

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
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)
CERTAIN STEEL THREADED ROD) Investigation No.:
FROM CHINA) 731-TA-1145
)
 (Final)

Pages: 1 through 156

Place: Washington, D.C.

Date: February 25, 2009

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Wednesday,
February 25, 2009

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

The hearing commenced, pursuant to notice, at 9:32 a.m., before the Commissioners of the United States International Trade Commission, the Honorable SHARA L. ARANOFF, Chairman, presiding.

APPEARANCES:

On Behalf of the International Trade Commission:

Commissioners:

SHARA L. ARANOFF, CHAIRMAN (presiding)
DANIEL R. PEARSON, VICE CHAIRMAN
DEANNA TANNER OKUN, COMMISSIONER
CHARLOTTE R. LANE, COMMISSIONER
IRVING A. WILLIAMSON, COMMISSIONER
DEAN A. PINKERT, COMMISSIONER

APPEARANCES: (Cont'd.)

Staff:

BILL BISHOP, HEARINGS AND MEETINGS COORDINATOR
SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT
JOANNA LO, INVESTIGATOR
JEREMY WISE, INTERNATIONAL TRADE ANALYST
CRAIG THOMSEN, ECONOMIST
MARY KLIR, ACCOUNTANT/AUDITOR
PETER SULTAN, ATTORNEY
JIM McCLURE, SUPERVISORY INVESTIGATOR

In Support of the Imposition of Antidumping Duty Order:

On Behalf of Vulcan Threaded Products, Inc. ('Vulcan'):

WILLIAM D. UPTON, JR., President, Vulcan
ALAN D. LOGAN, Vice President, Operations, Vulcan
WILLIAM BUCKNER, National Sales Manager, Vulcan
GARY OSTERMUELLER, President and CEO, Watson Metal
Products Corporation
GREG IVERSON, President, Bay Standard Mfg., Inc.
ROBERT RODGERS, Vice President of Sales and
Marketing, Bay Standard Mfg., Inc.
PATRICK MAGRATH, Managing Director, Georgetown
Economic Consulting Services

FREDERICK P. WAITE, Esquire
KIMBERLY R. YOUNG, Esquire
Vorys, Sater, Seymour and Pease LLP
Washington, D.C.

In Opposition to the Imposition of Antidumping Duty
Order:

On Behalf of REX Co., LP ('REX'):

ROBERT WILLIAMS, Owner, REX

JOHN T. WILSON, Esquire
Kelly Hart & Hallman LLP
Fort Worth, TX

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P R O C E E D I N G S

(9:32 a.m.)

3 CHAIRMAN ARANOFF: Good morning. On behalf
4 of the U.S. International Trade Commission, I welcome
5 you to this hearing in Investigation No. 731-TA-1145
6 (Final), involving Certain Steel Threaded Rod from
7 China. The purpose of this investigation is to
8 determine whether an industry in the United States is
9 materially injured or threatened with material injury,
10 or the establishment of an industry in the United
11 States is materially retarded by reason of less than
12 fair value imports of subject merchandise.

Schedules setting forth the presentation of
this hearing, notices of investigation and transcript
order forms are available at the public distribution
table. All prepared testimony should be given to the
Secretary. Please do not place testimony directly on
the public distribution table. All witnesses must be
sworn in by the Secretary before presenting testimony.
I understand that parties are aware of the time
allocations. Any questions regarding the time
allocations should be directed to the Secretary.

Finally, if you will be submitting documents that contain information you wish classified as business confidential, your request should comply with

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1 Commission Rule 201.6.

2 Mr. Secretary, are there any preliminary
3 matters?

4 MR. BISHOP: No, Madam Chairman.

5 CHAIRMAN ARANOFF: Very well. Let us
6 proceed with the Petitioners' opening remarks.

7 MR. BISHOP: Opening remarks on behalf of
8 Petitioners will be given by Frederick P. Waite,
9 Vorys, Sater, Seymour and Pease.

10 MR. WAITE: Thank you, Madam Chairman,
11 members of the Commission. My name is Fred Waite from
12 the firm of Vorys Sater. I am here today on behalf of
13 the Petitioner in this investigation, Vulcan Threaded
14 Products, the largest producer of steel threaded rod
15 in the United States. Vulcan and two other American
16 producers are here today to talk about how dumped
17 Chinese imports have surged into the United States in
18 ever-increasing quantities, and devastated the
19 domestic industry.

20 During the period of investigation, imports
21 of threaded rod from China increased by more than 60
22 percent and seized more than one-half of the U.S.
23 market by selling at unfair prices. On Monday, the
24 Commerce Department announced the final results of its
25 phase of this antidumping investigation, and it

1 quantified the magnitude of the unfair pricing by the
2 Chinese threaded rod industry.

3 The Commerce Department found dumping
4 margins of 55 to over 200 percent for all Chinese
5 producers and exporters. Those dumping margins
6 explain how Chinese products consistently undersold
7 U.S. products throughout the period of investigation
8 by margins of underselling as high as 46 percent.
9 Threaded rod is a commodity-type product that is used
10 for various applications in commercial construction.

11 U.S. producers, importers and purchasers all
12 agree that threaded rod is primarily sold on the basis
13 of price, and that threaded rod produced in China is
14 interchangeable with threaded rod produced in the
15 United States. Given these facts, it is no surprise
16 that the flood of dumped Chinese imports has injured
17 the U.S. threaded rod industry. The prehearing staff
18 report confirms that American producers experience
19 significant declines in production, shipments and
20 capacity utilization rates from 2005 to 2007, and some
21 U.S. companies had to shut down production facilities
22 or otherwise curtail their operations.

23 The industry's workforce fell by 25 percent
24 as American workers lost their jobs to unfairly priced
25 imports from China. By contrast, Chinese imports

1 increased from a one-third share of the U.S. market in
2 2005 to more than one-half just two years later, an
3 increase of almost 15 percentage points. At the same
4 time, the U.S. industry's share of domestic
5 consumption fell by an almost identical 14 percentage
6 points.

7 There can be no question that China's growth
8 in the marketplace was at the direct expense of the
9 U.S. industry. By 2007, the future of the American
10 industry was very bleak indeed, but despite the
11 battering which the U.S. industry has taken from
12 imports from China, there has recently been a glimmer
13 of hope. Since this antidumping case was filed almost
14 one year ago, and especially since the Commission and
15 the Commerce Department made their preliminary
16 determinations, the pricing of Chinese imports has
17 begun moving toward fair value.

18 As a result, American producers have been
19 making more threaded rod in the United States, and
20 those U.S. producers that had been importing threaded
21 rod in order to remain competitive are importing less.
22 They are showing that in a fair market, they can
23 successfully compete with imports from China.
24 However, the revival of the U.S. threaded rod industry
25 is only beginning, and it is very fragile, especially

1 in these perilous economic times.

2 Without the remedy of an antidumping order,
3 these tentative gains will be overwhelmed by the
4 resurgence of imports from Chinese producers, who have
5 shown a single-minded determination to seize ever-
6 greater market share. That threat remains very real,
7 underscored by the fact that not a single Chinese
8 producer or exporter responded to the Commission's
9 questionnaires.

10 Only relief under the antidumping law will
11 restore fair pricing to the U.S. market and enable the
12 American threaded rod industry to recover from the
13 devastation caused by dumped Chinese imports. Thank
14 you.

15 CHAIRMAN ARANOFF: Thank you. As we don't
16 have any Respondents participating in today's
17 proceeding, we'll go directly now to the first panel.

18 MR. BISHOP: Madam Chairman, this first
19 panel in support of the imposition of antidumping duty
20 order have been seated. All witnesses have been
21 sworn.

22 MR. WAITE: Thank you again, Madam Chairman.
23 Our first witness will be Bill Upton, President of
24 Vulcan Threaded Products.

25 MR. UPTON: Good morning. My name is Bill

1 Upton, and I am the President of Vulcan Threaded
2 Products of Pelham, Alabama, the Petitioner in this
3 investigation. Vulcan was founded in 1978, and it has
4 become the nation's largest manufacturer and supplier
5 of low-carbon threaded rod. Our goal has always been
6 to help our customers succeed, and we believe in doing
7 whatever it takes to accomplish that goal.

8 We pride ourselves on providing quality
9 products and prompt, responsive service. From our
10 factory in Pelham, we serve customers throughout North
11 America. Last summer, we opened a distribution
12 facility in Virginia Beach to supply threaded rod,
13 studs, nuts and bolts of all types and specifications.
14 We also maintained warehouses and sales
15 representatives nationwide in order to meet the needs
16 of our customers.

17 Demand for our products, particularly low-
18 carbon steel threaded rod, is linked to the commercial
19 construction market. This has been a strong market
20 for the last several years, until a general slowdown
21 began in the fourth quarter of 2008. Of course, this
22 is in stark contrast to the residential housing
23 market, which collapsed in mid-2007 due to the
24 mortgage crisis and has been depressed ever since.

25 Lucky for us, very little threaded rod is

1 used for residential housing. Commercial construction
2 has been doing well, and demand for threaded rod
3 actually increased from 2005 to 2007, even during the
4 first nine months of 2008. Unfortunately, Chinese
5 imports have been the primary beneficiaries of this
6 demand. The volume of imports of threaded rod from
7 China has increased substantially over the last few
8 years.

9 Historically, imports accounted for less
10 than 5 percent of the total U.S. demand, but imports
11 from China began increasing dramatically in 2002. The
12 Commission staff found that by 2005, imports from
13 China had grown to more than 53 million pounds, and
14 that by 2008, they had increased to almost 86 million
15 pounds. That's an increase of over 60 percent. The
16 Commission staff also reported that Chinese imports
17 have seized more than half of the U.S. market at the
18 expense of American producers like the three companies
19 represented on this panel.

20 This huge increase in imports from China and
21 their unfair pricing has had an extremely destructive
22 impact on the U.S. industry. Domestic producers have
23 had to decrease their U.S. production, and some have
24 had to shut down part of their operations. At the
25 same time, some U.S. producers began to import certain

1 threaded rod products from China in order to remain
2 competitive in the U.S. market.

3 Even Vulcan imported some threaded rod from
4 China in 2007. We made this decision for two reasons.
5 First, we wanted to evaluate the Chinese product
6 ourselves to see whether there were any quality
7 differences. Second, we imported threaded rod from
8 China to help one of our customers compete with other
9 Chinese imports. The prices offered for Chinese
10 material are often below our cost of materials. Other
11 than the one shipment that we bought in 2007, we have
12 not imported any other threaded rod from China, and we
13 don't have any plans to import any more.

14 We are a domestic producer of threaded rod,
15 and we want to make our products right here in the
16 United States. The effect of the Chinese imports on
17 our company's operations has been terrible. From the
18 beginning of 2005 until we filed the case in March of
19 2008, Vulcan experienced declines across the board in
20 our production levels, our sales volume and our sales
21 values.

22 Our capacity utilization dropped, and we
23 also had declining employment in our threaded rod
24 division. All of these negative developments for our
25 company were due to the enormous increase in volume of

1 Chinese imports and their dramatically low prices.
2 Between 2005 and 2007, our production fell by 11
3 percent. The impact on our bottom line was
4 devastating. If the Chinese product was fairly priced
5 rather than dumped, we would not have been losing
6 sales and we would not have been forced to drop our
7 prices to try to compete.

8 The Commission staff found that our
9 experience was shared by the rest of the U.S.
10 industry. From 2005 to 2007, overall capacity fell by
11 more than 12 percent and production dropped by more
12 than 18 percent. Shipments of threaded rod by
13 domestic producers plunged more than 20 percent during
14 the same period. As an industry, we had to lay off
15 good and loyal employees. Our workforce declined by
16 25 percent during this period.

17 We could not let this trend continue, so we
18 filed this case to force the Chinese to price their
19 products fairly. It's been almost one year since we
20 filed our petition, and during this time, I've seen
21 the beginning of a revival of the U.S. threaded rod
22 industry. Our production and shipments have increased
23 when compared to the period before the petition was
24 filed.

25 Our capacity utilization rate has increased

1 to the highest level in the entire period looked at by
2 the Commission. These early positive signs would not
3 be happening if it were not for the Commission's
4 preliminary determination in this case. However,
5 without an antidumping order against China, this
6 fragile recovery will be short-lived. History shows
7 me that without meaningful relief for our industry,
8 Chinese producers will again flood the U.S. market
9 with dumped imports.

10 We are in uncharted waters in the current
11 economic environment, but we know that if the Chinese
12 are allowed to continue to dump, that we will have no
13 future as U.S. producers of threaded rod. I look
14 forward to responding to any questions that you may
15 have. Thank you.

16 MR. LOGAN: Good morning. My name is Alan
17 Logan and I am the Vice President of Operations for
18 Vulcan Threaded Products. I have been employed by
19 Vulcan since 1985 and have worked in threaded rod
20 sales and operations for over 20 years. At Vulcan, we
21 produce and inventory threaded rod in a wide variety
22 of materials, threads and finishes, including, of
23 course, all seven products on which the ITC requested
24 pricing data.

25 We also produce and stock a large selection

1 of anchor bolts, U-bolts, and turned and bent eye
2 bolts. Our daily production includes threaded
3 products such as double-end, single-end and fully
4 threaded studs. We have brought with us today some
5 samples of low-carbon steel threaded rod, which is the
6 subject of this investigation. We have samples of
7 each of the diameters represented by the Commission's
8 pricing products: a 3/8-inch diameter zinc-plated,
9 which are products 1 and 4; a 1/4-inch diameter zinc-
10 plated, which is product 2; a 5/8-inch diameter hot-
11 dipped galvanized, which is product 3; a 1/2-inch
12 diameter zinc-plated, which is product 5; a 3/4-inch
13 diameter plain, which is product 6; and an 1 1/4
14 diameter plain, which is product 7.

15 These are all low-carbon, fully threaded
16 products. We call them fully threaded because the
17 threads run along the entire length of the product. I
18 estimated during the staff conference that the 3/8-
19 inch product accounts for approximately 60 percent of
20 the U.S. market in low-carbon. I was referring to the
21 3/8-inch diameter product in all finishes and lengths,
22 not just the pricing products which are 10-foot and 6-
23 foot.

24 The single most popular specification
25 ordered by our steel threaded rod customers is pricing

1 product 1, which is the 3/8-inch zinc-plated rod in
2 10-foot length. While you pass these samples around,
3 let me describe how the product is made and how it's
4 used. First, our primary raw material is wire rod.
5 We buy low-carbon grades from 1006 to 1018. For some
6 larger diameter products, we use bar, rather than wire
7 rod, as our input, but the production process is the
8 same either way.

9 We descale to remove the surface scale, then
10 we cold draw the rod, straighten it, and cut it to
11 length. Cold drawing and straightening the wire rod
12 ensures that it is round, properly sized in terms of
13 the desired diameter, and capable of being fed through
14 our threading machines. Next, the steel is fed
15 through the threading machine, which forms the
16 threaded grooves along the length.

17 We use a process known as thread rolling,
18 which pushes the steel out of the valleys and into
19 peaks, forming the threaded grooves. This process
20 does not involve cutting the steel, so there is no
21 scrap or waste. Finally, the threaded rod is either
22 coated with a plain oil finish in the threading
23 process, or is galvanized using either zinc plating or
24 a hot-dipped galvanizing process.

25 Vulcan does not have its own zinc line.

1 Instead, we outsource this function to two companies
2 that provide zinc plating and galvanizing services.
3 The most common applications for threaded rod are in
4 commercial construction to suspend things like
5 electrical conduit, pipes for plumbing, HVAC ductwork,
6 and sprinkler systems for fire protection. Normally,
7 one end of the threaded rod is fastened to the ceiling
8 and the other end is fastened to the support that is
9 holding the pipes or ductwork or sprinkler system.

10 Almost all threaded rod sold in the United
11 States is sold through distributors. Vulcan sells all
12 of its threaded rod products to distributor customers.
13 There are several master distributors that have become
14 importers of threaded rod from China. These companies
15 sell to other smaller distributors throughout the
16 country. They used to buy domestic, but now most sell
17 only Chinese threaded rod.

18 Their decision to buy imports have nothing
19 to do with product quality or availability. All they
20 are concerned with is the lowest price. As China took
21 more and more market share, Vulcan was forced to lower
22 our selling prices to meet the Chinese price in order
23 to retain customers. Because threaded rod is a
24 commodity product, low-priced imports from China
25 reduced our business with longstanding customers, and

1 in many cases, we lost entire accounts to Chinese
2 imports.

3 Vulcan reached a low in pricing and
4 profitability during the last quarter of 2007 and the
5 start of 2008. Two events occurred during the first
6 quarter of 2008 that totally changed our market.
7 First and foremost, we filed this antidumping case
8 against threaded rod imports from China. Shortly
9 after that, the Commission made its affirmative
10 preliminary determination.

11 These had the immediate effect of causing
12 several of the major importers, including Proteus and
13 Heads and Threads, to raise their prices and
14 communicate to the market that imports from China
15 would be curtailed. The second thing that happened
16 was the beginning of a sudden and dramatic rise in the
17 price of steel worldwide. The increase in steel cost
18 was so dramatic that we had no choice but to raise our
19 prices accordingly.

20 This would not have been possible without
21 this case. With so much Chinese threaded rod in the
22 market, we would not have been able, in the absence of
23 this case, to raise our prices fast enough to cover
24 our increased raw material cost. In September 2008,
25 we experienced a sharp drop in sales coinciding with a

1 decline in general economic activity, even in the
2 commercial construction market.

3 We would probably be facing the possibility
4 of having to close our plant if not for the positive
5 effects of this case. We firmly believe that unless
6 an antidumping order is issued against imports from
7 China, the Chinese manufacturers of threaded rod will
8 use this worldwide business recession as an
9 opportunity to increase their dumping into the U.S.
10 market.

11 Even in a down economy, we are still
12 competing against Chinese import inventories here in
13 the U.S. There seems to be no limit to China's
14 capacity to produce and export threaded rod to the
15 U.S., and no bottom to their pricing. Without a
16 dumping order, Chinese imports will come flooding back
17 into our market at unfairly low prices, and it is
18 unlikely that we or any other American producer would
19 be able to withstand the impact of their continued
20 dumping.

21 Thank you, and I look forward to any
22 questions you may have.

23 MR. OSTERMUELLER: Good morning. My name is
24 Gary Ostermueller. I am President and CEO of Watson
25 Metal Products Corporation, a U.S. producer of steel

1 threaded rod in Kenilworth, New Jersey. I have been
2 following this case with intense interest, and I
3 appreciate the opportunity to appear before you today
4 to discuss what imports from China have done to the
5 U.S. industry and my company in particular.

6 First, I would like to give you some
7 background about Watson Metal Products. The company
8 was founded in 1946, and we recently celebrated 60
9 years of service to the fastener and construction
10 trade. We supply threaded rod primarily to customers
11 throughout the Northeast and Mid-Atlantic states and
12 also sell to customers in the Southeast and Midwest.
13 Our customers are distributors who sell threaded rod
14 to end users in the commercial construction sector and
15 some master distributors who sell to smaller
16 distributors.

17 Our product offerings can be categorized
18 into four general types of products: number one,
19 threaded rod; two, bent products such as anchor bolts
20 and U-bolts; three, studs, specials, which include
21 single and double-end threaded rods, and also fully
22 threaded rods in non-standard lengths; and finally,
23 concrete accessories. Prior to 2007, we had two
24 manufacturing facilities, one in Petersburg, Virginia,
25 and our main location in New Jersey.

1 We opened the plant in Virginia in 1994 as a
2 high-volume, efficient, threaded rod manufacturing
3 facility, which included a new state-of-the-art
4 electroplating line. However, by the end of 2006, we
5 were forced to make the difficult decision to close
6 the plant in Petersburg, which we did in early 2007.
7 We now manufacture steel threaded rod only in our
8 plant in New Jersey.

9 The decision to close our Petersburg plant
10 was a direct result of import competition from China
11 selling threaded rod at prices below our cost. We
12 tried everything to keep this plant in operation,
13 including selling some imported products from China
14 ourselves in order to compete with the growing volume
15 of imports in the market.

16 At the same time, we continue to produce
17 significant volumes of threaded rod, but we were
18 selling at lower and lower margins. In hindsight, we
19 thought that increasing our total sales, including
20 selling Chinese imports, would help make up for the
21 declining margins in our domestic sales.

22 But after several months, we realized that
23 this approach was not working. We couldn't drop our
24 selling prices low enough to maintain sufficient sales
25 to compete with the Chinese import to pricing.

1 Before imports from China flooded into our
2 market, Watson Metal Products could not make threaded
3 rod fast enough for the expanding market that we
4 served. Our manufacturing and plating operations were
5 working 20 hours a day. Still our customers were
6 asking for more product.

7 We survived the steel shortage of 2003 and
8 2004, when we were put on allocation by the domestic
9 wire rod mills, and we continue to make as many sales
10 as we could. We even finished with a profit at the
11 end of 2004 and 2005.

12 When we closed our Petersburg plant in 2007,
13 we were forced to lay off 30 employees. At one point,
14 we had almost 50 people working in Petersburg, but
15 that was before the dumped Chinese imports flooded
16 into the market.

17 When we shut down, we sold most of our
18 equipment at a loss, and we also sold the building.
19 We were able to relocate the remaining equipment to
20 our plant in New Jersey, where we still make threaded
21 rod, but in greatly reduced volumes.

22 In order to survive, we changed our product
23 mix and adjusted our machinery capacities, but
24 customers were always looking for the lowest priced
25 threaded rod, since quality and functionality are the

1 same regardless of whether the product comes from
2 China or the United States.

3 As a result, China's imports have rapidly
4 increased their market share. Since this case was
5 filed many things have changed. Immediately after
6 Vulcan filed their petition, we saw prices for
7 threaded rod begin to improve. Importers of Chinese
8 threaded rod also increased their prices in
9 anticipation of the dumping margins which were
10 announced in November of last year.

11 Watson was finally able to raise our selling
12 prices for the first time in a while. The timing was
13 critical because it came at the same time as our steel
14 costs were increasing significantly. I am convinced
15 that we would not have been able to raise our prices
16 to cover these increased steel costs if not for this
17 dumping case.

18 The significant benefits of this case for
19 Watson is why we support this petition and why I am
20 here today. Thank you again for allowing me to appear
21 before you today. I would be happy to answer any
22 questions you may have.

23 MR. IVERSON: Good morning. My name is Greg
24 Iverson, and I am President of Bay Standard
25 Manufacturing, in Brentwood, California. With me

1 today is Robert Rodgers, who is Vice President of
2 Sales and Marketing for the company.

3 Bay Standard was founded in 1959 by Gerhardt
4 Landgraft, and his son, who started the business out
5 of their garage. At that time the company was
6 producing bumper reinforcements and luggage racks for
7 Volkswagen.

8 Mr. Landgraft went on to design car top
9 carriers for surfboards and Bay Standard became the
10 largest manufacturer of these car racks in the United
11 States. It wasn't until 1974 that circumstances led
12 the company to begin producing steel threaded rod.

13 Bay Standard has been a U.S. manufacturer of
14 threaded rock for over 30 years. We have many types,
15 sizes, and finishes from which to choose. Threaded
16 rod is one of our main products, and it continues to
17 account for the largest portion of our steel
18 consumption each year.

19 In addition, we manufacture and stock
20 foundation bolts, studs, and thousands of other cold
21 form fasteners and related items. We also operate our
22 own zinc plating facility. Through years of
23 environment changes, our plating plant has been
24 transformed into a state-of-the-art closed loop
25 facility.

1 We distribute our products from over 100
2 thousand square feet of warehouse space throughout the
3 western half of the United States, in California,
4 Oregon, Nevada, Utah, Colorado, Arizona, and Hawaii.

5 For over the past five years, we have seen
6 demand for our domestic products steadily decline
7 because customers want the cheaper imported product
8 from China. It is all about price. It always has
9 been and always will be.

10 We tried to compete with China in the
11 beginning and we could. We started monitoring the
12 prices and watched it erode far below our raw material
13 costs, sometimes 30 percent or more lower. We battled
14 cheap dumped steel prices and non-regulated zinc and
15 hot tip galvanized process.

16 As a result our production diminished to the
17 point that it was necessary to import threaded rod
18 ourselves from China in order to retain our customer
19 base and market share. We held out as long as we
20 possibly could, but we felt that we had no other
21 choice. We started bringing in just the core volume
22 items that we lost to the importers, like quarter,
23 three-eights, and half-inch diameter by 10 foot
24 lengths, leaving all the other sizes to internal
25 manufacturing to help maintain our capacity and

1 sustain our production employees.

2 As demand grew importers started bringing in
3 the full size of ranges, including cut sized studs.
4 These are non-standard sized and lower volume products
5 that are still produced domestically. But even for
6 more of these specialty products the import price was
7 well below the U.S. price.

8 The importers expanded their threaded rod
9 line to include the full range of common sizes, making
10 it impossible to compete and maintain our customer
11 base. We were forced to expand our import line to
12 retain the customer based. This created even more
13 obstacles from the steel mills that supply rod for our
14 domestic production.

15 The mills have minimum rolling requirements,
16 requirements that previously were easily met with our
17 production output. But as our manufacturing output
18 diminished, the ability to meet the mill minimums,
19 typically 75 to a hundred ton on some sizes, became
20 extremely hard to meet. That is 150 and 200 thousand
21 pounds per size that we would be required to order.

22 So now not only are we required to purchase
23 the import containers and maintain service levels, but
24 to remain in the domestic gain, we have to maintain
25 high raw material levels, forcing us to increase our

1 inventory expense.

2 To add to our frustration the number of
3 companies selling threaded rod from China also
4 expanded directly. For example, companies in
5 completely different industries started importing
6 threaded rod from China and selling it to our
7 customers.

8 These are companies that already had an
9 import chain established. A recent example of this is
10 Prime Source, a foreign-owned company that is
11 primarily known for nails, staples, and screws. Prime
12 Source discovered the import opportunity in threaded
13 rod, and they imported in large quantities from China,
14 and they sold to customers in the U.S. at very prices.

15 Threaded rod was just an add-on item for
16 them, and so they sold at very low margins. We also
17 saw many of our larger customers especially those that
18 were well financed, quit buying our domestic product,
19 and start importing direct from China.

20 With some customers, we lost business
21 completely because they started going direct and
22 bringing in the material from China themselves. For
23 example, we used to supply threaded rod to the primary
24 supplier of Home Depot, but imports were so cheap that
25 this customer now imports directly from China and

1 supplies Home Depot.

2 With other customers, we were
3 forced to lower our domestic price and try to match
4 the import price. Eventually, we lost these customers
5 to imports, too, until we started offering the
6 imported product ourselves, but in some cases, we even
7 lost those customers because they started importing
8 directly from China.

9 At a recent fastener show in Las Vegas, we
10 found dozens of suppliers soliciting thread to all
11 passerbys. This was in November after the original
12 duty was imposed, many suggesting ways to avoid the
13 current duties. These are very aggressive and rules
14 mean nothing to many of them.

15 That should suggest something about the
16 commitment to quality and standards as well. Many of
17 our competitors realized the risk and take all due
18 measures to ensure fastener compliance. But fastener
19 compliance means nothing to the dabblers not in our
20 industry looking for a quick sale.

21 I understand that some distributors of
22 imported rod have claimed that China cannot meet the
23 A-36 specification, and therefore they claim that this
24 is a protected market for the U.S. producers.
25 Unfortunately, this is not true. The A-36 standard is

1 a raw materials specification, not a finished product
2 standard.

3 When a customer specifies A-36, they are
4 requesting that the raw based product meet the
5 specification. Less than five percent of Bay
6 Standard's customers specify A-36 when they place
7 their orders.

8 Although imports from China cannot be
9 certified to this specification, they can be tested to
10 determine if the properties of scale meets the A-36
11 standards. We have received threaded rod from China
12 that has come into the U.S. labeled as A-36. When we
13 tested these products, some of them met the mechanical
14 standard for A-36 and some did not.

15 Our experience is that although there are
16 many quality conscious exporters in China, there are
17 also many who will certify and label the product to
18 meet whatever the importer requests, regardless if it
19 meets that cert or not.

20 Now that I have talked about the impact of
21 imports from China have on our market, I want to
22 briefly mention the positive impact that this case is
23 having. In the short term, we have been able to
24 regain some business. Immediately after the case was
25 filed, Proteus ceased doing business in threaded rod

1 to evaluate their stance during that time.

2 During that time, Bay Standard was able to
3 capitalize on their temporary absence from the market
4 and recapture additional business. When the dumping
5 margins were announced at the end of last year, some
6 customers who had shifted entirely to imports came
7 back to us for some of their business, and we are
8 gaining more customer loyalty every month. That
9 concludes my testimony. Both Rob Rodgers and I are
10 available to respond to your questions.

11 DR. MAGRATH: Mr. Bishop, could I have a
12 time check, please.

13 MR. BISHOP: You have 35 minutes remaining.

14 DR. MAGRATH: Mercifully I will not take
15 that time. Good morning members of the Commission,
16 Commission staff, ladies and gentlemen. My name is
17 Patrick Magrath, Georgetown Economic Services. I am
18 here on behalf of Vulcan Threaded Products, the
19 domestic producer of steel threaded rod and the
20 Petitioner in this case.

21 At the preliminary staff conference held
22 last March, Vulcan was the lone representative of the
23 U.S. industry. Today as you can see, two other U.S.
24 producers are represented, and we are heartened to
25 state that on their questionnaire responses almost all

1 domestic producers have supported Vulcan in its effort
2 to restore fair pricing to the U.S. market.

3 Their support is also recognition of the
4 beneficial impact the preliminary determinations of
5 this Commission and the Department of Commerce have
6 already had on the industry. The positive reversal
7 seen in prices and other indicators in the last three
8 quarters stand in sharp contrast to the declines in
9 the majority of the period of 2005 to 2007.

10 You heard from Mr. Ostermueller of Watson,
11 which had to close its dedicated threaded rod
12 manufacturing plant in Petersburg, Virginia, in 2007,
13 and sell off its threaded rod manufacturing equipment,
14 or as you have heard from Mr. Iverson of Bay Standard,
15 which has had to cut its U.S. production back and
16 begin to import itself in a survival strategy to
17 compete with other imports from China.

18 This case has served as a lifeline to the
19 sinking U.S. industry. Bay Standard is not alone in
20 adopting this survival strategy. Several U.S.
21 producers were forced to import from China to combat
22 China and to stay in business.

23 Yet, even as they imported from China, and
24 some of these companies imported in substantial
25 volumes, none of them preferred to import. Please

1 read the questionnaire responses. I note again their
2 support of this petition, despite the fact that they
3 will have to pay duties if this case is affirmed.

4 It is just that the import deluge from China
5 was so sudden and so massive that U.S. producers felt
6 they had little choice, and as is usually the case,
7 when we see a huge influx of unfairly priced imports
8 in a commodity product market, some firms did not
9 survive.

10 The Commission's data gathering effort is
11 hampered by a survivor bias, or as we have previously
12 referred to it, "Dead Men Tell No Tales."
13 Specifically, there was one U.S. producer that was by
14 Vulcan's estimate a major U.S. producer of CSTR within
15 the period, who has been unable to provide data to
16 this investigation due to its enervated condition.

17 The inclusion of that formerly major
18 producer's data to the injury database would certainly
19 result in an even more bleak, albeit more
20 comprehensive, picture of the industry's condition
21 that is already present in the staff report.

22 The data from this producer and another
23 producer hopefully will be added to the story of
24 Watson's closure of the Petersburg facility, as well
25 as the uniformed decline of the entire industry up to

1 the filing of this case.

2 We respectfully request that the
3 Commissioner keep at the forefront this survivor bias
4 when analyzing the level in terms of statutory factors
5 as presented in the pre-hearing report. In other
6 words, as bad as the staff report makes the industry
7 condition out to be, it is in fact worse.

8 The issue of survivor bias is not the only
9 data issue we have in this case unfortunately.
10 Another problem for the commission and staff is how to
11 count the volume of imports and apparent consumption.

12 Low carbon threaded steel rods were until
13 July 2008 in a basket import category containing other
14 carbon and alloy steel studs, many products, steel
15 long products, into which various threads have been
16 cut or otherwise worked.

17 Since July, we have had a relatively clean
18 breakout of the subject products in the HTS, but for
19 the great majority of the period there have been no
20 reliable data using official import statistics.

21 For the preliminary and pre-hearing reports
22 then the staff used data reported in import
23 questionnaire responses to estimate the volume and the
24 value of subject imports in market shares.

25 Yet official import statistics overestimate

1 the volume in the market share of imports, which we
2 readily acknowledge. Unfortunately the use of only
3 questionnaire responses results in the opposite
4 problem, an underestimation of imports and import
5 market share, a result that staff acknowledged at the
6 staff conference.

7 To this point in the final investigation
8 subject import data are compiled from only 25
9 responses of 99 importers questionnaires that were
10 sent out. Although some major importers, such as
11 Proteus, have provided data, our industry
12 representatives here know of several major importers
13 who have not replied.

14 One example is International Fasteners in
15 Tampa, who replied in the preliminary investigation,
16 not in the final. Another is Hodell-Natco in St.
17 Louis, Reno, and other locations, a very large
18 importer of this products. We will supply a larger
19 list in our post-hearing brief.

20 We understand the staff's collection
21 problems, I better than most. We understand the
22 staff's collection problems here,. and know that they
23 will energetically pursue more complete compliance,
24 but we wanted to emphasize what are in all probability
25 substantial underestimates in the import volume

1 metrics, so that the Commission will keep the
2 following data in context.

3 As the record now stands, subject imports
4 rose from 53 million pounds in 2005 to almost 86
5 million pounds in 2007, or by 61 percent. In the
6 interim 2008 period, questionnaire responses show
7 subject imports rose yet again to 69.8 million pounds,
8 a 20 percent increase over interim 2007.

9 These sizeable increases in the absolute
10 volume of subject imports were mired in the gains in
11 Chinese market share as chart one shows. The Chinese
12 share of the U.S. market increased from an already
13 significant 37.3 percent in 2005 to 44.4 percent in
14 2006, and 52.0 percent in 2007.

15 Even in the latest period in which much has
16 turned around for the U.S. industry, Chinese market
17 share continued to increase to 52.4 percent of the
18 U.S. market, and those shares are, keep in mind, a
19 compilation of only 25 percent, one quarter, of known
20 importers.

21 Concurrent with these substantial increases
22 in subject import absolute volume and market share,
23 imports from other sources as you can also see from
24 chart one remained a minor factor in the U.S. market,
25 with their small share declining marginally from 6.9

1 percent in 2005 to only 5.4 percent in interim 2008.

2 That is also chart one.

3 So what these pie charts show then is that
4 the large increases in Chinese market share come
5 almost totally at the expense of the share of U.S.
6 producers. On a numbers basis the Chinese gain 15.1
7 absolute percentage points over the period; whereas
8 the U.S. industry lost 13.7 points.

9 With rapidly rising market share topping out
10 at well over one-half of the U.S. market in interim
11 2008, the volume of subject imports, even though they
12 are certainly underestimated as you see them before
13 you, the volume absolutely and relatively is
14 significant.

15 Now the only way for the Chinese, or any
16 supplier in a commodity market for that matter, to
17 gain so much market share so fast is by extensive low
18 pricing. How extensive? The preliminary
19 determination found underselling by the Chinese
20 product in 36 of 36 price comparisons.

21 In their preliminary brief the Respondents,
22 wherever they are, cried foul and said the Petitioners
23 had intentionally misrepresented the market, and
24 insisted that the Commission add two products to the
25 pricing list.

1 The result was Chinese underselling and this
2 final investigation found in 96 of 105 comparisons, a
3 mere 91 percent of those comparisons. I guess the
4 Respondents were right. From one of the products the
5 Respondent specified, product seven, and that was one
6 that they insisted on having here and have the
7 Commission collect data, there was Chinese
8 underselling in 15 of 15 possible comparisons.

9 This pervasive underselling is summarized in
10 Chart Two. Average margins raise from 8.3 to 31.0
11 percent, and again the 31 percent was from Product
12 Seven, the Respondent's choice. We tried to gain this
13 in the preliminary, and we didn't do a very good job.

14 Especially in a commodity product market
15 these margins of underselling are huge. The period of
16 investigation was a period of rising raw material
17 costs worldwide as the staff report well notes. As to
18 the issue of price suppressive and depressive effects
19 of imports, what we can point to in this public forum
20 are two statements from the public pre-hearing report.

21 On the price trends of wire rod, which is
22 CSTR's input material, "The price of carbon steel wire
23 rod decreased in early 2005 before gradually
24 increasing until the end of 2007." That is on the
25 page V-I report.

1 Contrast that with the staff's observations
2 just a few pages later on the price trend of the
3 subject product, CSTR V-8, "Overall prices of U.S.
4 produced threaded rod decreased from the first quarter
5 of 2005 to the third quarter of 2007, and in general
6 prices of products imported from China show a similar
7 pattern to the prices of the U.S."

8 In sum, we have the prices of the finished
9 threaded rod. Two-thirds, 67 percent, of the total
10 cost of goods sold according to the staff report,
11 "gradually increasing until the end of 2007", while
12 concurrently the prices of CSTR were decreasing from
13 the beginning of the period, all the way through to
14 the end of 2007.

15 This is clear price depression.

16 Couple that with the background finding that
17 price is a very important factor in purchasing
18 decisions. That phrase is found several times in the
19 pre-hearing staff report in Section 2 of the report,
20 and the explanation for China's rapid increase in
21 imports and market share is clearly evident.

22 We will provide text and charts
23 demonstrating both price depression and in 2008 price
24 suppression by subject imports in our post-hearing
25 brief, but aren't doing it here because of the time.

1 The underselling, the depression of producer
2 prices, and volume increases of subject imports, had a
3 predictable impact on U.S. operations over the period,
4 and if I can refer you and the staff to Chart 3.

5 As you can see by this summary chart, almost
6 all domestic trade data customarily reported to the
7 Commission in Title VII investigations showed declines
8 from 2005 to 2007. Both the production appear and the
9 capacity of U.S. producers fell in that period. Since
10 production fell faster than capacity, capacity
11 utilization also declined.

12 Employment declined as well by 25 percent,
13 which was the biggest decline of all the trade
14 variables collected in the staff report. Capacity
15 utilization as you can see was anemic, under 60
16 percent throughout the period of investigation.

17 All these declines, we must remind the
18 Commission, were against the backdrop of a healthy
19 overall market for CSTR. Demand rose each year, 2005
20 to 2007, and rose again in the interim period. As for
21 the interim period, January through September of 2007,
22 versus 2008, with imports from China still increasing,
23 the build up in importer inventory and the sudden
24 decline of the economy just at the very end of the
25 period of investigation, industry trade variables have

1 turned around, although some just barely. And I hope
2 that you have Chart 4, which is a bar chart.

3 As to the financial data collected by the
4 Commission, it is entirely APO protected. Even the
5 general trends are protected. So I will have less fun
6 with the graphics in this discussion, which will be
7 very brief.

8 As could be predicted, however, and as you
9 have heard from industry witnesses already, the volume
10 and prices of unfair Chinese imports had a devastating
11 impact on the U.S. industry, a negative impact that
12 would worsen if data from the two remaining producers
13 are received and compiled.

14 We know that the staff is trying hard to
15 collect this data, but as the data already compiled
16 stand, we feel that the Commission's preliminary
17 determination is corroborated, that the Commission
18 stated, "The increase in subject imports and their
19 adverse effects on U.S. prices have caused decline in
20 the domestic industry's trade, employment, and
21 financial performance over the period of
22 investigation." That is the preliminary determination
23 at page 30.

24 Now as we have noted there is almost no
25 financial data or trends that are made public.

1 However, we did want to talk about the beneficial
2 impact of this case on the industry following the
3 filing of the case.

4 To the extent the ITC observes any
5 improvement in the industry's financial condition in
6 your APO dataset, it is due to the pendency of this
7 case. With the precipitous drop in the economy that
8 began as the period of investigation ended, right in
9 September and October of 2008, the value of this case
10 for the U.S. industry has only increased and become
11 only more important for this industry.

12 These guys sure aren't going to be saved by
13 general market conditions anytime soon. We can't show
14 any industry-wide data, but we can show data from
15 Vulcan, the Petitioner, with their permission, of
16 course.

17 Vulcan, we feel, is certainly representative
18 of the industry as its data comprise a sizeable share
19 of U.S. production and sales. Chart 5 summarizes the
20 effect of the filing of this case and the ITC
21 affirmative preliminary had on Vulcan threaded
22 products.

23 This case was filed on March 5, 2008. The
24 ITC preliminary was on April 18, 2008. You can
25 readily see here the dramatic upswing in sales, and

1 the equally dramatic change from operating loss, which
2 Vulcan had suffered in the previous five months, to a
3 total change to operating profit beginning in May of
4 2008, about seven weeks after the case was filed.

5 A note to staff. The data on which this
6 chart was based was given to Ms. Klir at verification.
7 All we have done, Ms. Klir, is broken the data out by
8 month. Vulcan will of course provide these data in
9 the post-hearing brief.

10 But may I say, and I have been doing these
11 kinds of analyses for a long time, look at the change
12 in this industry. Look at the change that this case
13 and the affirmative preliminary determinations by this
14 Commission and Department of Commerce have brought.
15 There is nobody on the Commission or the Commission
16 staff that should think what they do isn't important.

17 As to the issue of threat of injury, we wish
18 to present the following chart on Chinese capacity to
19 produce steel threaded rod, and that is Chart 6. The
20 next chart, Vanna, on the threat factor of Chinese
21 capacity utilization, in order to examine the ability
22 of the Chinese to increase import supply into the U.S.

23 Finally, we would like to examine the share
24 of Chinese shipments devoted to exports to the United
25 States and their trend, versus those going to their

1 domestic market in order to draw conclusions as to the
2 Chinese ability to ship current production to the U.S.
3 market, an important threat factor.

4 In conclusion, well, you get the point. To
5 our knowledge, the Commission's efforts to collect
6 data from Chinese rod producers that would provide
7 information relevant to these threat factors have been
8 totally ignored.

9 This refusal to supply data is doubly
10 egregious in that both named Chinese respondents,
11 producer respondents in the Commerce proceeding, IFI
12 Morgan and Ningbo, both major Chinese producers of
13 this product, provided copious data, and cooperated
14 with the Department of Commerce in its companion
15 investigation.

16 As it stands the petition listed over 400
17 producers and exporters of threaded rod in China.
18 That is in Exhibit 6 of our petition. The Commission
19 has received data from zero, none, of them to this
20 point to our knowledge.

21 Again, we encourage the beleaguered staff to
22 continue to collect Chinese data. Any data will do.
23 In the meantime, the Petitioners requested that the
24 Commission draw the obvious conclusion, that the U.S.
25 industry is currently injured and threatened with

1 further imminent injury by unfair imports of threaded
2 rod from China.

3 Now I close out this terribly longwinded
4 testimony. We want to help the Commission in its
5 threat analysis, since the Chinese can't seem to be
6 bothered, by making two points. First, we want to
7 reiterate that any improvement in the industry is
8 fragile due to the wall the economy hit late last
9 year.

10 The credit crisis has had the predictable
11 impact on the commercial construction market, the
12 chief end-market for threaded rod, and as a matter of
13 fact, its other end-markets in construction as well.

14 That fragility is well illustrated by the
15 huge increase in domestic producers inventories at the
16 very end of the period of investigation, September 30,
17 2008, which are up a whopping and very worrisome 77.5
18 percent between the interim periods.

19 Second, and finally, we will provide data in
20 our post-hearing brief on Chinese pricing of threaded
21 rod in Canada during 2008. These prices will show the
22 Commission what would have happened in the United
23 States market absent the filing of this case and the
24 preliminary determinations.

25 One last thing. We would like to thank the

1 staff for its excellent report. The failure of
2 important parties to provide data is not a reflection
3 on the staff's efforts, which I know personally to be
4 diligent.

5 We just felt that we had to highlight these
6 holes in the record in order for the Commission to
7 keep what foreign data they had on the record in
8 context. Thank you for your attention. Thank you,
9 staff.

10 MR. WAITE: Madam Chairman, that concludes
11 our presentation, and the members of the panel are
12 available to respond to any questions from you and the
13 other Commissioners. Thank you.

14 CHAIRMAN ARANOFF: Thank you very much. And
15 welcome to the entire panel. Thank you for taking
16 time away from your businesses to join us here today.

17 When we look at a new industry, and this is
18 one we haven't really looked at before, it is
19 incredibly helpful to us to have all of you here
20 because there is no better way to learn about a
21 business than from the people who are there in that
22 business day-to-day. So thank you again. We are
23 going to start the questioning this morning with
24 Commissioner Williamson.

25 COMMISSIONER WILLIAMSON: Thank you, Madam

1 Chairman, and I too want to thank the panelists for
2 their testimony today. It is very helpful, and I
3 thank them for taking the time to come here today.

4 I first wanted to question about the
5 difference between domestic and imported threaded rod,
6 and I particularly wanted to know are there
7 differences between the way that certain threaded road
8 is produced in the United States, and in China, and in
9 India, and if so, what are the differences? Would you
10 care to raise that?

11 MR. UPTON: I am Bill Upton, and no, they
12 produce it in the same manner. They use the same type
13 thread rolling equipment, et cetera.

14 COMMISSIONER WILLIAMSON: Okay. Fine. Does
15 anyone else want to add to that? Thank you. Mr.
16 Iverson, I think you stated in your testimony that --
17 you made reference to, and I don't have a copy of your
18 testimony, and so I am not clear about it, about non-
19 regulated production or galvanization process, or
20 something like that.

21 MR. IVERSON: Yes.

22 COMMISSIONER WILLIAMSON: And I wasn't clear
23 what that was referring to.

24 MR. IVERSON: In the United States, our
25 government regulates the plating process pretty

1 strongly, and they require us to environmentally
2 control the process with which we do that, and by
3 doing that it creates an expense of disposal, and in
4 China, they don't have that expense.

5 I mean, it is not regulated in China. So
6 their cost factor to process and plate it is minimal
7 compared to what we have to do.

8 MR. WAITE: Commissioner Williamson, I would
9 also like to invite Mr. Iverson to explain to you his
10 reference to his closed- loop production facility for
11 electroplating, because I think that will also be
12 responsive to the question you just asked.

13 COMMISSIONER WILLIAMSON: Thank you.

14 MR. IVERSON: Yes. Our plant is a closed-
15 loop system, and where our plant is located, it is
16 out in a farming community. Typically in plating
17 facilities, they are regulated and they are allowed to
18 dispose of hazardous waste through the sewer system
19 regulated.

20 They put sensors and controls on it, and
21 they monitor what is flushed through the system.
22 Well, we have no sewer system by which to dispose of
23 it. So we have designed a closed-loop filtering
24 system, and it recycles and evaporates off the liquid,
25 and is compacted and cubed, and put into a recycling

1 bin that is hauled off once or twice a year to
2 hazardous waste. So nothing goes into our environment
3 through the public system.

4 COMMISSIONER WILLIAMSON: Now is this a
5 system that you have had for a long time?

6 MR. IVERSON: Yes.

7 COMMISSIONER WILLIAMSON: Okay. Essentially
8 capital costs. Is the galvanization a significant
9 percentage of the cost of producing your product?

10 MR. IVERSON: It is a substantial amount for
11 the American producers. Our internal costs to do that
12 is approximately 16 cents a pound. The Chinese, we
13 have determined, is anywhere from 2 to 3 cents a
14 pound.

15 COMMISSIONER WILLIAMSON: Okay. Thank you
16 for that clarification.

17 MR. IVERSON: The cost to process.

18 DR. MAGRATH: The cost of processing. I
19 mean, what they process it with, of course, is zinc,
20 which is a world market price, and so that would be
21 the same for the Chinese as the Americans.

22 COMMISSIONER WILLIAMSON: Okay. Thank you
23 for that clarification. The increase in price for
24 threaded rod in 2008 could be attributed to a number
25 of factors, including increased costs of raw

1 materials, increase in demand, or the filing of the
2 petition.

3 I was wondering if you could help us decide
4 how much weight to put to these different factors in
5 figuring out the prices for 2008?

6 DR. MAGRATH: Pat Magrath. Commissioner,
7 the prices of both subject imports and domestic prices
8 went up in 2008. It went up strongly. The price of
9 the import material, wire rod, went up strongly, and
10 the price increases were a response to that.

11 But the important point that we would like
12 to make, Mr. Upton made in his testimony, was that the
13 domestic producers were free to raise prices and to
14 try to cover the increased costs of wire rod because
15 this case had been filed, and certain actions by the
16 chief importer of this product, which I hope we will
17 get into later this morning.

18 And it is one thing to see your raw
19 materials go up, and to want to raise prices. It is
20 another thing to be able to actually raise prices.
21 And the people at this table credit that totally to
22 the filing of this case and the effect that had on the
23 marketplace, which was dramatic.

24 COMMISSIONER WILLIAMSON: Okay. Thank you.
25 Mr. Ostermueller, in your testimony, you made

1 reference to after you had closed the plant in
2 Petersburg of a change in product mix in order to
3 survive, and I was wondering if you could maybe expand
4 upon that.

5 MR. OSTERMUELLER: Of course. Watson Metal
6 has always operated in a sense as two businesses in
7 the threaded fastener trade. One is as a manufacturer
8 of commodity threaded rod, and as a job shop, where we
9 do specialty products for a specific order, a specific
10 application.

11 Basically, we get a blueprint from a
12 distributor, and we manufacture to blueprint. You
13 know, one shot, and then move on to something else.
14 What we have done over the last couple of years is
15 focus more on the specialty product and less on the
16 threaded rod.

17 That's where I referred that we were
18 producing much less threaded road than we were,
19 primarily because our margins fell so much on it that
20 we tried to go in another avenue to keep our plant
21 operation going.

22 During that period, we also dropped from
23 just shy of a hundred employees in two locations down
24 to barely 40 in one. That is over about a four year
25 period. So it has been a significant cutback of sales

1 volume, employment, and capacity, basically to
2 survive.

3 COMMISSIONER WILLIAMSON: And so almost all
4 of those employees that you let go were doing threaded
5 rod?

6 MR. OSTERMUELLER: The majority of them were
7 doing threaded rod, yes.

8 COMMISSIONER WILLIAMSON: Okay. And the
9 specialty products, they are not the subject products
10 here?

11 MR. OSTERMUELLER: That is correct.

12 COMMISSIONER WILLIAMSON: Okay. Thank you
13 for that clarification.

14 MR. OSTERMUELLER: You're welcome.

15 COMMISSIONER WILLIAMSON: Do imports of
16 threaded rod kind of show the same end-users, and are
17 they sold to the same market end-users in the United
18 States?

19 MR. UPTON: Yes, they do. I am Bill Upton,
20 and they are exactly the same; the same use, the same
21 applications.

22 COMMISSIONER WILLIAMSON: Okay. Thank you.
23 Okay. Proteus has argued that China's own economic
24 stimulus program will cause it to focus on domestic
25 demand, and I was wondering if you can comment on this

1 argument, and if you agree with that. How will this
2 affect the U.S. market for steel threaded rod?

3 MR. WAITE: Commissioner Williamson, Fred
4 Waite. If I may start the response to that, but I am
5 sure that you would rather hear from the industry
6 spokespersons here today. It is very interesting that
7 when China announced its stimulus plan, it focused
8 very heavily on a rebuilding of its national railway
9 net.

10 And that that would absorb a very
11 substantial part of the stimulus package that the
12 government in Beijing originally announced. To my
13 knowledge of having looked at this industry now for
14 just over a year, not a lot of threaded rod is used in
15 railway road beds.

16 That is rail steel. It is structural steel
17 for bridges, for overpasses, and tunnels, and so it is
18 unclear to me how much threaded rod would be absorbed
19 internally in China as a result of this stimulus
20 program.

21 Of course, the Chinese producers could have
22 explained that to you if they had responded to their
23 questionnaires, and I don't want to sound like a
24 broken record, but we simply have no data from the
25 Chinese producers as to where they see their markets

1 in the future. But I think --

2 DR. MAGRATH: Can I make a comment, Fred?

3 Commissioner, first of all, the other side of that

4 coin, it triggered a thought that the U.S. stimulus

5 package, and this emphasis on infrastructure, and the

6 Buy America provisions, are not going to affect this

7 industry much at all because infrastructure projects

8 don't use very much threaded rod.

9 And, of course, I second Mr. Waite's comment

10 about drawing your attention to the lack of response

11 from the Chinese. I would just say in general,

12 listening to CNBC, like everybody does, that the

13 Chinese remain export oriented.

14 Most commentators think that in general they

15 are going to revert to the export led growth model to

16 get itself out of its particular predicament. They

17 have begun to undervalue their currency again.

18 COMMISSIONER WILLIAMSON: My time has

19 expired.

20 DR. MAGRATH: I'm sorry, sir.

21 COMMISSIONER WILLIAMSON: We will come back

22 to that.

23 DR. MAGRATH: I will stay there.

24 CHAIRMAN ARANOFF: Mr. Pinkert.

25 COMMISSIONER PINKERT: Thank you, Madam

1 Chairman, and I join my colleagues in thanking the
2 panel for being here today, and for helping us
3 understand the industry. Mr. Magrath, why don't you
4 go ahead and complete your answer on that last
5 question.

6 DR. MAGRATH: Thank you, Commissioner. The
7 Chinese have made moves to keep their currency
8 undervalued, which makes their exports artificially
9 less in the United States market, and in which we feel
10 and many in Congress feel is an expert subsidiary.

11 And finally they have also reinstated
12 export subsidies that they had formerly begun to
13 terminate or begun to turn off. So the indications
14 are that they are going to revert to what they know is
15 best, which is export-led growth, on the basis of an
16 undervalued currency. It means a continual threat to
17 all U.S. manufacturing. Thank you, Mr. Pinkert.

18 COMMISSIONER PINKERT: Thank you. Let me
19 stay with you, Mr. Magrath, and I noted in your answer
20 to one of the previous questions that you focused at
21 least in part on how the filing of the petition
22 enabled the industry to increase prices to cover costs
23 during the interim period.

24 And I am wondering whether there is some way
25 to test that proposition. In other words, can we come

1 up with a control that shows that without the petition
2 the industry tried to increase its prices to cover
3 increasing raw material costs, but was unable to do
4 so?

5 DR. MAGRATH: Excuse me. Commissioner,
6 there is evidence from the rest of the period of
7 investigation, and I went through that in general, the
8 price trends for the principal raw material, which
9 accounts for 67 percent of the total cost of goods
10 sold, wire rod.

11 It had increased in periods 2005 to 2007,
12 but the U.S. prices and the Chinese prices did not
13 increase. There were many more periods of convergence
14 between the prices of CSTR and the price of wire rod,
15 rather than divergence.

16 We will as I stated, we will present that in
17 our post-hearing brief, too, to show you that
18 convergence also. Of course, the bottom line is the
19 bottom line, and the net operating profit for U.S.
20 producers, in an otherwise healthy demand situation,
21 went to zero and below during the period. That is
22 another indication.

23 COMMISSIONER PINKERT: Well, for the post-
24 hearing, anything that you can do that helps to
25 tighten up that causal relationship that you testified

1 to would be very helpful.

2 DR. MAGRATH: Yes, sir.

3 COMMISSIONER PINKERT: Now, Mr. Waite, I
4 noted that you emphasized to some degree the fact that
5 we did not get questionnaire responses from the
6 Respondents, the Chinese Respondents; and yet there
7 was cooperation, at least to some degree, with the
8 Commerce Department's request for information.

9 And I am wondering -- you are a very
10 experienced practitioner, and perhaps you can help me
11 to understand what is going on here.

12 MR. WAITE: I wish I could, Commissioner
13 Pinkert. As you have correctly characterized, the
14 Respondents at the Commerce Department phase of this
15 investigation, IFI Morgan, and a company known as
16 Ningbo, participated extremely actively; participated
17 in the questionnaire responses, the supplemental re-
18 questionnaire responses from the Department, and filed
19 briefs, filed comments throughout the investigation,
20 and were both subjected to the grueling Commerce
21 Department on-site verifications, of which I know you,
22 Commissioner Pinkert, are very familiar.

23 I cannot speak to why the Respondents would
24 take one very proactive position with one agency, and
25 a position of complete noncooperation with another. I

1 can only say that when we represent clients, and are
2 involved in proceedings, we believe that our clients
3 have an obligation to participate in those
4 proceedings, and to assist the decision makers at the
5 various agencies in their deliberations by providing
6 as much accurate, complete information as they
7 possibly can. I'm sorry that I cannot read the minds
8 of our Chinese Respondents in this case.

9 COMMISSIONER PINKERT: I knew that my
10 question could be understood to call for some
11 speculation on your part, but given your experience in
12 representing clients before various agencies, I
13 thought that you might be able to give me some insight
14 into what is going on.

15 MR. WAITE: It is not advise that I would
16 give to my clients, sir.

17 COMMISSIONER PINKERT: Thank you. Now,
18 turning to the company witnesses. I am wondering
19 whether your competition with subject imports might be
20 concentrated in certain lengths, or certain diameters,
21 or certain types of threaded rod. In other words, we
22 have what we call the domestic-like product, the
23 industry that we are looking at in this investigation.

24 But is the competition from subject imports
25 in a particular part of the domestic like product?

1 MR. UPTON: I am Bill Upton, and no, it is
2 across the board in all the products. I mean, I think
3 one of the testimonies here said that it started out -
4 - and I think Greg was talking about in a particular
5 area, but then it expanded.

6 And in our experience, when we started
7 running into them, it just developed across the board
8 to all of them.

9 MR. LOGAN: I am Alan Logan, and I can add a
10 little bit to that. In most cases, I think this is
11 probably true as imports start coming into the market.
12 They start with the easier products, and you start
13 seeing them on the coast first.

14 So our friends from Bay Standard probably
15 saw the effects of the material coming in from China
16 first. I think they would also probably agree with me
17 that China started out by manufacturing the smaller
18 sizes, the quarter, three-eighths, and half-inch, and
19 were not as competitive back in 2000 and 2001 with the
20 larger diameters.

21 But I think they would also agree now that
22 China's reach is throughout our country and it is
23 throughout every product line and every type of
24 product that we sell and manufacture.

25 COMMISSIONER PINKERT: Let me just get a

1 clarification on that. I understand that you are
2 saying that now the reach is throughout the various
3 products. But is the competition more concentrated in
4 a particular segment of the domestic like product?

5 MR. LOGAN: Being that the majority of our
6 product is smaller diameter, however you measure it,
7 if it is by foot, or by piece, or by length, just the
8 very fact that 60 percent of our product is probably
9 three-eighths, and the fact that that is where they
10 compete in a very harsh way.

11 So just with that one diameter, they are
12 covering 60 percent of the market, but they have
13 affected every segment, and when we say segment, you
14 could segmentize different uses of it, or by diameter,
15 and I would say that they are very pervasive in all
16 diameters and all uses at this time.

17 COMMISSIONER PINKERT: Thank you. Are there
18 any other witnesses that want to testify on that
19 issue?

20 MR. OSTERMUELLER: Commissioner, I am Gary
21 Ostermueller, and I just would concur with that. The
22 majority of the product as Alan referred to is small
23 diameter, primarily three-eights and half-inch, and
24 that is what was flooded into the market first.

25 Right now I know in my market up in the

1 Northeast New Jersey area, they have adequate
2 inventory across the board of all of the sizes of
3 threaded rod.

4 COMMISSIONER PINKERT: Thank you. Now, this
5 next question may be more properly addressed in a
6 post-hearing submission, but I want to put it out for
7 possible comment at this point.

8 If you look at Table 6.2 and VI-7 of the
9 staff report, there are greatly varying trends in
10 performance during the POR for the individual domestic
11 producers. I realize that we are looking at the
12 industry as a whole in this investigation, but is
13 there some explanation for the varying performance of
14 the different producers?

15 DR. MAGRATH: Commissioner, Pat Magrath.
16 Commissioner Pinkert, we noticed the same phenomenon,
17 and we were going to discuss with staff one producer
18 that seems to be a real outlier on the positive side.

19 That producer mentions many times in its
20 questionnaire that it produces specialty products, and
21 we are wondering if they didn't get them a little
22 mixed up. As for the others, what Mr. Logan just
23 observed, that the imports tend to -- and especially
24 steel product imports, tend to hit the coast first.

25 And the people on the coast feel the impact

1 first, and those firms and the firms that are -- you
2 know, in every industry, there are efficient and less
3 efficient firms, and I suppose that it hits the less
4 efficient firms first, and the most efficient firms
5 last. And that would account for whatever
6 discrepancies we see. All this is APO, and so we
7 can't really get into specifics.

8 COMMISSIONER PINKERT: Thank you.

9 DR. MAGRATH: But in general, you know, you
10 add it up and the industry is as you find it, right?
11 Awatso Electric. It has been a long time since I
12 quoted a court case. So you see the industry as a
13 whole, and we think the level and trends are clearly
14 injurious.

15 MR. WAITE: We will address that question in
16 our post-hearing brief.

17 COMMISSIONER PINKERT: Thank you. Thank
18 you, Madam Chairman.

19 CHAIRMAN ARANOFF: I know that the primary
20 raw material inputs for this product are steel wire
21 rod and sometimes bar. Can you tell me, maybe at
22 least for the producers who are present, about how
23 much of your production is made from rod versus the
24 share that is bar?

25 MR. LOGAN: This would definitely be

1 something that we could get you more exact figures,
2 but my guess would be something like 80 percent out of
3 rod, and 20 percent out of bar. Would you all agree
4 with that?

5 MR. IVERSON: That would be ours
6 approximately as well.

7 CHAIRMAN ARANOFF: Okay. Thanks. Can you
8 describe to me how you buy your wire rod, because I
9 heard in the direct testimony there were some minimum
10 requirements for rod mills to roll a particular size
11 for you.

12 But do you purchase as a spot purchase when
13 you need that minimum quantity, or do you have more of
14 a long term contract, and is there an idea number of
15 days or weeks of supply of raw materials that you want
16 to keep on-hand?

17 MR. IVERSON: In our situation, we work
18 primarily with one steel rolling mill. They roll
19 their smaller diameters every eight weeks; their
20 larger diameters every 14 weeks. And we have to put
21 in our order knowing that we aren't going to get the
22 product for eight weeks on the smaller diameters, and
23 14 weeks on the larger diameters.

24 Once we get that material, we have to
25 purchase enough to last us until the next following

1 rolling, and they have minimums. As an example, one
2 diameter that we have to manufacture, three-quarter,
3 we have to buy 17 millimeter wire.

4 17 millimeter in the industry is not
5 standard. So they can't sell that to any other
6 industry other than thread rollers. So they mix it up
7 special for us. When we go to order that, we have to
8 order a minimum rolling, and a minimum rolling is 75
9 to a hundred ton.

10 CHAIRMAN ARANOFF: Okay. Do any of the
11 others want to comment on how you purchase your rod?

12 MR. UPTON: Well, I'm Bill Upton, and it is
13 kind of a moving target right now, as the state of the
14 industry being so different. But at one point
15 typically the wire rod was purchased on a quarterly
16 type basis.

17 They would give you a firm price, and then
18 they would roll it, depending on which mill, and we
19 bought from a variety of mills, and we have bought
20 from a variety of sources. Currently, we are buying
21 all domestic, and until the last couple of years it
22 has been -- well, primarily all domestic.

23 In the past couple of years have been that
24 way, and before that we were doing some importing from
25 other countries. So it all depends. This type of

1 product that we use, the wire rod that we use, is a
2 very low end type wire rod. It is not used for tire
3 cord, and tire bee, and all that.

4 And a lot of the domestic mills have gone
5 more towards the higher grades, and the type of
6 product that we need is the lower grade. So sometimes
7 it is more economical for us to buy off-shore.

8 And then the bar stock, typically there is
9 an 8-to-10 week rolling cycle, depending on which
10 mill. We use a variety of them. And it depends on
11 how quickly they are selling out, and last year it got
12 in a situation where we couldn't even get the wire rod
13 that we needed.

14 So the domestic mills that we went to, we
15 had one domestic mill that we had placed like twelve-
16 hundred tons a month to be coming in, and all of a
17 sudden they called me and told me that they couldn't
18 even give it to us.

19 And the other mill told us and said, well,
20 if you are going to need more than this, you are going
21 to have to go off-shore and buy it. So -- I mean, it
22 is all over the board in the wire rod type business.

23 CHAIRMAN ARANOFF: Well, I assume that those
24 shortage issues are not persisting right now?

25 MR. UPTON: No. No, they are begging for

1 orders. We are trying to give them some.

2 CHAIRMAN ARANOFF: Well, one of the things
3 that I am trying to gauge is whether there was a lag
4 between -- you know, we see the price for wire rod
5 spiking in 2008, whether there was a lag period, you
6 know, where you had inventories that you had obtained
7 at a lower price, and didn't have to go out and
8 purchase the very high priced wire rod, and that that
9 was allowing you to improve your profit margin during
10 that period to benefit from the fact that you had a
11 lot of product on-hand that you had obtained less
12 expensively.

13 MR. UPTON: Well, that's absolutely true for
14 us, and what happened right after we filed the case,
15 one of the importers had a real knee-jerk reaction as
16 Greg, I think, had mentioned, and quit selling
17 product. As a matter of fact, we even had customers -
18 - you know, old customers that we hadn't talked to in
19 years, and even some that we had never heard of
20 before, calling us and telling us that they had heard
21 that we had filed this case from Proteus, and Proteus
22 told them to call us.

23 So we started taking care of that, and then
24 Proteus immediately doubled their prices. So that
25 allowed us to start raising our prices a little bit,

1 and we did have some older inventory. So I think our
2 particular margin situation started looking better in
3 May, and part of that was due to the lower cost rods
4 that we had at that point.

5 CHAIRMAN ARANOFF: Okay. Well, that takes
6 me back to Dr. Magrath's chart Number 4, and I know
7 the purpose of this chart is to demonstrate to us the
8 benefit from the filing of the case. So I wanted to
9 ask a couple of questions just to see if I can
10 understand some other factors that may have been at
11 work there, and what effect they may or may not have
12 had on what we see in the chart.

13 And one of them was this issue with raw
14 material costs. So as I mentioned, when you attribute
15 the positive trend in Vulcan's operating income on the
16 chart to the pendency of the investigation, but could
17 part of it be due to this short term benefit of having
18 cheaper raw materials on hand at a time when raw
19 material prices were spiking?

20 MR. UPTON: Well, in my particular -- what I
21 believe is, is no, due to the fact that what we had
22 seen in the past is that China does not raise prices
23 at a time like that. We had seen it in the past. Not
24 the tremendous spike that we saw at that particular
25 point, but just in the past when we would start to see

1 it going up, their prices did not go up.

2 All we know is their prices continued, and
3 went down, down, down. So we fully believe that
4 without this case, we would not have been in a
5 position to raise prices. As a matter of fact, I
6 think what would have happened is that it would have
7 gotten increasingly worse due to the fact that the
8 people would see that they could buy from China today
9 at these low prices.

10 And then by the time that it would come in
11 and it would be hitting the door, our costs would have
12 been going up even higher much faster, and we would
13 not have been able to stay in the game at all. Does
14 that make sense?

15 CHAIRMAN ARANOFF: Okay. Well, it does, and
16 I understand your point with respect to the ability to
17 raise prices. But as you are raising prices, you are
18 making a larger profit because you got your raw
19 materials for less than if you had been buying them at
20 exactly the same time.

21 MR. UPTON: Right.

22 CHAIRMAN ARANOFF: Okay.

23 MR. UPTON: That's right.

24 CHAIRMAN ARANOFF: Okay. And the other
25 question that I had about the chart is that I just

1 wanted to check -- because we are looking at month-to-
2 month, about the effect of any seasonality in the
3 market on sales quantities.

4 Because this product goes into commercial
5 construction, do you tend to sell more in the spring
6 and summer when construction activity tends to be
7 higher? So can some of this upswing that we see as
8 you move from November and December of 2007 into the
9 spring, is some of that seasonal?

10 MR. LOGAN: I'm Alan Logan. Yes, Madam, it
11 is. Some of it is seasonal. Obviously in cold
12 weather climates, they are not doing as much
13 construction, during December-January especially. So
14 we normally see an upswing in February and March.

15 We tend to see a little bit of a downturn in
16 July. However, in normal months, going backwards, I
17 guess because of the holiday, people buying in advance
18 of construction, and then waiting to see how much they
19 are going to sell as distributors.

20 And then they will buy again, and we would
21 tend to see an upswing into the winter. This year,
22 with the economic crisis, we saw a much faster
23 downturn, starting in about September than we normally
24 would.

25 Normally, September, October, and November,

1 are fairly strong. At least September and October are
2 fairly strong months for us.

3 DR. MAGRATH: Commissioner, may I make a
4 comment?

5 CHAIRMAN ARANOFF: Yes.

6 DR. MAGRATH: You know, you have a graph of
7 the raw material prices on V-1 of the staff report.
8 Raw material prices were rising, albeit not shooting
9 up, throughout all of 2007 and into -- and they
10 started rising rapidly in the fourth quarter of 2007.

11 This chart -- so they had cheaper inventory
12 costs in late 2007 and the beginning of 2008, and they
13 lost money. They lost money all the way up until May.
14 So I think that your point can be carried only so far.

15 And once again you are talking about one
16 side of it. The other side of it is price, as you
17 recognize, that they were able to raise price. So we
18 still think this chart is pretty powerful evidence of
19 the pendency of this case.

20 CHAIRMAN ARANOFF: Okay. I appreciated
21 that, and I asked all those questions obviously
22 because I want to make sure that we are testing the
23 validity of the chart. So I appreciate all your
24 answers, and I will turn over to Vice Chairman
25 Pearson.

1 VICE CHAIRMAN PEARSON: Thank you, Madam
2 Chairman. Permit me to add my welcome to all of you.
3 I would like to follow up on the questions that the
4 Chairman was asking and try to understand a little
5 more about the pricing of your sales.

6 We deal with some cases and I could use
7 welded pipe as an example where the buyers of welded
8 pipe are well aware of the cost of the steel coil that
9 goes into the pipe. And when the value of coil goes
10 down, the buyers of pipe expect to be able to buy the
11 pipe at a relatively lower price. However you've got
12 this lag time for the actual manufacturers of the pipe
13 from when they have to acquire their steel coil and
14 when they get to deliver a pipe to customers.

15 So in that industry we see this lag that the
16 Chairman was discussing where the pricing of the pipe
17 going out the door of the plant tends to be based on
18 the current value of steel coil, and when you get into
19 volatile market situations this can be really
20 interesting. So what I'm wondering, and provide as
21 much clarity as you can, does that same phenomenon
22 exist in threaded rod? Do your customers follow
23 what's happening to the price of the plain wire rod
24 and expect your pricing to track what they see in the
25 marketplace for your input?

1 MR. IVERSON: I'd like to say a couple
2 words. Yes, they do, they watch it. Right now in
3 this economy our customers aren't buying any more than
4 they have to because we've been forced to drop our
5 margins and our pricing on our goods as our
6 competitors have as well. You know they used to buy
7 truckloads of material from us.

8 Now they're buying small orders as they need
9 it because they read in the newspaper that steel is
10 going down. They can buy it cheaper a month from now.
11 So it's hard for us to book and anticipate the orders
12 because there's no projection that they're offering
13 us. They're buying as they need it. They're not
14 warehousing, they're anticipating for it to go down.

15 VICE CHAIRMAN PEARSON: Mr. Ostermueller?

16 MR. OSTERMUELLER: Mr. Pearson, two things.
17 One is to support that, yes our customers also are
18 buying less. Our situation is slightly different than
19 my two competitors in that we purchase steel more on a
20 month to month basis. Mill near us is on a five-week
21 rolling schedule. As a result we keep a very low raw
22 material inventory in-house. Therefore, in response
23 to Madam Chairman, we didn't have much inventory in-
24 house as the prices were increasing, so we did not
25 have that big margin lag going on. Actually a

1 relatively small amount.

2 And currently, since we have downsized, we
3 are purchasing raw material, converting it into wire
4 rod, it doesn't stay into our system more than two,
5 three weeks, four weeks at the most. So it is turning
6 relatively quick. Granted, that's helping us on the
7 way down but our selling prices are also being
8 reflective of that. So we haven't had as much of a
9 buildup as some of the others have had.

10 VICE CHAIRMAN PEARSON: Okay, so that would
11 be a shorter time holding product in inventory than in
12 --

13 MR. OSTERMUELLER: We are on a short --

14 VICE CHAIRMAN PEARSON: -- cases, for
15 instance.

16 MR. OSTERMUELLER: That is correct. We are
17 on a shorter time period than the other two go. And
18 therefore we're reflective more of the market
19 conditions. Our customers too, like Mr. Iverson and
20 Mr. Upton reflected, they are watching the price of
21 steel and expecting things to be going down.

22 VICE CHAIRMAN PEARSON: Okay. Not to pry
23 into business confidential information that you ought
24 not to talk about here, but if others feel free, I
25 would welcome them to comment on the length of time

1 between acquiring the rod and selling the threaded
2 product.

3 MR. IVERSON: I'd like to make one comment
4 as well, and the other Commissioner mentioned that
5 there's a point when you buy material and you have
6 cheaper material and then you're able to raise prices.
7 The converse is also true, and that's what we're
8 experiencing. We bought some of our minimum rolling
9 requirements in November and December. Because of the
10 economy nobody's buying anything.

11 We bought it at the peak of the market. Now
12 the steel mill is offering 15 and 20 percent less
13 priced steel. Our competitors are selling these
14 sizes. We can't push this stuff out because we paid
15 20 percent higher. So now, before when we had some
16 kind of volume, we have no volume. And we either take
17 a loss at it. So yes you can write it up, but it
18 really hurts when you write it down.

19 VICE CHAIRMAN PEARSON: I appreciate that.
20 Would you want to comment either now or in the
21 posthearing about the length of time that you might
22 customarily have between when you buy the steel rod
23 and when you ship the threaded product?

24 MR. WAITE: Commissioner Pearson, if it's
25 acceptable we'd like to comment on that in our

1 posthearing brief and we can give you the length of
2 time in inventory of wire rod before the companies
3 convert it into their product and ship it out the
4 door.

5 VICE CHAIRMAN PEARSON: Okay, that would
6 fine because I don't want people to wander into areas
7 that they shouldn't discuss here. But I just want to
8 understand a little better this phenomenon that the
9 Chairman and I have been trying to ask about. Mr.
10 Logan, I have a really basic question. When I was
11 younger occasionally I had the opportunity to do some
12 threading of steel rod, you know for very limited uses
13 and what not and with somewhat medieval techniques I
14 suppose, but nonetheless I've done it. Could you
15 describe to me this modern process that you talked
16 about that shaves no steel off the rod but instead
17 just inserts the grooves in appropriate places? How
18 does this work?

19 MR. LOGAN: Sure I'll be glad to. What
20 you're thinking of is -- what you did was probably
21 using a lave or a pipe cutter where it actually had
22 blades shaped like the threads, put the bar in, you
23 would have something turning those blades around the
24 bar and you would actually have shavings coming off.

25 VICE CHAIRMAN PEARSON: Right.

1 MR. LOGAN: That's what we call as cut
2 threading.

3 VICE CHAIRMAN PEARSON: That's cut
4 threading?

5 MR. LOGAN: Cut threading. And it actually
6 is used in CNC machines, in very recent technology.
7 Thread rolling is different. Obviously, if you've
8 seen the samples, if you could imagine trying to cut-
9 thread a quarter-by-ten foot long piece of rod and
10 have all that material removed obviously it would take
11 very long to run that. We can run a quarter-by-ten
12 foot rod in one of our thread rolling machines in a
13 matter of seconds.

14 And the way I like to describe it is if you
15 can imagine squeezing dough through your fingers. You
16 have a set of dies, the bar is basically, and we'd be
17 glad to show you this, but if you were to look at a
18 cross section of the threads you've obviously got the
19 peak of the thread and the valley of the thread. You
20 start with a bar that's about half way in between
21 those two.

22 As you squeeze it through the set of dies
23 material is forced up, thus creating a valley that's
24 smaller than the original bar and a peak that is large
25 than the original bar. That's called thread rolling

1 and it's very quick and it is obviously little waste.
2 So unless you actually bend a bar or something like
3 that, if you feed it correctly then you will get 100
4 percent output with no scrap or waste.

5 VICE CHAIRMAN PEARSON: Okay, and is the bar
6 hot when it's run through?

7 MR. LOGAN: No, it's cold. Once it goes
8 through the dies, the dies do get hot. You have to
9 cool it by either a water-based coolant or an oil-
10 based coolant to keep the dies cool enough not to
11 crack. But otherwise the bar is cold.

12 VICE CHAIRMAN PEARSON: Okay, cold going in,
13 quite a bit warmer coming out I'm sure.

14 MR. LOGAN: Yes, absolutely.

15 VICE CHAIRMAN PEARSON: Okay, and then, and
16 this goes back to I think a point that Mr. Iverson
17 made, you measure the diameter of threaded rod from
18 the peak to the peak of the threads don't you?

19 MR. LOGAN: Well yes, that is true. Like
20 for instance on 3/8 diameter, which is our most
21 popular product, obviously 3/8 is .375. To allow nuts
22 to go on most of the time the peak of the threads is
23 maybe .372, a few thousandths smaller. So you measure
24 it by the outside. But the way we start with it, you
25 actually start with what we call a pitch diameter bar,

1 which is about 330, and that's kind of that half way
2 in between the top and the bottom. And when you
3 finish you get a peaked thread at 3/8 and you get a
4 valley at about 290 diameter.

5 VICE CHAIRMAN PEARSON: Okay, but just to
6 clarify then, when you are ordering wire rod from your
7 mills --

8 MR. LOGAN: You have to order it a few
9 thousandths bigger than your pitch diameter. So for
10 instance we will take a 3/8 diameter wire rod and we
11 will draw it, remember the d-scale conversation, we
12 will draw it to 330 diameter.

13 VICE CHAIRMAN PEARSON: Okay, so you do your
14 sizing yourself.

15 MR. LOGAN: Right, we size the material
16 ourselves. So it goes through a set of d-scale,
17 knocks all the scales off, goes through a draw die,
18 draws it down to the diameter we need, and then it's
19 straightened and cut into length. Then we put it on a
20 thread rolling machine that forms the threads.

21 VICE CHAIRMAN PEARSON: Okay, and just
22 quickly, so you're buying standard 3/8-inch rod?

23 MR. LOGAN: Most of the sizes that we buy
24 are like 3/8 or 1/2-inch. We do get into some metric
25 sizes on some of the larger sizes.

1 VICE CHAIRMAN PEARSON: So if I could, I'm
2 on red light now, but Mr. Iverson, you talked about
3 buying a metric size in order to produce a certain
4 English size. What was that all about?

5 MR. IVERSON: From the mills that we order,
6 as an example 3/8 diameter, we buy a 9 millimeter and
7 we draw it down to the pitch diameter so that we can
8 roll it up to the proper dimension. It's our die cast
9 that we order it so that we can bring it to the proper
10 diameter, 3/4, 17 millimeter. Half-inch we do 12.7
11 millimeter. It's ordered from the mill as a
12 millimeter and then we draw it to a decimal point.

13 VICE CHAIRMAN PEARSON: Okay, so it's really
14 specific to the specifications of your mill basically?

15 MR. IVERSON: That's correct. And we could
16 also buy those metric sizes ourselves. We used to do
17 it that way. We now buy the full sizes, and he and I
18 could argue as to which one's better but you end up
19 with the same thing.

20 VICE CHAIRMAN PEARSON: Okay, well thank you
21 very much for those points. Madam Chairman, my
22 light's red so I'd better be quiet. Thank you.

23 CHAIRMAN ARANOFF: Commissioner Okun.

24 COMMISSIONER OKUN: Thank you, Madam
25 Chairman, and I join my colleagues in welcoming all of

1 you here. I appreciate your participation, all the
2 information you've given us, and the responses.
3 Learned a great deal about a product that needs the
4 Commission. And now in response to a number of my
5 colleagues' questions you spent a great deal of time
6 talking about what was going on in the interim and
7 helping us test out how much of the improvement is due
8 to the impact of the order versus other things that
9 were going on.

10 And so I'll look forward to seeing the
11 additional information you're going to provide, I
12 think that is important. I just want to make sure,
13 again looking at that interim period, what you think
14 the reason is why you see much more of a price effect
15 with respect to the Chinese than volume effect in
16 terms of the pendency of the order.

17 Is there anything that strikes you about
18 what was going on in the market that allowed them to
19 just keep setting volume but raise their prices? I
20 mean sometimes we see a petition file and, you know,
21 Chinese drop out of the market. And that didn't
22 happen here and I just wondered if you have any
23 observations. Again we don't have participation from
24 the other side very much, but any observations you
25 might have about that?

1 MR. LOGAN: I'll take a shot at that.

2 COMMISSIONER OKUN: Sure, yes.

3 MR. LOGAN: For one, some of the people that
4 are importing rod into the United States are very
5 organized and bigger companies that import not just
6 threaded rod but other fastener type products. While
7 some of them reacted, in our mind, in a very strange
8 manner after the original ruling where they first
9 withdrew and basically said that they weren't going to
10 fail the market at all, it took about a month for them
11 to figure out that they could go ahead and bring
12 material prior to any dumping margins being applied.

13 So there was somewhat of a lag and confusion
14 in the market for a few weeks, and then an all out
15 rush to get material in prior to when the dumping
16 margins would have taken effect or when they thought
17 that they might take effect. So we believe that there
18 was a significant amount of material that was brought
19 in from March until about August or September. And
20 there is also probably a 60 to 90-day lag time. So a
21 lot of that material that was coming in in May and
22 June had been ordered previous to this case. And the
23 quantities have been significant as you see. And
24 turning that off immediately would have probably been
25 problematic for them.

1 COMMISSIONER OKUN: Okay. Dr. Magrath? Do
2 you want to add something?

3 MR. MAGRATH: Commissioner Okun, I was going
4 to cover this as part of a closing statement, but
5 there is a problem in the way the data is collected.
6 The companies were allowed to report on their fiscal
7 year, and then you had an interim period, January
8 September, 2008, some companies were allowed to report
9 instead of January September, February October, 2008.

10 Now they did this in order to make it easier
11 for the companies to report, but what it did is it
12 double counted dependence these months under which
13 after the case was filed. It double counted
14 dependency of the case. And you have this beneficial
15 period that as you can see for Vulcan, which is a
16 large part of the industry, started in April double
17 counted in both 2008 and the latest interim period.
18 This is a problem that we must make you aware of.

19 COMMISSIONER OKUN: Okay, I appreciate you
20 raising that again here. And I know we'll work with
21 staff before the final staff report to sort that out.
22 But I'm just trying to make sure I understand the
23 point about that, so the point you think is that the
24 volumes are actually lower if you're looking at the
25 right set of data, the volume of Chinese. Would be

1 lower? Or I'm not sure, which volume would I be
2 looking at?

3 MR. MAGRATH: No not the volume of the
4 Chinese, the financial data trends of the domestic
5 producers. What Mr. Logan was referring to was the
6 extraordinary action, after the case was filed, the
7 extraordinary action of the major importer in this
8 case who temporarily withdrew from the market and
9 then, you know, told many of his customers that they
10 weren't going to be in the market anymore, this is
11 Proteus, and then raised their prices to extreme
12 levels.

13 They did all this on the basis apparently of
14 misinformation that the imports they already had
15 brought into the country were going to be subject to
16 the import duties. They figured out after about a
17 two-week period that they were only liable for duties
18 going forward, but by then the damage had been done
19 and you had a tremendous benefit to the U.S. industry
20 because of Proteus's actions.

21 COMMISSIONER OKUN: Okay, I understand your
22 point then. I appreciate that clarification on that.
23 The other thing I'm just curious, and you only know it
24 because your industry, but one thing that when I look
25 at this record, I mean a steel product and Mr. Waite

1 or Dr. Magrath may want to comment on this, but this
2 is not a product where we have lots of nonsubjects in
3 the market even though it's a product used in a lot of
4 the same applications that we would see in the
5 nonresidential construction market.

6 Is there a reason for that? I mean has
7 there historically been, not relevant to the period of
8 investigation, but I'm just curious from the
9 industry's standpoint has it really been the Chinese
10 mostly that's been in the market and not much presence
11 from other countries? Anyone have a historical view
12 for me? Again just to help me put the history into
13 perspective to the many we see.

14 MR. OSTERMUELLER: Ms. Okun, we also know of
15 imports coming from India significantly into the
16 market. The Chinese seem to have been the ones that
17 were selling at such a low market and created the most
18 amount of injury and the highest volume. I have
19 limited knowledge of the Indian market, which is
20 nowhere near the size of the Chinese market and the
21 volume that has come in from China versus what has
22 come in from India. But it's virtually the same
23 product coming in from that direction as well.

24 COMMISSIONER OKUN: Okay.

25 MR. WAITE: Commissioner Okun.

1 COMMISSIONER OKUN: Yes?

2 MR. WAITE: Perhaps I could start answering
3 your question that might stimulate some response from
4 the industry witnesses. Because yesterday we were
5 discussing this very point, actually I think you had a
6 couple of points in your question.

7 COMMISSIONER OKUN: That's often the case,
8 you know I just ramble on in these questions, you get
9 to sort it out.

10 MR. WAITE: Well they're the most
11 interesting questions. That there are no ready
12 substitutes for steel threaded rod in its application
13 in the United States. And we were discussing about
14 other economies and their consumption of this product,
15 and a number of the industry witnesses pointed out
16 that in Europe, for example, relatively little steel
17 threaded rod is used in their construction activities.
18 Instead they use wire. They use wire slings to
19 suspend pipes, conduits, etcetera.

20 They don't use the systems we have here as
21 Mr. Logan explained where there is an insert in the
22 ceiling, threaded rod is screwed into it, attached to
23 the other end of the threaded rod will be a support
24 device and that support device will then hold the
25 electrical conduit, the sprinkler pipe, the water

1 pipes. So it's interesting that the United States is,
2 like in so many of our downstream products, and
3 garment hangers comes to mind, we are virtually a
4 unique market in the world for this product.

5 And there just don't seem, as the industry
6 members explained to me and I'm sure they'll explain
7 to you now, there aren't any substitutes. This is the
8 system that's been adopted in this country for this
9 kind of construction. It works well for us, it's
10 versatile, the low carbon product can be cut on site
11 so that a contractor would buy from a distributor
12 these very flanks. He's putting in supports on a
13 sloping roof for example, the contractor can cut the
14 threaded rod to the individual length so that the pipe
15 or the electrical conduit is going to be horizontal or
16 as it needs to be for its optimal performance. But I
17 would invite Bill or Alan or any of the others to
18 amplify that for you.

19 MR. IVERSON: I'll take a shot at that, I
20 have no idea.

21 (Laughter.)

22 MR. IVERSON: Basically we asserted in the
23 original testimony back a year ago that there were no
24 substitutes. And we are really not aware of anybody
25 that uses anything but threaded rod in this

1 application. Not to say that there's not, that's
2 something that we're not aware of. However speaking
3 to other countries, Europe does use threaded rod but
4 it is not in anywhere the quantities that we do.

5 We had a discussion yesterday, is it because
6 Europe is not building a whole lot of new type
7 commercial construction so therefore the demand is not
8 great? Or is it because they have different
9 techniques like using wire rope instead? And that's
10 certainly a possibility, and I'm no expert on European
11 usages. I know they also use the product in China,
12 but to what extent I'm not really sure.

13 COMMISSIONER OKUN: Okay, and that was going
14 to be my next question you can try to comment on a
15 little bit which is, did the Chinese develop this as
16 an export item as opposed to it being a home market
17 use?

18 MR. IVERSON: In fact I know for a fact that
19 one of the larger companies that export into the
20 United States told me solely that they sold into the
21 United States and Europe and did not want to sell into
22 their own country. And that's probably for various
23 reasons that they have which I don't understand.

24 COMMISSIONER OKUN: Okay, that's very
25 interesting and helped me understand this industry.

1 My red light's on.

2 CHAIRMAN ARANOFF: Commissioner Lane.

3 COMMISSIONER LANE: Thank you, Madam
4 Chairman. And thank you for coming today and thank
5 you for bringing samples of the product. I find that
6 very helpful, although it was pretty heavy and I
7 wasn't going to touch it until I was assured that it
8 had no grease on it. Mr. Waite, I'd like to clear up
9 a couple legal points first. Is it your position that
10 this is a commodity product?

11 MR. WAITE: Yes, Commissioner Lane, that is
12 our position.

13 COMMISSIONER LANE: And what is your
14 position on whether or not any domestic producer data
15 should be excluded?

16 MR. WAITE: We have stated our position in
17 our prehearing brief and we'd be happy to revisit that
18 in our posthearing brief. Because so much of that
19 information is confidential including the identity of
20 the companies involved, I don't think I'd like to say
21 anything further than we stand by our prehearing
22 brief.

23 COMMISSIONER LANE: Okay, I just wanted to
24 make sure that you hadn't changed your mind, and
25 that's all I wanted.

1 MR. WAITE: No we haven't. We haven't
2 changed our mind, and we're here today to tell you
3 that.

4 COMMISSIONER LANE: Okay, thank you. On
5 page 12 of Vulcan's prehearing brief, Vulcan discusses
6 domestic capacity and notes that the capacity dropped
7 in 2007. The numbers aren't bracketed but I'm not
8 going to refer to them because I think it is a
9 bracketed source. You indicate that the decline in
10 capacity was due to a plant closing. Was the entire
11 reduction in capacity shown on page 12 of your
12 prehearing brief related to that closing?

13 MR. WAITE: Commissioner Lane, we can look
14 at that and specifically respond to your question in
15 our posthearing brief. There was testimony here today
16 of course about a plant closure during that period,
17 and we will determine whether that plant closure, that
18 accounted for the entire capacity reduction or whether
19 there might have been additional capacity reductions
20 in some of the other companies that we know of.

21 COMMISSIONER LANE: Okay, and along that
22 same line, from 2005 to now has there been a decline
23 in employees or hours worked in operations other than
24 the plant that was shut down in 2007?

25 MR. WAITE: I would invite the industry

1 witnesses to respond to that. I think Mr.
2 Ostermueller already testified to reduction in his
3 company. I believe some of that reduction was not
4 only the plant that was closed in Petersburg, Virginia
5 but also the plant in New Jersey, and I would invite
6 the other two witnesses to share with you as much as
7 they can in a public forum whether they have seen
8 employment reduction in their operations.

9 COMMISSIONER LANE: Okay, thank you.

19 The machines that we made to send down to
20 Phoenix were idle in Brentwood. They're sitting
21 there, and we lost and didn't replace any employees.
22 We had people that retired, we didn't replace them.
23 We had people that quit through natural reasons or
24 whatever and didn't replace them. And currently we
25 have less people in our production than we've ever

1 had, say in the last 10 or 15 years.

2 MR. OSTERMUELLER: Ms. Lane.

3 COMMISSIONER LANE: Yes?

4 MR. OSTERMUELLER: In addition to what we
5 downsized when we shut the Petersburg facility, we
6 have dropped approximately 15 percent employment
7 strictly in the threaded rod side of our business.

8 COMMISSIONER LANE: And I wasn't sure from
9 your initial testimony, the Petersburg plant, you laid
10 off 30 workers but at one point you had 50 workers.
11 Does that mean that you transferred 20 other workers?

12 MR. OSTERMUELLER: They had been previously
13 laid off, ma'am.

14 COMMISSIONER LANE: Okay, thank you. Mr.
15 Logan?

16 MR. LOGAN: Yes, we have also experienced --
17 we have not experienced a decrease in capacity but we
18 have experienced a decrease in capacity utilization
19 and also a decrease in the number of employees over
20 the time period.

21 COMMISSIONER LANE: Okay, and that brings me
22 to my next question about, I'm interested in the
23 methodology that you use to calculate your capacity
24 and how easy it is for you to increase your capacity
25 to produce threaded rod. As I understand it, for the

1 most part capacity that is reported to us assumes
2 working some number of shifts per week and so many
3 weeks per year. When you make your calculations do
4 you assume that all machines are working 100 percent
5 of the time during those periods of operations or are
6 there some machines that could be used even within
7 those specified shift hours if you provided some
8 overtime to your employees? Mr. Logan?

9 MR. LOGAN: I call this fun with charts with
10 the ITC because I have spent the last year working
11 with all of these charts. As far as the capacity we
12 chose to report 100 percent capacity based on what
13 each machine is designed to run. We based that on, we
14 currently work four 10-hour shifts twice a day. So we
15 are working approximately 80 hours a week on that
16 equipment. We do have, as far as additional capacity
17 we can add to that capacity by working overtime on
18 Fridays and Saturdays. We can also add to that
19 capacity by starting a full weekend shift where we
20 would work three 12s. So that additional capacity is
21 available, and we could also add capacity easily by
22 adding equipment because we have space in our factory.

23 MR. MAGRATH: Excuse me. Pat Magrath.
24 Commissioner, Mr. Logan has told me that they used to
25 run that additional capacity, those additional shifts

1 in the period before the Chinese imports entered the
2 market.

3 MR. LOGAN: There were many times in the
4 late 90s and early 00s that we were working five days,
5 working a tremendous amount of overtime and were
6 bordering on do we add that weekend shift or not, and
7 to do it permanently is difficult so we chose to do it
8 with overtime. But we have run the plant at much
9 higher rates in earlier years.

10 COMMISSIONER LANE: Okay, thank you. Does
11 anybody else want to add to that?

12 MR. UPTON: One other thing I'd like to say
13 is, we are not on those shifts that we're running
14 fully staffed either. So we could add more people and
15 be getting more production out as well.

16 COMMISSIONER LANE: Okay, thank you. Mr.
17 Logan may have answered this in his initial comments
18 but I've a followup. On page 23 of Vulcan's
19 prehearing brief, talks about domestic prices achieved
20 uniform increases in the second and third quarters of
21 2008 due to dependency of the case, allowing the
22 domestic industry to raise prices. At that time
23 prices for steel rod were 35 percent higher in the
24 second quarter of 2008 and 49 percent higher in the
25 third quarter compared with prices in the first

1 quarter of 2008.

2 And those raw material costs would have been
3 driving a need for price increases. Is it your
4 contention that you would not have been as successful
5 in passing on those cost increases except for the
6 pendency of the case? And if that is your contention,
7 what information do you have to indicate that the
8 pendency of the case helped you increase your prices?

9 MR. LOGAN: Yes, ma'am, I'll be glad to
10 address that. I had said at the original argument
11 last year when Proteus or somebody brought up the fact
12 of, well of course steel's going up and they're going
13 to be able to raise their prices. And my response to
14 that was, please don't confuse an increasing price
15 with increasing profitability. We just went through,
16 for lack of a better word, the wackiest time in steel
17 history where materials went from the low 20s to the
18 high 50s and back to the low 30s or upper 20s. Trying
19 to manage that this year was probably the most
20 difficult task that we have ever faced.

21 It is our contention that we had to raise
22 prices as soon as steel started going up. We had no
23 choice because, in the times past when steel went up
24 two or three cents a pound then of course you had the
25 question of, could you pass that along to the market?

1 But when steel increases from 30 cents a pound or 28
2 cents a pound to 58 cents a pound you have no choice
3 but to pass that along. Our contention is, though,
4 don't confuse average unit value with profitability.

5 Ms. Lane, you kind of stated in your
6 question, and I totally believe it's true, that we
7 would not have been able to raise our prices fast
8 enough to cover our increased cost without this case.
9 Would we have raised prices? Absolutely, we had to.
10 Would we have been able to raise them and actually
11 sell the product at those prices? Without this case,
12 we absolutely believe not.

13 COMMISSIONER LANE: Okay, thank you. Thank
14 you, Madam Chair.

15 CHAIRMAN ARANOFF: Commissioner Williamson.

16 COMMISSIONER WILLIAMSON: Thank you, Madam
17 Chairman. Mr. Logan, somebody was talking about the
18 Chinese use of steel because they're on economic
19 stimulus program, and I think you had a point to make
20 and I wasn't sure if you wanted to add that?

21 MR. LOGAN: I would like to make that. I've
22 been to China recently, twice actually this decade.
23 If anybody has seen any China cities, they're small
24 cities are as big as our big cities. Between
25 Shanghai, Guangzhou, Beijing and a couple of others

1 they have been in a massive building program. How
2 many of you guys in the last two years have heard the
3 fact that the Chinese buildup into the Olympics was
4 one of the most massive building projects in the
5 history of the world?

6 But at the very time that they were doing
7 this, not only getting ready for the Olympics and also
8 building cities that their small cities are bigger
9 than our big cities, they increased threaded rod sales
10 into this country exponentially. So I don't believe
11 that any sort of economic stimulus in China will have
12 any effect upon their ability to sell threaded rod
13 into the United States.

14 COMMISSIONER WILLIAMSON: Okay, thank you
15 for that clarification. Mr. Magrath, in your original
16 testimony I think you made a reference to price
17 suppression and price depression in the interim
18 period. And just, I don't have your written text, I
19 didn't quite understand that and I was wondering if
20 you could clarify the point that you were making
21 there?

22 MR. MAGRATH: I was referring to charts that
23 -- well first of all I read the two statements from
24 the staff report that, one that the price of wire rod
25 was going up, the second that the price of threaded

1 rod was going down for the great majority of the
2 period of investigation. And that imports and
3 domestic prices were similar in trends. Well that's
4 depression if you put that together with the lack of
5 profitability through most of the period.

6 In the latest interim period we have done
7 charts along the line that Mr. Thomson did for the
8 staff report that chart low carbon steel wire rod
9 prices, published prices of that, with the public
10 prices in the staff report of the Chinese. And as I
11 said in my testimony that has shown a convergence.
12 The price of wire rod has been going up, the price of
13 China and the United States has been going up but not
14 as much.

15 And that is the definition of price
16 suppression, when U.S. producers are able to raise
17 price but not sufficient to cover costs. It's a nice
18 graphic illustration that we're going to have that for
19 four of the products. It's only limited by how much
20 of the pricing data is confidential, but we're going
21 to have that in the posthearing brief.

22 COMMISSIONER WILLIAMSON: So you're saying
23 that there was price depression in the interim period?

24 MR. MAGRATH: There's price suppression in
25 the interim period once the --

1 COMMISSIONER WILLIAMSON: Oh, sorry,
2 correct.

3 MR. MAGRATH: The U.S. prices went up not as
4 much as they should have to cover the increased price
5 of carbon wire rod.

6 COMMISSIONER WILLIAMSON: Okay, but it's a
7 fact that the price that the raw material and the
8 price of the finished product, the convergence that
9 they're both moving up?

10 MR. MAGRATH: Right.

11 COMMISSIONER WILLIAMSON: Okay, thank you.
12 I just wasn't clear what that point was. Do U.S.
13 producers provide any services to their customers that
14 subject importers do not? Mr. Logan?

15 MR. LOGAN: We considered that argument at
16 the original hearing to be quite facetious. We
17 believe that we were able to supply the domestic
18 market as well as the importers do. And taken as an
19 individual company we believe we're in very good
20 condition to be able to supply that market, but taken
21 as an industry as a whole with our other compadres
22 here, the domestic industry is well positioned to
23 supply the entire needs of this market.

24 COMMISSIONER WILLIAMSON: Okay, but I mean
25 are there extra services that you might provide to a

1 U.S. customer that importers don't? I take it not,
2 but I was just checking.

3 MR. IVERSON: We have eight locations
4 throughout the western United States. Eight
5 warehouses where we stock this product, and we do
6 stock and release. Our customers, we offer them a
7 value product and the ability for them to draw from
8 our warehouse rather than buy large massive
9 quantities. And in most cases we deliver as they
10 call. If they need the product, they want it
11 delivered in the next couple days, they place an order
12 or we have a slotted delivery, we throw it in the
13 trucks and we deliver it to them.

14 COMMISSIONER WILLIAMSON: Yeah, but Proteus
15 made a very big deal in the preliminary staff
16 conference that they too have these kinds of programs
17 and they were contrasting that with the U.S. industry.
18 I don't think they could make the same point today
19 because we have U.S. producers here who have those
20 depots who do the same services.

21 MR. LOGAN: And I would like to add that in
22 my mind it is a definite positive if you're a buyer
23 and you're ordering a full container from China
24 through one of the importers, you have to forecast out
25 90 to 120 days your needs. If you would like to buy a

1 truckload from us we'd be glad to ship it to you
2 today, and there is no lag time and I believe that's a
3 great service especially in today's economy.

4 MR. MAGRATH: Commissioner Williamson, if
5 you'll allow me one brief comment, that is a great
6 service. I agree with Mr. Logan. But over the period
7 of investigation the Chinese gained 15 points of
8 marketshare, the U.S. lost 14 points of marketshare.
9 So that shows you how far superior service will get
10 you in this commodity market, not very far.

11 COMMISSIONER WILLIAMSON: Okay, so you're
12 saying the U.S. firms tend to provide superior
13 service? Because the things you're talking about,
14 seems like the distributors of importer product could
15 do the same thing.

16 MR. LOGAN: I think we would have to make a
17 distinction. If a local buyer is buying 2,000 pounds
18 then I would say that their service and our service is
19 very similar. We can both get it to them in a
20 reasonable amount of time. However we do know people
21 that contracted with the importers to buy full
22 containers of material, and that material was
23 definitely a 90 to 120-day lag time between the time
24 they ordered and the time they received it. Where if
25 they wanted that type of truckload quantity from us,

1 any of us, we could ship it immediately.

2 COMMISSIONER WILLIAMSON: Okay, thank you.

3 Anyone else wanted to add to that?

4 MR. UPTON: Well I haven't seen the
5 importers having that much trouble competing with us
6 in that arena. You know, they have continued to surge
7 and take marketshare, and I'm not sure what all they
8 do in order to compete with us, but it's very, very,
9 very significant. And we're doing everything we can
10 to try to position ourselves to try to convince the
11 market that they should buy from us. But the market's
12 more focused on price and the Chinese, there is no
13 limit as to how low they go on price. You know cost
14 has no effect on their price apparently.

15 COMMISSIONER WILLIAMSON: Okay, thank you
16 for that.

17 MR. OSTERMUELLER: Mr. Williamson, may I add
18 one thing? Since we've brought up the Proteus in the
19 initial hearing, one of the things that they were very
20 clear about as Mr. Logan referred to was the fact that
21 they had multiple branches. I know Mr. Iverson
22 referred to his multiple branches. In the initial
23 testimony though, they did not consider the fact that
24 all of us had stocking rep warehouses, which is very
25 common in our industry, where we deliver a truckload

1 of material to a rep let's just say in Chicago for my
2 purposes.

3 I manufacture it in New Jersey, I deliver it
4 to Chicago, and the Chicago rep deals with the local
5 market. So he has same day pickup or local delivery
6 out of Chicago. My plant's in New Jersey but I'm
7 covered in multiple locations, which is a factor that
8 we had put in in advance of Proteus bringing this
9 commodity in and competing with these markets. But it
10 was a distinction that was not recognized in the
11 initial hearing. Just wanted to clarify that a bit.

12 COMMISSIONER WILLIAMSON: Okay, thank you
13 for that clarification. Good, anything else on this?
14 Thank you. Other than the actual price, have the
15 terms of sale with either your suppliers or your
16 customers changed during the period of investigation?
17 For example, is there more use of contracts versus
18 spot price? What about in terms of credit terms? Is
19 there any changes, any significant trends that should
20 be noted?

21 MR. UPTON: I'm not aware of any. I mean
22 our terms have tried to stay the same. Of course in
23 these market conditions our customers all think they
24 need to pay us in an extra six months or maybe even
25 never, I'm not sure. But we've not really changed our

1 terms.

2 COMMISSIONER WILLIAMSON: Okay, thank you.
3 How do you respond to Proteus's argument that the
4 Commission should disregard the pricing data of
5 certain firms or the Commission should ask for the
6 separate data for the A36 material? Is there any
7 comment on that for now or posthearing?

8 MR. MAGRATH: You've heard the testimony
9 today that from the west coast producer that really
10 this is the only place where A36 is somewhat of an
11 issue, where the engineers call for this spec that
12 it's less than 5 percent of his sales. So I mean I
13 don't think it's worth the Commission's time, and
14 certainly they can ask us for it and we can try to
15 provide it.

16 MR. WAITE: Commissioner Williamson, I know
17 the red light is on but I promise to be very brief. I
18 think Mr. Iverson will also tell you that in terms of
19 pricing there's no distinction between A36 and other
20 types of steel threaded rod of the same dimensions,
21 same finishing, same lengths.

22 COMMISSIONER WILLIAMSON: Okay, good. Thank
23 you.

24 CHAIRMAN ARANOFF: Commissioner Pinkert.

25 COMMISSIONER PINKERT: Thank you, Madam

1 Chairman. Following on to the questions about ASTM
2 A36, in your view does the fact that a company
3 produces to that specification have any bearing on
4 whether it should be included or excluded from the
5 domestic industry?

6 MR. WAITE: Commissioner Pinkert, I think
7 the facts of this case show that the A36 product is
8 almost interchangeable with the other products made by
9 the companies that do purchase A36 grade wire rod.
10 Very few customers request specifically that they use
11 A36. I mentioned earlier about no difference in
12 pricing. I don't know if Mr. Iverson would like to
13 discuss this further because the issue of A36 I think
14 came up in his testimony.

15 MR. IVERSON: A36 is a raw material spec.
16 A36 is not specifically a threaded rod spec. So when
17 a customer's looking for A36 specifically what they're
18 looking for is material that's manufactured from a
19 base product of A36. The only reason we get involved
20 directly on that is we import or buy from the steel
21 mill all of our product as an A36 raw material. We do
22 that for several reasons.

23 One reason is we've been forced to duplicate
24 inventory per import product and raw material, and
25 we've got customers that want -- you know if they ask

1 for A36, you know we don't want to duplicate more
2 inventory. So when they mix the steel at the steel
3 mill it's like a chocolate malt. You order it, they
4 put in the components, and they can make it 1018, but
5 for no additional cost you just ask them, make me A36.
6 Same price, same pot, and we just request that when we
7 have them make the stuff. We sell it for the same
8 price as we do regular threaded rod. If a customer
9 calls and says, I want threaded rod, they're getting
10 A36. We don't have to state it.

11 MR. MAGRATH: The comment was made yesterday
12 I think by Mr. Upton in our discussions that A36 is
13 nothing special. It's like the most common spec out
14 there. I mean that's why Mr. Iverson can order all
15 his material A36 because it doesn't really make any
16 difference.

17 MR. LOGAN: As domestic producers we find it
18 quite comical that they're making a big deal of this.
19 But the reason they're making a big deal of this is
20 because China, A36 is just an ASTM spec, and I call
21 it, throw it in the pool and it'll sink to the bottom
22 steel. That's really all it is. I mean there's
23 nothing really special about it, it's kind of the
24 lowest grade.

25 The problem I think comes from the

1 standpoint of China mills do not necessarily roll that
2 specification. It's just not common in China.
3 Therefore the importers have difficulty selling
4 material that meets that very common grade simply
5 because China mills don't roll it. So but for us it's
6 very common in the United States and we see no
7 difference between it and just common low carbon
8 grades.

25 COMMISSIONER PINKERT: Do you have any data

1 that might help us in the context of doing a threat
2 analysis to understand how deep and how long this
3 downturn might be and how it might affect the industry
4 going forward?

5 MR. WAITE: Commissioner Pinkert, I think if
6 we had the answer to that question we'd be sitting in
7 the oval office right now. I do note, for example,
8 that Chairman Bernanke said yesterday that he expected
9 the economy could show improvement as early as the
10 fourth quarter of this year. Clearly the commercial
11 construction market, to which most of their production
12 is dedicated in one form or another, was one of the
13 bright spots in the economy until the economy as a
14 whole cratered as Dr. Magrath said in October.

15 Whether or not the loosening up of equity
16 markets, one would think that that would enable
17 commercial construction to resume. Yesterday a number
18 of the industry witnesses told us that in fact there
19 may be construction projects already started or on
20 hold that could be resumed if the economy improves.
21 Because keep in mind the insertion of the threaded
22 rods into a commercial construction project happens
23 rather late in the piece. I mean this is what's done
24 after the walls are up, after the roof is on, after
25 the floors are in, to start hanging the electrical

1 conduits and the fire suppression systems and other
2 things.

3 But in terms of the overall improvement in
4 the economy which we all hope will come sooner rather
5 than later, I can only speculate based again on
6 statements by more experienced and smarter people than
7 I that when the economy begins to improve one would
8 expect that commercial construction would not
9 necessarily be a lagging indicator in that.

10 It's not like residential construction where
11 as we all know there appears to be an enormous
12 inventory of housing that has to be absorbed first as
13 a result of foreclosures or overexpansion before new
14 housing can kick in and have a significant impact. I
15 don't believe that's the case for commercial
16 construction. We can look into that for you, however,
17 and see what's available in the public domain and give
18 it to you in our posthearing brief.

19 COMMISSIONER PINKERT: Yeah, one --

20 MR. MAGRATH: Commissioner, I'm sorry, one
21 brief remark, there are a few numbers in the staff
22 report that are forward looking. One is the inventory
23 of domestic producers which as of the end of September
24 had ballooned by 77 percent over the interim period.
25 The other is in the importer questionnaires you asked

1 how much material is on the water in 2009 and the
2 staff has those numbers and it's my recollection that
3 they've also increased greatly from the importers.
4 Finally, of course if you had foreign producer
5 questionnaires you would see what their inventory
6 picture is like and how much they have on the water
7 but you do not.

8 COMMISSIONER PINKERT: Thank you. Now this
9 next question may fall into that category of questions
10 that can't be answered in a public hearing, but I'm
11 interested in your response to Proteus's argument at
12 pages 8 to 11 of its brief that the Commission should
13 include a certain company's prices in the pricing data
14 despite staff's concerns that have come up in this
15 case. And I'm just wondering perhaps in the
16 posthearing or if you can respond here today, if you
17 have a response to that.

18 MR. WAITE: Commissioner, we will have a
19 response in our posthearing. Given the context of
20 this issue, which actually appears more than once in
21 the prehearing staff report, I think it's just fraught
22 with difficulty to try to give you a coherent answer
23 and still stay on the sunny side of the APO.

24 COMMISSIONER PINKERT: I fully understand
25 that. Now back to the threat issue, very briefly, is

1 it likely that imports from China would be excluded
2 even if the buy American provisions are applied in
3 accordance with the government procurement agreement
4 because China is not a signatory to that agreement?
5 If you can handle that here, great. Also that could
6 be handled in the posthearing.

7 MR. WAITE: I see we're on the caution
8 light. I just gave a presentation to an association
9 of U.S. manufacturers in the wire sector two weekends
10 ago on the buy American provisions in the American
11 Economic Recovery and Reinvestment Act of 2009. My
12 conclusion, I'd be happy to flesh these out in a
13 posthearing brief, is that the impact of the buy
14 American provisions is much more limited, much more
15 modest than perhaps the shrill calls we've heard from
16 some of our trading partners who ironically also have
17 buy French, buy Canadian, buy German requirements in a
18 great deal of their stimulus packages.

19 But we can address that for you. I would
20 just note in terms of context that the president of
21 the Steel Manufacturers Association, which of course
22 represents the steel mini-mills in the United States,
23 predicted, and I believe the American Iron and Steel
24 Institute has endorsed this prediction, that overall
25 the stimulus package enacted by Congress and signed by

1 the president may absorb 2 million tons of additional
2 steel a year by its presence. That's 2 million tons
3 across the board, much of it going into infrastructure
4 projects which as we've discussed do not absorb
5 threaded rod.

6 They absorb structural steel, flat steels,
7 tubular steels, and the like. So the impact of the
8 stimulus package directly I think will be quite
9 limited on steel threaded rod, particularly since
10 commercial construction has traditionally been the
11 largest market and of course that's not covered by the
12 stimulus package. One hopes however that the stimulus
13 package will in fact stimulate, and as we discussed
14 earlier, Commissioner Pinkert, that the economy will
15 begin to rebound and these other areas that the
16 industry serves will improve with time.

17 COMMISSIONER PINKERT: Thank you. Thank
18 you, Madam Chairman.

19 CHAIRMAN ARANOFF: One followup question I
20 wanted to ask, I know a lot of my colleagues have
21 asked about the A36 issue, but just bear with me. I'm
22 still trying to understand, because there are some
23 customers who ask for that ASTM specification, are
24 there specific end uses that require the input to have
25 that ASTM specification? And if not, what exactly is

1 the reason that customers are asking for it?

2 MR. IVERSON: A36 is a raw material spec,
3 and the 36 stands for 36,000 PSI yield. And all that
4 ensures is that when they make the material that it
5 will comply or conform with at least those minimum
6 specifications. If they don't specify that it could
7 be made from whatever. You know, our product is made
8 primarily from scrap.

9 I mean the steel mills, they take junk cars
10 and when they separate their scrap they're putting
11 certain components in different piles and when they
12 mix their malt up they're pulling components that have
13 certain percentages of steel components. And when
14 they do that the American steel mills when you order
15 A36 will at least comply to that minimum requirement.

16 MR. UPTON: Well I don't think it's used
17 that much, but typically it's just a number that an
18 engineer can grab and put down, and it generally
19 relates to just a low carbon type product. And I'm
20 not aware of any of the threaded rod that would come
21 from anywhere that would not meet at least a minimum
22 of that.

23 CHAIRMAN ARANOFF: Okay, so is this
24 something that's for example in building codes for
25 commercial buildings?

1 MR. UPTON: Sometimes, but not that much. I
2 mean not using it to hang the sprinkler pipes and all
3 that, it's typically never even used. I mean we
4 rarely, rarely ever see it. I mean it's just not even
5 talked about. To me it's a nonissue. I don't
6 understand why they even bring it up because it
7 doesn't relate to anything that we see. I mean we see
8 it rarely.

9 CHAIRMAN ARANOFF: Okay.

10 MR. UPTON: Only if they're using it in the
11 form of an anchor bolt or some other function, you
12 know? And threaded rod has so many different
13 applications, and being in the position that we're in
14 as a producer going through distribution, you know we
15 don't see very many of the applications actually. So
16 whatever we tell you is kind of hearsay through the
17 distribution network that are actually dealing with
18 these things. But this product is used holding pipes
19 together underground and all types of applications.
20 So you know some engineer somewhere may say he wants
21 at least an A36 type bar so you may see it like that.
22 Does that answer your?

23 CHAIRMAN ARANOFF: Well sort of, but I think
24 it's a fair point you make that you don't exactly know
25 what applications the distributors are selling it for.

1 So when they come and ask you for A36 apparently they
2 don't tell you why.

3 MR. UPTON: Right, that's true.

4 CHAIRMAN ARANOFF: All right, one question
5 that I wanted to ask, and this is on a different
6 subject, at page 2-3 of the prehearing report there's
7 an indication that 12 of 34 purchasers that responded
8 to our questionnaires who are all resellers of
9 threaded rods, so distributors, indicated that they
10 compete for sales to their customers with the
11 manufacturers or importers from which they purchase.
12 And so I wanted to ask the three manufacturers who are
13 present today if you could explain the extent to which
14 you are making direct sales to end users in
15 competition with your distributor customers.

16 MR. OSTERMUELLER: Madam Chairman, Watson
17 Mill does not sell to any end users of this product,
18 which is typically construction companies. We sell
19 through distribution or through pipe hanger
20 manufacturers which has been the traditional flow of
21 this product. The only place I can see that, and
22 knowing some of the names on the list, are we have
23 larger distributors, as we refer to master
24 distributors, who then sell to smaller distributors.

25 That can be a place where the chain can get

1 a little muddied. Where it's a smaller inquiry and
2 they bring it to both places, maybe we get the order,
3 maybe a master distributor gets the order. But when
4 it comes to an end user or a contractor sale, we do
5 not do that at all. I don't believe any of my
6 colleagues do either.

7 CHAIRMAN ARANOFF: Is that the same answer
8 for everybody, that it's in levels of distributors but
9 not end users?

10 MR. UPTON: Yeah that's correct for Vulcan
11 as well.

12 MR. IVERSON: That's correct for Bay
13 Standard.

14 CHAIRMAN ARANOFF: Okay, thank you. That's
15 a good clarification. One question that I had, one of
16 my colleagues was asking earlier about nonsubject
17 imports. And the precise numbers are confidential but
18 our staff report does indicate that there are some
19 nonsubject imports that have very high unit values.
20 If there's anything that you can share with us either
21 now or in your posthearing that would help us to
22 understand whether there are certain types of threaded
23 rod made in nonsubject countries that may have very
24 high value or whether these are products that fall
25 outside the scope but inside the basket category in

1 the import data. I'm just trying to understand what
2 accounts for those high values.

3 MR. MAGRATH: Yeah that last thing that you
4 said about the basket category, that could account for
5 it. What instantly came to mind to me is that you've
6 caught up in your importer net a couple of Japanese
7 auto transplants, and they typically import from
8 affiliated companies in Japan and they tend to by at
9 high unit values. Now I haven't examined them
10 specifically but I feel that's probably one good
11 explanation for that phenomenon.

12 CHAIRMAN ARANOFF: Now is that product
13 within the scope that's used in the auto industry or
14 is that another product?

15 MR. WAITE: Madam Chairman, I would like to
16 address that in our posthearing brief because now that
17 we have identified, because it's on the public record,
18 that some of the Japanese automotive transplants have
19 submitted questionnaire responses, I'd rather not
20 characterize those products in a public forum. But we
21 can characterize those products in a --

22 CHAIRMAN ARANOFF: Okay, well anything that
23 you can do to help me understand the data that we have
24 on the values for nonsubject imports.

25 MR. WAITE: Correct, and I think the

1 answer's very clear.

2 CHAIRMAN ARANOFF: Okay, and if you want, I
3 mean to the extent that you can divide them up by
4 sources, that's even more helpful because it's not
5 clear to me that all nonsubject import sources are
6 high price high value. Okay, I think I had one other
7 question. You know we always ask in our
8 questionnaires for purchasers to identify price
9 leaders if they can identify a price leader in the
10 market. And I just wanted to ask the gentleman from
11 Vulcan whether as the largest domestic producer of
12 threaded rod do you consider yourself a price leader
13 in the market and what does that term mean to you?

14 MR. LOGAN: We discussed this a little bit
15 yesterday laughing among ourselves as being
16 competitors. But the general consensus is that for
17 the last five years China has been the price leader in
18 the market and that we have all had to react to
19 whatever China was doing in the marketplace either
20 direct or through master distributors and that was the
21 primary driving force. However -- I think that's
22 basically our answer.

23 CHAIRMAN ARANOFF: Okay, now some people
24 when you say to them, purchasers in my experience, and
25 you say to them, who's the price leader? They'll name

1 whoever tends to raise prices first and sometimes
2 it'll be whoever tends to cut prices first. I don't
3 know whether you think in your market price leadership
4 is defined by who's the most likely to raise prices at
5 a time when that might be happening.

6 MR. LOGAN: We like to think that Vulcan
7 leads the prices up and that Watson leads the prices
8 down but he would probably disagree with that.

9 CHAIRMAN ARANOFF: All right, well I may not
10 dwell on that anymore because I'm not sure it's
11 getting me anywhere. With that I think I have
12 exhausted all my questions so I want to thank all of
13 you for your answers and turn it over to Vice Chairman
14 Pearson.

15 VICE CHAIRMAN PEARSON: Thank you, Madam
16 Chairman. I also have no further questions but would
17 express my appreciation to all of you for coming here
18 today and teaching us a little bit about your
19 industry.

20 CHAIRMAN ARANOFF: Commissioner Okun.

21 COMMISSIONER OKUN: I have no further
22 questions but also want to thank you for all the
23 responses you've given and will look forward to the
24 posthearing submissions.

25 CHAIRMAN ARANOFF: Commissioner Lane.

1 COMMISSIONER LANE: Thank you. I have two
2 questions and they're probably for Mr. Waite or Dr.
3 Magrath. Respondents argue in its prehearing brief
4 that on the whole the domestic industry did quite well
5 over the POI. Do you agree that your profit level
6 over the period of investigation is indicative of a
7 healthy industry? And if not, what level of profit
8 would be a reasonable target for purposes of
9 justifying upgrading of facilities or new investment?

10 MR. MAGRATH: I mean I'd like to answer the
11 first part of that question, Commissioner Lane. I
12 mean it has been inadequate over the period of
13 investigation. You've had very healthy demand in the
14 general market but you've had declining profits,
15 you've had negative profits overall for the industry
16 in one of the years in the POI, and you've had a major
17 facility go down, the equipment have to be sold off.

18 And you have as I stressed in my testimony
19 you have a couple of other producers out there, the
20 survivor bias, who by all information we have are in
21 very poor shape, who have changed ownership, that kind
22 of thing. All those are indicative of an industry
23 that's struggling. As to what level would be adequate
24 I think the industry can answer that better than we
25 can.

1 MR. WAITE: And Commissioner Lane, on the
2 second part of your question, what level would be
3 adequate, I would prefer that we answer that in our
4 posthearing brief because each company probably has
5 its own idea on the return that it needs in order to
6 make further investment, expand capacity, hire new
7 workers.

8 COMMISSIONER LANE: Okay, thank you. And
9 this next question probably falls in the same
10 category. Given the conditions of competition for
11 threaded rod, what do you estimate the impact would
12 have been on the domestic industry if subject imports
13 had been fairly priced? And you can provide an answer
14 now or I'd like quantification and explanation
15 posthearing.

16 MR. WAITE: I think it would probably be
17 best to address that posthearing because we can do
18 that then as a coordinated whole and give you the
19 quantification that you've requested, Commissioner
20 Lane.

21 COMMISSIONER LANE: Okay, thank you. Okay,
22 I guess I did have another question. Has the domestic
23 industry ever had to turn down orders to a domestic
24 purchaser or purchasers on allotment due to
25 insufficient capacity or any other reason?

1 MR. UPTON: I'm Bill Upton, and not from our
2 company's perspective. You know we welcome all the
3 orders we can get and we always have. And we've
4 always added capacity once we start approaching maybe
5 90 percent utilization than what we've got, then we
6 had more capacity. So you know we've never run into
7 the situation like our domestic rod mills did last
8 year where all of a sudden they had more business than
9 they knew what to do with and had to turn down
10 business. I look forward to that day some day.

11 COMMISSIONER LANE: Okay, anybody else care
12 to respond to that?

13 (No response.)

14 COMMISSIONER LANE: So does that mean that
15 the rest of you have had to turn people down?

16 MR. IVERSON: We've not had to turn anybody
17 down. We would appreciate more business.

18 COMMISSIONER LANE: Okay.

19 MR. OSTERMUELLER: Commissioner Lane, before
20 the period of investigation we were single-sourcing
21 some of our raw material and that mill had
22 difficulties. This would probably be in the '03, '04
23 range. We did not receive as much steel as we could
24 have sold at that point in time. We corrected that by
25 finding alternate sources. It was a relatively small

1 period of time. And I bring that up, it goes in line
2 with my testimony, whereas we were selling everything
3 we could produce and then had additional demand.
4 During the period of investigation, that has not been
5 the case.

6 COMMISSIONER LANE: Okay, thank you. And
7 thank you all for your testimony. Madam Chair, that's
8 all I have.

9 CHAIRMAN ARANOFF: Let me just double check
10 that there are no more questions from Commissioners?

11 (No response.)

12 CHAIRMAN ARANOFF: Didn't think so.

13 COMMISSIONER PINKERT: I would like to thank
14 the panel. I appreciate your testimony, I look
15 forward to the posthearing submission.

16 CHAIRMAN ARANOFF: Do the staff have any
17 questions for this panel?

18 MR. MCCLURE: Jim McClure, Office of
19 Investigation. Staff has no question. I do have a
20 couple of comments to make. With respect to Dr.
21 Magrath's concern with regard to the financial
22 information presentation we're aware of his concerns
23 and will attempt to address that in the final report.
24 And the other thing is, lest there be a misperception
25 here, Dr. Magrath said that we asked for the financial

1 data for the three most recent fiscal years to make it
2 easier for the producers to respond, which I hope that
3 didn't lead to the notion that somehow that was
4 different than we normally do.

5 This has been standard operation procedure
6 in the Office of Investigations dating back to a time
7 when Dr. Magrath himself was working for the Office of
8 Investigations. We always ask for the most recent
9 three fiscal years plus interim periods if interim
10 periods are applicable. That's all.

11 CHAIRMAN ARANOFF: Well I want to thank this
12 panel very much for all of your time and the
13 information that you were able to provide this morning
14 as well as what I know you'll continue to provide in
15 your posthearing brief. We will ask you to return to
16 your seats further back in the room. And because it
17 is still not too late into the day we are going to
18 proceed with everyone's indulgence directly to the
19 next presentation rather than taking a lunch break.
20 Thank you.

21 (Pause.)

22 CHAIRMAN ARANOFF: Are there any preliminary
23 matters?

24 MR. BISHOP: Only, Madam Chairman, that
25 those in opposition to the imposition of antidumping

1 duty order have been seated, these witnesses have been
2 sworn.

3 CHAIRMAN ARANOFF: Okay, and I understand
4 that the applicable time limit is 10 minutes?

5 MR. BISHOP: That is correct, Madam
6 Chairman.

7 CHAIRMAN ARANOFF: Okay, Mr. Wilson and Mr.
8 Williams, welcome to the Commission, and please
9 proceed as soon as you're ready.

10 MR. WILLIAMS: Okay. Well, thank you for
11 having me this morning. I've been waiting since April
12 of 2008. My name is Robert Williams. I have a long
13 legal title, but for brevity's sake I am the owner of
14 Riex Co., LP. We are an importer, a distributor, and
15 as defined in this petition a producer of certain
16 steel threaded rod. We are a respondent to the case.
17 We are not a party, we are a witness, and I want to
18 thank Mr. Magrath for allowing us to be a part of
19 their group.

20 The difference in this petition, and I'm
21 going to refer to 731-TA-1145 as the petition and I'm
22 going to refer to the group that came before as the
23 Petitioners. The difference in the petition is in the
24 decimal. It covers more products than what we just
25 talked about in threaded rod, and I'll get into that.

1 What got me involved in this was, when I first read
2 the petition I read the scope, read the definition of
3 the product, kept moving on, and then I read the story
4 of what the product is about, what are we covering?

5 And there was a particular statement that
6 was made that, this is used in noncritical
7 application, it's easy to cut. And the first thing
8 that came to me as what I consider myself an executive
9 of the power piping and the processed piping
10 industries is, no one can make a determination of
11 critical or noncritical except the party that carries
12 the burden of ultimate liability. And ASME B-31 and
13 B-31.3, which are the design standards for the
14 products that are being used, they are very specific
15 about saying that.

16 That being said, Congress through Public Law
17 101-592, titled the Fastener Quality Act, has defined
18 what critical and noncritical fasteners are, which
19 include certain steel threaded rod. That's what got
20 me involved. As I began to read more I started
21 looking at the utility of the product, because that's
22 noncritical, easy to cut. Then I began to read the
23 Congress's scope and what is defined.

24 And what I found is that the Petitioner has
25 defined this product as having less than 2 percent

1 carbon content. Low carbon steel, which the
2 Petitioner has identified this product. 1018 steel,
3 which the Petitioner has identified this product,
4 contains less than .2 percent carbon in its
5 composition. Where that's confusing, and a lot of
6 people didn't catch that, I'm a pretty smart guy and I
7 didn't catch that through the many times that I read
8 it.

9 Now you all just did pipe I believe, line
10 pipe of low carbon quality. That came up not too long
11 ago so you're probably pretty familiar with steel, but
12 I'll go ahead and go through it with you. Steel is
13 mostly iron. Then it has alloying elements which give
14 it its characteristics of strength. The total
15 alloying elements are 2 percent maximum, that's the
16 molybdenum, zirconium, vanadium, chromium, and carbon.
17 Those are the alloying elements. Carbon steel
18 contains no more than 2 percent of those alloying
19 elements.

20 There are three types of steel. There's
21 carbon steel, there's high strength low alloy steel,
22 and then there are low alloy steels. Under the carbon
23 steels there's a low carbon steel, a medium carbon
24 steel, a high carbon steel, and an ultrahigh carbon
25 steel. Then we have high strength low alloy and then

1 we have low alloy. Low carbon steel contains .2
2 percent, .2 percent to .3 percent carbon. It's
3 relatively easy to cut. Okay, cutting is a relative
4 statement but we will use low carbon steel as the
5 basis. Relatively easy to cut.

6 Medium carbon steel contains .3 percent to
7 .6 percent carbon. It's a little harder to cut. High
8 carbon steel contains .6 to 1 percent carbon steel.
9 It's even harder to cut. And then finally the
10 ultrahigh carbon steels, which are experimental carbon
11 steels, contain 1.25 to 2.0 percent carbon steel.
12 Well what the Petitioner does is in his definition is
13 he doesn't just include just low carbon steel he
14 includes other carbon steels.

15 High strength low alloy contains .05 to .25
16 percent carbon steel by weight. And that's by weight,
17 that's important, not total alloying elements when
18 we're talking about the definition of carbon steel, .2
19 percent by weight. In addition high strength low
20 alloy steel is made for its atmospheric corrosion
21 properties. You may have heard it as its generic name
22 or trade name, quartenz steel.

23 Low alloy steel has superior mechanical
24 properties to carbon steel and it is specifically
25 excluded from the definition. Those would be the

1 specifications ASTM A193 and A320. As I read the
2 story of what we covered, what we talked about, what
3 was in the questionnaire, low carbon steel, the
4 Petitioner said, one it's used in noncritical
5 applications. I'll come back to that when we talk
6 about Public Law 101. Corrosion is not required, and
7 three, ease of cutting.

8 And that is on page I-7 and II-1. 'All
9 threaded rod can be used for noncritical bolting
10 applications described above for which high strength,
11 heat resistance, or special corrosion resistance is
12 not required.' However in their definition it
13 includes those properties. So I'm asking myself as
14 I'm going through this, and this was just last week,
15 what are we talking about? What is the purpose, what
16 are we protecting?

17 Are we protecting the threading industry?
18 Are we protecting the rod, the steel industry? Are we
19 protecting low carbon, less than 2 percent? We'll
20 come back to that also. Less than .2 percent carbon
21 in 3-foot, 6-foot, 10-foot, and 12-foot lengths?
22 Sometimes zinc plated, sometimes plain, sometimes hot-
23 dip galvanized. Is that what we are protecting?

24 Public Law 101-592, the Fastener Quality
25 Act, was written to prevent fastener fraud, and the

1 spirit of it was for industry to protect itself. But
2 in their description they say, fasteners used in
3 critical applications. However within that law it
4 comes down and it excludes certain fasteners. One
5 would argue that the exclusions in it are noncritical.
6 What they exclude are fasteners made to grade ASTM
7 A307 grade A.

8 The steel threaded rod that's being brought
9 in from China meets ASTM A307 grade A, so we'll say
10 that that's a noncritical application. However every
11 other fasteners is critical. And in the description
12 of less than 2 percent by weight carbon includes
13 critical fasteners such as the medium carbon, high
14 carbon, ultrahigh carbon, and the high strength low
15 alloy.

16 So my question today, gentlemen, is what are
17 we protecting? Are we protecting the threading
18 industry? And I would ask the Petitioners, can you
19 draw ultrahigh carbon? Can you thread ultrahigh
20 carbon? What is the injury to that industry? They
21 weren't even asked in the questionnaires. Corrosion
22 resistance is not required, however you include within
23 your description a corrosion resistant steel.

24 The perception of the market of the
25 Petitioners is that they are a domestic producer

1 producing a domestic market. I am a distributor.
2 When I compete against the Petitioners what I commonly
3 hear from other distributors -- I'd be considered a
4 master distributor -- what I hear from other
5 distributors that I try to sell to is, they are
6 domestic.

7 I've been hearing this for a long time.
8 I've been doing this for 17 years. And when I come up
9 against that, okay I just don't engage. The
10 perception in the fastener distribution market, which
11 wants to buy import which competes with the
12 Petitioners, is, well it's import material, but it's
13 threaded and considered domestic for the Buy American
14 Act -- I don't know if it's Buy American or Buy
15 American Act.

16 What I heard today was that yes, the
17 Petitioners do buy import steel. I also heard today
18 that steel comprises 67 percent of its value. Of the
19 petition that we have, the description does not fit
20 the story, and I would ask the Commission not to build
21 a foundation of transparency on an opaque petition.
22 Thank you.

23 CHAIRMAN ARANOFF: Thank you very much, Mr.
24 Williams. We appreciate your traveling to be with us
25 today. Let me see if my colleagues have questions for

1 you. We would start with Commissioner Pinkert.

2 COMMISSIONER PINKERT: Thank you, Madam
3 Chairman. And thank you Mr. Williams and Mr. Wilson
4 for being here to answer our questions and to express
5 your perspective on the case. I see that my red light
6 is on -- oh, thank you. Sometimes time passes quickly
7 at these hearings but not that quickly. Anyway, I'm
8 trying to understand, Mr. Williams, whether what you
9 want the Commission to do is in some way to alter the
10 scope of this investigation. Is that what you're
11 asking?

12 MR. WILLIAMS: I'm asking for a redefinition
13 of the scope to be focused just on what we're talking
14 about, and that would be low carbon all thread rod of
15 1018 steel. We'll need to discuss just what that
16 carbon content is so that it is a proper description,
17 it's an accurate description. But what I am asking
18 the Commission today is, get the right definition of
19 the product that we're here to protect.

20 COMMISSIONER PINKERT: Now did you have an
21 opportunity to raise your concerns about the scope of
22 the investigation with the Commerce Department?

23 MR. WILLIAMS: No, sir -- oh, did I have an
24 opportunity? You know, I didn't discover this until I
25 really started to read it. Now it's confusing because

1 in defining steel, the number 2 percent is used, and
2 that's 2 percent of total alloying elements. And then
3 .2 percent is used in the carbon content. So no one
4 else caught it. I'm not the only guy in the fastener
5 industry in the steel industry, and I just picked up
6 on it last week. And as I started to go through, this
7 covers other specifications that are brought in, every
8 time I went to the next one, most that are common to
9 the industries that the Petitioners serve it was kind
10 of an aha moment for every one that I found.

11 COMMISSIONER PINKERT: Thank you. Now a
12 couple of questions about the market. Approximately
13 what portion of the market consists of the ASTM A36
14 specification?

15 MR. WILLIAMS: Well, this is going to be a
16 little lengthy. That is, the design standard B-31.1
17 requires that threaded rod in the applications that
18 the Petitioners have discussed meet a minimum tensile
19 strength of 50,000 PSI. A36 meets that minimum
20 tensile strength. However B-31.1, which is the legal
21 standard, does not specify a material A36. It refers
22 you to a table. At the top of that table it says,
23 general characteristics of A36 steel.

24 So an engineer when he reads that and he
25 writes a specification that he wants to kind of dumb

1 it up, he's going to say steel threaded rod will meet
2 A36 steel. Because that's his best resource. How
3 much of the market? A307-A has a minimum tensile
4 strength of 60,000 PSI, so it does meet the design
5 standard of B-31.1. Now I don't know when the United
6 States market changed from A36 to 307-A. Both
7 materials meet the requirements of the standard, but
8 it's going to be up to the engineer to decide which
9 metal he uses.

10 COMMISSIONER PINKERT: Thank you. Now do
11 you know if the steel threaded rod meeting the ASTM
12 A36 specification is available from Chinese sources?

13 MR. WILLIAMS: Not that I'm aware of. We
14 have asked and they say that they cannot meet A36.
15 May I say something about the two specifications?

16 COMMISSIONER PINKERT: Certainly.

17 MR. WILLIAMS: Okay, the properties of
18 steel, it's a spring. It has elastic properties. And
19 when it yields is when it loses its elastic
20 properties. At tensile is when it begins to break if
21 you will. A36 has a yield characteristic so that it
22 must meet a certain yield. A307-A does not have that
23 yield characteristic. So they both have the same
24 ultimate tensile strength. So this fastener used in
25 tension only, they're interchangeable. When they're

1 used as a clamping force or when that yield is
2 required then they're really not interchangeable.

3 COMMISSIONER PINKERT: Thank you. Now a
4 number of purchasers indicated that buy American
5 policies required them to buy domestically produced
6 steel threaded rod for some applications. What
7 percentage of the overall market in this country is
8 affected by the buy American provisions?

9 MR. WILLIAMS: You know, I can't give
10 numbers. But I can say that when the quality of China
11 began being accepted with engineers, with contractors,
12 then distributors, we started to move over to Chinese
13 product. I still do have distributors that say, you
14 know I like domestic, it's an added value for me. But
15 that would be relatively small amount today.

16 COMMISSIONER PINKERT: Now you've looked at
17 the enacted version of the stimulus bill?

18 MR. WILLIAMS: No, sir, I have not. I read
19 the House version before it went to the Senate.

20 COMMISSIONER PINKERT: Okay. Well, you can
21 just base your answer to this question on the House
22 version. Then, if you have any additional information
23 after the hearing that you wish to supply on this,
24 that would be useful.

25 What does the stimulus bill version that you

1 reviewed provide with respect to buy American
2 requirements and will it exclude or include Chinese
3 imports within its coverage?

4 MR. WILLIAMS: Well, I believe the bill says
5 that it must be domestic steel. Actually domestic
6 steel for this particular product would be threaded in
7 the United States, so it would be a fully domestic
8 product. One of the challenges that we have is that
9 law is made and as it trickles down to the fastener,
10 law is not necessarily held in the highest regard.
11 That's unfortunate.

12 With respect to threaded rod, it's hard to
13 identify whether or not it is a domestic or import
14 product except for the packaging that it comes in.
15 So, if I buy the product, I take it out to the job
16 site, I cut the packaging off or cut the label off,
17 you have no way of knowing whether it's domestic or
18 import. It's unfortunate.

19 COMMISSIONER PINKERT: Thank you. Thank
20 you, Madam Chairman.

21 CHAIRMAN ARANOFF: Mr. Williams, I just want
22 to make sure I understand your business. Do you
23 actually sell the product that the domestic producers
24 here make and sell, the low-carbon threaded rod in
25 these typical diameters that are going to the

1 applications that they're talking about?

2 MR. WILLIAMS: Yes, ma'am.

3 CHAIRMAN ARANOFF: But, you also sell a
4 broader range of products?

5 MR. WILLIAMS: Yes, ma'am.

6 CHAIRMAN ARANOFF: Okay. And you mentioned
7 that by the definition that we have in the petition,
8 you would also qualify as a manufacturer. Did I hear
9 you correctly?

10 MR. WILLIAMS: A producer, yes, ma'am.

11 CHAIRMAN ARANOFF: And can you explain that?

12 MR. WILLIAMS: Well, under the definition,
13 it says 'steel of any length that is threaded.' So,
14 what we do is we will buy bar, we'll cut it to length,
15 and then we'll thread it. And since that bar is less
16 than two percent carbon, we are, by definition, a
17 producer.

18 CHAIRMAN ARANOFF: Okay. But, that product
19 that you're making is not going to the applications
20 that the domestic producers here are describing or is
21 it?

22 MR. WILLIAMS: I don't know -- specifically,
23 the applications -- I don't know the specific
24 applications, but I would speculate that they are.
25 And, certainly, we sell other steels, as well. Some

1 of the medium carbon steels, I don't -- they don't --
2 it would be my thought that they're not going to the
3 applications that they've described. They have a
4 higher strength and they're just -- it's not a
5 necessary product for the general applications that
6 the Petitioner is describing.

7 CHAIRMAN ARANOFF: Are there customers that
8 you sell to in competition with the domestic
9 producers?

10 MR. WILLIAMS: Yes, ma'am, we're a
11 competitor of the domestic producer.

12 CHAIRMAN ARANOFF: Bear with me a minute
13 here. Why don't you describe for us what the effect
14 has been on your sales of the same product that the
15 Petitioner sells. Since this petition was put in
16 place, have you reduced your imports, have you
17 increased your prices?

18 MR. WILLIAMS: Well, what happened was --
19 the duties came through, I believe, after the
20 preliminary investigation; they came up with the
21 duties. All of the importers, they released -- they
22 brought everything that we could and increased our
23 inventories. We had substantial inventories. At the
24 same time or just after that, we all got the economic
25 bad news and distributors, master distributors of this

1 product, started turning inventory into case. So,
2 they were selling at very low prices. And that
3 continued for some time.

4 Since the duties have been applied and the
5 economic factors of the market, the threaded rod
6 market is a mess. I don't know what's a market price.
7 I see low prices. I see high prices. We have
8 discontinued the import of that product. We are
9 buying from a domestic manufacturer and continuing to
10 sell that through distribution, but we're selling at a
11 high price. I see a little bit of everything. I'm in
12 all parts of the market.

13 CHAIRMAN ARANOFF: Do you agree with the
14 domestic producers' assessment that the product that
15 they're concerned about is not really going to be used
16 in the kinds of infrastructure projects that might be
17 supported by the stimulus legislation?

18 MR. WILLIAMS: Was your question, will all
19 thread rod products be used -- or will all thread rod
20 products benefit from the stimulus package?

21 CHAIRMAN ARANOFF: Well, I think it was
22 their assertion this morning that there's not going to
23 be much of a benefit on the demand side because this
24 product tends to be used in commercial buildings and
25 not in road, bridges, that sort of thing.

1 MR. WILLIAMS: You know, from what I've read
2 of the House version, there's going to be a lot of
3 public works products. Now that could be renovation
4 of public buildings. I don't know the extent of it or
5 they have -- maybe yes, maybe no.

6 CHAIRMAN ARANOFF: Okay. I appreciate those
7 answers. Let me turn to Vice Chairman Pearson.

8 VICE CHAIRMAN PEARSON: Thank you, Madam
9 Chairman. Thank you for coming here. It's just a bit
10 cooler this morning than in Texas I would guess.

11 MR. WILLIAMS: Just a little bit, not bad.

12 VICE CHAIRMAN PEARSON: Okay. It should be
13 warmer by the time we finish here, hopefully.

14 I am just wanting to make sure that I
15 understand. Is it your view that the petition would
16 be more justified if it had focused only on the low
17 carbon threaded rod? Or is the petition a bad idea,
18 in any case?

19 MR. WILLIAMS: No. The petition would be
20 better justified with the proper description and the
21 proper scope.

22 VICE CHAIRMAN PEARSON: Okay. And as a
23 commercial matter, how will the petition with the
24 broader scope than you think it should have, how would
25 that petition, the broader scope affect your business?

1 Is it going to prevent you from importing some product
2 from China that is higher than the low carbon level?

3 MR. WILLIAMS: Yes, yes. What the impact of
4 the total market -- or what you're looking for is
5 injury to a market for other products, other than
6 threaded rod. I think that that is best served by an
7 investigation by the Commission and that investigation
8 didn't take place. But, will I be affected?

9 Absolutely. The products that we are bringing in that
10 now fall out of the range of what's been described to
11 within the scope will probably put us out of the
12 market.

13 VICE CHAIRMAN PEARSON: Okay. And are those
14 higher carbon types of threaded rod not available from
15 other countries, what we would call non-subject
16 producers?

17 MR. WILLIAMS: I hadn't looked. Some of the
18 -- disregarding the products they specifically
19 excluded, I would say that the medium carbon
20 materials, the best price would come out of China.

21 VICE CHAIRMAN PEARSON: Okay. How much of
22 the threaded rod that you sell is of the -- just in
23 the normal course of business, how much of it is the
24 lower carbon types and how much is higher carbon?

25 MR. WILLIAMS: In volume dollars -- excuse

1 me, in volume, much more --

2 VICE CHAIRMAN PEARSON: Much more at the --

3 MR. WILLIAMS: Much more volume at the --

4 VICE CHAIRMAN PEARSON: -- lower carbon?

5 MR. WILLIAMS: The lower carbon is a much
6 higher volume product. It's a high-volume, low-margin
7 product. Relative to the low carbon product, the
8 medium carbons and the high-strength low alloyed
9 products are less -- the volume is lower, but the
10 margin is higher -- the sales dollars are higher.

11 VICE CHAIRMAN PEARSON: Okay. And can you
12 describe for me some of the differences and
13 applications between the low carbon threaded rod and
14 some of the medium and higher threaded rod?

15 MR. WILLIAMS: Kind of the point that I'm
16 making is that is application specific and it's up to
17 a design engineer to make that decision. I, as a
18 distribution, cannot make the decision on what the
19 strength requirements are for the application. I
20 don't know what they're going to be. There are
21 minimum design standards for construction projects and
22 they've already determined that low carbon threaded
23 rod has that strength. So, actually, it would be my
24 guess that they determine their design based on the
25 strength of low carbon threaded rod. If in that

1 application they needed higher strength, their
2 corrosion resistance, they would use a different
3 product. But, that's all design -- or application
4 specific.

5 VICE CHAIRMAN PEARSON: Right. But what I'm
6 trying to understand, I assume if we went around this
7 building, we would find some relatively low carbon
8 threaded rod that's supporting sprinkler pipes, that
9 sort of thing. I mean, I've seen some of this stuff.
10 I know we have it here in the building. I'm guessing
11 it's probably relatively low carbon, but don't know
12 that. What I'm wondering is the customers that might
13 buy a medium to high carbon threaded rod from you, are
14 they likely just to use it in hanging sprinkler pipes
15 or are they more likely to use it in some more
16 sophisticated application, holding together airplanes
17 or something like that?

18 MR. WILLIAMS: Absolutely, more
19 sophisticated applications. They might go to the oil
20 patch industry. They might go to the machinery
21 industry. You know, I don't know all the elements of
22 an automobile, but a fastener of that type might be
23 used in an automobile or a piece of machinery, a
24 bridge design. I'm not an engineer, so pardon me.

25 VICE CHAIRMAN PEARSON: I accept that you're

1 not an engineer. I also am not. You know more about
2 this business than I do, that's why I'm must trying to
3 figure it out a little bit more.

4 So, does the domestic industry manufacture
5 all of the grades of threaded rod that are covered by
6 the petition or are there some products covered by the
7 petition that they actually don't manufacture?

8 MR. WILLIAMS: I don't know what they do
9 manufacture. I do know -- I would have to -- I would
10 like to know if they are able to draw ultra high alloy
11 -- or ultra high carbon steel, if they were able to
12 thread either through a cut threading or a roll
13 threading normal process those materials. Do they
14 manufacture them? I don't know.

15 VICE CHAIRMAN PEARSON: Okay. Now, in your
16 own manufacturing operation, are you threading any of
17 the medium to higher level carbon rods or are you
18 threading only the lower carbon rods?

19 MR. WILLIAMS: We are threading low carbon
20 and medium carbon.

21 VICE CHAIRMAN PEARSON: Okay. And so your
22 equipment will do it up to that level? You don't have
23 equipment capable of threading high carbon?

24 MR. WILLIAMS: I am not familiar with
25 threading high carbon.

1 VICE CHAIRMAN PEARSON: Okay. You had asked
2 rhetorically in your opening remarks, can you thread
3 ultra high carbon steel. We don't know?

4 MR. WILLIAMS: Well, you know, threading low
5 carbon steel and medium carbon steel is relatively
6 difficult, especially on the tooling. That's .2
7 percent carbon, okay. Now, its hardenability and
8 machineability is a function of the amount of carbon.
9 You go from .2 to two percent, that's the question I
10 ask. It's a very hard -- like I said, it's an
11 experimental steel.

12 VICE CHAIRMAN PEARSON: Okay. But, some
13 company in China is able to thread somehow some higher
14 carbon steel that you are able to import.

15 MR. WILLIAMS: Yes, just on the medium
16 carbon.

17 VICE CHAIRMAN PEARSON: Just on the medium
18 carbon.

19 MR. WILLIAMS: That's as far as we go, the
20 medium carbon.

21 VICE CHAIRMAN PEARSON: Okay. So, your
22 thesis is, at least in part, that the petition is just
23 overkill because it really went to a product that is
24 so -- it's so uncommon and so hard to produce that
25 it's not, as a practical matter, a meaningful

1 commercial product for the U.S. industry.

2 MR. WILLIAMS: Well, I wouldn't characterize
3 it as that. The way that I read it, I would say that
4 this is a smokescreen and that it is put in to cover
5 other products. The high resistant -- or excuse me,
6 and I am basing that on how they describe the product
7 and then what they actually included. And I also make
8 that assumption that nobody else caught this. It took
9 me a while. But, for instance, the A242, which is the
10 high strength, low resistant -- excuse me, high
11 strength, low alloy material, that can be threaded
12 overseas and it's made -- it's very popular overseas.
13 Of the product -- here is something else. They said,
14 'in any length,' and that's important to me, as well,
15 because they're describing the product as in three
16 foot, six foot, 10 foot, 12 foot, and that the
17 customers buy that because they can take it to field;
18 they can easily cut it to the desired length that they
19 want. But in their description of the material, it
20 says, 'in any length.' Now, we have customers that
21 buy strictly six-inch length pieces. The first
22 question I thought, well, he's buying that because
23 that's the length that he wants, not because he can
24 cut it into smaller pieces.

25 Also, in their description, it says, '.25

1 percent or less.' Well, I can bring in a longer piece
2 of steel that's threaded a little bit longer and then
3 bend it into another product. That's being excluded,
4 as well.

5 So, I see them as trying to get in other
6 products that they also manufacture to be excluded. I
7 see this as covering a whole lot of things.

8 VICE CHAIRMAN PEARSON: Okay. Thank you.
9 Madam Chairman, my light is changing.

10 CHAIRMAN ARANOFF: Commissioner Okun?

11 COMMISSIONER OKUN: Thank you, Madam
12 Chairman, and welcome. I appreciate you being here
13 and your willingness to take questions. Again, just
14 some clarification on your business vis-a-vis what the
15 domestic producers do. Did you say you import from
16 China, you buy from the domestic producers, the same
17 product line, the same specs between the two?

18 MR. WILLIAMS: I think your question was, is
19 the product that they're talking about the low carbon
20 threaded rod?

21 COMMISSIONER OKUN: Just in terms of what
22 you purchase. In other words, you imports.

23 MR. WILLIAMS: Yes, ma'am.

24 COMMISSIONER OKUN: You say you purchase
25 from the domestic producer, if I heard you correct.

1 MR. WILLIAMS: I do not purchase -- I am
2 currently buying from a domestic producer the exact
3 product that I was purchasing from China and that is
4 the low carbon threaded rod in 10-foot lengths.

5 COMMISSIONER OKUN: Okay. But prior to the
6 petition being filed, you were solely an importer of
7 Chinese?

8 MR. WILLIAMS: Yes, ma'am.

9 COMMISSIONER OKUN: And this may have been
10 in the information, in a full range of products?

11 MR. WILLIAMS: From China, did we have a
12 full range of products? Yes, ma'am.

13 COMMISSIONER OKUN: Okay. And then are you
14 selling to -- are you competing at all with master
15 distributors or are you -- are you regional or are you
16 nationwide?

17 MR. WILLIAMS: Regional.

18 COMMISSIONER OKUN: Regional, okay. And
19 during the period that our investigation covers, do
20 you agree with the characterizations we heard this
21 morning, this was a period of good demand; raw
22 material costs going up some, but not what we saw at
23 the end of the period? I mean, did you think those
24 were accurate descriptions of the market, as you know
25 it?

1 MR. WILLIAMS: Well, I'll tell you my
2 experience of the low carbon steel market, at least
3 the import market. We import other products, as well.
4 We import low carbon hex head machine bolts made of
5 low carbon steel, a little different form. What we
6 saw during the period of 2007 to 2008, that it was
7 rapidly increasing prices. Low carbon threaded rod
8 and low carbon hex head machine bolts or other
9 products coming from China were increasing at
10 relatively the same rate. So, I see the same movement
11 of low carbon products, same price movement of all low
12 carbon products from China.

13 COMMISSIONER OKUN: Consistent with what you
14 saw -- or you weren't familiar at that point of what
15 was going on with the domestic producers' prices?

16 MR. WILLIAMS: No, ma'am, I was not.

17 COMMISSIONER OKUN: Okay. That's helpful.
18 And then you had commented a bit on what you saw, I
19 think, a lot of different things going on after the
20 petition was filed in terms of pricing. Can you
21 explain that anymore and did you see any difference in
22 the volumes? I mean, you said you switched to using
23 some domestic producers because the price of the
24 imports went up with the duties on?

25 MR. WILLIAMS: Well, when the duties came

1 into effect, once we tacked on that duty, we couldn't
2 compete. It was just too high. So what we did is we
3 loaded up, we loaded up our inventory. Right after
4 that, the economy started to drop and the industry,
5 the distribution industry of import products started
6 selling their products as cheap as they could, so they
7 could turn their inventory into cash. And that was
8 the trend.

9 COMMISSIONER OKUN: And then were your
10 customers -- we talked a little bit with the producers
11 this morning about whether the purchasers, the end
12 users, customers are aware of what is going on with
13 their raw material prices. Are the people you're
14 selling to, were they aware that in this period, there
15 was a lot going on or most just --

16 MR. WILLIAMS: As far as low carbon prices,
17 our customers keep up with the price of copper. They
18 keep up with the price of pipe. They don't keep up
19 with the price of fasteners, including low carbon
20 threaded rod, low carbon hex head machine bolts. They
21 don't follow that market.

22 COMMISSIONER OKUN: Okay. So, when you said
23 that you're not able to compete or you weren't able to
24 compete once the duties were on, your customers just
25 had the ability to buy from someone else and,

1 therefore, that's why you were --

2 MR. WILLIAMS: Yes, ma'am.

3 COMMISSIONER OKUN: Okay. I appreciate all
4 of those answers. Thank you, Madam Chairman.

5 CHAIRMAN ARANOFF: Commissioner Lane?

6 COMMISSIONER LANE: Good afternoon, Mr.
7 Williams.

8 MR. WILLIAMS: Good afternoon.

9 COMMISSIONER LANE: Do you sell to
10 distributors or end users?

11 MR. WILLIAMS: We sell to distributors.

12 COMMISSIONER LANE: Okay. And what is the
13 typical markup that you receive when selling the
14 imported Chinese threaded rod?

15 MR. WILLIAMS: Typically, that is based on
16 the -- the salesman makes that decision and it ranges
17 from 12 percent to 30 percent, gross profit margin.

18 COMMISSIONER LANE: And during this period
19 that you were selling both the domestic product and
20 the Chinese product, were you selling the same items
21 at the same price?

22 MR. WILLIAMS: There was -- I can't really
23 say that there was a period where we were selling
24 both. It's hard for me to differentiate. It would be
25 easier to say that we stopped buying import and then

1 we started buying domestic. When we started buying
2 domestic, I took the strategy of do not, the word is
3 'dump' product in the market, do not just give it
4 away. We will make what we can on it because the
5 market is unstable.

6 COMMISSIONER LANE: Okay. So to the extent
7 that you were selling both domestic and Chinese
8 product, even though you might not have known that you
9 were selling both, you would have been selling them
10 for the same price?

11 MR. WILLIAMS: I would have increased the
12 price. I made the decision, once the market became
13 unstable -- and the lots were mixed. I didn't say it
14 was import or domestic. I just increased the margin
15 because I was controlling the demand.

16 COMMISSIONER LANE: So whether or not it was
17 domestic or Chinese?

18 MR. WILLIAMS: Yes, ma'am.

19 COMMISSIONER LANE: Okay. Now, let's go
20 back to your initial testimony. I am not sure that I
21 understand your point, so I'm going to try to tell you
22 what I think I heard and then you tell me if I'm
23 right. Are you suggesting that the domestic industry
24 is complaining about products that are not included in
25 the scope because the scope really went from a two

1 percent carbon content to a .2 percent carbon content
2 and nobody noticed and that's what the issue is?

3 MR. WILLIAMS: Yes, ma'am.

4 COMMISSIONER LANE: So --

5 MR. WILLIAMS: They've included products in
6 their description that's not what they're complaining
7 about. What they're complaining about is the .2, less
8 than .2. Okay.

9 COMMISSIONER LANE: Okay. And so they're
10 complaining about something that is less than .2
11 percent and are you saying that that's not included in
12 the scope?

13 MR. WILLIAMS: No, ma'am. What they're --
14 I'll make this -- hopefully make it easy. See how
15 confusing this is? The product that they're talking
16 about contains .2 percent carbon.

17 COMMISSIONER LANE: Okay. Now, is that
18 included in the scope?

19 MR. WILLIAMS: No, ma'am. The scope is much
20 bigger.

21 COMMISSIONER LANE: Okay, but --

22 MR. WILLIAMS: Oh, but is the product that
23 they're talking about included in their scope? Yes;
24 .2 is less than two.

25 COMMISSIONER LANE: Okay. So, that's

1 included in the scope?

2 MR. WILLIAMS: Yes.

3 COMMISSIONER LANE: Okay. So, what the
4 domestic industry has been describing today is
5 included within the scope?

6 MR. WILLIAMS: Yes.

7 COMMISSIONER LANE: Okay. Now, what is your
8 problem with what the domestic industry has done as
9 far as describing product within the scope?

10 MR. WILLIAMS: I have no problem with what
11 the Petitioners have said.

12 COMMISSIONER LANE: Okay. So then what has
13 been your point? I'm a little confused at this
14 point.

15 MR. WILLIAMS: Their scope is too broad.
16 They're talking about 80 percent of the market of this
17 product within their scope, but the other 20 percent
18 of the market they didn't talk about.

19 COMMISSIONER LANE: Okay, okay. So you're
20 not suggesting that the domestic industry has been
21 describing product that is not included within the
22 scope?

23 MR. WILLIAMS: No.

24 COMMISSIONER LANE: Okay, thank you. Now
25 I'm not confused anymore, so thank you. When you

1 warehouse or store the product, how long do you
2 typically keep it warehoused before it's sold?

3 MR. WILLIAMS: Generally, on import
4 products, I hold inventory -- or I keep a three-month
5 supply.

6 COMMISSIONER LANE: Okay, thank you. Madam
7 Chair, that's all I have.

8 CHAIRMAN ARANOFF: Commissioner Williamson?

9 COMMISSIONER WILLIAMSON: Madam Chairman, I
10 have no questions at this point.

11 CHAIRMAN ARANOFF: Do any of my colleagues
12 have additional questions for the witnesses?

13 COMMISSIONER PINKERT: I have no additional
14 questions, but I do want to thank the panel.

15 COMMISSIONER WILLIAMSON: And I also thank
16 you.

17 CHAIRMAN ARANOFF: Well, Mr. Williams, thank
18 you very much for your testimony. Let me see if the
19 staff have any questions.

20 MR. MCCLURE: Jim McClure, Office of
21 Investigations. Madam Chairman, the staff has no
22 questions.

23 CHAIRMAN ARANOFF: Mr. Waite, do you have
24 any questions for this witness?

25 MR. WAITE: No, we do not, Madam Chair.

1 CHAIRMAN ARANOFF: Okay. All right. Well,
2 again, thank you very much for your help and for
3 coming here today and being willing to answer our
4 questions. We appreciate that. I guess I will ask
5 you to move back to your other seats now and I will
6 bring Mr. Waite forward for his closing statement, if
7 he is ready.

8 (Pause.)

9 MR. WAITE: Thank you, Madam Chairman. This
10 will be an unusual closing statement because I think
11 during our panel discussion, we addressed all of the
12 issues that we wished to bring to your attention. I
13 believe that the questions you asked as panel and
14 individually were excellent and we will respond to
15 those that we could not address in open session in our
16 post-conference brief.

17 I do want to comment briefly on Mr.
18 Williams' testimony, because like Commissioner Lane, I
19 was somewhat confused about the point, although I
20 think Commissioner Pinkert pointed me in the right
21 direction and that is it appears that this is a
22 concern about the scope of this investigation. And as
23 we all know and we've seen in other cases, scope
24 issues should be addressed to the U.S. Department of
25 Commerce, in the first instance. And if there is a

1 question about whether or not a specific product is
2 within the scope or whether the domestic industry
3 intended it to be within the scope, that, of course,
4 is addressed more properly in a scope inquiry or
5 changed circumstances review at the Department of
6 Commerce.

7 I would note parenthetically that the
8 language to which Mr. Williams continually referred,
9 that is the two percent content, is actually now
10 boilerplate in most carbon steel cases at the
11 insistence of the Department of Commerce because of
12 rampant circumvention in previous cases where the
13 scope was identified simply as, for example, a low
14 carbon or a carbon steel product and foreign producers
15 and I suppose the most notorious example would be the
16 boron spiked plate from China, foreign producers would
17 add or tweak the chemistry to move the products
18 slightly outside the language of the scope, but still
19 within the commercial definition and use of the
20 product. So, I would invite Mr. Williams, if he does
21 have an issue with the scope, to take it to the proper
22 forum and if he wants to engage the domestic industry
23 on whether or not products that he believes are within
24 the scope should not be within the scope, we, of
25 course, are open at any time to accept those

1 inquiries.

2 Thank you, again, for your patience and
3 indulgence and your many excellent questions and I
4 will finish in less than the 18 minutes allocated for
5 my closing statement. Thank you, very much.

6 CHAIRMAN ARANOFF: Thank you. Our gratitude
7 again to everyone, who participated in the hearing
8 today. Post-hearing briefs, statements responsive to
9 questions, and requests to the Commission and
10 corrections to the transcript must be filed by March
11 4, 2009. Closing of the record and final release of
12 data to the parties will take place on March 18, 2009
13 and final comments are due on March 20, 2009. As we
14 have no other business before us, this hearing is
15 adjourned.

16 (Whereupon, at 1:01 p.m., the hearing in the
17 above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Certain Steel Threaded Rod from China

INVESTIGATION NO.: 731-TA-1145

HEARING DATE: February 25, 2009

LOCATION: Washington, D.C.

NATURE OF HEARING: Hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: February 25, 2009

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Rebecca McCrary
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: John Del Pino

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