

UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:)
WIRE DECKING FROM CHINA) Investigation No.:
) 701-TA-466
) 731-TA-1162 (Final)

Pages: 1 through 242

Place: Washington, D.C.

Date: May 27, 2010

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THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
) Investigation No.:
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Thursday,
 May 27, 2010

Room 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:

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Countervailing Duty Orders:On behalf of Petitioners:

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ROB ROLLINS, Division Manager, Material
Handling Division,
Nashville Wire Products Manufacturing Co.

JOHN CALDWELL, President
ITC Manufacturing, Inc.

TODD MACK, General Manager
ITC Manufacturing, Inc.

TIM SELHORST, President
J&L Wire Cloth, Inc.

JIM RUDOLPH, General Sales Manager
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In Opposition to the Imposition of Antidumping
and Countervailing Duty Orders:

On behalf of Dalian Eastfound Metal Producers Co.,
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Co., Ltd., and Worldwide Material Handling
Products, LLC:

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Worldwide Material Handling Products, LLC

BRUCE MALASHEVICH, President,
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P R O C E E D I N G S

(9:30 a.m.)

CHAIRMAN ARANOFF: Good morning. On behalf of the International Trade Commission I welcome you to this hearing on Investigation No. 701-TA-466 and 731-TA-1162(Final) involving wire decking from China.

The purpose of this investigation 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 wire decking from China.

Schedules setting for the presentation at 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 the parties are aware of the time allocations. Any questions regarding time allocation should be directed to the secretary.

Speakers are reminded not to refer in their

1 remarks or answers to questions to business
2 proprietary information. Please speak clearly into
3 the microphones and state your name for the record for
4 the benefit of the court reporter.

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

9 Mr. Secretary, are there any preliminary
10 matters?

11 MR. BISHOP: No. Madam Chairman.

12 CHAIRMAN ARANOFF: Very well, then, welcome
13 everyone and let us begin with opening remarks.

14 MR. BISHOP: Opening remarks on behalf of
15 Petitioners will be by Kathleen W. Cannon, Kelley Drye
16 & Warren.

17 MS. CANNON: Good morning, Madam Chairman,
18 Members of the Commission and Staff. I am Kathleen
19 Cannon of Kelley Drye & Warren. I represent the
20 Petitioners, the domestic producers of wire decking.

21 I have been appearing before the Commission
22 now for many years as you know and I've seen a number
23 of countries and products over the years. For awhile,
24 trade cases appeared to be targeted at basic steel
25 products in developed countries. Now China is

1 increasingly the target of these investigation, and
2 the subject products have expanded to include
3 downstream value-added products.

4 It is no accident that several of the cases
5 currently pending before the Commission involves
6 fabricated steel products from China. Chinese
7 government policies and incentives have assisted to
8 increasingly promote the production and exportation of
9 the value-added products, including in particular
10 steel products while retaining upstream raw materials
11 in China.

12 The domestic wire decking industry has
13 become another victim of the injurious effects of
14 these policies. The record is compelling in
15 establishing that significant volumes of unfairly
16 traded imports undercut U.S. prices, leading to
17 substantial declines in the domestic industry's trade
18 and financial performance.

19 The volumes of imports identified by
20 responding companies are significant and are
21 increasing relative to U.S. consumption over the
22 period of investigation. Indeed, the peak market
23 share attained by subject imports occurred in the
24 first quarter of 2009, right before we filed this
25 trade case. These market in-roads by subject imports

1 were accomplished by underselling U.S. producer
2 prices. Over 90 percent of quarterly price
3 comparisons show underselling by China. This
4 underselling suppressed U.S. prices when raw material
5 costs increased and depressed U.S. prices when costs
6 fell, leading to a significant erosion of U.S.
7 industry profitability.

8 The wire decking industry's operating profit
9 to sales ratio fell from a positive 6.3 percent in
10 2006 to a negative 5.3 percent in 2009, when five of
11 seven U.S. producers lost money. Respondents have
12 acknowledged that the domestic wire decking industry
13 is suffering material injury but contends that the
14 injury is due solely to the recession. We don't deny
15 that the recession caused problems for the industry,
16 but it does not negate the injury caused by unfairly
17 traded imports. Declines in the U.S. industry's
18 performance occurred even before the recession hit
19 this industry in 2009, due to significant underselling
20 by imports from China.

21 When declines began in 2009, the market
22 share gains by lower priced subject imports made a bad
23 situation even worse for domestic decking produces.
24 The capacity utilization is also at anemic levels.
25 Numerous jobs were lost and permanent facility closes

1 occurred. The financial declines of the wire decking
2 industry in 2008 and in 2009 correlate with the
3 increased underselling by significant volumes of
4 subject imports. It is fully indicative of the causal
5 nexus between increase in imports and the domestic
6 industry's performance is what has occurred since
7 preliminary duties were imposed.

8 Once Commerce imposed substantial duties on
9 imports in early January 2010, import volumes declined
10 and the domestic industry's performance improved
11 significantly. Companies who had been importing and
12 were buying product from China returned to buying from
13 the U.S. industry at reasonable prices. Even with
14 continued depressed demand the U.S. industry's
15 performance improved because unfair trading practices
16 were remedied, further indicating that injury was
17 caused by the unfairly traded imports.

18 Moreover, the actual presence of subject
19 imports in this market is understated in the
20 prehearing report. Despite efforts by your staff to
21 collect data, numerous importers have not responded to
22 the questionnaire. Because import volumes and
23 shipments are based on questionnaire data only in this
24 case, importers refusal to respond leave import
25 volumes and market share understated.

1 Similarly, most of the Chinese decking
2 producers refused to respond to your questionnaire,
3 although we have evidence, including public
4 questionnaire responses submitted to Commerce, that
5 there are many other producers and exporter of wire
6 decking in China. In fact, I have been amazed at the
7 number of solicitations that the U.S. producers have
8 received from Chinese decking producers just in the
9 past few weeks who are eager to supply wire decking to
10 this market.

11 Absent the imposition of remedial duties
12 here, unfairly traded imports will continue to
13 decimate domestic decking producers and ultimately
14 will cause the elimination of another U.S.
15 manufacturing industry. We ask that you provide
16 relief to prevent that from occurring.

17 Thank you.

18 MR. BISHOP: Opening remarks on behalf of
19 Respondents will be by Marc E. Montalbine of deKieffer
20 & Horgan.

21 MR. MONTALBINE: Good morning. My name is
22 Marc Montalbine with the law firm of deKieffer &
23 Horgan. We represent the Chinese producer Eastfound
24 and the U.S. wholesaler World Wide Material Handling
25 Products, LLC.

1 As you well know, the Commission's job in a
2 final injury investigation is to determine whether
3 U.S. industry is materially injured or threatened with
4 material injury by reason of the imports under
5 investigation. The legislative history to this
6 statutory provision states that, "In examining any
7 causal link between subject imports and material
8 injury, the Commission must examine other factors to
9 ensure that it is not attributing injury from other
10 sources to the subject imports."

11 A major event occurring during the period of
12 investigation is the current recession which many
13 commentators have dubbed the "great recession".
14 According to the business cycle dating committee of
15 the National Bureau of Economic Research the official
16 first month of the recession was January 2008, with
17 real manufacturing and wholesale retail trade peaking
18 in June 2008. This corresponds precisely to the
19 collapse in demand occurring the U.S. wire decking
20 market and the negative financial performance suffered
21 by the U.S. industry.

22 The U.S. industry as a whole was highly
23 profitable in 2006 and 2007. The U.S. industry was
24 also profitable in 2008 but for some large accounting
25 adjustments taken by the industry. It was only in

1 2009, after the onset of the recession, that the U.S.
2 industry suffered a loss.

3 The 2009 decline in volume was not due to
4 imports. Instead, it was an across-the-board decline
5 in consumption experienced by U.S. producers and
6 importers alike. Import volumes declined dramatically
7 along with the drop in U.S. consumption and import
8 market share fluctuated very little throughout the
9 period of investigation.

10 Moreover, despite all the Petitioners' claim
11 of underselling and price competition, the record
12 clearly shows that imports neither depressed or
13 suppressed prices. For example, in 2008, when raw
14 material costs jumped by 10 percent per pound, the
15 U.S. producers were quickly able to increase prices to
16 recoup the entire increase in raw material costs. In
17 fact, even at the height of the recession in 2009, the
18 difference between U.S. sales volume values and per
19 unit raw material costs was higher than at anytime
20 during the period of investigation.

21 Accordingly, the U.S. industry's financial
22 difficulties were not caused by imports. Rather,
23 those difficulties were caused solely by the
24 recession-related drop in demand. Customers simply
25 needed less wire decking and dramatically reduced

1 their purchases from both U.S. producers and
2 importers.

3 This drop in sales volume made it more
4 difficult for sellers to cover their fixed costs even
5 with the historically high spread between sales values
6 and per unit raw material costs. This was due to the
7 fact that the fixed costs had to be spread over fewer
8 units sold. There simply is no causal link between
9 imports and the financial difficulties faced by the
10 U.S. producers.

11 There is also no threat of material injury.
12 The largest importer, Atlas, has exited the market and
13 the Chinese industry has dramatically reduced capacity
14 and production. We therefore respectfully request
15 that the Commission find that the U.S. industry is not
16 materially injured or threatened with material injury
17 by reason of imports of wire decking from China.

18 Thank you very much.

19 MR. BISHOP: Would those in support of the
20 imposition of antidumping and countervailing duties
21 please come forward and be seated?

22 Madam Chairman, all of these witnesses have
23 been sworn.

24 (Witnesses sworn.)

25 (Pause.)

1 MS. CANNON: Thank you, Madam Chairman. Our
2 first witness this morning will be Mr. Rob Rollins.

3 MR. ROLLINS: Good morning. My name is Rob
4 Rollins and I am the Division Manager of the Material
5 Handling Division of Nashville Wire Products. I have
6 been with the company for 13 years.

7 Nashville Wire was founded by my grandfather
8 in 1934. It has run for generations by my father and
9 my uncle, and today I am fortunate to run the company
10 with my two brothers and the help of many talented and
11 dedicated people.

12 Our company is organized into three separate
13 operating divisions which operate a total of seven
14 production facilities located throughout middle
15 Tennessee. The common theme is that they all
16 manufacture various fabricated wire products. In
17 fact, Nash. Wire introduced wire decking to the
18 material handling industry approximately 40 years ago.

19 Our Material Handling Division produces
20 primarily wire decking for pallet racks. During the
21 period of investigation, the division has three
22 manufacturing warehousing facilities for wire decks in
23 Clarksville, Nashville and Springfield, Tennessee. We
24 also have additional warehouses strategically located
25 throughout the United States. We have a highly

1 skilled workforce and utilize state-of-the-art
2 equipment to provide the highest quality products in
3 our industry.

4 We were pleased to host many members of the
5 Commission staff at our national plant back in March.
6 I hope that you were able to get a good sense of the
7 products, its production process, and its uses during
8 that visit. I would like to summarize a few important
9 points about our wire decking.

10 Wire decking was developed to fit into steel
11 pallet rack storage systems for large commercial and
12 industrial storage systems. You probably have all
13 been to a Lowes or a Sam's Club or a CostCo and see
14 the large floor to ceiling pallet rack systems on
15 which their merchandise is displayed and stored. We
16 have a sample of some wire decking sitting on a pallet
17 rack here today right here in front of the table.

18 There are no real practical substitutes for
19 wire decking in the U.S. market. The open mesh design
20 of wire decking provides the user with several
21 benefits. It protects against falling product from
22 unsecured loads. It protects against collapsing
23 pallet stored in the rack, and it allows the user to
24 rack many different sizes of pallet loads as well as
25 cartons and other bulk loads.

1 The open mesh design also provides a low
2 weight, high strength design that permits light and
3 water from an overhead sprinkler system to pass
4 through, a very important feature for fire protection.

5 For these reasons, wire decking is duly
6 required by insurance companies and building codes for
7 use in commercial storage systems. Wire decking is
8 now the standard for industry and commercial storage.

9 Although wire decking can be made in
10 thousands of sizes, load requirements and finish
11 combinations, a large portion of the market is
12 comprised of a relatively few number of sizes. The
13 most common single deck out there is a 42-inch gate,
14 46-inch wide deck, commonly referred to in the
15 business as 42-46.

16 The domestic industry is capable of making
17 every size finished and capacity deck that is sold in
18 this market. As you saw in your tour at Nashville, we
19 stock hundreds of SKUs for quick shipment and can
20 produce and ship any that we don't stock within days.
21 Our domestic competitors and major importers like
22 Atlas do the same thing.

23 It is not product characteristic,
24 availability or service that drives purchasing
25 decisions, it is price. Nashville Wire has a lot of

1 name recognition and goodwill in this industry, but
2 ultimately it comes down to price for our customers.
3 We have to be price competitive or lose a sale every
4 time.

5 The Chinese product entered the market at
6 prices that significantly undersold us with a product
7 that our customers found to be acceptable and began to
8 take away market share in the rogue pricing. Facing
9 aggressive pricing from Chinese wire decking,
10 Nashville Wiring is struggling to try to compete. We
11 were selling fewer decks at lower prices, hurting our
12 profitability. Eventually we even had to close our
13 Clarksville, Tennessee, wire decking facility, forcing
14 us to lay off many employees.

15 In order to try to remain price competitive
16 with China, we made the decision to begin importing
17 decks from China. We provided Chinese wire mesh
18 producers with the specifications and they built them.
19 The decks we imported were decks Nashville Wire could
20 and did produce. We just could not price them at the
21 low levels offered by our Chinese supplier.

22 Importing was the only way we could compete
23 with importers of Chinese checks like Atlas and many
24 others. It was either source from China or lose the
25 sales to someone else sourcing from China.

1 Having acted as an importer, Nashville has
2 developed some good insights into the Chinese wire
3 decking industry. I, myself, have been to China a
4 number of times and met with a number of Chinese wire
5 product fabricators. They have a great deal of
6 capacity and can make any product an importer wants to
7 order at prices that can and do undersell or domestic
8 production.

9 Notably, there are virtually no wire decks
10 sold in China so their capacity is entirely for
11 export. Recent information we have obtained indicates
12 that the two largest Chinese producers of wire
13 decking, Eastfound and Home Along, currently have a
14 huge amount of unused capacity to produce wire decking
15 for exports to this market if given the opportunity.
16 Eastfound has one entire mill that is currently
17 shutdown because of depressed demand in this market,
18 but that mill could easily be restarted.

19 Both Eastfound and Home Along have unused
20 existing capacity at present that could readily be
21 ramped up to supply U.S. customers according to our
22 market forces.

23 There are also now dozens of other companies
24 that make wire decking in China and are capable of
25 supply the U.S. market. In fact, Nash. Wire is

1 constantly being solicited by Chinese produces who
2 want to have us replace our U.S. deck production with
3 their product from China. In fact, I woke up this
4 morning, sitting on my Blackberry was a solicitation
5 from a Chinese businessman asking if they could make
6 wire decks from us.

7 Because virtually any Chinese wire producer
8 could get into this business and produce wire decking,
9 the ability to shift other wire mesh products, the
10 production of wire decking adds even further to
11 Chinese deck capacity. But for the huge amount of
12 Chinese products being offered at price well below
13 ours, we would not have turned to importing at all.
14 Quite frankly, we struggled with others to bring this
15 case or simply shift our business more towards an
16 import model.

17 But Nashville Wire has been in business over
18 75 years, and my brothers and I are the third
19 generation to run this company. Nashville Wire is
20 first and foremost a domestic producer of wire decks
21 and make a substantial investment in facilities,
22 equipment, in people and our plants to produce this
23 product.

24 Having successfully weathered all kinds of
25 economic downturns over our history as a domestic

1 producer, we turn to this trade case as a last resort
2 to deal with this unfair competition from China. The
3 results of the case so far have been encouraging for
4 Nashville Wire. Pricing has improved and we have seen
5 many sales that were being won by Chinese products
6 returned to Nashville wire for domestic wire decking.

7 In the declaration attached to our
8 prehearing brief, I have listed 10 customers that were
9 either purchasers or direct importers of Chinese decks
10 that switched to wire decking from Nashville Wire at
11 profitable levels as a direct result of this case.
12 These customers have made it clear that we would have
13 none of that business except for the impact of this
14 case. Without this case we would be producing and
15 selling fewer wire decks at lower prices.

16 Although we have attracted new business as a
17 result of the case, demand remains weak. We are
18 uncertain as to how much of our capacity we will be
19 able to fill into the future and foresee additional
20 potential layoffs.

21 As the material handling industry begins to
22 recover in late 2010, as some predict, there will
23 still be a delay in pick up and demand for wire deck
24 purchases.

25 The decision to build a new warehouse for

1 big box orders did not result in immediate orders for
2 production of wire decking. Wire decking is one of
3 the last thing to go into that kind of new project.
4 The positive outlook for big box storage in general
5 that Respondents cite in their brief is irrelevant to
6 us because wire decks are not a merchandise item. In
7 other words, they are not sold in the store to the
8 public. They are sold only when new stores are built
9 or existing stores are remodeled, and they are store
10 fixtures, not merchandise, and there are not many new
11 stores being built on the horizon. In fact, Wal-Mart
12 and Lowes have severely curtailed new store openings.
13 More importantly, the majority of our business is to
14 distributors, not big box stores, and that business
15 remains depressed. Without a positive result in this
16 case, the domestic industry will have no hope of
17 participating in any recovery.

18 Before concluding my testimony, I would like
19 to respond to three points presented in the Worldwide
20 Material Handling/Eastfound brief. I read that brief
21 carefully and found many incorrect statements.

22 First, it is not true that customers bought
23 imports from Atlas to get a customized product. In
24 fact, the exact opposite is true. Atlas specialized
25 in sales of stock sizes, not sales of customs

1 products. In fact, often distributors used us to
2 supply the custom jobs due to the longer lead time
3 from China, and bought the stock sizes from Atlas
4 because of their lower prices.

5 Second, it is not true that Atlas doesn't
6 sell to the same customers that we do. I am confident
7 that if you printed our entire customer list for 2009
8 consisting of hundreds of customers, and Atlas' entire
9 customer list, you would find a substantial overlap.

10 Third, we do not sell to different
11 distribution channels, and this is a really critical
12 point which I think there is some confusion in the
13 staff, you know, that I read in some of the briefs.
14 While most shipments by domestic producers are in fact
15 to end users, most sales by the domestic industry are
16 made to distributors. And while that's confusing, we
17 sell our decking to our distributors, but we make the
18 drop shipments to their customers who is the end user.
19 That is the normal mode of operation for everyone in
20 our business. Everyone does it like that, including
21 Atlas, now Worldwide. They are not selling to any
22 different customers or markets. They are one and the
23 same.

24 This concludes my statement. Thank you.

25 MS. CANNON: Our next witness will be Mr.

1 Todd Mack.

2 MR. MACK: Good morning. I am Todd Mack,
3 General Manager of ITC Manufacturing, a position I've
4 held for four years. ITC is a domestic producer of
5 wire decking located in Phoenix, Arizona. Since I
6 joined ITC four years ago, I have watched the volume
7 of imports of wire decking from China increase
8 significantly as a share of our market displacing our
9 sales. We have lost large volumes of sales to imports
10 and have suffered severe pricing pressure due to their
11 low prices.

12 The increasing market penetration by Chinese
13 producers is not due to better production techniques
14 in China than in the United States or to greater
15 levels of efficiency by Chinese producers. ITC has
16 one of the most state-of-the-art facilities producing
17 wire decking in the world, and is able to compete with
18 any wire decking producer on a fair trade basis. The
19 semi-automated production process used by the Chinese
20 companies does not permit them to manufacture products
21 that we cannot make. ITC's production facility is
22 able to efficiently do customers orders for both
23 standard parts and customized products. We have
24 dedicated production equipment for unusual part sizes
25 and custom orders. Respondents' contention that U.S.

1 producers tend to avoid the specialized custom orders
2 of wire decking and only makes standard sizes is
3 simply not true. ITC manufactures thousands of
4 products and is able to make any customized products
5 that purchasers request. We also can provide any type
6 of finish a customer wants. ITT's brochure appended
7 to our brief expressly states that we offer and in
8 fact stock all zinc-plated and hot-zinc galvanized
9 finishes for weather resistance for outdoor use.

10 ITC is able to manufacture wire decking with
11 the same finishes offered by Chinese producers.

12 Respondents are also wrong in stating that
13 they are not selling to or competing for the same
14 customers as ITC and other U.S. producers. I talk
15 with customers in our market every day and know that I
16 have been competing directly against the imports from
17 China on most accounts. In fact, our questionnaire
18 response and the confidential declaration I submitted
19 to the Commission identify a number of specific
20 distributors that we've either lost sales to in recent
21 years due to imports from China, or where we retained
22 distributors as customers who were previously buying
23 from China after the case was filed.

24 Respondents further claim that Atlas's top
25 10 customers have little overlap with the top 10

1 customers of U.S. producers. That may be true but
2 that is not an indication of the lack of direct
3 competition. It is an indication instead that some of
4 Atlas's customers won't buy from us when lower priced
5 imports from China were available instead.

6 I can assume you that we have been competing
7 directly against Atlas and other Chinese decking
8 importers for most of our sales in recent years. In
9 fact, a number of companies that were previously
10 buying from Atlas are now buying from us because of
11 the preliminary duties in imports.

12 Domestic wire decking producers compete head
13 to head with imports of Chinese decking for sales in
14 all channels of distribution in which the product is
15 sold. Domestic wire decking is sold to two types of
16 customers: distributors, OEM or rack manufacturers,
17 and big box stores. The Chinese product is sold
18 through all these channels of distribution as well and
19 undercuts our prices to all types of customers.

20 We compete against foreign producers when
21 attempt to supply product to importers like Mighty
22 Lift and Worldwide Material Handling, formerly Atlas.
23 These companies are not only importers, they are also
24 large distributors of decks. Every purchase they make
25 from China is a potential lost sale by ITC or by every

1 domestic producer. The majority of sales by domestic
2 industry are through distributors, which is also true
3 of the imports from China.

4 The information we submitted to the
5 Commission on channels of distribution asks for
6 shipment, not sales. Although we do sell to
7 distributors at their direction we ship directly to
8 the distributor's end user. If you were to look at
9 sales by channels of distribution rather than
10 shipments, you would see that both the domestic
11 industry and subject imports sell primarily to the
12 same distribution channel -- distributors.

13 I also note that subject imports are not
14 sold only to distributors but also sold to big box
15 stores. Shortly before this case was filed, importer
16 Mighty Lift began to supply Wal-Mart with imported
17 decking from China instead of our decking that had
18 been sourced. These are the lower prices offered by
19 China.

20 As the pricing data you have gathered show,
21 the Chinese product is sold at very low prices in our
22 market. We have attempted to compete with those
23 prices and preventing further losses of customers and
24 market shares to China. That attempt, however, led to
25 serious financial declines as the Chinese prices are

1 at levels that often do not cover our material costs.

2 As a result of the large volumes of low
3 priced imports from China has seen a decline in our
4 sales and profitability. Over the entire POI, we have
5 had to reduce workforce every year. If import
6 pressure does not subside, we will have to lay off
7 more employees. We have also had to reduce capital
8 expenditures significantly as financial conditions
9 have deteriorated.

10 As I mentioned earlier, however, once this
11 case was filed we began to get calls again from
12 customers that had been sourcing Chinese product.
13 After preliminary duties were imposed at the beginning
14 of 2010, imports from China dropped significantly. As
15 a result, our sales have picked up, including the
16 customers who had been purchasing the Chinese decks.

17 The Chinese producers have not gone away.
18 In fact, as you see from the sample of e-mails
19 received by ITC that are appended to our brief, a
20 number of Chinese wire decking producers have been
21 actively soliciting our business here. Based on
22 information received directly from Chinese decking
23 producers and discussions with others in the market, I
24 am aware of many Chinese producers of decking beyond
25 the three that submitted questionnaires to you in this

1 case.

2 Not only do many of the other Chinese wire
3 decking producers exist, but they aggressively try to
4 get our business on the basis of low price. In one of
5 the foreign producer's e-mails, they told us that they
6 are, and I quote, "confident to offer you competitive
7 prices".

8 The owner of Mighty Lift told me that she
9 was waiting to see what happens in the trade case and
10 hoping that they had enough stock in inventory from
11 China to last until the final determination was made.
12 She told me that Mighty Lift was looking to
13 potentially source U.S. product, but only if
14 antidumping duties were put in place.

15 I also understand that Worldwide Material
16 Handling is in place to resume importing low priced
17 decking from China if this case is not successful.

18 I have no reasons that Chinese producers are
19 backing off and away from our market. They are only
20 standing by and waiting and hoping that this trade
21 case is not successful. Our hope, therefore, lies in
22 this trade action. Absent imposition of duties to
23 offset the unfair Chinese trading practice low priced
24 wire decking from China will continue to displace our
25 sales and the domestic wire decking industry will

1 suffer more layoffs, financial losses, and production
2 shutdowns.

3 Thank you.

4 MS. CANNON: Mr. Craig Chamberlin will be
5 our next witness.

6 MR. CHAMBERLIN: Chairman Aranoff, Vice
7 Chairman Pearson, Commissioners, good morning.

8 My name is Craig Chamberlin. I am the
9 founder, owner and CEO of AWP Industries in Frankfurt,
10 Kentucky. I founded AWP in 1990 after a 23-year
11 career with IBM. Part of that career was spent as an
12 Asia Pacific Director in Tokyo, Japan, managing a
13 portion of IBM's product development and marketing for
14 the Far East and the Asia Pacific Region.

15 As a result of that experience, I founded
16 AWP with a solid understanding of international
17 business and generally consider myself a strong
18 supporter of free trade and globalism. I also have a
19 good idea about the nature of competition in the
20 market for wire decks in the United States.

21 I built AWP as a new producer with zero
22 market share into one of the three largest producers
23 of wire mesh decking for pallet racks in the United
24 States. Our wire decks are sold primarily to material
25 handling distributors under the brand name of American

1 Wire Products.

2 AWP Is a very modern and efficient producer
3 of wire decks. Our plant is highly automated and
4 computer controlled, and AWP can compete with any
5 fairly traded products. Despite my corporate history,
6 my philosophical support for free trade and despite
7 AWP's extremely efficient and competitive production
8 facility, I nonetheless found myself with no choice
9 other than to be a Petitioner in this case.

10 That is because it does not matter how
11 efficient my plant may be, AWP cannot compete with
12 dumped decks from China that are being sold at prices
13 that are below AWP's out-of-pocket cost to
14 manufacture, and that is precisely the situation that
15 led us to file this case, We face consistent
16 underselling from the Chinese leading to lost volumes,
17 lower prices, greatly eroded profit margins.

18 Our wire decks are generally sold to
19 material handling distributors or resellers, including
20 rack manufacturers. There are probably from 1,300 to
21 1,400 of these material handling distributors in the
22 United States. The distributor is AWP's customer.
23 The end user is the customer of the distributor.

24 Some material handling distributors may be
25 only a single person working out of their home on a

1 project-by-project basis. At the other end others are
2 extremely large companies, selling a variety of
3 material handling products, including pallet racks and
4 decking.

5 We receive many quote requests each day, and
6 quote requests for potential orders of any significant
7 size we know that our customers are seeking multiple
8 quotes from different domestic and import sources.
9 For particular end user project, we will often get
10 more than one inquiry from different material handling
11 distributors. The end users seeks the lowest bid from
12 a variety of material handling distributors, and each
13 of those distributors or resellers will seek a variety
14 of bids from deck manufacturers and importers. Price
15 is the primary determinant of whether we will get the
16 business.

17 We often lost sales to imports from China
18 even with customers who we have particularly good
19 business relationship. There is such a large volume
20 of Chinese wire decks available at such low prices it
21 is difficult for any of these customers to remain
22 loyal to a single U.S. manufacturer.

23 Distributors have to make sales at
24 competitive prices also. When the importers of
25 Chinese products underbid us, often we simply don't

1 hear back from that customer. If we do hear back
2 with information that they can buy Chinese deck for
3 less, we either have to give up that sale or lower our
4 price. With Chinese decks often quoted at a price
5 below AWP's cost of production, lowering our price
6 means losing money, and this impact, seeking to meet a
7 delivered Chinese price that is below AWP's
8 manufacturing costs, this impact has been the case for
9 the past four years, well before the start of the
10 current economic recession.

11 The choice between losing sales or losing
12 money is not a sustainable business model. Chinese
13 wire decking has been aggressively marketed to our
14 customers by importers including Atlas Material
15 Handling, now Worldwide.

16 Given the widespread availability of Chinese
17 decks, the primary factor in the buying decision by
18 the material handling distributors is price, and the
19 Chinese prices are generally well under ours. This
20 underselling was not the result of raw material cost
21 issues. Although the cost of raw materials have
22 fluctuated over the past few years, we buy raw
23 materials for use within a very short period of time,
24 and we are not carrying any large amount of inventory.
25 We are also not locked into long-term contracts for

1 raw materials.

2 Over the past few years whether the raw
3 material costs were increasing or decreasing we were
4 unable to price at reasonable levels to cover our
5 customs due to the lower price imports. Our problem
6 was not that our costs were too high, but that the
7 prices of the dumped Chinese decks were too low.

8 AWP could have been selling more wire decks
9 at higher prices during the past several years had we
10 not been undersold by imports from China. This is not
11 just speculation on my part. In my declaration
12 attached to the prehearing brief I detailed AWP's
13 recent experiences with nine different customers --
14 distributors, all of them were either directly
15 importing or purchasing imports from China over the
16 last several years. Each of them is now sought quotes
17 from AWP or actually placed orders with us in 2010.

18 You can see from the list of customers in
19 that declaration that we would not have even received
20 requests for quotes much less new business from these
21 clients if not from the impact of the trade case.

22 This tells me several things. It tells me
23 that during the last several years we have been losing
24 sales volumes and profit margins to Chinese imports to
25 key customers because of lower prices. Because this

1 business is coming to us only after the filing of
2 these trade cases, it also tells me that it was not
3 the economy or other factors that have been the
4 problem. It also tells me that if the preliminary
5 duties are not maintained, then all of the business
6 will again be lost to imports from China.

7 The situation AWP faces, along with the rest
8 of the industry, is dire. Capacity utilization rates
9 were never lower than they were in 2009. A huge
10 volume of low priced Chinese wire decks compete
11 against us for sales in every part of the market, in
12 every corner of the country at a time when demand is
13 low. Demand in 2010 remains at much lower levels than
14 we enjoyed in recent years, and it will be some time
15 before demand for wire decks returns to stronger
16 levels. Nonetheless, our situation improved once
17 preliminary duties were imposed on imports in early
18 2010 and Chinese imports basically ceased.

19 If these cases are not successful, however,
20 the Chinese producers will go back to expanding their
21 share of the domestic market at the expense of the
22 U.S. producers by underselling us once again.

23 The Chinese producers already have numerous
24 importers in place in the United States who will
25 rapidly resume purchasing unfairly traded decks if

1 they do not have to pay duty. Despite this case, and
2 the temporary turndown in imports, the Chinese
3 producers remain interested in selling wire decking in
4 the United States. We have also been hearing some
5 talks that Chinese producers are exploring ways of
6 circumventing the orders. Even more telling, AWP has
7 been contacted by Chinese wire decking producers
8 proposing to produce decks for us, a similar situation
9 that Mr. Rollins happened this morning with him. It is
10 only the antidumping and the countervailing duties
11 that are keeping them at bay for now.

12 As I told you at the outset of my
13 testimony, I am a free trader by nature, had a
14 corporate upbringing, and I am not at all adverse to
15 the challenges of free market competition. America
16 Wire Products is an extremely efficient company with a
17 great reputation and a great product. But the Chinese
18 government has put in policies which the Chinese
19 producers buy wire at very low prices, and subsidize
20 the production and exportation of wire decks. The
21 Chinese wire decking industry is large and growing,
22 and has aggressively sought market share in the United
23 States. As a result, AWP will face the same serious
24 problems in the future if relief is not granted.

25 Thank you.

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1 MS. CANNON: I'm sorry. Mr. Tim Selhorst.
2 I'm getting my order mixed up.

3 MR. SELHORST: Hello again to all of you. I
4 am Tim Selhorst, the president of J&L Wire Cloth, a
5 U.S. wire decking producer. Our production facility
6 is located in St. Paul, Minnesota. You may recall
7 that I appeared recently before the Commission wearing
8 my other hat two weeks ago as president of American
9 Spring Wire Corporation in the PC Strand case.

10 The similar time track of these and other
11 trade cases against unfairly traded wire products from
12 China is no coincidence. As I testified at the
13 earlier hearing, the Chinese Government's policies of
14 limiting exports of upstream products like wire rod
15 while promoting exports of value added products like
16 PC strand and wire decking has led to the increased
17 number of trade cases on downstream wire and wire
18 products.

19 My own efforts to address this problem on
20 behalf of the American Wire Producers Association by
21 participating in meetings in Beijing with
22 representatives of the Chinese Government and the
23 private sector were unavailing. Trade actions appear
24 to be our only option to address injury caused to the
25 U.S. producers by these unfairly low priced imports.

1 In early 2007, American Spring Wire acquired
2 J&L and entered the wire decking business. At that
3 time, it seemed to be a good business decision.
4 Unfortunately, the effects of extremely low priced and
5 unfairly traded imports of wire decking from China
6 after we purchased J&L have battered my company and
7 the domestic industry. That's why J&L has joined the
8 other U.S. industry members in seeking relief here.

9 At J&L, our production of wire decking is
10 exclusively from galvanized wire. At the preliminary
11 conference, the Chinese producers and importers
12 claimed that customers were purchasing the imported
13 wire decking to obtain the galvanized finish that they
14 provide. That's not true in my experience.

15 Although J&L's wire decking is made of
16 galvanized wire, most purchasers do not care about
17 this finish and are simply shopping for the lowest
18 price. Galvanized wire decking is really only needed
19 in a few very limited applications where corrosion is
20 an issue such as outdoor lawn and garden centers,
21 which account for less than 5 percent of the market.

22 I wish that we could obtain more sales or
23 higher prices due to the galvanized nature of our
24 product. In fact, however, for most uses finish is of
25 no consequence to a purchaser. Most purchasers are

1 not willing to pay more for a galvanized finish than a
2 painted or powder coated finish. In fact, Chinese
3 galvanized deck imports are generally sold at lower
4 prices than nongalvanized U.S. decks.

5 All of J&L's sales are on a spot basis and
6 are predominantly made on the basis of price. The
7 prices at which we are forced to sell wire decking in
8 the U.S. market are driven by the lower prices offered
9 by Chinese importers. As the data you have gathered
10 indicates, the Chinese product is priced significantly
11 below our prices. By undercutting our prices, the
12 Chinese producers have been able to take a number of
13 our customers and have caused us to lower our prices
14 in order to retain other customer accounts.

15 I understand that Respondents claim that
16 they don't compete with U.S. producers for the same
17 customers' accounts or in the same markets. That's
18 simply wrong. J&L competes directly with Chinese
19 imports in the U.S. market for most of our sales. Some
20 customers bought only subject imports before this case
21 was filed because of lower prices, but not because we
22 could not or did not try to sell to them.

23 Since 2007 when we acquired J&L, J&L has
24 lost a significant volume of sales to low-priced
25 imports from China. We have submitted for the record

1 specific examples of head-to-head competition with
2 imports from China that we lost because our price was
3 not low enough. We have also provided examples of
4 instances in which J&L had to cut prices to retain
5 sales because of lower prices offered for the imports.

6 When J&L is forced to cut prices to compete
7 with these imports, we lose money. The financial
8 results of the industry documents document the
9 deterioration of our company's and our industry's
10 financial condition over the past few years. In
11 addition, we have seen dramatic drops in production,
12 shipments and employment.

13 J&L has been forced to idle increasing
14 amounts of capacity because we are not able to compete
15 with the very low prices offered by imports from
16 China. We also were forced to lay off a number of
17 employees as our sales fell.

18 Notably, once preliminary duties were
19 imposed in January of this year companies that had
20 previously been sourcing imports, including Atlas
21 Material Handling, began purchasing their high volume
22 stock and customer orders from J&L. The fact that
23 these customers are now buying from us instead of
24 imports proves that we were fully capable to supply
25 these accounts all along.

1 I'm certain that customers like Atlas would
2 not have come to us but for this case, and in light of
3 recent discussions with these accounts I'm just as
4 certain that they will quickly return to buying lower
5 priced imports if this case is not successful.

6 We are pursuing this trade action because we
7 see no viable alternative means to address the import
8 problem. What is needed is a remedy for the unfair
9 pricing practices in which the Chinese producers
10 engage. I'm confident that J&L can compete with any
11 producer in the world if the competition occurs on a
12 fair trade basis. Unless fair trade conditions are
13 restored, however, the declines that our industry has
14 suffered over the past several years will continue.

15 Relief under the U.S. trade laws is
16 justified and is badly needed to restore fair trade
17 and to ensure the viability of the domestic wire
18 decking industry. Without relief here, the U.S. wire
19 decking industry will become one more in a list of
20 industries where U.S. manufacturing and employment is
21 displaced by Chinese imports engaged in unfair trade
22 practices. Thank you.

23 MS. CANNON: Now we will hear from Mr. Ron
24 Young.

25 MR. YOUNG: Good morning. My name is Ron

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1 Young, and I am the president of Wireway/Husky
2 Corporation, a domestic manufacturer of wire mesh
3 decking and a Petitioner in this case. Wireway/Husky
4 is a family owned and operated business that was
5 started by my parents. My father and mother are now
6 89 years old and continue to be involved in the
7 business.

8 In 1964, our company began manufacturing
9 modular woven wire partitioning. We bought a pallet
10 rack manufacturing business called Husky Systems in
11 1985. In 1998, we began manufacturing wire decking,
12 which is an accessory to pallet racking. Today we
13 remain the only U.S. manufacturer of both pallet racks
14 and wire decking. Our wire decking manufacturing
15 plant is located in Denver, North Carolina.

16 Wireway/Husky is a supporter of this trade
17 action because we have been seriously injured by the
18 large volumes of unfairly priced imports of wire
19 decking from China. Wire decking is the second
20 largest product line of Wireway/Husky's production and
21 sales. The wire decking that we manufacture is
22 generally galvanized, but we also sell painted
23 decking.

24 Over the past four years, Wireway has lost
25 many sales to low-priced Chinese imports. We have had

1 to reduce our prices in order to keep certain
2 customers and have watched our financial condition
3 deteriorate due to these price reductions.

4 Importers of Chinese wire decking offer
5 their product delivered at prices well below ours and
6 often below our raw material costs, and that is not
7 even including labor and overhead. In order to stay
8 in business in the long run, we must be able to
9 produce and sell wire mesh decking in the United
10 States market at a price that permits us to cover our
11 cost and earn a reasonable level of profit.

12 Wireway/Husky's sales of wire decking are
13 largely made on a spot basis. A small volume of our
14 sales are on a short-term contract basis, usually just
15 for a few months at most. As a result, when lower
16 priced product from China has entered our market it is
17 easy for purchasers to quickly shift to imports of
18 that product instead of our product.

19 We price on a transaction by transaction
20 basis and are constantly having to reduce our prices
21 in attempting to compete with the prices offered for
22 these imports. The lower prices offered for large
23 volumes of Chinese wire decking have caused Wireway/
24 Husky to suffer a decline in our production,
25 shipments, employment and profitability. The jobs of

1 our workers are very important to them and to me, and
2 it has been extremely difficult to reduce our number
3 of employees by more than half from 2006 to 2009.

4 While 2008 was a difficult year for us, the
5 first several months of 2009 before this trade case
6 was filed were even worse. Our deteriorating
7 financial condition has been due to low-priced imports
8 and not other reasons such as raw material costs.
9 Wireway does not have any long-term purchasing
10 contracts for raw materials, and we purchase raw
11 materials as needed. The average length of time
12 between purchase and use of raw materials is two
13 weeks.

14 We have not had any buildup of higher cost
15 raw materials. When raw material prices rose,
16 however, we should have been able to increase our
17 selling prices in order to cover those costs, but
18 again low-priced imports prevented us from being able
19 to do this.

20 After this case was filed and preliminary
21 duties were imposed, we noticed that offers for
22 Chinese imports decreased in the U.S. market. We
23 actually regained sales from customers that previously
24 bought imports. If final duties on wire decking are
25 not imposed and we revert to losing sales and profits,

1 Wireway/Husky will be forced to shut down part or all
2 of its wire decking manufacturing operations.

3 Prior to the filing of this case, we had
4 discussions within my company about importing from
5 China in an effort to compete for sales with dumped
6 imports. We really did not want to become an
7 importer, but were feeling as if we had no choice.
8 Now that the positive effect of this trade case is
9 being felt with improving sales, pricing and profits,
10 we believe that these remedial duties will permit us
11 to remain a U.S. manufacturer if this case is
12 successful.

13 We view this trade case as our last chance
14 for relief from China's unfair pricing in the U.S.
15 market. An affirmative decision will permit Wireway/
16 Husky and the other U.S. manufacturers to continue to
17 produce wire decking in the United States.

18 I fear that if this action is not successful
19 Chinese imports will return to the U.S. market in
20 large volumes as they did before the case was filed,
21 and domestic production of wire decking may cease
22 altogether. Thank you.

23 MS. CANNON: Our next witness will be Ms.
24 Gina Beck.

25 MS. BECK: Good morning, Madam Chairman,

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1 Commissioners and staff. I am Gina Beck of Georgetown
2 Economic Services. This morning I will discuss the
3 volume and price effects of imports from China on the
4 performance of the U.S. wire decking industry and the
5 injury and threat of injury these imports represent.

6 On an absolute and relative volume basis,
7 imports from China have been significant over the
8 entire POI. Although many importers have not provided
9 data, the volumes of imports reported by responding
10 companies alone are significant and increasing
11 relative to U.S. consumption.

12 Subject import market share increased from
13 2006 to 2007 even while consumption declined. From
14 2007 to 2008, domestic producers attempted to regain
15 some of their lost market share by competing with the
16 low-priced imports, but did so at the expense of
17 profitability.

18 By first quarter 2009, the last period
19 examined before this case was filed, subject imports
20 again surged to reach their peak market share over the
21 POI. With the filing of this case in the middle of
22 2009, the pace of imports from China decreased
23 somewhat, but China's market share for full year 2009
24 was still higher than its share in 2008 and also
25 higher than China's market share at the beginning of

1 the POI in 2006.

2 Imports from China were also massive
3 relative to other imports and comprised 95 percent of
4 all imports. The growth in volume and market share of
5 imports from China came at the direct expense of the
6 domestic industry. Record data also provides
7 compelling evidence of injurious price effects of
8 imports from China.

9 Subject imports consistently and
10 significantly undercut U.S. producer prices of wire
11 decking over the POI causing suppression and
12 depression of U.S. prices. Subject imports from China
13 undersold domestic prices in 85 or 93 possible
14 comparisons or more than 90 percent of the time.
15 These pricing descriptors also cover a large
16 percentage of both subject imports and domestic
17 producers' U.S. shipments.

18 As the Commission recognized in the
19 preliminary investigation and as corroborated in the
20 Commission's corrections to prehearing staff report,
21 not only were there a large number of quarters with
22 underselling by subject imports, but the magnitude of
23 the margins of underselling was significant as well.
24 Some of the instances of underselling by imports
25 increased in 2008 and 2009 while the U.S. industry's

1 financial condition declined.

2 Although the Commission segregated identical
3 wire decking based on whether the products were or
4 were not galvanized, the record shows evidence of
5 underselling by imports from China even without the
6 separation based on different coatings. A comparison
7 of import prices of galvanized decking from China with
8 nongalvanized U.S. decking shows that Chinese
9 galvanized product was also underselling the
10 nongalvanized U.S. product in most instances.

11 Respondents' claim that Chinese decking is
12 being sourced due to its superior coating is
13 undermined by this evidence showing that galvanized
14 subject imports are sold at lower prices than
15 nongalvanized U.S. product.

16 The instances of underselling by subject
17 imports are corroborated by the specific examples of
18 verified lost sales due to lower priced imports from
19 China and numerous statements by purchasers. As
20 purchasers confirmed, the consistently lower prices
21 offered by Chinese importers caused purchasers to
22 shift imports and force the U.S. producers to lower
23 prices in an effort to compete with the Chinese
24 prices.

25 During the POI, U.S. wire decking producers'

1 prices were suppressed and depressed. In 2008, for
2 example, when raw material costs increased the
3 industry was unable to raise prices sufficiently to
4 cover these increases.

5 Respondents' claim that U.S. producers were
6 able to quickly raise prices to fully cover a spike in
7 raw material costs is incorrect. Record data show
8 that raw material price increases were far greater
9 than wire decking price increases in 2008, leading to
10 the U.S. industry's profitability decline in that
11 year.

12 The constant pressure of large volumes of
13 underselling imports from China took its toll on the
14 U.S. wire decking industry. Over the 2006 to 2009
15 period, the domestic wire decking industry has
16 suffered steady declines in virtually all trade and
17 financial variables.

18 Domestic production, capacity utilization
19 and shipments fell significantly across the POI.
20 Capacity utilization fell to an anemic 30 percent in
21 2009. The number of production and related workers
22 reflected a 45 percent cut in employees, while hours
23 worked and wages paid also fell significantly.

24 The domestic wire decking industry's
25 financial condition also suffered a substantial

1 deterioration. The industry's operating income to net
2 sales ratio declined over the POI from 6.3 percent in
3 2006 to 5.4 percent in 2007 before falling to a break
4 even level in 2008 and an operating loss of 5.3
5 percent in 2009.

6 The number of firms reporting operating
7 losses increased from three out of seven in 2006 to
8 five out of seven in 2009. In addition, the
9 industry's capital expenditures fell by 64 percent
10 over the POI as U.S. producers were forced to cancel
11 and postpone projects.

12 As the Commission staff report states, the
13 decrease in operating income in 2009 was attributable
14 mainly to the negative price variance, which
15 Respondents ignore. Subject imports undersold the
16 U.S. product and caused this negative price variance
17 resulting in the 2009 operating loss.

18 Although the volume, price and impact
19 factors in this investigation all support a finding of
20 present material injury caused by imports from China,
21 these imports also pose a significant threat of
22 injury. As I have described, the domestic industry is
23 in a weakened condition and highly vulnerable to the
24 effects of unfairly traded imports.

25 Available information indicates the capacity

1 to produce wire decking in China is massive and that
2 there is significant unused capacity as well.
3 Although Eastfound reported closing one of its
4 facilities, there is no indication that facility could
5 not be restarted if a market priced product was
6 available.

7 Our sources indicate there is significant
8 available capacity in 2010 at a number of Chinese
9 producers. Further, the prehearing report recognizes
10 that "Chinese producers are able to produce well above
11 their capacity." Most notably, there is no demand in
12 China for wire decking, so Chinese decking is an
13 entirely for export industry.

14 The United States has been a principal
15 export market for Chinese wire decking. Constant
16 communications that domestic producers are receiving
17 from numerous Chinese producers who did not respond to
18 the ITC questionnaire show that they remain actively
19 interested in exporting to the U.S. market. In fact,
20 in the past week since Petitioners' posthearing brief
21 was filed, four new unsolicited offers have been made
22 by Chinese wire decking producers, including the one
23 this morning that Mr. Rollins mentioned.

24 All of these factors demonstrate the severe
25 threat of imports from China and the likelihood of

1 increased volume of low-priced imports. Thank you for
2 your attention.

3 MS. CANNON: Let me conclude our
4 presentation by addressing two points: The failure of
5 numerous importers and foreign producers to respond to
6 your questionnaire and causal nexus. I'm going to
7 start with causal nexus.

8 Respondents conceded preliminarily that the
9 domestic industry has suffered injury. They stated,
10 "Respondent does not attempt in any way to minimize
11 the current injury impacting the domestic industry."
12 They argued, however, that the injury had nothing to
13 do with Chinese imports, but was due solely to the
14 recession.

15 We agree that the recession caused problems
16 for the domestic wire decking industry in 2009. We do
17 not agree, however, that the industry's injury was due
18 solely or even primarily to the demand decline. The
19 subject imports were a significant cause of material
20 injury to the domestic industry over the entire POI.

21 Unlike some other industries the Commission
22 has examined, the domestic wire decking industry
23 suffered declines in trade and financial performance
24 even before the economic downturn occurred. From 2006
25 to 2007, subject imports increased their share of the

1 U.S. market at the expense of U.S. producers by
2 undercutting U.S. prices, causing a lost market share
3 and a decline in the profitability for the industry.
4 That period was well before the current recession.

5 From 2007 to 2008, domestic producers have
6 attempted to compete with the low import pricing to
7 prevent a further loss of market share. Although the
8 industry was able to claw back some of the lost market
9 share in 2008, that came at the expense of not being
10 able to raise prices sufficiently to cover increased
11 cost.

12 The cause? Subject imports that
13 consistently undercut and suppressed U.S. prices in
14 2008. The result? Further declines in industry
15 profitability to a break even level, and again those
16 declines predated the economic downturn which did not
17 affect the wire decking industry until 2009.

18 In 2009, demand for wire decking dropped
19 significantly. This decline, however, made the U.S.
20 industry even more vulnerable to the effects of
21 unfairly traded imports. The legislative history of
22 the statute states that industries facing difficulties
23 from other sources, including a contraction in demand,
24 are often the most vulnerable to dumped imports.

25 In the difficult economic environment of

1 2009, subject imports continued to pummel an already
2 vulnerable U.S. industry by significantly undercutting
3 U.S. prices. Notably, subject imports reached their
4 highest market share of the entire POI in early 2009
5 before we filed this case. Even with the filing of
6 the case, subject import market share in 2009 exceeded
7 import market share in 2008 and was higher than import
8 market share at the beginning of the POI in 2006.

9 The combination of these market share gains
10 and the low prices of imports led to financial losses
11 to the industry overall and for most producers
12 individually as well in 2009. As the Commission
13 recognized in the Commodity Matchbooks case, decline
14 in U.S. consumption may explain the declines in some
15 aspects of the industry's trade performance, but it
16 does not adequately explain the industry's worsening
17 financial condition.

18 Had unfairly traded imports not been
19 undercutting U.S. prices and increasing their market
20 penetration in 2009, the domestic industry would have
21 had a higher sales volume at higher prices and would
22 not have experienced the significant financial
23 declines that it did. The causal nexus between the
24 subject imports and injury to the U.S. industry is
25 evident in each year of the period of investigation.

1 The Commission also recognized in Commodity
2 Matchbooks and in the Circular Welded Pipe cases that
3 the ability of a U.S. industry to improve its trade
4 and financial condition once subject imports leave the
5 market is further evidence of a causal nexus with
6 imports.

7 Testimony you have heard this morning from
8 numerous producers indicates that once preliminary
9 duties were imposed earlier this year the imports from
10 China declined significantly and as a result U.S.
11 producers were able to regain sales and raise prices
12 and improve profitability.

13 We have documented in our brief numerous
14 repatriated sales the industry has experienced in 2010
15 from customers that were buying dumped imports.
16 Domestic pricing has improved and the industry overall
17 has become profitable in the first quarter of 2010.
18 Notably, demand for wire decking remains depressed, so
19 it is not demand that is driving this upturn.

20 The industry's improvement, once the dumping
21 behavior was remedied, is further evidence that
22 unfairly traded subject imports caused material injury
23 to the U.S. industry during the period of
24 investigation.

25 The analysis that I have just provided is

1 predicated on the data that is set forth in your
2 prehearing report. I note, however, that we believe
3 that data is significantly understated when it comes
4 to the import volume presence and with respect to the
5 trends as well.

6 As detailed in our brief, there are a large
7 number of importers and foreign producers who refused
8 to respond to your questionnaire. The absence of
9 these responses has led to an understatement of the
10 import volumes and market shares, as well as the
11 foreign capacity, production and exports.

12 There is no discrete HTS number for wire
13 decking, so we are dependent upon responses from
14 importer questionnaires to determine the volume levels
15 and shipments of subject imports during the POI.
16 Although the Commission sent out 36 questionnaires to
17 importers, it received only seven responses.

18 While Respondents contend that the
19 Commission's database accounts for virtually all
20 imports, we know that is not true. We know, for
21 example, of nonresponding companies that include
22 importers who responded at the preliminary stage of
23 the ITC case that did not respond in the final,
24 importers identified in purchaser questionnaires as
25 their suppliers of decking during the POI, importers

1 identified in trade IQ data that Respondents
2 submitted.

3 An importer openly selling Chinese decking
4 at a trade show recently, numerous importers who have
5 contacted domestic producers in 2010 to supply their
6 decking needs once preliminary duties were imposed and
7 importers we have identified based on other market
8 intelligence as set forth in confidential declarations
9 in our brief.

10 While the volumes and market shares of
11 subject imports identified in the prehearing report
12 are significant, they understate the actual presence
13 of imports in this market due to these nonresponding
14 companies. Many of these companies were known to be
15 active in 2008 and 2009. In fact, in 2008 it became
16 increasingly common for foreign producers to sell
17 directly to distributors and bypass master producers
18 like Atlas.

19 Those distributors are the very companies
20 whose data have not been submitted, so the missing
21 data likely would not only show higher volumes; it
22 would show significant further increases in market
23 share in 2008 and 2009 given this shift in behavior.

24 The cooperation of Chinese producers in
25 responding to questionnaires is even worse. While the

1 Commission sent questionnaires to 48 firms, it
2 received three responses. We have identified many
3 other producers of wire decking in China, most of
4 which have exported decking during the period of
5 investigation or are currently trying to do so.

6 I urge you to examine the documentation we
7 have submitted that Respondents basically urge you to
8 ignore. A number of these companies provided
9 information to Commerce in an effort to get a separate
10 rate showing not only actual U.S. exports, but an
11 interest in continuing to participate in this market.

12 Four Chinese producers who had submitted
13 preliminary questionnaire responses to the Commission
14 did not do so at the final stage, while other
15 producers were identified from actual solicitations
16 for business that the U.S. producers have received or
17 other market intelligence we have developed here or in
18 China.

19 We are not simply providing you with names
20 of potential suppliers based on an internet search,
21 but on companies that have exported or are trying to
22 export wire decking to this market. The
23 understatement of Chinese production capacity in the
24 prehearing report is directly the fault of the foreign
25 producers who refuse to submit requested data.

1 This failure to cooperate should not inure
2 to the Chinese producers' benefit. Specifically, the
3 Commission should not rely solely on the data of the
4 three companies who responded. Available information
5 indicates there is massive capacity and unused
6 capacity to produce decking in China. Given that
7 there is no home market demand for the product and the
8 U.S. market was the target market for this product
9 before this case was filed, there is no question where
10 the product is coming.

11 That concludes my statement, and before
12 responding to questions I would like to introduce the
13 other members of our panel who are available to answer
14 questions: Mr. John Caldwell, the president of ITC
15 Manufacturing; Mr. Steve Wagner, Division Operations
16 Manager, Material Handling Division, Nashville Wire
17 Products; Ms. Kara Oberlander, the General Manager of
18 Operations of AWP Industries; Mr. Jim Rudolph, the
19 General Sales Manager of J&L Wire Cloth; and my
20 colleague, Mr. Alan Lubberda of Kelley Drye & Warren.

21 Thank you very much, and we'll be happy to
22 entertain your questions.

23 CHAIRMAN ARANOFF: Thank you very much to
24 everyone on the panel. We appreciate your taking time
25 away from your businesses to come in and tell us about

1 your industry and answer our questions.

2 I want to thank Mr. Rollins and Mr. Wagner
3 for hosting a number of us when we came down to tour
4 your facility back in the spring. That was also very
5 educational and helpful.

6 We're going to begin the questioning today
7 with Commissioner Okun.

8 COMMISSIONER OKUN: Thank you, Madam
9 Chairman, and I join the Chairman in welcoming all of
10 you here today.

11 Mr. Selhorst, thanks for reminding me when
12 you were here before. It's often confusing. I look
13 at it and think which product is this. So that's very
14 helpful to know it was PC Strand when you were here,
15 but I appreciate all of you being here and answering
16 our questions.

17 I wanted to begin with some questions about
18 price for the producers, and I think some of you have
19 responded both in your testimony and of course in a
20 brief on one of the issues that we had identified in
21 the preliminary about what was going on with raw
22 material prices during the period and how that
23 impacted pricing in the market and vis-à-vis the
24 subject import pricing.

25 I know a number of you have commented that

1 you did not have long-term contracts and therefore
2 were responding to the Respondents' allegation about
3 how that might have impacted pricing, but just help me
4 out a little bit more. This product again is a
5 downstream product. Ms. Cannon noted that in her
6 opening remarks. We're seeing a lot more of those.

7 Help me understand the translation between
8 raw material costs in this market to pricing to your
9 customers and make sure that I'm clear on whether you
10 have any surcharges, whether your customers know
11 what's going on with prices and look at that when
12 they're looking for quotes.

13 So just pricing practices in this industry
14 and how it translates when you're talking to a
15 customer. Maybe, Mr. Mack, I'll start with you.

16 MR. MACK: Sure. Todd Mack with ITC
17 Manufacturing.

18 COMMISSIONER OKUN: I'm not sure if your mic
19 -- you might just need to pull it closer.

20 MR. MACK: Is that better?

21 COMMISSIONER OKUN: Yes.

22 MR. MACK: Okay. As raw materials do
23 fluctuate as they go up and down we tend to do the
24 same with our pricing. So as material prices go up we
25 generally try to cover our cost of raw materials by

1 passing on those increases to our customers.

2 The problem we've had with the current
3 increase of -- not current, but in the past over the
4 POI as raw materials have increased we've had to pay
5 higher prices for our materials, but because of
6 pressures from the imports we haven't been able to
7 push material costs up as fast as we're incurring the
8 expense.

9 A good example is since the imposition of
10 the preliminary duties have been put in place we have
11 had a rather large increase of raw materials, and
12 because of the preliminary duties that are in place we
13 haven't had that pressure of the imports and we've
14 actually been able to recoup our material costs over
15 that time.

16 COMMISSIONER OKUN: And just so I'm clear,
17 Mr. Mack, in this industry are you announcing any type
18 of surcharges with raw materials, or is it just a
19 pricing increase that goes out, that a price increase
20 is announced?

21 MR. MACK: It's typically just pricing
22 increases are announced.

23 COMMISSIONER OKUN: Okay. Mr. Rollins?

24 MR. ROLLINS: Rob Rollins, Nashville Wire.
25 I would kind of concur with what Todd was saying. In

1 our business pricing is very fluid. Of course, the
2 steel content, the cost of the raw materials in our
3 products, is the overwhelming majority of our cost.
4 The labor and overhead is by comparison relatively
5 inconsequential.

6 And as I think you heard from a lot of the
7 folks testifying this morning, a lot of our pricing is
8 on a spot basis so we're all turning out -- I mean,
9 Nashville Wire probably does -- I don't know -- a
10 hundred quotes a day, 50 quotes a day. We have the
11 ability to frequently adjust our price and we do it.
12 When steel is volatile we adjust as often as weekly.

13 Of course, that's mostly an internal -- we
14 send out very few price lists in our industry. It's
15 mostly an internal thing. We require our customers to
16 hit our website or to phone call our cost center, one
17 of our inside sales people, because pricing is so
18 fluid in this business.

19 So, I mean, every time in our quotes
20 typically when steel is not moving crazy we make them
21 good for 30 days. When steel becomes very volatile
22 often times we'll make our quotes only good for 15
23 days. So we do have the luxury of being able to
24 respond very rapidly to fluctuating steel prices.

25 We do not use any surcharges like some of

1 the other maybe bigger companies that are selling more
2 of the steel commodities because we have the benefit
3 of being able to essentially reprice things so quickly
4 and frequently.

5 COMMISSIONER OKUN: Okay. Mr. Chamberlin?

6 MR. CHAMBERLIN: I'd agree with both what
7 Mr. Rollins and Todd Mack have said. Pricing is very
8 fluid.

9 We're right now today in the last week of
10 May. We've got commitments from both wire and
11 hot-rolled steel sheet vendors for the month of June.
12 I don't have committed costs for the month of July on
13 steel, but we're also still filling up the last week
14 of June with orders, so to that degree we're able to
15 take the current costs of steel and reflect them in
16 our current prices for what would be the work we're
17 going to do momentarily.

18 If I could just divert for a moment, but
19 staying with material costs, 2008 was a very difficult
20 year for material costs where the comment that was
21 made earlier was that steel had gone up by 10 cents a
22 pound. I know of steel having gone up by 30 to 35
23 cents a pound or basically doubled in 2008 and then
24 returned almost back to where it originally began in
25 the last three or four months of 2008.

1 That was a very difficult period, but again
2 we were pricing basically 30 days in advance and
3 basically having commitments to what our prices would
4 be for the upcoming 30 days.

5 COMMISSIONER OKUN: Okay. That's helpful.
6 I had some other questions about 2008. I may come
7 back to you on that. Mr. Young, did you have
8 anything?

9 MR. YOUNG: Yes. Our system is similar to
10 Rob's. We do, though, have a surcharge. Lately with
11 the steel prices having gone down a bit for a period
12 it went actually negative. Rather than adding we're
13 subtracting.

14 There's no markup on -- if the steel prices
15 increase from our basis, we don't mark it up. It's
16 just a pass through. And we're very fortunate if we
17 can get that. On large jobs we cannot. That's just
18 evidence of the price pressure.

19 We also guarantee prices. We do not have
20 price at the time of shipment, so we're exposed to
21 whatever risks and price fluctuations that exist from
22 the time of acceptance of the order and shipment.

23 COMMISSIONER OKUN: And how long would that
24 typically be?

25 MR. YOUNG: It can be anywhere -- it's

1 typically currently about three weeks, but there are
2 jobs out there that the customer requests to protect
3 them for possibly two or three months and we have to
4 negotiate those terms. We don't have, though, any
5 escalators in any of those agreements.

6 COMMISSIONER OKUN: Okay. I appreciate that
7 comment. Mr. Selhorst?

8 MR. SELHORST: Yes. So the supply cycle
9 goes scrap to steel, steel to wire rod or steel to
10 steel flat strip and then wire rod to wire and then
11 wire to a wire deck, so that's the process.

12 There are no pricing indexes that are
13 matched back or pricing formulas that are matched back
14 to any indexes. It's all based on market pressure, so
15 in all cases when we make a sale the market is
16 dictating the price. There's no index pricing.

17 COMMISSIONER OKUN: Okay. Then a question
18 perhaps for Ms. Beck or Ms. Cannon, which is in the
19 preliminary the Commission did not find depression,
20 did find evidence of suppression.

21 With respect to the downstream price, is
22 there anything that you think the Commission should be
23 looking at or any information different from the
24 preliminary that you think supports evidence of price
25 suppression in this case? Anything in our analysis

1 that you think that is different than what we might
2 traditionally do?

3 MS. CANNON: Well, I can start and then Ms.
4 Beck can add, but I think in the preliminary analysis
5 you were looking primarily at 2008, and I would agree
6 that it was a suppression issue because at that point
7 costs were rising and the industry was not able to
8 increase its prices as quickly as the costs were
9 rising because of the pressure of the imports.

10 Then what happened in 2009, and some of this
11 is just a further development, frankly, of the data
12 that you didn't have at the preliminary stage where
13 some of the costs came down more and the additional
14 data that was developed since the preliminary
15 determination was issued showed that the domestic
16 industry's prices fell even faster, leading to the
17 negative price variance identified in your staff
18 report for 2009, which we believe is indicative of
19 price suppression that year.

20 COMMISSIONER OKUN: Okay. Ms. Beck, would
21 you add anything to that?

22 MS. BECK: I mean, I would just reiterate
23 that the one difference from the record and the
24 preliminary investigation is you now have data through
25 full year 2009, and what it is showing is that in fact

1 the prices were depressed. I think the best
2 indication is the price variance that shows that
3 directly; that the price variances are greater in
4 terms of the price declines than what the raw material
5 cost decline was.

6 And also just to add to the point about 2007
7 and 2008, the variance analysis also shows that during
8 that year when you did have costs going up you had
9 them going up a lot more than you had prices going up,
10 and again that's indicated in the price area.

11 COMMISSIONER OKUN: Okay. Thank you. My
12 time has expired.

13 CHAIRMAN ARANOFF: Commissioner Williamson?

14 COMMISSIONER WILLIAMSON: Thank you. I too
15 want to express my appreciation to the witnesses for
16 their testimony and coming today and also appreciation
17 to Mr. Rollins for the opportunity to visit the
18 factory. I found it very helpful.

19 Ms. Beck, I wanted to start with you and
20 wondered if you could respond to this. Respondents
21 use the shift share analysis on page 18 of their brief
22 and also make some calculations in Appendix 19 to
23 argue that the declines in domestic producers' U.S.
24 shipments and profits are due to declines in apparent
25 consumption rather than subject imports, getting to

1 this question of the impact of the recession.

2 Could you discuss the strengths and
3 weaknesses of these calculations and how much weight
4 we should give to them?

5 MS. BECK: Well, first, I mean, if you look
6 at the data on a market share basis you'll find that
7 imports increased in 2009 on a market share basis and
8 did from 2008 to 2009 and also over the entire period.

9 So again it's a pricing issue where you have
10 increasing market share of imports at low prices. The
11 margins were increasing from 2008 to 2009, so
12 regardless of what was going on in the market you
13 still had imports capturing an increasing share. So
14 again it wasn't a direct result of what was happening
15 in terms of consumption.

16 COMMISSIONER WILLIAMSON: Okay. Could you
17 say something about sort of the magnitudes of these
18 changes relative to what we often see? I don't know
19 if you want to address it posthearing or not.

20 Let me also continue with this question
21 because, Ms. Cannon or Mr. Luberda, you may want to
22 address this. The -- brief pointed out on page 5 and
23 mentions certain cases relating to where the
24 Commissioners found that underselling led to price
25 suppression or depression.

1 What I'm particularly interested in is maybe
2 taking a look at those cases and look and discuss them
3 in regards to the similarities or dissimilarities with
4 the present case with regard to the changes in market
5 share and the changes in import volume. This would be
6 for posthearing.

7 MS. CANNON: We will be happy to do that,
8 Commissioner Williamson, but let me just emphasize
9 what I stated in my testimony, which is that we do
10 believe that the market shares here are not correct.
11 They are much lower than they should be because of the
12 nonresponding importers.

13 And they're not showing the increases that
14 they should because of the increased activity from
15 distributors, distributor importers that we know were
16 active in this market in 2008 and 2009 that did not
17 submit responses to you. That partly explains that
18 you're not seeing as significant an increase as you
19 might have in some other cases.

20 COMMISSIONER WILLIAMSON: Okay. My next
21 question is any guesstimates as to how much we're
22 under the imports? How much greater were the imports?

23 MS. CANNON: You know, we've struggled with
24 doing that, and part of the reason is because the
25 importer data that's been provided in the staff report

1 is confidential. We're not allowed to share that with
2 the industry and so I can't show them the numbers to
3 ask them to give me other estimates.

4 So we're trying to identify for you as well
5 as we can specifics on other importers we know are
6 active. If we know volumes we're trying to give you
7 that, and we've given you quite a lot of that in our
8 prehearing brief and will continue to furnish what we
9 have available, but the limitations on confidentiality
10 make it somewhat difficult for us to have the industry
11 give us feedback on that.

12 COMMISSIONER WILLIAMSON: Okay. I
13 understand that.

14 MS. BECK: Commissioner Williamson?

15 COMMISSIONER WILLIAMSON: Yes?

16 MS. BECK: If I could also just add in? In
17 the preliminary investigation in this case before we
18 had access to any of the importer data for purposes of
19 the petition we submitted information from the
20 domestic industry based on their experience of the
21 sales that they had lost and what they had known about
22 import volumes, and in that particular data that
23 specifically showed an increase in market share and
24 volume from 2007 to 2008.

25 So again in concurring with what Ms. Cannon

1 said, we cannot actually show the domestic industry
2 what the data are in the final investigation, but
3 based on data provided previously that data did show
4 increases so we're looking to that data too kind of as
5 a basis for the trends in those years, so that's part
6 of why we think that they increased in 2008 as well.

7 COMMISSIONER WILLIAMSON: Okay. Thank you
8 for those. I'll look forward to whatever arguments
9 you can make posthearing relating those cases to what
10 you think or what you suspect is happening in this
11 industry.

12 Mr. Rollins, I think you said that you
13 mentioned a difference between the shipments to end
14 users versus who the customer is and where the goods
15 actually ship compared to who's supposed to be the
16 purchaser of the goods. Are you saying that most of
17 the sales to distributors that we have in the staff
18 report were actually drop shipments to the end user?

19 MR. ROLLINS: Commissioner, that's exactly
20 what I'm saying. Almost the overwhelming majority of
21 our sales to distributors actually ship to their
22 customer, the end user.

23 COMMISSIONER WILLIAMSON: Okay.

24 MR. ROLLINS: So my purchase order comes
25 from the distributor. My invoice goes to the

1 distributor. The shipment goes to his customer, the
2 end user.

3 COMMISSIONER WILLIAMSON: Okay. I wonder if
4 you could maybe relate that pattern. We've had a long
5 discussion about pricing, and yet it's the distributor
6 that's actually quoting the prices to the end user and
7 is that distributor quoting say a complete assembly of
8 the decking plus the supports and all that? Is that
9 the way it works? Are they usually quoting the
10 decking separately?

11 MR. ROLLINS: Robert Rollins. The answer to
12 that question would be it's all over the board. It
13 could be both.

14 Often times the distributor is quoting truly
15 wire decks for a retrofit application. I mean an
16 existing rack on a project site. He's just going to
17 come in and quote the deck. Often times he's going to
18 sell some pallet rack and wire deck. Sometimes
19 they'll be selling a wide variety of material handling
20 items -- conveyor and forklifts and stretch wrap
21 machines and pallet inverters and wire decks and racks
22 -- so it just depends on the job.

23 But, yes, the distributor is quoting his
24 customer, so in order to provide his quote he will
25 contact us, say I need a quote for X. We'll quote

1 him, and then he I presume marks it up -- obviously
2 marks it up -- and then quotes his customer.

3 COMMISSIONER WILLIAMSON: Now, is that same
4 distributor usually also getting quotes from Chinese
5 suppliers of decking?

6 MR. ROLLINS: Very well may be, yes. You
7 know, I think that question is kind of tough to
8 answer. I mean, obviously there's wide ranges of
9 loyalty between distributor and supplier.

10 Some of them I think make it routine
11 practice to get multiple quotes. Some of them the
12 relationship is so good they may not solicit as many
13 quotes. Typically if the project is bigger and the
14 margins the tighter their impetus is going to be to
15 collect more quotes.

16 You know, commonly used in our business is
17 well, gosh. You know, why wouldn't I call a Chinese
18 importer and get a quote from them? Even if I don't
19 intend to buy their decks, it will sure do a good job
20 of knuckling under my normal supplier.

21 Because that happens as well, and
22 occasionally we'll get feedback. Hey, the China price
23 is here. I'm giving you a last look. Do you want to
24 match it? Are you interested in this order? So
25 there's a wide variation there.

1 COMMISSIONER WILLIAMSON: Okay. Thank you.
2 Would anybody else want to comment on this? No one
3 ever really seemed to address it in their
4 presentations and yet --

5 MR. SELHORST: Yes. Commissioner
6 Williamson, this is Tim Selhorst back here. I would
7 be glad to comment on your first question, which was
8 why in Rob's testimony he mentioned this issue about
9 end user versus distributor.

10 We felt that the way the data was collected
11 that some of the information about how much of our
12 volume is shipping to end users was mischaracterized.
13 It almost looks as though our domestic shipments have
14 focused on end users and importers are focused on
15 distributors. That's not accurate. It's just an
16 anomaly of how the data was collected.

17 In fact, we're selling to distributors and
18 being told to ship the orders to end users, so many of
19 us classified those sales as end user sales when in
20 fact the contract was made with the distributor, all
21 right? So the vast majority of our sales are made to
22 distributors, and in the case of dealing with
23 distributors are we competing with the Chinese? Every
24 single time.

25 Every single time we're dealing with a

1 Chinese quote. So, yes, we are directly competing
2 with the Chinese at the end user level and at the
3 distributor level.

4 COMMISSIONER WILLIAMSON: Thank you. My
5 time has expired, but I may come back to this. Thank
6 you.

7 CHAIRMAN ARANOFF: Commissioner Pinkert?

8 COMMISSIONER PINKERT: Thank you, Madam
9 Chairman, and thank all of you for being here today to
10 help us understand what's going on with this industry.
11 I also thank Mr. Rollins and your colleagues for the
12 plant tour and for answering our questions during that
13 meeting as well.

14 Now, I realize that the answer to my first
15 question has sort of been taken care of by an answer
16 to Commissioner Williamson's questions, but I just
17 wanted to highlight that according to the data in the
18 staff report the domestic industry's market share
19 actually increased from 2007 to 2009. So to the
20 extent that that can be accounted for by problems with
21 the import data, I would like you to try to explain
22 that for me.

23 MR. MACK: This is Todd Mack with ITC
24 Manufacturing. As Mr. Williamson was asking his
25 question to Ms. Cannon and Ms. Beck I just wrote down

1 20 importers, U.S. importers that import deck, and I
2 can read those off to you if you wish.

3 So I think what happened with your data was
4 that as the market was becoming more and more import
5 friendly all these distributors were buying from
6 companies such as Atlas and Mighty Lift, the first
7 importers to start importing, and what happened is
8 they thought why am I paying Atlas and Mighty Lift to
9 bring in these decks? I can just simply go to China
10 and import them myself.

11 So when I wrote down these 20 different
12 companies that import, that really just includes five
13 states. I just was thinking state by state. So I'm
14 confident in saying that there's probably somewhere
15 between 50 or 75 other importers out there that are
16 bringing in decks. That doesn't include the
17 Respondents in this petition.

18 MR. ROLLINS: Mr. Rollins. I think I could
19 maybe also add to that because I think Todd really hit
20 it right on the head. You know, really like a Mighty
21 Lift or an Atlas model is kind of a wholesaler.
22 They're going to buy from the Chinese producer, and
23 they're going to sell this to distributors.

24 Our big industry show is ProMat, and it's
25 every other year in Chicago. The last one was the

1 2009 ProMat show. I think it was January. There was
2 a number of Chinese producers there with booths
3 exhibiting, handing out their sales literature and
4 their business cards.

5 And so I think a lot of the distributors
6 walk that show and kind of a light bulb went off and
7 go gosh, why am I paying a markup to a wholesaler when
8 I can contact the factory directly or I can use a
9 globalsource.com or alibaba.com?

10 A lot of distributors are under intense
11 price pressure as well to compete to get the order, so
12 they're always looking for a competitive edge.
13 Honestly, I think that's a big play in it is that kind
14 of wholesaler thing. You know, you don't need a
15 wholesaler when you can buy factory direct.

16 What was very frustrating for me at
17 Nashville Wire, because we paid a lot of money to
18 exhibit in that show, and I visited many of the
19 factories that were there at that ProMat show and the
20 girls in the booths and the gentlemen in the booths
21 were going hey, we sell to Nashville Wire down there,
22 because obviously Nashville Wire was an importer of
23 wire decks as well. I'll sell them to you for the
24 same price as I sell them to them. That chafed a
25 little bit, I must say.

1 MS. CANNON: Commissioner Pinkert, just two
2 other things. First of all, there are market share
3 increases if you go over the entire period we're
4 looking at by imports, 2006 to 2009. The highest
5 market share was hit the quarter before this case was
6 filed. I know it was only a quarter, but we think it
7 was indicative of where they were going but for this
8 case.

9 And the last thing I would suggest is when
10 you're trying to sort this out and figure out what
11 those market shares are and whether they appear to be
12 understated, there's pretty strong evidence in this
13 case that wire decking is a commodity product sold on
14 price, and there's very strong evidence of
15 underselling in over 90 percent of comparisons.

16 When you have that situation, those imports
17 gain market share. They don't lose market share.
18 We're not gaining market share because we're at lower
19 prices in a product like this. So we think that fact
20 pattern also suggests that the market share trends you
21 have understate what's actually occurred here.

22 COMMISSIONER PINKERT: Thank you. Now I'd
23 like to hone in on a particular part of the period
24 from 2007 to 2008. I think there was already some
25 testimony about some of the trade and financial data

1 from that period from 2007 to 2008.

2 What I'm wondering is whether the witnesses
3 can talk about pricing from 2007 to 2008 because one
4 interpretation of the data would be that prices
5 increased from 2007 to 2008, even though demand was
6 declining. Now, I'm curious as to whether you agree
7 with that interpretation and if you can explain why
8 that might have been the case during that sub period
9 of the period under examination.

10 MR. MACK: Todd Mack with ITC Manufacturing.
11 There was a huge spike in raw material costs between
12 that period of time, so we were forced to increase our
13 prices due to our raw material prices increasing.

14 COMMISSIONER PINKERT: Thank you.

15 MR. RUDOLPH: Jim Rudolph with J&L. The
16 only thing I'd like to add to that is it was brought
17 up earlier that there was a 10 cent jump in raw
18 material cost and that we were able to recover that.
19 I would disagree with that 10 cents. Raw material
20 costs in the 2008 calendar year jumped way more than
21 that. It jumped by anywhere from 20 to 25 cents.

22 Yes, we were able to recover 10 cents of
23 that, but we were not able to recover our entire raw
24 materials costs. That is why in 2008 you would see a
25 higher selling price because of raw material driving

1 it.

2 MR. WAGNER: This is Steve Wagner with
3 Nashville Wire. I do most of the steel purchasing for
4 Nashville Wire, and I would concur with Mr. Rudolph.
5 The 10 cents in the Respondents' petition is not close
6 to the increases in raw material that we saw in that
7 2008 period. It was closer to 20 to 25.

8 MR. CHAMBERLIN: This is Craig Chamberlin.
9 I said earlier I thought it was more in the
10 neighborhood of 30 cents instead of a dime.

11 The answer to your question there is that
12 prices went up because of raw material, but our share
13 went down because of the continued increase by Chinese
14 importers in 2008 over 2007 in terms of prices that
15 they were selling at.

16 MS. BECK: And, Commissioner Pinkert, if I
17 could just add one other point? In the staff report
18 in Section 5 if you look at the actual raw material
19 data by month or even the first half of 2008 or even
20 into say August 2008 and you compare it to quarterly
21 prices, which are the actual prices that the U.S.
22 industry was selling, you will see again a far greater
23 discrepancy, you have prices that may have been
24 rising, but they were nowhere close to what the
25 increase in raw material price was.

1 COMMISSIONER PINKERT: Thank you. Now
2 staying with you, Ms. Beck, what confirms that the
3 increase in the cost of sales ratio from 2007 to 2008
4 is due to the impact of subject imports? In
5 particular, should I be looking at U.S. demand
6 elasticity in trying to get my mind around that
7 question?

8 MS. BECK: I mean, I think some of it we can
9 go into generally. Some of it I would like to address
10 in posthearing briefs just because of confidentiality
11 of some of the data.

12 COMMISSIONER PINKERT: Certainly.
13 Certainly. And I'm staying with the period from 2007
14 to 2008.

15 MS. BECK: Okay. We will do so. Thank you.

16 COMMISSIONER PINKERT: Now, also this is one
17 that you, Ms. Beck, may be able to answer or somebody
18 else on the panel may want to take it, but how do you
19 respond to Respondents' argument that the price
20 comparisons don't take into effect volume differences
21 and the effects of sales volumes on prices?

22 MS. BECK: We actually disagree. I mean, we
23 think that they do. We think that the data -- there
24 is good coverage in terms of both importers' and the
25 U.S. producers' data and the U.S. producers -- I mean,

1 it involves sales, so both larger sales and smaller
2 sales, so we think it's very indicative of what's
3 going on in the marketplace.

4 Regardless of the size of the sale that U.S.
5 producers are making, they are faced with import
6 competition and they are faced with offers for lower
7 prices, so it's not only affecting certain size sales.
8 It's affecting all of their sales on a daily basis.
9 As Mr. Rollins said earlier, they're making 50 to 100
10 offers a day, and they are regardless of the size of
11 the sale.

12 COMMISSIONER PINKERT: Ms. Cannon, any legal
13 comment on that?

14 MS. CANNON: Yes, I think the data that you
15 have are correct. I don't think there are any pricing
16 problems. They're trying to explain, in a way,
17 because there's such huge underselling. First, I'd
18 point you out to the degree of, the magnitude of the
19 margin of underselling which really couldn't be
20 explained by any quantity discounts. Second, they're
21 looking at total numbers. They're looking at the
22 total quantity sold, but any quantity discount would
23 apply on a specific sale, and it would apply equally
24 if the U.S. producer was offering it or the importer
25 was offering it on a specific sale. So as part of our

1 numbers, we're quoting large sales, we would be
2 offering, you know, any kind of a price that would be
3 commensurate with that offer, and they go head to
4 head. That's really where the problem is. The
5 problem is that they're forced to compete against an
6 import price for that specific sale at that specific
7 volume and the imports are beating us all the time by
8 the large magnitudes. So quantity discounts does not
9 explain away this underselling.

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

12 MR. SELHORST: Commissioner Pinkert, may I
13 add as a manufacturer that in my experience there is
14 no significance between large order discounts or small
15 order discounts offered by Chinese importers.

16 COMMISSIONER PINKERT: Thank you.

17 CHAIRMAN ARANOFF: There's some question in
18 this investigation about where the industry looks and
19 where we ought to be looking to identify demand
20 trends. There have been references to two different
21 sort of demand drivers that I've heard mixed
22 throughout the case. I'm not sure which one is right.
23 First we hear reference to sort of general economic
24 conditions, retail purchasing, that sort of thing
25 where the recession started at some point in 2008 and

1 maybe has bottomed out now and things are getting
2 better, but also references to demand in
3 nonresidential construction, which goes more to when
4 you build a new big box store or something like that,
5 and for that, my impression is that that, the
6 recession was lagged, it started later, it maybe
7 hasn't bottomed out and things are going to get better
8 at some later date. Which of those is the one that
9 you would tend to look to when you're predicting
10 demand for your product?

11 MR. CALDWELL: Hello. Good morning. This
12 is John Caldwell with ITC. Basically is what we've
13 seen in our industry, I basically founded the
14 organization about 16 years ago, and I found that
15 basically it lagged by about eight months in our
16 industry, and it's really tied to commercial building.
17 Basically is what happens is that the demand for our
18 product, basically there's jobs that are already
19 quoted and committed to eight months in advance
20 sometimes. So we lag by anywhere from eight to 12
21 months.

22 MR. RUDOLPH: This is Jim Rudolph with J&L.
23 Rob actually brought this up in his testimony in
24 referencing the retail side of it. Our product is not
25 sold to consumers, our product is, you can call it a

1 store fixture. So if a new store is being built,
2 which is commercial real estate, then that is an
3 upside for us, but if there's no new commercial
4 construction going on, then there's really not need
5 for our product.

6 CHAIRMAN ARANOFF: Okay. So then if we're
7 looking at our data, when did nonresidential
8 construction really start to fall off so that that's
9 where we should start looking and going, okay, that's
10 where we can start seeing those effects from the
11 recession? It shouldn't be in 2008, right? It should
12 be sometime in 2009? Anybody want to be more
13 specific.

14 MS. CANNON: Ma'am, I'm just reporting
15 collectively what we discussed among the industry, and
16 my understanding is that this industry was not really
17 affected in 2008 as other industries were. The
18 effects lagged, as Mr. Caldwell said, and they didn't
19 really hit the industry until 2009. Similarly now,
20 looking out into 2010, we're expecting any recovery to
21 lag what the general economy might otherwise
22 experience for the same reason.

23 CHAIRMAN ARANOFF: Do you think that demand
24 has bottomed out, or is there still some down to go,
25 or it's not really clear to industry participants at

1 this point? Because I've heard different things
2 reported with respect to nonresidential construction
3 demand.

4 MR. WAGNER: This is Steve Wagner with
5 Nashville Wire. I would say we are unclear. There's
6 some signs of improvement, but they're very tenuous
7 and cautious.

8 MR. SELHORST: Tim Selhorst with J&L. I
9 would agree with Mr. Wagner. It's going to be a slow,
10 steady improvement, but nothing dramatic.

11 CHAIRMAN ARANOFF: Okay. Appreciate those
12 clarifications. Cargotainer is a domestic producer
13 that exited the domestic industry early in 2010. What
14 evidence do we have on the record to help us assess
15 the extent to which that company's exit was a function
16 of competition with subject imports versus the
17 recession versus maybe a less competitive cost
18 structure than other domestic producers or some other
19 reason? How do we parse that out? The timing, in
20 particular, in early 2010 right as relief is going
21 into effect in this case suggests to me that there's
22 something other than imports at work there, or maybe
23 they could have held on.

24 MS. CANNON: Let me start, and then I'll ask
25 others that may have heard more directly. We actually

1 spoke with Mr. Jeff Skully, the President of
2 Cargotainer, at about that time and asked that
3 question of whether imports were a problem, and his
4 answer was that imports were part of the problem. I
5 think it couldn't be denied that the downturn in the
6 economy was affecting him, as it was everybody else,
7 but he told us that the affects of the imports on his
8 product, the competitive price pressure in particular,
9 were a significant factor. In fact, he's provided us
10 with a declaration that we'll include in our
11 posthearing brief to that effect. I don't know
12 whether any of the other industry members have more
13 specific knowledge they want to add.

14 MR. ROLLINS: I did know Jeff Skully and
15 talked to him, not frequently, but occasionally, both
16 before and after the bank took control of their
17 assets, and, you know, I kind of asked him, you know,
18 how did we get here, you know? I think my colleague
19 put it well. You know, it's usually the weakest
20 gazelle becomes lunch for the lion. They've been
21 pushed to a very weakened state over a period of many
22 years. I don't think it was something that happened
23 suddenly or drastically. I think they were probably
24 just the weakest domestic producer, and I think that,
25 and Jeff specifically mentioned, you know, the price

1 pressures brought on by Chinese wire decks.

2 I think it's interesting to rethink in my
3 mind. I mean, if you look at, you know, the largest
4 importer, Atlas' HQ is in Chicago, one of their
5 largest markets, Chicago and the Chicagoland area,
6 upper midwest, which of course, if you look at the
7 closest competitor right in that market, that would
8 have been Cargotainer. Low priced, high use imports
9 definitely aggravated that situation for them.

10 CHAIRMAN ARANOFF: Okay. Well, and I
11 appreciate the offer of a statement from them. That
12 will be helpful. I'd also ask those who have access
13 to the confidential record to take a look at
14 Cargotainer's cost structure and tell me what you
15 think of that relative to this story. Turning to
16 another topic, the Respondents argue in their brief
17 that the Commission should give weight to the fact
18 that no domestic producers or their workers have
19 applied for trade adjustment assistance despite a
20 number of closures and layoffs during the period that
21 we're looking at. I don't know that that's something
22 the Commission puts enormous weight on one way or
23 another, but we usually do see those kind of
24 applications and they're usually cited to us by
25 Petitioner. So what should we make of the absence of

1 that information in this case?

2 MR. CALDWELL: John Caldwell, ITC. One of
3 the things that I would say, that yesterday we were
4 discussing this and the first time that I heard about
5 it was yesterday. I didn't even know it was available
6 to my employees. So I would have to say that I didn't
7 even know that it was available.

8 MR. CHAMBERLIN: Craig Chamberlin, AWP
9 Industries. My comment's the same as Mr. Caldwell's.
10 I learned of it yesterday for the first time.

11 MR. ROLLINS: Robert Rollins, Nashville
12 Wire. I wish we had done better on this because we do
13 have a single HR director for our company with an
14 assistant, but the first time I learned about trade
15 adjustment assistance was when I read Respondents'
16 brief.

17 MS. CANNON: I think, Chairman Aranoff,
18 that, you know, when we do these cases we sometimes
19 assume that the company's HR departments are on top of
20 these things as they are for larger companies.
21 Unfortunately, when you have smaller companies,
22 they're not quite as styled into this, but they are
23 now. We're working with them to assist their
24 employees exactly with that.

25 CHAIRMAN ARANOFF: Okay. In the preliminary

1 determination, the Commission found, one of my
2 colleagues said, what we described as some evidence of
3 price suppression based on the existence of a cost
4 price squeeze. The data in the final phase do show
5 that the domestic industry's cost of goods sold ratio
6 to net sales increased over the period, particularly
7 in 2008 and 2009. You know, the statute states that
8 price suppression occurs when subject import prices
9 prevented domestic price increases that otherwise
10 would have occurred. So I want to understand the
11 mechanisms through which you think the price increases
12 otherwise would have occurred absent unfairly traded
13 imports in the market, because normally you don't
14 expect price increases when demand is falling. So can
15 you explain to my why if you weren't competing with
16 unfairly priced Chinese imports in 2008 and 2009 you
17 would have been able to raise your prices enough to
18 cover your materials costs?

19 MR. WAGNER: Chairman Aranoff, this is Mr.
20 Wagner with Nashville Wire. I would like to contrast
21 what happened in 2008 with what happened in the first
22 half of, from late 2009 to the current day, and that
23 is that in 2008 we were unable to pass through the
24 additional material costs to our customers due to low
25 priced imports pushing, keeping the prices down.

1 Contrast that with after the preliminary duties have
2 gone in, the prices of steel have gone up
3 approximately 20 percent from late 2009 until May of
4 2010. Our company, I can only speak for ourselves, we
5 have been able to pass on all those additional costs
6 in a reasonable and fair manner through to our
7 customers.

8 CHAIRMAN ARANOFF: I'm interested in that
9 because this is obviously a market where there's quite
10 a number of domestic producers, you know, so there's
11 still probably a good deal of competition for a
12 particular customer's sale, and yet, the customers
13 are, and some of the customers, I guess, are pretty
14 big, some are smaller, they're accepting price
15 increases in an economy where a lot of people are
16 resisting them. Can anyone explain to me exactly why
17 that is?

18 MR. SELHORST: Commissioner Aranoff, yes,
19 I'd like to give that a shot. This is Tim Selhorst
20 with J&L. Our raw material costs make up 60 to 70
21 percent of the cost of the deck, and it's interesting
22 in your data that we can't see that the cost of goods
23 sold went up during the 2008 timeframe, which I think
24 lends a lot of credibility to the fact that we
25 couldn't recover our raw material costs. That's what

1 you're seeing right there.

2 Certainly in 2009, or now, in an environment
3 where volumes are suppressed due to the economy, it's
4 not an optimal environment for us to raise price, but
5 nobody in this room in a low margin product can
6 swallow the type of cost increases that come at you
7 from the variations that we're currently experiencing
8 in the steel industry. Twenty, 25, 30 percent
9 inflation in raw materials. We're forced to pass
10 those through or else we don't exist. The environment
11 to do that when there's not an unfairly traded import
12 in the market improves dramatically. It's not optimal
13 because the demand component is slower, but it's
14 certainly much more favorable without the Chinese
15 present.

16 CHAIRMAN ARANOFF: Okay. I appreciate those
17 answers, and I've gone over my time, so I apologize to
18 my colleagues. I'm going to turn to Vice Chairman
19 Pearson.

20 VICE CHAIRMAN PEARSON: Thank you, Madam
21 Chairman. You'll have no complaints from me about
22 running over after the experience I had on Tuesday
23 with steel decking. Steel grating. Excuse me. Which
24 day is this? Permit me to extend my welcome to all
25 panelists. Let me just add a further comment, Madam

1 Chairman. After your extensive experience earlier in
2 your career working on trade adjustment assistance,
3 maybe, going back, there should have been some
4 outreach component to that whole package.

5 CHAIRMAN ARANOFF: That's been a problem for
6 a long time.

7 VICE CHAIRMAN PEARSON: Ms. Beck, maybe Ms.
8 Cannon, there's been a lot of discussion about the
9 data that we don't have because we have a portion of
10 the importers who have worked with us and not all of
11 them. I must say, though, we have a fairly decent
12 percentage of total imports that appear, and so it's
13 not as if we have no data on which to base our
14 determination. My question for you is as you're
15 trying to fill out the rest of the data, is it
16 possible that Pierce or some other resources might
17 help fill in the blanks?

18 MS. CANNON: We've tried. We've looked at
19 Pierce, we've looked at some of those other data
20 sources as well. They're largely incomplete, and I
21 think part of the difficulty is trying to track this
22 product because it becomes intermixed with wire mesh
23 and other products. We've tried looking at HTS
24 numbers. It's a huge basket category that it's
25 supposed to be in to start, which is furniture, and

1 then we find that many people don't classify it even
2 in that category. They have product classified in
3 other steel types of categories. We filed, actually,
4 a 484(f) request last fall in an attempt to sort this
5 out to help you and to help us, and that is still
6 pending because Customs is now trying to decide
7 whether they want to reclassify the product into a
8 steel category. We basically told them we don't care
9 where you put it, just give us a breakout so that we
10 can track it.

11 So we've done, we've tried to do what we
12 could to be able to develop more information. I don't
13 know that those types of databases are as helpful, I
14 think, as some of the specifics that the companies
15 have been able to provide on importers they know are
16 out there offering product. So we've tried to
17 identify those for you. I would disagree with your
18 assumption that your database does account for most
19 imports. I mean, it does account for some imports. I
20 would concede it accounts for probably the largest
21 importer, which is Atlas, but the problem is that
22 there have been so many other distributor/importers
23 that have come into this market that are now trying
24 to, and have been sourcing from China, and we know
25 that only because they have switched back to these

1 producers that we are aware of quite a bit of data
2 missing.

3 MS. BECK: Vice Chairman, if I could also
4 add, I think what's frustrating for us is that
5 particularly the periods 2008 and 2009 when there's
6 some trends that go opposite of what everything else
7 on the record is showing. When you have in the
8 pricing data massive underselling in those years, it's
9 just not corroborating what the market share trends
10 would likely be doing. So I think the most
11 frustrating part is that years where the data appear
12 to be missing because these importers did shift to
13 importing directly would be the exact years where
14 there should be some trends that are counter to what
15 the staff report is showing.

16 VICE CHAIRMAN PEARSON: Okay. Just to
17 follow-up on that, earlier in your testimony you had
18 indicated that in 2007 the domestic industry ceded
19 volume to imports, whereas in 2008 it tended to give
20 on price. If that's correct, then, you know, we would
21 normally expect to see some movement in relative
22 market shares.

23 MS. BECK: Well, I mean, we think that
24 that's one explanation of why the data is showing what
25 it is, although we really do think it is incomplete.

1 I mean, in that year, the domestic producers did try
2 really hard to regain some of their shares. So, I
3 mean, it was an effort that they made in an attempt to
4 not lose more customers. Again, like we said, if we
5 did have more data, that the trends might show
6 consistent increases.

7 VICE CHAIRMAN PEARSON: Yes, and agree
8 that's possible. I'm just trying in my mind to write
9 an opinion to explain all this away. To me, it seems
10 not as easy as one might wish.

11 MS. CANNON: Let me try that, Commissioner
12 Pearson. You know, I appreciate that the Commission
13 is looking at a database that you've developed, and
14 we're trying to provide, consistent with that
15 database, an explanation for what's gone on in this
16 market, and we do know that in 2008 there was fierce
17 price competition. We do not believe, we do not
18 believe that the industry was actually able to give
19 back any market share. From what these industry
20 members say, they were continuing to see market share
21 in 2008 and in 2009. They thought that over the
22 entire period imports continued to gain market share.
23 Basically, our arguments are if you take the database
24 as presented, there is an explanation that's also
25 consistent with an injury finding, which is that there

1 was underselling over the entire time and our profits
2 were going down in 2008 at precisely the time where
3 they were underselling us at even greater levels than
4 they had in the prior years.

5 VICE CHAIRMAN PEARSON: Okay. Well, that
6 gets to more the price question. This is one of those
7 unusual cases in which we look in the staff report and
8 the price effects might be more readily apparent than
9 the volume effects. My experience has been that it's
10 much more common the opposite where you would have
11 some obvious volume shifts and perhaps price not being
12 quite as clear. Is there precedent? Could the
13 Commission legally make an affirmative present injury
14 determination even if subject imports are declining
15 and increases in subject import market share are not
16 substantial?

17 MS. CANNON: Absolutely. That was the
18 Commodity Matchbooks case that I cited to you earlier.
19 In that case, the import volumes and market shares
20 were declining and the Commission found that basically
21 what had happened was that the domestic producer had
22 made a decision to try to cut its prices so that it
23 wouldn't cede further market share but did so at the
24 expense of huge financial declines. That is
25 consistent with an injury finding. The Commission

1 reached an affirmative decision in that case. So if
2 the fact pattern as presented in the staff report, if
3 that is accurate, even if that were accurate, that is
4 consistent with an affirmative determination under the
5 analysis used in the Commodity Matchbooks case.

6 VICE CHAIRMAN PEARSON: I will need to go
7 back and look at that. I thought there were bigger
8 market share shifts in favor of the imports in
9 Matchbooks than we see here.

10 MS. CANNON: The data are confidential in
11 both cases, unfortunately, so I can't look at them,
12 but I can read the description in the public record
13 which says that there were declines in the import
14 volumes and market shares each year in Commodity
15 Matchbooks.

16 VICE CHAIRMAN PEARSON: Okay. I will have
17 to do that looking myself, won't I? In terms of
18 attribution then, we look at this record and we can
19 see quite large changes in apparent consumption which
20 are related to the recession. I don't think that's in
21 dispute, okay? The data would suggest that the
22 changes in imports from China have been relatively
23 more modest. If we were to try to deal with
24 attribution on the basis of the existing data, can we
25 really comfortably write an opinion that attributes

1 injury to subject imports rather than just to the
2 evaporation of demand due to the recession?

3 MS. CANNON: Absolutely. I think my
4 starting point in responding to your question is to
5 urge you to look at the period before the recession
6 hit. I think that's very important here because in
7 some of your cases you didn't really see a decline in
8 data until 2009, and then you were forced to parse out
9 what was attributable to the imports and what was just
10 the affects of the recession. Here, every year of the
11 period of investigation you are seeing import affects.
12 From 2006 to 2007, even on the data as presented, the
13 imports gained market share. The volumes went up
14 while demand went down at the expense of the industry.

15 In 2008, if you accept the data as
16 presented, which we question, we think that the market
17 shares actually went up, but even if you accept it as
18 presented, the U.S. industry was undersold massively.
19 Chinese imports were underselling them in every
20 quarter by large amounts throughout 2008. So the
21 industry was fighting with the Chinese producers and
22 trying to be price competitive so as not to cede more
23 market share and they did that at the expense of
24 profits. The financial performance of this industry
25 in 2008 was at barely break even levels.

1 Remember, that was before the recession hit
2 to this industry. They lagged the recession, as we
3 were just discussing. So that 2008 effect was purely
4 the result of the low prices from the imports. Then
5 you have 2009, and now, indeed, you have two posits.
6 You have problems because demand fell, and you have
7 the imports. But what happened to the imports in
8 2009? They did increase their market share. Maybe it
9 wasn't hugely, based on your data, but it was an
10 increase, even with the data you have. Again, the
11 market share and the margins of underselling were even
12 greater than ever. As a result, the U.S. industry's
13 prices were down, their financial performance went
14 into a loss. Five of seven companies lost money. So
15 that financial effect was very directly correlated to
16 the price effects of the imports in 2009, in addition
17 to the effects that I described that happened before
18 the recession hit.

19 VICE CHAIRMAN PEARSON: Right. I'm over
20 time, but let me just offer an observation, that
21 relative to other cases that we deal with,
22 particularly with China, this one, the data show an
23 unusual high degree of responsiveness on the part of
24 Chinese imports to what is going on in the domestic
25 demand, and, you know, we're not seeing demand going

1 away because the recession in Chinese volumes is
2 continuing at the previous level, okay? So I hear
3 what you're saying, but this record is different than
4 most that we've seen. Madam Chairman, I better be
5 quiet.

6 MR. RUDOLPH: Well, can I comment,
7 Commissioner Pearson, please? You started the
8 question about lack of demand and the success the
9 industry could have, and I heard in several
10 testimonies today, and for J&L as well, here it's the
11 beginning of 2010 with the duties and impositions that
12 have been put in place, all of us with this current
13 lack of demand have been able to weather this storm
14 and are doing okay at this stage with no low cost
15 import decks from China in this market. So demand is
16 not going to drive us to where we're not profitable.
17 Low cost import deck from China drive us there.

18 VICE CHAIRMAN PEARSON: Okay. For the court
19 reporter, that was Mr. Rudolph. Madam Chairman, now
20 my time really has expired.

21 CHAIRMAN ARANOFF: Commissioner Okun?

22 COMMISSIONER OKUN: Thank you. I want to
23 get your response on some other questions about 2009
24 and how we evaluate that. I'll start with you, Ms.
25 Cannon. I heard your response to the Vice Chairman

1 about the importance in this case of us looking at the
2 period prior to when the recession would have started,
3 and so I take that point, but for 2009, just, I have a
4 legal question and something probably you can do
5 posthearing as well and maybe look at some of the
6 prior cases, which is on the Commission statutory
7 guidance that, you know, you can give less weight to
8 the postpetition effect if we see those on a record.

9 It has been argued, maybe not by these
10 Respondents, but in other cases, that that's what the
11 statute says, so if you do that, you should also not
12 be taking 2009, taking a period postpetition and then
13 using what happens with respect to prices or, you
14 know, producers getting increased sales as indicative
15 of proving your case, that it is a market that's
16 disrupted by an order, and therefore, the behavior is
17 aberrational or not, you know, doesn't really prove
18 causation. I wanted to get your response to that just
19 generally as a legal matter, whether you think the
20 Courts have spoken to that, that the Commission is on
21 solid ground in saying if postpetition these folks all
22 got orders back that they lost to the Chinese, that
23 that is evidence of a causal nexus, you know, again,
24 in a market where demand is not going up, as the last
25 witness just testified. So just as a legal matter, do

1 you think the Courts have ruled favorably on the
2 Commission using postpetition data as part of their
3 causation or nonattribution analysis?

4 MS. CANNON: I'd have to look further at
5 some of the Court cases to see if this has been
6 specifically addressed, but my sense of the Court
7 cases is the Courts have given the Commission
8 discretion certainly to examine each situation on a
9 case by case basis, and it hasn't suggested in any way
10 that the Commission would be wrong in looking at
11 improvements in the industry that have occurred once
12 remedial duties were put into effect. There's nothing
13 in the statutes that suggests that that would be
14 limited by that statutory provision, which is
15 discretionary anyway. Here, we have not urged you to
16 disregard 2009 because the imports didn't really back
17 off a lot to slow down a little bit, but they were
18 still very much present in this market at low prices.

19 It wasn't until those remedial duties hit in
20 January of 2010 that everything changed radically. At
21 that point, I think it's very indicative of causal
22 nexus. This is something the Commission has found in
23 a couple of the recent cases I mentioned, the Circular
24 Welded Pipe and Commodity Matchbooks cases to name
25 two, that when you see this shift in behavior by

1 companies that had previously been buying imports,
2 coming back to U.S. producers to buying from them,
3 selling, clear interchangeability and the fact that we
4 were competing with the same customers, for example,
5 and also the domestic producers' ability to price at
6 reasonable levels, as they've all attested, has been
7 possible even with demand still being low and even
8 with raw material costs going up, that's strongly
9 indicative that the reason that they were struggling
10 in 2009, basically given the same facts, was because
11 of the import pricing.

12 COMMISSIONER OKUN: Okay. And then do you
13 think that it would be distinguishing factor whether
14 or not the Commission was using the statutory language
15 to give less weight. Like if it were a case, and I
16 understand that you're not arguing it here, if it were
17 a case where the Commission was doing that, do you
18 think that matters at all or do you think those are
19 two --

20 MS. CANNON: I think the Commission could
21 disregard certain effects and still take into account
22 improvements. I don't think there's any limitation
23 legally, if you're asking, to doing that. I've not
24 seen a Court suggest that that would be the case.
25 That isn't a fact pattern here, in any event, so we're

1 looking at everything that's happened since the case
2 was filed as well and taking that into account.

3 COMMISSIONER OKUN: Okay. I appreciate
4 that, and appreciate anything further you can do
5 posthearing just as a matter, again, on the question
6 of looking, what was going on in 2009 and how the
7 Commission should take that into account in a market
8 where the preliminary duty is in effect. Did someone
9 on the back row want to add anything? Okay. Thought
10 maybe I saw a hand up there. Then, I wanted to just
11 ask a few more questions about pricing in this market.
12 I think that you've covered a great deal in response
13 to the many questions of my colleagues, but with
14 respect to this market where you have the big box
15 stores, have you seen any changes in pricing generally
16 because of pressure from those types of large buyers
17 or because you're selling to distributors, as I
18 understand it, you don't see the direct effect?
19 Again, sometimes we think about other cases we've had
20 and changes we see when big boxes come into the
21 picture, and I wonder if you see anything different in
22 terms of who you're selling to, understanding that,
23 again, you're selling to distributors, but again, does
24 it matter in this market? I mean, when you're talking
25 about passing on price increases, is there any

1 distinction among who you're selling to? Mr.
2 Caldwell, you're shaking your head.

3 MR. CALDWELL: No. I would just say that,
4 again, this is John Caldwell, there is no price
5 distinction. I mean, our prices basically from big
6 box, to distributors, to OEMS, et cetera, are all very
7 consistent. Again, it's driven by raw material costs.
8 In the last four years it's been driven by low cost,
9 so low cost wins the job. It doesn't matter if your
10 product or the quality of your product is better, it's
11 driven by who's the low cost provider, and that's who
12 gets the job. It's basically, you know, one of the
13 strategies that we had to take in 2008 was, you know,
14 I pulled my management team aside and I said, look,
15 I've built this team over 16 years and I don't want to
16 lose any other employees, so do whatever it takes to
17 basically get these jobs even if it means that we're
18 going to lose money on these jobs because I don't want
19 to dismantle my team that took 16 years to build.

20 COMMISSIONER OKUN: Okay. Then, Mr.
21 Rollins, I think I'll come to you for this one. You
22 had noted of course in your testimony, and others,
23 that your company acted as an importer so you have a
24 perspective that maybe not everybody brings to the
25 table. I guess I would link this back to the many

1 questions we've had about market share. Again, I take
2 the point that, you know, looking at the record, it
3 may or may not reflect what you're actually seeing,
4 but when I hear your description I wonder why there
5 weren't actually larger changes in market share.

6 Like, you know, was it that quick that
7 companies like yours decided you needed to save market
8 share, save volume by lowering prices versus other
9 cases where you see the amount of underselling we have
10 on this record and see a lot bigger shifts in market
11 share and volume, which again, this record doesn't
12 necessarily reflect, and I understand that you don't
13 know the confidential data, but just help me
14 understand how you when you were both as an importer
15 and a producer making those decisions about do we stay
16 or do we follow this new business model. What were
17 you seeing in the market that allowed you to continue
18 with the business model of being a domestic producer?

19 MR. ROLLINS: I thought maybe I'd get this
20 question and it's a tough one. It's one, you know,
21 first and foremost, we started a real family business
22 and we put 90 percent of our eggs in the domestic
23 producer basket, so it was an agonizing decision,
24 agonizing decision to get into importing because, of
25 course, you know, gosh, we're going to be

1 cannibalizing our own sales with stuff we could have
2 made here in our own factory bringing it in from
3 China. It was also excruciatingly painful to see
4 distributors that we had relationships with, we had
5 sold with for years before I ever came to Nashville
6 Wire one by one leave us and by the Chinese imported
7 product.

8 My arms are tied. I just could not compete
9 on that price level. We're not knee jerk, fast
10 reacting guys, generally speaking, so we agonized on
11 it for several years and lost some business, and lost
12 some customers, and finally decided, you know what,
13 we'll get down there, go to the mattresses and we'll
14 do both. We'll import and we'll be a domestic
15 producer, and we'll let our customer decide what's
16 important to them. Unfortunately, most of them
17 decided price was what was important to them. So
18 that's what happened. Now, of course, when the
19 preliminaries went into effect, we shut down our deck
20 importing business immediately.

21 COMMISSIONER OKUN: Appreciate those
22 comments. When you were forced to import more, were
23 you offering any, I think often of foreign fighter
24 pricing, like where you're trying to show what you
25 could do with the domestic side versus the import side

1 just to maintain loyalty with these distributors who
2 you've had?

3 MR. WAGNER: This is Steve Wagner with
4 Nashville Wire. Rob and I, you know, I was a key
5 person in deciding import versus nic, and, you know,
6 what it really boiled down to was job after job, the
7 salespeople would come to me and they'd say, hey,
8 we're getting killed on price here, you know, why
9 can't we be more efficient, why can't we do this? As
10 we looked into the pricing from China what we found
11 out was I can't buy the raw materials to compete at
12 the price levels that they were offering in China. I
13 could be efficient and have one person in my plant and
14 I would still be beaten on price. So we made the
15 decision to in some cases kind of load the gun with
16 both bullets and we would tell our customers, hey,
17 this is our deck that we'd like to, you know, put on
18 this project. When they'd say, hey, the price isn't
19 good enough, we'd say, well, we do have this import
20 option. So we were, you know, we were very reluctant
21 importers even as we were actively importing quite a
22 bit of decking.

23 MR. ROLLINS: If I could add to that. Yeah,
24 Steve's characterized it well. We were reluctant
25 importers. So generally speaking, we would kind of,

1 you know, we'd lead with our domestic product because
2 that's kind of what we were, and then if you heard
3 certain buying signals from your customer about, man,
4 this is really an all about price deal or, man, I'm up
5 against Chinese decks on this, what can you do for me,
6 then we'd kind of fall back onto Plan B. So, you
7 know, we sort of led with the domestic and when we
8 heard the certain signals we might go, well, we can
9 offer that, too. We were somewhat reluctant about the
10 whole situation.

11 COMMISSIONER OKUN: Okay. My time has
12 expired. Let me come back just on some of those same
13 questions. Thank you very much for those responses.

14 CHAIRMAN ARANOFF: Commissioner Williamson?

15 COMMISSIONER WILLIAMSON: Thank you, Madam
16 Chairman. Since I was a history major, one thing I
17 was just curious about, even though it's outside of
18 our period of investigation. When did the Chinese
19 product start coming into the U.S. in a significant
20 way? I take it it's before the period of
21 investigation, but I was just wondering how long this
22 has been going on?

23 MR. WAGNER: This is Steve Wagner with
24 National Wire Products. I would say that you probably
25 saw the most significant increases sometime in the

1 early 2000s, sometimes around 2004. The price of
2 steel, there was quite a disruption, and I think there
3 was quite a few trade cases that were won on primary
4 steel products, and those trade cases protected the
5 primary steel industry here in the United States
6 unfortunately at the expense of all the downstream
7 fabricators, and maybe that's PC strand or several
8 other industries.

9 We were left at a distinct disadvantage raw
10 material-wise, and I would say maybe a year or so
11 after that, that's when you started to see a very
12 large flood of cheap imported products in all types of
13 wire products.

14 COMMISSIONER WILLIAMSON: Thank you. I just
15 always curious as to how we got to where we are. I'm
16 still having trouble understanding the role of the big
17 box stores in this. I take it from what you're saying
18 is they go to the distributors like everybody else,
19 but I was just wondering do they play any different
20 role because they're the ones who are usually pushing
21 for the lowest price?

22 MR. ROLLINS: Rob Rollins, National Wire.
23 No. Most of the big boxes buy directly from the
24 producer, so I sell directly to some of the big boxes,
25 not to distributors so that they are buying direct.

1 Of course, it depends on where you draw that line of
2 what's a big box and what's not.

3 COMMISSIONER WILLIAMSON: I understand, yes.

4 MR. ROLLINS: Generally speaking,
5 distributors aren't set up on that kind of business
6 model to service an account like that. For instance,
7 way back in the day Home Depot was actually sold
8 through a distributor and like a lot of those
9 relationships started, the business grew and the scale
10 grew and at one point the distributor goes I can't
11 handle this.

12 Why don't you factory guys sell it direct
13 and bill a little commission for me because that will
14 go on for a couple of years in which case then they go
15 to some reverse online auction. Those relationships
16 evolve over time, but generally those are draft
17 accounts for the U.S. producers.

18 MR. CHAMBERLIN: This is Mr. Chamberlin from
19 AWP.

20 COMMISSIONER WILLIAMSON: Sure.

21 MR. CHAMBERLIN: The other point I would
22 make just to put it in perspective is that if we sell
23 \$100 to the big boxes, we sell \$300 to distributors.
24 I mean, big boxes as customers are huge, but in terms
25 of their totality in the industry, they're roughly a

1 quarter.

2 COMMISSIONER WILLIAMSON: Okay. Mr. Mack?

3 MR. MACK: I was just going to add that in
4 the brief by Worldwide, basically they imply that they
5 are not competing in that market with us, and that is
6 untrue as well. We have an importer, Might Lift, who
7 was selling into big boxes, which I referred to in my
8 testimony. In fact, I just think it's interesting
9 when this all started, and since it was disclosed in
10 the last hearing, when they came into the market, they
11 were brought in through Walmart.

12 Walmart brought them on, and basically
13 Walmart is pretty stringent with how they deal with
14 their vendors and everything else, and what they did
15 was they came in and they said we want this importer
16 to bring in product from Walmart because of their
17 price. However, for the first year that they were
18 with Walmart, they cannot produce the product that was
19 needed to the specifications of Walmart.

20 In fact, Walmart went so far to keep this
21 Chinese importer in their lineup that they required
22 Mr. Rollins to ship them an example of every single
23 product offered. They required ITC to train them on
24 how to work the stores or how to do the takeouts, all
25 that sort of thing, so they required us to basically

1 train our acceptors I guess if you want to say that,
2 and after about a year of effort, they eventually made
3 the product into their specifications, and they took a
4 large portion of our Walmart business.

5 COMMISSIONER WILLIAMSON: Okay.

6 MR. WAGNER: I'd like to add one thing to
7 that, Commissioner Williamson.

8 COMMISSIONER WILLIAMSON: Sure.

9 MR. WAGNER: Just the mere presence during
10 the auction period of the Chinese supplier, whether
11 they were really qualified to service the business or
12 not, absolutely, positively pushed the pricing down on
13 that contract.

14 COMMISSIONER WILLIAMSON: Okay. So
15 essentially you're saying the impact of the Chinese
16 imports, even in the non-big box market, the impact of
17 the big boxes is probably the same if anything is
18 augmented or amplified. Okay. Thank you. That's
19 helpful because I was just trying to figure out
20 because usually big box stores can have such an impact
21 everywhere, and I was trying to figure out how it was
22 working here.

23 A couple of other questions, in fact the
24 Respondents are going to assert that the quality is as
25 important as price to purchasers of wire decking and

1 that a majority of the purchasers raise domestic
2 product as superior in quality and delivery time. Can
3 these differences be responsible for the observed
4 underselling? Why or why not?

5 MS. BECK: No. Well, we disagree that they
6 are, and we think that the reason that you're seeing
7 that is answer for some of the purchasers. I'll
8 direct you to Exhibit 7 of our prehearing brief where
9 there was a declaration which I had given to
10 purchasers kind of to get at least from their view
11 suggestions of they should respond to the purchaser's
12 questionnaire, so we think a lot of that has to do
13 with that because every single one of the producers
14 here, if you ask them what their purchasing decision
15 is based on, it's not because their quality is any
16 different. It's all based on price.

17 COMMISSIONER WILLIAMSON: Okay. Thank you.
18 Delivery time, does that --

19 MS. BECK: The same with the delivery time.
20 If anything, the U.S. producers sometimes would have
21 an advantage over that, not the reverse.

22 COMMISSIONER WILLIAMSON: Okay. Okay.
23 Thank you. One other question just to followup to the
24 Chairman's question regarding Cargotainer, I was just
25 wondering after they ceased production, what happened

1 to their assets? Were they sold, and have any of you
2 purchased or contemplated purchasing these assets?

3 MR. WAGNER: Steve Wagner with National Wire
4 Products. National Wire did in fact purchase some of
5 their finished goods that they had produced
6 specifically for one customer, so a small part of the
7 finished goods we did purchase. My understanding that
8 the rest of their assets are still in some kind of
9 legal limbo.

10 COMMISSIONER WILLIAMSON: Okay. In what way
11 will the removal of their capacity affect do you think
12 future profitability for the industry and the fact
13 that they're no longer producing?

14 MR. ROLLINS: Robert Rollins. They are
15 relatively small players, so I would say it's not
16 really going to move the needle significantly for
17 anyone.

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. SELHORST: Tim Selhorst. I would concur
20 with that, and actually I want to add this comment:
21 It's a point that Chairman Aranoff was making earlier.
22 They're not the only wire producer to go down during
23 the period of investigation. There's also a company
24 by the name of Indiana Wire. I believe they went
25 bankrupt in the 2007 timeframe, early 2008. Also a

1 small producer, so have a small impact in the market.

2 COMMISSIONER WILLIAMSON: Okay. Did they
3 attribute their decline in any way to imports? Does
4 anyone know if you recall?

5 MR. SELHORST: Absolutely. Absolutely.

6 COMMISSIONER WILLIAMSON: Okay. Okay.
7 Thank you. There's nothing on the record. That will
8 be helpful, and actually with that, I have no further
9 questions, and I want to thank the witnesses for their
10 testimony.

11 CHAIRMAN ARANOFF: Commissioner Pinkert?

12 COMMISSIONER PINKERT: Thank you, Madame
13 Chairman. I have a couple of questions about threat,
14 and then I want to go back to some of the issues about
15 the big box stores. Now again, I understand that
16 you're making the argument that the import data is not
17 complete and that if it were complete it would show
18 something different, but bracketing that question for
19 a moment and just focusing on the threat issue, is
20 there any reason to think that subject imports would
21 do more in the U.S. market in the imminent future than
22 they did do during the period from 2006 to 2009?

23 MS. CANNON: Absolutely. Even based on the
24 record that you have, and it's very frustrating in a
25 way to make assumptions that this is correct because

1 you've got three companies. It's so understated of
2 what we know for a fact is out there, but even if you
3 look at these companies, we mentioned earlier each one
4 has an entire facility sitting there idle. The other
5 companies as Mr. Rollins testified, hum along, have
6 idle capacities, one has idle capacity. They all have
7 capacity now.

8 Now, that capacity historically was targeted
9 here, and Eastfound had a good relationship with
10 Atlas, now Worldwide. What you also have now,
11 Commissioner Pinkert is very much lower demand, so it
12 doesn't take much if they just ramp that capacity back
13 up to the volumes that you were seeing in 2007, 2008
14 coming in from them and look at what share of the
15 market just those two companies would have or the
16 three companies that responded.

17 Just on your database alone, they would be
18 able to come back and capture huge amounts of the
19 market, and their trend was to do that right before we
20 filed this case, so yes, we think even based on this
21 limited data, you've got more than enough showing a
22 capacity that could come in and capture sizable
23 increased demand.

24 COMMISSIONER PINKERT: Mr. Luberda, I saw
25 you fidgeting before Ms. Cannon spoke.

1 MR. LUBERDA: Well, I would just add to Ms.
2 Cannon's answer that you also heard today and saw in
3 our brief numerous examples of new companies offering
4 to want to enter this market, and there's nothing to
5 stop one of these companies from repeating what Atlas
6 and Eastfound did, which is you identify a producer
7 who can make the product for you. They become your
8 dedicated producer, and you get all that you need, and
9 then the evidence is that those companies are out
10 there actively soliciting business.

11 We assume also from traditional importers as
12 well as coming to domestic producers and saying why
13 don't you substitute your domestic production with our
14 Chinese production.

15 MR. WAGNER: I'd also like to add something
16 there. I hope everyone understands that while the
17 producers have spent a lot of money to be automated
18 and efficient, the part is very, very simple. A
19 producer in China who has some knowledge of wire
20 products, and it can be partitions or folding wire
21 baskets are any type of construction mesh could simply
22 and easily be a producer of this product.

23 It's really not very difficult, and then the
24 people who import on the U.S. soil side, they can find
25 any piece of a open commercial warehouse base and in

1 four or five weeks, they could have 20 or 30
2 containers of product sitting in that warehouse ready
3 to resell. This is a very simple business model to
4 import wire decks from a Chinese supplier and to
5 resell them, so it really just comes down to it's a
6 stray case, and if we're not successful, you're going
7 to see a wave, a giant wave of wire decking coming
8 from China that's going to take down more companies.

9 COMMISSIONER PINKERT: Now, I'm sure that
10 you're all aware of some of the discussion about a
11 company had been importing and then went out of
12 business. I'm wondering is there a distributional
13 structure adequate to handle this wave or potential
14 wave of imports in the imminent future?

15 MR. MACK: This is Todd Mack with ITC
16 Manufacturing. Basically how the imports normally
17 work is they basically quote the product directly from
18 China, and then they drop ship it right to the end
19 users just like we do after we manufacture it, and o
20 in a lot of cases, there doesn't even need to be a
21 distribution network. They just basically drop ship
22 the product directly from the ports right to the end
23 user.

24 MR. WAGNER: Yes, and just to kind of
25 reiterate what I said earlier, when we opened our New

1 Jersey warehouse, we said well we're going to open a
2 New Jersey warehouse for whatever reasons. We placed
3 an order the day we decided. I mean, we didn't know
4 where were going exactly put the warehouse. We had a
5 general idea somewhere in Jersey, but we didn't have a
6 property. We didn't have anything. Well, from the
7 time it took to get the containers to reach port six
8 weeks later, we were up and running, so it gets very,
9 very simple and easy to set up this distribution
10 network.

11 MS. CANNON: Let me add, Commissioner
12 Pinkert, we have information, public information, that
13 Worldwide Material, the company that's appearing
14 before you today continues to have warehouses located
15 in California, Texas and Illinois. That basically
16 covered the country. They can ship nation-wide from
17 those warehouses and supply producers all around the
18 country, and that's just one importer, so we don't see
19 any change in a structure that would limit their
20 ability to supply decking as Atlas had in the past.

21 COMMISSIONER PINKERT: Thank you. Now,
22 getting back to the big box retailers, I understood
23 the testimony from Mr. Chamberlin and others that the
24 big box retailers are only part of this market, but
25 I'm wondering does reliance on them as the customer

1 make a domestic producer more vulnerable to price
2 changes because of the length of the contract
3 involved? Can anybody comment on that?

4 MR. ROLLINS: This is Rob Rollins, National
5 Wire. They all tend to have different contracts or
6 arrangements that set price that I can think of. The
7 two largest ones that we deal with, most of the prices
8 not only are they indexed to the steel indices in the
9 *American Metal Market* publication, but it just simply
10 comes down to a monthly auction. They have a thing
11 they call the competitive opportunity discount, which
12 you can submit monthly.

13 You have a base price. Then you have an
14 index number, and then you can do whatever you want
15 with the price every month, and they're going to
16 decide how many stores they're going to give you that
17 month based on what you decide to do with your price,
18 so while there is a contract price, it's indexed, and
19 it's adjustable. I think they really almost have to
20 do that because we're selling cheap steel wire decks,
21 and steel is everything in the cost.

22 When steel gets crazy and volatile like it
23 did in 2008, I mean, when steel goes up 30 cents, if
24 they're not going to give us price relief, we'd be out
25 of business in two months. We couldn't afford to

1 sustain those sort of losses. It's a low-margin,
2 inexpensive sort of product with steel being
3 overwhelmingly the cost driver.

4 MR. MACK: Todd Mack with ITC Manufacturing.
5 If I could add, too? There are no really long-term
6 contracts with the big boxes. Everything's short term
7 at best.

8 COMMISSIONER PINKERT: Any other comments on
9 that issue from the panel? Mr. Chamberlin?

10 MR. CHAMBERLIN: Craig Chamberlin from AWP.
11 Just to followon with what Mr. Rollins said, one of
12 the large boxes that we're a big supplier to is we
13 basically have a 90-day, a three-month agreed upon
14 price, against which we levy the COD, the Competitive
15 Opportunity Discount, and at the end of that 90 days,
16 we get to reset the price again, so we're basically
17 working only with a 90-day fixed-price even though
18 we're in a two- or three-year contract.

19 MR. WAGNER: The other thing I'd like to
20 point out because I'm --

21 COMMISSIONER PINKERT: Mr. Wagner.

22 MR. WAGNER: Yes. I'm sorry. This is Mr.
23 Wagner. The other thing I'd like to point out is that
24 in one of the big boxes, and I'll just kind of leave
25 their name out, you got to realize yes, we were able

1 to put in a quarterly index adjustment for steel
2 prices going up and down, but at the time that we
3 created the contract for this, there was an import
4 pressure from Mighty Lift so that the base price that
5 we put in against that index was so low.

6 That is, some of the material is covered,
7 but the overall margin on the product yes, it goes up,
8 it goes down a little bit, maybe depending on the
9 timing you win a little bit depending on how it's
10 going up or down, but then you'll lose the next time,
11 so the net effect is that base price suppression from
12 the two Chinese imports, regardless of the material
13 escalator has really pushed the prices down on that
14 particular big box's account.

15 COMMISSIONER PINKERT: Thank you. Thank
16 you, Madame Chairman.

17 CHAIRMAN ARANOFF: Just one more question.
18 In my earlier round of questions I was asking about
19 Cargotainer, and there was testimony also about
20 Indiana Wire and other domestic producers that's gone
21 out of operation, and of course a number of you
22 testified that your performance has improved in 2010.
23 One question I have is are we seeing survivor bias,
24 that everything works better when the weak ones fall
25 out of the industry as opposed to a beneficial effect

1 from the filing of these cases and from the temporary
2 relief that went into effect at the beginning of 2010?
3 Is there a way that I can parse that out?

4 MR. CHAMBERLIN: Mr. Chamberlin from AWP.
5 It was mentioned earlier that Cargotainer's volumes
6 were extremely low. The fact that they no longer are
7 present now, Mr. Rollins words were it would not have
8 moved the needle, and I basically agree with that.
9 The improvement in 2010 has primarily been in margins,
10 which is to say that we've had the opportunity now to
11 not have the same Chinese deck prices against which
12 we're being compared and had to match to sell in 2010,
13 so the difference has been a real difference in terms
14 of the former of what Gina said was just lacking that
15 influence down in the marketplace.

16 MR. SELHORST: Yes. This is Tim Selhorst.
17 I'll just add to that. Our performance at J&L has
18 improved in the first part of 2010 because we've
19 successfully sold to distributors that were formerly
20 relying on Chinese importers as I testified. We have
21 not been able to do that to that point.

22 CHAIRMAN ARANOFF: Okay. And just to clean
23 that up for the record, Indiana Wire, the other
24 producer that was referred to that was closed, how was
25 their size? There they a large, medium, small

1 producer?

2 MR. ROLLINS: Robert Rollins. They were a
3 small producer, similar or possibly even smaller than
4 Cargotainer located I believe in Fremont, Indiana.

5 CHAIRMAN ARANOFF: Okay. All right. Well,
6 I appreciate those answers, and I don't have any
7 further questions right now, so let me turn to Vice
8 Chairman Pearson.

9 VICE CHAIRMAN PEARSON: Thank you, Madame
10 Chairman. Ms. Cannon, we've talked a lot about the
11 data. Earlier you had mentioned the importers in the
12 preliminary phase who participated then and haven't
13 participated now in the final. Do you have any
14 thoughts on whether that data from the preliminary
15 could provide some value to us in this final
16 investigation, and if so, how?

17 MS. CANNON: Well, part of the difficulty is
18 that your database stops at first quarter from that
19 data, and so I understand and agree with the staff's
20 reluctance to include it because it would distort
21 trends. It would suggest declines when in fact some
22 of those companies may still remain active in the
23 market, and I don't want to go too far because I don't
24 remember what's confidential and what names are out
25 there.

1 What we've tried to do, Vice Chairman
2 Pearson, is to identify as much as we can specific
3 companies by names, including if they were ones that
4 responded preliminarily and where those companies have
5 come back to U.S. producers to seek volumes or have
6 mentioned to U.S. producers that they were buying
7 imports. We have even some information on that where
8 they told them we were buying X dollar, millions of
9 dollars from imports, and now we're coming to you, so
10 that's the type of information we're trying to provide
11 to fill in those holes.

12 VICE CHAIRMAN PEARSON: Okay. Well, thank
13 you. We probably won't be able to make any more
14 progress on the data issues today.

15 MS. BECK: Vice Chairman Pearson?

16 VICE CHAIRMAN PEARSON: Maybe we will.

17 MS. BECK: One of those three, and again I'm
18 not going to go into the actual name just for
19 confidentiality purposes, but one of those three
20 importers that did import and provided data in a
21 preliminary investigation we have evidence, this is
22 through a trade database, that they did actually
23 import in 2009 since the preliminary investigation.

24 VICE CHAIRMAN PEARSON: Okay. Thank you.
25 Well, I'll be interested to learn whatever more we can

1 in the post-hearing. I think the last question I have
2 is for you, Mr. Rollins. Did National Wire keep its
3 feet dry in the floods, or did you have problems?

4 MR. ROLLINS: Unfortunately, our wire
5 supplier, we're affiliated with a company called Mid-
6 South Wire. It draws a lot of their steel rods off a
7 barge on the Cumberland River, so of course they're
8 adjacent to the Cumberland River, which is usually a
9 benefit, but unfortunately during the flood was quite
10 a negative, and then one of our plants that makes
11 appliance shelving was under water, but fortunately,
12 they're both already up and running.

13 They had a number of employees who lost
14 their homes, they lived around tributaries around the
15 Cumberland, but most of those plants are not you flip
16 a switch and turn it all back on. It's kind of a
17 gradual back and ramp up. The floods are very
18 devastating to national, and I was traveling when it
19 all happened, and I really felt like during that time,
20 you had the terrorist bomb threat in Times Square, and
21 you had the oil spill continuing off on the Gulf, and
22 National suffered something that didn't have more
23 national attention. It's pretty devastating to our
24 area, but thank you for asking.

25 VICE CHAIRMAN PEARSON: You're welcome. I

1 too was focused on the other issues, but I couldn't
2 quite forget about Nashville, so I did want to have
3 this opportunity to ask that. Madame Chairman, I
4 think that concludes my questions.

5 CHAIRMAN ARANOFF: Are there further
6 questions?

7 COMMISSIONER OKUN: No further questions,
8 but I do want to thank all of you for all those
9 responses.

10 COMMISSIONER PINKERT: I do thank the panel
11 and have no further questions.

12 CHAIRMAN ARANOFF: Let me ask whether staff
13 have any questions for this panel?

14 MR. MCCLURE: Jim McClure, Office of
15 Investigations. Chairman Aranoff, staff has no
16 questions.

17 CHAIRMAN ARANOFF: Do Respondents have
18 questions for the witnesses on this panel?

19 MR. MONTALBINE: No, we don't, Madame
20 Chairman.

21 CHAIRMAN ARANOFF: Okay. Thank you. Well,
22 then I do want to thank you again on behalf of all of
23 us this morning's panel for your testimony. We
24 appreciate it very much. We are going to take a lunch
25 break for an hour, come back at 1:15. During that

1 time, please be aware that this room is not secured.
2 Don't leave any confidential information in here.
3 Don't leave anything valuable you hope will be here
4 when you return, and with that, we will recess until
5 1:15.

6 (Whereupon, at 12:15 p.m., the hearing in
7 the above-entitled matter was recessed, to reconvene
8 at 1:15 p.m. this same day, Thursday, May 27, 2010.)

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1 First of all, you heard a lot of testimony
2 today from the domestic producers, and I'm certainly
3 sympathetic to their testimony. The demand in the
4 market has certainly dropped very quickly over a very
5 short period of time, but I think you also have to
6 understand that the statements concerning market share
7 are by nature subjective. It's very hard for one
8 individual market participant in the middle of a
9 declining market to state with certainty or to know
10 with certainty whether they're losing market share to
11 somebody else or whether the entire market is
12 shrinking.

13 I think that's why this exercise here is so
14 beneficial that we have the staff report. The staff
15 collected data from all the participants, and they're
16 able to take a birds-eye view of what's going on with
17 the different pieces, so I think that may be part of
18 the explanation why some of the testimony seems to be
19 a little bit different than the birds-eye view, but
20 when you do look at the birds-eye view, you do look in
21 volumes.

22 From the staff report, you see that actually
23 importers and the Chinese producers behaved quite
24 responsibly throughout the period of investigation. I
25 hope that you have in front of you a copy of Appendix

1 4 from our brief. It's in pink and is the shorter one
2 with only three pages. It's APO material, so I won't
3 be able to discuss the numbers in detail, but only the
4 trends, but what this shows is imports in each year in
5 absolute amounts but also relative to consumption and
6 production.

7 What you see is that imports absolutely are
8 reducing or declining throughout the period, but also
9 they're keeping up with drops in production and drops
10 in consumption, that they're remaining relatively
11 stable in relation to those two factors, which means
12 that as consumption drops, imports are dropping, and
13 then at the end, you see that they decline more
14 dramatically.

15 I think that this shows that the Chinese
16 producers were responding to the decline in demand
17 quite reasonably, quite appropriately. Now, you see
18 some fluctuations in market share, and market share is
19 determined on a little bit different basis. It's not
20 determined on the basis of imports coming in a year,
21 but the U.S. shipments from imports, so there's a
22 little change in inventory that is causing the market
23 shares to fluctuate in any one period, and I think
24 that's what you see in the first quarter of 2009 where
25 Ms. Cannon talked about the surge in imports in the

1 first quarter of 2009.

2 If you actually get behind the data, there
3 was no surge in imports. Actually, imports in 2009
4 were rather small. What you see is a sell-down in
5 inventory that came in the year before that's being
6 sold in the first quarter of 2009, and that fits
7 entirely to when Atlas started drawing down its
8 business and eventually going out of business, so
9 that's exactly what you would expect to find, that
10 inventories are declining during that time, and those
11 inventories are being sold.

12 Now, the other point that's very important
13 is not only do you not see any major shifts in market
14 share, no real volume effects, you also don't see
15 price effects, and this is seen clearly by this chart.
16 This chart is taken entirely from the public version
17 of the pre-hearing staff report, and what this shows
18 the unit net sales value for each year during the
19 period of investigation, that's the top green line,
20 and this is information reported by the Petitioners
21 themselves.

22 This is not anything that the Respondents
23 dreamed up. This is Petitioner data, and the bottom
24 line are the raw material costs, and that is also
25 directly the from the Petitioners, directly from the

1 staff report, and what you'll see is that with the
2 spike that you heard about, the spike in raw material
3 costs was indeed 10 cents per pound according to the
4 data that the Petitioners submitted, and that occurred
5 in 2008.

6 You have a 10-cent increase in the net sales
7 volume, so this spread between what they're earning on
8 their gross sales and what their raw materials cost
9 stays the same, and you see when it drops down the
10 next year, this is the year when the recession is
11 really setting in, they're able to keep this spread,
12 and in fact the spread even increased. The spread
13 between the raw material costs and the net sales value
14 is 23 cents in 2009, which is higher than any other
15 year during the period of investigation.

16 That also shows that there are not only no
17 volume effects, but also no price effects. Now, as
18 far as the coverage that we have for importers and for
19 the producers, Ms. Cannon stated that there were only
20 seven responses to the importer questionnaire. That's
21 a little bit misleading. There were actually 14
22 responses. Seven of those responses stated, "We did
23 not import," so you have 14 responses.

24 The fact that there are so many that
25 responded "no, we did not import during the period of

1 investigation" shows that the names that the
2 Petitioners are suggesting is a rather liberal list of
3 names with many people that do not indeed import.

4 Also, there was talk about the two people or
5 two companies that filed a response in the preliminary
6 investigation and not in the final, the staff report
7 says the they're very small, and when you look at the
8 APO number, you'll see that they really wouldn't
9 impact the data one way or another. As far as the
10 producers, there's no question that we have all the
11 major producers of Chinese wire decking, and that in
12 fact Eastfound, our client, was the major producer.

13 Now, with Eastfound, it's important to note
14 that Eastfound started laying off its workers in
15 October 2008 and closed its factory in February 2009,
16 well before this action was ever filed, so here again
17 you have a Chinese company acting very responsibly,
18 not trying to force supply into a market where demand
19 was shrinking, that they would more rather close their
20 factor not because of any trade action but just
21 because of the economic conditions in the market.

22 You also see this with Atlas, that they as
23 an importer were very responsible. They closed
24 warehouses and laid off people before this trade
25 action was ever brought. In fact, Atlas was in the

1 industry and peacefully co-existed with all the U.S.
2 producers for almost 20 years, and they were invited
3 as the only importer to be part of the Manufacturer's
4 trade association, the RMI, and were also the only
5 importer to get the R-Mark, so they were also a
6 serious company that acted in a very responsible
7 manner, so with that, I would like to turn it over to
8 Mr. Kedaitis.

9 MR. KEDAITIS: Good afternoon. My name is
10 Victor Kedaitis. I am President and CEO of Worldwide
11 Material Handling Products, LLC based in Chicago,
12 Illinois. We are a newly formed distributor of
13 Material Handling and Storage Products. I am here
14 today to testify in opposition to the petitions filed
15 in these investigations. When I appeared before the
16 staff at the conference in June 2009, I was Vice
17 President and General Manager of Atlas Material
18 Handling, Inc. That company ceased operations early
19 in February 2010 terminating all of its remaining
20 employees and selling its remaining assets.

21 Worldwide Material Handling Products has
22 purchased the remaining assets and inventory and
23 assumed lease obligations on two distribution centers.
24 Worldwide has created a totally different business
25 model than that was at Atlas. Worldwide primarily is

1 focused on new and used power rack components,
2 accessories as well as after-market labor and
3 maintenance services for distribution centers.

4 Having been involved in the material
5 handling business for over 27 years, I have an
6 extensive and unique understanding of the industry
7 dynamics and trends. Because of my experience in
8 distribution of material handling equipment, I have a
9 special understanding for the needs of the distributor
10 segment. I have been buying and selling wire mesh
11 decking since 1983.

12 Atlas retained me in the mid-1990s to start
13 their material handling division. At that time, I
14 perceived a need for select national distribution of
15 various material handling products, which included
16 power rack and wire mesh decking. From the outset,
17 Atlas made a strategic decision to focus on selling to
18 distributors and resellers only rather than retail end
19 users, which included the big box expansion that was
20 underway at the time.

21 Our customers, the distributors, made
22 repeated demands for strategic distribution centers,
23 small-quantity and/or custom production of wire decks,
24 and a higher level of engineering support and post-
25 sales service than was currently available in the

1 market at that time. For example, a significant
2 segment of our distributor customers were small mom
3 and pop shops often run by one or two individuals,
4 owner-operators that lacked indoor storage facilities
5 yet expressed interest in stocking wire mesh decking
6 in larger quantities.

7 Domestic decking, either powder coated or
8 pre-fabricated galvanized, would not serve their
9 stocking needs due to weather-related corrosion and
10 deterioration. The only solution was located in China
11 which produces as their standard product a post-
12 fabrication zinc electroplated wire deck. The
13 Commission should not be led astray by Petitioners'
14 assertions that they could procure post-galvanization
15 services.

16 Petitioners' standard production of the wire
17 deck is either a powder-coated or a pre-fabrication
18 galvanized. All other finishes are considered custom
19 applications and very expensive because it is a
20 significant departure from their standard production
21 that must be outsourced. I have here today a few
22 examples and samples to demonstrate that difference
23 between pre- and post-fabrication zinc electroplating.

24 To my left here is an example of a
25 domestically produced pre-fabrication electroplated

1 deck section. This deck was in my inventory here for
2 approximately 30 days and in a dry climate, and you
3 will note that the finish is beginning to dull
4 significantly and rust is forming at all welded joints
5 and intersections. At three months, even in a dry,
6 almost desert climate where it came from, this deck
7 would be unsellable as a new product.

8 In contrast, to the right of it is a sample
9 of a post-fabrication zinc electroplated deck imported
10 from China over six months ago. The finish remains
11 bright. There is no noticeable oxidation or
12 deterioration. This imported deck is much more
13 desirable and beneficial to that stocking distributor
14 segment. I would be more than happy to offer these to
15 the Commission if the Commission would like to retain
16 them as samples.

17 MR. MONTALBINE: If the Commission would
18 like Mr. Kedaitis to come up front and actually show
19 these pieces of deck more close up?

20 CHAIRMAN ARANOFF: You can hand them to the
21 Secretary. The Secretary can take care of bringing
22 them around.

23 MR. MONTALBINE: Okay. Thank you.

24 MR. KEDAITIS: Okay. Then, I'll continue.
25 I'd like to call your attention to the welded

1 intersections, the section joints there. You'll see
2 black oxidation forming. The finish at the time it
3 was manufactured was a very bright, clean, shiny
4 surface, and it's now turning a very dark gray, and in
5 less than a month, it will be near black or very deep
6 dark gray and will begin to produce some surface rust
7 on unprotected spots.

8 Okay. I'll continue. I get the impression
9 from reading Petitioners' public prehearing brief that
10 Atlas only reduced its presence in the market as a
11 result of the Trade case. This is simply untrue. In
12 April of 2008, as Atlas began to feel the effects of
13 the recess, Atlas had to close its San Francisco
14 warehouse. In May of 2008, Atlas was forced to close
15 its Minneapolis sales office. In June of 2008, Atlas
16 closed its Jersey City, New Jersey, warehouse
17 operation.

18 During 2008, Atlas also reduced staff at the
19 remaining locations. The Trade case was filed a year
20 after these substantial cut-backs. By February of
21 2009, still months prior to the filing of these
22 petitions, Atlas' major supplier closed one of its two
23 production facilities in response to a drop in demand.
24 Because the recession extended through 2009, Atlas
25 also closed their Atlanta warehouse that September.

1 By the fourth quarter of 2009, the owners of
2 Atlas, both in their mid-80s, took a hard look at the
3 numbers and realized that the decrease in sales volume
4 due to the drop in U.S. consumption made it impossible
5 for Atlas Material Handling Division to cover its fixed
6 costs. Thus, they determined that it was necessary to
7 focus on their core competency in forklift trucks and
8 other powered material handling equipment, so they
9 terminated all operations of the material handling
10 division and sold off its assets.

11 To sum it up, the Atlas distribution network
12 of wire decks was abandoned by Atlas for reasons
13 directly related to the recession. I plan to add
14 these comments in the confidential portion of our
15 post-hearing brief. Looking forward to the future,
16 Worldwide cannot properly be considered the new Atlas.
17 Rather, Worldwide is a far smaller company with less
18 than half the distribution capability and a fraction
19 of the capital and smaller ambitions as a consequence.

20 Not only is Worldwide a much smaller company
21 than Atlas, its business model is markedly different
22 and more diversified than that of Atlas. Worldwide
23 will be focusing on selling material handling storage
24 products of which wire decks will constitute a
25 minority portion. Atlas is gone based on the personal

1 business decision of its owners, and there is no
2 obvious replacement for Atlas in the marketplace for
3 the like product.

4 In particular, it would be extremely
5 difficult for any Chinese producer to resurrect the
6 Atlas material handling model in the foreseeable
7 future. Worldwide, for its part and based on its
8 means, has no intention of trying. The Atlas model
9 required a tremendous amount of capital and incurred
10 high, fixed costs to establish and maintain the
11 nationwide network that it had pioneered.

12 Having experienced this recession firsthand,
13 I believe, and the record will support, that Atlas and
14 its Chinese supplier took very responsible steps to
15 reduce capacity and marketplace present in direct
16 response to the drop in U.S. consumption. This simply
17 cannot be recharacterized as a cause of injury to the
18 U.S. industry. Thank you for giving me the
19 opportunity to testify. I would be happy to answer
20 any questions that you may have.

21 MR. MONTALBINE: Now I'll turn it over to
22 the President of Economic Consulting Services.

23 MR. MALASHEVICH: Thank you, Mr. Montalbine.
24 Madame Chairman, members of the Commission, good
25 afternoon. I'm Bruce Malashevich, President of

Heritage Reporting Corporation
(202) 628-4888

1 Economic Consulting Services, LLC, and I hope you have
2 the other set of pink paper exhibits in front of you
3 as well as we have two public exhibits that should be
4 in front of you. One is an exact duplicate of the
5 large version of the chart that's up there.

6 I'm going to turn to my colleague, Mr. Cook,
7 to give the affirmative presentation, and then I'll
8 follow up with some rebuttal points and a few
9 concluding remarks. I note that apart from Mr. Cook's
10 many positive attributes, at least one Commissioner
11 will appreciate he was born and raised in the great
12 state of Minnesota.

13 MR. COOK: Thank you, Mr. Malashevich. Good
14 afternoon. My name is Alex Cook. I'm an economist
15 with Economic Consulting Services. This morning
16 you've heard testimony that attempts to pin the blame
17 for the domestic industry's financial difficulties and
18 decline in shipments squarely on subject imports. We
19 have heard arguments for price suppression and an
20 inability to raise prices in the face of increasing
21 costs. We have also heard about the alleged
22 displacement of market share by subject imports.

23 The domestic industry has asserted that
24 their products and subject imports compete head to
25 head leading to alleged lost sales and revenues due to

1 supposedly lower-priced imports. I would like to
2 address these arguments as well as some of the issues
3 raised by Dr. Morrissey in his statement appearing as
4 Exhibit 1 to Nucor's prehearing brief. Both
5 Petitioners' prehearing brief and Dr. Morrissey make
6 the claim that U.S. producers collectively reduced
7 prices between 2007 and 2008 in order to regain market
8 share allegedly lost to imports during the '06, '07
9 period.

10 I think the record is very clear that not
11 only did prices not fall during this period, they
12 actually increase and by more than enough to cover
13 increased costs due to the brief spike in raw material
14 costs in 2008. A review of the pricing data clearly
15 shows no price declines for any of the six pricing
16 products reviewed by the Commission during the 2007 to
17 2008 period. I would ask the Commission to look
18 carefully at the prehearing report Tables 5-1 through
19 5-6 and associated figures for evidence of that.

20 Public data show that overall average unit
21 sales values actually increased by 10 cents per pound
22 during this period from 55 cents to 65 cents per
23 pound. Although per-pound COGs also increased by 12
24 cents from 48 cents to 60 cents, the raw materials
25 component accounted for 10 cents per pound, exactly

1 the amount by which prices were raised. In fact, were
2 it not for certain accounting adjustments detailed on
3 page 6-3 of the prehearing report, per-unit raw
4 materials cost increases would have been even lower.

5 I ask you to turn now to Appendix 7 of the
6 deKieffer & Horgan brief provided in your packet.
7 This appendix shows that without these data
8 adjustments, U.S. industry overall would have remained
9 relatively healthy in 2008, so of the 12-cent increase
10 in COGs, 10 cents can be explained by raw materials,
11 and even this is overstated. The remaining 2-cent per
12 pound increase was due to fixed cost, which by
13 definition increased on a per-unit basis when the
14 industry's volume declined in 2008. Please refer to
15 Tables 6-1 and 6-3 of the prehearing report, public
16 version.

17 Second, the subsequent decline in the
18 industry profitability in 2009 can be traced to the
19 recession, not the subject imports. The domestic
20 industry and imports both suffered declines in
21 shipment volumes as demand contracted during the
22 recession. In fact, overall imports fell even faster
23 than U.S. producer's U.S. shipments in 2009 allowing
24 the U.S. industry to regain market share on a value
25 basis.

1 A standard shift share analysis mentioned
2 earlier and provided as Appendix 15 to the deKieffer &
3 Horgan prehearing brief shows the declines in the
4 domestic industry sales volumes were due purely to the
5 drop off in demand stemming from the recession and its
6 dampening effect on economic activity rather than to
7 subject imports. In terms of substitutability, Dr.
8 Morrissey makes the claim that wire decking is a
9 commodity product.

10 He argues that imports are interchangeable
11 with domestic product and that as a result price is
12 the primary factor in determining purchasing
13 decisions. I would argue that non-price factors set
14 imports apart from decking offered by domestic
15 producers in certain applications. Reliability of
16 supply was named by purchasers ahead of price as the
17 most important factor when making a purchasing
18 decision and quality was named nearly as often.

19 Furthermore, significant qualitative
20 differences exist between domestically-produced decks
21 and Chinese-produced decks as detailed in the
22 deKieffer & Horgan brief. In addition to such
23 qualitative differences between imports and the
24 domestic product, there are major differences in its
25 customer base. One that score, I ask you to turn to

1 Appendix 17 to the deKieffer & Horgan prehearing brief
2 also provided in your confidential packet.

3 This exhibit speaks for itself
4 notwithstanding the untimely and last-minute revisions
5 submitted by Petitioners. The fact is, the domestic
6 producers and importers are like two ships passing in
7 the night with little interaction between them. It
8 also shows the very limited competitive overlap
9 between the top customers of U.S. producers and that
10 of the largest importer.

11 Finally, Petitioners' brief and the
12 Morrissey statement point to market share and the
13 underselling result as evidence of the injury caused
14 by subject imports. In terms of market share, U.S.
15 industry dominated the market throughout the POI with
16 no significant volume effects due to subject imports.
17 I would ask the Commission to look closely at Table 4-
18 4 on this point.

19 It is difficult to argue that changes of
20 this magnitude could have resulted in injury to the
21 domestic industry. Dr. Morrissey relies on the
22 underselling results as further evidence of the injury
23 caused by subject imports. Indications of
24 underselling are mitigated by differences in channels
25 of distribution and other factors as the deKieffer &

1 Horgan brief details on pages 12 to 13.

2 I also found it significant that the alleged
3 underselling did not result in significant shifts
4 towards the supposedly lower-priced imports in
5 relation to total apparent consumption. If these were
6 commodity products competing directly with one another
7 on the basis of price, one would expect to see such a
8 shift. I want to thank the Commission for their time
9 today, and I'm happy to answer any questions you may
10 have. I will now turn it over to my colleague, Mr.
11 Malashevich.

12 MR. MALASHEVICH: Thank you, Mr. Cook. For
13 the record, Bruce Malashevich. I'd like to begin by
14 making a few additional rebuttal points before going
15 into the conclusion of my testimony. I think Mr.
16 Montalbine effectively put to bed the notion that
17 there are all these unreported imports out there that
18 somehow should be sought after and recaptured by the
19 Commission now that the prehearing report is out. As
20 I think many of you know, I've testified before the
21 Commission in numerous occasions over 30 plus years
22 and have the greatest respect for that institution
23 including the research generated by its staff.

24 Perhaps with the exception of the handful of
25 cases that were not contested at all by respondent

1 parties, I cannot think of a single case where the
2 Commission in a final phase investigation relied on
3 petitioners' estimates of subject imports rather than
4 first-rate data generated by the Commission itself
5 using its resources. It would be highly inappropriate
6 I believe to accept theories of alleged activity,
7 sales activity, partial data submitted to the Commerce
8 Department and the other forms of partial and sporadic
9 data that Ms. Cannon suggested could be substituted
10 for the real thing.

11 I make one other observation. I don't think
12 the inclusion of such data if there were imports out
13 there, and they were to be reported, I think it is
14 more likely would hurt Petitioners' case than help it
15 because very unusually in this case we have a huge
16 decline in subject imports whereas generally we see
17 the reverse, so in a declining market I think it's
18 much more plausible that any missing importers
19 actually would steepen the declining trends in subject
20 imports rather than increase it therefore hurting
21 Petitioners' case.

22 I think it is much less plausible that any
23 unreported imports that might be out there would
24 actually help Petitioners' case, so their best off
25 leaving the record as it is. Second point, a lot has

1 been said about the significance of the reported data
2 on import behavior in the first calendar quarter of
3 2009. Once again, I can't think of any final
4 determination where the Commission relied on a single
5 datapoint which by the time of vote day will be one
6 and one-half years old as an indication either of
7 material injury or threatened material injury.

8 Also, consider the other facts associated
9 here. If you're going to consider historical import
10 behavior as a harbinger of things to come in a threat
11 context, the fact of the matter is that they decline
12 steadily including years well before the filing of
13 this case, and they declined not only in absolute
14 terms, but they declined in the Chinese export data,
15 and those data show declines not only in shipments to
16 the United States but also in shipments to the rest of
17 the world associated with the recession.

18 Once again, that declining trend commenced
19 well before this case was filed, and certainly
20 shipments to countries other than the United States
21 could not have been affected by the filing of this
22 case in any such way. I also submit that if you're
23 going to work with historical data as relevant at all
24 to the threat issues considering the substantial
25 decline that occurred here, I think you have to

1 consider who reported that data.

2 That company no longer exists, so even if
3 you saw its somehow meaning in the historical data to
4 be projected forward in a threat context, that company
5 doesn't exist, so that behavior arguably is entirely
6 irrelevant to consideration of threat. You should
7 consider the fact that the new company that bought
8 certain of those assets began operations only on March
9 1 of this year. Our witness from Worldwide didn't
10 have a desk until May 1 of this year. They haven't
11 even begun serious operations, and really it's
12 entirely speculative what form those operations may
13 ultimately take.

14 If you're going to look to threat, look at
15 the indicators you normally look at. Look at the
16 trends in import behavior. Look at inventories. In
17 the deKieffer & Horgan brief and prehearing report,
18 inventories are in control both in the United States
19 and in China. Look at what's happening in China. The
20 capacity utilization rate, the trends, the shutting
21 down of a major exporting factory, the dismantling of
22 a large part of U.S. distribution, I really don't see
23 in all honesty how you could possibly extrapolate that
24 information to translate it into any significant
25 threat to the U.S. industry.

1 Finally, I shouldn't say finally, but
2 another more technical point, there was discussion
3 today about the staff's variance analysis contained in
4 the prehearing report, and I respectfully submit a
5 more proper interpretation of the variance analysis.
6 It's in the deKieffer & Horgan brief. I believe the
7 data are APOs, so I invite you to review that again in
8 that context.

9 Finally, on the issue of the explanation for
10 import activity late in the period there, there's some
11 information of an APO nature that will appear in the
12 deKieffer & Horgan post-hearing brief, and you just
13 have to respect that information is confidential.
14 Please bear with me as I make sure I didn't miss
15 anything. Okay. So now I proceed to my concluding
16 remarks. Thank you for your attention.

17 I began my economic analysis in this final
18 stage by focusing on those major economic issues
19 identified by the Commission itself in the preliminary
20 phase as warranting further exploration, and I might
21 mention at this point that I did not participate in
22 the preliminary phase of this case. In my mind, the
23 first of these major factors was measuring the effects
24 to the recent recession and explaining the domestic
25 industry's changing volume indicators and its

1 financial condition over the POI.

2 The second major issue concerns that of
3 whether the evidence supports Petitioners' claims of
4 price suppression over the same period. I glean from
5 the confidential transcript, and I'll even tell you
6 the pages, pages 45, 47 and 86, and briefs submitted
7 post-conference that price suppression was originally
8 at the heart of Petitioners' argument on price
9 effects. There also was reputed to be an important
10 plank in their theory of the case as testified to this
11 morning.

12 As the Commission is well aware, you
13 rejected Petitioners' claims of price depression in
14 the preliminary phase, so I will not address that
15 topic today. I have to say though rarely have I
16 participated in a case where Petitioners' claims in
17 such major areas, volume, price effects, financials
18 condition, were so compellingly disproved by the
19 record as reflected in staff's prehearing report.
20 This conclusion is strengthened by the questionnaire
21 coverage achieved by staff which in my experience is
22 quite large for a case of this type.

23 My colleague, Mr. Cook, has already offered
24 such detail as is permissible in the APO. At this
25 time, I will offer just two simple suggestions to take

1 into account in making your final determination in
2 this case: One, I strongly recommend that you re-read
3 the deKieffer & Horgan prehearing brief. Using almost
4 exclusively staff's prehearing report, that brief
5 categorically disproves Petitioners' claims in a very
6 comprehensive and thorough manner without reliance on
7 secondary-source information.

8 Second, I urge you to examine once again the
9 line graph shown in counsel's large-scale
10 representation now in front of you as well as
11 reproduced in the pack of ECS public exhibits
12 distributed earlier. Please ask yourselves does this
13 exhibit in any way, any way, support Petitioners'
14 claims of price suppression arising from a change in
15 raw materials costs in relation to price? Then, turn
16 to the second public ECS exhibit distributed today and
17 ask yourselves if there can be any remaining doubt as
18 to the recession's role in explaining changes in the
19 domestic industry's condition over the POI?

20 I trust that the answer ultimately in both
21 cases will be no. It's very interesting. There is
22 one very critical area where I completely agree with
23 Ms. Beck's testimony this morning, Ms. Beck being the
24 Economist for Petitioners, who I've known and greatly
25 respect for many years, but she said something very

1 telling. She said at one point that the prehearing
2 report has to be wrong because it doesn't support our
3 theory.

4 Well, I agree with her that it doesn't
5 support their theory, but if I were you, I'd stick to
6 the facts, and it's the theory that is disproved by
7 the facts. That concludes my testimony. Thank you.
8 I return to the mic to Mr. Montalbine.

9 MR. MONTALBINE: I would like to make one
10 final remark about threat. The Petitioners stated
11 that there are many unnamed Chinese companies out
12 there that at the drop of a hat could start supplying
13 the market, and I would just refer the Commission to
14 the candid testimony of Mr. Mack from ITC. He told
15 the story of when Walmart wanted to start importing
16 wire decking from China that ITC basically had to
17 teach the Chinese over a one-year period how to make
18 wire decking properly.

19 It really is not such an easy process to do,
20 and it takes a long amount of time before any new
21 supplier could at all seriously supply wire decking to
22 the United States. I would also let the Commission
23 know that Mr. Kedaitis during his time at Atlas had
24 direct experience with this and in dealing with
25 Chinese producers and found that's exactly correct

1 because there may be many people who send emails and
2 SMSs to telephones that say they can do something, but
3 they really can't do it to any level of quality that's
4 appropriate for the U.S. market.

5 With that, that concludes our testimony.
6 Thank you for your attention. As a final matter, I
7 would ask that the Commission accept this chart as an
8 exhibit for this hearing. We've already provided
9 copies to the staff and to the Secretary. Thank you
10 very much.

11 CHAIRMAN ARANOFF: Thank you. Welcome again
12 to the afternoon panel. We appreciate your being
13 here. We're going to begin the questioning this
14 afternoon with Commissioner Williamson.

15 COMMISSIONER WILLIAMSON: Thank you, Madame
16 Chairman. I want to express my appreciation to the
17 witnesses for coming this afternoon and presenting
18 their testimony. Let's start with Mr. Kedaitis. The
19 domestic producers this morning testified that in 2008
20 and 2009 distributors increasingly bypassed master
21 distributors such as Atlas and imported subject
22 product themselves. Do you agree with this statement,
23 and can you comment on how large that was if it's
24 true?

25 MR. KEDAITIS: Sure. Vic Kedaitis speaking.

1 I can speak to that in several ways. I will say that
2 there have been a number of distributors who have made
3 the attempt to become an importer, and largely, I will
4 say just respectfully, that kind of duplicate an
5 existing model whether it be Atlas' or someone else's,
6 and I believe a lot of that information is based on
7 trade IQ data, which is really a collection of the
8 data that you'll find on import U.S. Customs documents
9 in a readable form. It's a collection of all that
10 data in that transaction.

11 Many times I have found that when I research
12 that data, and I did it extensively with subscription
13 and staff resource investment is that if a consignee
14 would be either incorrectly listed, the consignee
15 would be the importer in this case, and then it would
16 show a final delivery point, so it's a very easy error
17 to make in that if you see the consignee as a
18 importer, it doesn't necessarily reflect that person
19 is truly an importer because that name could be a
20 freight forwarder, it can be a Customs agent, it could
21 be the actual importer, but I have found that most
22 times it is not.

23 In the case of my experience with Atlas, it
24 was very common for our customers to arrange the
25 freight, the ocean freight. Once they do that, they

1 become listed as a consignee, so they take ownership
2 of that shipment at the port of origin, and then their
3 name would appear as a consignee, also known as the
4 importer, so it's a little misleading, and in all
5 those cases, Atlas would have invoiced that
6 distributor, but his name was on it as an importer.

7 COMMISSIONER WILLIAMSON: And would the
8 shipment be sent directly to the distributor or to the
9 end user?

10 MR. KEDAITIS: Either/or, sir. It would
11 depend on the need and the type of order at the time.
12 It could be a stocking order replenishment if that
13 distributor was a stocking dealer. If it was a non-
14 stocking dealer, it would most likely end up to their
15 end-user customer shipping directly from port to their
16 customer's door.

17 COMMISSIONER WILLIAMSON: The Petitioners
18 testified that a lot of their shipments might say
19 distributor but actually would be shipped directly to
20 the end user. These proportions were the same in
21 terms of the imports, or is that an educated --

22 MR. KEDAITIS: Well, I would agree that the
23 drop-ship concept is a very common concept in our
24 industry, and it's probably the majority of those
25 kinds of transactions. It's a matter of convenience

1 for the distributor, and it's just simply specifying
2 at the time of order to answer the question where do
3 you want this to go? It's like I'll pick it up, or
4 please ship it to XYZ USA, and that's a very common
5 transaction, but it is also dependent on the size of
6 the order as well.

7 For example, it would dependent if you're
8 shipping the product out of a local inventory or it
9 had to be manufactured specifically for that order,
10 and then it's shipped directly from the manufacturing
11 floor to the specified destination, so it depends on
12 the kind of order it is, but a drop ship is common.
13 Now, I haven't answered your other side of that
14 question I think on what portion that may be. I think
15 it's a difficult question to answer because it will be
16 totally dependent on the type of customer that's
17 placing that order.

18 As I mentioned, it could be a stocking
19 dealer, it could be a non-stocking dealer. If it was
20 a power rack manufacturer, as we call it OEM, that
21 would also make cause for different shipping
22 instructions.

23 COMMISSIONER WILLIAMSON: Okay. Thank you
24 for those answers. Mr. Malashevich, how would you
25 characterize the profits of the domestic wire decking

1 industry over the POI compared to other industries in
2 the material handling sector?

3 MR. MALASHEVICH: Honestly, Commissioner, I
4 would like to answer that question, but I have not
5 done a study that compares their experience to the
6 experience of other industries in the same sector, so
7 I'm not prepared to answer that question.

8 COMMISSIONER WILLIAMSON: Okay. Because I
9 think Respondents have characterized domestic
10 industry's profits in 2006 and 2007 as significant,
11 and I was just trying to figure out on what basis
12 you're making that statement, so if you can address it
13 in post-hearings?

14 MR. MALASHEVICH: I'll do that, sir. Thank
15 you.

16 COMMISSIONER WILLIAMSON: Respondents in
17 regard to testimony that the volume of subject imports
18 has declined since the preliminary duties went into
19 effect. I was wondering do you think this is evidence
20 that price is the primary deciding factor in purchases
21 of wire decking, more important than quality? Just
22 anyone on the panel.

23 MR. MALASHEVICH: I'll take a stab at that,
24 and this is Bruce Malashevich, Commissioner. I think
25 we certainly considered that issue, but I don't think

1 you can conclude one way or another because in many
2 cases you do see a drop off in the volume of subject
3 imports when preliminary duties are imposed.

4 In this case, which is not entirely without
5 exception but exceptional, we have imports declining
6 steadily and quite a bit for years before the
7 preliminary duties were put into effect, so I'm not
8 sure you can attribute with any priority the effect of
9 the duties versus the withdrawal of many importers to
10 the U.S. market over a period of years owing to
11 conditions here.

12 COMMISSIONER WILLIAMSON: Okay. Mr.
13 Kedaitis, I think you talked about the particular
14 nature of the Chinese product, the galvanized product.
15 Is demand for that changing? What's happened with
16 that product?

17 MR. KEDAITIS: Well, that distributor subset
18 channel I referred to earlier has always been a small
19 but very important channel for Atlas during the time
20 of importation. Those dealers I would qualify as a
21 stocking dealer. The demand for that kind of stock
22 order replenishment is certainly down. It's a direct
23 function of the decline in demand as well. To stock
24 wire deck, it would require some capital. That's also
25 something that's disappeared from the small business

1 landscape dramatically, so there's a contraction in
2 buying habits and restocking directly due to that
3 decline in demand.

4 I would say yes, the demand for the post-
5 fabricated galvanizing that we enjoyed has certainly
6 decreased substantially.

7 COMMISSIONER WILLIAMSON: Has it decreased
8 in more than the overall demand for the product? Are
9 people shifting away from that other product?

10 MR. KEDAITIS: Just scanning quickly in my
11 head, I would say that it has declined greater because
12 although the number of stocking distributors, it's a
13 small sample of the total distributor universe, as a
14 percentage it's significantly down, and it's almost
15 gone at this point just because of the capital and the
16 requirement to have physical plants to store this kind
17 of equipment, which comes at a cost, and if it's not
18 turning inventory, it puts even greater pressures on
19 those kinds of small distributors.

20 This kind of distributor I will characterize
21 again, if I haven't already, as a mom and pop type of
22 an operation where it could be family owned. It's
23 always owner/operator managed, and there's just
24 limited resources available to those people.

25 COMMISSIONER WILLIAMSON: Okay. Thank you

1 for those answers. My time has expired. Thank you.

2 CHAIRMAN ARANOFF: Commissioner Pinkert.

3 COMMISSIONER PINKERT: Thank you, Madame
4 Chairman, and thank you to the panel for trying to
5 help us understand what is happening with this
6 industry. I want to begin with something that Mr.
7 Malashevich talked about. You talked about the steady
8 decline in subject imports if one looks at it in
9 absolute terms over the last several years. And I'm
10 wondering, do you have any idea when they reached a
11 peak in the U.S. market, and how long it took for the
12 subject imports to reach that peak?

13 MR. MALASHEVICH: Of course, I only have
14 data for the POI. Within the POI, the peak was 2007.
15 And if I heard Petitioner's testimony correctly
16 earlier, the Chinese began entering in the early
17 2000s, I believe was the testimony, 2001 and 2002.
18 I'm going from memory. But using that as a base, if
19 you choose to, five years.

20 COMMISSIONER PINKERT: If you can find
21 anything in the post-hearing that might nail that
22 period down a little bit more, that would be helpful.

23 MR. MALASHEVICH: I'll try my best.

24 COMMISSIONER PINKERT: Thank you. Now you
25 heard my questions earlier in the day about COGs to

1 sales. And in particular, I was focused on that
2 period from 2007 to 2008, which I said some might
3 characterize as a period in which there were rising
4 prices in the context of falling demand, albeit
5 perhaps not falling as steeply as at other times, but
6 still falling demand. And I'm wondering how I should
7 wrap my arms around the question of price suppression
8 during that limited period, from 2007 to 2008. And is
9 U.S. demand elasticity relevant to my analysis of that
10 issue?

11 MR. MALASHEVICH: Technically, it is
12 relevant. I have to give some more thought as to how
13 it would be applied in that particular context. But I
14 would also note that, of course, referring to this,
15 whether you look at 2007, 2008, and 2009, there was no
16 price suppression. And that is true both with respect
17 to price versus raw materials and with respect to
18 operating margins over the POI, which is the subject
19 of a separate APO exhibit in the deKieffer & Horgan
20 brief.

21 I would note, though, I think its relevance
22 here is that to the extent the Commission is inclined
23 to look at correlation, the early years of the POI was
24 when imports were at their -- approaching and reached
25 their peak, and the domestic industry's condition was

1 just quite nice. And the condition worsened, but
2 imports also declined, as my colleague said, at a
3 faster rate than did domestic shipments.

4 So whatever year you look at, I just don't
5 understand where the price stacks come from.

6 COMMISSIONER PINKERT: Thank you. I
7 appreciate that you're going to look into this for the
8 post-hearing. I want to add one other question to
9 that, which is you talked about price suppression not
10 being in evidence during the period under examination.
11 But what do I do with the overall increase in the COGs
12 to sales ratio during the period 2006 to 2009?

13 MR. MALASHEVICH: Well, if the ratio
14 increases, that's another indication of non-price
15 suppression. Perhaps I didn't understand your
16 question.

17 COMMISSIONER PINKERT: The costs being
18 closer to the prices.

19 MR. MALASHEVICH: But they didn't. That's
20 why I guess I'm a little confused. And it's not only
21 with the evidence of this chart with respect to raw
22 materials, but the confidential exhibit in the
23 deKieffer & Horgan brief that takes on the percentage
24 margins as opposed to the spread between price and raw
25 materials.

1 MR. MONTALBINE: If I could comment on that,
2 as Mr. Cook stated in his testimony, the problem with
3 the COGs are the fixed costs. The fixed costs
4 absolutely are not rising. They don't have a problem
5 with costs going up. But because they are dividing
6 those fixed costs over a smaller volume, then on a per
7 unit basis those fixed costs are going up.

8 So that's nothing to do with import price
9 suppression. That has to do with the total decline in
10 demand. They're just able to sell fewer, and that's
11 this whole idea with the shifts here. Even if you
12 hold their market share constant at the highest level
13 that it was, they're still having the problem in 2009
14 because the total volume is just smaller.

15 MR. MALASHEVICH: Forgive me, Commissioner.
16 I now understand your question. And Mr. Montalbine is
17 right. The fact of the matter is that there are two
18 separate tables in the prehearing report that break
19 down the profit and loss in different ways. They have
20 to be combined in order to get to the full effect
21 because one does not break out fixed costs. It just
22 has total COGs. The other breaks out fixed costs.

23 So we did the analysis testing where if you
24 assume the recession didn't happen, and the domestic
25 industry got all of the missing volume consistent with

1 the share they already held, then through the effect
2 on fixed costs, the recession accounted for
3 100 percent of the financial damage owing to that
4 effect. There is literally no room for attribution to
5 subject imports.

6 COMMISSIONER PINKERT: Thank you. Now
7 turning to Mr. Kedaitis, you heard the testimony
8 earlier in the day, and I heard your testimony about
9 the activities of Worldwide. But I'm wondering, do
10 you have warehouses that could in fact handle an
11 increase in imports from China of the subject
12 merchandise?

13 MR. KEDAITIS: I currently have -- we just
14 acquired a location here for office spaces, as
15 Mr. Montalbine was mentioning earlier. We have
16 warehouse space, and I have a dedicated facility in
17 California. These are all assumed locations. The two
18 are assumed locations. We certainly need an office to
19 operate out of the primary sales location of Chicago.

20 So the answer to your question is yes, I
21 have warehouse space. But it is dedicated to a pallet
22 rack and repair equipment services, which already has
23 become a significant center point of our new
24 operation, and my sales staff has been reallocated to
25 that end already.

1 So my quick answer is yes, I have warehouse
2 space. We have many other non-subject products as
3 well, so my need for having space is always going to
4 be in my model. It's a fundamental part of it, and it
5 is absolutely necessary to serve the customers that we
6 have become accustomed to.

7 COMMISSIONER PINKERT: Thank you. I want to
8 jump down to the threat issue that I believe
9 Mr. Montalbine alluded to at the end of his testimony.
10 And what I want to ask you is do we have a grip -- do
11 we have a good, accurate understanding of Chinese
12 capacity? And how does the answer to that question
13 relate to the specter of a wave of subject imports
14 that was raised by the Petitioner's testimony?

15 MR. MONTALBINE: I think the information
16 collected in the prehearing staff report definitely
17 sets that out and gives a very good idea of the
18 Chinese capacity for the vast majority of producers.
19 And also, it is just not the staff report. You also
20 have the historical information about what has
21 actually happened. Here, you have Eastfound, the
22 biggest producer, closing one of their two factories
23 way before this case ever came.

24 So I think that's the best evidence that if
25 the case was never here, they would revert back to

1 what they were doing before. And what they did before
2 was close down factories to match the drop in demand
3 in the U.S.

4 COMMISSIONER PINKERT: Perhaps this is
5 something that you can comment on in the post-hearing,
6 but I'll give you a chance to comment on it here. Are
7 the capacity utilization numbers that are reflected in
8 the staff report indicative of an accurate
9 understanding of Chinese capacity?

10 MR. MONTALBINE: Mr. Malashevich has
11 prepared something on that.

12 MR. MALASHEVICH: Commissioner Pinkert, it's
13 in the deKieffer & Horgan brief. But for purposes of
14 answering your question, there a couple of things I
15 need to say about that. I played no role personally
16 in preparing the questionnaire responses. But over
17 the years, I have seen rates of capacity utilization
18 in similar magnitude, often reported in other cases
19 for a perfectly valid reason.

20 For example, average capacity reflects an
21 average of that producer's product mix throughout the
22 POI. Thus, in any one year, or any series of years,
23 production might be higher than average capacity that
24 is imported. That is particularly true if you have a
25 situation where the industry is in decline, as we see

1 in the statistics in the prehearing report. So you're
2 comparing a declining trend against the fixed level of
3 average capacity.

4 There also could be a change in the
5 producer's product mix. There are many occasions
6 where I have had occasion to advise foreign producers
7 in preparing their questionnaires, and it can be a
8 tricky business if there were changes in production
9 technology or there were changes in the mix of subject
10 versus non-subject products, or even within subject
11 products. And I'll give you a good example.

12 In one particular case, it involved a -- I
13 hesitate to use the word "steel" product, but there
14 was a mill that had a wide variety of SKUs, individual
15 products. But as you move along the curve, the more
16 advanced products required a lot more machine time
17 than the less advanced products. And there was an
18 increase in demand for the more advanced products,
19 which means when you average capacity, it declined,
20 not because they necessarily took out a line, but
21 because the products may change how a processing time
22 is used.

23 So fewer tons could be produced in that
24 period than in previous periods. And I've seen the
25 same phenomenon work the other way, where capacity

1 expands because demand moves in favor of those
2 products, requiring less processing time.

3 Just to conclude on that point, you have the
4 treatment of down time for maintenance. You can have
5 unscheduled maintenance. You can have annual leave
6 canceled or defer scheduled maintenance if demand
7 conditions require. And it all demands upon supply
8 demands placed on a given producer. Production could
9 well surpass capacity if maintenance or either idle
10 time were deferred in order to expedite production.

11 These are only examples. But I think if you
12 were to look at past ITC cases, capacity utilization
13 of the magnitude reported in this case are not at all
14 unusual.

15 COMMISSIONER PINKERT: Thank you. Thank
16 you, Madame Chairman, for your indulgence.

17 CHAIRMAN ARANOFF: Mr. Kedaitis, you
18 testified that -- I don't know if you said the major
19 or just one of Atlas's focuses of its business was on
20 the stocking dealer. Can you tell me about what
21 percentages of -- yes, go ahead -- consumption of
22 decking passes through stocking dealers? I mean, are
23 they, you know, 50 percent of the market, 25 percent
24 of the market, 1 percent of the market?

25 MR. KEDAITIS: Sure, sure. I understand.

1 It is a little difficult just because we don't always
2 know -- well, we almost never know where the end --
3 the final product ends up. Once a distributor puts it
4 in stock, he is free to sell it to anybody. And that
5 includes outside of the U.S. as well. So I'm going to
6 take a very wide stab, and I would say it is probably
7 in a 15 to maybe 20 percent of the high end range that
8 is consumed, processed through a stocking distributor.
9 And I'd be referring to the POI specifically. I think
10 that number is very, very different right now.

11 CHAIRMAN ARANOFF: Okay. And among stocking
12 distributors who you said might have passing through
13 their hands 15 or 20 percent, or did prior to the
14 recession have passing through their hands 15 to
15 20 percent, just the supply that is out there in the
16 market, how many of them are storing the product
17 outside or non-climate controlled sort of conditions?

18 MR. KEDAITIS: Well, I would speak only from
19 my knowledge of what I have experienced, of course. I
20 would say of that 15 or 20 percent, half would have
21 some limited storage capacity to where they would be
22 required to stock it outside or partially sheltered,
23 or would have some kind of environmental concern about
24 where their inventory was being placed.

25 CHAIRMAN ARANOFF: Okay. And those are the

1 people who you had testified feel the need to carry
2 the post-galvanized product because that can stand up
3 under all of these climate conditions.

4 MR. KEDAITIS: Yes, that's correct. That 50
5 percent would literally insist on that kind of a
6 finish to protect their investment in inventory in the
7 event that it did not turn as quickly as they'd like
8 to. And it was a fundamental part of their decision
9 to stock wire deck.

10 CHAIRMAN ARANOFF: Okay. Now after the
11 distributor level, at the user level, the domestic
12 producers have testified that end users who require,
13 you know, galvanized posts, galvanized decking so that
14 they can use it either in, you know, refrigeration in
15 outdoor gardening type applications, is only about
16 5 percent of U.S. demand. Would you agree with that
17 assessment?

18 MR. KEDAITIS: Yeah. I would be a little
19 hesitate to come to a quick answer because that
20 5 percent refers to the big box stores, those garden
21 centers or home improvement centers that Atlas never
22 sold to. It was never a component in their model or
23 channel ever, not a single time in all those years.
24 But I will say it's probably greater than 5 percent
25 because that expansion was so significant over a 10-

1 year period. There are literally -- you know, any one
2 of those big box names could have built 2,000 stores
3 in a year. The magnitude was staggering. And there
4 also was a shift in that period where they demand a
5 very certain type of finish for those garden centers
6 and outdoor applications, not only for the
7 environmental corrosion, but also as a safety measure
8 to protect from fertilizer corrosion, chemical spills.
9 It was a retail point-of-sale environment, so the
10 safety factor was monumental.

11 CHAIRMAN ARANOFF: Okay. But what I'm
12 trying to kind of figure out here is at the end-user
13 level, you have got this limited part of the market,
14 domestic industry side, which as you say may be more
15 than 5 percent, but in any event, some limited part of
16 the market that leaves the galvanized product, because
17 of the conditions in which they're using it. Then at
18 this higher level of distribution, you're describing
19 these distributors who they need it for their own
20 purposes because they can't keep other decks under
21 conditions that would preserve its quality. But
22 they're not necessarily selling the deck that they
23 have to customers who need it to be galvanized.

24 MR. KEDAITIS: That's absolutely correct,
25 yes. And I think the distinction on the two different

1 types of galvanization in play here -- we -- as we
2 said, it's an electroplated process attached to our
3 wire deck. And you are correct that that could be
4 sold with the need for the galvanizing, but the end
5 user may not have it. It's irrelevant at that final
6 stage.

7 However, the 5 percent pay for the outdoor
8 markets and the big boxes, that is in my knowledge
9 almost exclusively or always exclusively a hot-dip
10 process, which is several significant levels above the
11 electroplated process because of the significantly
12 harsher applications, the corrosives that are attached
13 to it.

14 So I want to be very clear that the small
15 stocking distributor would never want to stock a hot-
16 dipped product. It would be cost-prohibitive, usually
17 a magnitude of two, or two times the cost. They would
18 never recover those costs when they sold it out of
19 their inventory. So the post-galvanization, post-
20 fabricated galvanization, became a very attractive
21 alternative for them to protect it without additional
22 costs and yet avoid that excessively high cost of the
23 very custom hot-dip process.

24 CHAIRMAN ARANOFF: Well, let me explore that
25 a little bit more because this is in fact a product

1 which has this added feature that the stocking
2 distributor wants, but not necessarily his customer.
3 Why isn't that product selling at a premium compared
4 to domestically products that is painted? I mean,
5 unless you disagree with me, our data don't show that
6 it is selling at a premium.

7 MR. KEDAITIS: No. In the case of my
8 experience with Atlas, there was no additional cost
9 associated with Atlas buying the products, and
10 therefore it was sold as a choice. Atlas provided
11 both this galvanizing product and a polycoat choice.
12 It was simply a value-added benefit feature to the
13 customers that Atlas sold to, to say you can choose A
14 or B, and it's your choice for no change in cost.
15 There was no additional cost for Atlas to do either
16 one, and that's how it was marketed in terms of the
17 market.

18 CHAIRMAN ARANOFF: But if you asked a
19 domestic producer to provide that same finish, there
20 would have been an additional cost.

21 MR. KEDAITIS: Yes, there would be. If I
22 were to ask the domestic producers to provide a post-
23 fabricated galvanized finish, there would have been an
24 additional charge. It probably would have ended up as
25 a hot dip, which is a different animal, and not

1 something that was demanded from us. And it was a
2 departure from the domestic norm of a powder-coated,
3 flash-painted, or in this case of the sample, the pre-
4 fabricated galvanized finish. So we did not have that
5 choice. Atlas did not have that choice to make that
6 request. It was just not available.

7 CHAIRMAN ARANOFF: Nobody in the United
8 States can perform galvanizing the way that it is
9 performed in China, as opposed to going through the
10 hot-dip process?

11 MR. KEDAITIS: Well, they can, but there
12 would be a significant cost associated to provide
13 that. That would be a non-standard finish for the
14 domestic product. The application would be non-
15 standard, outsourced, a disruption to their normal
16 manufacturing process, as I understand it.

17 CHAIRMAN ARANOFF: Okay. Since my light
18 just turned yellow, and since I'm going to turn to an
19 entirely different subject matter, I think I'm going
20 to wait until the next round, and turn to Vice
21 Chairman Pearson.

22 VICE CHAIRMAN PEARSON: Thank you, Madame
23 Chairman. Mr. Kedaitis, as a practical matter, is
24 part of what you're saying is that the Chinese wire
25 decking requires a superior corrosion-resistant finish

1 just to have it still look good in the United States
2 following ocean shipment? Or is that not part of your
3 argument?

4 MR. KEDAITIS: No. I want to make sure I'm
5 very clear. I'm not saying it requires that it is
6 superior. The Chinese industry offers it standard.
7 This galvanized finish is a standard finish with no
8 additional costs associated to it to Atlas an
9 importer. So it was an easy value added to accept
10 what is their standard and not just disrupt any kind
11 of a production process and just simply accept what is
12 standard, and it happened to be the galvanized finish.
13 And then as that evolved -- then the powder-coat
14 finish, because there was some segment that asked for
15 a powder coat, or maybe was accustomed to it just for
16 maybe a bunch of different reasons. And we began to
17 offer that as a choice.

18 So it was requested from our customers, an A
19 or a B. We responded in kind, and those that had a
20 preference were able to take advantage of it.

21 VICE CHAIRMAN PEARSON: Okay. But in your
22 experience, you were able to bring either type of
23 coated product into the United States and have it look
24 good and be acceptable to the consumer.

25 MR. KEDAITIS: Yes. The consumer had a

1 choice, and there was a very distinct group that
2 preferred the galvanized almost exclusively, to the
3 point where if there was nothing specified, and a
4 powder-coat finish had shipped when the customer
5 expected a galvanized, just from previous buying
6 experiences, it was always a phone call. Why did I
7 get this and not that, what happened, was the
8 response. So it became a component of the model that
9 offered choices, and a good quality finish in both
10 applications.

11 VICE CHAIRMAN PEARSON: Okay. We deal with
12 some ferrous products in which the potential for
13 oxidization during ocean shipment is an issue, and so
14 the finish that goes onto the product before it's
15 shipped is important. But I think I'm hearing you
16 correctly to say that any of the decent -- any of the
17 finishes available, well-done, in China would come
18 into the United States and be in decent shape.

19 MR. KEDAITIS: Yes, yeah. There was no --
20 the transportation did not demand anything special in
21 its finish. Maybe I'm looking at it now differently
22 in your question, yeah. It did not a special finish
23 just to make the journey from China to the U.S.

24 VICE CHAIRMAN PEARSON: Okay. Thank you.
25 you discussed hot-dipped galvanized wire decking that

1 would be used for the outdoor garden centers, that
2 sort of thing. In your experience, is that product
3 more likely to be produced in the United States or in
4 China?

5 MR. KEDAITIS: In my experience, it is more
6 likely to be produced in the United States. Atlas as
7 an importer never experienced a request or a need or a
8 demand to purchase and to provide a hot-dipped
9 product. As a matter of fact, if someone asked me
10 today, I probably wouldn't know where to get that in
11 China. I don't have any experience with that finish
12 from a Chinese producer.

13 VICE CHAIRMAN PEARSON: So then as a
14 practical matter, that segment of the market, the
15 5 percent or whatever it is, is one where when you
16 were with Atlas, you just didn't compete for that
17 segment.

18 MR. KEDAITIS: That is correct.

19 VICE CHAIRMAN PEARSON: Okay. You mentioned
20 in your statement the time frame in which Atlas began
21 to feel the effects of the recession, and then how it
22 dealt with it in stages. Could you go back and
23 revisit that for me? When did Atlas first feel the
24 effects of the recession?

25 MR. KEDAITIS: Generally, there was -- you

1 know, in early 2008, I would -- you know, again, we're
2 going back a couple of years. And there were a number
3 of dimensions in play. And in early 2008, there was
4 serious discussion about responding to the decrease in
5 demand and the first line of defense there, which is
6 simply cut the number of distribution centers and any
7 related staff. And for the most part of 2008, that's
8 exactly what I was asked to do, is to just downsize.
9 And quarter by quarter, even month by month, there
10 were reductions in overhead associated with the
11 distribution centers.

12 VICE CHAIRMAN PEARSON: And what were the
13 changes in your customer base that were leading to
14 that reduction in demand or reduction in expected
15 orders, whatever would have led Atlas to start dealing
16 with those issues?

17 MR. KEDAITIS: Well, a number of things.
18 Our OEM channel, which would have been the sales to
19 the pallet rack manufacturers, that took a marked
20 decrease, although those kinds of shipments would
21 typically come directly from the factory and ship
22 direct. The inventory turns dramatically were
23 extended so that the turnover rate inside what we had
24 in the distribution centers extended very, very
25 quickly. And that certainly caused a significant

1 crunch in cash, and then consolidation of inventory
2 began to take place, and trying to leverage things
3 like, you know, maybe freight shipments and
4 consolidation of shipments to offset some of those
5 regional demands that we had.

6 So there are a few answers to that question,
7 and the primary channel, our distribution channel, we
8 saw things like the stocking dealers that were
9 traditionally stocking, whether they pulled from
10 inventory or from factory direct, the frequency of
11 those decreased very quickly. The payments were
12 extended dramatically. There was again a cash crunch,
13 which was hurting our ability to replenish our
14 inventory. And the size of the order leaving the
15 facilities decreased dramatically as well. The number
16 of pieces or the average dollar amount of our invoices
17 were decreasing dramatically.

18 VICE CHAIRMAN PEARSON: Did you see
19 customers that previously had been opening more new
20 stores or more new warehouses reduce their plans for
21 new facilities? Or was the decline on the renewing
22 existing facilities side of the ledger?

23 MR. KEDAITIS: To the extent that we were
24 aware, we did not always know where the final product
25 went, of course. There was a definitely a trend in

1 anybody's expansion plans to be either completely
2 cancelled or severely cut back. We saw a significant
3 pullback in the residential supply industry, which was
4 plumbing and fixtures and housewares of sorts. Those
5 large distribution providers -- the plumbing suppliers
6 specifically, I remember, were at a big expansion, and
7 then suddenly it just stopped, and to the point where
8 there were actually some orders that were cancelled
9 that were in queue for expected expansion that never
10 materialized. So my answer is yes, there were a lot
11 of signs.

12 VICE CHAIRMAN PEARSON: Many of us think of
13 the recession as starting roughly in September of
14 2008, with the collapse of Lehman. Mr. Malashevich,
15 Mr. Cook, perhaps for the purposes of the post-hearing
16 -- and you may know off the top of your heads -- when
17 did the recession formally start? And is there any
18 corroborating evidence that could be produced for
19 purposes of the post-hearing that would show an
20 inflection point at which the growth that we had seen
21 in the big box stores, for instance, or opening
22 stores, where that shifted so that their plans would
23 have had a lower requirement for wire decking?

24 MR. MALASHEVICH: Commissioner -- or Vice
25 Chairman, I should say, forgive me -- I don't want

1 to --

2 VICE CHAIRMAN PEARSON: I answer to
3 anything, including often, hey you.

4 MR. MALASHEVICH: Just like I'd like for
5 everybody to call me simply Bruce. But I don't to
6 shoot from the hip on a question like that, in part
7 because there is, of course, the official point where
8 the recession was declared for the general economy.
9 But for some sectors, it began much earlier, including
10 in particular, of course, the housing sector kind of
11 declined in two steps, so to speak. And that began
12 before the general recession was declared to have
13 occurred. But in terms of the corroborating evidence,
14 I'd have to go back to the shop and figure that out.
15 Thank you.

16 VICE CHAIRMAN PEARSON: Okay. Well, I'd
17 appreciate that because you can see how that would
18 help to put into context the time line that
19 Mr. Kedaitis has elaborated. Madame Chairman, my time
20 has expired. Thank you.

21 CHAIRMAN ARANOFF: Pretty close this time.
22 Commissioner Okun.

23 COMMISSIONER OKUN: Thank you, Madame
24 Chairman. I join my colleagues in welcoming the
25 afternoon panel. I appreciate your being here,

1 providing information, and answering our questions.

2 Just let me return a little bit on the
3 question -- or the issue that the Vice Chairman was
4 raising with respect to the recession impacting. What
5 I think I heard from the panel this morning was they
6 see the driver for this product as being non-
7 residential construction, and that in fact that lags
8 the general recession by some time. And I think I
9 wrote down that they were saying '09 is when they
10 really saw it impacting their business.

11 So I guess first, Mr. Kedaitis, I would ask
12 you whether you would agree or disagree on the driver
13 being primarily non-residential construction for the
14 product, and then maybe Mr. Malashevich as well, to
15 just respond to what was -- maybe add information
16 post-hearing on non-residential construction demand.

17 MR. MALASHEVICH: Sure. We'll look into it.

18 COMMISSIONER OKUN: Mr. Kedaitis, go ahead.

19 MR. KEDAITIS: I'm sorry. Vic Kedaitis.

20 Yeah, I disagree that the primary driver here for the
21 consumption of wire deck is based on non-residential
22 construction. From where we distributed to and what
23 we knew of our distributor base, certainly new
24 construction played a part, but not an exclusive part.
25 And by that I mean that there was a lot of certainly

1 existing vacancy of large, speculated and even
2 warehousing that was managed by third-party logistics
3 houses, and they respond to whatever their contracts
4 requirements may be, so there is a lot of
5 reconfiguration going on. And the age or the building
6 to me was not a relevant factor. The expansion -- the
7 non-residential expansion would largely refer to the
8 retail expansion that was occurring again by the big
9 boxes -- I keep on going back to that, the retail
10 commercial sector -- whereas our industrial base,
11 where our decks ended up, were offsite warehousing
12 that serves maybe automotive after-market sectors. It
13 serves, you know, distribution points for shoes or --
14 I mean, it was all non-retail applications, I guess is
15 what I'm trying to say.

16 So we weren't subject to a non-residential,
17 commercial construction index. I think, as a matter
18 of fact, it was a matter the consumers downstream's
19 buying habits that we sell to. So if it didn't need
20 distribution, if it didn't have to end up in a retail
21 store, then our product wouldn't have been needed in
22 these central distribution points.

23 So my preferred index is more of a consumer
24 growth segment, or whether it would be pharmaceuticals
25 or -- for example, there is a surgeon in our business

1 in book distribution at the university level. And
2 that has a different dynamic of an increase in people
3 going back to school, for example. It has nothing to
4 do with whether they are buying a lawn mower that day.
5 It's just a downstream effect of market dynamics.

6 COMMISSIONER OKUN: Okay. I appreciate
7 those comments. Perhaps Mr. Malashevich and
8 Mr. Montalbine can sort of post-hearing, since there
9 does seem to be disagreement -- difference of opinion,
10 I should say, on the recession or the impacts and when
11 it may have started. If there is anything you can
12 provide post-hearing to support Mr. Kedaitis's view of
13 the timing, that would be helpful. And, Mr. Kedaitis,
14 I don't know if there would be any contemporaneous
15 business documents that you might have had explaining
16 the decision of Atlas to respond to decreased demand
17 and start leaving the market in the time period that
18 you referenced, if there is anything that you could
19 submit, confidentially of course.

20 MR. KEDAITIS: Yes. I'd be glad to submit
21 anything, and a total submission on the post-hearing.

22 COMMISSIONER OKUN: Okay. I appreciate
23 that. Then I guess I'll start with you,
24 Mr. Montalbine, and, Mr. Malashevich, you may want to
25 comment on this as well. The Petitioners have spent

1 some time talking about what happened in '09, and
2 linking that to establishing a causal nexus for why
3 subject imports were a cause of material injury,
4 because when the preliminary order goes into effect,
5 as they testified, they had customers who they had
6 lost before, customers they didn't have come back and
7 start purchasing from them. And then there was
8 evidence that there were people they could have sold
9 but for the presence of the subject imports. I'm
10 paraphrasing their argument. But I wanted you to
11 respond to that, of how we should evaluate what
12 happened post-petition with respect customers and any
13 other information that Petitioners talked about this
14 morning.

15 MR. MONTALBINE: As far as post-petition
16 changes, especially when we talk about post-
17 preliminary determination from Commerce, I think they
18 have little probative value because it is just a
19 preliminary determination. It's a duty that
20 oftentimes is much higher than the final duty, but in
21 all cases, it is just temporary. And any prudent
22 business person dealing in any type of industry would
23 want to wait a certain amount of time to see how
24 things occur, what becomes final, what is at the end
25 of the day the different parameters that I need to

1 deal with.

2 So I think that that has very little
3 probative value. And what has more probative value is
4 what sort of behavior was done before the petition was
5 even filed. And here again, we have Atlas drawing
6 down their warehouses, drawing down staff, before
7 anything like that happens. We have Eastfound closing
8 a factory.

9 So I think that has a lot of probative
10 weight. But once the action is filed, once there is a
11 preliminary determination, it sort of artificially
12 upsets everything, and also in this temporary,
13 preliminary way so that I'm not sure it indicates any
14 real market-driven behavior of what is going on.

15 COMMISSIONER OKUN: Okay. So I'd make the
16 same request to you that I made of Ms. Cannon this
17 morning, which is if for purposes of post-hearing we
18 can look at court decisions to see if there is
19 anything that the Commission should look to, because
20 there have been a number of cases -- I know Ms. Cannon
21 has cited Matchbooks. There have been others where
22 the Commission has looked at evaluating what has
23 happened, particularly in 2009, time to go through an
24 attribution analysis, and see if there is anything
25 that either historical or other cases have to say on

1 that. I'd appreciate it.

2 And I'm not sure, Mr. Kedaitis, how much you
3 can say about questions about Eastfound and its
4 future, or how much you know about the Chinese
5 industry given your previous experience. So I'll ask
6 questions, and to the extent you can answer them,
7 please do. And if either Mr. Malashevich or
8 Mr. Montalbine have information that they can provide
9 in addition, that would be helpful.

10 One is there has been a discussion about the
11 factory that closed. The status of that -- I'm not
12 sure there is any information on the record indicating
13 whether -- is it permanent closure, were things sold
14 off, or is it something that can begin again?

15 MR. MONTALBINE: We can certainly get
16 information on that for the post-hearing brief. They
17 are our client, and we can contact them and get them
18 to submit information on that for the post-hearing.

19 COMMISSIONER OKUN: Okay. I appreciate
20 that. And then with respect to other markets, where
21 the Chinese manufacturers sell, is there any more
22 information about where those other markets are, and
23 how those markets are doing? I mean, as I understand
24 it, not a place where there is a home market in China,
25 and if there is other information that you're aware

1 of, let me know that as well.

2 MR. MONTALBINE: Obviously, there are the
3 questionnaire responses, and that is listed in the
4 questionnaire responses. We could also talk to our
5 client Eastfound and maybe provide a little bit more
6 detail on what is in the questionnaire response, if
7 that would be helpful.

8 COMMISSIONER OKUN: Well, I think it would
9 be helpful. I mean, as you know, we are looking at
10 the threat factors, you know. Understanding where
11 they have other markets when it is primarily exported,
12 heavily exported-oriented industry I think would be
13 helpful to the argument that you make with respect to
14 threat.

15 My time is about to expire. I was going to
16 turn to a few more that might take a little bit longer
17 to answer, so I'll come back to it if my colleagues
18 don't cover it. Thank you for those responses.

19 CHAIRMAN ARANOFF: Commissioner Williamson?

20 COMMISSIONER WILLIAMSON: Thank you, Madame
21 Chairman. In responding to Commissioner Okun's
22 request about cases and how do we evaluate the post-
23 petition effects, could you also respond to the
24 question about where the Commission has found in the
25 past that we had subject imports and domestic product,

1 and there was underselling and confirmed lost sales
2 and lost revenues -- you know, we made a finding of
3 price suppression. And why shouldn't we do the same
4 thing in this case? So, you know, citing those cases,
5 including Matchbooks, just that question.

6 MR. MONTALBINE: Okay. We'll do that.

7 COMMISSIONER WILLIAMSON: You have argued
8 that losses to domestic producers were due to
9 increases in factories overhead and SC&A expenses as
10 consumption declined. Does it make any difference why
11 costs increased if competition for subject imports
12 kept domestic producers from raising prices to cover
13 increases?

14 MR. MONTALBINE: Well, what we're trying to
15 show from this chart is that imports did not prevent
16 them from raising prices. They most definitely could
17 raise prices to cover their variable costs of raw
18 materials. The problem is when you get into fixed
19 costs, it is not a question that the costs, like the
20 SC&A itself in absolute terms is going up. It's the
21 problem that those costs need to be divided over less
22 volume of sales.

23 So it's almost possible to raise prices
24 enough as demand is going down to cover the volume
25 loss. And that's the dilemma they're in. It's not

1 because of imports; it's simply because they are not
2 able to sell as much because demand has dropped to
3 such a certain extent. And so only the per unit fixed
4 costs are increasing. The absolute fixed costs are
5 not increasing.

6 COMMISSIONER WILLIAMSON: Okay. And would
7 that apply -- what about the period before the recess,
8 say the 2007-2008 period?

9 MR. MONTALBINE: That's exactly right.
10 Before the recession, what you see is they are able to
11 cover it because the volume is higher. When the
12 volume was at more normal levels, they were making
13 profits. You see this spread here between basically
14 their variable costs and their selling price. What is
15 that? Twenty-two cents. That 22 cents in the first
16 year covered all of their fixed costs because their
17 per unit fixed costs were smaller. And then when you
18 get in the final year, where you actually have a wider
19 spread than 23 cents, that 23 cents is no longer able
20 to cover the unit fixed costs just because the volume
21 is less.

22 So in the first part of the period, it works
23 because of the volume. In the last part of the
24 period, it no longer works because of the volume. But
25 in either case, it didn't have to do with imports. It

1 had to do with the volume.

2 COMMISSIONER WILLIAMSON: Okay. Apropos of
3 this chart, the points there, are those like an
4 average over the year? Because what I'm thinking,
5 particularly in 2008, steel prices really peaked. So
6 there was a wide variation. And I was wondering -- I
7 mean, it would be captured in an average, but from
8 month to month, or you know, quarter to quarter, it
9 seems like -- it appears to have a widely different
10 time --

11 MR. MONTALBINE: You're exactly right.
12 That's an annual average that is taken from the
13 reported information in the U.S. producers's
14 questionnaires. And that was an average over that
15 year, and these are then per unit values determined by
16 that. It's right in the char in the prehearing staff
17 report. So you are correct. It's not monthly
18 information, it's an average over the whole year.

19 COMMISSIONER WILLIAMSON: And given the
20 volatility, would one have to take that into account
21 in thinking about the actual impact of the squeeze?

22 MR. MONTALBINE: That could play a factor,
23 although when you look at other information in the
24 prehearing staff report, which I believe is also
25 public, they have a graph in there that tracks the

1 steel prices. And you see that there actually was no
2 volatility within that year period. It went up
3 quickly, it peaked in the middle of the year, and went
4 down. So I don't think that would play too much of
5 factor in this case.

6 COMMISSIONER WILLIAMSON: That peak that was
7 that volatile. Well, maybe post-hearing you can
8 address that. Maybe Petitioners also could address
9 that, in terms of that argument.

10 MR. MONTALBINE: Okay.

11 COMMISSIONER WILLIAMSON: Thank you.
12 Petitioners made a declaration in their Exhibit 7. I
13 was just wondering how many purchasers received that
14 declaration, and how many committed questionnaire
15 responses to the Commission. Do you have that
16 information?

17 MR. MONTALBINE: We have no idea. We didn't
18 represent Atlas, so we were not involved at all in the
19 preliminary determination, during the preliminary
20 phase, didn't represent anyone. So we had no
21 involvement in that affidavit or know anything about
22 who got it.

23 I will say one thing, though, that I think
24 it's quite a stretch to say that because of that
25 affidavit, purchasers reported incorrect information

1 in their questionnaire. So I would certainly want to
2 dispute any interpretation that the Petitioners made
3 that the questionnaire data itself filed by purchasers
4 are in any way painted. I think people certify those,
5 and I think people need to take their certification
6 seriously. And I don't see how any sort of affidavit
7 changes that.

8 MR. MALASHEVICH: Excuse me. Speaking for
9 ECS -- this is Bruce Malashevich. We also have played
10 no role in the preliminary. We were not retained
11 until after the final questionnaires were mailed out
12 in this case. And the first time I saw that document
13 was in Petitioner's brief.

14 COMMISSIONER WILLIAMSON: Okay.

15 MR. MONTALBINE: I also didn't see it until
16 Petitioner's brief.

17 COMMISSIONER WILLIAMSON: Okay, okay. Thank
18 you. Mr. Kedaitis, what would prevent importers from
19 -- this is following from Commissioner Pinkert's
20 question. What would prevent importers from quickly
21 ramping up sales of subject products if antidumping
22 duties were removed?

23 MR. KEDAITIS: Well, from what I have been
24 gathering in the briefs and everything else that is
25 public, I believe -- I am very confident in that the

1 capacities and the threat that I'm hearing here is
2 grossly over-exaggerated due to the fact that I've
3 spent 12 years traveling China. And if there is a
4 wire deck manufacturer that is out there, I've either
5 been there, or I know of them. So I believe that the
6 magnitude of the manufacturers is significantly
7 different than what I've been reading.

8 So to answer your question, what would stop
9 them -- a number of significant things. One is that if
10 there is no interested party in the U.S. with the
11 capital involved and a network in place, and a
12 propensity to engage in that industry specifically and
13 have a high level of tolerance in that industry, the
14 capacity of the Chinese wire deck industry, the
15 relevance, there would be no interested buyers here in
16 the U.S. of any kind of scale.

17 Atlas certainly was the largest importer. I
18 think that's not in any kind of dispute. That model
19 is gone. That is over. And for somebody to replace
20 that model is inconceivable to me because I know what
21 it took, and I know the capital, the time, and what
22 kind of network it would take to sustain it.

23 COMMISSIONER WILLIAMSON: But Eastfound, I
24 mean, has a cold factory. And I think if they were
25 able to sell competitively in this market, what would

1 it take for them to, say, reopen that factory and
2 start shipping back again?

3 MR. KEDAITIS: They would need to find
4 another Atlas that brought all of those resources to
5 that industry for that market.

6 COMMISSIONER WILLIAMSON: You say that even
7 though there was some testimony earlier that more of
8 the end users were thinking about, you know, skipping
9 the distributor stage and things like that. And going
10 up and down the New Jersey Turnpike every week, I know
11 there is an awful lot of empty warehouses.

12 MR. KEDAITIS: Well, sure. Of course there
13 are.

14 COMMISSIONER WILLIAMSON: Yes.

15 MR. KEDAITIS: Of course there are. You
16 know, one way to explain that, too -- and I think
17 there is a fundamental difference between, you know,
18 somebody who wants to do it and somebody who can do
19 it. And then there is a difference between somebody
20 who can do it, and do it on the scale that Atlas did.
21 Very, very different levels. So --

22 COMMISSIONER WILLIAMSON: Would it
23 necessarily have to be on that scale to be
24 commercially viable or to have an impact?

25 MR. KEDAITIS: I believe it would have to be

1 on a significant scale for specifically the cash that
2 is involved. For example, if I were to purchase, you
3 know, a quantity of wire decks, I would have to put up
4 cash, significant cash, to pay for it before it ships.
5 There is the transit time. There is an inventory
6 disbursement time, and there is a selling time. And
7 then there is an accounts receivable period. So from
8 purchase order to receiving actual payment would be in
9 excess of 180 days. It would be six to seven, eight
10 months maybe, before your first order sold and is
11 actually paid for. And during that time, there is
12 costs to maintain. There is slow-moving stock.
13 There is fast-moving stock. There is just a number of
14 dimensions here that are very difficult.

15 COMMISSIONER WILLIAMSON: My time is
16 expiring. But I just want to leave this question.
17 Are you still -- have aspects of your present business
18 that is involved in wiring decking now? I'll come
19 back to that.

20 MR. KEDAITIS: If you like, we'll come back
21 to it. Is that what you're saying?

22 COMMISSIONER WILLIAMSON: Yes, because I'm
23 way over my time.

24 CHAIRMAN ARANOFF: Commissioner Pinkert.

25 COMMISSIONER PINKERT: Thank you, Madame

1 Chairman. You can go ahead and answer the question on
2 my time.

3 MR. KEDAITIS: Okay, generous. A small part
4 of my inventory currently is wire mesh decking.
5 Worldwide has not imported any decking since it has
6 been in existence. So there is some domestic stock
7 and some residual Atlas stock. So there is currently
8 a mix of domestic and import in my inventory. The
9 level of inventory is literally a fraction of what the
10 Atlas inventory had. The size of the warehouses are
11 fractional. And again, just a small -- probably
12 25 percent of what the original footprint was.

13 So I feel it's extremely unlikely, for the
14 reasons I mentioned, and there is not an easy
15 financial vehicle in place that would allow the
16 Eastfound factory to regain or resume any kind of
17 importation. To my knowledge, there has not been any
18 Eastfound importation for probably six months.

19 COMMISSIONER PINKERT: Thank you. Now your
20 brief had talked about how the domestic producers were
21 more vulnerable to price fluctuations because of the
22 long term contracts with the big box retailers.
23 You've heard the testimony this morning say that there
24 actually is significant flexibility within the
25 contracts. Do you have any response to that?

1 MR. MONTALBINE: To be quite honest, we'd
2 have to sit down and study it a little bit to see
3 which way that cuts. The way I look at the case,
4 though, is the big picture, that whatever the
5 underselling is and whatever the market share
6 fluctuations are, we always get back to the big
7 picture, where you don't really see big volume
8 changes, and you don't see price suppression.

9 So I think a lot of times we're
10 concentrating around the edges, but when we really get
11 to the bigger picture, those things kind of lose their
12 impact. But we can address that certainly in the
13 post-hearing brief.

14 COMMISSIONER PINKERT: That would be
15 helpful. Thank you. Now finally, on your arguments
16 about attenuation of competition, would it matter to
17 those arguments if domestic producers sell a
18 substantial proportion of their wire decking to
19 distributors as opposed to selling it to distributors
20 -- I'm sorry, as opposed to selling it to end users.

21 MR. MONTALBINE: I think there were two
22 aspects to the attenuated competition argument. One
23 aspect was there was a lot of talk at the conference
24 about 15 percent sort speciality part of the market
25 and 85 percent other. And I think the distribution

1 channel, however that works, doesn't really interfere
2 with that. There are just certain end users that need
3 galvanizing or need some other special size that the
4 Chinese are able to make more quickly, more easily
5 because they have a semi-automated process, and they
6 don't need these long batch runs in order to make
7 money. So put that aside.

8 The other thing -- I think we still have a
9 little bit of a problem defining this channel because
10 of the drop shipments. To me, that changes -- it's
11 almost semantics. I mean, if I'm taking an order from
12 somebody, but still delivering it to the big box, is
13 that a sale to a distributor or is that a sale to the
14 big box? So --

15 COMMISSIONER PINKERT: That's why I phrased
16 the question as a hypothetical.

17 MR. MONTALBINE: Okay. So I would say it
18 doesn't really change it that much. When you really
19 get down deep, I believe that the domestics focus more
20 on the big boxes, and the importers like Atlas focus
21 more on everybody else, these moms and pops, these
22 stocking distributors, people that aren't really
23 directly related to the big boxes. So whether you're
24 talking about drop shipments or not, I think that
25 hasn't really changed regardless of questionnaire

1 revisions and all of that.

2 COMMISSIONER PINKERT: Thank you. Any other
3 comments on that issue, which relates to the
4 attenuation of competition?

5 MR. MALASHEVICH: Yes, Commissioner. Bruce
6 Malashevich, for the record. I think -- I agree with
7 everything Mr. Montalbine said. But the big picture
8 in favor of attenuated competition is notwithstanding
9 representations about commodity products, the
10 importance of price. And let's assume that all of
11 that is correct. The fact of the matter is that the
12 what I call arithmetic underselling, simply what the
13 arithmetic points out in the staff report -- the fact
14 that underselling occurred over a period of time when
15 imports were declining in absolute terms by quite a
16 magnitude. And they simply -- the underselling, if it
17 was real, if there was really direct competition on
18 the basis of price, the Chinese would have had a far
19 greater share of the market than they did.

20 It doesn't fit Petitioner's theory. And
21 there have been many instances that I can think of
22 where the Commission had evidence of underselling, but
23 that underselling, for one reason or another, did not
24 translate into adverse price effects on the domestic
25 industry. It was arithmetic underselling, the

1 statistical results of comparing two prices.

2 COMMISSIONER PINKERT: And you're saying
3 that in this instance, it would appear that at least
4 in part the comparisons are of apples and oranges
5 rather than a valid price comparison.

6 MR. MALASHEVICH: No, I wouldn't say that.
7 I think -- of course, I had no opportunity to have
8 comments on the questionnaire, being retained after it
9 was issued. But I think it's a matter of who is
10 selling what to whom. I think Mr. Cook used the
11 analogy of two ships passing in the night. To say
12 that there is no competition at all would not be
13 correct. But the competition is at the margin.

14 So you have different prices going into
15 different people for different applications.

16 COMMISSIONER PINKERT: Thank you.
17 Mr. Montalbine?

18 MR. MONTALBINE: I would just say certainly
19 I agree with that. And the drop shipment doesn't
20 change that aspect. If the end customer is a big box,
21 it has a different dynamic that if the end customer is
22 a stocking distributor.

23 COMMISSIONER PINKERT: Thank you. I have no
24 further questions. I look forward to the post-
25 hearing.

1 CHAIRMAN ARANOFF: I'm going to ask some
2 questions relevant to threat. And I know that a
3 number of my colleagues have raised the issue of other
4 producers in China other than Eastfound, but I want to
5 try and raise it in maybe a slightly different way,
6 just to test it a little bit more.

7 And what I was going to say is let's say
8 that I accept Respondent's arguments that Eastfound
9 has been a very responsible player in the market, you
10 know, pulled back in production and exports based on
11 demand in the U.S. and global markets. And let's say
12 I accept their argument that, you know, Atlas was a
13 responsible player, too, and in any event is not a
14 relevant factor, looking at the Commission's threat
15 analysis.

16 So let's say I accept all that. But we do
17 have evidence on the record from the domestic industry
18 of numerous offers to sell from numerous sources in
19 China who may be producers or maybe intermediaries of
20 various sorts. And, you know, perhaps all of them
21 just got into the U.S. market a little bit late, and
22 then the recession hit, and then this case hit. And
23 so, you know, they're still out there. And why
24 wouldn't I find that, you know, given that interest,
25 it would just revive in the event of a -- you know, in

1 the future, if there weren't an order in place?

2 MR. MONTALBINE: Marc Montalbine. I think
3 it turns on the question of whether something is
4 imminent or not. And you heard from Mr. Mack with
5 ITC. In the best case situation, it took them a year
6 to train the Chinese to make wire decking to meet
7 Walmart's standards. And Mr. Kedaitis can give other
8 testimony about how difficult it is to really get the
9 Chinese factory to a level where it can really
10 meaningfully supply proper wire decking to the U.S.
11 market.

12 So I think that the best case situation
13 would be that it would take a year to get somebody up
14 to speed before somebody new could come in and start
15 really supplying any meaningful amount of acceptable
16 wire decking.

17 MR. MALASHEVICH: Excuse me, Madame
18 Chairman. If I could add something. Bruce
19 Malashevich. You know, the Internet is a wonderful
20 thing. It also can cause a tremendous amount of haze
21 in real commerce. Not yet in this case, but I could
22 -- there are about a dozen or so of the cases where
23 ECS gets solicitations for steel and fasteners and
24 other items. And it's just some guy sitting behind
25 his computer and blanketing the world with offers that

1 really don't mean much.

2 CHAIRMAN ARANOFF: Well --

3 MR. KEDAITIS: I'm sorry.

4 CHAIRMAN ARANOFF: Oh, Mr. Kedaitis, go
5 ahead.

6 MR. KEDAITIS: Yeah. I'd like to add to
7 that and expand on that because I think it's a very
8 important concept. The Internet is a very powerful
9 thing. And I receive those solicitations 24/7. And
10 they all -- and it's almost comical at some point
11 because it's just a fact of a global manufacturing
12 environment that allows the easiest solicitations.
13 And they will tell you they can make anything that you
14 happen to be buying that day.

15 It's very misleading. And I've made enough
16 effort to investigate a lot of these sources here, and
17 then I've without fail found that they're not even in
18 a related business, and they may be making -- the word
19 "wire" in their name or their product listing. And it
20 could be a screen door, or it could be a floral
21 arrangement.

22 CHAIRMAN ARANOFF: Okay, okay. Well, I get
23 the point. Now you've traveled extensively in China
24 to visit the facilities that produce decking or claim
25 to produce decking.

1 MR. KEDAITIS: Yes, ma'am.

2 CHAIRMAN ARANOFF: And you have not found
3 any, aside from the ones from which Atlas purchased or
4 that gave the Commission questionnaire responses in
5 this case, that actually are capable of producing this
6 product in some reasonably acceptable quality?

7 MR. KEDAITIS: I have found several out of
8 probably 100 or more that may have claimed it.
9 Certainly Eastfound was the primary producer, and I
10 believe that to be true. The second producer that is
11 capable of doing it is Huameilong, or National Wire is
12 a primary supplier, which is probably their exclusive
13 supplier, to my understanding. And because I had a
14 vague uncomfortable feeling to depend on a single
15 source supplier like Eastfound when I was with Atlas.
16 I was very motivated to find a secondary supplier, and
17 that's what really was born, all my travel and
18 investment in those cities.

19 I literally have traveled probably a dozen
20 cities and two dozen manufacturing plants. All have
21 claimed it. But with Chinese interpreters on my
22 expense, the travels are futile. They all pointed to
23 outsource factories that were, as I began to mention,
24 making barbecue grills and French fry baskets that
25 were unrelated, and the repetition of it over the

1 years and years I've been doing it just kept on
2 producing the same result.

3 So the field was narrowed very, very quickly
4 for me, and we made a significant investment in trying
5 to find alternative supplies, and did not find a
6 supplier already capable of doing it. There is
7 significant startup and investment and engineering and
8 tooling and a level of patience for quality control
9 levels that somebody has to pay for, and it makes it
10 more expensive from an entry point.

11 CHAIRMAN ARANOFF: Okay. Well, you know, a
12 question for both sides for the post-hearing. I mean,
13 you see where this leaves the Commission. We have,
14 you know, evidence on the record that there are a lot
15 of other people in China who claim they can produce
16 this product and who have offered the product for
17 sale. And then we have testimony from someone who has
18 been over there looking for suppliers that at least
19 the ones he has looked at haven't panned out. And we
20 have the Commission's legal standard for what imminent
21 is, which suggests, you know, that something that
22 might take a year or more to develop might be outside
23 the imminent period.

24 So where does that leave us in terms of
25 threat determination? And that's what I leave

1 everyone to comment on post-hearing. And also, if
2 there are other ways in the record that I'm not
3 recalling right now that we can identify potential
4 Chinese producers other than through these offers that
5 might shed more light on the question of whether there
6 is actually anyone who is able to serve the U.S.
7 market in this period, that would be helpful.

8 Now at the two factories -- or with the two
9 producers, Mr. Kedaitis, that you are aware of that
10 are able to produce this product, the two that you
11 named, Eastfound and Huameilong -- is that the other
12 one?

13 MR. KEDAITIS: Yes. And there would be a
14 third. I think it was Respondent that I would say is
15 a newcomer.

16 CHAIRMAN ARANOFF: Okay. Do those producers
17 produce other products on the same equipment in the
18 same factory?

19 MR. KEDAITIS: Yes, yes. There is some
20 overlap in equipment. I mean, there are some non-wire
21 types of goods that at least Eastfound's factory would
22 make. I cannot speak totally the other two at this
23 point. But there is some roll-forming and bedding
24 equipment that would be used for non-subject
25 production.

1 CHAIRMAN ARANOFF: Okay. Because one of the
2 things that we have to look at when we're looking at
3 threat is the ability to product shift, whether these
4 producers could take capacity that they are currently
5 using to make other products, and could make this
6 product instead. So the extent to which you can shed
7 any light on that with the three producers with which
8 you're familiar, that would be helpful.

9 MR. KEDAITIS: Okay.

10 MR. MONTALBINE: We'll address that in the
11 post-hearing brief.

12 CHAIRMAN ARANOFF: Okay. Thank you. And
13 one thing that would be helpful to know, because we
14 know that there is not demand in China for the decking
15 products, but it would be helpful to know whether
16 there is a home market in China for other products
17 that they may be using the same equipment to produce.

18 With that, I don't think I have any further
19 questions, and I will turn to the Vice Chairman
20 Pearson.

21 VICE CHAIRMAN PEARSON: Thank you, Madame
22 Chairman. Mr. Malashevich, quite a bit has already
23 been said about the COGs to sales ratio here. And I
24 just wanted to clarify, looking at the confidential
25 staff report, we see an increase in the COGs to sales

1 ratio between 2007 and 2008, and then a smaller
2 increase in the 2008 to 2009 shift, okay? Much of
3 your argument has to do with fixed costs and how those
4 are spread over a smaller number of units. And I'm
5 with you in terms of the 2009 value, why I would
6 expect to see that effect in the COGs to sales ratio
7 for 2009. I'm not sure why I would see it in 2008,
8 especially to provide as much explanation for the
9 relative size of the increase that we see in that year
10 compared to the next year.

11 MR. MALASHEVICH: Vice Chairman Pearson --
12 this is Bruce Malashevich, by the way, for the record.
13 I don't have the APO report in front of me. But going
14 from memory, I think I mentioned in response to
15 Commissioner Williamson's question earlier that there
16 are two tables that are relevant. One does not split
17 COGs into its component parts, the other does. And
18 the one that is looking at raw materials cost, if you
19 want to test price suppression, test the Petitioner's
20 argument that there is a cost-price squeeze, not the
21 ratio per se, but it's the cents per pound expression
22 that I believe is the proper way of measuring that,
23 where the data exist, and they exist in this case for
24 practically all of the U.S. industry.

25 So that's what this chart does. The other

1 expression of fixed costs is to test what the
2 Commission instructed parties to look at in the
3 preliminary, was the effect of the recession on the
4 domestic industry volume and overall condition. So
5 that's why we rely again not on any percent ratios,
6 but reduced everything to dollars and cents per pound,
7 and found that if the recession had not occurred,
8 100 percent of the industry's changing condition was
9 attributable simply to the recession, with respect --
10 going from memory now.

11 There is an anomaly there with respect to
12 COGs that has to do with certain footnotes in the
13 relevant pages. And there is an exhibit in the
14 deKieffer & Horgan brief that shows -- how shall I say
15 -- respecting those footnotes, the changing COGs in
16 that year is not at all what it appears.

17 MR. COOK: If I might add -- this is Alex
18 Cook. Yeah. Mr. Malashevich is referring to appendix
19 7, which you have in front of you. And I said there
20 were some footnotes that warrant further examination
21 that explain inflated COGs to the net sales ratio in
22 2008.

23 VICE CHAIRMAN PEARSON: Okay. So it's your
24 view that if I am able to sort through this, that I
25 would see basically no change in the COGs to sales

1 ratio that would be indicative of price suppression
2 over this period.

3 MR. COOK: Exactly. That's right. That's
4 right.

5 VICE CHAIRMAN PEARSON: Okay.

6 MR. COOK: And sales were in the prehearing
7 brief.

8 VICE CHAIRMAN PEARSON: Don't hesitate to
9 explain it once more in the post-hearing.

10 MR. COOK: Okay.

11 VICE CHAIRMAN PEARSON: Mr. Montalbine.

12 MR. MONTALBINE: If I could make one
13 comment, this table is actually a public table, and
14 it's on page 67 of the prehearing staff report. It's
15 table 63. And that breaks out the COGs. And that's
16 very interesting because that gets exactly to the
17 point you made. The 2008 COGs are substantially
18 higher. But when you look at the breakout, it is
19 higher because of the raw materials. It is not higher
20 because of factory overhead. Factory overhead hardly
21 changed, whereas in 2009, you see that's when factory
22 overhead per unit changes, and that's the volume
23 effect happening in 2009.

24 So the 2008 COGs is driven by the raw
25 materials costs, which is totally explained in this

1 chart.

2 VICE CHAIRMAN PEARSON: Okay.

3 MR. MONTALBINE: We'll still address it in
4 the post-hearing.

5 VICE CHAIRMAN PEARSON: Also, I might add,
6 it is easier to the process to make all of our
7 exhibits transparent in terms of the data we rely on
8 and the mechanics of the calculations. We're happy to
9 work with staff to eliminate any doubt as to the
10 veracity of the data. Okay. Thank you.

11 Mr. Kedaitis, could good quality wire
12 decking be manufactured in India or some other low-
13 wage country? Is this something that China has
14 particular expertise in? Or if the world needed more,
15 would it get produced somewhere else?

16 MR. KEDAITIS: Well, it's a matter of
17 opinion certainly. I don't know of any other current
18 producers outside of China of wire decking. It's a
19 very broad statement to say, yes, it can be produced
20 anywhere. But I believe to produce it in volumes high
21 enough that can be a primary market product, it would
22 require significant capital and infrastructure, and
23 also very importantly a distribution network or a
24 supply chain to get it to the United States. The
25 infrastructure of many countries is not as coastal as

1 China, and certainly there is an additional cost
2 associated with transport to the United States.

3 VICE CHAIRMAN PEARSON: Do you have any
4 experience with or awareness of imports of wire
5 decking from countries other than China?

6 MR. KEDAITIS: I have a little experience
7 with Mexico and a little experience with Canada, and
8 no other experience beyond that.

9 VICE CHAIRMAN PEARSON: How do you see those
10 products from those countries competing or comparing
11 with the Chinese products?

12 MR. KEDAITIS: The Canadian producers are
13 very small and low-volume producers, and Mexico is
14 also very limited in producers. I would say there is
15 only one or two that I am even aware of. And in
16 either case, they are not a primary product for that
17 company. So to answer your question, I have not seen
18 those countries produce a viable product for the
19 United States.

20 VICE CHAIRMAN PEARSON: Okay. Thank you.
21 Mr. Montalbine, is this industry vulnerable?

22 MR. MONTALBINE: That's a little bit of a
23 difficult question. I think that --

24 VICE CHAIRMAN PEARSON: Well, that's one
25 that we have to deal with, you know. That's why I'm

1 asking you.

2 MR. MONTALBINE: I mean, the data is what
3 the data is. Certainly, they made a loss in 2009.
4 Certainly, the recession has hit them in 2009.
5 Certainly, demand has gone down. So they are in a
6 state financially that is worse off than they were at
7 the beginning of the POI. There is no question about
8 that.

9 The question, though, that I would look at
10 is that period when the recession was happening, what
11 did the Chinese do. So the question is -- okay, they
12 are in a worse state now. But just because they are
13 in a worse state now doesn't mean that the Chinese are
14 going to come in with a vengeance because there is
15 just no history, there is no evidence of that. In
16 fact, the major Chinese importers are producers all
17 acted responsibly.

18 But certainly nobody can deny that they are
19 in financially worse shape than before. But I also
20 believe it's confidential information, but if you look
21 at people making money and not making money, there
22 were people that made money in 2009. I mean, it's not
23 a catastrophe by any stretch of the imagination.

24 VICE CHAIRMAN PEARSON: Okay. Well, thank
25 you. If you have more thoughts on that for post-

1 hearing, by all means let us know.

2 Mr. Cook, your knowledge of the numbers
3 behind this case is much greater than mine, and you
4 presented quickly an overview of key issues. In the
5 minute that I have left, is there any point from your
6 presentation that you would like to walk us through
7 again so that we might particularly understand it? Or
8 should this wait until the post-hearing also?

9 MR. COOK: Alex Cook, for the record. I
10 think -- well, you know, I think you could sum it up
11 in two quick main points, and I'll try and keep it
12 under a minute. The first is in '08, there are these
13 data anomalies, that as I mentioned before, inflate
14 the COGs to net sales ratio. In 2009, the recession
15 really dampened volume, and that drove up fixed costs.
16 So I don't think you can find evidence of price
17 suppression in either of those years. That would be
18 my point I would reiterate.

19 VICE CHAIRMAN PEARSON: Okay. Well, thank
20 you. I appreciate a succinct Minnesota perspective.
21 With that, I'd like to thank all panelists. Madame
22 Chairman, I have no more questions.

23 CHAIRMAN ARANOFF: Commissioner Okun.

24 COMMISSIONER OKUN: Thank you. I just have
25 a couple of things. One is I'm just not sure if I

1 heard you respond to, which is another argument from
2 Petitioners this morning was in looking at the likely
3 behavior of the subject imports, they pointed to that
4 first quarter of '09. And I know, Mr. Malashevich --
5 I took your point that the Commission doesn't usually
6 rely on one quarter of data to indicate anything. But
7 I was just trying to figure out whether that was
8 consistent with the story that you've said about them
9 acting responsibly. So I'm just trying to make sure.
10 As I'm looking over this period of time, do the data
11 line up consistent with what you've said in terms of
12 the role the imports are playing. I think some of
13 that may depend on whether I think the recession
14 started in '08 for this industry or the non-
15 residential. But just let me have you respond to that
16 in particular.

17 MR. MALASHEVICH: Sure. Bruce Malashevich,
18 for the record. As I mentioned, if you're going to
19 consider the historical behavior of imports at all,
20 considering they were made by a company that no longer
21 exists, then I think the best way to do that is to
22 look at trends over the entire POI, not settle on an
23 additional -- a single data point, which can be
24 reflective simply of changes in inventory.

25 I just can't think of a situation in a final

1 phase investigation where that much weight would be
2 given to a single quarter.

3 COMMISSIONER OKUN: Mr. Montalbine.

4 MR. MONTALBINE: I think it supports our
5 view of the record entirely. If you go back to the
6 staff report from the preliminary investigation, you
7 can see exactly what was happening in that quarter.
8 And actually, what Ms. Cannon is talking about is not
9 imports in that quarter. If you look at imports in
10 that quarter, imports are actually very low. What she
11 is talking about is U.S. shipments from importers in
12 that quarter. And when you look at the difference,
13 the difference is a decline in inventory.

14 So what happened was inventory that had been
15 entered into the United States in 2008 was being sold
16 in the first quarter of 2009, and on huge or
17 significant amount of new imports were coming in. And
18 this is also the time period when Atlas is closing
19 facilities. And you'll also see that at the end of
20 the entire period, inventories held by importers is
21 dramatically lower than it was at the beginning of the
22 POI.

23 So this fits into the picture entirely, that
24 they were acting responsibly instead of why bring in
25 new imports when you have a drop in demand; instead,

1 start selling off your inventory. And that's exactly
2 what they did. It just happened that those shipments
3 of inventory happened in that first quarter of 2009,
4 so it causes a little bit of maybe fuzz in the numbers
5 for that period. But you can take it apart. You can
6 see exactly what was imports in that period and what
7 were U.S. shipments in that period.

8 COMMISSIONER OKUN: Then the other point as
9 to -- and I think you've covered in response to a
10 number of questions, but just to make sure before we
11 end that I understand the point. To the extent that
12 you had argued that the producers, the domestic
13 producers, were caught a little bit by their own
14 problem with their raw materials being long-term
15 contracts or that there were other problems which
16 didn't allow them to reap the full benefit of what
17 they needed in terms of increased prices -- I know
18 you've gone through the COGs to sales in some great
19 detail.

20 But I just wanted to make sure whether you
21 had anything else on the record because I think what I
22 had heard from the producers that were present this
23 morning was, you know, the way pricing works in this
24 industry is they were making price offers. This
25 happened all the time, and it's not really -- it's not

1 tied to surcharges. It's not like what we see in some
2 other industries. I just wanted to make sure I
3 understood if there is any further argument for me
4 with respect to how raw material costs are translated
5 into price increases in this industry, or any
6 disagreements with what we heard from the panel this
7 morning.

8 MR. MONTALBINE: I think what we said in our
9 prehearing brief actually had to do with long-term
10 contracts with customers that locked them into prices
11 with their customers, and therefore made it a little
12 bit inflexible. With raw material, we actually agree
13 with them totally, what they're saying, that there is
14 no hindrance to them raising prices. They turn around
15 their raw material inventories very quickly, and you
16 can see this here. As soon as their costs, raw
17 material costs, go up, they are able to react to it,
18 and they are able to raise prices. So there is no
19 real, real hindrance there for them to react, and they
20 did in fact react.

21 COMMISSIONER OKUN: Well, I think I heard --
22 I may have it wrong, but you can go back and look,
23 which is both side they weren't -- or maybe with the
24 exception of maybe one producer's response. They were
25 not long-term contracts that were causing them to lose

1 money because most of this is on the spot market.

2 But, I mean, I may be wrong about that.

3 MR. MONTALBINE: Yeah. As far as the
4 customer contracts, I think we heard a little bit
5 something different today, that they said that there
6 is still flexibility with the big boxes, and I think
7 that's something that we were directed to --

8 COMMISSIONER OKUN: Okay. I'll look at
9 that --

10 MR. MONTALBINE: -- the post-hearing, and so
11 certainly we'll do that. So it could be that is
12 something in the prehearing brief that we didn't
13 understand exactly correctly, and it can be cleared up
14 with the testimony from today.

15 COMMISSIONER OKUN: Okay. And with that, I
16 don't think I have any other questions. But I thank
17 you for all those responses, and I look forward to the
18 post-hearing submission.

19 CHAIRMAN ARANOFF: Commissioner Williamson.

20 COMMISSIONER WILLIAMSON: Thank you, Madame
21 Chairman. Just one quick question for post-hearing.
22 The chairman asked a number of questions about the
23 capacity in China, and there is quite a big dispute
24 about that. But I was wondering in addressing those
25 questions -- and this is for Petitioners, too -- what

1 would be the -- we know that China did export a
2 certain quantity during the peak period. There is a
3 certain quantity of exports. And there is no
4 indication, I take it, that they've lost that capacity
5 to do that. Now whether or not there are importers in
6 the U.S. to handle those volumes is a separate
7 question. But in terms of China's capacity, I take it
8 there is no indication that the people who were able
9 to successfully export to the U.S. still can do that.
10 Maybe the question is do you disagree with that.

11 MR. MONTALBINE: We would disagree with
12 that. In the staff report from the questionnaire
13 responses, you actually see that there is a pretty
14 significant decline in capacity, just by our client,
15 Eastfound. They shut down one of their two factories.
16 And the Petitioners are talking as if that is not
17 done, that's not closed; it can be easily reversed.
18 But it is a declining capacity, and there were other
19 producers that reported similar declines.

20 So we would not agree that we have the same
21 capacity that we did at the beginning of the POI.

22 COMMISSIONER WILLIAMSON: Do you have
23 evidence that those are irreversible closures?

24 MR. MONTALBINE: I think that's something
25 that we could address in the post-hearing brief. We

1 can talk to our client, Eastfound, and address exactly
2 how they closed it and what is the current status of
3 that. I believe another one of your colleagues had
4 that question for us to work on.

5 COMMISSIONER WILLIAMSON: Yes.

6 MR. MONTALBINE: So we certainly will talk
7 to Eastfound and get you some data on that.

8 COMMISSIONER WILLIAMSON: Because I guess
9 the question I was asking is, you know, even if we
10 don't -- and you think about all of these other people
11 who have not reported and all, what would be the
12 impact of the production that was coming into the U.S.
13 if it were to come back again.

14 MR. MONTALBINE: Okay.

15 COMMISSIONER WILLIAMSON: That's going to be
16 our decision. And with that, I have no further
17 questions. Thank you.

18 CHAIRMAN ARANOFF: Commissioner Pinkert, you
19 don't have any questions at this point, do you? Okay.
20 I have one more. And I asked the domestic producers
21 this, this morning, so I just wanted to give
22 Respondents a chance to respond if you wanted to. I
23 asked the Petitioners this morning whether the
24 improvements in the condition of the domestic industry
25 to which the producers testified for the year 2010 --

1 well, perhaps parts of 2009 and after this case began
2 -- reflected a survivor's bias based on the closures
3 of two domestic producers as well as the closure of
4 some production facilities of other domestic
5 producers, or whether they reflect the effect of the
6 temporary relief in this proceeding, or perhaps there
7 is another reason as well. What do you think accounts
8 for the improved performance of the domestic industry
9 in 2010?

10 MR. MONTALBINE: I think -- this is Marc
11 Montalbine again. I think there is definitely an
12 aspect of that. We addressed that in our prehearing
13 brief, and some of the numbers are confidential. But
14 I would just say if you look at Cargotainer's capacity
15 in and of itself, and compare that with the amount of
16 imports that were coming in in 2009 and 2008, you can
17 get a feel for what that could do beneficially for the
18 U.S. industry if they have over-capacity to pull that
19 amount of capacity out of the system. And perhaps
20 also with Commissioner Williamson's question, I would
21 think nobody could dispute that capacity in the U.S.
22 is more easily used to serve the U.S. industry than
23 capacity in China.

24 So if you are taking capacity offline in the
25 United States, it certainly helps the other producers,

1 without question.

2 CHAIRMAN ARANOFF: Okay. Well, I thank you.
3 And do any of my other colleagues have additional
4 questions? No further questions. Do the staff have
5 questions for this panel?

6 MR. McCLURE: Jim McClure, Office of
7 Investigations. Chairman Aranoff, we have no
8 questions.

9 CHAIRMAN ARANOFF: Do Petitioners have
10 questions for the panel?

11 MS. CANNON: Petitioners have no questions.

12 CHAIRMAN ARANOFF: Thank you. The remaining
13 time -- Petitioners have two minutes left from their
14 direct presentation and five minutes for closing, a
15 total of seven. And Respondents have 22 minutes
16 remaining from your direct presentation, and 5 minutes
17 for closing, for a total of 27. We normally combine
18 those absent any objection. I don't hear any
19 objection.

20 Okay. Then what I will do is thank this
21 afternoon's panel. We appreciate your testimony very
22 much. And I will ask you to return to your seats
23 further back in the room. And then whenever
24 Petitioners are ready, you can start the rebuttal and
25 closing statements.

1 (Pause)

2 MS. CANNON: Good afternoon. Let me address
3 a few of the points that Respondents have made today.
4 They began by passing around some decks with various
5 finishes that they suggested were inferior. They were
6 produced domestically. I would first refer you to the
7 purchaser surveys that you obtained, where the
8 purchasers said that the U.S. and Chinese product was
9 comparable with respect to whether the product was
10 galvanized. And then when you asked about coating
11 quality, the purchasers said that the U.S. product was
12 either superior or comparable to the domestic product.
13 That's on page 2-15 of your staff report.

14 So the purchasers do not agree with them.
15 Perhaps more importantly, U.S. galvanized decking does
16 compete directly with the imported product, including
17 for Mr. Kedaitis's business. He has purchased tons of
18 this product just in the last 180 days from U.S.
19 producers, and he would not be doing that if the
20 product was inferior or unacceptable.

21 They spent a little time again emphasizing
22 that the imports are bought because of their
23 customized nature. Again, I would refer you to the
24 responses the purchasers gave to questionnaires, where
25 they said that the U.S. product was superior or

1 comparable to the Chinese product with respect to
2 product range and virtually all of the factors that
3 were identified there. No purchaser said they were
4 buying the Chinese product because of a better product
5 range or some other features.

6 Let me address a few of the statistical
7 analyses that they presented. They gave you appendix
8 4, where they purported to show that market shares of
9 the imports were declining over the period. This
10 analysis is invalid and inconsistent with the way that
11 the Commission analyzes market share. We cited in our
12 brief to a number of cases where when you do a market
13 share analysis, you base it on import shipments, and
14 they have not used shipments.

15 They have used volumes to calculate market
16 shares. That's improper, and Mr. Montalbaine's
17 contentions that this is somehow wrong because it
18 reflects inventories is ignoring the fact that when
19 inventories are combined with new volumes and sold out
20 into the market, that very much does affect the U.S.
21 producers. That's exactly what they're competing for
22 at any given time in the market. So the staff report
23 got it right, and their analysis got it wrong.

24 In terms of the raw material costs, they
25 pointed at this chart a lot with these trends that

1 they say show this 10 cent per pound difference. I
2 think the real important thing here is that you look
3 back at your staff report, and you look at this on a
4 quarterly basis, because the cost and the prices vary
5 radically over 2008 because the costs were very
6 volatile that year. They went up for a few quarters,
7 and they went down for a quarter. And if you look at
8 it quarter by quarter, what you're going to find is
9 that the prices were not able to keep up with the
10 costs when the costs were going up, and the prices
11 went down faster than the costs when they went down.
12 And that's what led to break-even profitability for
13 the industry that year. We weren't just able to cover
14 these costs, as their comments suggest.

15 In fact, that was true over the entire
16 period. We suffered price suppression, and we
17 suffered price depression. Whatever the costs did
18 over each year of the POI, the prices couldn't track,
19 and they couldn't track because of the import
20 underselling. And I think this is a major factor that
21 was ignored in the testimony you just heard.

22 Statements were made repeatedly. One of
23 them I wrote down was, major Chinese producers all
24 acted responsibly. Maybe there was somebody else out
25 there, but not the major producers. How do you

1 characterize over 90 percent of instances of
2 underselling the domestic producers during the POI by
3 significant margins as acting responsibly? They were
4 not responsible actors. That is what caused the
5 financial declines you see in your database. And
6 that's separate and apart from the market share issues
7 that actually did trend upward in your database and we
8 think are understated.

9 They mention a nonrecurring charge, and they
10 have given you a chart on that. I'm a little bit
11 limited in my ability to address that because of
12 confidentiality, but I would like to make two points.
13 First is that to suggest that this nonrecurring charge
14 is separate and independent from imports is wrong.
15 The reason that these nonrecurring charges take place
16 is because producers are not able to raise prices
17 sufficiently to cover cost increases when imports are
18 undercutting their prices, which is exactly what
19 happened here.

20 The other thing that we will show you in our
21 post-hearing brief is that the numbers here are
22 miscalculated. Even if you try to adjust for these
23 prices, you don't get the numbers that they got. The
24 financial ratio in the year that they have shown is
25 significantly lower, and we'll put that in our post-

1 hearing brief.

2 In terms of the recession, they say -- they
3 try to focus on a general recession. But I think as
4 you recognized, and as our testimony this morning
5 indicated, it doesn't matter when the general
6 recession occurred. It matters when it was felt in
7 this industry. And this industry lags the economy
8 overall. That's just the way it happens to work. And
9 we have given you evidence on that, and we'll try to
10 corroborate that further in our post-hearing brief.

11 But looking at the recession overall and
12 trying to track that to what was going on with the
13 imports doesn't make sense in the type of industry
14 you're looking at here.

15 There was also sort of a discussion further
16 of whether you can tell whether it's the recession or
17 whether it's imports and how to sort those out. And
18 some things I would encourage you to look at is look
19 at the lost sales that we have been able to identify.
20 Look at when there is negotiations, who is winning the
21 sale, who is lower priced. You see it in the
22 purchasers's statements. You see it very much in the
23 repatriated sales. These sales would not have come
24 back to the U.S. industry in 2010 but for the imports.
25 And when you're trying to sort out, you know, what if

1 that Cargotainer was from the imports in 2010 in terms
2 of those benefits -- look at the declarations we
3 submitted. We say that those imports came back --
4 that those sales came back from imports, not from
5 Cargotainer.

6 In terms of Worldwide, you heard a lot this
7 morning about Worldwide is a -- I think they said new
8 and different business from Atlas. That was a very
9 large part of their testimony. First of all,
10 Worldwide is headed by Mr. Kedaitis, who was the vice
11 president and general manager of Atlas before he
12 testified at the preliminary hearing, and has been --
13 you know, as the U.S. producers stated, dealing with
14 them. But even more importantly -- and we're going to
15 put this in our post-hearing brief. This is an
16 advertisement that they have now out in the market.
17 It says, new name, new digs, but the people you know.
18 And it advertised wire decks. Well, the wire decks
19 sold out of the same old warehouse in Chicago,
20 Illinois, San Bernardino, California, Dallas, Texas.

21 So this is not a new and different company.
22 This is the same company. They have the same ability.
23 And everything we understand is they are going to be
24 right back in this market just as they were before if
25 this case is not successful.

1 I thank you for your attention.

2 MR. MONTALBINE: So I have 27 minutes. I
3 certainly will not bore you for 27 minutes. I thank
4 you very much for your attention and for your
5 questions. I would just like to make a few points.

6 Again, I think it is incumbent upon the
7 Commission to keep the big picture in mind, that even
8 with anecdotal evidence of underselling and all of
9 these other aspects, you need to ask the question,
10 okay, how did that affect volumes, how did that affect
11 market share, how did that affect prices. And when we
12 get up to that level, we just don't see any large
13 shifts in market share. We don't see any price
14 suppression or price depression. And we see that the
15 bad financial situation in 2009 was caused to a
16 decline in volume that had nothing to do with imports.

17 So if you look at the big picture and the
18 record as a whole, there just is no causal link
19 between the imports and the financial situation of the
20 domestic industry.

21 Now Ms. Cannon made a few points just now.
22 One was the market share analysis in appendix 4 of the
23 brief. And I wasn't at all trying to call into
24 question the market shares in the prehearing staff
25 report. What I was trying to do was to put them in a

1 little context because we see a little bit of
2 fluctuation there, but we see import shipments
3 declining. So I was trying to explain that basically
4 there is a stable basis, but there is fluctuation, and
5 the fluctuation is because it is based on shipments,
6 which are based on inventory. And this analysis
7 actually is total permissible under the statute. The
8 statute says to look at volume either in absolute
9 terms or relative to production or relative to U.S.
10 consumption. And that's exactly what appendix 4 does,
11 but it is not meant to replace the market share
12 analysis, which is on another basis.

13 I just wanted to put that all in context so
14 that you would be able to understand the bigger
15 picture of what is happening with imports because you
16 do then come up with these anomalies. What in the
17 world is happening in the first quarter of 2009? And
18 to get behind that, you need to look at -- you need to
19 differentiate between U.S. shipments during a period
20 and imports during a period. So that's the only basis
21 for appendix 4.

22 Ms. Cannon said that the industry had break-
23 even profitability in 2008, and that all depends on
24 these accounting adjustments which are confidential
25 and we can't much go into. But if you look at the

1 questionnaire responses there is a very specific
2 reason stated why they did it, and the way we adjusted
3 for it was exactly what is in the questionnaire
4 response. So I hope that whatever comes out in the
5 post-hearing brief doesn't turn out to be an amendment
6 to the questionnaire response because it would be good
7 to have an opportunity for us to be able to comment on
8 that.

9 As far as the underselling, I think what is
10 happening here is that there is a certain premium for
11 domestic product, that when you look at the staff
12 report and you look at the purchasers's questionnaire,
13 half of the purchasers say that there are differences
14 in non-price factors that determine their decision.
15 And they also say that on certain factors -- in fact,
16 price was not the highest factor. Quality was the
17 highest factor, followed very closely by price, but
18 then after that followed very closely by other quality
19 types and delivery factors. And on those factors, the
20 U.S. producers were scoring higher. It makes sense
21 that there would be a certain amount of premium that
22 the U.S. producers are able to earn. And then there
23 are other issues about exactly what is being compared.

24 So I think this underselling that you're
25 seeing basically throughout the POI at a very constant

1 and consistent level just isn't transferring to any
2 wide changes in volume, and isn't transferring to any
3 declines in price and price suppression.

4 Ms. Cannon also brought up an advertisement
5 from Worldwide. I hadn't seen that myself. But one
6 aspect even apparently in that advertisement is it
7 lists three warehouses. Well, Atlas had many more
8 warehouses than three. So even however you want to
9 construe that, the situation is quite honestly
10 Worldwide is a much smaller operation than Atlas is,
11 and so that you do not have the distribution structure
12 available for imports that you had in the past.

13 Atlas has gone. Or this Atlas division is
14 gone. Atlas is actually a company owned by two
15 gentlemen, as Mr. Kedaitis stated, that does
16 forklifts. And that was always their core business.
17 And Mr. Kedaitis bought this portion of the business.
18 So this is totally a new business, both legally and
19 actually in how it is being operated, that Mr.
20 Kedaitis -- this is his business, and it is being
21 operated differently than Atlas.

22 Also, as far as threat, I would once again
23 -- I've stated this before, that I would urge the
24 Commission to look at what actually happened and not
25 some baseless threats just by doing Internet searches

1 on who could potentially maybe offer wire decking. I
2 think it really cannot be disputed on this record that
3 Atlas and Eastfound acted very responsibly in this
4 market and closed down capacity and took capacity
5 offline way before this trade action ever came. So
6 you cannot assume that if the trade action goes away,
7 they're going to now do anything radically different
8 than what they did before, which was always act
9 responsibly.

10 So I believe that this record does not
11 support either material injury or threat or material
12 injury, and I would ask the Commission to so vote.
13 Thank you very much for your attention.

14 CHAIRMAN ARANOFF: Thank you again to
15 everyone who participated in today's hearing. We
16 appreciate your answers to our questions, and we
17 appreciate your willingness to provide substantial
18 additional information in response to our questions in
19 your post-hearing submissions.

20 Post-hearing briefs, statements responsive
21 to questions, and requests of the Commission, and
22 corrections to the transcript, must be filed by
23 June 4, 2010. Closing of the record and final release
24 of data to the parties will take place on June 24,
25 2010. And final comments are due on June 28, 2010.

1 With that, I believe there is no further
2 business before the Commission, and today's hearing is
3 adjourned.

4 (Whereupon, at 3:55 p.m., the hearing in the
5 above-entitled matter was adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Wire Decking from China
INVESTIGATION NO.: 701-TA-466 and 731-TA-1162 (Final)
HEARING DATE: May 27, 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 27, 2010

SIGNED: Raymond M. Vetter
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
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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: David W. Jones
Signature of Court Reporter