

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)	
)	Investigation Nos.:
PRESTRESSED CONCRETE STEEL)	701-TA-464 and
WIRE STRAND FROM CHINA)	731-TA-1160 (Final)

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Place: Washington, D.C.

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Thursday
May 6, 2010

Room No. 101
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The hearing commenced, pursuant to notice, at 9:30 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
DANIEL R. PEARSON, VICE CHAIRMAN
DEANNA TANNER OKUN, COMMISSIONER
CHARLOTTE R. LANE, COMMISSIONER
IRVING A. WILLIAMSON, COMMISSIONER
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APPEARANCES: (Cont'd.)

Staff:

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PETER SULTAN, ATTORNEY
DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR

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

On behalf of Petitioners:

HOWARD WOLTZ, III, President and CEO, Insteel Wire
Products Company
TIMOTHY SELHORST, President and CEO, American
Spring Wire Corporation
JON CORNELIUS, General Manager, PC Strand
Division, Sumiden Wire Products Corporation
TIMOTHY JOHNSON, Chief Operating Officer, Suncoast
Post-Tension Ltd.
JEFF FEITLER, Vice President of Sales and
Marketing, Sumiden Wire Products Corporation
JOSEPH NAPOLI, Products Sales Manager, American
Spring Wire Corporation
RICHARD WAGNER, Vice President and General
Manager, Insteel Wire Products Company
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PAUL C. ROSENTHAL, Esquire
KATHLEEN W. CANNON, Esquire
R. ALAN LUBERDA, Esquire
Kelley Drye & Warren LLP
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CHAIRMAN ARANOFF: Good morning. On behalf

of the U.S. International Trade Commission I welcome you to this hearing on Investigation Nos. 701-TA-464 and 731-TA-1160 (Final) involving Prestressed Concrete Steel Wire Strand From China.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of subsidized and less than fair value imports of prestressed concrete steel wire strand from China.

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.

1 Speakers are reminded not to refer in their
2 remarks or answers to questions to business
3 proprietary information. Please speak clearly into
4 the microphones and state your name for the record for
5 the benefit of the court reporter.

6 Finally, if you will be submitting documents
7 that contain information you wish classified as
8 business confidential your requests should comply with
9 Commission Rule 201.6.

10 Madam Secretary, are there any preliminary
11 matters?

12 MS. ABBOTT: Madam Chairman, all witnesses
13 have been sworn for today's hearing.

14 (Witnesses sworn.)

15 MS. ABBOTT: There are no other preliminary
16 matters.

17 CHAIRMAN ARANOFF: Very well. Good morning.
18 Welcome to the Commission. Madam Secretary, we're
19 ready to proceed with opening statements.

20 MS. ABBOTT: Opening remarks on behalf of
21 the Petitioners will be by Paul C. Rosenthal of Kelley
22 Drye & Warren.

23 MR. ROSENTHAL: Thank you. Good morning,
24 members of the Commission. The recent White House
25 Correspondence Association dinner generated a lot of

1 publicity over the weekend and reminded me of an old
2 adage in the newspaper business, which goes when a dog
3 bites a man that's not news, but when a man bites a
4 dog that's news.

5 In this case there are quite a few facts
6 that are not surprising, at least not when it comes to
7 cases involving China. In this record, the evidence
8 shows that there's price underselling that has been
9 consistent and increasing. Imports have increased
10 rapidly from low levels to obtain over 40 percent of
11 the market in 2008. In fact, they achieved higher
12 levels than the combined imports that the Commission
13 investigated in 2003 and whose orders were continued
14 in the recent sunset review.

15 Domestic profitability has been falling as
16 there have been millions of dollars of confirmed lost
17 sales and revenues due to the imports from China. The
18 Chinese industry has massive overcapacity, combined
19 with shrinking home market and diminished export
20 opportunities. The Chinese exporters have been
21 totally uncooperative in this final investigation, and
22 they have failed to provide even the most basic
23 information requested.

24 All this is not so out of the ordinary. So
25 where is the news? Where is the man biting the dog?

1 And I promise today I will not be having you're the
2 dog jokes or any dog cuisine comments.

3 Now, what makes this case unusual is the
4 testimony by importers supporting the Petitioners'
5 case. Yes, it's the importers in this case that have
6 provided the key information, and of course importers
7 have the most to lose if the Commission makes an
8 affirmative finding, so it's surprising -- even
9 newsworthy -- that the importers have corroborated
10 every element about the price, volume, impact and
11 threat of injury that the Commission must consider
12 when making its determination in this investigation.

13 In every case the Commission reviews a great
14 deal of data in order to understand what has happened
15 in the marketplace for a particular product. In this
16 PC Strand case, however, it is the importers who have
17 supplied the key narrative, and the narrative is clear
18 and unmistakable.

19 One of the most compelling testimonies at
20 the preliminary conference in this case came not from
21 the Petitioners, but from Mr. Hendricks of Global
22 Steel, a Respondent importer who described how he and
23 his wife could just get on the phone and get all the
24 PC strand they wanted to buy at the lowest prices.

25 Mr. Hendricks testified, and I quote, "My

1 wife can call seven different manufacturers on the
2 cell phone in half an hour. We don't want to pay more
3 than \$700. Before she's done, one of them will agree
4 to sell it to us for \$700." As he further explained,
5 "We call it dialing for dollars. She'll start calling
6 the manufacturers to see who's interested in having
7 that order."

8 Mr. Hendricks is unabashed about the primacy
9 of price in purchasing decisions and his role in
10 obtaining low prices for his customers. "In my
11 opinion," he said, "I did my job. I got the best
12 price I possibly could." He went on to say, "I can't
13 imagine any of my customers buying strand at a higher
14 price than they have to." He also admitted that such
15 tactics mean that importers like himself are, and I
16 quote, "guilty of pushing prices down."

17 Mr. Hendricks' testimony inspired another
18 importer to come forward in an email to Ms. Cannon, my
19 partner, which said, and I quote, "The Chinese have
20 completely ruined the playing field. Price is no
21 object. They not only want to sell; they feel they
22 have to sell." And that is in our Exhibit 3 to our
23 prehearing brief.

24 Unfortunately, neither this importer nor Mr.
25 Hendricks is here this morning to present testimony,

1 but we are fortunate to have the largest purchaser in
2 the industry, Mr. Tim Johnson of Suncoast, testify
3 today.

4 Mr. Johnson will tell you about the
5 importance of price for this commodity product, the
6 disruptive nature of the Chinese imports, including
7 the massive imports and inventory buildup in late 2008
8 and early 2009, the Chinese price undercutting and the
9 sales lost by the domestic industry to the Chinese.

10 Mr. Johnson of course will be testifying
11 along with the members of the petitioning industries,
12 who will be able to give you firsthand information
13 about the injury caused to their company and workers
14 by the imports from China.

15 The domestic industry witnesses will explain
16 the injury they have already suffered as a result of
17 the imports from China and their vulnerable condition.
18 They will explain in vivid, corroborative detail the
19 threat posed by the Chinese PC strand industry.

20 After you hear this testimony and view the
21 entire record, an affirmative determination in this
22 case will be news to no one. Thank you.

23 MS. ABBOTT: Madam Chairman, the first panel
24 is seated and ready to go.

25 CHAIRMAN ARANOFF: Well, since we only have

1 one panel today go right ahead.

2 MS. CANNON: Thank you. Good morning, Madam
3 Chairman and members of the Commission and staff. I
4 am Kathleen Cannon of Kelley, Drye & Warren joining
5 Mr. Rosenthal in representing Petitioners in this
6 case. Our first witness this morning will be Mr. Tim
7 Selhorst.

8 MR. SELHORST: That's me. Good morning.
9 Can you hear? Is that better? There we go. Yes.

10 My name is Tim Selhorst, and I'm the
11 president and CEO of American Spring Wire Corporation,
12 a position I've held since 1999. ASW has been a
13 producer of PC strand for over 30 years. We have
14 factories located in Houston, Texas, and Bedford
15 Heights, Ohio, which is just outside of Cleveland.

16 ASW has competed for sales in the U.S.
17 market over that period with both imported and
18 domestically produced PC strand. In all of my years
19 in this industry, I have never seen a competitor in
20 the domestic PC strand market as massive, as
21 aggressive and as undisciplined as China.

22 Before discussing the effects of the imports
23 from China, let me briefly describe the product and
24 its uses. As Mr. Wise saw during his tour of our
25 Houston facility in March, prestressed concrete steel

1 wire strand, or PC strand for short, is generally a
2 seven wire steel strand that is produced from high
3 carbon steel wire rod.

4 The vast majority of PC strand sold in the
5 United States, whether by U.S. producers or by
6 importers, is one-half inch diameter, Grade 270, low
7 relaxation product. Both domestic and imported PC
8 strand is produced in conformity with ASTM
9 specifications and is interchangeable.

10 All PC strand has the same purpose: To
11 impart compressive forces into concrete or prestress
12 the concrete so the concrete will not crack under
13 load. PC strand is sold to both pre-tensioners and
14 post-tensioners. Pre-tensioners tension the strand
15 before the concrete is poured, while post-tensioners
16 tension the PC strand after the concrete has been
17 poured and cured.

18 Now, here's an important fact that appears
19 to be the subject of some confusion. All producers
20 sell the identical PC strand to both pre-tensioners
21 and post-tensioners. So here is PC strand. This
22 strand goes into pre-tension applications, and this
23 very same strand goes into post-tension applications.
24 Regardless of the method of tensioning used, the
25 ultimate end product, a prestressed concrete

1 structural member, is also the same.

2 In its preliminary decision, the Commission
3 said it wanted to look further into why most of the
4 subject imports were sold to post-tensioners while
5 most of the domestic PC strand is sold to
6 pre-tensioners. The simple answer is volume.
7 Post-tensioners are the largest volume customers.

8 Imports of PC strand, including those from
9 China, has historically targeted post-tensioners
10 because that is where the big volume sales are.
11 Subject imports can dump a large volume of PC strand
12 in one location at a low price for post-tensioners,
13 whereas they would have to sell multiple smaller
14 volumes of PC strand to pre-tensioners who buy in
15 smaller amounts.

16 Not that the importers don't sell to
17 pre-tensioners. Not that the importers don't sell to
18 pre-tensioners. They do, and we compete with them in
19 sales to those accounts as well, but they target first
20 the larger volume post-tension accounts.

21 ASW's facility is located in Houston, Texas,
22 where many of the post-tension customers are located.
23 We have constantly tried to get their business, but
24 have often been unable to do so because their prices
25 are not as low as the Chinese product. Once this

1 trade case was filed and imports from China declined,
2 ASW has been able to increase significantly our sales
3 to post-tension accounts.

4 Our recent increased sales to
5 post-tensioners proves that we can supply these
6 accounts when not confronted with competition from
7 unfairly priced imports. If unfairly priced imports
8 from China are permitted to resume selling in
9 significant volumes to post-tensioners, I am certain
10 we will quickly lose these sales again.

11 One other aspect of this market that the
12 Commission has examined in the past are sales affected
13 by Buy America requirements. Sales subject to Buy
14 America requirements do exist for PC strand, but
15 please recognize that the volume of Buy America sales
16 or share of the market accounted for by these
17 requirements has not changed in the past decade.

18 When we brought the earlier cases against
19 the five countries in 2003, you recognized that Buy
20 America sales account for about 30 percent of this
21 market. You recognized that again last fall in
22 looking back at the years 2004 to 2008 in your sunset
23 review.

24 That 30 percent for Buy America projects has
25 been true generally over the past three years as well,

1 so subject imports continue to have access to and
2 compete with us for sales in the vast majority --
3 roughly 70 percent -- of our market.

4 Contrary to what you might assume, the U.S.
5 stimulus package has not increased Buy America jobs
6 for PC strand. If anything, the volume of sales for
7 Buy America projects declined in 2009. At the same
8 time, though, the commercial market dropped off
9 substantially in 2009, so Buy America sales did
10 account for a bigger portion of the market than normal
11 last year.

12 I believe that 2009 was an aberration. I
13 expect that the roughly 30 percent market share that
14 Buy America sales has annually accounted for over the
15 past 10 years, including in 2007 and 2008, will recur.
16 The bottom line is that Buy America is not expanding,
17 and it does not insulate the industry from import
18 competition by it.

19 China has been a major presence in the U.S.
20 market over the past three years, and we have been
21 concerned about these imports for quite some time. In
22 the fall of 2008, I was a part of a U.S. delegation
23 that went to Beijing to discuss our concern with
24 Chinese Government policies promoting large volumes of
25 exports of PC strand and other wire products from

1 China to the detriment of competing U.S. industries.

2 One of the ways in which the Chinese
3 Government promotes exports of PC strand is by
4 applying a differential tax scheme to upstream and
5 downstream steel products. China imposed a tax on
6 exports of wire rod, but no tax on exports of PC
7 strand.

8 This provides a disincentive for Chinese
9 producers to export wire rod, our raw material, but no
10 disincentive to export PC strand. The export taxes on
11 wire rod in turn have led to an oversupply of wire rod
12 in China and lower prices of rod to Chinese PC strand
13 producers.

14 At the same time, China provides a VAT
15 rebate on exports of PC strand, but no rebate on wire
16 rod, giving further incentive to export PC strand.
17 This tax policy is just one of the many mechanisms the
18 Chinese Government has adopted to promote exports of
19 downstream value added steel products at the expense
20 of competing U.S. producers. And as the substantial
21 import volumes of PC strand from China demonstrate,
22 the Chinese Government's policy is working.

23 Despite our efforts in traveling to Beijing
24 and raising this concern with representative of
25 MOFCOM, the Chinese Government refused to take any

1 action to alter its policies. Members of the United
2 States Trade Representative's Office, faced with bleak
3 prospects for China to change these distortive
4 policies, urged us to consider unfair trade cases to
5 address these problems, so here we are.

6 When imports from China captured 40 percent
7 of the market in 2008, it had a devastating effect on
8 ASW's operations. In late 2008, we curtailed
9 operations by reducing significantly the number of
10 shifts and the number of work days per week of our
11 employees.

12 Unfortunately, that curtailment was still
13 not enough, and we were forced to lay off employees as
14 well, both in 2008 and again in 2009. We have ceased
15 making capital investments as we are not projecting an
16 adequate return on investments from planned projects
17 unless problems caused by imports from China are
18 addressed.

19 The Chinese producers are consistently the
20 lowest priced source of PC strand in the United
21 States. These low prices reflect the substantial
22 subsidies the Chinese producers receive, as well as
23 their dumping behavior. Sales of Chinese PC strand
24 seem to be made without regard to normal commercial
25 considerations of covering cost and earning a

1 reasonable profit, a fact that my company and other
2 U.S. producers must consider to remain viable.

3 I have no doubt that left unchecked Chinese
4 imports of PC strand will continue to displace our
5 sales, causing further reduction in our shipments and
6 further financial loss for our industry. The sheer
7 size of the Chinese industry, coupled with the
8 willingness of Chinese producers to sell at absurdly
9 low prices, will only lead to continued injury to our
10 industry unless duties are imposed. Thank you.

11 MS. CANNON: Our next witness will be Mr. H.
12 Woltz.

13 MR. WOLTZ: Good morning. My name is H.
14 Woltz. I'm president of Insteel Wire Products
15 Company. I've served in this capacity for 19 years,
16 and I've been involved in the steel wire industry for
17 over 30 years. My work has spanned all aspects of the
18 PC strand business, including investment
19 justification, facility construction and startup,
20 production and marketing.

21 As you know, PC strand is not a new product
22 to the Commission. The industry filed successful
23 antidumping and countervailing duty cases against
24 Brazil, India, Korea, Mexico and Thailand in 2003 when
25 imports from those countries reached nearly 85,000

1 tons and accounted for 22 percent of U.S. consumption.
2 Imports of PC strand from China were not a factor in
3 the market at that time.

4 By 2008, imports of Chinese PC strand had
5 reached over 190,000 tons and attained market share of
6 over 40 percent. This is more than twice the combined
7 volume of imports and nearly twice the market share
8 that the Commission found to be injurious to our
9 industry in 2003. China gained this dominant market
10 position by offering huge quantities of PC strand at
11 extremely low prices, underselling Insteel and the
12 domestic industry.

13 PC strand is a commodity product with the
14 vast majority of the market, whether supplied by
15 domestic or Chinese producers, being for half-inch,
16 270K grade strand. For this reason, the market for PC
17 strand is highly price sensitive, and small
18 differences in price lead to a gain or a loss of a
19 sale.

20 PC strand is sold in the United States
21 directly to end users by both domestic producers and
22 subject importers. We compete directly against
23 subject imports for sales to the same end user
24 customers, which include both post-tensioners and
25 pre-tensioners. As Mr. Selhorst testified, the PC

1 strand that we sell to post-tensioners and to
2 pre-tensioners is exactly the same PC strand in every
3 single respect.

4 Post-tensioners tend to buy much larger
5 volumes than pre-tensioners, making it possible for
6 importers to deliver a large amount of strand through
7 a single sale. Of course, Insteel values those
8 customers for the same reason, and one lost sale to a
9 post-tensioner can represent a significant commercial
10 setback for our company.

11 Post-tensioners have traditionally been some
12 of our largest customers and an important part of our
13 business, yet, as you can see from our questionnaire
14 response, we lost considerable market position with
15 post-tensioners in recent years due to the
16 availability of low-priced strand from Chinese
17 sources.

18 As documented in our questionnaire response,
19 Insteel has lost sales and reduced prices to lower
20 priced imports from China. Unfortunately, this has
21 occurred across our entire customer base. In 2007 and
22 2008, demand for PC strand was strong, at least early
23 through 2008. Even though imports from China were at
24 high levels, Insteel was able to maintain a reasonable
25 level of production and capacity utilization.

1 When demand fell in 2008, imports from China
2 were still increasing and taking sales Insteel could
3 have otherwise made. We provided lost sales
4 information to the Commission, and I believe the staff
5 was able to corroborate many instances of lost sales
6 that we provided.

7 In 2008 we became more worried about the
8 unlimited imports of Chinese PC strand. As importers
9 anticipated wire rod prices rising at the time, they
10 ordered huge amounts of PC strand from China to hedge
11 against the potential for rising prices, even as
12 demand began to falter later in the year.

13 Construction and other capital spending fell
14 significantly after August 2008, and there was a
15 corresponding decline in demand for PC strand.
16 Domestic purchasers and importers committed to huge
17 quantities of Chinese strand during early 2008 that
18 went into inventory.

19 As demand continued to fall, those importers
20 and customers still had more Chinese PC strand on the
21 water. As a result, they simply stopped buying PC
22 strand, domestic or import, in order to consume the
23 dumped Chinese strand already in inventory or on
24 order.

25 This inventory of Chinese strand was

1 purchased at delivered prices that were often below
2 the cost of wire rod. Had all of that low-priced
3 Chinese strand not been in inventory, the domestic
4 industry would have been able to maintain production,
5 sales and shipments at higher levels. The overhang of
6 Chinese strand imports inventory at customer levels
7 took at least until the second quarter of 2009 to
8 dissipate.

9 Thus, while Chinese imports during the first
10 quarter of 2009 fell we continued to see significant
11 volumes of Chinese strand in the market. Their
12 presence loomed large, creating a continuing drag on
13 sales and prices for the domestic industry.

14 While the importers stopped ordering from
15 China for a time in late 2008 and early 2009, Chinese
16 producers were still offering large volumes of
17 low-priced strand into the U.S. market. As the
18 inventories were consumed, purchasers again began to
19 order Chinese strand at extremely low prices,
20 undercutting our prices.

21 So during this period of low demand in early
22 2009, we competed against the Chinese inventory
23 overhang, new subject imports that continued to come
24 in and new offers for future imports of Chinese
25 strand. As a result, prices plummeted in early 2009,

1 causing a collapse in our profitability.

2 But the Chinese remained relentless.

3 Imports of Chinese of Chinese PC strand began rising
4 again in mid 2009 and likely would have returned to
5 the high levels of 2007 and 2008 had we not filed this
6 case. It was only once this case was filed and the
7 Commission reached its preliminary affirmative
8 determination that Chinese imports and offers fell off
9 significantly. As a result, we began to see some of
10 those customers who had been purchasing Chinese
11 material come back to Insteel.

12 2009 was a very difficult year for the
13 industry, including Insteel, as is apparent from our
14 questionnaire response. I described the 2009 market
15 in public statements to our shareholders as hostile
16 and abysmal.

17 Unfortunately, 2010 looked rather bleak for
18 any significant improvements in the economy that would
19 stimulate demand for PC strand. The best that anyone
20 can say about the market now is that demand has
21 stabilized at a very low level and that the outlook is
22 for a continuation of current conditions.

23 Nonetheless, with the Chinese being held in
24 check by the trade cases, our performance has improved
25 in 2010. Pricing has improved. We were able to

1 compete effectively for the demand that's out there.
2 Some sales have been repatriated to Insteel from
3 Chinese imports, and our profitability has been
4 restored.

5 At this point, it's a tenuous and uncertain
6 recovery, however. Without relief, we will again lose
7 customers to Chinese PC strand that undersells
8 Insteel's product by significant margins. If the
9 Chinese producers have the opportunity again to sell
10 unlimited PC strand at the levels of underselling we
11 experienced in 2008 and 2009, they will very quickly
12 overwhelm the tattered U.S. market and the frail PC
13 strand producing industry.

14 The environment is just as difficult for our
15 customers as it is for Insteel, and they'll buy from
16 whichever source offers the lowest price. In my
17 experience, the Chinese nearly always offer the lowest
18 price.

19 This means that the domestic industry will
20 again either have to cede additional market share to
21 Chinese producers or lower prices further, and the
22 short respite provided by these cases from the
23 relentless attack of the Chinese will quickly recede
24 into memory. I hope you'll not let that happen.
25 Thank you.

1 MS. CANNON: Mr. Cornelius will testify
2 next.

3 MR. CORNELIUS: Good morning. My name is
4 Jon Cornelius, the General Manager of the PC Strand
5 Division of Sumiden Wire Products Corporation. I have
6 served as General Manager at Sumiden for three years
7 and have been in the PC strand business for 13 years.

8 Sumiden produces PC strand in both Dickson,
9 Tennessee, and Stockton, California. As you have
10 heard, our industry has been pummelled by large
11 volumes of low-priced imports from China in recent
12 years, leading to significant downturns in our
13 company's performance.

14 At Sumiden, both our Stockton and Dickson
15 plants experienced prolonged shutdowns or production
16 curtailments in late 2008 and in 2009. Sumiden's
17 Stockton plant in fact has operated at 50 percent of
18 capacity or less since 2007 due to market share losses
19 to Chinese PC strand. Company-wise, our PC strand
20 production and shipments declined significantly in
21 2009, and we had to reduce employment.

22 We have watched our prices fall and suffer
23 declines in our profitability and capital investments.
24 The main cause of Sumiden's trade and financial
25 problems over the past three years have been imports

1 from China. Imports of PC strand from China
2 continuously and severely undercut our prices.

3 In 2009, a year that was already difficult
4 due to the economic downturn, the presence of lower
5 priced Chinese imports forced our prices down and
6 caused us to lose further sales as documented in our
7 questionnaire response. Had we not filed this trade
8 action, our condition would have been even worse.

9 Until this trade action was filed, Chinese
10 producers continued to aggressively market PC strand
11 in the United States in large volumes and at low
12 prices. For example, Sumiden received an unsolicited
13 offer for the sale of PC strand in May 2009 by a
14 Chinese producer stating that it had just finished
15 doubling its capacity to produce PC strand and was
16 adding another line by the end of that year.

17 The company, a relative newcomer, stated its
18 goal was to export over 44 million pounds of PC strand
19 to the United States in 2009 and that it would give us
20 its best price. The prices it offered were well below
21 our prices and even our cost. The email documenting
22 this offer was included in Exhibit 9 to our brief.

23 It is amazing to me that the Chinese
24 producers are so aggressive that they try to sell PC
25 strand not merely to U.S. purchasers of all types, but

1 they also try to sell PC strand directly to producers
2 like Sumiden.

3 We receive offers from Chinese producers
4 even though they know we are a producer because they
5 also know we cannot sell PC strand at the prices they
6 offer to us. They are trying to convince us to exit
7 the business of producing PC strand and to become an
8 importer of their product instead.

9 Sumiden continued to lose sales to lower
10 priced imports from China in the third and fourth
11 quarters of 2009, as our questionnaire response
12 documents. These unrelenting offers for low-priced
13 products by dozens of suppliers from China have caused
14 chaos in our market and injured my company and our
15 industry. Beyond the injury that has occurred to date
16 to our industry, however, is the looming threat of
17 even more severe injury from Chinese PC strand
18 imports.

19 Sumiden has gathered significant information
20 on the Chinese PC strand industry from sources in both
21 the United States and in China. In particular, we
22 obtained detailed information from a major supplier of
23 PC strand manufacturing equipment to China on the
24 number of PC strand lines installed by company by year
25 since 1988 in China. We included that information in

1 our prehearing brief at Exhibit 11.

2 That information indicates over 3.3 million
3 tons or 6.6 billion pounds of capacity to produce PC
4 strand is currently installed in China. All of this
5 equipment is dedicated to the production of PC strand
6 and is not used to produce other products. You need
7 only compare this capacity level to the size of the
8 U.S. market to begin to understand our serious
9 concern.

10 The Chinese have 6.6 billion pounds of PC
11 strand capacity, much of it excess, while the size of
12 the U.S. market has averaged less than one billion
13 pounds a year and was only about 500 million pounds
14 last year. Further, our information indicates that
15 more than half of Chinese PC strand producers have
16 been established in the past 10 years.

17 In the last couple of years alone, Chinese
18 producers have made enormous capacity investments that
19 will lead to continued growth in Chinese production
20 and exports. In fact, just since this case was filed
21 the Chinese producers have added over 700,000 pounds
22 of new capacity, as our exhibit indicates. These huge
23 volumes of capacity are being installed in China not
24 to serve the Chinese market, but are targeted for
25 exportation.

1 Demand for PC strand in China did increase
2 somewhat from 2007 to mid 2008, partially driven by
3 improvements in infrastructure for the 2008 Olympic
4 games, but since mid 2008 demand for PC strand has
5 fallen significantly in China. We know this from
6 individuals who have been in China meeting with
7 Chinese producers.

8 While Chinese PC strand capacity has grown,
9 demand has shrunk, leaving Chinese producers in a
10 substantial oversupply situation. Demand for PC
11 strand in China now is estimated to account for less
12 than one-third of its capacity, leaving more than
13 enough capacity to supply the entire U.S. market.

14 We understand that the Chinese producers are
15 desperate to unload this supply given the
16 significantly unused capacity at present. The
17 solution as far as China is concerned is to export
18 that product with the principal target being the
19 United States. The U.S. market has been and will
20 continue to be a significant destination for those
21 exports if this case is unsuccessful.

22 Just last year, the European Union imposed
23 sizeable antidumping duties on imports of PC strand
24 from China. That has led to declining exports from
25 China to the EU and will lead to diversion and

1 increases in exports of PC strand to the U.S. market
2 if duties are not imposed here as well.

3 It may seem odd to be expressing concern
4 about surging imports of PC strand from China when
5 imports from China in 2009 showed a decline in volume
6 and market share. Believe me, I wish that were a sign
7 of things to come, but it is not. As Mr. Feitler will
8 discuss, although Chinese producers are attempting to
9 avoid paying duties in this trade case, they are
10 continuing to try to sell PC strand in the U.S. market
11 using other unlawful means.

12 The reason for the 2009 import declines is
13 this case, not a decision by Chinese producers to back
14 off from selling in the U.S. market. What is also
15 crystal clear is that the Chinese producers have no
16 intention of correcting unfair pricing behavior. In
17 the face of such a fierce competitor, our industry has
18 no choice but to seek relief under the U.S. trade
19 laws.

20 The Chinese PC strand manufacturers have
21 made enormous capacity investments in recent years and
22 continue to buy U.S. market share by severely
23 undercutting our prices. If this problem is not
24 addressed, China will continue to gain U.S. market
25 share at our expense, causing further idling of U.S.

1 facilities, layoffs and ultimately company shutdowns.

2 Thank you.

3 MR. CORNELIUS: Mr. Feitler will be our next
4 witness.

5 MR. FEITLER: Good morning. My name is Jeff
6 Feitler, and I am the Vice President of Sales and
7 Marketing at Sumiden Wire Products Corporation. I
8 have been involved in the sale of PC strand for over
9 30 years and have significant knowledge about the PC
10 strand industries and the markets in the United States
11 and in China.

12 You have already heard from Jon how the
13 Chinese have aggressively priced PC strand to
14 consistently undercut Sumiden's prices and have taken
15 a huge market share in the United States. I speak to
16 customers every day in the course of my job. My
17 customers have told me that the prices offered for
18 Chinese PC strand have been consistently lower than
19 our price, the U.S. prices, over the past three years
20 by as much as 20 to 30 percent.

21 My customers have been bombarded with offers
22 for Chinese PC strand that undercut one another, as
23 well as undercut the domestic industry prices. My
24 customers have told me that if we don't win this case
25 we might as well shut our doors in the face of the

1 aggressive Chinese pricing and the seemingly unlimited
2 supply of PC strand from China.

3 Today I will tell you just how aggressive
4 the Chinese producers continue to be in order to sell
5 PC strand into the U.S. market despite this trade
6 case. I have documented these issues in the
7 declaration that is attached at Exhibit 10 of the
8 prehearing brief.

9 From almost the moment we filed this case I
10 began to hear of plans by Chinese producers to try to
11 circumvent any duties imposed. As Jon testified,
12 there is so much overcapacity in China that they will
13 do almost anything to export PC strand.
14 Unfortunately, that appears to include committing
15 Customs fraud.

16 One such fraudulent scheme to circumvent
17 this case that we have documented for the Commission
18 is called carry trade. As the name implies, under
19 this scheme the Chinese producer literally carries the
20 PC strand to a third country not subject to
21 antidumping duties and fraudulently relabels and
22 repackages the product with the country of origin of
23 the third country instead of from China in an effort
24 to avoid paying duties.

25 I received correspondence from more than one

1 Chinese company that clearly expressed the
2 willingness, the ability, the intent and the
3 organizational structure to ship Chinese PC strand to
4 a third country and relabel it and ship it to the
5 United States to circumvent the duties. We have so
6 far heard of Chinese exporters offering to use
7 Malaysia, Indonesia, Taiwan, Hong Kong, Vietnam and
8 the Philippines as transshipment points.

9 You will find attached to our brief
10 undeniable evidence from the Chinese producers of
11 precisely how they are able to ship Chinese products
12 to third countries, relabel them and use existing
13 facilities in those countries to camouflage their
14 efforts. They also provide explicit instructions on
15 what a U.S. importer needs to do to participate in
16 this scheme.

17 The circumvention operations are clearly
18 sophisticated and well planned, right down to the
19 false country of origin documentation provided for the
20 third country exports. In fact, in one instance we
21 were offered multiple false country of origin
22 documents from which to choose from. The
23 documentation we have provided makes it clear that the
24 exporters involved are well aware that they are
25 breaking the law and express no reticence in doing so.

1 Sumiden Wire has no interest in
2 participating in any such illegal activity, and we
3 believe that reputable importers and purchasers also
4 want to avoid such schemes. However, we have provided
5 evidence in the brief that such circumvention is
6 already taking place. Given the increase in imports
7 from third countries after the filing of this case,
8 one has to wonder how much of that increase is
9 actually Chinese PC strand.

10 The willingness to transship products and
11 commit fraud clearly demonstrates just how much
12 importance the Chinese producers place on being able
13 to export their massive excessive supply of PC strand
14 to the U.S. market. It is clear that Chinese
15 producers will do whatever it takes to sell PC strand
16 to the United States, even if it means circumventing
17 the order.

18 These schemes reflect that the huge
19 overcapacity of PC strand in China is aimed directly
20 at the U.S. market and that without orders to ensure
21 fair trade Chinese PC strand will again surge into the
22 U.S. market at extraordinary low prices and achieve a
23 commanding market share at the domestic industry's
24 expense.

25 Unfortunately, if that happens my customers'

1 prediction that we will eventually have to shut our
2 doors and cede the entire market to the Chinese
3 producers may very well indeed happen.

4 MS. CANNON: Mr. Tim Johnson will speak
5 next.

6 MR. JOHNSON: Good morning. My name is Tim
7 Johnson, and I'm the Chief Operating Officer at
8 Suncoast Post-Tension. Suncoast is the largest
9 supplier of post-tensioning materials and services in
10 the United States. I've been with Suncoast nearly
11 nine years. In my position with Suncoast, I deal with
12 both our suppliers of PC strand, as well as our
13 customers.

14 As the largest supplier of post-tensioning
15 materials, Suncoast is also the largest purchasers of
16 PC strand in the United States and one of the largest
17 purchasers of PC strand in the world. We have
18 purchasing centers in Texas, California, Virginia and
19 Florida. Suncoast consumes PC strand as a component
20 of its post-tensioning systems nationwide.

21 As you can see from our questionnaire
22 response, we buy millions of feet of PC strand from
23 both domestic and import sources. I am familiar with
24 all the major sources of Chinese and domestic PC
25 strand because they all want Suncoast's business.

1 I recognize that it's a little unusual to
2 have one of the largest purchasers of Chinese PC
3 strand testifying in support of this petition. I'm
4 here because there have been so many Chinese producers
5 with so much capacity offering huge quantities of PC
6 strand oversupplying the market to a variety of
7 importers at ever decreasing prices and constantly
8 undercutting the prices of one another and the
9 domestic industry.

10 Over the last couple years, this created
11 chaos in the market. That chaos was harmful to the
12 whole market, not just the U.S. producers. I want to
13 buy PC strand at low prices, but not under the
14 undisciplined and chaotic environment that China has
15 created.

16 As you have heard, PC strand is a commodity
17 product sold on the basis of price. Suncoast can buy
18 identical PC strand from a number of importers and any
19 of the domestic producers. As a result, as long as
20 the producer or importer can deliver the PC strand on
21 the schedule I want, the most important factor in the
22 purchasing decision is going to be price.

23 Imports of PC strand from China set the
24 price levels in the market from 2007 through 2009.
25 Until this case was filed, Suncoast had access to an

1 unlimited supply of PC strand from China. At any
2 given time, Chinese strand was constantly being
3 offered to Suncoast at prices that undersold domestic
4 industry offers. Thus, throughout this period
5 domestic producers that wanted to do significant
6 business with Suncoast generally had to meet or beat
7 Chinese delivered prices.

8 By 2007, domestic producers were losing more
9 sales to China even as they lowered their prices in an
10 attempt to be competitive with Chinese imports.
11 Suncoast continued to try to do business with a
12 variety of domestic producers and major importers, but
13 by 2008 imports from China were the dominant share of
14 Suncoast's total purchases.

15 Given the much lower prices the importers
16 were offering, we really had no choice. I can't
17 afford to consistently pay more for PC strand than my
18 competitors who also had unlimited access to Chinese
19 PC strand.

20 Like many other purchasers, Suncoast began
21 increasing its purchases of lower priced Chinese PC
22 strand in early 2008 as demand seemed to be strong.
23 Domestic producers had trouble competing with the
24 Chinese process. By mid year 2008, our business began
25 to decline significantly and our inventories of

1 Chinese PC strand grew dramatically.

2 Because we have to place import orders at
3 least a quarter in advance, we also had quite a bit of
4 PC strand from China on the water scheduled to deliver
5 in the third and fourth quarters of 2008. With this
6 huge buildup of inventory, Suncoast largely ceased
7 ordering new PC strand between September 2008 and
8 March 2009.

9 There was plenty of Chinese and domestic PC
10 strand available throughout this period, and we
11 continued to receive offers for Chinese strand from
12 importers. As was the case with my competitors, we
13 had to work down our inventory overhang before we
14 could resume purchasing. That inventory overhang was
15 almost all Chinese material well into 2009.

16 As Suncoast's excess inventory began to be
17 worked off in the first and second quarters of 2009,
18 we resumed ordering PC strand in significant
19 quantities for May through August 2009 deliveries.
20 When we started ordering again the Chinese PC strand
21 being offered by importers was still at prices that
22 were significantly lower than domestic prices.

23 These offers were coming from a variety of
24 importers, some of whom were set up solely to handle
25 Chinese strand. They represented a large number of

1 Chinese producers, and they all competed against one
2 another and the domestic producers for the diminished
3 market that was available in 2009.

4 As I told you, Suncoast is a post-tensioner
5 and the largest purchaser of PC strand in the United
6 States. As a result, I could expect to get the best
7 price from the domestic producers who were seeking my
8 business, but the prices for imports from China seemed
9 to be continually falling, and the domestic producers
10 generally could not match the Chinese prices. As a
11 result, the lion's share of those new orders in mid
12 2009 again went to imports from China.

13 Once the trade cases were filed there was a
14 lot less Chinese PC strand available. The market
15 became much more stable, and prices again rose once
16 there was not continuous pressure from an unlimited
17 supply of Chinese PC strand on pricing.

18 If this case is not successful, the Chinese
19 product will surge back into the market in large
20 volume with low prices. If that happens, Suncoast
21 will no doubt have to go back to purchasing
22 predominantly Chinese PC strand. I imagine others in
23 my industry will do the same because we all need to be
24 cost competitive.

25 I have every reason to believe that all of

1 those Chinese producers that were here before will
2 again be back in the market at prices that undersell
3 the domestic industry. Given the large number of
4 Chinese sources and the low prices they're offering,
5 it would be extremely difficult for domestic producers
6 to have any of our business if that happens.

7 It's pretty clear that the presence of
8 Chinese PC strand in the market over the last two
9 years significantly hurt the domestic industry's
10 ability to sell PC strand to Suncoast and that China's
11 absence from the market has increased their ability to
12 sell more PC strand. Prices for PC strand are higher
13 now than they would be with China in the picture, and
14 our market is much more stable.

15 The situation we faced with imports from
16 China in 2007 through 2009 was increasingly chaotic
17 and ultimately not good for anyone in this business.
18 Thank you.

19 MS. CANNON: The next witness will be Ms.
20 Gina Beck.

21 MS. BECK: Good morning, Madam Chairman,
22 Commissioners and staff. I am Gina Beck of Georgetown
23 Economic Services. This morning I will discuss the
24 volume and price effects of imports from China on the
25 performance of the U.S. PC strand industry.

1 On an absolute and relative volume basis,
2 imports from China have been significant over the
3 entire POI. In both 2007 and 2008, the years
4 preceding the filing of this case, imports from China
5 exceeded 350 million pounds and accounted for between
6 36 and 40 percent of the U.S. market.

7 Imports from China increased in volume from
8 2007 to 2008, the year before the petition was filed,
9 and reached a 40.5 percent share of the U.S. market in
10 2008. The massive gains in volume and market share
11 enjoyed by imports from China came at the direct
12 expense of the domestic industry. Imports from China
13 were also massive relative to other imports and
14 relative to domestic production before the case filing
15 in 2009.

16 Imports from China accounted for 89 percent
17 of all PC strand imports in 2007 and 92.5 percent of
18 imports in 2008. China's massive volumes and market
19 shares become more apparent when compared to the
20 cumulative import volumes and market shares of the
21 five countries found to cause material injury to the
22 U.S. industry in 2004.

23 In 2008, the 381 million pounds and 40.5
24 percent share of the market captured by China alone
25 was more than double the volume and market share of

1 the five subject countries as shown in this slide.
2 Cumulative imports from the five countries reached a
3 peak market share of 22 percent before the duties were
4 imposed in comparison to 40 percent by China alone in
5 2008.

6 During the first half of 2009, China's
7 market share was also higher than the five subject
8 countries' market share at the end of the POI. The
9 ability of one country, China, to surpass the high and
10 injurious volumes of five countries is strong evidence
11 of the significant, absolute and relative import
12 volumes from China over the POI.

13 Although the volume of imports from China
14 declined in 2009, China remained a significant and
15 injurious market presence for several reasons,
16 including a huge inventory overhang of Chinese
17 material carried over from 2008 and was sold into the
18 U.S. market in 2009 that led to a significant market
19 share of Chinese imports.

20 Eighty-six percent of Chinese imports were
21 concentrated in the first half of 2009 as demonstrated
22 in this slide. A significant decline in demand made
23 every pound of imports even more acutely felt, and
24 Chinese prices were extremely low and falling. When
25 the market share held by importers' U.S. shipments is

1 considered in the first half of 2009, China's share
2 was approximately one-quarter of the U.S. market.

3 Record data also provides compelling
4 evidence of the injurious price effects of imports
5 from China. Imports from China have undersold U.S.
6 produced PC strand by substantial margins and have
7 depressed and suppressed U.S. prices. The quarterly
8 price data collected by the Commission show consistent
9 and significant underselling by subject imports as
10 compared to U.S. prices over the POI.

11 The price impact of subject imports should
12 be examined in the aggregate as presented in the
13 prehearing report at Appendix D because the PC strand
14 sold to pre-tensioners and post-tensioners is
15 identical. As this slide shows, based on quarterly
16 pricing comparisons for PC strand sold to
17 pre-tensioners and post-tensioners, Chinese strand
18 undersold the U.S. product in all instances and shared
19 increasing margins of underselling in 2008 and 2009 as
20 compared to 2007.

21 Even if you examine sales to pre- and
22 post-tension customers separately, subject imports
23 undersold the domestic product in all 12 quarterly
24 price comparisons in sales to pre-tensioners and in
25 seven of 12 comparisons in sales to post-tensioners.

1 Notably, the significant underselling by imports in
2 2009 with margins up to 25.2 percent led to further
3 depression of U.S. prices in an already weak economy.

4 These instances of underselling are
5 corroborated by the specific examples of verified lost
6 sales due to lower priced imports from China. As
7 purchasers confirmed, the consistently lower prices
8 offered by Chinese importers caused purchasers to
9 shift to buying Chinese PC strand and forced U.S.
10 producers to lower prices in an effort to compete with
11 the Chinese prices.

12 The domestic PC strand industry has suffered
13 steady declines in virtually all trade and financial
14 variables over the 2007 to 2009 period. Domestic
15 production fell each year of the POI with a decline of
16 34 percent from 2007 to 2009. The industry's capacity
17 utilization plummeted from 67 percent in 2007 to 44
18 percent in 2009.

19 The domestic PC strand industry shipments
20 fell by roughly 32 percent during the POI. The
21 largest decline in U.S. producer shipments occurred in
22 sales to non Buy America post-tension customers where
23 subject imports are most heavily concentrated.

24 The number of production and related workers
25 reflected a 28 percent cut in employees. Wages were

1 also down by 28 percent, and hours worked declined by
2 22 percent. Domestic net sales declined by 26
3 percent.

4 The industry also suffered a substantial
5 deterioration in its financial performance. The
6 operating profits to net sales ratio declined over the
7 POI from 13.9 percent in 2007 to an operating loss of
8 1.8 percent in 2009. The number of firms reporting
9 operating losses increased from zero in 2007 to one in
10 2008 and then to three out of five industry members in
11 2009. More than half of the U.S. producers were
12 losing money by 2009.

13 The volume, price and impact factors in this
14 investigation all support a finding of material injury
15 caused by imports from China. Thank you for your
16 attention.

17 MS. CANNON: I will conclude our
18 presentation by addressing a couple of legal issues
19 presented by this case, as well as threat of injury.
20 Let me start with a legal comment on the causation
21 analysis.

22 We recognize here that the domestic PC
23 strand industry faced problems not only from subject
24 imports, but from the steep decline in demand in 2009.
25 We do not dispute that the recession and its effects

1 on demand for PC strand caused problems for the
2 industry. Under the applicable legal standard,
3 however, the Commission should recognize that the
4 economic downturn has made the U.S. industry even more
5 vulnerable to the effects of unfairly traded imports.

6 The significant volumes of imports and
7 shipments of Chinese imports sold out of inventory at
8 prices that significantly undercut U.S. producer
9 prices in 2009 caused an already difficult situation
10 to become much worse, leading to severe financial
11 declines for the U.S. industry in 2009.

12 The causal nexus between subject imports and
13 the domestic industry's injury is corroborated by
14 other evidence as well. Both importers and
15 purchasers, including Mr. Johnson, have identified
16 China as the low-priced source of imports, stated the
17 product is sold on the basis of price and described
18 the effects of the undisciplined Chinese pricing
19 practices on this market.

20 Domestic producers can trace downturns they
21 suffered in 2009 directly to the imports from China.
22 The improvements that occurred after the case was
23 filed are directly tied to the effect of this trade
24 action. Nonsubject imports, while increasing somewhat
25 in 2009 once the trade action was filed, have never

1 been anywhere near the size of imports from China, nor
2 have they been sold at the low prices of the Chinese
3 imports.

4 We agree with the legal framework the
5 Commission has adopted after the Mittal Steel case was
6 issued as a means of analyzing causation. Applying
7 that standard to this case, the material injury
8 threshold for subject imports is met, notwithstanding
9 any injury from other factors. Even if the Commission
10 does not find present injury in this case, the record
11 evidence supporting a finding of threat of injury is
12 overwhelming.

13 Before I recount some of those facts, let me
14 start with one of the most important voids in this
15 record: The absence of even a single questionnaire
16 response from any of the many Chinese producers. Its
17 failure to submit a response was quite deliberate.
18 Several Chinese producers submitted ITC questionnaire
19 responses in the preliminary investigation.

20 Even more notable, a number of the producers
21 participated actively in the Commerce case. For those
22 you familiar with Commerce investigations, you will
23 appreciate that the burdens imposed on a foreign
24 producer at Commerce are far higher than those imposed
25 in responding to a seven page ITC foreign producer

1 questionnaire.

2 The strategic choice on the part of the
3 Chinese producers not to submit any information to the
4 Commission should lead to application of adverse
5 inferences against them. Adverse inferences is
6 warranted where companies deliberately withhold
7 information as they have done here.

8 In particular, the Commission should not
9 reward Respondents by relying on data they
10 preliminarily submitted that is beneficial to them,
11 such as the data showing relatively high capacity
12 utilization rates in 2008, especially where available
13 information shows that is no longer true in 2009.

14 Fortunately, despite the lack of cooperation
15 by Chinese producers, we've been able to gather
16 significant evidence of the massive threat of injury
17 from China, evidence that no doubt explains why they
18 have not participated here.

19 Mr. Cornelius described the equipment that
20 was installed in China showing that Chinese capacity
21 is massive. Despite an economic downturn, including a
22 flowing of demand for PC strand in China, numerous
23 Chinese producers continue to add even more capacity,
24 all with a goal toward exporting it to the United
25 States.

1 As our slide shows, a comparison of 2009
2 capacity in China with total demand for PC strand in
3 the United States shows that China could supply our
4 market many times over. At over six billion pounds,
5 China's capacity dwarfs U.S. consumption of about one
6 billion pounds in a good year.

7 But 2009, and so far 2010, are not good
8 years for this industry with demand falling to only
9 about 500 million pounds, so the difference between
10 China's capacity and U.S. demand now is mammoth. And
11 it's not merely total capacity compared to the U.S.
12 demand that the next slide shows. China's excess
13 capacity in 2009 is estimated at over 4 billion
14 pounds. That's more than enough capacity to
15 completely displace U.S. producers and all other
16 suppliers to the U.S. market. China's excess capacity
17 compared to U.S. shipments is even more massive.

18 The demand for PC strand has declined,
19 leaving Chinese producers in a huge oversupply
20 situation. In the words of Mr. Hendricks, who
21 testified at the preliminary conference, "The Chinese
22 have all the capacity they need to supply all the
23 strands at this market could possibly buy."

24 And China is running out of export markets.
25 The global recession caused a slump in markets around

1 the world leading toward declining Chinese exports of
2 PC strand to most markets. To make matters worse, the
3 European Union, a significant market for China,
4 imposed antidumping duties against China last May.

5 As if an economic modification to utilize
6 idle capacity were not enough, as Mr. Selhorst
7 discussed, the Chinese government has also tax
8 policies to promote exports of PC strand and other
9 downstream wire products as well as a variety of
10 export subsidies bestowed on Chinese PC strand
11 producers.

12 Finally, if you have any questions as to
13 whether Chinese producers remain interested in
14 exporting to the U.S. market given the decline in
15 imports from China last year, Mr. Feitler's testimony
16 should have answered that. The fraudulent activity
17 aggressively pursued by a number of Chinese companies
18 are documented in proprietary declarations and
19 numerous e-mails appended to our brief. This slide
20 gives you an example of a couple of quotes we
21 received.

22 "The product will be freighted at the port
23 of destination. Of course, all documents, including
24 the country of origin, will be supplied by that
25 factory from that country, not China."

1 And from another, "So through this way we
2 can avoid the antidumping. We export the goods to
3 Malaysia, and you import goods from Malaysia, when
4 should be allowed both of us."

5 These documents demonstrate that the Chinese
6 producers remain intent on exporting to this market.
7 They just don't want to trade fairly by paying duties
8 to do so.

9 It is amazing that these activities are
10 already going on just in response to preliminary
11 duties even without an order in place. We recognize
12 that addressing circumvention is the product of
13 Customs, and we are working with Customs to do that.
14 These activities are also relevant to the Commission
15 as they indicate China's intent on remaining in the
16 U.S. market however possible. These transshipment
17 schemes also indicate that some of the purported
18 nonsubject import volume in 2009 is actually
19 misclassified Chinese products, thus understating true
20 import volume levels from China last year.

21 In sum, I once again urge you to apply
22 adverse inferences in this case, but also note that
23 simply relying on the facts available without any
24 adverse inferences should lead to an affirmative
25 threat of injury determination.

1 Before responding to questions, I would like
2 to just introduce the other members of our industry
3 who are joining us today and available to respond to
4 your questions: Mr. Richard Wagner, the Vice
5 President and General Manager of Insteel Wire Products
6 who several of you got to meet during your trip to
7 Insteel Sanderson facilities with us; Mr. Nopoli, the
8 Product Sales Manager of American Spring Wire has
9 joined us; and Mr. Alan Luberda, my colleague from
10 Kelley Drye has joined us as well.

11 That concludes our testimony. Thank you for
12 your attention.

13 CHAIRMAN ARANOFF: Thank you very much for
14 your presentation. Welcome to all of the witnesses
15 and thank you as always in taking time away from your
16 businesses to join us this morning and answer our
17 questions.

18 We are going to begin the questioning this
19 morning with Commissioner Lane.

20 COMMISSIONER LANE: Good morning and welcome
21 to the Commission, and we always appreciate your
22 coming to tell us about your industry and to answer
23 questions.

24 Ms. Cannon, I think that you addressed the
25 real issues that I have with this investigation, and

1 so the questions I ask I know that you addressed, but
2 it won't hurt me to have you answer them again, and
3 that relates to the data that we say that in 2007 and
4 2008, which were the years that the Chinese imports
5 were at its highest, those were the years that the
6 domestic industry was doing quite well. And then in
7 2009, when the imports dropped off significantly, the
8 industry started showing a loss.

9 So can you explain to me how I should view
10 that and why I should still be able to relate that to
11 the presence of the Chinese imports?

12 MS. CANNON: Absolutely. For 2007 and 2008,
13 first, Commissioner Lane, let me take a little bit of
14 exception to the conclusion that the industry was
15 doing quite well.

16 COMMISSIONER LANE: Well, I meant relatively
17 speaking. I mean, relatively speaking to 2009.

18 MS. CANNON: Yes. In 2007 and 2008, what
19 you saw was an increase in import volumes and market
20 share. You saw sort of your traditional patterns.
21 When those import volumes and market shares increased,
22 you also saw a decline in U.S. industry's market
23 share. You saw a trade effect. You saw an industry's
24 trade effect over those years. You saw a decline in
25 production. You saw declines in employment. There

1 were declines in trade conditions, and there was also
2 a decline in the financial condition of the industry.

3 It may not have gotten -- the operating
4 profit level may not have gotten as low as what the
5 Commission usually expects to see in injury
6 situations, but we believe that that was injury, and
7 that was caused by imports. There were lost sales and
8 there was lost volume. A focus simply on the
9 financial picture, I think, would miss the volume
10 effects that were felt during much of this industry
11 during 2008.

12 So, my first response is that we do think
13 there was injury from 2007 to 2008. This industry was
14 being injured by a 40 percent market share gained by
15 China that basically took them out of a lot of sales,
16 including those big volume sales they testified to
17 today to the post-tensioners.

18 As for 2009, in that year you have to really
19 focus, I think, on what was going on in the first half
20 of the year and how the inventories carried over
21 because if you look simply at the import volumes that
22 come in and spread them over the whole year you miss
23 the real effect. The real effect here occurred in the
24 first half of the year where you had this voluminous
25 inventory overhang.

1 COMMISSIONER LANE: Okay, now let me stop
2 you right there and ask you what your definition is of
3 voluminous overhang of inventory. When I looked at
4 the inventory numbers, and so I would like for you to
5 tell me what you consider to be voluminous.

6 MS. CANNON: The Exhibit 4 to our brief sets
7 forth our calculations of what the shipments were into
8 the market, which is a factor the Commission has
9 considered in many cases, and that combines the sales
10 out of inventories with the volumes that were being
11 sold into the market, the new volumes, and I can't say
12 that number because it's proprietary, unfortunately.

13 COMMISSIONER LANE: Right.

14 MS. CANNON: So I can't get into a detailed
15 discussion, but I think I can say generally that that
16 market share was over 25 percent of the market. We
17 think that is a very substantial market share
18 particularly in a down market, and here is the other
19 critical fact, Commissioner Lane, particularly at the
20 low prices.

21 When you have a very vulnerable situation
22 already with a recession and you have the imports
23 underselling, as Mr. Johnson stated, coming in at some
24 of the lowest prices they have ever seen in
25 underselling U.S. producers in 2009, that's what

1 crashed the prices and caused the financial
2 devastation that's reflected in this database in 2009.

3 So even though they weren't at a 40 percent
4 here, they were at a sizeable market share and they
5 were at unbelievably low prices, and that relates to
6 the financial deterioration we have identified.

7 MR. ROSENTHAL: Commissioner Lane, if I
8 could one thing. I think it implicit in what Ms.
9 Cannon has said, and I think you understand this in
10 your question, but to some extent if you are looking
11 at 2008 by itself and you're looking at, for example,
12 import penetration or absolute import from China, and
13 the profitability of the industry that is operating
14 profit to sales ratio, you don't get the right picture
15 because, as you heard from testimony, a lot of the
16 imports that came in or entered Customs were not
17 actually sold in commerce. They are put in inventory
18 because the market crashed in the last part of that
19 year.

20 So, in effect, you have an overstatement of
21 imports in the last part of 2008 that really did not
22 have an effect on the market until 2009, which is what
23 Ms. Cannon is referring to. So if you just look at
24 those two numbers of 2008, import share and
25 profitability, you get a distorted picture. That's

1 why you have to listen to the narrative behind those
2 numbers, which is what Mr. Johnson testified to and
3 other domestic industry witnesses, which is, a lot of
4 that product that came in in 2008 did not get sold
5 until 2009.

6 COMMISSIONER LANE: Okay, thank you.

7 Ms. Beck?

8 MS. BECK: Yes, if I could just add,
9 Commissioner Lane, I think the price data is very
10 indicative of why it has occurred because if you look
11 at the volumes in 2007 and 2008, and the pricing
12 effects, you will see that there is underselling then.
13 There is even more underselling in 2008 and 2009. But
14 you will also see in 2009, the pricing generally, that
15 there was a substantial volume. If you look at each
16 quarter in 2009, particularly in the first half of
17 2009, there were a lot of shipments that were
18 competing directly with the U.S. product in 2009. You
19 don't see a significant drop off if you're just
20 looking at the import volume figures from the Census
21 data.

22 COMMISSIONER LANE: Okay, thank you.

23 Now, Ms. Cannon, I have another question for
24 you. With reference to adverse inferences, are you
25 suggesting that because the Chinese industry

1 participated at the preliminary stage and have chosen
2 not to participate at the final stage, that that in of
3 itself is enough for us to find adverse inferences?

4 MS. CANNON: I'm suggesting that that fact
5 suggests that they can cooperate. They did cooperate,
6 they were able to cooperate, and it suggests a choice
7 not to do so now. Had they never shown up we might
8 draw other inferences to their ability to do so, but
9 the very fact that they were able to do so and did do
10 so before, and did not do so in your final I think
11 suggests a deliberate choice, and that type of fact
12 pattern falls within the statutory standards of
13 refusal to cooperate that warrants adverse
14 inferences. So, yes, I believe that is important.

15 COMMISSIONER LANE: Okay, thank you.

16 In referring to the large capacity build-up
17 in China, and the volume that the Chinese are capable
18 of producing, do you have any information as to
19 whether or not the entities have the energy sufficient
20 to run those facilities, to produce that amount of
21 wire rod -- I mean PC strand?

22 MR. SELHORST: I can't answer with specific
23 knowledge, but I would be comfortable in saying given
24 the size of these operations they have ample energy to
25 support all of the capacity that's installed that was

1 reflected in that chart.

2 MR. CORNELIUS: John Cornelius here.

3 I would add that the people that I've spoken
4 with that has visited and had been intimate with those
5 facilities have never mentioned any issues with energy
6 availability, and the equipment, obviously, is
7 commissioned and operational when the manufacturers
8 make these installations, so I don't believe there is
9 any limitation there.

10 COMMISSIONER LANE: Okay, thank you.

11 Now I have an operational question. Could
12 you explain why some applications are pre-tensioned
13 and others are post-tensioned?

14 MR. JOHNSON: Tim Johnson here.

15 It's the same material being used. I mean,
16 the strand is used to reenforce the concrete so it
17 doesn't crack. Pre-tension application is taking the
18 strands, putting tension on it inside a form, pouring
19 concrete, and then releasing the tension. That
20 release compresses the concrete giving it strength so
21 it doesn't crack. Those applications are typically
22 done in a yard somewhere where that concrete member is
23 then transferred to a job site.

24 Post-tensioning applications is done on the
25 job site. We put grease in plastic coating around the

1 strand to act as a bond breaker so it doesn't adhere
2 to the concrete. We lay the strand in the form, we
3 pour the concrete. The strand has no tension on it
4 until the concrete is cured. Once the concrete is
5 cured we come in with hydraulic rams, put tension on
6 it, compresses the concrete so it won't crack.

7 COMMISSIONER LANE: Okay, thank you. And my
8 time is up. Thank you, Madam Chair.

9 CHAIRMAN ARANOFF: Commissioner Williamson.

10 COMMISSIONER WILLIAMSON: Thank you, Madam
11 Chairman, and I too want to express my appreciation to
12 the witnesses for being here today.

13 So just to finish up on Commissioner Lane's
14 questions. So if it's pre-tension, you are going to
15 see the strand in the concrete and it's the concrete
16 member that's being sold. Is that correct?

17 MR. JOHNSON: I mean, pre-tension is -- it's
18 tension on it before the concrete gets poured. Post-
19 tension is tension on the strand after the concrete is
20 poured. The tension is applied in the same manner
21 with hydraulic rams, hydraulic jacks that actually
22 stretch it like a rubber band, but pre-tension is just
23 tension put on that strand before concrete is poured.
24 Post-tension is tension put on the strand after the
25 concrete is poured.

1 COMMISSIONER WILLIAMSON: But if you're
2 selling a pre-tension, you're selling a pre-tension
3 unit then with the concrete already around the strand?

4 MR. JOHNSON: That is correct.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. JOHNSON: Yes. I mean, a prime example
7 is on a bridge. You know, you look underneath a
8 bridge, there is a concrete bridge girder there. That
9 was poured in a concrete yard somewhere. The guy that
10 poured that he sold it to a contractor that particular
11 girder.

12 COMMISSIONER WILLIAMSON: Okay, thank you.
13 I think I finally understand.

14 MR. SELHORST: Can I add to that?

15 COMMISSIONER WILLIAMSON: Sure. Yes.

16 MR. SELHORST: Tim Selhorst.

17 I want to be sure this is clear. This is my
18 job in the testimony so I want to make sure you get
19 this right.

20 COMMISSIONER WILLIAMSON: Okay.,

21 MR. SELHORST: So again this is grand.

22 COMMISSIONER WILLIAMSON: Yes.

23 MR. SELHORST: And it's used for both pre-
24 stress and post-tension, same stuff. And a pre-
25 stresser takes place in a separate yard away from the

1 construction site. I beams are a good structural
2 member, it's a good candidate to be done off site away
3 from the construction site. So you see big concrete I
4 beams cast where in the bed you see the strands. They
5 pour the concrete around the strands. Once the
6 concrete is cured, the strands are blow torched and
7 the member comes together.

8 Post-tension strands are normally applied on
9 the job site at the construction site, but it's always
10 the same strand. There is no difference between this
11 strand whether it's used for pre-stress or for post-
12 tension.

13 MS. CANNON: And if I might add,
14 Commissioner Williams, the other key point here is
15 that Mr. Johnson is the purchaser. He's not a member
16 of this industry. So what he is doing is not what the
17 PC strand industry does. That's what the customers do
18 with the strand. This industry just produces that
19 product, and that's the end of it. They sell it and
20 Mr. Johnson and other customers take it from there in
21 terms of the operations that were described.

22 COMMISSIONER WILLIAMSON: And so Mr. Johnson
23 could be selling to some people pre-form concrete
24 units or you might be selling strand for --

25 MR. JOHNSON: I, myself, I'm a post-

1 tensioner totally solely.

2 COMMISSIONER WILLIAMSON: Okay.

3 MR. JOHNSON: I grew up in this business, so
4 I'm very familiar with pre-stress applications, but
5 I'm a post-tensioner.

6 COMMISSIONER WILLIAMSON: Okay. But someone
7 who want to buy concrete blocks that have already been
8 pre-tensioned they won't come to you?

9 MR. JOHNSON: They will not come to me.

10 COMMISSIONER WILLIAMSON: Okay. I think I
11 got it straight now. I go back and forth between New
12 York, and I see a lot of construction on the way, so
13 I'm always wondering what. Thank you.

14 Mr. Cornelius raised, and also on Exhibit 11
15 of your brief, you discussed information, which is BPI
16 about Chinese capacities, and I was wondering if now
17 or in a post-hearing could you elaborate on the source
18 of that information, how the information was obtained,
19 and what share of the Chinese industry that source can
20 speak to?

21 MR. CORNELIUS: Yes, most of that we do
22 post-hearing because of the sensitivity of the
23 information, the impact for the manufacturers.

24 COMMISSIONER WILLIAMSON: I understand.

25 MR. CORNELIUS: But in general terms the

1 manufacturer has a way of marketing their products,
2 provide reference lists that show where capacity is
3 installed as a way of validating their proficiency and
4 capabilities as equipment manufacturers, and so that
5 information is commonly used to market their products.

6 COMMISSIONER WILLIAMSON: So you're saying
7 they have capacity to address the size of the whole
8 production, how much total production there is?

9 MR. CORNELIUS: Yes, they can provide that
10 level of detail.

11 COMMISSIONER WILLIAMSON: Okay. Okay, thank
12 you. I look forward to hearing the rest of the
13 hearing.

14 Is there any likelihood -- you say that PC
15 strand is sensitive a little from the federal stimulus
16 programs, and I was wondering if there is any
17 likelihood that that is going to change, as we say
18 move from shovel-ready projects to other types of
19 projects?

20 MR. WOLTZ: At this point it would be
21 Insteel's view that there likely will be some impact
22 on the infrastructure, government-funded market, and
23 our best guess is we may see that beginning the end of
24 2010 and going into 2011, and the expectation is
25 anecdotal really based on information that we read in

1 publications and the information that we see about the
2 way to be released from the program. The reality,
3 however, is that that segment of the business is small
4 enough so that it is unlikely to have an overall net
5 positive impact on our industry because at the same
6 time the AARA funds may be stimulating demand to some
7 extent in the government-funded sector, the reality is
8 that the products nonresidential sector, which is at
9 least twice the size of the government-funded sector,
10 continues to erode and deteriorate, and in my view it
11 would be highly unlikely that the combination of those
12 two factors would have a net positive impact on the
13 industry. In fact, I believe we will continue to see
14 an overall deterioration in demand PC strand into
15 2011.

16 COMMISSIONER WILLIAMSON: Okay. My next
17 question was going to be what are your projections for
18 2010 and 2011 since giving your -- does anyone else
19 want to comment on that, slightly different
20 information on projects for this year and next year?

21 MR. CORNELIUS: John Cornelius here.

22 I think Sumiden's view is very similar to
23 what Mr. Woltz described.

24 COMMISSIONER WILLIAMSON: Okay.

25 MR. SELHORST: This is Tim Selhorst, and I

1 concur as well. I mean, primarily the markets that
2 drive PC strand consumption are residential
3 construction, nonresidential private construction and
4 the public bridge works. So I mean, if you break
5 those down, the nonresidential private construction
6 market is very, very slow. The residential
7 construction market remains slow. If AARA is able to
8 keep the public sector flat, again repeating what Mr.
9 Woltz said, it's still only 30 percent of the overall
10 market. I think the overall picture on the market is
11 at best flat and probably declining to some degree in
12 the year 2011.

13 COMMISSIONER WILLIAMSON: Thank you. You
14 argue that the non-Buy America sales affect prices in
15 the Buy America market. Can you explain in more
16 detail? Will the same purchaser also be buying for
17 both purposes, and how do you explain the data in our
18 records showing higher values for Buy America sales?

19 MR. FEITLER: I'd like to supply an answer
20 to your question. First of all, there is --

21 COMMISSIONER WILLIAMSON: Is this Mr.
22 Feitler?

23 MR. FEITLER: I'm sorry. Jeff Feitler,
24 Sumiden Wire.

25 COMMISSIONER WILLIAMSON: Yes.

1 MR. ROSENTHAL: -- a somewhat domino effect.
2 We felt that before when we had increased competition
3 in the non-Buy America section. It forces us to
4 compete more physically among one another, so it does
5 in that respect bring our Buy America prices down.

6 Also, our buyers are well aware that -- you
7 know, if we can price our non-domestic PC strand at
8 one level, they struggle when we suggest that our Buy
9 American prices have to be at a significant higher
10 price. They fight with us very hard. They, too, are
11 looking to buy at most competitive prices and that
12 often creates very strict competition in both
13 segments, the Buy American and the non-Buy American.
14 The imported PC strand creates strict competition in
15 both segments.

16 COMMISSIONER WILLIAMSON: Okay. Mr. Woltz.

17 MR. WOLTZ: I will just add that there is a
18 definite spillover effect between the two
19 marketplaces; that customers who buy both of those
20 products, in days when the prices -- the Buy America
21 material and the commercial material were close, there
22 was no real need for a purchaser to specify that he
23 was going to buy both of those products. Instead he
24 would just buy all the Buy America, and avoid the dual
25 inventory problem.

1 But as the prices began to diverge with
2 Chinese imports forcing down the commercial prices,
3 the opportunity costs became much greater, and
4 customers began to be willing to take those
5 segregation headaches just for the overall cost, but
6 they always had perfect visibility into what the price
7 was for Buy America material versus what the price is
8 for commercial material. That's not a secret, and
9 they are being called on by both sources.

10 COMMISSIONER WILLIAMSON: Thank you for that
11 answer. I have run out of time. Maybe I get it
12 later. Thank you.

13 CHAIRMAN ARANOFF: Commissioner Pinkert?

14 COMMISSIONER PINKERT: Thank you, Madam
15 Chairman, and I too thank you all for being here today
16 to help us understand what's happening in this
17 industry and what's likely to happen in the future.

18 Now, I noticed in some of the testimony and
19 in the prehearing brief that you maintain that any of
20 the subject imports that have occurred in 2008 had an
21 impact on the industry when they sold out of inventory
22 in 2009.

23 Did they have any impact on the U.S.
24 industry in 2008 when the imports actually occurred as
25 opposed to when they were sold out of inventory?

1 MS. CANNON: I'll start and you can jump in.
2 Absolutely. I mean, when these were coming into the
3 market, and some of this is in confidential
4 declarations so that's why I'll start and the industry
5 people can add on, but our confidential declarations
6 attest when those were going into inventory everybody
7 knew that was going on in 2008, and that really caused
8 the depression in prices because it was so voluminous,
9 and it had things like boats sitting at the dock
10 trying to get rid of this Chinese PC strand that was
11 sitting there. Offers were being made into the market
12 at unbelievable prices just to try to get rid of it,
13 and that really did have a significant effect in 2008,
14 you know, what sales were made in addition to the
15 volume effects that carried over into 2009.

16 MR. FEITLER: Commissioner Pinkert, also too
17 there were not only sales that impacted our industry
18 sales out of the warehouse, often sales -- product
19 coming on a boat overseas were sold very aggressively,
20 trying to avoid warehousing fees, and once it did hit
21 a warehouse these were sold aggressively, even more
22 aggressive. There was significant aggressive pricing
23 along all segments, whether the material was on a
24 boat, in a warehouse, or directly right off the dock.

25 I'm in the field on a regular basis and I

1 had even been told that material that had come in in
2 2008, some of this material which was sold in late
3 2008 and into 2009, was brought into this country at a
4 declared value and then sold at a lower value just to
5 dispose of it, often giving rebates or refunds. So
6 the effect on both warehouse sales and even off the
7 dock or the vessels themselves greatly impacted our
8 ability to sell competitively.

9 MR. JOHNSON: Tim Johnson here.

10 I can definitely speak to the inventory and
11 the pricing issues. I mean, leading up to mid-2008 as
12 business fell off our inventories went up
13 dramatically. We typically keep say a month to a
14 month and a half of inventory. That very quickly
15 turned into six plus months of inventory that took us
16 completely out of the market to buy for any new
17 purchases, but we were continually getting offers for
18 Chinese material at ever decreasing prices. I mean,
19 there was clearly a big overhang not only for myself
20 of what was in my possessions but the importers that I
21 buy from, those guys were holding large inventories of
22 material and aggressively trying to get rid of them.
23 I mean, the prices dropped dramatically. We weren't
24 in a position to buy any of it because we had plenty
25 of inventory, and it wasn't until March of 2009 that

1 we got back active soliciting orders after we had
2 worked off our inventories.

3 MS. BECK: And Commissioner Pinkert, I think
4 if you look at our -- this is Gina Beck for the
5 record -- if you look at it on an absolute volume
6 basis, 381 million pounds was imported in 2008, and
7 that was more than double what the five subject
8 countries did back in the 2004 investigation, so we
9 know there is a lot of product that was sold in 2008.
10 There was also still a lot of product yet to be sold
11 in 2009. It was just such a large volume.

12 MR. SELHORST: This is Tim Selhorst.

13 I don't want to belabor this, I bet you have
14 other questions, but I think this is an important
15 point. I think your question was did the surge in
16 imports impact us in 2008 as well as 2009.
17 Absolutely. I think the industry ran at 60 percent
18 capacity utilization in 2008, so we were by no means
19 full. It was a better year than 2009 financially, but
20 by our standards not an outstanding year.

21 I mean, from my perspective I sat here in
22 2003 and participated in the case to sue the five
23 countries. The success of the case gave me some
24 confidence to invest in our Houston plant, which we
25 did in 2005 and 2006, and began operating; upgraded

1 the equipment, added employees. I can tell you based
2 on the performance that we had in '07, '08 and of
3 course in '09, we were not able to realize the type of
4 returns that we needed to to justify the investment we
5 made in the machinery, and that's entirely due to the
6 impact of the imports, 95 percent of which are coming
7 from China.

8 MR. ROSENTHAL: One last quick point. We've
9 been focusing on volume and a lot of the volume that
10 we've heard that went into inventories occurred in the
11 last several months of 2008. But throughout 2008
12 there was a price impact by the Chinese too, and I
13 don't want the Commission to lose sight of that.

14 COMMISSIONER PINKERT: Thank you. Now I
15 would like to stay with that period from 2007 to 2008
16 and ask you just from a practical business standpoint
17 what impact did rising raw material cost have during
18 that period?

19 MR. WOLTZ: Over time, I mean, definitely
20 changes in raw material prices affect the price of PC
21 strand. Typically those market forces work in a
22 rather general way, but there is definitely a
23 correlation between the raw material price and the
24 selling price for PC strand.

25 2007 saw fairly stable raw material prices.

1 2008 saw exactly the opposite where between January
2 and about August prices rose dramatically, and by the
3 end of 2008 they were almost back to where they began
4 in January, and the magnitude of that change was
5 totally unprecedented where I think those prices
6 nearly doubled in eight months and then crashed by 50
7 percent in four months. That's not the kind of
8 correlation that the market has exhibited over the
9 entire time I've been in the business. It's just a
10 different cup of tea altogether.

11 COMMISSIONER PINKERT: Any other comments on
12 that issue?

13 MR. CORNELIUS: Yes, I would add that as Mr.
14 Woltz said, you know, normally the price is pretty
15 highly correlated between the two, and there is some
16 movement there, but what happened in 2008 with the
17 competition from China and the pricing pressure of the
18 import, you know, we were no longer connected to the
19 wire rod costs as having to react to the price
20 pressures of the Chinese strand, and I think you will
21 see that the price fell faster as a result for the
22 strand.

23 COMMISSIONER PINKERT: Thank you.

24 Now in some of the testimony today we heard
25 about the failure to cooperate with the investigation

1 on the part of the Chinese Respondents, and we also
2 heard that this was quite deliberate and that it was a
3 strategic decision. I'm trying to understand what the
4 strategy is that you're referring to.

5 MS. CANNON: I think it's a strategic
6 decision because the information that was -- well,
7 first, let me back up. I think it was deliberate
8 because, as I indicated earlier in responding to
9 Commissioner Lane's question, it's clear that
10 producers could respond because they did respond, at
11 least a number of them did preliminarily, so they got
12 the information, they had the data, they were able to
13 provide it to you, and I think that shows that they
14 have chosen not to do that this time around for the
15 final.

16 The strategic and deliberate part I believe
17 comes in where you contrast what was going on in 2008,
18 which is the last data they provided, with what was
19 going on in 2009 where, especially with respect to
20 something like capacity utilization, they were selling
21 pretty high rates from the information you had
22 preliminarily and suggesting they didn't have much
23 access.

24 If you had asked them and they provided --
25 you did ask them and they provided 2009 data, that

1 picture would have been quite different based on the
2 information we have of a huge oversupply. It would
3 also show huge capacity increases. We have documented
4 that for you from publicly available information on a
5 number of these companies.

6 So the information we have available to us
7 suggests that had that information been provided it
8 would have shown a lot of facts against their
9 interest: increased capacities, unused capacity, the
10 new effects of the EU antidumping order, all of which
11 would have made a threat far more powerful, and that's
12 why we believe it was a strategic decision not to
13 provide that.

14 MR. ROSENTHAL: I know your time is up, Mr.
15 Pinkert, but I would like to add something at the
16 appropriate time. I'm assuming you will get another
17 round or someone else might ask about adverse
18 inferences.

19 COMMISSIONER PINKERT: I haven't exceeded my
20 allocation so why don't you proceed. You can answer.
21 I just can't ask.

22 MR. ROSENTHAL: Okay. Well, I think you
23 have to go back to the purpose, what is an adverse
24 inferences, and that goes to basic law beyond the ITC
25 context. The whole idea behind drawing adverse

1 inferences in some kind of judicial or investigatory
2 proceedings is the notion that somebody -- some party
3 who refuses to provide information does so because had
4 it provided information it would have been adverse to
5 that person's interest to provide it, and therefore by
6 withholding they have decided it was better not to
7 have provide it than to provide it, okay? I think
8 everyone agrees with that.

9 And as you know, we have argued in the past
10 we believe that the Commission ought to make use of
11 that authorities to make an adverse inference because,
12 among other thing, it is more likely to induce parties
13 to provide information if they believe that you will
14 determine that their failure to provide was something
15 that would have resulted in worse information than
16 what you've got.

17 What you have here is an obvious refusal to
18 provide information. I think you can draw an adverse
19 inference to whether it's deliberate or not, although
20 the statute says otherwise, but you can go back, as
21 far back as early 1982 or so in the Matsushita case at
22 751B, changed circumstance case where the Commission
23 drew adverse inferences by the failure of the Japanese
24 in the television case to come forward and provide
25 witnesses, to provide accurate information, and it's

1 frustrating sometimes when you have -- and as they
2 showed up in that case.

3 Here the Chinese make a step in the right
4 direction and actually provides information and then
5 stiffs you at the finals, and this is the perfect time
6 for you to say, you know, we recognize that it's time
7 to say if you do that we are going to draw an
8 inference that your failure to provide information is
9 wrong, and we have information that we are going to
10 use against you. Thank you.

11 COMMISSIONER PINKERT: Thank you. Thank
12 you, Madam Chairman.

13 CHAIRMAN ARANOFF: Mr. Johnson, you
14 testified this morning that the presence of so many
15 Chinese producers with so much volume available may be
16 less market chaotic, and it was that that led you to
17 support the domestic industry with respect to this
18 investigation, but I just wanted to go back and
19 clarify that a little bit.

20 Can you explain to me how it hurts your
21 business for there to be a lot of suppliers vying to
22 sell you a product that you need at lower and lower
23 costs?

24 MR. JOHNSON: Yes. Seventy percent of my
25 business is residential housing. We provide a system

1 that reenforces the concrete so it doesn't crack. The
2 major part of that system is PC strand. The package
3 we will deliver is 1,500 -- on a \$300,000 house,
4 \$1,500. I lose business on -- I've been thrown off of
5 jobs because my price was \$6 per house higher. I
6 mean, that's three-tenths of one cent per foot of
7 strand higher. These guys are constantly out there
8 cutting the price, the importers use -- when it's down
9 to just importers, the domestic guys can't compete.
10 These importers, they have so much supply they are
11 cutting each other's price constantly that it's just
12 an undisciplined and chaotic pricing in the market and
13 it ends up costing me business, a lot of business.

14 CHAIRMAN ARANOFF: So the issue for you is
15 that because there is so much product running around
16 you can never be sure what the lowest price is and
17 whether you got it?

18 MR. JOHNSON: That's exactly right.

19 CHAIRMAN ARANOFF: Okay. Sometimes when we
20 see purchasers appearing in support of the domestic
21 industry they will tell us that, you know, they are
22 concerned that if things go on the way they are there
23 might not be a domestic industry, and then they would
24 have an uncertainty of supply that could be a business
25 risk. Is that something that motivates you?

1 MR. JOHNSON: Absolutely. I mean, I would
2 prefer to buy domestically for a number of reasons. I
3 mean, we want domestic supply. Because of these
4 pricing issues, you know, I can't afford to pay any
5 more, and I mean we're talking like very, very small
6 amounts more that I can't afford to pay, but you know,
7 given the choice, and when the prices do get in line I
8 buy domestically.

9 CHAIRMAN ARANOFF: Is your company still
10 purchasing product from China?

11 MR. JOHNSON: No.

12 CHAIRMAN ARANOFF: Not even --

13 MR. JOHNSON: There has been recently some
14 material available that had been stored that was
15 Chinese material, you know, that has been bought, but
16 there is no new offers or I have not received any new
17 offers from China.

18 CHAIRMAN ARANOFF: So just to round it out
19 your belief is that even though the likely effect of
20 an affirmative determination in this investigation
21 will be higher prices for PC strand, you will still be
22 in a better position to compete just because you will
23 be able to get a better idea of what the price is in
24 the marketplace?

25 MR. JOHNSON: Absolutely.

1 CHAIRMAN ARANOFF: Okay. And there is not
2 really a risk that, you know, if there is a
3 significant increase in the price the purchasers are
4 going to substitute another product or build fewer
5 houses or respond in some other way?

6 MR. JOHNSON: I mean, that's a very, very
7 minor risk.

8 CHAIRMAN ARANOFF: Okay. Does your company
9 have or do you think it's common amongst the
10 purchasers of this product to have a policy that
11 favors dual sourcing or multiple sourcing?

12 MR. JOHNSON: I mean, I -- for me, I have to
13 have multiple sources. I'm a very large consumer. No
14 one company wants to provide 100 percent of my supply,
15 so it's very important to me to have multiple sources.
16 A lot of my competition is smaller, but I think, you
17 know, in most instances they feel the same way, they
18 don't want all their eggs in one basket.

19 CHAIRMAN ARANOFF: Does it matter from the
20 standpoint of business risk whether that's multiple
21 domestic suppliers or some domestic and some non-
22 domestic suppliers? Does it make a difference?

23 MR. JOHNSON: It doesn't really make a
24 difference.

25 CHAIRMAN ARANOFF: Okay. Have you purchased

1 and are you currently purchasing non-subject imports
2 in countries other than China?

3 MR. JOHNSON: Yes.

4 CHAIRMAN ARANOFF: Okay. Thank you.

5 MR. JOHNSON: Well, I mean, I will add that
6 I have -- I am also buying from all three of these
7 producers as well.

8 CHAIRMAN ARANOFF: Okay, thank you. I
9 appreciate all those answers. I am going to turn to a
10 different topic, and I want to talk a little bit about
11 the testimony that we had regarding attempted
12 circumvention, and I'll direct this question to Ms.
13 Cannon but I'm not really sure who the correct person
14 is to answer it.

15 As you know the Commission has generally
16 been reluctant to rely on assertions of circumvention
17 unless there is a formal finding from Commerce or
18 Customs that circumvention has actually been going on.
19 So when that's not the case we usually note the
20 allegation, but we won't put much weight on it.

21 Is there anything about this case that
22 should make us change that approach? Well, first of
23 all, are there any formal findings? I don't think so.

24 MS. CANNON: Well, you are right, Chairman
25 Aranoff, this case is somewhat unique because it's

1 unusual that we even see such things occurring at this
2 point. Normally circumvention issues arise after an
3 order is issued and then we formally go to the
4 Commerce Department and they make findings, and those
5 would be something you would probably consider in a
6 sunset review.

7 What's very unusual here is not only that
8 it's going on this early, but that the Chinese
9 producers are affirmatively approaching the U.S.
10 industry and other members of the market, and we have
11 been able to get actual documents, e-mails that we
12 have included in our brief of them coming to them and
13 offering to tranship product and instantly showing
14 that this transshipment has occurred, and so we do
15 think this is different because we are not really
16 asking you to take formal cognizance of a circumvent
17 Commerce finding.

18 We are merely asking you to recognize and
19 rely on the record information that shows that these
20 producers (a) are intent on staying in this market,
21 which I think is a significant factor particularly to
22 threat; and (b) have transhipped product through non-
23 subject countries which therefore affects some of
24 those non-subject volume numbers you're looking at,
25 and we're struggling to quantify that, but we think

1 those are two factors that are a little different here
2 that affects your analysis.

3 CHAIRMAN ARANOFF: Should it matter whether
4 there is, you know, things in our appendix that are
5 solicited or unsolicited?

6 MS. CANNON: I don't believe any of them
7 were really solicited. I think as I understand it
8 they were all attempts to -- they were all responses
9 to people that have already approached others in the
10 market. Nobody solicited those originally. Every
11 single one of those original solicitations came from a
12 foreign producer, and then there had just been some
13 follow up to clarify, but none of the U.S. producers
14 were actually soliciting that or no one else in the
15 market was soliciting that, to my knowledge.

16 MR. LUBERDA: Madam Chairman, I just wanted
17 to add that if you look at the schemes that were set
18 up and the sophistication of them, it's pretty clear
19 that these were schemes that are in place, set up with
20 documentation, partners in the third countries, that
21 it's not that somebody in the United States was
22 saying, I'd like to buy some, how can I do it?

23 They had programs in place and they were
24 going out looking for folks, and it's not often in our
25 line of work that we get to use Latin phrases from law

1 school but res ipsa loquitur; those documents speak
2 for themselves and they speak in the voices of the
3 exporters, not in the voices of the Petitioners here.

4 MR. ROSENTHAL: Madam Chairman, I understand
5 what you are saying but how the Commission has
6 approached this issue during the past, but what's
7 unusual about this case is the amount of documentation
8 unsolicited, and it does give you pause to consider
9 this in a way that Ms. Cannon suggests. We're not
10 asking for any formal findings, but it does affect
11 your analysis of certain issues.

12 CHAIRMAN ARANOFF: Yes. I always remind
13 people at the Commission here and my children at home
14 some things are best not written down in an e-mail,
15 and the ones that you've attached are certainly the
16 more interesting ones we've seen.

17 My time is up so let me turn to my Vice
18 Chairman Pearson.

19 VICE CHAIRMAN PEARSON: Thank you, Madam
20 Chairman. Welcome to all panelists, good to see many
21 of you again.

22 Mr. Rosenthal, earlier you mentioned several
23 quotes from Mr. Hendricks of Global Steel. Can you
24 clarify, please, was he talking about contacting
25 domestic producers to purchase PC strand?

1 MR. ROSENTHAL: No. I'm glad you asked that
2 question. He was talking about his dialing for
3 dollars, the reference was he and his wife calling up
4 Chinese producers, Chinese sources to purchase PC
5 strand.

6 VICE CHAIRMAN PEARSON: And only Chinese
7 producers, no non-subjects?

8 MR. ROSENTHAL: That's all he talked about.
9 His wife, I believe, is of Chinese origin, and talks
10 about how that was kind of their special niche.

11 VICE CHAIRMAN PEARSON: Okay. Well, from
12 the context of what you had said it wasn't clear to me
13 and I didn't take time to go back and read the
14 preconference report. So if you could for purposes of
15 posthearing just clarify that so that we have clear
16 documentation.

17 MR. ROSENTHAL: Certainly.

18 VICE CHAIRMAN PEARSON: Thanks. In the
19 public version of the staff report we have Table 4-5.
20 It shows a distinct decline in imports from China
21 beginning in the fall of 2008. That's concurrent with
22 the start of the recession and it's half a year prior
23 to the filing of this case. And if you look at it,
24 you know, you've had monthly imports from China
25 running in a range of kind of 20,000 to 50,000, what

1 is it, thousand, thousand pounds, a million pounds a
2 month, okay?

3 And then, you know, you go through 2007 at
4 that level; 2008 up through October; and then in
5 November 2008, it drops off quite precipitously. It's
6 below 10,000 tons and it stays there then through the
7 rest of our record with the exception of June of 2009,
8 when it bumped up to 12.

9 So what are your views on this? I have
10 understood you to say, some of you, that the reason
11 that the imports from China declined was the filing of
12 the petition and yet here we have evidence that seems
13 much more closely linked to the recession that was
14 dissuading imports. Your views, please.

15 MR. CORNELIUS: John Cornelius here.

16 I think the way I interpret the trend and
17 our experience in the market was that when the
18 recession hit in 2008, there was definitely a slow
19 down or almost stoppage of new orders placed for
20 strand from all sources, and you see probably the
21 numbers coming in reflecting some of the material that
22 was already on the lot or that was in the pipeline
23 already.

24 And then if you look carefully at 2009, that
25 up until the point that the trade case files the trend

1 was ramping back up; that the numbers month over month
2 show an increase of imports of PC strand up until the
3 point of the trade case filing. So I think what you
4 see is a plan to return back to the levels that
5 existed pre-recession that was impeded and stopped by
6 the preliminary finding.

7 VICE CHAIRMAN PEARSON: Okay. Remind me,
8 what month was that case filed?

9 MR. CORNELIUS: May, the end of May.

10 VICE CHAIRMAN PEARSON: I'm not sure that
11 the numbers exactly corroborate your theory in terms
12 of a slow ramp-up.

13 MS. CANNON: Let me add, Commissioner
14 Pearson, if I might. The numbers that you are seeing
15 in January through June, because we filed the case at
16 the end of May, are all fairly significant, but they
17 are down, and the reason they are down is because, as
18 we mentioned, there was this huge inventory overhang.
19 That was predominantly what led to the drop off
20 because there was so much Chinese product in inventory
21 at a time that demand dropped that people were not
22 buying. Mr. Johnson has testified to that, and he
23 didn't resume buying until sort of the May period, and
24 that corroborated by the date, we filed the case, and
25 then all of a sudden there is this big up tick in

1 June, and that's where you see the monthly up ticks,
2 and you see a little bit in July, and all of a sudden
3 as of August going forward these imports just fall off
4 the face of the earth. That's the fact of the trade
5 case that we were describing.

6 So we fully expect that once that inventory
7 overhang had worked itself out you would have started
8 to see the pick up that you see in June continuing but
9 for the filing of the trade case. That seems to be
10 the event that coincides precisely with the drop off
11 month by month that you see starting in August and
12 going forward.

13 MR. JOHNSON: Tim Johnson here.

14 I mean, that's absolutely correct. I mean,
15 we were making purchases through June -- July, based
16 on, you know, business being at a certain level. What
17 you see coming in in that third quarter of 2008, I had
18 shut off our purchases because business had fallen
19 off, but that's business -- that's material that's on
20 the water that comes in through September/October.
21 After that, I mean, we were completely out of the
22 market. We had to work off that inventory. It took
23 approximately six months to work that inventory off.

24 Once March came around we got back into the
25 market looking for purchases. Again the Chinese were

1 by far the cheapest. We had purchases on the water
2 arriving in May, and then the action was filed, and
3 there was a -- you know, they pushed the material
4 right up to the deadline.

5 MR. FEITLER: Commissioner Pearson, Jeff
6 Feitler from Sumiden Wire.

7 I think what our data also shows is despite
8 a decline in the actual numbers there was actually an
9 increase in the Chinese market share. I felt that in
10 the market personally. There was times where the
11 imports -- they definitely penetrated all segments of
12 our market post-tension, increased stressing and even
13 small segments of our market, a segment of our market,
14 very small, roof mining bolts. We have a customer in
15 Salt Lake City that we supply 100 percent of their
16 strand, somewhat obscure, and I appeared one day
17 visiting Salt Lake City, and found inventory of
18 Chinese strands. They spread out. They penetrated
19 what I guess one might consider nontraditional
20 territory, nontraditional markets.

21 I've been to the beautiful city of Boise,
22 Idaho, where we have a wonderful customer there. We
23 had 100 percent of their business for about a four-
24 year period of time, and the Chinese penetrated this
25 pre-caster, pre-stresser, not a post-tensioner, and

1 this was in 2008 and 2009. We lost almost -- I don't
2 remember the tonnage but almost worth 10 months of
3 business. We were unaware that the Chinese had
4 visited this customer, and this very loyal account of
5 ours said to me, Mr. Feitler, we love your product,
6 but we just could not ignore the significant price
7 difference that we were offered by the Chinese.

8 So the numbers may have declined, but the
9 market share certainly did, did increase, and it
10 penetrated segments and territories, geographical
11 territories that were not traditionally tailored by
12 the imports, especially by the Chinese.

13 VICE CHAIRMAN PEARSON: Oh, I acknowledge
14 that we have a number of confirmed lost sales and lost
15 revenues in this case. This isn't entirely uncommon
16 because anytime one has a dynamic and competitive
17 marketplace you can find buyer shopping around, even
18 if there are no imports. The several of you who
19 compete against each other probably occasionally lose
20 sales to one another. Maybe Mr. Johnson has knowledge
21 on that, I'm not sure. So it's not entirely
22 surprising that we would see some lost sales and lost
23 revenues.

24 It's clear to me though that as the domestic
25 industry -- there were lost sales and revenues in

1 2008, but the overall level of production was not that
2 much down from 2007, especially when we realize that
3 the latter part of 2008 demand really disappeared.
4 And so I hear what you are saying, Mr. Feitler, and
5 I'm not sure just how to incorporate that into the
6 data that's in front of us.

7 MR. FEITLER: We did lose sales from the
8 overhand in the 2008-2009 period, and then we improved
9 ourselves in the second half of 2009, and slightly
10 improving now in 2010. A perfect example is Mr.
11 Johnson here.

12 There was a long period of time that we sold
13 absolutely zero to Mr. Johnson.

14 Then in the fourth quarter of 2009, I think
15 we sold more strand to Mr. Johnson in relative terms.
16 It wasn't a huge volume, but probably more strand in a
17 two month period than we had done in the 18 months
18 previous.

19 VICE CHAIRMAN PEARSON: Okay. Well, my time
20 has expired, and I will come back and talk a little
21 bit more about this inventory question if my fellow
22 Commissioners don't. I know that Commissioner Lane
23 raised it initially.

24 But I want to understand better this
25 overhang of inventory, because that, too, is not as

1 obvious from the data as one might wish. Madam
2 Chairman, my time has expired.

3 MR. SELHORST: May I just jump in quickly
4 and throw my two cents or one cent in since we are
5 talking bout China? I think one of the impacts that
6 you would see from the trade case, at least in our
7 experience relative to the impact on dealing with Tim
8 Johnson here, was the improvement in average unit
9 values.

10 Now, we had some participation at Suncoast
11 for the first time in years after the trade case was
12 filed, and I haven't seen the data, but I would be
13 quite comfortable in saying that the average unit
14 values over that period of time certainly had to rise
15 in that segment of the business. There is an impact
16 of having China in the market.

17 VICE CHAIRMAN PEARSON: Well, we will talk
18 about wire rod values later, but Ma'am Chairman, my
19 time has expired.

20 CHAIRMAN ARANOFF: Commissioner Okun.

21 COMMISSIONER OKUN: Thank you, Madam
22 Chairman, and I join my colleagues in welcoming all of
23 you here today. I appreciate you taking the time to
24 be with us. Mr. Cornelius, when you gave your
25 testimony, you noted one of Sumiden plants in Dickson,

1 Tennessee, which I think is on the way to Nashville as
2 I remember. Did that plant get hit by the floods?

3 MR. CORNELIUS: We were spared. There was
4 no damage in the plant.

5 COMMISSIONER OKUN: Okay. Thank you. I was
6 curious about that in the case. Let's see. Mr.
7 Selhorst, I have been convinced all along that it is
8 the same pot, and you need to convince me that the
9 pre-tension and post-tension is the same product doing
10 the same job.

11 What I have been more curious about, since
12 you said it was your job today to make sure that we
13 understood it clearly, is again the price differences
14 we see. And I know that Mr. Woltz, you had a chance
15 to respond to this earlier.

16 But I guess I am just now just trying to
17 understand. You think there is an impact from subject
18 imports on the pricing into your Buy America market.
19 But is there still -- can you give me some sense of
20 how the premium has changed to the extent -- and again
21 I still see a premium on the record between the two,
22 and who you are selling to.

23 And again we certainly have seen other
24 products where the customer matters, and the end use
25 matters. So help me out there.

1 MR. SELHORST: Okay. It's Tim Selhorst, and
2 I think you are asking why there is a difference
3 between the pre-tension market and the post-tension
4 market.

5 COMMISSIONER OKUN: On the pricing side,
6 yes.

7 MR. SELHORST: Okay. There is two main
8 components that I had mentioned there. The first is
9 that the pre-stressors represent a higher percentage
10 of Buy America requirements. So by definition, Buy
11 America does not have foreign competition. We don't
12 have to meet the Chinese prices or try to address
13 them. So that accounts for a higher price.

14 The second is that pre-stressors are
15 commonly much smaller buyers. There is more of them,
16 far more of them, and in Tim Johnson's case, as a
17 post-tension area, you have one stop, and you dump a
18 lot of strand at a real low price, and there is your
19 number.

20 It is a little harder to make a pre-stressed
21 sale. You have to know the market better, and you
22 have to make a lot more calls. I don't think that the
23 importers have as much capacity to do that as some of
24 the domestics do.

25 So we don't see them as often int hat

1 market. But their impact as they explained earlier is
2 increasing and gradually growing as they become more
3 familiar with the market.

4 COMMISSIONER OKUN: Okay. And so in you
5 explaining all of that, and again I believe that Mr.
6 Woltz's testimony had backed that up, have you seen an
7 increasing erosion in the price? I guess what I am
8 trying to say is you still see a premium for the
9 reasons that you had indicated.

10 And how has that changed over the period
11 that we have looked here on this record, and others
12 can jump in on this. Mr. Woltz, if you care to.

13 MR. WAGNER: If I may. What we've seen
14 since the Chinese have been out of the market is that
15 premium is starting to return to something that is
16 more normal. So there is still a difference, but a
17 normal gap in that premium seems to be starting to
18 form.

19 And with the Chinese in that gap was becoming
20 absolutely unbelievable.

21 COMMISSIONER OKUN: And is that Mr. Richard
22 Wagner speaking?

23 MR. WAGNER: Yes, Richard Wagner.

24 COMMISSIONER OKUN: Okay. And I obviously
25 don't want to obviously have any competition

1 conversation on the record, but a normal gaping is
2 what?

3 MR. WAGNER: I would say traditionally if
4 you went back over, say, a 15 year period before 2003,
5 probably 10 dollars a thousand feet on half-inch is
6 what we would call normal. Maybe 15 sometimes, but no
7 30, and 40, and 50.

8 COMMISSIONER OKUN: Okay. I appreciate that
9 further information on those differences. And I know
10 that you have had a chance to talk about demand as you
11 see it, and including as it relates to further effects
12 from the surplus.

13 Well, no, not the surplus, but the money
14 poured into the U.S. market to try to get it going.
15 So I appreciate those comments, and what impact you
16 said they might have in demand going forward.

17 Do you think as producers -- and maybe Gina
18 or Ms. Beck could add on to this as well, is the U.S.
19 market as attractive as it was during the period of
20 investigation, looking forward in 2010 and the rest of
21 this year, and 2011?

22 I have heard you say that you think demand
23 is stagnant or declining, and the stimulus spending is
24 not going to have a huge impact in your market. Is it
25 still an attractive market for subject imports and

1 why? Is it less attractive, more attractive, the
2 same?

3 MS. BECK: It definitely is as attractive,
4 if not more. China has been in other countries, and
5 the price that is here is still attractive to them,
6 and it is definitely a market that they are going to
7 continue to pursue.

8 And they have such excess capacity that they
9 need our market for their exports. They have such a
10 small home market that they need the market, and the
11 U.S. market is really the most attractive in my view.

12 MR. ROSENTHAL: By the way, one of the
13 importers who I cited in my opening statement, whose
14 e-mail is to Ms. Cannon, is at Exhibit 3 of our brief.
15 Put it this way. He said the Chinese have to sell it.
16 Those were his words, have to sell here.

17 That's because they have so much capacity,
18 so much unused capacity, and so few places elsewhere
19 to sell it.

20 COMMISSIONER OKUN: Okay. And I appreciate
21 that. I know, Mr. Cornelius, that the information
22 that you referenced that has been put in the
23 prehearing brief, and in trying to help us understand
24 what is going on in the Chinese market for a lack of
25 having that data directly from the Chinese, and I know

1 that you are going to be providing some more
2 information on that, including the source of where you
3 see that coming from.

4 But that was helpful information, and I had
5 a chance to go back and look, but can you tell from
6 the information that you have collected there, and
7 others can respond as well, whether the composition of
8 the companies exporting from China changed in the
9 later period of the investigation or not?

10 Again, just trying to help me to have a
11 better sense of what our record does or doesn't show
12 us when we do get final questionnaire data.

13 MR. CORNELIUS: The data I have I don't
14 think details which companies were exporting. It was
15 more describing what the capacity investments were.
16 But looking at the size of the whole market, I have to
17 believe their goal -- and from other information that
18 we have had from other buyers in that market, their
19 goal was to export large percentages of that capacity
20 when those investment decisions were made.

21 COMMISSIONER OKUN: Okay.

22 MS. BECK: Commissioner Okun, This is Gina
23 Beck again.

24 COMMISSIONER OKUN: Yes, Ms. Beck.

25 MS. BECK: That some of the ones that were

1 existing before, they have clearly added capacity, and
2 so you definitely have a carryover of those that were
3 producing, and if anything, their capacity has
4 expanded.

5 COMMISSIONER OKUN: Okay. Yes, Ms. Cannon?

6 MS. CANNON: If you look at Collective
7 Exhibit 12 to our brief, that contains extensive
8 information that we have collected over the internet
9 and otherwise, such as magazine articles, and pretty
10 much consistently across the board for each of the
11 Chinese producers, we have been able to identify the
12 more recent information.

13 So it is added capacity and a greater focus
14 on export orientation. So the most recent information
15 seems to be telling us, if anything, of a greater
16 focus on exports and greater capacity.

17 COMMISSIONER OKUN: Okay. And then -- let's
18 see. My next question, I believe, is probably best
19 handled post-hearing, and I will address it to Ms.
20 Cannon or Mr. Rosenhouse, which is if this case were
21 challenged at the WTO, and the parties are not here
22 obviously, but for post-hearing can you take a look at
23 what the WTO has said in threat cases versus present,
24 both where the U.S. was challenged, and if there are
25 other examples, and there might be, but I haven't

1 looked at this when Second Lumber was making its way
2 through.

3 And give me your legal opinion on what the
4 WTO might be looking at again, and you can make the
5 argument that U.S. law applies, and all of that, and
6 put it in the context if you want to argue that.

7 Just give me some sense of what we have seen
8 at the WTO with respect to challenges on a threat
9 versus present case, and what lessons one might learn
10 from that in looking at the record here.

11 MS. CANNON: Yes, we would be happy to do
12 that.

13 COMMISSIONER OKUN: Okay. And my yellow
14 light has come on, and I have some other questions,
15 but I will come back to those in another round. But
16 thank you for those responses.

17 CHAIRMAN ARANOFF: Commissioner Lane.

18 COMMISSIONER LANE: The first question I
19 have is could someone in the industry please describe
20 to me the channels of distribution from producer to
21 end-user in both the pre-tensioned and the post-
22 tensioned markets.

23 MR. WAGNER: Yes. In terms of channels, a
24 manufacturer of PC strand will ship directly to an
25 end-user in both of those applications.

1 COMMISSIONER LANE: Okay. And who is the
2 end-user?

3 MR. WAGNER: The way that we see the end-
4 user is that it would be a pre-tension, pre-stressed
5 concrete product producer who would use the strand in
6 his yard, and then he would deliver a bridge girder or
7 some other member that could become a structure to a
8 job site where it is erected.

9 And with the post-tension, you would ship
10 your strand to his facility, where he puts the grease
11 and plastic coding on the product, if that is the type
12 of post-tensioning it is, and then he would deliver
13 that to a job site and be responsible for the
14 tensioning of whatever member that is on-site, whether
15 it is a slab on ground, or in the case of bridges that
16 are post-tension, the strand would actually end up at
17 the bridge, and their crews would do the tensioning.
18 So we see that as direct to the end-user in both ways.

19 COMMISSIONER LANE: Okay. And so does it
20 really depend upon the actual final use of the product
21 as to whether or not it goes to a -- whether it is
22 post-tensioned or pre-tensioned?
23 For instance, if it is used in a bridge, it would not
24 go to a post-tensioner?

25 MR. WAGNER: It would. If it is going to be

1 used in a bridge, it would be shipped to a post-
2 tensioner who does bridge work.

3 COMMISSIONER LANE: Okay.

4 MR. WAGNER: If it was going to be used in
5 flab on grade for a home, it would go to a post-
6 tensioner that does that type of post-tensioning. And
7 they may have the technology and capability to do both
8 of those.

9 MR. WOLTZ: Commissioner Lane, if I might
10 add one point. If you look a little further upstream.

11 COMMISSIONER LANE: Yes.

12 MR. WOLTZ: Take a project like a parking
13 deck. The owner of a parking deck that is to be
14 constructed is likely to evaluate whether that deck is
15 more effectively produced from pre-tensioned
16 applications from that method of construction, as
17 opposed to post-tension method of construction.

18 And he is going to look at the timeline, and
19 how quickly does that project go from inception to
20 occupancy. He is going to look at the costs, and that
21 decision is going to be affected by conditions in the
22 local market, in terms of the subcontractors available
23 for each one of those.

24 And he is going to make his decision about
25 how to build that deck based on his particular overall

1 economics, and once he has decided, then the strand as
2 we pointed out is a very thin strand that goes into
3 either of those applications, but the construction
4 method is chosen based on the overall set of
5 circumstances affecting the owner.

6 COMMISSIONER LANE: Okay. Thank you. I
7 think I understand it better now. Now, Mr. Johnson, I
8 have a question for you. You were talking about the
9 chaos in the market, and product coming in from
10 everyplace, and you weren't sure what the final price
11 would be.

12 And that you have actually lost jobs when it
13 was at a home construction site because they could get
14 the product six dollars cheaper, let's say, from a
15 Chinese producer. Is there any concern at all
16 expressed to you in the light of all of the furor that
17 was seen about the Chinese drywall issue?

18 Are you getting any concerns at all about
19 the use of Chinese product in the PC strand area?

20 MR. JOHNSON: With regards to the fact that
21 it may be inferior?

22 COMMISSIONER LANE: Yes.

23 MR. JOHNSON: I mean, we have used a lot of
24 PC strand over the years from many countries, a lot
25 from China. We have very few problems. So, you know,

1 we have not really had a quality issue to speak of, of
2 any significance.

3 COMMISSIONER LANE: So the spill-over effect
4 of Chinese drywall in the construction of homes hasn't
5 affected the perception of customers, of residential
6 customers about other Chinese products being used in
7 their homes?

8 MR. JOHNSON: No, Ma'am.

9 COMMISSIONER LANE: Okay. I was just
10 curious. Now we have been seeing a lot of information
11 on the news about the spill in the Gulf Coast, and the
12 building of this big concrete dome. Now, this big
13 concrete dome that is being built, does it have PC
14 strand in it?

15 MR. WAGNER: I'm not sure of the exact
16 construction of the dome, but to my knowledge, it is
17 not a pre-stressed product. In fact, it may be made
18 of steel and not concrete.

19 MR. JOHNSON: I am pretty sure, because that
20 is near home for me, that structure is made out of
21 steel.

22 COMMISSIONER LANE: Okay. Thank you. With
23 that, I don't have any other questions, Madam Chair.

24 CHAIRMAN ARANOFF: Commissioner Williamson.

25 COMMISSIONER WILLIAMSON: Thank you, Madam

1 Chairman. Are there any technological developments
2 that are leading to a shift between post-tension and
3 pre-tension uses? Are we seeing changes in the
4 construction techniques?

5 MR. JOHNSON: No. I mean, it gets down to
6 as Mr. Woltz said pure economics. You know, what is
7 the most economical construction method for what the
8 owner or developer wants to build.

9 COMMISSIONER WILLIAMSON: Thank you. Mr.
10 Woltz, you talked about the developer. Does the
11 architect make these decisions, or what role does the
12 architect play in this?

13 MR. JOHNSON: Typically, it's the engineer
14 that puts these specs in. You know, how he
15 particularly wants it built. Sometimes we will have
16 the ability. There may be plans and specs for a
17 garage that he wants to build that could go either
18 way, and we would make a pitch to make it post-
19 tension.

20 And then explain to him how this is a
21 cheaper method to do it, but it is typically the
22 engineer of record on the project that starts those
23 determinations, and makes the final decision.

24 COMMISSIONER WILLIAMSON: Okay. Thank you.
25 You argued that importers built up inventory in 2008

1 that was sold off in 2009, and therefore the 2009
2 import market share is understated. If we follow your
3 logic though, isn't the 2008 subject import market
4 share overstated as some of the imports were not being
5 sold into the market in that year.

6 MS. BECK: Commissioner Williamson, I
7 believe the market share in 2008 is correct, and there
8 was some spill-over effects, and so it is really the
9 first half of 2009 where it is a unique period where
10 the inventory did -- that it needs to be taken into
11 consideration the shipments have to be taken into
12 effect.

13 COMMISSIONER WILLIAMSON: Oak. But all of
14 the imports that came in or would be come in during,
15 let's say, in 2008, late 2008, they weren't actually
16 going into the market were they?

17 MR. LUBERDA: Commissioner Williamson, this
18 is Al Luberda. They were. They were going into the
19 sense that they were going into inventory to be held
20 by both the importers and people like Mr. Johnson at
21 Suncoast.

22 And those were sales that didn't get made by
23 the domestic industry in that period, and it was
24 having a price effect in that period, because they
25 came in at low prices, and then when that inventory

1 wasn't actually sold, didn't actually go into a deck
2 or a house, it carried over into 2009.

3 And during that first half of 2009, as Mr.
4 Johnson described, that was tonnage that was competing
5 against the domestics in that period of low demand.
6 It was added to the imports that were actually coming
7 in from China during that period at even lower prices,
8 and so it continued to have a price depressing effect
9 in 2009.

10 So it depressed prices first in 2008 when it
11 was coming in, and we had to compete against it there,
12 and then again depressed it, and continued to depress
13 it in 2009. So how you want to allocate shipments and
14 market share, whether one goes up or one goes down,
15 the important part was that it was all there in the
16 market in 2008 to compete.

17 And then in 2009, much of it was still
18 there, and competing and driving down prices.

19 COMMISSIONER WILLIAMSON: Okay. I guess
20 that is the real meaning of overhang. Okay. Was
21 there also a build up of purchased inventories of non-
22 subject imports and domestic products in 2008, and if
23 so, how should we factor this into our analysis?

24 MR. JOHNSON: Non-Chinese was almost non-
25 existent. I mean, we were -- I would say -- well, I

1 could sit here and safely say that 99 percent of my
2 inventory overhangs, and probably a hundred percent of
3 it was all Chinese material. I mean, no other country
4 could compete with China for bringing in imports.

5 COMMISSIONER WILLIAMSON: Ms. Cannon?

6 MS. CANNON: Commissioner Williamson, I was
7 going to say that is true across the board as well.
8 If you look at the actual import volumes as we
9 testified, China was about 95 percent of all imports
10 in 2008, and so there really weren't any non-subject
11 imports coming in at that time to be a part of that
12 inventory overhang.

13 COMMISSIONER WILLIAMSON: Okay. What about
14 domestic inventories? Do we factor those in?

15 MR. JOHNSON: For myself, I would -- well, I
16 mean, I would say that I had zero domestic inventory
17 as part of my overhang.

18 COMMISSIONER WILLIAMSON: Okay. Anyone
19 else? Any comments on that?

20 MR. WAGNER: As far as domestic inventory
21 with a customer, if you go back to that time with the
22 capacity, that the domestics had this unused, the
23 customers would have very little requirement or reason
24 to stockpile a domestic strand. They let us hold it.

25 COMMISSIONER WILLIAMSON: Okay. Thank you.

1 Questionnaire responses indicate that most purchasers
2 consider U.S. producers to be the price leaders in the
3 market. How should we take this into account when
4 considering price effects?

5 MS. CANNON: Well, I think part of the
6 answer to that question, Commissioner Williamson, is
7 that the way that the questionnaire is phrased, if it
8 had asked is the price leaders on the upside or the
9 downside, and often purchasers identify U.S. producers
10 because they are the big names they go to in the
11 markets.

12 But I don't believe that any of the
13 purchasers identified U.S. producers as price leaders
14 on the downside, and in fact all of your information
15 suggests the opposite; that China is the price leader
16 on the downside.

17 It is China that consistently undercut the
18 prices and caused prices to go down, and not the U.S.
19 producers. So the price leadership by the U.S.
20 producers, if anything, is simply to try to increase
21 the prices above the very low levels that China has
22 caused.

23 COMMISSIONER WILLIAMSON: Okay. Thank you
24 for that parsing of the response. Okay. I have no
25 further questions at this time. So, I thank the

1 witnesses for their testimony.

2 CHAIRMAN ARANOFF: Commissioner Pinkert.

3 COMMISSIONER PINKERT: Thank you, Madam
4 Chairman. I just have a couple of followup questions.
5 First of all, concerning present material injury. Is
6 there evidence that is available to us today that was
7 not available to us at the time of the preliminary
8 determination that bolsters your case for present
9 material injury?

10 MR. ROSENTHAL: I think the explanation that
11 you have heard today about the effect of the
12 inventories in 2008 and 2009 is something that you
13 probably did not have before you, and certainly not in
14 the detail that have, and I think that is an important
15 way to understand the data that you had at the prelim,
16 but didn't perhaps fully appreciate.

17 COMMISSIONER PINKERT: Thank you, and as you
18 think about this post-hearing, if there is anything
19 that you can add to it, that would be helpful. Now,
20 concerning the threat case. How has that case changed
21 in the period of time sine the preliminary
22 determination, if at all?

23 MS. CANNON: I'll start with that,
24 Commissioner Pinkert, if I might. I think the threat
25 case has -- there was a threat of injury certainly

1 before. The threat has become much more magnified
2 over the course of time that this investigation has
3 been pending in several respects.

4 One is the continued increases in capacity.
5 There already was mammoth capacity, but there has been
6 more that has been added. More importantly, there has
7 been a drop-off as we understand it in demand in
8 China.

9 So now you have a huge over-supply situation
10 that is creating even further concerns, in terms of a
11 need to export that product. And, number three, you
12 have got sort of a longer presence if you will of the
13 European Union anti-dumping duties, keeping imports
14 from China out of that market.

15 And then we have some specific information
16 that I mentioned in Collective Exhibit 12 to our brief
17 on individual producers that not only have added
18 capacity, but specifically say that they are targeting
19 their capacity for exporting, including to the United
20 States.

21 So the additional information that we have
22 gotten suggests an even greater unused capacity and
23 even greater need to try to get that capacity into
24 this market.

25 MR. ROSENTHAL: I would add two other quick

1 factors. One is the attempted circumvention, which I
2 believe goes to threat, and the willingness and the
3 need for the Chinese to get into this market.

4 The second one goes to really questions that
5 Commissioner Pearson asked about, about the effect of
6 the order. You saw after the inventory overhang had
7 been worked down that the imports began to increase
8 once again as there was no longer the Chinese
9 inventory available.

10 And then you saw what happened when the case
11 got filed and the duties went into effect. The
12 imports dropped off once again, and you saw the
13 beneficial impacts of that case and the turning by Mr.
14 Johnson and others to domestic producers for
15 purchases.

16 The actions of that order suggest that we
17 would return to where we were as the imports would
18 increase once again. So, I think that new information
19 goes to threat as well.

20 COMMISSIONER PINKERT: Thank you. Ms.
21 Cannon, I take your point about some of the
22 information about China, but I am wondering whether we
23 also have some reason to think that China's absorption
24 of or potential absorption of the product has
25 increased when you compare it, for example, to the

1 first quarter of 2008 with the first quarter of 2009,
2 in terms of home market shipments in China. Any
3 thoughts about that either here or in the post-
4 hearing?

5 MS. CANNON: I'll be happy to look at that
6 further for post-hearing. I haven't compared the
7 quarters of '08 and '09, but what we have learned is
8 that this happened subsequent to '09, which I think is
9 more relevant to your threat. It seems to be what we
10 are focusing on here, but I will look at that.

11 MR. LUBERDA: Commissioner Pinkert, I think
12 we should note at least that during the period from,
13 for example, '07 to '08, when the Chinese were
14 shipping more to the United States, that was a period
15 in which they were also building up for the Olympics
16 and what not in China.

17 So while they were consuming more in China,
18 they continued to increase their exports to the United
19 States. So regardless of how much more absorption
20 they could have achieved quarter by quarter in '08 and
21 '09, they showed the capacity to continue to increase,
22 despite whatever demand was happening in their home
23 market, and now we believe that demand has fallen off,
24 and it is even more likely that they would be able to
25 increase into this market.

1 COMMISSIONER PINKERT: Thank you. Mr.
2 Wagner?

3 MR. WAGNER: If I could add one thing.
4 Richard Wagner. It appears to me from seeing the data
5 on the Chinese capacity that they put in capacity
6 without any regard to consumption in their own country
7 or anyone else's country.

8 Those numbers now reflect an amount of PC
9 strand that I believe is more than the entire world
10 could use at the moment, including all that is used in
11 China. Those are mammoth numbers.

12 COMMISSIONER PINKERT: Thank you. I have no
13 further questions today. I appreciate the testimony
14 and I look forward to the post-hearing submissions.

15 CHAIRMAN ARANOFF: In the preliminary
16 determination the Commission found some evidence of
17 price depression based on a rising cost of goods sold
18 to net sales ratio, which indicated that domestic
19 producers weren't able to pass along cost increases
20 through higher prices.

21 As you know the statute indicates that price
22 depression occurs when subject imports prices suppress
23 price increases that otherwise would have occurred.
24 Given the abrupt and significant decline in demand in
25 the last year of the period that we are looking at,

1 can you explain the mechanism through which domestic
2 producers could have been expected to pass on their
3 cost increases in the form of higher prices even
4 absent dumped and subsidized imports from China?

5 MS. BECK: Chairman Aranoff, I can just
6 start by adding
7 -- well, I think what is very indicative of what was
8 taking place -- I mean from 2008 to 2009, in the
9 absence of imports, it would have been nice if the
10 industry could have raised prices.

11 I mean, at that time their prices were going
12 down if you are looking just at from '08 to '09 by 10
13 percent, and at the same time costs were going up by
14 10 percent.

15 So it would have been nice if they could
16 have realized some sort of a price increase. But in
17 2009, with the underselling by imports, if anything,
18 increasing even greater margins up to 26 or 27
19 percent.

20 MS. CANNON: Let me add, Chairman Aranoff,
21 as I understand your question, you are trying to
22 figure out whether this whole demand situation and the
23 classing of demand, prevented them from adjusting
24 their prices, and that was really a major effect.

25 And I would suggest there that in 2009 and

1 in 2010, as Mr. Selhorst indicated, we had seen
2 improved prices despite continually bleak demand in
3 this industry once China exited the market, and once
4 those prices weren't there.

5 So the very fact that we have been able to
6 see some improved pricing and possibility behavior by
7 the industry, I think indicates that when China is not
8 there, even in a down economy, there is an ability to
9 adjust prices to reasonable levels.

10 CHAIRMAN ARANOFF: Okay. And that is what I
11 am getting at. I am trying to figure out what is that
12 mechanism. Now, in some industries, raw materials are
13 built into a formula in the contract, and so
14 automatically those just get passed on, and then
15 people will say, well, sometimes importers come into
16 the market who don't have that formula, and that is
17 where the price depression comes from.

18 So I don't think that we have that kind of a
19 formula here, and so what I am looking for is what is
20 the mechanism where even with demand the way it was in
21 2009, if the Chinese imports hadn't been in the
22 market, prices otherwise would have been higher.

23 MR. WAGNER: Chairman Aranoff, maybe I will
24 take a shot at that. This is Richard Wagner. Without
25 the Chinese imports, if you took them out, and our

1 costs were going up, the mechanism to raise the price
2 is to announce a price increase due to rising costs.

3 And then usually you would see that if your
4 competition is going to also raise their prices by
5 putting out a similar notice to customers that they
6 are going to raise their costs due to price. So there
7 is not a surcharge mechanism. There is nothing
8 automatic. It becomes a matter of the combination
9 of supply and demand, and the fact that the costs have
10 come up, and that if costs come up enough, there is no
11 supplier that can stay in the business if they don't
12 attempt to raise their prices.

13 But when you put a distorted competitor in
14 at a very large market share with absolutely unlimited
15 capacity, then when you try to raise that price, it
16 destroys that mechanism. But that is the mechanism,
17 to announce it and then tell the customers when it is
18 going to go up.

19 CHAIRMAN ARANOFF: And so basically you are
20 relying on the inelastic nature of demand? That is
21 there aren't too many players in the market, you can
22 go to customers and say, well, my costs are going up,
23 and I am going to raise my prices, and they can't say,
24 fine, I am going to buy another product instead.

25 MR. WAGNER: And, Madam Chairman, I am not

1 sure whether there is too many players. As long as
2 all the players are not using some distorted
3 economics, and if everybody plays in similar economics
4 with similar rules, then I don't know that it matters
5 how many players there are.

6 MR. JOHNSON: And I can also say that as
7 soon as the Chinese were out of the market for us, we
8 had seen prices go up 20 percent, and maybe a little
9 over 20 percent once they were gone.

10 CHAIRMAN ARANOFF: And you are still here
11 testifying.

12 MR. JOHNSON: I mean, for me, I would like
13 to see prices going up, you know. Everybody makes
14 more money when prices are rising.

15 CHAIRMAN ARANOFF: Okay. Let me turn to
16 another subject, and I just want to get a little
17 clarification. I understand completely the argument
18 that has been raised that the domestic industry's
19 small share of shipments to post-tension applications
20 is not evidence of a lack of interest in this part of
21 the market.

22 But what I wanted to do was to ask you to
23 provide some historical context for that by -- you
24 know, obviously that share has been small throughout
25 the period that we have looked at here. Can you take

1 me further back in history and tell me when was the
2 last time that this domestic industry held a
3 significantly larger share of the post-tension market?

4 MR. SELHORST: This is Tim Selhorst. We
5 actually have that right here. I thought you might
6 ask this, and so our numbers show a significant
7 participation in that market segment in 2007. It was
8 down from 2006. And then it fell off precipitously in
9 2008, and it shows declining participation through
10 2007.

11 MR. WOLTZ: I could also add -- this is
12 Howard Woltz with Insteel. I could also add that in
13 2006, which precedes the POI, Insteel's shipments to
14 post-tensioners approximated 20 to 25 percent of our
15 total sales, as compared to about 3 or something most
16 recently in the period of investigation.

17 MR. CORNELIUS: John Cornelius here, and
18 especially for our Stockton, California, plant where a
19 lot of the residential boom happened throughout 2000
20 and just prior to the period of investigation, our
21 sales to that residential market were approximately 50
22 percent of our sales during several of those years, in
23 the early 2000s, and those have dropped to zero in
24 recent times or through the POI, or almost zero.

25 CHAIRMAN ARANOFF: Thank you. And you

1 covered in your brief in some detail why you haven't
2 seen much of a benefit from the Recovery Act, the
3 stimulus money, and I know we have talked about this
4 in some other cases recently.

5 But I just wanted to dwell on that a little
6 longer. There was always concern early on that the
7 only really ready projects were road pavements and
8 applications that don't use steel products.

9 And we are quite a few more months into it
10 now. Is that still the case, are you seeing where
11 anybody is building bridges, or other structures that
12 use your product now using Recovery Act funds?

13 MR. WOLTZ: If I may reply. Within ARRA,
14 which was 787 billion, the sector for roads and
15 bridges, which is the largest driver of PC strand
16 demand, was about 28 billion of the 787. As of the
17 last accounting that I saw, roughly 15 or 16 billion
18 had been committed to products, or to projects, of the
19 28 billion.

20 So once you commit to a project that
21 requires PC strand, such as a bridge, there is a
22 considerable lead time between the commitment and
23 actually casting girders, or post-tensioning a bridge.

24 So that is the background for why I believe
25 it will be late in 2010 or even 2011 before you see

1 much activity, just given the relatively small portion
2 of ARRA devoted to projects that consume our product,
3 and the delays in committing funding to actual
4 projects on the ground.

5 CHAIRMAN ARANOFF: When you receive orders
6 do you have a definite way of determining of whether
7 your sale is going into a project that is funded by
8 the ARRA or not?

9 MR. WAGNER: Not always. Sometimes -- this
10 is Richard Wagner. Sometimes the customer will send
11 us some sort of a form or ask for a statement that
12 might support that he was following the ARRA, but not
13 every customer does that.

14 But I think that we would know of the major
15 projects. You know, when bridges are being built. I
16 mean, it is the type of order that you get from the
17 customer, and you'll know that certainly was the
18 outcome of that.

19 CHAIRMAN ARANOFF: Are there any bridges
20 that are going to be built using those funds, because
21 I have not seen a lot of new paving around my
22 neighborhood, and I certainly haven't seen any
23 bridges.

24 MR. WAGNER: We have seen, you know,
25 quotations for bridges out into '11 and '12, where

1 people are starting to specify quantities and make
2 projections. So there are some that are out there,
3 but we certainly don't see any production or I should
4 say construction of specific bridges right now.

5 CHAIRMAN ARANOFF: Okay. Well, I don't want
6 to dwell on this, but if there is anything that you
7 can put on the record for post-hearing that can just
8 help me feel confident that you are really not making
9 any significant sales into ARRA applications either
10 now or in the imminent future, or a fairly short time
11 into the future.

12 I think that would be helpful just in
13 nailing down the generalized statements about where
14 that money is going and how long it takes for it to
15 get into a project that would use your product.
16 So with that, I don't think I have any further
17 questions. Let me turn to Vice Chairman Pearson.

18 VICE CHAIRMAN PEARSON: Thank you, Madam
19 Chairman. A lot has been said about inventory. Let's
20 compare between the public staff report, Table 3-6,
21 and 7-7. Table 3-6 shows U.S. inventories, which went
22 from 61 million pounds at the end of 2007, up to 67
23 million at the end of 2008, and then down to 57
24 million.

25 And then you look at Tables -- well, rather

1 Figure -- well, Table 7-7, for the Chinese inventory;
2 30 million pounds up to nearly 50 million, and then
3 down to 14 million.

4 Now, these are the two major suppliers to
5 the U.S. market. The domestic industry has had in the
6 early part of the POI about 60 percent of the market,
7 and the Chinese had about 40 percent.

8 And it requires some inventory to serve
9 customers. All of you know that. What is unusual
10 about the Chinese numbers? To me, it looks like they
11 really are quite in-line with what one might expect,
12 and they seem not to be out of line with the U.S.
13 inventory. Why such a big deal about this inventory
14 overhang? I am missing something.

15 MR. JOHNSON: I mean, the inventory overhang
16 for us took us completely out of the market. I mean,
17 we have excessive inventory for the amount of demand
18 that was on our order books. So that completely -- I
19 mean, we did not place a purchase order for, I think,
20 five or six months.

21 And there was enough inventory to last to
22 that period, which is way excessive to the amount of
23 inventory that I typically keep.

24 VICE CHAIRMAN PEARSON: All right. And are
25 you talking just about the Chinese inventory, or are

1 you talking about the overhang of U.S. inventory?

2 MR. JOHNSON: I am speaking specifically to
3 my inventory, which was a hundred percent Chinese.

4 VICE CHAIRMAN PEARSON: Okay.

5 MR. LUBERDA: This is Alan Luberda. I just
6 want to point out, too, that remember that Mr.
7 Johnson's inventory is not included in the inventories
8 that are in your staff report. He is a purchaser.

9 So like other purchasers as was testified,
10 they were holding inventory that was predominantly,
11 and in Mr. Johnson's case, almost entirely Chinese,
12 and then you have the build up of Chinese inventory
13 being held by importers during this period, during
14 which there was essentially a very limited demand for
15 it.

16 So on top of the inventory you see in the
17 staff report, and I think we gave in our brief some of
18 Mr. Johnson's statistics, in terms of his inventory,
19 significant.

20 VICE CHAIRMAN PEARSON: Right, but is there
21 any reason to expect that purchasers were holding more
22 Chinese inventory than they were holding U.S.
23 inventory? Wouldn't that work out in about a
24 proportional way such that it is still balance, 60-40,
25 more or less?

1 MR. JOHNSON: Well, I would say as far as
2 for the post-tensioner, I can comfortably say that
3 most of my competition were probably holding all
4 Chinese inventory. There is no reason for me to hold
5 domestic inventory, because they are right down the
6 road from me.

7 You know, I don't need to buy -- when I buy
8 Chinese material, you know, I would buy, say, 500
9 coils a month for three months from a particular
10 supplier. Those 500 coils, they come at one time.

11 I mean, they call you up, and it is at the
12 docks. We are sending it over. You get it all. When
13 I am buying either from American Spring Wire, Insteel,
14 or Sumiden, I call and say, you know, I want material.
15 It may be 500 coils a month, but I want you to send it
16 to me as three truckloads a day.

17 So, every day, I get a certain amount of
18 material. There is no need for me to stockpile the
19 domestic material, and as business changes, I can
20 adjust that faucet.

21 VICE CHAIRMAN PEARSON: And is your
22 situation generally similar to that of your
23 competitors, to the extent that you know? You are
24 right there by the docks, and so --

25 MR. JOHNSON: I would say post-tensioners in

1 general, or I mean, I would say that I am by far the
2 largest consumer, but they all act in the same way.

3 VICE CHAIRMAN PEARSON: Okay. If there are
4 reasons to think that we should view the effects of
5 Chinese inventories on the marketplace differently
6 than the effects of U.S. inventories, please elaborate
7 in the post-hearing, because I hear what Mr. Johnson
8 is saying, and I understand that if you are getting a
9 large shipment that is going to be in a purchaser
10 inventory.

11 But even so, if our data allowed us to add
12 that in would it change materially the figures that we
13 are showing for Chinese inventories in the United
14 States? I mean, if that adds 10 percent, does that
15 change our analysis?

16 Still, it looks to me like the domestic
17 inventories and the Chinese inventories of Chinese
18 imports are in some rough balance, and not something
19 that I would have gotten excited about on this record,
20 except to the extent that you have pointed me toward
21 it.

22 MR. JOHNSON: For myself, I mean, I don't
23 recall what the numbers were that they just spoke of,
24 of their inventories in total. But for myself in that
25 time period, I was probably holding 60 to 70 million

1 feet of strand myself.

2 VICE CHAIRMAN PEARSON: And in pounds that
3 would be?

4 MR. JOHNSON: Divide it in half and it is
5 about 35 million pounds.

6 MR. ROSENTHAL: Of all Chinese inventory.

7 MR. JOHNSON: Of 100 percent Chinese
8 inventory.

9 VICE CHAIRMAN PEARSON: Okay. Then that
10 becomes the more interesting number. To the extent
11 that you can elaborate on this for the post-hearing
12 that would be appreciated.

13 MS. BECK: And, Commissioner Pearson, just
14 to add one other point, too. The importer
15 questionnaires that were supplied for the final
16 investigation, that represents 75 percent of the total
17 imports. So, again, the additional importers out
18 there are also missing in the data.

19 VICE CHAIRMAN PEARSON: Okay. Thank you for
20 that. Shifting gears, Figure 5-1 shows the price
21 pattern for wire rod, and it is fairly clear that wire
22 rod is a major cost item for the PC strand industry.

23 We have a situation here, and it makes life
24 difficult for any manufacturer when you have this type
25 of price variability. It is on page 5-1, but over the

1 two year period from mid-2007 to mid-2009, you had a
2 doubling in price of wire rod, and then a decline
3 again back to where it had started.

4 Now, how do we interpret what that price
5 rise and fall did to our understanding of impact in
6 this record? For instance, as the price was falling
7 from mid-2008 on, was the domestic industry suffering
8 inventory losses that were affecting the financials of
9 your firms?

10 MR. SELHORST: Okay. This is Tim Selhorst,
11 and I will try to address this. Let me start out with
12 the inflationary period, and when wire rod makes up
13 some two-thirds of the cost of the product.

14 When you look at an inflationary cycle like
15 the one that is listed there, I think you could call
16 it in excess of a hundred percent, and there is no way
17 for any producer of PC strand not to reflect that
18 steel inflation in its end product, PC strand. So
19 even the Chinese did.

20 In our case that is a positive reflection on
21 our earnings? Why? Because our prices rise, but we
22 apply -- our prices rise today, but we apply wire rods
23 that were procured in an earlier period just as the
24 cycle of inventory runs through.

25 So we recognize that as an earning. It has

1 nothing to do with the impact of the market. It just
2 has to do with the inflationary cycle of the inventory
3 or of the inflation. This actually goes to the point
4 that Commissioner Lane made earlier about why earnings
5 in 2008 for the industry might have looked better.

6 It had a hundred percent to do with the
7 inflationary cycle of the product, and really nothing
8 to do with our volumes or our participation in the
9 market. We were realizing those inventory gains as
10 the inflationary cycle started up.

11 On the down side, why do you realize losses
12 on the downside of the inflationary cycle? We own
13 wire rods that are high priced, and as wire rod begins
14 to diminish, if your prices stay the same, and your
15 wire rod costs diminish, well, then you should realize
16 a wider margin, and realize more gain, right?

17 The only reason you don't is because your
18 prices have to fall, and the only reason our prices
19 were falling was because the Chinese were forcing us
20 to meet lower prices in the marketplace then.

21 So we would not have had a negative impact
22 on our earnings should we have been able to hold our
23 prices where they were after the inflationary cycle.
24 But we weren't able to, and that was because of the
25 competitive prices in the industry.

1 VICE CHAIRMAN PEARSON: Let me make sure
2 that I understand. Wouldn't your price to customers
3 normally rise and fall with the cost or the price of
4 wire rod regardless of whether there was Chinese
5 competition in the marketplace?

6 MR. SELHORST: Not necessarily. Not
7 necessarily. I mean, could the competitive dynamics
8 of the product lead to that as it did in this case?
9 Of course. But it is not necessary. There is no
10 mechanism going back to Chairman Aranoff's comments.
11 There is no mechanism that automatically adjusts down
12 the price of the strand on the basis of the cost of
13 the raw material.

14 So we had every right to keep the price
15 high, but we were forced by market forces driven by
16 the Chinese to drop the price of the PC strand.

17 MR. WOLTZ: And I might add that in 2005
18 that we went through a similar circumstance where
19 after an inflationary run up in wire rod costs, wire
20 rod costs moderated significantly, and in fact the
21 industry dynamics at that time did not require us to
22 reduce our prices, and our margins did expand as a
23 result.

24 So while in my answer to Commissioner
25 Pinkert's question earlier, I indicated that there is

1 a gradual over time correlation between your largest
2 cost component and your selling price. It is not
3 axiomatic that they move in tandem, and that they are
4 just locked together in the short term.

5 VICE CHAIRMAN PEARSON: Okay. Thank you
6 very much. My time has expired, Madam Chairman.

7 CHAIRMAN ARANOFF: Commissioner Okun.

8 COMMISSIONER OKUN: Thank you, and let me
9 begin with a correction to the transcript. I referred
10 to your esteemed counsel, Mr. Rosenthal, as Mr.
11 Rosenhouse, in my questions, even though I have known
12 him, I think, for all of the years that I have been in
13 D.C. and doing trade.

14 And so I am going to say that I am still in
15 the category saying that this was a senior moment, but
16 I did have an outpatient procedure yesterday where I
17 needed local anesthesia. So I think that coffee that
18 I had this morning just kicked that in. So many
19 apologies, Mr. Rosenthal.

20 MR. ROSENTHAL: I was not going to address
21 that in our post-hearing brief.

22 COMMISSIONER OKUN: Okay. It probably also
23 accounts for why I couldn't remember the name of the
24 Federal stimulus program. So I will look at post-
25 hearing briefs very carefully given that it seems like

1 I am having a few lapses up here because of that.

2 And so I am going to only ask a couple of
3 other questions. You have had a lot of chance to talk
4 about inventories, Mr. Johnson, and maybe I will just
5 go back to you briefly. In terms of how long it would
6 take to work off inventories, and in what you would
7 characterize as a more normal market, what is that
8 time period?

9 I mean, you talked about how you would only
10 hold inventory from foreign products, but just in a
11 regular market, are you working off these inventories
12 and what is the time period?

13 MR. JOHNSON: In a regular market, I am
14 going to keep four to six weeks of inventory. I am
15 not buying from one guy, and so I am constantly
16 getting shipments, and the timing brings them in at
17 different times. But we try just because of the cash
18 requirement, we try not to keep more than six weeks of
19 inventory on hand.

20 COMMISSIONER OKUN: Okay. And in just
21 looking at your inventories currently, and looking
22 forward, do you now see it returning to that type of
23 time frame?

24 MR. JOHNSON: Yes. Yes, absolutely.

25 COMMISSIONER OKUN: Okay. And then this

1 other question, probably best down post-hearing, but
2 in response to the Chairman's question about what
3 percentage was sold into the post-tension
4 applications, and the number you gave in percentages,
5 I had a chance to take a quick look at the 2009
6 review, which also shows much higher percentages,
7 including for the 2007 and 2008 periods.

8 So for post-hearing can you just take a look
9 and see if you can help me understand why those
10 percentages would have been so much different from the
11 coverage as I understand it, and should not have
12 accounted for that. I think that would be helpful to
13 understand as well.

14 And with that, I don't have any further
15 questions. I would appreciate all your responses and
16 look forward to the post-hearing brief.

17 CHAIRMAN ARANOFF: Commissioner Lane.

18 COMMISSIONER LANE: I don't have any more
19 questions. Just thank you all for coming and
20 answering the questions. Thank you.

21 CHAIRMAN ARANOFF: Are there any other
22 questions from Commissioners? Vice Chairman Pearson?

23 VICE CHAIRMAN PEARSON: I couldn't help but
24 notice my touch of disappointment on the part of the
25 Chairman. Yes. Let's see. Where was I? Ms. Beck,

1 earlier you displayed an interesting slide that was
2 called declines in trade and financial indicia 2007 to
3 2009. Which of the factors that were listed really
4 indicate the influence of subject imports rather than
5 the influence of the recession? I'm just, as you can
6 tell, struggling with the attribution issue here.
7 Help me understand why I shouldn't look at that list
8 and attribute pretty much all of that to the recession
9 rather than the subject imports.

10 MS. BECK: Well, we believe that it really
11 was the effects of the imports because of the huge
12 price effect that the imports have had on the
13 industry. I mean, it not only took away sales so
14 there was a volume effect, but the lower prices also
15 resulted in sales value going down and also the
16 operating loss. I think a very good indication of
17 what happens when the imports are not in the market,
18 even when the demand is still down, is what's happened
19 in the last quarter. From third quarter 2009 to
20 fourth quarter 2009 there was an up tick in prices,
21 and that was a period of time when it was a direct
22 impact of the imports not being pressing down the U.S.
23 prices. So over this period when the Chinese imports
24 were in the market, these declines are attributable to
25 those pricing.

1 VICE CHAIRMAN PEARSON: Well, perhaps, but,
2 you know, on the public record we see that apparent
3 consumption fell by half, basically, okay? Yet
4 production only came down by 34 percent for the U.S.
5 industry. Capacity utilization, that fell. That's a
6 slightly different issue. You know, shipments down 32
7 percent, production work was down by 28 percent. I
8 look at that and I say, okay, the industry has had
9 some things going on that have not been favorable, but
10 it's been less of an effect than we saw in the market
11 overall in terms of apparent consumption, so why
12 should I see those somewhat modest effects relative to
13 apparent consumption being something we should
14 attribute to subject imports?

15 MR. ROSENTHAL: Commissioner, let me just
16 add one or two points here. At least with respect to
17 2009, when you fully appreciate the Chinese inventory
18 in the U.S. --

19 VICE CHAIRMAN PEARSON: I'm looking forward
20 to fully appreciating it.

21 MR. ROSENTHAL: I won't comment further.
22 The figure that Ms. Cannon gave earlier was that if
23 you account for that and the actual imports in 2009,
24 you had about 25 percent market penetration by the
25 Chinese. That affects the production, capacity

1 utilization, shipments, workers, wages, hours, net
2 sales and operating profits. All that in 2009 as a
3 result of the presence of the Chinese has an impact.
4 Is it the only thing? No. I think you heard from Ms.
5 Cannon at the outset that the downturn in the economy,
6 the recession, clearly had an impact on the industry,
7 but there is an undeniable downward pressure on every
8 one of these factors caused by the presence of a large
9 volume of low-priced imports in the marketplace.

10 MR. LUBERDA: Vice Chairman Pearson, I just
11 want to add that if you listen to Mr. Johnson's
12 testimony, he said that he wasn't buying in the first
13 part of 2009 from anybody, domestics included, because
14 he had 100 percent Chinese inventory that he had to
15 work down. When he started to buy again in the second
16 quarter, when he went out looking, he bought from, he
17 started ordering from the Chinese because they were
18 the low prices. Then, only when the Chinese product
19 dried up because of our case did he go back to
20 purchasing, he said, from all three domestic producers
21 testifying here, and that prices went up 20 percent.

22 So when you translate that to this, clearly
23 there was a downward pressure by the Chinese presence
24 as inventory early, as new offers for sale as the year
25 went on, and then, once the case kicked in, things

1 improved for the industry. So while clearly all bad
2 things in the market had something to do with what was
3 happening to the industry, there's demonstrable
4 effects by these subject imports in terms of
5 underselling lost sales and the affects that were
6 testified to by the actual largest purchaser in the
7 market.

8 VICE CHAIRMAN PEARSON: So despite the fact
9 that one could interpret these numbers to indicate
10 that the domestic industry was doing a fairly decent
11 job of gaining market share in a declining and
12 difficult market, taking out a lot of the Chinese
13 share that had been there, we should attribute those
14 factors to injury by the Chinese imports rather than
15 the domestic industry finally being in a position to
16 kind of injure the Chinese and push them out. I'm
17 grasping here.

18 MR. ROSENTHAL: I'm not sure I'd
19 characterize it quite that way. I think what you have
20 here is a tale of, at least in 2009, two halves.
21 First half dominated by the large Chinese presence via
22 inventory, and actual imports and offers to sale, the
23 second half characterized by an absence of the Chinese
24 product in the marketplace as a result of the case
25 being brought and the significant improvement by the

1 U.S. industry not only in terms of pricing, but in
2 terms of profitability. So one of the problems you
3 have here, I think, is looking at aggregate numbers,
4 the first half clearly is terrible because of the
5 Chinese -- and the economy was part of it too. We're
6 not denying that. We've not suggested that for a bit.
7 Nor do we have to prove that the entire downturn here
8 was due to the Chinese. You know what the standard
9 is. We are saying that, yes, this could have been
10 worse. Had it not been for this case and the second
11 half of the year, it would have been worse.

12 VICE CHAIRMAN PEARSON: Okay. That gives me
13 a nice segue to my next question, actually.

14 MR. ROSENTHAL: I'm sorry about that.

15 VICE CHAIRMAN PEARSON: One could look at
16 this record and see the Chinese imports as being
17 somewhat responsive to what's going on in the market
18 broadly. In the relatively strong demand years of the
19 mid part of this decade, or the past decade, whenever
20 you draw the line to the decade, you had, you know,
21 growth in imports, and some other suppliers were under
22 order, and I'm sure we had, even though it goes back
23 to before our POI, we very likely had the normal sorts
24 of evolution that we see in the marketplaces under
25 those circumstances. So the imports rise when there's

1 demand, and then we see demand go away and the Chinese
2 shipments decline, Chinese imports decline. To what
3 extent are we seeing something from the Chinese that
4 isn't just in response to the opportunities the
5 market's providing? Ms. Cannon?

6 MS. CANNON: I'll start with that, if it's
7 okay, Vice Chairman Pearson. I think if you look at
8 what happened with the imports, their market share
9 increased from 2007 to 2008. You saw an increase
10 there. So it wasn't just that they were following
11 demand, they were going up. That increase reflected a
12 pattern that started a few years before that. They
13 kind of surged into this market. Increased,
14 increased, increased, until they hit that peak level
15 of 2008 in the year before we filed this case. Then,
16 in 2009, a part of the reason that you're seeing the
17 decrease is the case filing.

18 The problem, as Mr. Rosenthal said, is you
19 kind of need to look at two halves of the year because
20 in the first half with the inventory overhang, as Mr.
21 Johnson's testified, people weren't running out to
22 look for as much new sources of these import volumes,
23 so the volumes from China declined. It was only when
24 that started to work itself out in June that those
25 imports spiked back up from China, which is what your

1 monthly data show, and we filed the case, and so sort
2 of everything that wasn't on the water and hid here in
3 June and July stopped.

4 I think that's the difference that you see.
5 So I don't think that they were responding to demand.
6 I think that the pattern over the years, if you will,
7 shows a steady increase in market share and it
8 continued what would have been a continued increase in
9 2009 but for the filing of this case. They have the
10 capacity and the interest in getting into this market
11 and increasing that share. They've been doing it for
12 years.

13 MR. SELHORST: And actually, I'd like to add
14 to that too. This is Tim Selhorst. It would have
15 been nice, given our capacity utilization through
16 those years, to have the opportunity to be responsive
17 to the market as well and to actually make a return on
18 the investment that we made, but I was not able to do
19 that because, as you mentioned, the responsiveness of
20 the Chinese during that period of time at prices 20 to
21 30 percent below what I could offer it for took that
22 opportunity away from me. So, no, I don't see their
23 behavior as responsive. I see it as opportunistic.

24 MR. JOHNSON: Tim Johnson here. I mean, I
25 don't want, you know, this inventory overhang to give

1 you the appearance that the Chinese were out of the
2 market. I mean, they were clearly in the market in
3 the first half of 2009. They weren't shipping
4 material, but they were constantly on my door making
5 offers at lower and lower prices trying to get me to
6 buy material. Now, when we were able to start buying
7 material again as our inventory overhang worked off,
8 they were the lowest price, so we placed orders with
9 them. I don't think they really got an opportunity to
10 get fully ramped up. I mean, they were clearly
11 wanting to bring back, you know, huge quantities.
12 They didn't get a chance to get fully ramped up before
13 the filing took place.

14 VICE CHAIRMAN PEARSON: Okay. My time has
15 expired once again. Madam Chairman, I don't know
16 whether other Commissioners have questions. I do have
17 two more, and I will try to be brief.

18 CHAIRMAN ARANOFF: Go right ahead.

19 VICE CHAIRMAN PEARSON: Thank you. This
20 doesn't happen very often where one Commissioner just
21 goes on and on, for those of you who aren't in front
22 of us all the time, so I'm way out on a limb here.
23 For the producers, it looks to me like this industry
24 is one that has a relatively high variable cost of
25 production compared to the fixed costs. You know, the

1 wire rod is a big cost and you have, you know, some
2 labor costs and what not for running it through the
3 plant. Is that a correct understanding?

4 MR. WOLTZ: From Insteel's perspective, it
5 is correct.

6 VICE CHAIRMAN PEARSON: Okay. And would
7 that be the same globally? I mean, are all producers
8 around the world pretty much dealing with the same
9 rough economics where variable costs are going to be
10 high compared to the fixed costs?

11 MR. WOLTZ: I would suspect so.

12 VICE CHAIRMAN PEARSON: Yes. Okay. Then
13 compared to some industries, this is one where we
14 could expect to see some people just paying subsequent
15 capacity for a period of time because, yes, they'll
16 take a loss on not running it, but they might take
17 less of a loss than running it and producing products
18 for which there is no market.

19 MR. WOLTZ: I'm not sure I would
20 characterize it exactly like that, but I would say
21 that we can effectively deal with changes in demand to
22 the point that post the preliminary duties Insteel's
23 operating at less than half capacity but we're able to
24 barely make a profit.

25 VICE CHAIRMAN PEARSON: Yes. The same rough

1 economics likely apply to the Chinese, I assume. I
2 mean, I agree. The point is well-taken. There's a
3 lot of capacity there. I'm just wondering, are they
4 going to run it and look for someplace to sell the
5 stuff or are they going to make sure they have a buyer
6 before they run the plant? Mr. Luberda?

7 MR. LUBERDA: In fact, the same economics
8 don't apply to the Chinese. I mean, they do have to
9 buy rod, but they get rod at subsidized prices from
10 the Chinese government-owned firms, they have export
11 tax differentials. They get a lot of advantages that
12 U.S. producers don't get. When you have 6.6 billion
13 pounds of capacity, you know, that achieves world
14 market demand for this product, the same rules of
15 economics don't apply. They have to ship no matter
16 what. If they close, then they just wait for changes
17 in the economy to occur and they start shipping again.
18 The government of China will make sure that they don't
19 necessarily have to go under like one of our clients
20 do.

21 Had we not brought this case for the
22 clients, we would have ended up in 2009 with a much
23 higher import penetration than we had. As Mr. Johnson
24 testified, he was going to go back to buying Chinese
25 if he had to. So for us, the implication that we

1 should -- looking at the first half versus second half
2 doesn't necessarily prove something. That implication
3 is we've got to wait until somebody goes out of
4 business at the end of 2009 to come and tell the
5 Commission that we're being injured, so then we can
6 show they kept their market share really high. We
7 have demonstrated as much indicia of direct injury to
8 the industry as we possibly can. There's lots of
9 evidence on the record. We just don't want to find
10 our clients in a position where somebody has to go out
11 of business before we can prove that they've been
12 injured in this period.

13 VICE CHAIRMAN PEARSON: Right. It's not
14 uncommon that the Commission, in cases dealing with
15 China where we have more input from Respondents, have
16 a better sense of what the domestic industry looks
17 like, to see a substantial amount of unused capacity.
18 We often write that into our opinions, you know?
19 We're worried about the unused capacity. I'm guessing
20 that in the current global market they probably aren't
21 just running every plant full tilt and dumping it into
22 the ocean. I mean, it's very likely there's a lot of
23 unused capacity in China right now because the global
24 economics would seem to dictate that. You're
25 comfortable with that view?

1 MR. LUBERDA: Certainly am.

2 VICE CHAIRMAN PEARSON: Okay, because I've
3 interpreted what you said earlier to say that they
4 were going to run it regardless.

5 MR. LUBERDA: Not that they were going to
6 run it regardless, but that that capacity will be
7 there aimed at the United States no matter what
8 happens, and that if they have the opportunity to ship
9 it here, they will ship as much as they possibly can.
10 This case is what stands between them and taking
11 advantage of that opportunity.

12 VICE CHAIRMAN PEARSON: Okay. Well, I have
13 one last question for Mr. Rosenthal and Ms. Cannon.
14 Apologies for asking so many. Is this case stronger
15 as present injury or as threat? How would you want to
16 write it? I understand there's no Respondents here,
17 we're unlikely to get challenged at the CIT, but if
18 you had to write this opinion for one or the other,
19 which is the safer?

20 MR. ROSENTHAL: Honestly, I don't, well, I
21 know you don't have to -- well, I honestly believe,
22 and I understand from the prelim and some other
23 discussion today that some might disagree, but I think
24 there is a strong present injury case. Now, once you
25 understand what happened in 2008 and 2009, I think

1 you've got a very, very strong present injury case.
2 You've got tons of lost sales, lost revenue. You've
3 heard it all. I know, and I know the General
4 Counsel's Office could write a great --

5 VICE CHAIRMAN PEARSON: I do have great
6 faith in the General Counsel's Office. They write
7 wonderful opinions.

8 MR. ROSENTHAL: -- present injury case that
9 will withstand scrutiny at the CIT and at the WTO. I
10 also think you have an unbelievably overwhelming
11 threat case. I think either one is not only right,
12 present injury and threat, but totally defensible.
13 Frankly, I would write it that way. There is current
14 injury and there is also a threat of injury. I firmly
15 believe that, and I think you'd be on firm ground
16 writing it that way.

17 VICE CHAIRMAN PEARSON: Okay. Well, thank
18 you very much. You may have more to say about that in
19 the posthearing, I suppose. I would like to express
20 my appreciation to the panel for putting up with me
21 for so long, and also to the Chairman and my fellow
22 Commissioners. I have no further questions, Madam
23 Chairman.

24 CHAIRMAN ARANOFF: Did the staff have
25 questions for this panel?

1 COMMISSIONER PINKERT: Madam Chairman, I had
2 one follow-up.

3 CHAIRMAN ARANOFF: You guys are supposed to
4 signal me, or send me a note, or something.

5 COMMISSIONER PINKERT: I was trying.

6 CHAIRMAN ARANOFF: Commissioner Pinkert?

7 COMMISSIONER PINKERT: thank you.

8 CHAIRMAN ARANOFF: Staff has a few minutes
9 to think about whether or not you have a question.

10 COMMISSIONER PINKERT: Thank you. I just
11 have one follow-up that was prompted by some of the
12 discussion about threat versus present material
13 injury. This is a legal question. Given the status
14 of this case at this point is there, in fact, a
15 practical at the border difference between a threat
16 determination and a material injury determination? My
17 understanding is that there is a difference but I
18 wanted you to comment on that.

19 MR. ROSENTHAL: We'd love to do that more in
20 the posthearing brief. I'm looking at Ms. Cannon to
21 make sure she's not going to shoot me for this one but
22 in theory there is, but just because there haven't
23 been much in the way of imports between the prelim and
24 the final, there probably won't be, in fact, much
25 difference. The industry would get the relief going

1 forward, as we know, if there's a threat
2 determination, and so one might say, well, why do you
3 care so much? The answer is because we're right.

4 COMMISSIONER PINKERT: I didn't ask that
5 other question. Of course I want to make the right
6 determination, but I wanted to get some context for
7 it.

8 MS. CANNON: I would just add, Commissioner
9 Pinkert, the way that the Commission traditionally
10 does its analysis is to start with material injury and
11 to recognize there is or isn't material injury, and so
12 if you approach it that way, and this goes to Vice
13 Chairman Pearson's question as well, unless for some
14 reason the facts don't support a present injury
15 finding, you don't get to threat. So while I agree
16 that this threat case is overwhelming, it's one of the
17 strongest threat cases that I've seen in a very long
18 time, but you don't even get there until you look at
19 present injury and see if there's present injury. We
20 believe there's strong present injury here as well.
21 The benefits of that are even better for the industry
22 in terms of when the duties are imposed. So I think
23 it's fully appropriate for the Commission to undertake
24 its present injury analysis and define present injury
25 on this record.

1 COMMISSIONER PINKERT: Thank you, Madam
2 Chairman. I have nothing further.

3 CHAIRMAN ARANOFF: Okay. Are there any more
4 questions from Commissioners? Speak now or forever
5 hold your peace. Got it. Okay. Back to whether the
6 staff have any questions for the panel.

7 MR. CORKRAN: Douglas Corkran, Office of
8 Investigations. Thank you, Chairman Aranoff. The
9 staff has one very brief question and I believe it's
10 probably addressed to Mr. Feitler. Some steel
11 products identify information such as manufacturer, or
12 country of origin, or specific specifications that
13 it's produced to stenciled on the product, sometimes
14 there are tags on the bundles, or labels. For PC
15 strand, how is that information typically conveyed, in
16 addition to obviously the invoices, but on the product
17 itself, how is it conveyed?

18 MR. FEITLER: Precisely how you just
19 described. A coil or pack of strand does have a label
20 on it, usually multiple labels, describing diameter,
21 country of origin, manufacturer, purchase order
22 numbers. Yes, it is wrapped.

23 MR. CORKRAN: So if there are inaccuracies
24 in that information, that's where it would appear,
25 both physically on the product and also in the

1 invoices?

2 MR. FEITLER: I'm sorry. Could you repeat
3 the question? I was distracted.

4 MR. CORKRAN: if there's an inaccuracy in
5 identifying, say the country of origin or the
6 manufacturer, those inaccuracies would be both in how
7 the product was labeled as well as in the invoices?

8 MR. FEITLER: Absolutely. Yes. I think Mr.
9 Johnson could also confirm that as well.

10 MR. JOHNSON: Yes. I mean, it's a label
11 that's -- I mean, it's not part of the product, it's
12 just affixed to the packaging of the product.

13 MR. LUBERDA: PC strand comes, the coils.
14 It's on a wooden coil, or a plastic coil, or whatever,
15 but it's wrapped. So there's a wrapping over the
16 whole coil. Unlike something like rebar where you've
17 just got a bundle tag, this whole thing is wrapped so
18 it's going to have labels on it. If somebody were
19 going to change it, they could just change the
20 wrapping, and obviously they'd change the paperwork,
21 but, as we testified, we've got evidence that they're
22 offering false paperwork to go with it, so that part
23 of it at least apparently is going on.

24 MR. FEITLER: Mr. Corkran, sometimes the
25 wrapping itself is not stenciled, sometimes it is. In

1 most cases, it's not. It's just maybe two or three
2 labels that can be removed.

3 MR. JOHNSON: And I'd also say, I mean,
4 rebar, you can identify the manufacturer by looking at
5 the stamping on the steel that's part of the rolling
6 process. Once the tags are off of PC strand, you have
7 no idea where that came from. There's nothing on the
8 steel that identifies it as Insteel, or Chinese, or
9 anybody else.

10 MR. CORKRAN: Thank you very much, and thank
11 you, Madam Chairman. Staff has no additional
12 questions.

13 CHAIRMAN ARANOFF: Okay. Well, because we
14 don't have any Respondents present, we don't have any
15 rebuttal, but there is a closing statement. So I want
16 to thank all the witnesses for your testimony this
17 morning and part of this afternoon. Ms. Cannon,
18 you're giving the closing statement?

19 MS. CANNON: I indicated to Mr. Bishop that
20 I would reserve the opportunity to give the closing
21 statement if I thought one was necessary, but I think
22 that we have covered everything sufficiently or can do
23 so in our posthearing brief, so I will pass on the
24 closing statement today.

25 CHAIRMAN ARANOFF: Okay. In that case, it

1 falls to me to note that posthearing briefs,
2 statements responsive to questions and requests of the
3 Commission and corrections to the transcript must be
4 filed by May 14, 2010, closing of the record and final
5 releases dated to parties will take place on June 2,
6 2010, and final comments are due on June 4, 2010.
7 With that, I don't believe we have any further
8 business before the Commission, and so this hearing is
9 adjourned.

10 (Whereupon, at 12:50 p.m., the hearing in
11 the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Prestressed Concrete Steel Wire Strand
From China

INVESTIGATION NOS.: 701-TA-464 and 731-TA-1160 (Final)

HEARING DATE: May 6, 2010

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: May 6, 2010

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: Carlos E. Gamez
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: Christina Chesley
Signature of Court Reporter