 2018, the industry reported a net loss of $*** compared to a net profit of $*** in interim 2017. All firms reported a decline in their net income margin (net income as a ratio to net sales) from 2015 to 2017, and all firms reported lower net income margins between the comparable interim periods (table VI-3).

Variance analysis

The variance analysis presented in table VI-4 is based on the data in table VI-1.[9] The analysis shows that the decrease in operating profitability from 2015 to 2017 is attributable to a

[7] ***. Email from ***, October 17, 2018.

[8] ***. Email from ***, October 17, 2018.

[9] The Commission's variance analysis is calculated in three parts: sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case

(*continued*...)

negative price variance that far exceeds positive net cost/expense and volume variances (that is, prices declined more than operating expenses, and volume increased), while the reduced operating profit in January-June 2018 compared to January-June 2017 is attributable to a negative net cost/expense variance that exceeds positive price and volume variances (that is, operating expenses increased more than prices, and volume increased).

Table VI-4
AWC: Variance analysis on the operations of U.S. producers, 2015-17, and January-June 2017-18

* * * * * * *

CAPITAL EXPENDITURES, RESEARCH AND DEVELOPMENT EXPENSES, TOTAL ASSETS, AND RETURN ON ASSETS

The responding firms' aggregate data on capital expenditures, research and development ("R&D") expenses, total assets, and return on assets ("ROA") are shown in table VI-5. Four firms (all except ***) reported capital expenditures and two firms (***) reported R&D expenses during the period for which data were requested. Aggregate capital expenditures declined from 2015 to 2017, and were higher in interim 2018 compared to interim 2017. R&D expenses moved within a relatively narrow band from 2015 to 2017, and were higher in interim 2018 compared to interim 2017. The majority of reported capital expenditures reflect the data of ***, while the majority of reported R&D expenses reflect the data of ***. According to ***, the firm's capital expenditures reflect ***.[10] According to ***, R&D expenses reflect ***.[11]

The total assets utilized in the production, warehousing, and sale of AWC declined irregularly from $*** in 2015 to $*** in 2017, and the ROA declined from 19.1 percent in 2015 to 7.3 percent in 2017.[12]

(…*continued*)
of the sales variance) or a cost variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost variance is calculated as the change in unit price or unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or unit cost. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively; and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances.

[10] U.S. producers' questionnaire response of ***, questions II-2 and III-13. See also Petitioners' postconference brief, p. II-14.

[11] U.S producers' questionnaire response of ***, question III-13.

[12] The return on assets is calculated as operating income divided by total assets. With respect to a firm's overall operations, the total asset value reflects an aggregation of a number of assets which are generally not product specific. Thus, high-level allocations are generally required in order to report a total asset value for the subject product.

Table VI-5
AWC: Capital expenditures, R&D expenses, total assets, and ROA of U.S. producers, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January-June	
	2015	2016	2017	2017	2018
	Value (1,000 dollars)				
Capital expenditures	***	***	***	***	***
R&D expenses	***	***	***	***	***
Total assets	***	***	***		
	Percent				
ROA	19.1	11.4	7.3		

Source: Compiled from data submitted in response to Commission questionnaires.

CAPITAL AND INVESTMENT

The Commission requested that U.S. producers of AWC describe any negative effects of imports of AWC from China on their firms' return on investment or the scale of capital investments, as well as any negative effects on their firms' growth, ability to raise capital, or existing development and production efforts. Table VI-6 presents the number of firms reporting an impact in each category and table VI-7 provides the U.S. producers' narrative responses.

Table VI-6
AWC: Actual and anticipated negative effects of imports on investment, growth, and development, since January 1, 2015

Item	No	Yes
Negative effects on investment	0	5
Cancellation, postponement, or rejection of expansion projects		3
Denial or rejection of investment proposal		1
Reduction in the size of capital investments		1
Return on specific investments negatively impacted		4
Other		3
Negative effects on growth and development	1	4
Rejection of bank loans		1
Lowering of credit rating		1
Problem related to the issue of stocks or bonds		0
Ability to service debt		1
Other		3
Anticipated negative effects of imports	0	5

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-7
AWC: Narratives relating to actual and anticipated negative effects of imports on investment and growth and development, since January 1, 2015

* * * * * * *

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors[1]*--*

(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,

(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,

(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,

(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,

(V) inventories of the subject merchandise,

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[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN CHINA

The Commission issued foreign producers' or exporters' questionnaires to 32 firms believed to produce and/or export AWC from China.[3] Usable responses to the Commission's questionnaire were received from seven firms. These firms' exports to the United States accounted for approximately *** percent of U.S. imports of AWC from China in 2017, based on importer questionnaire data. According to estimates requested of the responding Chinese producers, the production of AWC in China reported in questionnaires accounted for approximately *** percent of overall production of AWC in China in 2017. Tables VII-1 and VII-2 present information on the AWC operations of the responding producers and exporters in China.

Table VII-1
AWC: Summary data for producers in China, 2017

Firm	Production (1,000 pounds)	Share of reported production (percent)	Exports to the United States (1,000 pounds)	Share of reported exports to the United States (percent)	Total shipments (1,000 pounds)	Share of firm's total shipments exported to the United States (percent)
Mingda	***	***	***	***	***	***
Qingdao	***	***	***	***	***	***
SCW Cable	***	***	***	***	***	***
Xingi Cable	***	***	***	***	***	***
Zhongzhou Cable	***	***	***	***	***	***
Total	69,251	100.0	57,591	100.0	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

Table VII-2
AWC: Summary data for resellers exporting to the United States in China, 2017

Firm	Resales exported to the United States (1,000 pounds)	Share of resales exported to the United States (percent)
AHCOF	***	***
Silin	***	***
Total	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

[3] These firms were identified through a review of information submitted in the petition and contained in *** records.

Changes in operations

As presented in table VII-3 producers in China reported several operational and organizational changes since January 1, 2015.

Table VII-3
AWC: Chinese producers' reported changes in operations, since January 1, 2015

* * * * * * *

Operations on AWC

Table VII-4 presents information on the AWC operations of the responding producers and exporters in China.

Table VII-4
AWC: Data on industry in China, 2015-17, January-June 2017, and January-June 2018, and projected 2018 and 2019

Item	Actual experience					Projections	
	Calendar year			January to June		Calendar year	
	2015	2016	2017	2017	2018	2018	2019
	Quantity (1,000 pounds)						
Capacity	71,456	74,173	83,741	39,309	41,587	82,307	94,689
Production	58,267	55,995	69,251	31,986	34,580	70,054	81,413
End-of-period inventories	1,307	1,503	1,533	1,834	1,891	***	***
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***	***	***
Total home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	48,987	44,602	57,591	26,623	27,763	56,042	49,770
All other markets	5,959	6,000	8,356	3,654	5,766	13,048	14,983
Total exports	54,945	50,602	65,948	30,277	33,529	69,091	64,753
Total shipments	***	***	***	***	***	***	***
	Ratios and shares (percent)						
Capacity utilization	81.5	75.5	82.7	81.4	83.2	85.1	***
Inventories/production	2.2	2.7	2.2	2.9	2.7	***	***
Inventories/total shipments	***	***	***	***	***	***	***
Share of shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial home market shipments	***	***	***	***	***	***	***
Total home market shipments	***	***	***	***	***	***	***
Export shipments to:							
United States	***	***	***	***	***	***	***
All other markets	***	***	***	***	***	***	***
Total exports	***	***	***	***	***	***	***
Total shipments	***	***	***	***	***	***	***

Table continued on next page.

Table VII-4--Continued
AWC: Data on industry in China, 2015-17, January-June 2017, and January-June 2018, and projected 2018 and 2019

Item	Actual experience					Projections	
	Calendar year			January to June		Calendar year	
	2015	2016	2017	2017	2018	2018	2019
	Quantity (1,000 pounds)						
Resales exported to the United States	***	***	***	***	***	***	***
Total exports to the United States	***	***	***	***	***	***	***
	Ratios and shares (percent)						
Share of total exports to the United States.-- Exported by producers	***	***	***	***	***	***	***
Exported by resellers	***	***	***	***	***	***	***
Adjusted share of total shipments exported to the United States	***	***	***	***	***	***	***

Note.—*** reported capacity equal to production.

Source: Compiled from data submitted in response to Commission questionnaires.

Alternative products

As shown in table VII-5, all five responding Chinese firms produced other products on the same equipment and machinery used to produce AWC. Alternative products consist primarily of copper cable, as well as bare wire and PV cable. The majority of overall capacity is dedicated to AWC production, and was 58.1 percent in 2017.

Table VII-5
AWC: Chinese producers' overall capacity and production on the same equipment as subject production, 2015-17, January-June 2017, and January-June 2018

Item	Calendar year			January to June	
	2015	2016	2017	2017	2018
	Quantity (1,000 pounds)				
Overall capacity	103,313	103,066	145,395	71,872	78,877
Production: AWC	58,267	55,995	69,251	31,986	34,580
Out-of-scope production	30,143	27,675	49,842	25,001	32,731
Total production on same machinery	88,410	83,670	119,093	56,987	67,312
	Ratios and shares (percent)				
Overall capacity utilization	85.6	81.2	81.9	79.3	85.3
Share of production: AWC	65.9	66.9	58.1	56.1	51.4
Out-of-scope production	34.1	33.1	41.9	43.9	48.6
Total production on same machinery	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Exports

As presented in table IV-6, according to Global Trade Atlas, the United States was the top export market for insulated conductors, which includes AWC, from China, accounting for 15.7 percent, followed by Australia and Hong Kong, accounting for 8.9 percent and 7.3 percent, respectively.[4]

Table IV-6
Insulated conductors: Exports from China, 2015-17

Destination market	Calendar year		
	2015	2016	2017
	Quantity (1,000 pounds)		
China exports to the United States	192,229	221,833	264,975
China exports to other major destination markets.--Australia	109,372	113,950	149,443
Hong Kong	117,950	115,074	122,835
Vietnam	59,873	64,977	83,210
Philippines	64,310	69,983	77,345
Singapore	72,004	83,909	68,184
Indonesia	45,833	45,756	47,344
Thailand	54,949	55,589	45,382
United Arab Emirates	66,273	43,089	42,946
All other destination markets	733,733	711,079	780,776
Total China exports	1,516,527	1,525,239	1,682,438
	Value (1,000 dollars)		
China exports to the United States	439,575	473,736	569,368
China exports to other major destination markets.--Australia	240,266	220,591	329,842
Hong Kong	545,528	592,033	502,923
Vietnam	232,747	218,573	302,260
Philippines	152,043	146,101	184,804
Singapore	176,303	204,684	182,132
Indonesia	125,147	111,711	139,693
Thailand	143,764	148,701	139,732
United Arab Emirates	122,143	78,137	84,246
All other destination markets	2,107,758	1,745,509	1,967,914
Total China exports	4,285,275	3,939,777	4,402,916

Table continued on next page.

[4] These values may be overstated as HS 8544.49 contains out-of-scope products.

Table IV-6--Continued
Insulated conductors: Exports from China, 2015-17

Destination market	Calendar year		
	2015	2016	2017
	Unit value (dollars per pound)		
China exports to the United States	2.29	2.14	2.15
China exports to other major destination markets.-- Australia	2.20	1.94	2.21
Hong Kong	4.63	5.14	4.09
Vietnam	3.89	3.36	3.63
Philippines	2.36	2.09	2.39
Singapore	2.45	2.44	2.67
Indonesia	2.73	2.44	2.95
Thailand	2.62	2.68	3.08
United Arab Emirates	1.84	1.81	1.96
All other destination markets	2.87	2.45	2.52
Total China exports	2.83	2.58	2.62
	Share of quantity (percent)		
China exports to the United States	12.7	14.5	15.7
China exports to other major destination markets.-- Australia	7.2	7.5	8.9
Hong Kong	7.8	7.5	7.3
Vietnam	3.9	4.3	4.9
Philippines	4.2	4.6	4.6
Singapore	4.7	5.5	4.1
Indonesia	3.0	3.0	2.8
Thailand	3.6	3.6	2.7
United Arab Emirates	4.4	2.8	2.6
All other destination markets	48.4	46.6	46.4
Total China exports	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 8544.49 as reported by China Customs in the Global Trade Atlas database, accessed October 10, 2018.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-7 presents data on U.S. importers' reported inventories of AWC. Inventories of subject imports increased by *** percent between 2015 and 2017, and were *** percent higher in January-June 2018 than in January-June 2017. The ratio of importers' inventories to U.S. shipments of subject imports ranged from *** percent and *** percent during 2015-17, while the ratio of inventories to U.S. shipments of imports from nonsubject sources ranged from *** percent and *** percent during the same period.

Table VII-7
AWC: U.S. importers' inventories, 2015-17, January-June 2017, and January-June 2018

* * * * * * *

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of AWC from China after June 30, 2018. All 14 responding firms indicated that they had arranged such imports. These data are presented in table VII-8.

Table VII-8
AWC: Arranged imports, July 2018 through June 2019

* * * * * * *

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

There are no known trade remedy actions on AWC from China in third-country markets.[5]

INFORMATION ON NONSUBJECT COUNTRIES

Table VII-9 presents the leading exporters of insulated conductors, which includes AWC, from 2015 to 2017.[6] Total world exports of insulated conductors increased by 3.2 percent, in value terms, from 2015 to 2017. China accounted for the largest share of global exports, by value, in 2017 (16.4 percent), followed by the United States (9.2 percent), Germany (9.0 percent), Italy (6.5 percent), Turkey (4.8 percent), and Mexico (4.5 percent).

[5] Counsel to both the Petitioners and Respondent Priority stated that they are unaware of any antidumping or countervailing duty orders in third-country markets on AWC from China. Conference transcript, pp. 61 (Levy), 112 (Porter).

[6] These values may be overstated as HS 8544.49 contains out-of-scope products.

Table VII-9

Insulated conductors: Global exports by exporter, 2015-17

Exporter	Calendar year		
	2015	2016	2017
	Value (1,000 dollars)		
United States	2,796,485	2,459,413	2,469,813
China	4,285,275	3,939,777	4,402,916
All other major reporting exporters.-- Germany	2,097,207	2,060,689	2,405,050
Italy	1,566,835	1,504,419	1,750,580
Turkey	1,224,256	1,136,271	1,293,483
Mexico	1,186,621	1,035,712	1,201,927
France	758,633	706,555	823,386
Poland	632,083	609,562	809,517
South Korea	761,613	807,546	735,164
Spain	691,418	622,668	711,551
Hong Kong	675,063	565,643	681,669
Japan	613,351	603,240	655,385
All other exporters	8,694,377	8,299,129	8,880,611
Total global exports	25,983,218	24,350,622	26,821,051
	Share of value (percent)		
United States	10.8	10.1	9.2
China	16.5	16.2	16.4
All other major reporting exporters.-- Germany	8.1	8.5	9.0
Italy	6.0	6.2	6.5
Turkey	4.7	4.7	4.8
Mexico	4.6	4.3	4.5
France	2.9	2.9	3.1
Poland	2.4	2.5	3.0
South Korea	2.9	3.3	2.7
Spain	2.7	2.6	2.7
Hong Kong	2.6	2.3	2.5
Japan	2.4	2.5	2.4
All other exporters	33.5	34.1	33.1
Total global exports	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 8544.49 reported by various national statistical authorities in the Global Trade Atlas database, accessed October 11, 2018.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
83 FR 48864 September 27, 2018	*Aluminum Wire and Cable From China; Institution of Anti-Dumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	https://www.gpo.gov/fdsys/pkg/FR-2018-09-27/pdf/2018-20990.pdf
83 FR 52805 October 18, 2018	*Aluminum Wire and Cable From the People's Republic of China: Initiation of Countervailing Duty Investigation*	https://www.gpo.gov/fdsys/pkg/FR-2018-10-18/pdf/2018-22655.pdf
83 FR 52811 October 18, 2018	*Aluminum Wire and Cable From the People's Republic of China: Initiation of Less-Than-Fair-Value Investigation*	https://www.gpo.gov/fdsys/pkg/FR-2018-10-18/pdf/2018-22656.pdf

APPENDIX B

LIST OF STAFF CONFERENCE WITNESSES

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's preliminary conference:

Subject: Aluminum Wire and Cable from China

Inv. Nos.: 701-TA-611 and 731-TA-1428 (Preliminary)

Date and Time: October 12, 2018 - 9:30 a.m.

Sessions were held in connection with these preliminary phase investigations in the Main Hearing Room (Room 101), 500 E Street, SW., Washington, DC.

OPENING REMARKS:

In Support of Imposition (**Sydney H. Mintzer**, Mayer Brown LLP)
In Opposition to Imposition (**Daniel L. Porter**, Curtis, Mallet-Prevost, Colt & Mosle LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Cassidy Levy Kent LLP
Adduci Mastriani & Schaumberg LLP
Washington, DC
on behalf of

Encore Wire Corporation ("Encore")

Daniel Jones, Chairman, President *and* Chief Executive Officer, Encore

Kevin Kieffer, Vice President Sales & Marketing, Encore

Jack A. Levy)
Myles S. Getlan) – OF COUNSEL
Deanna Tanner Okun)

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Mayer Brown LLP
Washington, DC
on behalf of

Southwire Company, LLP

Aaron Asher, Senior Director of Building Wire Products,
Southwire Company, LLP

Sydney H. Mintzer)
) – OF COUNSEL
Mickey Leibner)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Curtis, Mallet-Prevost, Colt & Mosle LLP
Washington, DC
on behalf of

Priority Wire and Cable

Candice Hill, Chief Financial Officer, Priority Wire and Cable

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

Daniel L. Porter)
James P. Durling) – OF COUNSEL
Gina Colarusso)

INTERESTED PARTIES IN OPPOSITION:

Houston Wire & Cable Company
Houston, TX

James Pokluda, President *and* Chief Executive Officer,
Houston Wire & Cable Company

REBUTTAL/CLOSING REMARKS:

In Support of Imposition (**Jack A. Levy**, Cassidy Levy Kent LLP)
In Opposition to Imposition (**James P. Durling**, Curtis, Mallet-Prevost, Colt & Mosle)

-END-

APPENDIX C

SUMMARY DATA

Table C-1
AWC: Summary data concerning the U.S. market, 2015-17, January to June 2017, and January to June 2018
(Quantity=1,000 pounds; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per pound; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to June		Comparison years			Jan-Jun
	2015	2016	2017	2017	2018	2015-17	2015-16	2016-17	2017-18
U.S. consumption quantity:									
Amount	415,522	426,030	460,763	237,862	232,780	10.9	2.5	8.2	(2.1)
Producers' share (fn1)	77.6	74.7	71.7	70.2	72.7	(5.9)	(3.0)	(3.0)	2.5
Importers' share (fn1):									
China	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
All import sources	22.4	25.3	28.3	29.8	27.3	5.9	3.0	3.0	(2.5)
U.S. consumption value:									
Amount	872,866	818,841	869,714	443,296	454,451	(0.4)	(6.2)	6.2	2.5
Producers' share (fn1)	76.8	74.5	72.5	71.9	72.3	(4.2)	(2.3)	(2.0)	0.4
Importers' share (fn1):									
China	***	***	***	***	***	***	***	***	***
Nonsubject sources	***	***	***	***	***	***	***	***	***
All import sources	23.2	25.5	27.5	28.1	27.7	4.2	2.3	2.0	(0.4)
U.S. importers' U.S. shipments of imports from.--									
China:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Nonsubject sources:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All import sources:									
Quantity	92,874	107,815	130,369	70,766	63,521	40.4	16.1	20.9	(10.2)
Value	202,810	208,773	238,790	124,552	125,999	17.7	2.9	14.4	1.2
Unit value	$2.18	$1.94	$1.83	$1.76	$1.98	(16.1)	(11.3)	(5.4)	12.7
Ending inventory quantity	***	***	***	***	***	***	***	***	***
U.S. producers':									
Average capacity quantity	492,124	490,930	498,739	249,969	248,468	1.3	(0.2)	1.6	(0.6)
Production quantity	355,485	355,041	361,652	182,179	193,894	1.7	(0.1)	1.9	6.4
Capacity utilization (fn1)	72.2	72.3	72.5	72.9	78.0	0.3	0.1	0.2	5.2
U.S. shipments:									
Quantity	322,648	318,215	330,394	167,097	169,259	2.4	(1.4)	3.8	1.3
Value	670,056	610,068	630,924	318,745	328,452	(5.8)	(9.0)	3.4	3.0
Unit value	$2.08	$1.92	$1.91	$1.91	$1.94	(8.0)	(7.7)	(0.4)	1.7
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	45,892	48,231	41,657	47,952	47,899	(9.2)	5.1	(13.6)	(0.1)
Inventories/total shipments (fn1)	***	***	***	***	***	***	***	***	***
Production workers	1,756	1,844	1,848	1,806	***	5.2	5.0	0.2	***
Hours worked (1,000s)	4,736	4,780	4,706	2,316	***	(0.6)	0.9	(1.5)	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Hourly wages (dollars per hour)	***	***	***	***	***	***	***	***	***
Productivity (pounds)	75.1	74.3	76.8	78.7	***	2.4	(1.0)	3.5	***
Unit labor costs	$0.25	$0.25	$0.26	$0.25	***	3.4	2.3	1.1	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Net income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
Unit net income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (fn1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***
Net income or (loss)/sales (fn1)	***	***	***	***	***	***	***	***	***

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.
fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires.