

UNITED STATES  
INTERNATIONAL TRADE COMMISSION

---

In the Matter of:                    ) Investigation Nos.:  
  ) 701-TA-479 and  
  ) 731-TA-1183-1184  
GALVANIZED STEEL WIRE            ) (Preliminary)  
FROM CHINA AND MEXICO            )

Pages: 1 through 169

Place: Washington, D.C.

Date: April 21, 2011

---

**HERITAGE REPORTING CORPORATION**

*Official Reporters*  
1220 L Street, N.W., Suite 600  
Washington, D.C. 20005  
(202) 628-4888  
contracts@hrccourtreporters.com

## THE UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:                    ) Investigation Nos.:  
   ) 701-TA-479 and  
   ) 731-TA-1183-1184  
 GALVANIZED STEEL WIRE            ) (Preliminary)  
 FROM CHINA AND MEXICO            )

Thursday,  
 April 21, 2011

Room No. 111  
 U.S. International  
 Trade Commission  
 500 E Street, S.W.  
 Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 1:00 p.m., at the United States International Trade Commission, DOUGLAS CORKRAN, Supervisory Investigator, presiding.

## APPEARANCES:

On behalf of the International Trade Commission:

Staff:

DOUGLAS CORKRAN, SUPERVISORY INVESTIGATOR  
 ANGELA NEWELL, INVESTIGATOR  
 PETER SULTAN, ATTORNEY  
 JAMES FETZER, ECONOMIST  
 JEREMY WISE, INTERNATIONAL TRADE ANALYST  
 SAMANTHA WARRINGTON, RESEARCH ASSISTANT  
 SHARON BELLAMY, HEARINGS AND MEETINGS ASSISTANT

APPEARANCES: (Cont'd.)

In Support of the Imposition of Antidumping and  
Countervailing Duties:

On behalf of Davis Wire Corporation, Johnstown Wire  
Technologies, Inc.; Mid-South Wire Company, Inc.;  
National Standard, LLC; Oklahoma Steel & Wire Company,  
Inc.:

PETER M. CRONIN, Corporate Vice President, Sales  
and Marketing, Heico Wire Group (Davis Wire  
Corporation and National Standard, LLC)

JOHN T. JOHNSON, JR., President, Mid-South Wire  
Company, Inc.

DAVID WEINAND, Executive Vice President, Oklahoma  
Steel & Wire Company, Inc.

LOU RICHARDS, Vice President Sales, Oklahoma Steel  
& Wire Company, Inc.

DR. PATRICK MAGRATH, Economic Consultant, Magrath  
& Otis, LLC

FREDERICK P. WAITE, Esquire

KIMBERLY R. YOUNG, Esquire

Vorys, Slater, Seymour and Pease, LLP  
Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to the Imposition of Antidumping and  
Countervailing Duties:

On behalf of Wire Products Association Branch, China  
Steel Construction, and its individual members:

JJ ZHANG, General Manager, B&Z Galvanized Wire  
Industry  
BRUCE MALASHEVICH, President, Economic Consulting  
Services, LLC

FRANCIS J. SAILER, Esquire  
MARK E. PARDO, Esquire  
Grunfeld, Desiderio, Lebowitz, Silverman &  
Klestadt, LLP  
Washington, D.C.

On behalf Deacero S.A. de C.V.; Deacero USA, Inc.:

DANIEL M. GUTIERREZ, Vice President of Industrial  
Sales, Deacero S.A. de C.V.  
RANDALL M. LENZ, Sales Manager, Stay-Tuff Fence  
Mfg. Inc.  
DAVID CLAYTON, Independent Wire & Wire Rod Broker

JAY C. CAMPBELL, Esquire  
KRISTINA ZISSIS, Esquire  
White & Case, LLP  
Washington, D.C.

I N D E X

	PAGE
OPENING STATEMENT OF FREDERICK P. WAITE, ESQUIRE VORYS, SATER, SEYMOUR & PEASE, LLP	6
OPENING STATEMENT OF JAY C. CAMPBELL, ESQUIRE, WHITE & CASE, LLP	10
OPENING STATEMENT OF MARK E. PARDO, ESQUIRE GRUNFELD, DESIDERIO, LEBOWITZ, SILVERMAN, & KLESTADT, LLP	12
STATEMENT OF PETER M. CRONIN, CORPORATE VICE PRESIDENT, SALES AND MARKETING, HEICO WIRE GROUP (DAVIS WIRE CORPORATION AND NATIONAL STANDARD, LLC)	19
STATEMENT OF JOHN T. JOHNSON, JR., PRESIDENT, MID-SOUTH WIRE COMPANY, INC.	24
STATEMENT OF DAVID WEINAND, EXECUTIVE VICE PRESIDENT, OKLAHOMA STEEL & WIRE COMPANY, INC.	30
STATEMENT OF DR. PATRICK MAGRATH, ECONOMIC CONSULTANT, MAGRATH & OTIS, LLC	37
STATEMENT OF DANIEL M. GUTIERREZ, VICE PRESIDENT OF INDUSTRIAL SALES, DEACERO S.A. DE C.V.	90
STATEMENT OF RANDALL M. LENZ, SALES MANAGER, STAY-TUFF FENCE MANUFACTURING INC.	100
STATEMENT OF BRUCE MALASHEVICH, PRESIDENT, ECONOMIC CONSULTING SERVICES, LLC	105
STATEMENT OF JJ ZHANG, GENERAL MANAGER, B&Z GALVANIZED WIRE INDUSTRY	118
CLOSING STATEMENT OF FREDERICK P. WAITE, VORYS, SATR, SEYMOUR AND PEASE LLP	159
CLOSING STATEMENT OF JAY C. CAMPBELL, WHITE & CASE LLP	159
CLOSING STATEMENT OF MARK E. PARDO, GRUNFELD, DESIDERIO, LEBOWITZ, SILVERMAN & KLESTADT LLP	167

P R O C E E D I N G S

(1:00 p.m.)

MR. CORKRAN: Good afternoon, and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping and countervailing duty investigation, Nos. 701-TA-479, and 731-TA-1183 and 1184 concerning imports of Galvanized Steel Wire from China and Mexico.

My name is Douglas Corkran, and I am the Chief of the Commission's Investigative Division C, as well as the Supervisory Investigator in these investigations, and on behalf of the Director of the Office of Investigations, I will preside at today's conference.

Among those present from the Commission staff are from my far right Samantha Warrington, the Assistant Economist; Angela Newell, the Investigator; Peter Sultan, the Attorney-Advisor; James Fetzer, the lead Economist; and Jeremy Wise, the Industry Analyst.

I understand that parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information, and to speak directly into the microphones.

1                   We also ask that you state your name and  
2                   affiliation for the record before beginning your  
3                   presentation. Finally, speakers will not be sworn in,  
4                   but are reminded of the applicability of 18 U.S.C.  
5                   Section 1001 with regard to false or misleading  
6                   statements, and to the fact that the record of this  
7                   proceeding may be subject to court review if there is  
8                   an appeal. Are there any questions?

9                   (No response.)

10                  MR. CORKRAN: Hearing none, we will proceed  
11                  with the opening statements. Mr. Waite, please begin  
12                  your opening statement when you are ready.

13                  MR. WAITE: Thank you, Mr. Cockran, and good  
14                  afternoon to the Commission Staff. My name is Fred  
15                  Waite, with the law firm of Vorys, Sater, Seymour and  
16                  Pease. I am here today on behalf of the Petitioners.

17                  This is the first time that the Commission  
18                  has had a case involving galvanized steel wire. So  
19                  during our affirmative presentation, we will spend  
20                  some time discussing the product, how it is made, and  
21                  its uses.

22                  We have even brought some product samples  
23                  for you to examine. But let me say now that  
24                  galvanized steel wire is a commodity product. It is  
25                  sold principally on the basis of price, and producers

1 in different countries, including Mexico and China,  
2 are able to supply virtually identical products.

3 There are no significant quality or other  
4 non-price differences that distinguish galvanized wire  
5 produced by U.S. companies and subject imports. In  
6 other words, galvanized wire is interchangeable,  
7 regardless of source.

8 Galvanized wire is sold nationwide, whether  
9 it is being sold by the domestic industry or by  
10 importers. As we showed in the petitions, shipments  
11 of galvanized wire from China enters customs ports  
12 throughout the United States, and Deacero, the primary  
13 exporter from Mexico, has distribution warehouses  
14 strategically located in the United States to cover  
15 the entire U.S. market.

16 And as you will hear from our witnesses,  
17 imports of galvanized wire from both of these sources  
18 are having a negative impact on the U.S. industry,  
19 regardless of geographic or end-use market.

20 The period of investigation in this case  
21 covers 2008 through 2010. 2009 was a recession year,  
22 both here and abroad. The Petitioners acknowledge  
23 that the recession was a factor in their declining  
24 performance in 2009.

25 But imports from Mexico and China also were

1 significant factors. Even in the depths of the  
2 recession, subject imports increased their market  
3 share.

4 For example, imports from Mexico increased  
5 by 15 percent in 2009 when overall demand was down.  
6 Then in 2010, when the U.S. industry began to see some  
7 recovery in the market, subject imports increased by  
8 24 percent over 2009 levels.

9 Looking at the import data and averaging of  
10 values, China and Mexico appear to be jockeying for  
11 position to be the lowest priced supplier of  
12 galvanized wire in the U.S. market.

13 China won that contest in 2008, but Mexico's  
14 AUVs dropped dramatically in 2009, and continued to be  
15 lower than China in 2010. Evidence of the impact of  
16 these low import prices is contained in the numerous  
17 lost sales and lost revenue allegations that we  
18 included in the petition.

19 Subject imports have had, and are continuing  
20 to have, a significant and injurious impact on the  
21 domestic industry. Shortly, you will hear from our  
22 industry witnesses about some of the specific negative  
23 effects that these dumped and subsidized imports are  
24 having on individual companies.

25 In terms of an industry overview, I want to

1 briefly touch on the declining trade indicators, and  
2 the deteriorating financial condition of the industry  
3 as the result of subject imports.

4 U.S. production and domestic sales vales,  
5 and volumes, have all dropped over the POI, and  
6 domestic employment also declined. The industry's  
7 capability utilization rate in 2010 was just 62  
8 percent, despite improving demand.

9 Perhaps most significantly the low prices  
10 offered by subject imports prevented U.S. producers  
11 from being able to raise their prices, and resulted in  
12 operating losses for the industry both in 2009 and  
13 2010.

14 While the evidence of present material  
15 injury is compelling, the threat of continued injury  
16 by dumped and subsidized imports from China and Mexico  
17 is daunting.

18 There is an enormous capacity in China to  
19 produce galvanized wire. Almost one thousand Chinese  
20 firms offer galvanized wire for sale, and we  
21 identified almost 300 companies from China that  
22 exported to the United States during the POI.

23 Mexico has also increased capacity, as  
24 Deacero has been expanding its wire drawing and  
25 galvanizing lines. The fact that the United States is

1 the largest export market for both China and Mexico  
2 underscores the threat posed by the U.S. industry.  
3 Thank you very much.

4 MR. CORKRAN: Thank you very much, Mr.  
5 Waite. And now can I call Mr. Campbell and Mr. Pardo  
6 to present their opening statement.

7 MR. CAMPBELL: Good afternoon. My name is  
8 Jay Campbell. I am joined today by my colleague,  
9 Kristina Zissis. We are both with White & Case, and  
10 represent Deacero.

11 The U.S. market for galvanized wire has  
12 depended on imports for a long time. In each year  
13 from 2000 to 2007 imports exceeded 250 thousand tons.  
14 Imports were at their lowest levels during the period  
15 of investigation for this case, dropping to 182  
16 thousand tons in 2010.

17 Imports from China and Mexico are not a new  
18 phenomenon in the U.S. market. Next to Canada, China  
19 and Mexico have been the second and third largest  
20 sources of imports over the past decade.

21 The subject imports were at 104 thousand  
22 tons in 2004, reached a peak of 128 thousand tons in  
23 2006, and have since fallen back down to 108 thousand  
24 tons in 2010.

25 It is hard to understand the Petitioners'

1 allegations when the subject imports actually declined  
2 in the period of investigation from an earlier peak.  
3 The U.S. market requires imports because the U.S.  
4 industry itself consumes significant quantities of  
5 galvanized wire for its protection of higher valued  
6 downstream products.

7 The Mexican industry is no different. It  
8 also manufactures galvanized wire for the production  
9 of down stream products. The Petitioners target  
10 Deacero because it is the predominant exporter of  
11 galvanized wire, but Deacero is not a source or threat  
12 of injury to the U.S. industry.

13 During the period of investigation Deacero's  
14 gains in the U.S. market came at the expense of other  
15 imports. Moreover, Deacero is operating at full  
16 capacity and has no incentive to increase its exports  
17 to the United States.

18 This afternoon, we will present testimony to  
19 help inform the Commission staff about the Mexican  
20 industry, its role in the U.S. galvanized wire market,  
21 and the dynamics in the U.S. market.

22 Our witnesses are the vice president of  
23 Deacero's industrial sales, and Deacero's largest U.S.  
24 customer. We thank the Commission Staff for taking  
25 the time to hear from us today, and look forward to

1 answering your questions. Thank you.

2 MR. PARDO: Thank you, and good afternoon.  
3 My name is Mark Pardo, from the law firm of Grunfeld,  
4 Desiderio, Lebowitz, Silverman & Klestadt. With me  
5 today is my partner, Frank Sailer, and we are here  
6 today on behalf of the China Wire Products  
7 Association, and its constituent members.

8 Our presentation today will focus on a  
9 discussion of the considerable public record evidence  
10 contradicting Petitioners' allegations that subject  
11 imports are causing material injury, or threaten to  
12 cause injury to the domestic industry.

13 With us today is Mr. Bruce Malashevich, from  
14 Economic Consulting Services, who will address the  
15 salient points from the record confirming that there  
16 has been no significant increase in market share by  
17 subject imports, and that there have been no adverse  
18 price effects in the domestic market that are  
19 attributable to subject imports.

20 To the contrary, as Mr. Malashevich will  
21 show, the U.S. industry has not lost market share, and  
22 shows every indication of a rapid recovery from the  
23 global recession experienced in 2009.

24 Indeed, prominent members of the U.S.  
25 industry have plainly stated that 2010 was a robust

1 year, in which there was increasing capacity and other  
2 capital expenditures.

3           Simply put the record as a whole does not  
4 portray a picture indicative of injury by subject  
5 imports. Notably, the import trends are highly  
6 atypical of virtually every case involving China, and  
7 we urge the Commission to take special notice of this  
8 extraordinary circumstance evident in this case.

9           Finally, we will present a brief statement  
10 by Mr. JJ Zhang, the General Manager of B&Z Galvanized  
11 Wire, who will explain some of the reasons behind the  
12 significant decline in imports from China, and provide  
13 other firsthand insights regarding trends in the  
14 Chinese industry and its domestic market.

15           We expect that Mr. Zhang's statements will  
16 further confirm the Petitioners' claims of material  
17 injury, or threat of material injury, in this case are  
18 baseless. Thank you for your time.

19           MR. CORKRAN: Thank you both very much. And  
20 with that, may I call the first panel up, please.

21           MR. WAITE: Again, thank you, Commission  
22 Staff, and for the record, my name is Fred Waite, with  
23 the firm of Vorys, Sater, Seymour and Pease. I am  
24 joined by my colleague, Kimberly Young, and by our  
25 economic Consultant, Dr. Patrick Magrath.

1 I would like to briefly introduce our panel  
2 of witnesses to you in the order in which they will  
3 speak. First, to my immediate left is Peter Cronin,  
4 who is Corporate Vice President of Sales and Marketing  
5 for the Heico Wire Group.

6 Davis Wire Corporation and National  
7 Standard, two of the Petitioners in this case, are  
8 members of the Heico Wire Group.

9 On my right is John T. Johnson, Junior, who  
10 is President of Mid-South Wire Company of Nashville,  
11 Tennessee. His company had to rebuild their  
12 galvanizing line last year after the severe flooding  
13 of the Cumberland River.

14 Our third witness will be David Weinand, a  
15 little further on my left, who is Executive Vice  
16 President of Oklahoma Steel and Wire, in Madill,  
17 Oklahoma; and finally Dr. Magrath will be batting  
18 cleanup for us today.

19 Before I turn over the testimony to these  
20 gentlemen, I want to address several general and legal  
21 points for the Staff. The subject of this  
22 investigation, Galvanized Steel Wire, is a round  
23 carbon steel wire that is coated or plated with zinc.

24 We have brought with us today product  
25 samples for you to see, and Ms. Young will be sharing

1 those with you now. The short cut lengths are samples  
2 provided by Davis Wire in California, and the coiled  
3 samples, are what you will see shortly from Iowa Steel  
4 and Wire, which is an affiliate of Oklahoma Steel and  
5 Wire.

6 I want to point out that the product is sold  
7 normally in coils as you will see, much larger coils,  
8 often between two thousand and four thousand pounds,  
9 and we gave you the cut length just so you could see  
10 the various diameters and coatings on the different  
11 types of product.

12 As you can see looking at those samples, the  
13 zinc coating gives the surface of the wire a shinny  
14 appearance, but of course its primary purpose is to  
15 protect the wire, and prevent the steel underneath  
16 from rusting.

17 As you know wire is produced by drawing wire  
18 rod through a series of dyes that reduce the diameter  
19 to the required size. Galvanized wire is produced by  
20 coating or plating the wire with zinc, either through  
21 a hot dipping process or electroplating.

22 Hot dipping is just as it sounds. The wire  
23 is passed through or dipped in a bath of molten zinc  
24 in order to coat the surface of the wire.  
25 Electrogalvanization is a plating process where the

1 wire passes through a chemical solution that contains  
2 dissolved zinc, and the application of an electrical  
3 charge causes the zinc to deposit on the wire.

4 Both of these galvanizing processes are used  
5 in the United States, as well as in Mexico and China.  
6 With the exception of a few products with heavy zinc  
7 coatings that require the plating process, most  
8 galvanized wire can be produced using either of the  
9 two galvanizing processes.

10 One unique aspect of this product that you  
11 need to know is the terminology for the zinc coatings.  
12 The thinnest coating is called a commercial coat, or a  
13 flash coat.

14 Then there are class one through class five  
15 coatings, and also Class A, B, and C coatings. These  
16 zinc coatings are progressively thicker, and the  
17 specific requirements for each are set out in ASTM  
18 A641, which is the specification for zinc coated  
19 carbon steel wire.

20 We included a copy of the specification in  
21 the petitions. Galvanized steel wire is produced in a  
22 broad range of diameters, which correspond to the  
23 gauge of the wire.

24 You may hear references today to the various  
25 gauges, such as 18 gauge, 14 gauge, 20 gauge. The

1 higher the gauge number, the smaller the diameter of  
2 the wire.

3 We will try to make sure that we translate  
4 any gauge references into the corresponding diameters  
5 in either inches or millimeters. Our scope covers  
6 galvanized wire with a diameter of 0.5842 millimeters,  
7 or 0.023 inch, or larger.

8 I would also note that the scope language  
9 identifies the HTS subheadings applicable to  
10 galvanized wire. These HTS numbers specifically cover  
11 galvanized steel wire and no other products. So the  
12 Commission Staff does not need to worry about basket  
13 categories this case.

14 Also, all carbon steel galvanized wire  
15 imports should be classified under these HTS  
16 subheadings. Galvanized wire is an intermediate  
17 product used in a variety of applications, such as  
18 agricultural, automotive, construction, consumer, and  
19 industrial uses.

20 Some of the more common products made from  
21 galvanized wire include fencing, stucco netting, and  
22 woven wire mesh, wire shelving racks and decking, wire  
23 rope and strand, baling wire, vineyard wire, stables  
24 and paper clips, bucket handles and paint can handles,  
25 and springs, nails, and hangers.

1           The U.S. industry produces the entire  
2 spectrum of galvanized wire products for these end use  
3 applications. As you have probably seen from the  
4 questionnaire responses, there are no good substitutes  
5 for galvanized wire.

6           We intend to address the like product issue  
7 more thoroughly in our post-conference brief,  
8 discussing the various factors that the Commission  
9 considers, which include physical characteristics and  
10 uses, interchangeability, channels of distribution,  
11 customer and producer perceptions, common  
12 manufacturing processes, production processes,  
13 employees, and price.

14           Based on these factors, we believe that  
15 there is a single like product consisting of all  
16 galvanized steel wire are covered by this scope.  
17 There are no clear dividing lines within the range of  
18 diameters, the zinc coatings, or any other  
19 characteristics to which the product is produced.

20           We expect the like product issue to be non-  
21 controversial in this case. Finally, I want to  
22 mention accumulation. Again, we will address this  
23 issue in detail in our post-conference brief, but we  
24 submit that imports from Mexico and China should be  
25 accumulated for purposes of the Commission's

1 determination in this case.

2 In addition to the petitions being filed on  
3 the same day, there is no question that subject  
4 imports from Mexico and China compete with each other,  
5 and with the domestic like product in the U.S. market.

6 Imports of galvanized wire from Mexico and  
7 China are present simultaneously throughout the U.S.  
8 market, and they compete for the same distributors,  
9 and end-use customers. With that, I would like to  
10 turn it over to Mr. Cronin.

11 MR. CRONIN: Thank you, Fred. Good  
12 afternoon. My name is Peter Cronin, and I am  
13 Corporate Vice President of Sales and Marketing in the  
14 United States for the Heico Wire Group.

15 Two of the wire companies in our group,  
16 Davis Wire Corporation, and National Standard, are  
17 domestic producers of galvanized steel wire and  
18 Petitioners in this case.

19 I have a total of over 40 years experience  
20 in the steel and wire industry. I have been in my  
21 current position with the Heico Wire Group for the  
22 past six years.

23 Previously, I was President of Industrial  
24 Wire, Industrial Alloy, at the Golden State Nail  
25 Company, all of which are operating units of Tree

1 Island Industries. Before that, I was the Executive  
2 Vice President of Davis Wire Corporation for five  
3 years.

4 I spent 11 years with Davis Walker, which  
5 was the predecessor of Davis Wire. I also served as  
6 president of the American Wire Producers Association.  
7 Altogether, I have been in the wire industry for the  
8 past 32 years, 22 of which have been with Davis Wire.

9 Davis Wire has three production facilities;  
10 one in Irwindale, California, one in Kent, Washington,  
11 and one in Pueblo, Colorado. Our Irwindale plant has  
12 three galvanizing lines, although only one is  
13 currently working full-time.

14 Our Pueblo facility has two galvanizing  
15 lines, with only one in operation, and our Kent plant  
16 has one line. We also have one galvanizing line at  
17 National Standard, which is located in Niles,  
18 Michigan.

19 All these facilities draw rod into wire, and  
20 then you pass the wire through molten zinc in order to  
21 produce galvanized wire. The process is known as hot  
22 dip galvanizing, and all of our galvanizing lines use  
23 this process.

24 Based on our plant locations, we are able to  
25 supply galvanized wire to customers throughout the

1 United States. All of our galvanized lines are state-  
2 of-the-art, and very cost efficient.

3 Galvanized wire is sold primarily on the  
4 basis of price. Because of the depressed pricing from  
5 China and Mexico, we have had to sell galvanized wire  
6 at extremely low prices to be competitive.

7 Even during the recent recession imports  
8 from China and Mexico have escalated. During the past  
9 few years, Deacero, the primary producer in Mexico,  
10 has picked up the pace in the U.S. market, increasing  
11 their volumes and dropping their prices.

12 They make and sell the whole range of  
13 galvanized wire products. Frequently the Chinese and  
14 Mexican suppliers resort to what we call cigar box  
15 accounting and pricing.

16 They base their pricing solely on rod costs  
17 and zinc, totally disregarding the diameter weight and  
18 zinc coating, and grade. 10 gauge and 18 gauge could  
19 be at similar prices.

20 We compete against both Mexico and China,  
21 and all of our primary end-use markets. For example,  
22 we produce galvanized wire, which is used in the  
23 production of chain link fencing. We call it chain  
24 link weaving wire because the fencing manufacturers  
25 weave the wire to produce a chain link pattern.

1           Fencing is a significant market for  
2           galvanized wire in the U.S., and suppliers of  
3           galvanized wire from Mexico and China are constantly  
4           reducing their prices for these applications.

5           Vineyard wire is another product made from  
6           galvanized wire. This is the wire used by vineyards  
7           for tieing up the grape vines, and it is an obviously  
8           important product for us on the West Coast.

9           This has become a big import item from both  
10          China and Mexico. Another common use of galvanized  
11          wire is the recycling industry. Baling wire, which is  
12          galvanized wire, is used to produce bale ties for  
13          securing cardboard and other materials to be recycled.

14          Here, too, imports from China and Mexico  
15          have aggressively dropped their prices to increase  
16          market share. We have recorded lost sales and lost  
17          revenue when all of these products as a result of low  
18          priced offers to our customers from China and Mexico.

19          We have reported these to the Commission in  
20          the petition. As a result of the very low import  
21          pricing, we have been unable to invest in our  
22          galvanizing operations or expand our capacity.

23          Our board would never consider a proposal to  
24          bring on new capacity when we have two galv lines that  
25          are shut down. If this case is successful, we plan to

1 restart those lines, but we cannot justify the new  
2 capital required to restart them when imports from  
3 Mexico and China are streaming into the U.S. and  
4 keeping prices down.

5 We also have limited our capital  
6 expenditures over the last several years to repairs  
7 and maintenance. These expenditures are required  
8 simply to keep the galvanizing lines running. We are  
9 not spending any money on new capacity or new product  
10 development.

11 In some cases the import prices for  
12 galvanized wire is lower than our full variable costs.  
13 This has forced us to import some products from China  
14 instead of making the products here in order to stay  
15 competitive.

16 We do this make or buy analysis because for  
17 some products, we can buy it cheaper than we can make  
18 it. Obviously we would prefer to make all of our  
19 products in the U.S.

20 As I mentioned our plants use wire rod to  
21 produce wire for galvanized wire production. We  
22 purchase wire rod from our various locations, and rod  
23 pricing has gone up and down over the past three  
24 years.

25 During the period of investigation even when

1 our costs and prices fluctuated the galvanized wire  
2 from China and Mexico has always been much cheaper.  
3 As a result, we have been unable to raise our prices  
4 even when we receive rod and zinc price increases from  
5 our suppliers. This has caused our margins to shrink  
6 drastically.

7 If the imports from China and Mexico  
8 continue at these low prices, which in many cases are  
9 below our costs, we will continue to lose money and  
10 incur financial hardships.

11 Eventually, without relief, under our trade  
12 laws, we will have to close galvanizing lines at Davis  
13 Wire, and National Standard, and lay off employees at  
14 those facilities. Thank you very much.

15 MR. JOHNSON: Good afternoon. My name is  
16 John T. Johnson, Junior, and I am the President of  
17 Mid-South Wire, in Nashville, Tennessee. We are one  
18 of the Petitioners in the galvanized wire case against  
19 Mexico and China.

20 My father and his partners formed the  
21 company in 1967, and I started working for Mid-South  
22 after college in 1985. I grew up in the mill. I  
23 started out in sales, and then in 1999, I was named  
24 general manager. I have been president of Mid-South  
25 Wire since 2002.

1           In addition to our facility in Nashville, we  
2           also have a wire drawing plant in Scott City,  
3           Missouri. However, we produce galvanized wire only at  
4           our Nashville facility. Our wire drawing process  
5           begins with steel wire rod, which is chemically  
6           cleaned and mechanically descaled, and then it is  
7           drawn to customer specifications for size, grade, and  
8           other properties.

9           The drawing process includes a variety of  
10          machines, depending on the final wire size. Mid-South  
11          can produce finished full sizes up to four thousand  
12          pounds.

13          10 to 15 percent of our wire is sent to our  
14          galvanizing facility for hot dip galvanizing. We  
15          produce industrial quality galvanized wire in sizes  
16          ranging from .072 to 2.283, in customer specified  
17          potential strengths.

18          Our modern and efficient galvanizing line  
19          was installed in Nashville in 2002, and is housed in a  
20          separate building from the wire mill. When we laid  
21          out the line, we designed it so that we could add a  
22          second line if and when business supported it.

23          An additional line would require a sizeable  
24          investment and increased employment, but market  
25          conditions have not warranted the investment in a

1 second galvanizing line.

2 And cheap imports from Mexico and China are  
3 contributing factors to that decision. Our Nashville  
4 facility is strategically located along the Cumberland  
5 River.

6 In May of last year, we experienced severe  
7 flooding in Nashville following heavy rains. By mid-  
8 afternoon on Sunday, May 2, the water was waist deep  
9 in the plant.

10 Our galvanizing line was basically under  
11 water for four days, and the flooding caused the zinc  
12 tank to freeze. This means that the molten zinc used  
13 for hot dipping the wire solidified into a solid  
14 brick.

15 After the water receded the galvanizing line  
16 had to be totally rebuilt, and our line was up and  
17 running by November 1. We reported our flood coverage  
18 expenses as an unrecurring charge in 2010 in our  
19 response to the Commission's questionnaire.

20 Given the market conditions, it may seem  
21 surprising that we incurred these costs to rebuild the  
22 galvanizing line. This was a very tough decision for  
23 Mid-South Wire, because of the impact of imports on  
24 our business.

25 But the galvanizing line is an iatrical part

1 of our operations. We decided to rebuild the line  
2 primarily for the through put that it provided for our  
3 wire mill.

4 The galvanizing line is a significant  
5 customer to our wire mill each year. It also gives us  
6 greater purchasing power on raw materials, and it  
7 helps us to spread out our costs and overhead  
8 expenses.

9 While the galvanizing line was down, we  
10 purchased galvanized wire from other U.S. producers in  
11 order to meet our customers' needs, and to minimize  
12 the impact of the flood on our customer base.

13 During the six month period, we did not  
14 import or purchase imported galvanized wire. In fact,  
15 we have never imported or purchased imported  
16 galvanized wire, not that it is not readily available  
17 in the United States at very cheap prices.

18 One of the questions in the Commission's  
19 U.S. producers questionnaire asked about the actual  
20 negative effects as a result of imports. In addition  
21 to the postponement of expansion projects, and a  
22 reduction in the size of capital investments, we also  
23 reported higher production costs due to the under-  
24 utilization of capacity.

25 I would like to elaborate on this. A

1 galvanizing line is most efficient when it runs 24-7.  
2 When you take that line down, for example, for shorten  
3 shifts due to reduced orders, the cost to convert  
4 increases significantly. We have the data to  
5 illustrate this.

6           Additionally, the wear and tear on the  
7 equipment by taking it up and down and not running 24-  
8 7 is also significant, and I am sure that everyone on  
9 this panel who operates a galvanizer would agree with  
10 that.

11           Our customers buy primarily based on price.  
12 So if imports offer prices well below domestic prices,  
13 we know that we either have to drop our price or lose  
14 the business. We have reported in the petition  
15 specific examples of lost revenue as a result of low  
16 import prices.

17           For example, Deacero's first appearance in  
18 our markets was in 2005 and 2006, and we were  
19 primarily competing with them in the bale tie  
20 business, but now we compete with Deacero across the  
21 whole range of our customer base.

22           We produce galvanized wire that goes into  
23 bale ties, paint can handles, chicken coop wire, chain  
24 link fencing, concrete reinforcing, and other  
25 products, and our customers are always threatening us

1 with the import pricing on these products.

2           There are two things that I want to note  
3 about Deacero. First, their pricing on galvanized  
4 wire consistently seems to be the same everywhere,  
5 regardless of distance.

6           What we experience is that they offer the  
7 same price in Chicago as in Charlotte. I know that  
8 they have set up warehouses in several places in the  
9 United States, but there are still costs associated  
10 with delivering product to different locations.

11           When we quote a delivery price to our  
12 customers, we consider the following factors; the rod  
13 costs, plus the conversion costs to draw the rod to  
14 wire, plus the cost of galvanizing, plus freight, plus  
15 any margin that we can negotiate.

16           So freight is an important part of the  
17 delivered price, and it is based on the distance to  
18 the customer. Apparently Deacero doesn't make this  
19 same cost calculation.

20           Deacero's prices also seem to be the same  
21 regardless of the diameter of the wire, even though it  
22 costs more to produce smaller diameter products based  
23 on the pounds per hour it takes to produce that  
24 smaller wire.

25           Second, Deacero issued a price increase

1 announcement just before this case was filed. Based on  
2 the prevailing market price, their announced price  
3 increase amounted to a 20 to 25 percent increase in  
4 the price of their galvanized wire.

5 I don't know whether or not they realized  
6 any of that, but I do know that the size of this one-  
7 time price increase is very unusual in the galvanized  
8 wire business.

9 It says to me that Deacero knew that this  
10 case was coming, and they were hoping that a huge  
11 price increase announcement would somehow protect  
12 them. Unfortunately, the damage to the U.S. industry  
13 has already been done. I will be glad to answer any  
14 questions that you may have.

15 MR. WEINAND: Good afternoon. My name is  
16 David Weinand, and I am here on behalf of Oklahoma  
17 Steel and Wire, Iowa Steel and Wire, and Southwestern  
18 Wire Companies, which have been combined into the  
19 reporting for Oklahoma Steel and Wire Company.

20 We are one of the Petitioners that filed  
21 trade cases against galvanized wire imports from  
22 Mexico and China. Oklahoma Steel and Wire is located  
23 in Madill, Oklahoma, and it has two related companies  
24 that also produce galvanized wire, Iowa Steel and  
25 Wire, in Centreville, Iowa, and Southwestern Wire, in

1 Norman, Oklahoma.

2 We have three galvanizing lines at Oklahoma  
3 Steel and Wire, and two lines each at both Iowa Steel  
4 and Southwestern Wire. All of these lines are for hot  
5 dip galvanizing.

6 We are a family-owned business, and one of  
7 the largest producers of galvanized wire in the United  
8 States, and we employ over 550 American workers in our  
9 three wire facilities.

10 I joined Oklahoma Steel and Wire in 1988  
11 when I was hired as the Human Resources Manager for  
12 the company. In 1996, I became the executive vice  
13 president of both Oklahoma Steel and Iowa Steel.

14 In addition to these positions, I am also  
15 president of Southwestern Wire, and vice president of  
16 Mid-America Steel and Wire Company, our affiliated  
17 wire rod mill, which is also located in Madill,  
18 Oklahoma.

19 Our rod mill has been in operation since  
20 2004, and it supplies the wire rod input for each of  
21 our wire companies. We also sell some wire rod into  
22 the commercial market.

23 The galvanized wire that we produce is sold  
24 into the open market, as well as used internally to  
25 make downstream products. The vast majority of the

1 galvanized wire sold to the outside consumer market is  
2 sold by Iowa Steel and Southwestern Wire.

3           The bulk of our galvanized wire falls in the  
4 range of 6 gauge to 17 gauge. Six gauge wire has a  
5 diameter of .192 inches, and a 17 gauge wire has a  
6 diameter of .054 inches.

7           Our companies also make finished goods from  
8 galvanized wire, and our product lines are focused in  
9 the areas of fencing, which include agricultural,  
10 commercial, and industrial fencing; and the  
11 construction market, wire reenforcing as an example,  
12 and the recycling markets.

13           We also have customers in the lawn and  
14 garden, and consumer products sectors. We internally  
15 consume galvanized wire to make products such as chain  
16 link fence, single look bale ties, tension bars, woven  
17 wire fence, barbed wire fence, and agricultural  
18 panels, which are galvanized panels used in corrals  
19 for livestock and horses.

20           We also sell galvanized wire to our  
21 customers, who manufacture many different types of  
22 products like chain link fence, bale ties, for the  
23 recycle industry, and produce many consumer products,  
24 such as paper clips and tomato cages as an example.

25           Vineyard wire is another type of galvanized

1 wire that we sell to customers. We compete against  
2 imports in all of our markets, whether geographically  
3 or in terms of an end-use market.

4 For example, we sell galvanized wire  
5 throughout the United States, and we see Deacero  
6 everywhere. Their pricing is usually the lowest  
7 offered in the market. We also compete head to head  
8 with imports of galvanized wire from China, especially  
9 on vineyard wire.

10 The main factors that our customers consider  
11 when they purchase galvanized wire are price and  
12 availability. As long as the price is available, and  
13 there is plenty of wire available right now from  
14 Mexico and China, the lowest price gets the sale.

15 Two months ago, Deacero announced that it  
16 was raising the price on all of its galvanized wire by  
17 \$8 a hundred weight. That is \$160 a ton. I believe  
18 that this significant price increase was driven more  
19 by concerns about a possible trade case than about  
20 conditions in the market.

21 This information was first obtained by our  
22 company when we were attending the Fence Tech Trade  
23 Show in Las Vegas during the first week of February,  
24 where customers came to ask us about these large price  
25 increases by imports.

1           Based on these conversations, it was clear  
2 to me that the Mexican producers were aware of the  
3 trade case against galvanized wire from Mexico was  
4 coming.

5           Because of rumors that were circulating in  
6 the market, I would say that the importers knew as  
7 early as December of last year that the industry was  
8 preparing a case against galvanized wire imports from  
9 Mexico and China.

10           In 2009 and 2010, we had periods of weekly  
11 shutdowns and shortened work weeks due to a lack of  
12 business. The economy was certainly partly to blame,  
13 and the low pricing on imports from Mexico and China  
14 also impacted our sales.

15           Our production and shipments were lower in  
16 2009 and 2010 than in 2008, and our sales values did  
17 not recover to 2008 levels, despite an improvement in  
18 demand last year.

19           We reported losses on galvanized wire in  
20 both 2009 and 2010. You may hear claims from the  
21 other side that Oklahoma Steel and Wire is somehow  
22 insulated from the impact of imports because we  
23 internally consume a large portion of our galvanized  
24 wire production.

25           But this is simply not true. Our reporting

1 includes three companies; Oklahoma Steel, Iowa Steel,  
2 and Southwestern Wire Company. Actually, Oklahoma  
3 Steel itself only sells about one percent of its  
4 galvanized wire to the outside market.

5           However, both Iowa Steel and Southwestern  
6 Wire, traditionally about 40 percent of their revenue  
7 comes from sales of galvanized wire. These two  
8 companies have seen significant impacts on their  
9 business due to imports in 2009 and 2010, resulting in  
10 plant slow downs and then layoffs.

11           Unlike some U.S. companies, we have not  
12 resorted to any importing of galvanized wire, or  
13 purchasing imports in order to compete with the low  
14 prices offered by the Mexican producers and the  
15 Chinese industry.

16           We have never sold imported galvanized wire  
17 to our customers instead of producing the wire  
18 ourselves. We want to manufacture the product here.  
19 We did buy some high tensile galvanized wire from  
20 Mexico in 2010, but that was because we had started a  
21 new machine, and we needed a special supply from an  
22 outside source until we established our internal  
23 processes.

24           We considered this 2010 purchase to be a  
25 one-time occurrence, and we now are producing the

1 product ourselves.

2 Another impact of low import prices on our  
3 business was our inability to invest in our  
4 operations, particularly in the Iowa Steel and  
5 Southwestern Wire Companies.

6 We were forced to postpone plans to install  
7 more modern wire drawing equipment due to the downturn  
8 in business caused by imports from Mexico and China.  
9 This new wire drawing equipment would have allowed us  
10 to expand our capacity, and increase our productive  
11 efficiency.

12 We could not justify such an investment in  
13 light of the market conditions in 2010. If imports  
14 from Mexico and China continue to arrive at below  
15 costs, then our companies will be forced to downsize  
16 our operations.

17 And while we would try to continue to  
18 compete in our downstream markets, having to abandon  
19 the galvanized wire market would force us to right-  
20 size our business to the lower reality of the business  
21 volume.

22 This will result in the need to reduce our  
23 workforce at all levels of operations, including  
24 production, maintenance, sales, and management  
25 personnel. Thank you for your attention, and I would

1 be pleased to answer any questions you have.

2 DR. MAGRATH: If I could have a time check,  
3 please.

4 MR. CORKRAN: 29 minutes.

5 DR. MAGRATH: Okay.

6 MR. CORKRAN: Dr. Magrath, before you start,  
7 would you like to introduce this as Exhibit 1 to the  
8 conference transcript?

9 DR. MAGRATH: Yes.

10 MR. CORKRAN: Okay.

11 DR. MAGRATH: After 25 years of attending  
12 these ITC proceedings, and representing the  
13 Petitioners' side of things, this is going to be weird  
14 to say, but good afternoon, Members of the Commission,  
15 Staff, ladies and gentlemen.

16 My name is Patrick Magrath, and I am a  
17 consultant for the Petitioners in this case. I am  
18 here to discuss the volume and prices of imports from  
19 China and Mexico, and their impact on the galvanized  
20 steel wire, or galv wire, or GSW, industry's overall  
21 trade, financial, and pricing experience during the  
22 POI.

23 From the perspective of the overall market,  
24 the relatively short three year period the ITC  
25 examines nevertheless encapsulates an entire business

1 cycle for galv wire.

2 In terms of overall galv wire demand, a very  
3 good year in 2008 was followed as we all too painfully  
4 aware, by a decline into recession in 2009, for the  
5 market for galv wire, as well as the overall economy.

6 2010 has brought an encouraging recovery,  
7 although the level of demand for galvanized wire fell  
8 short of 2008. It is in our petition as Exhibit 15.  
9 Not so the accumulated imports from China and Mexico.

10 In 2009, all volumes, including subject  
11 imports, declined. But subject imports staged a  
12 remarkable comeback in 2010 as Mr. Waite has already  
13 mentioned, increasing 24 percent from the 2009 market  
14 bottom.

15 By contrast, overall demand and consumption  
16 only rose 11 percent, less than half the rate of the  
17 increase of subject imports. Such an outsized  
18 increase translated into steady increases in the U.S.  
19 market share for these dumped and subsidized imports,  
20 as this summary index chart that we provided, Chart  
21 One, shows.

22 Their market share is on the green line,  
23 which as you see goes straight up. It is very  
24 important to note here that in terms of the volume of  
25 affected imports, that although subject import volumes

1 declined in the recession, their market shares  
2 actually went up in 2009.

3 So the pie may have contracted dramatically,  
4 but the subject imports ate more of it. This  
5 compounded the injury already being suffered by the  
6 domestic industry due to the economic downturn.

7 Then as demand mercifully began to recover  
8 in 2010, subject imports scored their greatest market  
9 jump of the POI as Chart One shows here. What the  
10 chart does not show, but which is equally important,  
11 is the sheer size of the chunk that unfair imports  
12 took out of the market through each year of the POI,  
13 well over 20 percent in 2008, increasing each year to  
14 almost 30 percent by 2010 on a commercial market  
15 basis.

16 Subject imports also held a significant  
17 increasing share of the market even if internal  
18 consumption of U.S. producers is included. Members of  
19 the Staff may breath a sigh of relief when they first  
20 looked at the import categories in this petition. No  
21 basket categories.

22 No confusion, no allocation, no scrambling  
23 after importer questionnaires, and no controversy, or  
24 at least I think no controversy over what imports  
25 actually are, and in what vague all other categories

1 that they may or may not be hiding.

2           Instead, we have a single HTS wire number,  
3 7217.20, that is dedicated to "unalloyed steel wire,  
4 plated or coated with zinc." Galvanized steel wire  
5 under the single category separates out to nine  
6 specific 10 digit numbers based on carbon content and  
7 diameter.

8           So these clean HTS categories, specific to  
9 wound galvanized steel wire, are all that you really  
10 have to know about the volume and price effects of  
11 imports in this case.

12           We have already talked about the import  
13 statistics in terms of volume, and how their increases  
14 doubled the increase in overall consumption in 2010,  
15 and increased as a share of consumption in each year,

16           The other fact that you can glean from these  
17 import statistics concerns average unit values, or  
18 AUVs. Because of the clean categories the AUVs tell  
19 Petitioners' price in commodity type products well.

20           In this case, unlike so many other cases  
21 that the ITC sees, AUVs are an excellent proxy for  
22 actual galvanized import prices for two reasons.

23           First, the very specific product categories,  
24 and second, the fact that about 90 percent of the  
25 burgeoning imports from Mexico, and 70 percent of the

1 imports from China, enter under a single 10 digit HTS  
2 category, 7217 and 203000.

3 That is galvanized wire over 1.5  
4 millimeters, .0585 inch diameter, with a carbon  
5 content of less than .25 percent. This galvanized  
6 wire in these diameters is generally called low carbon  
7 wire, and is the meat of the market for both imports  
8 and U.S. producers.

9 This is the specific category that the  
10 Chinese and Mexican suppliers are targeting with low  
11 prices and injuring the domestic industry. This chart  
12 shows the level and trend of China and Mexico's AUVs,  
13 versus those of U.S. producers, commercial and total  
14 shipments, as well as those of other import sources.

15 Chart 2. As you can see, subject imports,  
16 AUVS, always in red, are in a class of their own.  
17 Throughout the POI, their AUVs dropped, and were lower  
18 than any other source, and dropped more than any other  
19 source.

20 During the recession, they grabbed more  
21 market share in a contracting market, and then  
22 continued to drop, and in fact substantially, even as  
23 the economy recovered in 2010.

24 In this basic industrial commodity type  
25 product, non-subject imports paid a heavy price for

1 their attempt to price fairly. Their volumes  
2 declined, and basically I am talking about Canada.

3 U.S. shipments did increase in 2010, but  
4 these increases lagged badly of those of subject  
5 imports. Although questionnaire data will show that  
6 U.S. producers tried to raise prices, what increases  
7 they were able to achieve were short-lived and U.S.  
8 prices were declining, and again by the end of 2010  
9 remaining well below 2008 levels.

10 Before we leave the pricing issue, import  
11 AUVs should also track closely with what you should  
12 get back in Deacero's questionnaire response, and on  
13 the Chinese importer responses.

14 With about 200 known importers, you may get  
15 a few of those, although given their track record, it  
16 is not encouraging. These questionnaire responses  
17 should closely approximate the AUVs charted here,  
18 Chart 2, and it is taken from Exhibit 12, Table 1, of  
19 our petition, which tracks all galvanized wire import  
20 categories.

21 And, Chart 3, which tracks AUVs from imports  
22 from China and Mexico, and other sources for this all  
23 important single category of low carbon galvanized  
24 wire, HTS 7217203000.

25 As Chart 2 shows, as fairly traded imports

1 from other countries, and U.S. producers increased  
2 prices somewhat in the recovery year of 2010, and  
3 subject countries AUVs continued to go down, and went  
4 down substantially, matching each other's declines in  
5 what was in essence a price war between Deacero and  
6 Chinese suppliers.

7 Chart 3 shows even deeper price cuts for  
8 this meat of the market low carbon product. So later  
9 this afternoon, don't let Respondents claim that they  
10 make something different, or that it was other  
11 imports, or that their prices were too low, or for any  
12 other reason.

13 They are dumping here in a calculated  
14 strategy to dominate the U.S. market. The AUVs in  
15 Charts 2 and 3 readily show why subject imports and  
16 market share kept going up through both bad and good  
17 markets.

18 The aggressive price cutting of subject  
19 imports should be noted, especially in 2010, as fairly  
20 priced foreign producers and U.S. producers tried to  
21 raise profits from unprofitable recession lows.

22 Second, the AUV comparisons in chart two and  
23 three show a large and growing gap between subject  
24 imports and U.S. producers AUVs. Again, since these  
25 subject AUVs are a very good proxy for actual prices,

1 your analysis should show increasing margins of  
2 underselling my imports from China and Mexico that got  
3 wore as the POI progressed.

4 Finally, a review of the import tables,  
5 Exhibit 12 of our petition, shows that the subject  
6 import price declines during the most recent period of  
7 2010 are consistent for 8 out of the 9 HTS categories.

8 Again, these price trends are not accidents.  
9 Unfair imports are not just after the meat of the  
10 market, but the carrots and parsley as well. The  
11 effect of the volume increases and price declines of  
12 subject imports on the domestic galvanized wire  
13 industry, is demonstrated by the declining levels of  
14 trade indicators, and the deteriorating financial  
15 conditions in the U.S. industry.

16 U.S. shipments, both on a commercial and  
17 total basis, fell over the period of investigation.  
18 Production and capacity utilization fell substantially  
19 in 2009, and then recovered weakly in 2010 to levels  
20 well below that of the beginning of the period.

21 At the end of the POI capacity utilization  
22 stood at 62 percent. Thus, the industry had nearly 40  
23 percent of its productive capability unused.  
24 Employment of production related work fell as well.

25 Every one of the companies in our

1 petitioning group has detailed the injurious impact of  
2 imports from China and Mexico in response to the  
3 question about the actual and anticipated effects of  
4 the subject imports. I know that you will give that  
5 your usual close analysis.

6           Given the commodity nature of this product,  
7 an encroachment on the market by unfair imports  
8 through good times and bad, I am confident that non-  
9 petitioning companies will provide similar assessments  
10 of the imports negative impact on their operations.

11           All these factors that we have mentioned so  
12 far, as well as the volume market share and price  
13 declines of imports, all of them have their dovetail  
14 and have their inevitable impact on the domestic  
15 galvanized steel wire industry's financial  
16 performance.

17           The Petitioners do not claim that the  
18 recession in 2009 was an insignificant factor. The  
19 industry reported an operating loss in galvanized wire  
20 sales in 2009, with the downturn demand combining with  
21 imports increased market share in the depths of the  
22 recession, and their sharp drops in prices, which made  
23 that increase possible, to make a bad situation much  
24 worse.

25           But the overall economy is not an alibi for

1 the Respondents in 2008, which Mr. Weinand, and indeed  
2 one Respondent, both characterized as a "historic  
3 year" for galvanized wire demand, and 2010, in which  
4 both the general economy and demand improved.

5 Well, domestic industry profits sure didn't  
6 improve. Chart 4 shows the industry's operating  
7 profits to sales ratio for all three years of the POI.  
8 Now, the Respondents can once again try to blame all  
9 of this on the recession, but what about the historic  
10 year of 2008 and 2010?

11 Two of the years in the POI were good years  
12 for demand in the overall market, but we believe that  
13 U.S. producers will report less than a three percent  
14 operating profit in 2008, and an operating loss in  
15 2010.

16 Whether the staff focuses on 2008, 2009, or  
17 2010, you see little or no profits being generated,  
18 large unused capacity, and employment dwindling. By  
19 the way, in the opening remarks, one of the  
20 Respondent's counsel emphasized the point that the  
21 imports have been in the market for a long time. No  
22 kidding.

23 You never see, and they have been at dumped  
24 prices. You never see producers prices generating the  
25 kind of profit needed to invest and to grow companies.

1 It is a fact that Mr. Jee, the accountant, will see  
2 when he compiles the CAPEX expenditures and the R&D  
3 expenditures, as well as calculating the falling asset  
4 base in this industry.

5 In fact, the CAPEX will be reported as  
6 generally for maintenance of existing, and in many  
7 cases aging equipment only, and is inflated in 2010 by  
8 the one-time expenses associated with Mid-South's  
9 flood.

10 What you also see in the record is unfair  
11 imports increasing their substantial market share in  
12 each year of the POI. Starting in 2009, their already  
13 low prices plunged, but the cost of goods sold, and  
14 sales, and the profit to sales ratio show that they  
15 have injured the U.S. industry all along in each  
16 period of 2008 to 2010.

17 I have been talking for a while now, and I  
18 am tempted to summarize our threat case, which is also  
19 strong, with just two facts. Imports from Mexico  
20 increased 71.4 percent over the POI, while their AUVs  
21 dropped by 36 percent.

22 And that although China's U.S. export volume  
23 went down over the POI, its AUVs dropped by 24  
24 percent, and because it is China. It is China, a  
25 country with 279 producers, exporters of galvanized

1 steel wire at least.

2 It is the Plaintiffs largest producer of  
3 galvanized wire, with the most galvanizing capacity,  
4 and its exports alone -- its exports, and not its  
5 production, but its exports, exceed our estimate of  
6 total U.S. consumption by well over a hundred-thousand  
7 tons.

8 It is China, with its plethora of subsidies,  
9 its undervalued currency, and its 15 percent export  
10 tax on wire rod, which serves to push its huge  
11 capacity into downstream products like galvanized  
12 wire.

13 But don't take our word for it. Here is  
14 what Raul Gutierrez, who is the head of Deacero, had  
15 to say about the Chinese competition, "Competitors  
16 such as China are subsidized in every way, shape, and  
17 form, from currency, to labor, to taxes. So it is  
18 impossible to compete with them in terms of pricing."  
19 That is in our petition at Exhibit 22.

20 Let me finish up with one more chart, Chart  
21 5. This chart goes back to my favorite set of data in  
22 this case, in case the staff has not guessed, the  
23 public import statistics.

24 Again, specific HTS categories are wonderful  
25 analytical tools if you have got them. This chart

1 shows how China, in red, with its famous China price,  
2 was buying the galv wire market from the start in 2008  
3 through mid-2009, with prices well below other  
4 sources.

5 But the recession was shrinking the overall  
6 market, and with it, sales opportunities for  
7 everybody. So, Deacero made a strategic decision to  
8 meet or beat the China price on its galv wire  
9 offerings in the U.S. market.

10 This change of pricing strategy is clearly  
11 shown, and in dramatic fashion, starting in September  
12 of 2009. Deacero is in blue because we did not have  
13 another shade of red.

14 I guess Mr. Gutierrez did find a way to  
15 compete with the Chinese after all. The AUVs show  
16 Deacero in that month dropping its prices dramatically  
17 from 55 cents a pound in August to 38 cents a pound in  
18 September, an astounding 31 percent in just one month  
19 in the depths of our recession.

20 But as it goes on, China doesn't back off as  
21 you can see. As the chart shows, it responds to  
22 Deacero's aggressive move by dropping its already low  
23 prices even further, to an average of about 1 or 2  
24 cents a pound over of Deacero's average prices.

25 This variable steel cage death match between

1 China and Mexico continued through most of 2010, with  
2 the two suppliers prices well below those of U.S.  
3 producers, and at the end of 2010, they are still  
4 below other imports and U.S. producers, well below.

5 We decided to show this chart in the threat  
6 context to demonstrate the aggressive and much lower  
7 prices of Mexico and China individually, and as a  
8 demonstration of the primacy of pricing in galvanized  
9 wire purchasing decisions.

10 Deacero, by dropping its prices so  
11 dramatically in mid-2009, immediately turbocharged its  
12 exports to the U.S. market. You can see this in the  
13 monthly statistics, and as once again shown by the  
14 U.S. import statistics, it's individual market share  
15 doubled over the POI, and tracking these month by  
16 month data, you can see this happening after Deacero  
17 dropped its prices in mid-2009.

18 So price is the factor in purchasing  
19 decisions. China's volumes declined in this period,  
20 but its substantial drops in AUVs that follow, or  
21 maybe in some cases are leading Deacero's, shows that  
22 they still want very much to be in the game, very much  
23 a threat.

24 And to make matters worse for domestic  
25 producers, these aggressive price moves by both

1 sources of unfair imports, were being implemented in  
2 the middle of the worst economic downturn since the  
3 great depression.

4 In summary, the Petitioners request the  
5 Staff and the Commission to focus on the facts and  
6 conclusions demonstrated by these import categories of  
7 galvanized wire.

8 First, conditions of competition, and Mr.  
9 Fetzer, and Ms. Newell, we conclude three conditions  
10 from these data. First, note that China exports more  
11 in the early POI than does Mexico, because it has much  
12 lower prices, as represented by these AUVs.

13 But immediately following Deacero's drastic  
14 price cuts in mid-2009, Mexico catches, then surpasses  
15 China as an import source, and by 2010, Mexico is the  
16 leading import supplier to the U.S. market.

17 Conclusion. Low price is the primary factor  
18 in purchasing decisions. The second condition. Again  
19 referring to Chart 5, Deacero and the Chinese are in a  
20 price war in the U.S. market.

21 The third condition. Galvanized steel wire  
22 is a basic commodity type product, as well as a very  
23 fairly homogenous product, with a great majority of  
24 its subject imports, and most of U.S. shipments, in  
25 this one low carbon, larger diameter, over 1.5

1 millimeter, category.

2 All of these conclusions you can get from  
3 the public imports statistics. Volume effect.  
4 Starting at 20 percent of the commercial market,  
5 subject imports market share rose in both the  
6 recession year of 2009, and the recovery year of 2010.  
7 That share is now close to 30 percent of the  
8 commercial market, a significant share, both at the  
9 start and at the end of the POI.

10 Price effect. Publicly available AUVs, to  
11 summarize, are again a good proxy for Chinese and  
12 Mexican galvanized wire prices. Its import categories  
13 are specific, and because imports from both countries  
14 are heavily concentrated in just that one 10 digit  
15 number.

16 Data showed Chinese and Mexican AUVs to be  
17 much lower than those for both U.S. shipments and  
18 other imports. In fact, so does the brief scan of  
19 importer pricing data that we have only been given in  
20 the last couple of days, and haven't been able to  
21 fully analyze yet.

22 Further, both China and Mexico AUVs dropped  
23 dramatically in mid-2009, and dropped even more as the  
24 market began to recover in 2010, preventing U.S.  
25 producers from being able to raise prices

1 sufficiently, resulting in operating losses even in  
2 the recovery year of 2010.

3 And finally the impact of these subject  
4 imports led to U.S. producers declines in operating  
5 losses in 2009 and 2010, under both bad and good  
6 market conditions. Lost sales and lost revenue  
7 examples corroborate this injurious impact.

8 And threat. Deacero, the second largest  
9 wire producer in the world, and the hundreds of  
10 subsidized Chinese galv wire producers, have exhibited  
11 aggressive price cutting, leading to increasing import  
12 volumes and U.S. market share.

13 Those facts, as well as the presence of the  
14 other threat factors, demonstrate their continued  
15 capability and willingness to remain in this market,  
16 and to continue to expand their injurious presence in  
17 this U.S. market.

18 Finally, to the Staff. Sorry for being so  
19 longwinded. But what we need to get here is a  
20 determination of a reasonable indication of injury by  
21 subject imports. We hope you and the Commission agree  
22 that we have much more than that. Thank you. That  
23 concludes my presentation.

24 MR. CORKRAN: Thank you, Mr. Waite, and  
25 thank you to all of the panel participants. We always

1 very much appreciate the expertise and the testimony  
2 that we get at the Staff conferences.

3 What I would like to do first is to turn to  
4 my immediate right to introduce our investigator, Mr.  
5 Newell, and ask for questions.

6 MS. NEWELL: Good afternoon. Thank you for  
7 appearing here today to answer our questions. My  
8 first question is about the scope. What is the  
9 significance of the minimum diameter, the 0.5842  
10 millimeter contained in the scope language?

11 MR. WAITE: Most, if not all, of the  
12 domestic producers make product in that diameter or  
13 larger. Product in that diameter that are smaller is  
14 a special subcategory of galvanized steel wire, which  
15 has very specific applications, and requires  
16 additional processing that I believe none of the  
17 petitioners make.

18 We believe that there is one domestic  
19 producer who may make these products in the smaller  
20 diameter, but the bulk of the market would be in the  
21 diameters above that minimum diameter, and we did not  
22 want to present a scope that would have given the  
23 Commission a distorted picture of the industry and the  
24 market.

25 MS. NEWELL: Thank you.

1           MR. CORKRAN: Just to interject for a  
2 second. Mr. Waite, we know you very well here, but I  
3 would like to remind all speakers to please when  
4 answering questions to please introduce yourself for  
5 the court-reporter. Thanks.

6           MS. NEWELL: My next question is about the  
7 HTS code specifies three different diameter ranges,  
8 the smallest of which is one millimeter or less. Are  
9 all the U.S. producers able to produce that, which I  
10 think you may have answered already. You are saying  
11 here that the people here present today to answer do  
12 not produce that; is that correct?

13           DR. MAGRATH: Well, yes, as Mr. Waite just  
14 said that, and I would just like to throw in that this  
15 really, really fine wire, the volume of that, is very  
16 small, in terms of the tonnage of both imports and  
17 U.S. production.

18           MS. NEWELL: Okay. And my last question is  
19 the primary end-use applications for galvanized steel  
20 wire sold into the merchant market. I know that  
21 fencing, vineyard wire, and bale ties were mentioned I  
22 think by everyone. Would you consider those to be the  
23 primary end-uses?

24           MR. CRONIN: Yes, my name is Peter Cronin,  
25 with Heico Wire Group, Davis Wire, and National

1 Standard, and those are three of the larger volume  
2 products, but there are a myriad of products that use  
3 galvanized wire, and there is weight baling wire, and  
4 there is ACSR wire.

5 There is galv basic wire, which is used by  
6 metal fabricators to make racks and baskets, and there  
7 is galvanized duct wire for making flexible duct  
8 deemed for air-conditioning and heating systems.  
9 There is just a whole myriad of products, but we tried  
10 to pick larger volume products as examples.

11 MS. NEWELL: Thank you.

12 MR. JOHNSON: John T. Johnson from Mid-  
13 South. I would add chicken coop wire for sure as part  
14 of that for your list.

15 MS. NEWELL: Thank you. That's all the  
16 questions that I have. Thank you.

17 MR. CORKRAN: Ms. Warrington.

18 MS. WARRINGTON: Yes, thank you. One of my  
19 questions is that three of you mentioned price in  
20 purchasing factors in the market. How important are  
21 other factors, other purchasing factors in the market  
22 for galvanized steel wire?

23 MR. JOHNSON: I'll start. Typically in the  
24 wire industry, quality is a given. So, everybody is  
25 on level ground there. What it comes down to is

1 availability or delivery, and then the number one  
2 factor is cost.

3 MR. WAITE: This is Fred Waite. As you can  
4 see all of the panelists are nodding in agreement to  
5 Mr. Johnson's characterization of price and  
6 availability, with price being the overwhelming factor  
7 in purchasing decisions involving galvanized steel  
8 wire from their customers.

9 DR. MAGRATH: Excuse me, Pat Magrath. Mr.  
10 Johnson emphasized that quality is a given. I mean,  
11 if you have got a reputation of a bad supplier, there  
12 are plenty of other guys out in the market, and you  
13 don't get the business until you can prove yourself  
14 reputable. So it is more or less a condition of the  
15 whole market and not really a factor.

16 MR. WAITE: This is Fred Waite again. I  
17 would like to amplify a little on Dr. Magrath's  
18 comment about quality. Occasionally, we hear that  
19 quality is a factor that goes into purchasing  
20 decisions, whereby products of a lesser quality may  
21 command a lower price, and products to a higher  
22 quality command a higher price.

23 As I understand from the industry, and the  
24 gentlemen around me can certainly speak to this  
25 themselves, quality is not an issue in this market.

1 As Mr. Johnson said, quality is a given.

2 Everyone expects on the supplier's side and  
3 the customer side that the product meets the minimum  
4 quality requirements of the customer's specification,  
5 and indeed as we pointed out in our petition, and in  
6 other materials that we have submitted, and we will  
7 confirm in our post-conference brief, in this case the  
8 Mexican suppliers and the Chinese suppliers pride  
9 themselves on the quality of the product that they  
10 supply, and boast correctly, we believe, that their  
11 product is of the same quality for customers as the  
12 product that is made in the United States.

13 So in this case, unlike some others, quality  
14 is a non-issue. Customers expect that, and their  
15 decision then turns on price and availability, but  
16 primarily price.

17 DR. MAGRATH: Pat Magrath again. Fred  
18 reminded me of this. Their websites also brag about  
19 their availability, and Deacero is quite proud of all  
20 of the distribution centers that it has, and  
21 warehousing that it has throughout the United States,  
22 where it is able to get its product to their  
23 customers, and of course the U.S. industry's  
24 customers, on time.

25 MS. WARRINGTON: Thank you. I have no other

1 questions.

2 MR. CORKRAN: Thank you. Mr. Sultan.

3 MR. SULTAN: Thank you. As I understand it,  
4 there are two ways of producing galvanized steel wire.  
5 I think you said, Mr. Waite, that for virtually all  
6 the products within the scope that you can use either  
7 method.

8 If I were starting out and building a  
9 galvanized steel wire plant which would I choose? Is  
10 one cheaper than the other? Does it produce a better  
11 product? Do customers care?

12 MR. WAITE: This is Fred Waite. Mr. Sultan,  
13 I would like to defer to one of the industry members  
14 to respond to that if I may.

15 MR. CRONIN: Well, the two different methods  
16 for galvanizing that you are referring to are the hot  
17 dip galvanized method, and the electrogalvanized  
18 method, and both of them make a very suitable product.

19 You probably would look at the economies of  
20 scale at the time that you were putting a facility in,  
21 and electrogalvanizing uses electricity, of course,  
22 and these hot dip galvanizing lines use gas, natural  
23 gas.

24 So you would look at your costs, and then  
25 you would also look at the product line that you are

1 trying to make. If you want to do shaped wire, you  
2 might be better off with electrogalvanized, but in  
3 most cases they are comparable and you can use either  
4 one of the products for any use.

5 But most of the galvanizing in the U.S. is  
6 hot dipped galvanized. We have one Petitioner that  
7 does electrogalvanizing, Johnstown Steel and Wire.

8 DR. MAGRATH: Mr. Sultan, Pat Magrath. As  
9 Peter just mentioned, and Walt Robinson could not e  
10 with us today. He has got another commitment. He is  
11 the guy that runs Johnstown Steel and Wire. His  
12 questionnaire, however, is very illuminating.

13 His electrogalvanized product competes  
14 against both electrogalvanized and hot dipped product  
15 from Mexico and China, and he has got some very  
16 informative things to say.

17 In addition, both Mexico and China have  
18 electrogalvanizing capacity, as well as hot dip  
19 capacity.

20 MR. SULTAN: Thank you. Moving on to a  
21 different issue, and that is the related parties  
22 provision in the statute. I heard two of you testify  
23 that you have imported limited quantities of wire from  
24 China, I think. Do you know whether other domestic  
25 producers have also been importing, and what the

1 circumstances of those importations have been?

2 MR. WAITE: Mr. Sultan, perhaps I could  
3 start and give some context, and then the individual  
4 company representatives could also give their views.  
5 You have received questionnaire responses from a  
6 number of U.S. producers who are not among the  
7 Petitioners.

8 And I am not permitted, of course, to  
9 characterize anything in those responses. But I think  
10 with your question, and taking your question, and  
11 looking at the responses that you have received, I  
12 believe that you will receive a great deal of  
13 information that will help you answer that question,  
14 both in terms of whether any other U.S. producers  
15 import, and if they do, perhaps the reasons for their  
16 importation.

17 But, David, did you want to add something at  
18 this point?

19 MR. WEINAND: Yeah. For our purposes, what  
20 we mentioned in our testimony is actually imports from  
21 Mexico, and it was approximately 15 loads in 2010  
22 only, and it was specialty wire for a new machine that  
23 we bought.

24 We did not have the ability to make that  
25 wire at that point, and so we had to purchase the wire

1 from Deacero during that period, and then once we got  
2 the ability to make the wire, we have done so.

3 So that was a very limited amount of wire  
4 that we have ever imported, period. So that was a  
5 specialty issue for us, and we did not sell that into  
6 the market, the wire, but rather we made a finished  
7 good out of it.

8 MR. SULTAN: Thank you very much.

9 MR. CRONIN: Excuse me, Petter Cronin, m.r  
10 Sultan. I have comments on our company, and we did  
11 import some wire, and as a company, we do a make or  
12 buy analysis for all of our finished product input.

13 In other words, what the work in process  
14 product we use, and in some cases, it is galvanized  
15 wire, and we have to compete in the market with these  
16 finished products.

17 So we are constantly looking at our costs  
18 and our pricing, and we have determined in a couple of  
19 instances that it made sense to buy fine galvanized  
20 wire from China, and also purchase some 0.80 diameter  
21 wire for guy strand, because we could buy it below our  
22 variable costs.

23 So in order to compete in the market with a  
24 finished product, which would be stucco netting and  
25 guy strand for cable t.v., we chose to import the

1 products.

2 MR. SULTAN: Thank you, Mr. Cronin. Moving  
3 on to yet another topic, and I think that this is more  
4 of a legal question, Mr. Waite, will you be taking the  
5 position that the captive production provision in this  
6 statute should be applied in this case?

7 MR. WAITE: As you might anticipate, our  
8 view is that whether it is applied or not the result  
9 should be the same, in terms of the Commission's  
10 analysis of the impact of imports on the domestic  
11 industry.

12 We will be addressing at some length the  
13 captive production provision in our post-conference  
14 brief. What we need to do, of course, is to analyze  
15 the responses of some of the U.S. producers who are  
16 not petitioners in order to give you a full view of  
17 whether or not the captive consumption provision would  
18 apply in this case.

19 MR. SULTAN: Thank you very much. I have  
20 just one last question, and this is really for the  
21 industry representatives. How would you characterize  
22 the role of Canadian product in the market?

23 MR. CRONIN: Well, in my case -- and this is  
24 Peter Cronin again with Heico Wire Group, Davis Wire,  
25 and National Standard. We have an affiliate company

1 in Canada, Sivaco, and they supply high carbon  
2 galvanized wire, music wire, and also HDMB galv wire  
3 for spring applications.

4 And I think if you look at the AUVs on the  
5 Canadian imports, in most cases that product is sold  
6 at higher prices, and that is the response that I have  
7 on that.

8 MR. WEINAND: David Weinand. There  
9 certainly are impacts from Canadian producers into the  
10 U.S. market. Sivaco, for example, that Pete had just  
11 talked about, tends to produce a very high quality  
12 specialty wire, and so that tends to be a specialty  
13 supplier to the U.S. market.

14 Another supplier is Tree Island, who is  
15 definitely in the marketplace, and we do see them and  
16 we do compete against them on a daily basis. But  
17 again I think the pricing schemes seem to be much more  
18 realistic to costs.

19 MR. SULTAN: Thank you very much. That's  
20 all that I have.

21 MR. CORKRAN: Thank you. Mr. Fetzer.

22 MR. FETZER: Jim Fetzer, Office of  
23 Economics. I would like to thank the panel for being  
24 here this afternoon and joining us, especially at an  
25 industry that we have not looked at before. It is

1 really important to get your expertise on what is  
2 going on.

3 I wanted to follow up. There has been this  
4 discussion about the effect on the market from the  
5 recession, and just in terms of how you typically  
6 measure demand, and particularly since there is so  
7 many different end-uses for this product, is it  
8 usually -- do you look at the growth in GDP, or  
9 construction spending, or are there any other metrics  
10 in terms of how you would measure changes in demand  
11 for this product?

12 MR. CRONIN: Well, typically, we look at the  
13 economic studies. We get studies from Chapman  
14 College, USC, UCLA, and we look at housing starts. We  
15 look at the overall economy, the U.S. economy, and in  
16 our case, we look hard at the California economy.

17 And housing starts in 2010 were below 40  
18 thousand starts, and this is with a population of 35  
19 million people in California. So when we look at  
20 that, we know that we are in a recession.

21 And so we study all of that, and some of our  
22 product lines are geared to construction. Some of our  
23 product lines are geared to automotive, the appliance  
24 industry. So it depends on the product line.

25 But we do try to study the market, and study

1 the economy, and make sure that we know what is going  
2 on in the economy, and to be able to supply product to  
3 the market.

4 MR. FETZER: Thanks.

5 DR. MAGRATH: Mr. Fetzer, Pat Magrath. I  
6 was really amazed when I got into this on how many  
7 different things use galvanized wire. Their uses are  
8 really ubiquitous, and from cables for cable t.v., to  
9 agricultural fencing, to some construction, and bale  
10 tie wires.

11 I don't think that you can pinpoint one  
12 section of the economy that would overly influence the  
13 demand for galvanized steel wire. I mean, I think the  
14 best that you can say is overall economic activity.

15 MR. FETZER: Thanks. Mr. Johnson.

16 MR. JOHNSON: John T. Johnson. We really  
17 kind of look at all of our customers, and talk to them  
18 one on one, and see what is going on in their market.  
19 So, paint pail handles is an example where the housing  
20 economy -- the housing is down, but as a result,  
21 people are painting their houses more often. They are  
22 doing something that is taking the place of that new  
23 construction.

24 So ours is more polling our customers and  
25 seeing exactly what is going on in their markets to

1 see how the economy is affecting them, and some are  
2 adverse like I explained. Paint pail handles went up  
3 when the housing went down.

4 MR. FETZER: That's interesting. Have you  
5 seen an evolution of end-uses during the period of  
6 investigation as we have had this deep recession, in  
7 terms of maybe demand shifting to other products that  
8 might be, I guess, more recession proof? Has that  
9 happened overall?

10 I mean, you gave an example of that, but  
11 would that be a bigger trend, is that just more of  
12 maybe a smaller example?

13 MR. JOHNSON: Ours is more customer  
14 specific, the customers that we serve. So it is  
15 probably not a general indicator, but it is a spike in  
16 the market.

17 MR. CRONIN: Peter Cronin. It's user  
18 specific, and customer specific, and so like John T.  
19 says, you need to study your markets, and study your  
20 customers. You have to look at the different industry  
21 segments, whether it is the energy industry,  
22 automotive, the bedding industry, whatever industry  
23 you are involved in with these different galv  
24 products.

25 And every industry can be different, and

1 some industries are fairly strong in this recession we  
2 are in. The energy industry is pretty strong right  
3 now.

4 MR. FETZER: Thanks. Additional changes in  
5 demand. I also believe that raw material costs have  
6 fluctuated during the period of investigation, and so  
7 I am wondering how that has affected prices and  
8 demand, and in particular maybe the charts that Mr.  
9 Magrath presented earlier.

10 I think wire rod prices were up in 2008 in  
11 particular, and the price of zinc had fluctuated at  
12 some point, too. So I don't know if you could  
13 characterize that. Was that a smaller impact on the  
14 price and sales of this product, or maybe was demand a  
15 bigger factor in imports, of course?

16 MR. WEINAND: David Weinand. Yes. I mean,  
17 the market price of wire rod and zinc both peaked in  
18 2008 during that booming economic period, and then as  
19 the recession came down, the world demand fell, and  
20 they both fell accordingly.

21 But you have got to look at it in  
22 relationship to what those prices fell, versus what  
23 the market fell, and the market fell much more due to  
24 imports, drastically more.

25 DR. MAGRATH: Yes. I guess, Mr. Fetzer,

1 that my chart showed, and the questionnaires are going  
2 to show, that this industry made no money throughout  
3 the entire period, in each year of the period of  
4 investigation, operating losses in two out of the last  
5 three years, under good and bad market conditions, and  
6 under rising and falling raw material prices.

7 MR. FETZER: Okay. Thanks. Mr. Johnson, I  
8 think during your testimony that you made mention, I  
9 believe, and I don't want to mischaracterize this, but  
10 was it that Deacero was selling in Chicago the same  
11 price as other locations, or maybe it was Chinese  
12 imports. I might have gotten that mixed up.

13 But I was just wondering that in this  
14 industry are prices typically -- and you made some  
15 reference to quoting a delivered price, but are prices  
16 typically quoted on a delivered basis, and how is  
17 transportation handled? Is it usually hired by the  
18 supplier, or is it handled by the purchaser?

19 MR. JOHNSON: John T. Johnson from Mid-  
20 South. Just about all of our business, especially the  
21 galv business, is delivered as a truckload price to  
22 the customer, and I explained in my testimony that the  
23 equation that we go through to kind of get to that  
24 price level, it is the rod, the wire, the galvanizing,  
25 the freight, which is 5 to 6 percent of that cost,

1 plus whatever margin you might be able to negotiate in  
2 your price.

3 And what we have experienced is that we will  
4 call an account in Chicago, and the price that they  
5 tell us that Deacero will sell to is the same price as  
6 for the customer in Charlotte will tell us they sell  
7 it for.

8 But there is a considerable freight  
9 difference, especially coming from Mexico to those two  
10 locations.

11 MR. FETZER: Okay. Is that typical  
12 throughout the rest of the industry? If any other  
13 industry representatives want to respond to that?

14 MR. WEINAND: David Weinand. Yes, that is  
15 very typical. The distance from the mill should  
16 dictate a different price, and we are the same way.  
17 About 98 percent of our wire is priced on a delivered  
18 basis.

19 So, for example, shipping from Norman,  
20 Oklahoma, our price to Dallas, Texas, and to Atlanta,  
21 Georgia, is going to be different in the freight  
22 factor, and that is a huge factor in our costs.

23 MR. FETZER: Thanks. Mr. Cronin, is it the  
24 same for you?

25 MR. CRONIN: I would agree with my

1 associates on their comments. Freight can be a big  
2 factor, and particularly if you are trying to ship  
3 across the country.

4 You have a choice of either -- well, most of  
5 this wire goes by truck, and it might be to ship  
6 across the U.S. might be at least \$120 a ton added to  
7 your costs.

8 MR. FETZER: Okay. Thank you. And do you  
9 typically arrange for this shipping yourself, I  
10 assume, if you are setting up and delivering a quoted  
11 price? You will make the arrangements and the  
12 customer is not responsible for it?

13 MR. JOHNSON: It's a mix. Some customers  
14 buy FOB from the mill, and some customers buy  
15 delivered. We run a trucking company as well, and so  
16 the majority of ours, we try to funnel through our  
17 trucking line.

18 MR. FETZER: Okay.

19 MR. WEINAND: David Weinand. The same way.  
20 The majority of it is delivered pricing. There is  
21 occasionally FOB from mill pricing.

22 MR. CRONIN: Peter Cronin. We use common  
23 carriers. We don't have our own trucking company, but  
24 we offer delivered pricing, and then we pay the  
25 trucker.

1           MR. FETZER: Okay. And typically has it  
2           been your experience, and you may not be able to  
3           answer this, but import pricing, you talked about  
4           Deacero. Are the Chinese imports also typically  
5           quoted on delivered price to your knowledge? If you  
6           don't know, that's okay.

7           MR. WEINAND: From my limited knowledge,  
8           yes.

9           MR. JOHNSON: John T. I agree. It is  
10          usually delivered price to the customer, whether it is  
11          Mexican or Chinese material.

12          MR. FETZER: Okay. Thanks. Thanks, I  
13          appreciate that. Mr. Johnson, also you mentioned --  
14          and I believe it was Deacero again, but I didn't take  
15          that detailed amount of notes, but were they charging  
16          the same price for diameters of wire.

17                 And I am wondering how much typically would  
18          a domestic producer charge for different diameters? I  
19          know that there is other factors, but let's say  
20          holding everything else the same, is it a pretty big  
21          difference?

22                 I assume that the pricing is per pound, and  
23          so the weight obviously is going to vary, but will the  
24          price per pound, or ton, or however you are pricing  
25          it, can you give me some sense of how much that might

1 vary by for different widths?

2 MR. JOHNSON: John T. Johnson from Mid-  
3 South. It is really a basic math equation. It takes  
4 so many hours to produce how many pounds per hour that  
5 you can produce by diameter. The smaller the  
6 diameter, the longer it takes to produce that  
7 material.

8 So it might take two shifts to produce a  
9 coil of an 0.82; whereas, it takes one shift to  
10 produce a coil of 1.48. So your through put is much  
11 better on a larger diameter. So your cost is less.

12 MR. FETZER: I guess I am just trying to get  
13 a sense of magnitude, and given the usual range of  
14 diameters that you have would it be five percent of a  
15 difference maybe between the different sizes, given  
16 everything else, all the other specifications, would  
17 be 10 or 20 percent?

18 MR. JOHNSON: No, it is usually as much as a  
19 penny, to a penny-and-a-half per pound difference  
20 based on the smaller diameter, the more the cost.

21 MR. FETZER: Okay. Thanks. Any others?

22 MR. WEINAND: David Weinand. Another factor  
23 to consider there that you have to understand is that  
24 there is also the coating the customer has asked for  
25 actually makes a big difference as well.

1           So it is not only the diameter, but the  
2 coating level of the zinc. For instance, as you go up  
3 coating levels in zinc, to a Class 3, 4, or 5 wire,  
4 the differential in costs per diameter becomes much  
5 greater.

6           Because at a Class 3 coating, it may cost  
7 \$160 a ton to put a Class 3 coating on a seven sized  
8 wire from a half-gauge, and on a nine gauge it may  
9 only be \$90.

10           So, now you have a 3-1/2 or 4 cents  
11 difference just in the zinc cost. So the coating, as  
12 well as the diameter, makes a huge difference.

13           MR. FETZER: And are the subject imports  
14 coming in at all with that type of coating, too, in  
15 general?

16           MR. CRONIN: Peter Cronin again. I will  
17 give you an example to show you. We are talking about  
18 tons per direct labor hour in a wire drawn machine  
19 that is taking this rod and reducing it to wire.

20           And if 18 gauge wire is used, a hundred  
21 pounds of 18 gauged wire would be six thousand plus  
22 yards of wire. 10 gauge would only be about 660 yards  
23 of wire. So that gives you a frame of reference, and  
24 we could have available gauge charts for you that show  
25 the different footage for every wire gauge, and that

1 could be made available.

2 MR. FETZER: I was just trying to get a  
3 sense of how big a difference that was. I mean, your  
4 testimony was kind of striking if they were charging  
5 the same for different diameters, but I didn't want to  
6 read too much into it.

7 I just wanted to see generally how much  
8 domestic producers were charging for different ones,  
9 but it looks like it varies a lot, depending on other  
10 factors.

11 DR. MAGRATH: This is Pat Magrath. Pardon  
12 me for making a conclusion for you, but you should  
13 read a lot into it, especially when you take into  
14 consideration the high cost of zinc, and how it costs  
15 much more to coat zinc in Mr. Weinand's example.

16 And then if you are all charging cigar box  
17 pricing like Mr. Cronin says, you can see that costs,  
18 the actual costs of this stuff doesn't make too much  
19 difference to Respondents.

20 They are going to sell it at what they have  
21 to do to get the sale, and that is why we have got a  
22 dumping case.

23 MR. WAITE: Mr. Fetzer, it's Fred Waite. We  
24 can provide you on a confidential basis in our post-  
25 conference briefs some illustrations of the difference

1 in costs and price based on various variables and  
2 constants.

3 For example, the same diameter with  
4 different zinc coatings. Different diameters of the  
5 same grade of product, to give you an example of the  
6 variance in costs and in price between these different  
7 factors.

8 And I think that it was clear from what the  
9 industry witnesses said, is that like freight, these  
10 differences are significant, and are reflected in  
11 their calculation of prices to customers.

12 But they have testified that what they have  
13 seen when they go into the market and speak with their  
14 customers, that their customers are being offered  
15 product by Mexican and Chinese suppliers at  
16 essentially the same price, regardless of distance  
17 from the port of entry, or the plant in Mexico, or the  
18 distribution warehouse in the United States, that are  
19 being offered at the same price, without regard to the  
20 diameters, and zinc coating, and other variables that  
21 they take into account on their pricing.

22 But we will provide you with some  
23 information on that to give you some context.

24 MR. FETZER: I appreciate that. That would  
25 be very helpful. Just another thought on that. Is it

1 the case to your knowledge that maybe -- or is there  
2 any bundling that is occurring with the imports? If  
3 they are charging the same price for different sizes,  
4 I would imagine that is maybe because of a bundling  
5 issue?

6 MR. CRONIN: It's a good question, but most  
7 of these products, as far as Chinese imports, are  
8 container loads, which would be about 44 thousand  
9 pounds, 22 tons, and typically these customers will  
10 buy one or two gauges. So I don't think bundling is a  
11 big issue.

12 MR. FETZER: Okay. Thanks. I appreciate  
13 that. Do purchasers in this industry typically use  
14 multiple suppliers, or do they focus on one supplier?

15 MR. JOHNSON: John T. Johnson from Mid-  
16 South. It's a variety. Some will single source, some  
17 will multisource. It kind of depends on their make  
18 and mix.

19 MR. FETZER: Does it depend on the end use  
20 more or maybe just their business model?

21 MR. JOHNSON: Their business model.

22 MR. FETZER: Okay. Thank you. Any other  
23 thoughts on that? Mr. Weinand?

24 MR. WEINAND: David Weinand. No, I agree  
25 with that. I have customers who pride themselves on

1 having three suppliers, I have customers who pride  
2 themselves on having one customer because they think  
3 they can do a better volume deal. It's really a  
4 personal decision by that company.

5 MR. FETZER: Okay. Thanks. Are there any  
6 products or particular gauges of product that U.S.  
7 producers can't supply that the Chinese and Mexican  
8 producers can make that's within the scope of this  
9 investigation?

10 MR. CRONIN: Peter Cronin. None, to my  
11 knowledge.

12 MR. WEINAND: David Weinand. I agree. We  
13 can produce anything that we need to for the market.

14 MR. FETZER: Mr. Johnson, you agree? You're  
15 nodding your head.

16 MR. JOHNSON: John Johnson, Mid-South.  
17 Yeah, I agree.

18 MR. FETZER: Okay. Thank you. In terms of  
19 availability, I think that came up in the discussion  
20 as also an important issue and I think there were a  
21 few comments in terms of the Chinese and Mexican  
22 imports being available. Have there been any issues  
23 with availability of U.S. product during the period of  
24 investigation? Since 2008?

25 MR. WEINAND: David Weinand. No. In fact,

1 we've had a line shut down waiting for business, so  
2 there's been available wire from us.

3 MR. CRONIN: Peter Cronin. Plenty of  
4 availability during the POI.

5 MR. FETZER: Thank you.

6 MR. JOHNSON: John Johnson, Mid-South Wire.  
7 Our situation is a little different in that we were  
8 washed out last year from the flood, but even being  
9 washed out, there was plenty of availability from my  
10 fellow domestic suppliers to be able to cover my  
11 customer base.

12 MR. FETZER: Thank you. Have you had any  
13 issues in terms of sourcing raw materials, like wire  
14 rod, since 2008?

15 MR. WEINAND: David Weinand. Well, of  
16 course we have an affiliated wire rod mill so we have  
17 had no issues.

18 MR. JOHNSON: John T. Johnson, Mid-South.  
19 No, we had no rod supply problems in the last three  
20 years.

21 MR. FETZER: Thank you, Mr. Johnson.

22 MR. CRONIN: Peter Cronin. We buy rod from  
23 most of the rod suppliers in North America and we have  
24 an affiliated company, Vaco, in Canada, which our  
25 parent company owns.

1 MR. FETZER: Thank you.

2 MR. CRONIN: And we have no sourcing  
3 problems.

4 MR. FETZER: Thanks. I appreciate that. I  
5 think those are all of my questions. Thanks for  
6 answering. If I think of another one, I think I'll  
7 get another shot at it, but I appreciate you coming  
8 and spending time with us helping us understand this  
9 industry. Thanks.

10 MR. CORKRAN: Thank you. Mr. Wise?

11 MR. WISE: Yes. I'd like to thank the panel  
12 for coming and speaking with us today as well. I just  
13 have a couple of questions. The first is I understand  
14 the process of production between electroplated and  
15 hot dip, but I was wondering, are there quality or  
16 physical differences between the coatings as applied  
17 to the wire?

18 MR. CRONIN: Peter Cronin. If the  
19 electrogalvanized, you get a little more uniform  
20 coating around the circumference of the wire because  
21 you're electrically plating it on there versus the hot  
22 dip operation you saw in Niles, and so if you're  
23 looking for really good concentricity, there aren't a  
24 lot of applications for that. That might be one  
25 difference. Also, you can do C coating with

1 electrogalvanized which is, you can only go up to B  
2 coatings with hot dip. In general, it can be used  
3 interchangeably in most cases.

4 MR. WISE: Thank you. My next question was  
5 regarding the principal types of galvanized steel wire  
6 in the market. Is it high carbon? Low carbon? Is it  
7 regular coating? Class 1, 2 coating? What are the  
8 principal products in the market as compared to the  
9 different types of product produced?

10 MR. WEINAND: David Weinand. I mean, all of  
11 it's in the market. You know, low carbon is still the  
12 primary biggest part of the marketplace, but high  
13 carbon does exist in the marketplace, an example, for  
14 different products. Cable is a good product line you  
15 talk about high carbon products.

16 MR. WISE: Is there a difference in the  
17 imports or is it principally low carbon as well that's  
18 being imported in the U.S.?

19 MR. WEINAND: No -- David Weinand again.

20 MR. MAGRATH: Pat Magrath. You know,  
21 Canadian imports are different. Canadian imports are  
22 about half high carbon and a little bit more than half  
23 low carbon, and because of these nine specific 10  
24 digit breakouts you can see who is in what, and as we  
25 emphasized in our testimony, China and Mexico are in

1 every category. There is that difference I noted, and  
2 there's a lot more high carbon coming from Canada than  
3 the subject imports.

4 MR. WISE: Thank you. Is galvanized steel  
5 wire shipped directly to the end user or the end  
6 product producer or is it shipped to distribution  
7 centers, and is it different with imports?

8 MR. WEINAND: David Weinand. For our  
9 business, almost all of it goes to end users, 99.9  
10 percent.

11 MR. WISE: Okay.

12 MR. CRONIN: Peter Cronin. Again, most of  
13 the galvanized wire products in the scope of the  
14 investigation are sold directly to the consumers and  
15 are not sold much for distribution. The exception  
16 would be some of the galv spring wire. There are some  
17 big distributors in the Chicago area that remarket it  
18 to the small spring shops. In general, most of the  
19 galv wire is purchased by the end user.

20 MR. WISE: So I could also likely assume  
21 that it's not shipped to steel service centers or like  
22 facilities?

23 MR. CRONIN: Pete Cronin again. No. The  
24 steel service centers don't handle galvanized wire  
25 products at all. Again, there are a couple of big

1 master distributors of high carbon galv spring wire,  
2 music wire, and they service all these little spring  
3 shops because they might buy one or two stands at a  
4 time, but that's a small part of the market. Most  
5 everybody buys a full truckload or a container, which  
6 is 20 tons. Yeah. Fred asked me to explain the  
7 different packages. The product can be supplied on a  
8 tubular stand or on a stool or in an acro pack. An  
9 acro pack is something that you might assemble off of  
10 a stand or off of a collapsible spool and then you  
11 band it, and so those are the typical packages. A  
12 tubular stand of wire typically will be a ton, 2,000  
13 pounds on a stand, and it will look like that sample  
14 over there, all stacked up on a stand. You probably  
15 saw some of that in Niles. Yeah.

16 MR. JOHNSON: This is John Johnson from Mid-  
17 South. There are a couple of niche steel center  
18 warehouse type people who buy galvanized wire in  
19 truckload lots and they redistribute in smaller  
20 quantities.

21 MR. WISE: Okay. Thank you. And my last  
22 question is on the purchasing side, is it purchased on  
23 a spot basis, the customer comes in and orders and  
24 then it's produced, or is it contract long-term? And  
25 then what's the lead time? Is it produced on a spot

1 basis in response to a customer order, or is it sold  
2 out at inventory?

3 MR. WEINAND: David Weinand. Majority of  
4 our marketplace is spot buys and produced, you know,  
5 the customer will call up and say we need three loads  
6 of this material and we need it by this timeframe, and  
7 we'll take a look and see if the availability is there  
8 to meet it, which it normally is. We have a couple of  
9 customers that are bigger customers and are long-term  
10 where we have contractual arrangements for a certain  
11 price over a month maybe, the longest being a quarter.  
12 So most of it is spot buys.

13 MR. CRONIN: Peter Cronin again. The  
14 majority of our customers spot buy. We try to do good  
15 forecasting and planning to know the volume that our  
16 key customers use so we can source the rod and the  
17 zinc and schedule production, but we don't have any  
18 contractual business.

19 MR. JOHNSON: John Johnson, Mid-South. Most  
20 of ours is the same way. We carry some inventory for  
21 repeat customers if we know we're going to typically  
22 replenish from that inventory, but most of our  
23 business is spot business.

24 MR. WISE: Thank you. I have no further  
25 questions.

1           MR. CORKRAN: Thank you. Doug Corkran,  
2 Office of Investigations. I just have a few follow-up  
3 questions. I think most of the areas have been  
4 covered quite well. One of the things that I always  
5 wonder about, though, is we talk about quality, we use  
6 it in a sort of general sense. We've had testimony  
7 today that quality can in some instances be considered  
8 a given, but my interest is in how do you measure  
9 quality, and, in particular, what are the metrics in  
10 this industry by which you measure quality? Does it  
11 have to do with the thickness or the uniformity of the  
12 galvanized coating, particularly maybe for the thinner  
13 products? Does it have to do with a breakage rate?  
14 What sort of metrics do you use when you talk about  
15 quality?

16           MR. WEINAND: David Weinand. Almost every  
17 order we get has to be certified to ASTM standards, so  
18 ASTM has a set of standards that includes a required  
19 breaking shrink for the wire, the coating  
20 requirements, and certainly our customer base, and us  
21 internally as well, would look at those issues, the  
22 smoothness of the wire. All those would be factors as  
23 far as looking at quality. Primarily, you're looking  
24 at trying to meet that ASTM standard.

25           MR. CRONIN: Peter Cronin again. Most of

1 our customers have internal specs and they're also in  
2 the ASTM specs, and if it's somebody we're supplying  
3 on an ongoing basis we take their spec, if it's a new  
4 customer we'll do a trial and they'll be looking for a  
5 specific tensile, a specific diameter with tolerances  
6 and they'll be looking for a weighted coating, they'll  
7 be looking for a certain package, and then when we do  
8 the trial they'll be painted off into some equipment  
9 to make a product. You 100 percent test wire when you  
10 fabricate the product, so if there's not uniform  
11 tensile or you have diameter variance, or you have  
12 coating variance, the product won't run well.

13 MR. JOHNSON: John Johnson. Our process is  
14 ISO certified and meets the ASTM specs, as well as the  
15 particular customer specs that we're checking on, the  
16 same ones these gentlemen mentioned, diameter, zinc  
17 thickness, adhesion and the tensile of the wire.

18 MR. CORKRAN: And does it become more  
19 difficult to meet these metrics as you get into  
20 thinner and thinner diameters of wire? Is there a  
21 greater chance of breakage there, or is it more  
22 difficult to galvanize thinner gauges than thicker  
23 gauges, or is it fairly uniform across the whole  
24 product range?

25 MR. JOHNSON: John Johnson. It's fairly

1 uniform. The smaller diameter stuff, it's more of a  
2 function of the time it takes to produce that material  
3 then it is the quality. If the bed's right and your  
4 zinc tank is right, then the quality should follow in  
5 place if your process is in control regardless of the  
6 diameter.

7 MR. CRONIN: Peter Cronin. If you're going  
8 to do 20 gauge wire, let's say 15 to 20 gauge wire or  
9 22 gauge wire, that's considered fine wire and you  
10 want to start with a rimmed rod that's very soft and  
11 very ductile, and then you'll run it on pay offs and  
12 take ups that are set up to handle finer gauge wire.  
13 So you're not going to run six gauge or eight gauge  
14 wire on the same take ups that you'd run fine wire.  
15 The galvanizing process itself is the same, although  
16 obviously your tons per direct labor hour go way down,  
17 as I presented before, when you're talking 18 gauge  
18 versus 10 gauge.

19 MR. CORKRAN: Thank you very much. That's  
20 very helpful. My next question goes directly to Mr.  
21 Johnson, Mr. Cronin, Mr. Weinand, and that is in  
22 terms, I believe, but please correct me if I did not  
23 write this down correctly, I believe you all mentioned  
24 that you both sell galvanized wire in the merchant  
25 market and you also produce products further

1 downstream using your own galvanized wire. Are there  
2 differences or pronounced similarities in the type of  
3 galvanized wire that you use for your downstream  
4 operations and that which you sell in the merchant  
5 market? How similar or how different are those mixes?

6 MR. JOHNSON: Let me get it out of the way  
7 first. We don't sell any wire to ourselves  
8 internally. All of ours is market wire.

9 MR. CRONIN: Yeah. This is Peter Cronin  
10 again. We do both and the wire we use internally also  
11 gets sold in the market by Mexico and China, by our  
12 competitors, for making fencing wire, and ag products,  
13 and stucco netting, and poultry netting and things  
14 like that, so, but the specs are the same, our  
15 internal specs are the same as what we sell to the  
16 market.

17 MR. WEINAND: David Weinand. I concur. The  
18 quality of the wire is the same both internally and  
19 externally. Only difference would be if we do have to  
20 meet whatever that specification is for the customer,  
21 which could be different than our wire. So they may  
22 want a harder wire, or more galvanization, or some  
23 other packaging requirement.

24 MR. CORKRAN: I think one of my last  
25 questions then is for Mr. Cronin and Mr. Weinand. Do

1 you find yourselves competing then with some of your  
2 own customers if you are producing the same products  
3 that they do or are capable of producing the same  
4 products? Do you find yourself competing with your  
5 customers or potential customers?

6 MR. WEINAND: David Weinand. Yes. Every  
7 day. In fact, and particularly out of our  
8 southwestern facility, which is a chain link fence  
9 manufacturing facility, we sell galvanized wire to  
10 multiple people across the country that we generate  
11 the fabric and compete right back against us. So that  
12 happens every day to us. We also have people in the  
13 agricultural market which we sell wire to that make  
14 other agricultural products. So we see that. That's  
15 just a commonality in our marketplace.

16 MR. CRONIN: Yeah. It's Pete Cronin again.  
17 I don't know of a lot of instances where we compete  
18 with our customers, but those examples that I gave you  
19 where we do a make or buy analysis, sometimes when we  
20 have to buy the import wire it's so we can compete  
21 with these other suppliers that, you know, could be  
22 potential customers of us, but we can't touch the  
23 price they're paying on the product, so then we have  
24 to figure out how to stay competitive with them.

25 MR. CORKRAN: Let me turn to my colleagues

1 to see if there are any last questions for this panel.  
2 Seeing none, I want to thank you one last time for  
3 your presence here, your testimony today. It's been  
4 extremely helpful, and thank you for the time that you  
5 spent coming to spend with us. There will be a five  
6 minute break before we adjourn the next panel.

7 (Whereupon, a short recess was taken.)

8 MR. CORKRAN: Very good. Well, I want to  
9 thank you again for coming and we will reconvene. Mr.  
10 Campbell, Mr. Pardo, if you're ready, we can begin  
11 with your testimony.

12 MR. CAMPBELL: Good afternoon. This is Jay  
13 Campbell with White & Case, here on behalf of Deacero.  
14 Our first witness will be Daniel Gutierrez of Deacero.

15 MR. GUTIERREZ: Good afternoon. My name is  
16 Daniel Gutierrez. I'm the Vice President of  
17 Industrial Sales for Deacero S.A. de C.V. I'm  
18 responsible for all the sales, the industrial sales of  
19 steel billets, wire rod and wire products in Mexico  
20 and all export markets. I have worked in the steel  
21 industry and wire industry for 18 years and all at,  
22 with Deacero. I hope that my comments today will help  
23 the Commission to better understand the Mexican  
24 industry and the role it plays in the U.S. market.  
25 We're surprised by the antidumping petition. We have

1       been supplying galvanized steel wire to the U.S.  
2       market for over 15 years and without any allegations  
3       of dumping.

4               We have been supplying our top U.S.  
5       customers for five to 10 years. We have always viewed  
6       ourselves as an important source of galvanized wire to  
7       the U.S. The U.S. market has depended on imports to  
8       satisfy demand for a long time. Deacero is the  
9       largest Mexican producer of galvanized wire and the  
10      only relevant exporter to the U.S. We estimate that  
11      Deacero accounts for approximately 90 percent of  
12      Mexico's production of galvanized wire and roughly the  
13      same percentage of Mexico exports to the U.S. There  
14      are five other Mexican companies that produce  
15      galvanized wire, Camesa, BSL, SMX, Little Pocerero  
16      Hidalgo and Alambras Potoce. Camesa, a subsidiary of  
17      Wire Co, mainly produces galvanized wire for its  
18      internal production of downstream products, such as  
19      wire rope.

20             Camesa ships some galvanized wire to the  
21      U.S., but we understand that nearly all of this is for  
22      its production of wire rope in the U.S. Camesa is not  
23      a significant supplier of galvanized wire to the  
24      merchant market in the U.S. The other Mexican  
25      companies are small and mostly produce galvanized wire

1 for their internal production of downstream products,  
2 such as chain link, field fence, barb wire, for sale  
3 in Mexico and in Central America. Deacero produces  
4 and sells galvanized wire, but the sale of galvanized  
5 wire is not our core business. Galvanized wire  
6 accounts for less than 10 percent of Deacero total  
7 sales revenue. Our core business is the production  
8 and sale of downstream wire products, such as fencing,  
9 barb wire, nails and many other products.

10 We produce more than 50 categories of  
11 products made with galvanized wire and these  
12 downstream products are used in a wide range of  
13 industries, such as agriculture, construction, mining,  
14 oil and gas, telecommunications and hardware. The  
15 main reason that we produce galvanized wire is for the  
16 production of such downstream products. They account  
17 for roughly 60 percent of our galvanized wire  
18 production. The vast majority of downstream products  
19 are more profitable than galvanized wire so we try to  
20 maximize our output of these higher value added  
21 products. We have built strong, longstanding  
22 relationships with customers in the Americas and  
23 Europe for fencing and other downstream products and  
24 we're constantly seeking to develop new customers and  
25 expand to new markets for these products.

1           For example, we recently expanded into the  
2 production and sale of wire rope ingredients and we  
3 use galvanized wire in these products. In addition,  
4 Deacero is constantly working on new downstream  
5 products made with galvanized wire. For example,  
6 we're currently developing a specialized mining fence,  
7 ornamental fencing system and road cable barriers.  
8 These products are made with galvanized wire and we  
9 think they will be in high demand in Mexico. With the  
10 world economy improving we project that over the next  
11 two years our business for fencing and other  
12 downstream products will continue to expand. Several  
13 years ago we began an ongoing process of replacing our  
14 galvanizing lines and this has enabled us to increase  
15 our galvanizing capacity, but the main reason we're  
16 investing in our galvanizing lines is so that we can  
17 expand our production of fencing and other downstream  
18 products, not to increase our sales of galvanized wire  
19 for the merchant market.

20           After first accounting for our need to  
21 produce downstream products, we reserve our remaining  
22 galvanized capacity for the production and sale of  
23 galvanized wire to the merchant market. We run our  
24 galvanizing lines at full capacity to maximize  
25 efficiency and to meet demand for downstream products

1 and galvanized wire. Product mix on our galvanizing  
2 lines is the main limitation in our capacity to  
3 galvanize wire. Each of our galvanizing lines can  
4 produce only certain diameter ranges and certain zinc  
5 coatings. Because we produce a wide range of  
6 galvanized steel wire products for our internal  
7 consumption and commercial sale, our overall capacity  
8 to produce galvanized wire is limited. I will now  
9 turn to our sales of galvanized wire to the merchant  
10 market.

11 Mexico is our largest market for galvanized  
12 wire. As the largest supplier of galvanized wire to  
13 the Mexican market, we have a responsibility to meet  
14 Mexican demand for this product. We have a core group  
15 of Mexican customers that we have been servicing for  
16 25 to 30 years. We're committed to our long-term  
17 customers and will not do anything to jeopardize our  
18 relationships with them. In addition, we are  
19 developing new customers in Mexico. At the end of  
20 2004, many maquiladoras with Chartoli Manufacturing  
21 Operations left Mexico for China, but in 2007 the  
22 maquiladoras began coming back to Mexico because the  
23 business conditions in China were not favorable. As a  
24 result, we have gained new customers and have  
25 increased our sales of galvanized wire in Mexico.

1                   In general, we commit to supplying our  
2 Mexican customers for six months at a time. Deacero  
3 also exports galvanized wire to countries other than  
4 the U.S., such as Canada, Guatemala, Chile, Republican  
5 Dominican. Our exports to other markets are not  
6 insignificant. As the world economy improves, demand  
7 for galvanized wire has increased in these export  
8 markets. In particular, we anticipate that our  
9 exports to Central and South America will increase by  
10 eight percent in 2011 and by another eight percent in  
11 2012. ITW, which is a large U.S. company, began  
12 producing staples in the Dominican Republic in 2008  
13 and we have been selling increasing quantities of  
14 galvanized wire for their production. In Chile, the  
15 wine industry has been growing so we are increasing  
16 our sales of galvanized vineyard wire to this country.  
17 That leave us with Deacero exports of galvanized wire  
18 to the U.S.

19                   Our top U.S. customers for galvanized wire  
20 is a Deacero affiliate, Stay-Tuff, which produces  
21 fixed knot fencing for the agricultural and wildlife  
22 industries. We purchased Stay-Tuff in 2006. Randy  
23 Lenz, the Sales Manager for Stay-Tuff, is with us here  
24 today and will talk in more detail about Stay-Tuff  
25 business and growing demand for galvanized wire from

1 Deacero. My point is simple, that a significant  
2 portion of our U.S. export, roughly 15 percent, are  
3 transferred to our affiliate in Texas for the  
4 production of downstream products. As for the rest of  
5 the U.S. sales of galvanized wire, roughly 90 percent  
6 are low carbon and the majority of our low carbon  
7 sales have a commercial coating.

8           In 2009 and 2010, our U.S. exports increased  
9 but there are several reasons for this, none of which  
10 are related to dumping. First, our sales to Stay-Tuff  
11 increased significantly. Our commercial sales in the  
12 U.S. market actually decreased in 2009, while our  
13 transfers to Stay-Tuff more than doubled. In 2010,  
14 our sales to Stay-Tuff increased by roughly 30  
15 percent. As Randy will comment, we project that our  
16 sales to Stay-Tuff will continue to increase. Second,  
17 imports from the other major sources, Canada, China,  
18 South Africa, fell sharply in 2009 and stayed low in  
19 2010. Canada's imports declined for two main reasons.  
20 Tree Island, the major Canadian producer and exporter  
21 of galvanized wire, has been dealing with serious  
22 financial problems and cut back their production and  
23 shipments as a result.

24           Also, the Canadian dollar has appreciated,  
25 making the U.S. a less attractive market for Canadian

1 suppliers. Because there was less supply from Canada,  
2 we received more inquiries from the U.S. customers for  
3 our business, particularly for low carbon galvanized  
4 wire, which Canada had also been supplying. As for  
5 China, our customers have informed us that imports  
6 have decreased in the past two years because the  
7 Chinese government has reduced financial benefits to  
8 exporters and imposed mandatory shut downs on  
9 manufacturing to lower pollution. Because of the  
10 lower volume from China, U.S. customers have reached  
11 us for supply. Aside from the lower shipments from  
12 China, Deacero has advantages that have enabled us to  
13 take business from China and other offshore sources.

14 Deacero has worked over the past several  
15 years to improve its logistics and customer service in  
16 the U.S. Although we will never be able to match U.S.  
17 suppliers in terms of delivery times, we can deliver  
18 much quicker than offshore sources. Our lead time for  
19 Mexico is two to three weeks. In contrast, it takes  
20 two to three months for products to be delivered from  
21 China and other offshore sources. We also believe  
22 that we can offer much better customer service and are  
23 a much more reliable supplier of quality product than  
24 the offshore sources. Imports of galvanized wire from  
25 offshore are mostly low carbon, often with a

1 commercial coating. This is the same type of  
2 galvanized wire that Deacero primarily sells in the  
3 U.S. market. U.S. producers also sell low carbon  
4 galvanized wire, but our impression is that the U.S.  
5 producers are more focused on specialty low carbon  
6 wire and high carbon wire.

7 Specialty low carbon galvanized wire will  
8 include low carbon wire with large diameters, ultra  
9 bright finish and heavy zinc coatings. This type of  
10 specialty wire is used in applications such as toy  
11 axles, retail displace and automotive. From our U.S.  
12 customers, we understand that the U.S. producers  
13 prefer to sell specialty low carbon and high carbon  
14 galvanized wire because these products are more  
15 profitable for them. In contrast, imports have been  
16 concentrated in the standard low carbon segment of the  
17 market since well before the period of investigation  
18 in this case. Third, the U.S. customers have reached  
19 out to us explaining that the U.S. producers are  
20 unable satisfy demand.

21 In part, we think this is for the reason I  
22 just described, U.S. producers are more focused on  
23 supplying low carbon specialty wire or high carbon  
24 wire. It is also well-known that a number of  
25 producers consume their own galvanized wire in

1 producing downstream products, such as fencing. This  
2 could also explain their lack of supply for the U.S.  
3 market. Finally, we are aware of specific events that  
4 have resulted in shortages of U.S. supply. For  
5 example, Mid-South had to shut down its galvanizing  
6 operations for half of 2010 due to flooding in  
7 Nashville, Tennessee. At least one of Mid-South's  
8 customers was unable to get adequate supply and called  
9 us for help. In addition, the EPA found last year  
10 that Davis Wire had been illegally discharging highly  
11 acidic wastewater.

12 A number of Davis customers were upset about  
13 this and turned to us as a new source for galvanized  
14 wire. To the extent we, too, compete with U.S.  
15 producers, we do not consider ourselves to be  
16 aggressive in price. Our U.S. customers have told us  
17 that our prices are comparable to U.S. product.  
18 Because of the competition in global commodity  
19 markets, our philosophy has been to establish  
20 ourselves based on superior quality and customer  
21 service. We have invested to make the best quality  
22 products using the most modern, top of the art  
23 technology. Unlike most producers, we produce our own  
24 raw materials from scrap, steel to wire rod, and can  
25 be more responsive to technical issues than other wire

1 producers.

2           We're also proud of our environmental focus.  
3 We're the largest recycler in Mexico. In addition, we  
4 have worked hard to provide excellent customer  
5 service. U.S. producers will always have advantages  
6 in locations, but we have worked hard to be able to  
7 offer short lead times, be responsive to the customer  
8 needs and provide technical support. To the extent  
9 U.S. customers have chosen Deacero over U.S. product,  
10 we think these are the reasons primarily, not the  
11 price. This concludes my comments, and I would like  
12 to thank the Commission staff for their time, and I  
13 happy to answer whatever question.

14           MR. CAMPBELL: This is Jay Campbell again.  
15 Our next witness is Randy Lenz with Stay-Tuff.

16           MR. LENZ: Good afternoon. My name is Randy  
17 Lenz. I'm the Sales Manager for Stay-Tuff Fence  
18 Manufacturing, one of the largest U.S. producers of  
19 fixed knot fencing. We are located in New Braunfels,  
20 Texas. I've held this position at Stay-Tuff since  
21 July of 2006. Prior to that date, I was the national  
22 sales manager for an agricultural equipment  
23 manufacturer for over 12 years. Stay-Tuff was founded  
24 in 2000 and acquired by Deacero in October of 2006.  
25 We're the leading manufacturer of fixed knot fencing

1 in the United States. We do not produce other fencing  
2 products. We produce only fixed knot fencing and we  
3 market other high tensile fences, including high  
4 tensile barb wire and high tensile field fence.

5 Our fixed knot fencing is a premium product  
6 made from galvanized steel wire. It has two primary  
7 applications. It is used by the agricultural industry  
8 to contain livestock, such as sheep and cattle, and  
9 this accounts for over 60 percent of sales. It is  
10 also used in the game industry to contain wildlife,  
11 such as deer. Fixed knot fencing was imported from  
12 New Zealand until the 1990s when it started to be  
13 produced in the United States. There are only a few  
14 U.S. producers of fixed knot fencing. In addition to  
15 us, Beckert produces this product in the United  
16 States, Oklahoma purchased one machine last year and  
17 we know that Keystone has a machine to produce this  
18 product as well.

19 Tree Island produces fixed knot fencing in  
20 Canada and sells some of its production in the U.S.,  
21 and our parent company, Deacero, produces this product  
22 in Mexico under the Rangemaster brand and markets it  
23 in Mexico and the U.S. Our marketing strategy is to  
24 approach the market from the bottom up. We sell our  
25 fixed knot fencing primarily to retailers. The main

1 focus of our strategy is to train retailers and end  
2 users in how the fence works and sell an entire  
3 fencing system. Our competitors don't do this. They  
4 approach the market in a top down fashion, selling to  
5 distributors who in turn sell to retailers. With our  
6 sales approach, we're much closer to the end user. We  
7 have one of the largest sales forces in the fencing  
8 industry.

9 We've grown from three to 11 sales guys from  
10 2007 to 2010. They're concentrated from Texas  
11 throughout the southeast, along the eastern seaboard  
12 up to Pennsylvania. Our sales force focuses on  
13 training retailers, end users and contractors in the  
14 best, latest technology in fence building. Our  
15 competitors generally have a smaller sales force that  
16 concentrates primarily on calling on distributors.  
17 Plus, these other companies sell all types of fencing,  
18 not just high tensile fencing. Stay-Tuff is very  
19 focused on fixed knot fence. At Stay-Tuff, we make  
20 our fixed knot fence using galvanized steel wire  
21 imported from Deacero in Mexico. One of the products  
22 we purchase from Deacero is high tensile galvanized  
23 wire with a minimum rating of 175 KPSI and a Class 3  
24 coating. This accounts for 80 percent of our  
25 purchases.

1           The remainder of the products we purchase  
2 include low tensile staple wire and low tensile clip  
3 wire which are used to attach fences to the posts.  
4 Stay-Tuff has purchased galvanized steel wire from  
5 Deacero since 2007. Fixed knot fencing can be sold at  
6 a higher margin than barb wire, field fence and  
7 certainly galvanized steel wire. Because of this,  
8 Deacero companies have a stronger incentive to produce  
9 and sell fixed knot fencing using galvanized steel  
10 wire than to sell the galvanized steel wire itself.  
11 With the increases in our sales force, sales have  
12 risen during each of the past few years, and we  
13 project that they will continue to increase. In the  
14 first quarter of this year, our sales of fencing are  
15 up substantially over the first quarter of 2010.

16           In addition, in 2010, our sales grew 17  
17 percent over 2009. As a result, we've had to buy more  
18 galvanized steel wire from Deacero. Stay-Tuff is  
19 Deacero's largest wire customer in the U.S.  
20 Currently, we are consuming record volumes of  
21 galvanized steel wire each month. Our internal market  
22 forecasts indicate that demand for our fencing  
23 products will continue to increase. There are several  
24 reasons for this. First, our sales force has  
25 increased in size and we're tapping into new markets.

1 Second, livestock and crop prices are much higher than  
2 the past few years. This means the farm and ranch  
3 community has more money to spend on new fencing.  
4 Lastly, and most importantly, we're the leading  
5 innovator in this market.

6 We're innovating new fixed knot fence  
7 products and expanding applications using fixed knot  
8 fencing. For example, we're working with NRCS, the  
9 National Resource Conservation Service, which is a  
10 part of USDA, to show them more cost-effective ways to  
11 install fencing. Also, we're seeing ranchers lease  
12 their land for game hunting because it is more  
13 lucrative for them than just cattle ranching. They're  
14 using our fixed knot fencing to better manage their  
15 wildlife. Additionally, we're in the replacement  
16 business. We're replacing barb wire and low tensile  
17 fence which traditionally have been used by livestock  
18 ranchers. We have been educating them about the  
19 benefits of using fixed knot fencing and expanding our  
20 sales.

21 Although we have made significant inroads,  
22 there is a lot more room in this market. Because of  
23 the superior performance of our fencing over  
24 traditional fencing, we are confident that our sales  
25 to the agricultural segment will continue to grow at a

1 brisk pace. Stay-Tuff has been an integral part of  
2 Deacero's business in the United States since its  
3 acquisition in 2006. Due to all the factors I've  
4 mentioned, Stay-Tuff expects to remain Deacero's top  
5 U.S. customer for galvanized steel wire products.  
6 This concludes my remarks. I thank the Commission  
7 staff for their time and attention, and I'm happy to  
8 answer any questions.

9 MR. CAMPBELL: This is Jay campbell again.  
10 That concludes Deacero's presentation, and we now turn  
11 it over to Mr. Sailer and Mr. Pardo.

12 MR. SAILER: Thank you, Jay. I wonder if I  
13 couldn't quickly get a time check.

14 MR. CORKRAN: Forty minutes remaining.

15 MR. SAILER: Thank you. Mr. Chairman,  
16 members of the staff, my name is Frank Sailer, here  
17 representing the Wire Products Association with my  
18 partner, Mark Pardo. We know that you're under a lot  
19 of time pressure with unprecedented number of cases  
20 you've had here in the last couple of weeks so we'll  
21 jump right in to the testimony. Our first witness is  
22 Bruce Malashevich of Economic Consulting Services.

23 MR. MALASHEVICH: Good afternoon, Mr.  
24 Chairman, and colleagues. It's a pleasure to be here.  
25 I'm Bruce Malashevich, President of Economic

1 Consulting Services, LLC. I'm serving as economic  
2 expert to the Chinese Respondents in this matter. I  
3 do want to commend the Commission and staff for how  
4 effectively you've managed this sudden confluence of  
5 cases. No doubt you're interested in making any final  
6 investigations a smaller number of cases, and this is  
7 an excellent candidate for moving out at the  
8 preliminary stage. As an economist, I must say, you  
9 know, I rarely say in these preliminary proceedings,  
10 that is, the Petitioners' case is so lacking of merit  
11 that it should be summarily dismissed at this  
12 preliminary stage, saving the public and the parties  
13 substantial expenses in moving the case forward to the  
14 final stage.

15 I say this having applied the facts  
16 available in the context of the Commission's typical  
17 decisionmaking in many past cases. That  
18 decisionmaking evaluates the impact of the subject  
19 imports on the domestic industry's volume, price,  
20 overall condition. It also evaluates whether the  
21 subject imports give rise to a real and imminent  
22 threat of material injury to the domestic injury. My  
23 opinion is that in this case subject imports have not  
24 caused, or threatened to cause, any such material  
25 adverse effects. I begin by calling your attention to

1 my Exhibit 1, which has been passed out to you and  
2 parties. I believe it's on the table Mr. Waite. So,  
3 once again, if you could turn to Exhibit 1, that  
4 exhibit was prepared using the same HTS categories  
5 that were cited in the petition.

6 It shows the total imports of galvanized  
7 wire declined precipitously during the POI, by 19  
8 percent in terms of volume and 37 percent in terms of  
9 value. That is a very unusual fact pattern in my  
10 experience in these cases. In most cases,  
11 particularly those recently involving China, subject  
12 imports are found to have risen steeply, both in  
13 absolute terms and in relation to apparent  
14 consumption. That is very much not the case here.  
15 Indeed, the rate of decline in imports from China is  
16 more pronounced than the decline in imports generally.  
17 At the same time, by Petitioners' own calculations, as  
18 set forth in the Petitioners' Confidential Exhibit 1-  
19 18, U.S. producers' share of consumption rose.

20 The trend is the same whether measured in  
21 relation to the commercial segment of apparent  
22 consumption or in relation to total consumption,  
23 including capital trade. Based on my review of the  
24 producers' questionnaires received thus far, I also  
25 could find no correlation, as the Commission uses the

1 term, between the behavior of imports and the domestic  
2 industry's financial performance, including both  
3 petitioning and nonpetitioning firms. The trend in  
4 domestic capacity is up, the trend in capital  
5 expenditures is up. I cannot think of a previous case  
6 before the Commission where that fact pattern produced  
7 an affirmative determination of actual injury. As a  
8 form of test for my opinion, we reviewed the websites  
9 and, where available, the published financial reports  
10 of all U.S. producers identified in the petition. In  
11 most cases, there was little, or no, information.  
12 Glaring exceptions, however, appear in the public  
13 statements of two very prominent nonpetitioning U.S.  
14 producers, Leggett and Platt and Beckert. Let me read  
15 part of them to you.

16 Beckert stated in its 2010 annual report,  
17 and I quote, "By mid-year 2010, faced with soaring  
18 customer demand, we had to source products from both  
19 our local platforms and our overseas plants. Our  
20 steel cord plant in Rogers, Arkansas, recruited  
21 additional personnel and further expanded its  
22 production capacity. The Beckert plant in Rome,  
23 Georgia also took in additional personnel. It  
24 expanded its *B* wire production capacity through the  
25 almost complete integration of the equipment of the

1 closed Clarksdale plant. Both plants, Rome and  
2 Rogers, have been operating at high capacity levels  
3 since mid-year 2010. Our entire wire production  
4 platform in the U.S. delivered very good results. The  
5 continued focus on working capital, reduction and  
6 control proved successful, and despite the relatively  
7 difficult economic environment, we did not halt  
8 investments in capacity expansion and in end product  
9 and process development." I'll give you the web  
10 citation in post-conference.

11 Leggett and Platt noted its wire group  
12 accounted for 14 percent of external sales in 2008, 12  
13 percent in 2009, and 13 percent in 2010. They saw 78  
14 million in increased sales in their industrial  
15 materials segment between 2009 and 2010. I will give  
16 you that cite as well posthearing.

17 The domestic industry and importers were  
18 shaped by the dire circumstances seen in 2009. We  
19 certainly agree with the domestic industry in that  
20 regard. GDP growth was negative. U.S. industrial  
21 production declined by 11 percent between '08 and '09,  
22 according to government stats. End products of  
23 galvanized steel wire include, as you've heard, a  
24 large number of applications, including fencing, mesh,  
25 shelving, wire decking, paper clips, strapping, wire

1 springs, and the like.

2           The petition notes that the products of  
3 galvanized steel wire are, quote, "used in a variety  
4 of applications, such as agricultural, automotive,  
5 construction, consumer, and industrial uses," unquote.  
6 The state of the economy obviously affected each of  
7 those industries. The U.S. value of construction and  
8 agricultural capital expenditures both declined by 10  
9 percent in 2009. Overall, annual expenditures per  
10 consumer fell 2.8 percent in 2009, following an  
11 increase of 1.7 percent in 2008.

12           Similar trends were seen in the automotive  
13 industry. One indication of the decline in domestic  
14 demand seen in the wire industry was the 40 percent  
15 drop in the value of domestic shipments of steel wire  
16 between '08 and '09. Similarly, imports from all  
17 countries declined by roughly the same amount during  
18 that period.

19           Despite the poor demand conditions seen in  
20 2009, GDP bounced back in 2010, and imports of  
21 galvanized wire increased modestly by 7 percent.  
22 Likewise, the domestic industry, as I noted earlier,  
23 saw improved market conditions.

24           Under the means of analysis normally applied  
25 by the Commission, imports could not possibly have

1 caused adverse volume effects or adverse effects on  
2 the domestic industry's overall condition, nor could  
3 they have caused adverse effects -- adverse price  
4 effects, excuse me, because under conventional theory  
5 of how a so-called commodity market operates -- and  
6 Petitioners believe this is a classic commodity market  
7 here -- low-priced imports are associated with  
8 increasing market share.

9 Well, the underselling data that we have  
10 compiled thus far from the Commission's  
11 questionnaires, both served by the parties and  
12 received directly, are fully supportive of my  
13 conclusion. Those data show that subject imports from  
14 China oversold domestic prices in a majority of the  
15 instances surveyed. That is particularly significant  
16 because Petitioners themselves identified the two  
17 particular products covered in the questionnaires.

18 While subject imports' share cumulatively  
19 might have increased slightly, according to the  
20 petition, it did so at the expense of other imports.  
21 The trend in the domestic industry's shares is clear  
22 in Exhibit 1-18 of the petition I referenced earlier.  
23 So such underselling as might have occurred simply had  
24 no material impact on the domestic industry's volume  
25 or overall condition.

1           Among the many sources of nonsubject  
2 imports, China does not rise among the lowest price,  
3 and so should not be associated with any downward  
4 price leadership.

5           Finally, the questionnaire data we have  
6 compiled so far point to an absence of any threat in  
7 other respects. The trend of imports from China  
8 obviously is down. Importers' inventories are under  
9 control. The domestic industry is certainly not  
10 vulnerable. Imports from China generally have  
11 oversold the domestic producer. There are no other  
12 factors that the Commission normally considers that  
13 point to a potential threat to the domestic industry.

14           The public version of the petition  
15 initiating this case, at page 1-32 -- in that page,  
16 calculations were performed based on Chinese official  
17 export statistics showing that the share of total  
18 exports going to the United States as being less than  
19 10 percent of total exports. That figure hardly  
20 points to some sort of targeting or concentration of  
21 exports to the United States.

22           I simply can see no basis for voting  
23 affirmatively on a threat theory, especially with  
24 respect to China, for the reasons I just discussed.  
25 Again, the record in this regard is unusually complete

1 for a preliminary phase investigation involving China.  
2 As of today, I know that the Commission received  
3 foreign producers' questionnaires from at least 18  
4 Chinese exporters. By my calculation, collectively  
5 they represent about 50 percent of all U.S. public  
6 imports of galvanized wire shown in the official  
7 statistics.

8 The aggregate statistics show capacity  
9 increased modestly at a much lower rate than the rate  
10 of growth in Chinese GDP, high capacity utilization  
11 rates and the vast majority, around 90 percent, of all  
12 shipments going to markets other than the United  
13 States. The evidence supporting an absence of  
14 threatened injury will be discussed in greater detail  
15 in post-conference brief.

16 I now would like to address circumstances  
17 specific to the behavior of subject imports from China  
18 and the reasons why they should be decumulated from  
19 imports from Mexico. Please look at Exhibit 2 before  
20 you. The exhibit illustrates the behavior of imports  
21 from Canada, Mexico, and China. I included Canada  
22 because it had been the largest source of U.S. imports  
23 of galvanized wire at commencement of the POI, and was  
24 one of the largest at the conclusion of the POI.

25 It also provides an interesting gauge of how

1 the volume of fairly traded imports behaved during the  
2 course of the POI. Note that the volume of subject  
3 imports from China fell sharply, very much in line  
4 with the decline in imports from Canada. Imports from  
5 Mexico, however, rose rather dramatically, and very  
6 much in contrast to the trends from China, Canada, and  
7 indeed all other imports collectively.

8 In short, there is no case at all against  
9 imports from China. In examining the evidence further  
10 in support of decumulation for China, the public U.S.  
11 trade statistics also were very helpful. Mexico and  
12 China import their products in different regions of  
13 the country. There is limited overlap in the product  
14 specifications they serve, and both have been  
15 experiencing different trends in imports over the POI.

16 China and Mexico serve customers in very  
17 different regions of the country. Freight, as you  
18 heard earlier, is a significant component of cost when  
19 selling the wire. And sellers are looking to import  
20 it closer to their customers as possible.

21 For example, 97 percent of Mexico's imports  
22 of galvanized steel wire in 2010 entered through  
23 Laredo, Texas. In contrast, China imported 35 percent  
24 of its imports into Los Angeles, 13 percent into San  
25 Francisco, 12 percent into Chicago, 8 percent into New

1 York City.

2 Second, when the HTS codes for galvanized  
3 wire are disaggregated, Mexico and China are  
4 concentrated in different product specifications. Let  
5 me call your attention to my Exhibit 3. For example,  
6 out of the nine HTS codes comprising galvanized steel  
7 wire, six saw over 65 percent of U.S. imports from a  
8 single country. For example, 81 percent of all U.S.  
9 imports of wire with a diameter of less than 1  
10 millimeter and containing by weight 0.6 percent or  
11 more of carbon came from Mexico in 2010.

12 In contrast, China accounted for only 3  
13 percent of the imports of this specification of wire  
14 into the United States in that year.

15 Now, please look at Exhibit 4. It shows the  
16 percent of all galvanized steel wire imports for each  
17 HTS specification. Galvanized steel wire with a  
18 diameter of 1.5 millimeter or more and less than 0.25  
19 percent carbon by weight accounted for 72 percent of  
20 total imports of galvanized steel wire. Mexico  
21 imported 47 percent of all imports of that  
22 specification.

23 Third, China and Mexico experienced  
24 different trends in import quantities across the POI.  
25 Imports from China declined between '08 and 2010

1 across all specifications of galvanized wire. In  
2 contrast, imports from Mexico increased across five of  
3 the nine specifications, with two specifications  
4 increasing by more than 1,000 percent. The  
5 Petitioner's own calculations in Exhibit 1-12 of the  
6 petition show that Chinese imports declined by 37  
7 percent for all imports of galvanized wire, whereas  
8 Mexico increased by more than 71 percent during the  
9 POI.

10 Mexican and Chinese imports clearly have not  
11 behaved in a similar fashion to market conditions  
12 throughout the POI. This is yet another indication  
13 that Mexican and Chinese imports exhibit limited  
14 comparative overlap.

15 In sum, there is a good case for  
16 decumulating China in the event of an affirmative  
17 determination based on current injury, and there is an  
18 overwhelming case for decumulation should the  
19 Commission rule affirmatively on a theory of  
20 threatened injury.

21 Finally, I should say a few words about the  
22 so-called Bratsk analysis. Galvanized wire is not a  
23 high-tech product. Its conditions of competition more  
24 closely correspond to those of a commodity market with  
25 substantial consumption occurring in the captive trade

1 in manufacture of downstream products, as you heard  
2 earlier today.

3 According to official U.S. trade statistics  
4 covering imports during the POI, no fewer than 38  
5 countries exported the product to the United States  
6 during the POI. This is illustrated in my Exhibit 5.  
7 In 2010, imports from Mexico carried the lowest  
8 average value among all exporters, and that's on a  
9 landed, duty-paid basis.

10 However, the AUVs of imports from India,  
11 Venezuela, Ecuador, and Israel were below that of  
12 China. Under the circumstances of this case, there is  
13 every reason to believe that there is ample non-  
14 subject imports supply to replace at least subject  
15 imports from China, without producing any benefit at  
16 all to the domestic industry.

17 For this reason, the Commission should give  
18 substantial weight to the Bratsk-type analysis in  
19 deciding this case, even at the preliminary stage. I  
20 believe that if it's not so now, the record in this  
21 case will be very complete by the time of the  
22 Commission's vote. I can see no reasonable basis for  
23 finding in the affirmative on a theory of current or  
24 threatened material injury.

25 That concludes my testimony. Thank you very

1 much for your attention.

2 MR. SAILER: Thanks, Bruce. Our next  
3 witness is Mr. J.J. Zhang.

4 MR. ZHANG: Good afternoon, Mr. Chairman and  
5 members of the staff. My name is J.J. Zhang. I'm the  
6 general manager of B&Z Galvanized Wire, located in  
7 California, Covina, California. B&Z is a small U.S.  
8 office located in Covina, California that markets  
9 products produced by its affiliated Chinese supplier,  
10 Shanghai Bujang Corporation LTD. B&Z is also  
11 affiliated with Anhui Bujang Metal Products  
12 Corporation, LTD.

13 My family has been in the wire business for  
14 nearly 20 years, and personally, I have been in the  
15 business for over five years. Today I appear before  
16 the Commission to discuss a very few points concerning  
17 the state of the galvanized wire industry in China. I  
18 know you have a lot of work to get done in a very  
19 short time, so I will only take a few minutes to put  
20 some of the statistics Mr. Malashevich has discussed  
21 into context.

22 So why have Chinese imports into the U.S.  
23 decreased so rapidly over the last few years? There  
24 are several reasons that this has happened. First,  
25 China has reduced, then eliminated and then

1 reintroduced differing levels of VAT rebate on the  
2 export of galvanized wire over the past several years.  
3 The fact is that the Chinese government's erratic of  
4 this tax rebate has cast an aura of uncertainty and  
5 doubt on the industry and made it harder for the  
6 Chinese industry to develop a medium- or long-term  
7 range export marketing plan.

8           The absence of a lower level of the rebate  
9 of value-added taxes had a natural consequence of  
10 requiring that export prices to increase, and the  
11 uncertainty caused by the moving VAT target acts as a  
12 break on the flow of exports to world markets since a  
13 company's bottom line is difficult to gauge depending  
14 on the level of export rebate, if any, that will be  
15 available.

16           At the same time, the rebate has remained in  
17 effect for downstream products, acting as an  
18 encouragement to the industry's shift to finished  
19 products, eliminating available capacity for wire  
20 products. In fact, many of our larger competitors in  
21 the home market are like the U.S. industry large  
22 captive consumers of their wire products to serve  
23 other domestic, higher value market sectors.

24           In addition, the appreciation of the Chinese  
25 currency to RMB has effectively increased Chinese

1 prices, a phenomenon that is sure to continue as China  
2 loses its control over its currency. As a matter of  
3 fact, I just read an article on Bloomberg a couple of  
4 days ago. The Chinese government stated that  
5 throughout the year of 2011, the RMB currency is going  
6 to appreciate another 12 percent.

7           So is the Chinese industry more focused on  
8 exports or sales within China? As everyone knows, the  
9 Chinese economy is booming. There are construction  
10 cranes on every horizon, and new housing developments  
11 in every city. Increasingly, Chinese producers are  
12 looking homeward to capture more profitable market  
13 share in the China market.

14           Chinese government efforts to stem the  
15 rising level of construction and housing boom have met  
16 with very little success. In my discussion with other  
17 members of the China industry, I find there is one  
18 recurring theme. Why sell for export when demand and  
19 prices in the home market are so strong and rising?  
20 Why go through all the hassling and afraid that the  
21 product is going to be affected by ocean freight when  
22 the Chinese market is so strong and rising?

23           Having said that, however, there is  
24 continuing concern over the ability of Chinese  
25 industry to keep up with demand, even in the home

1 market. Why would China have difficulties maintaining  
2 production life if there are a billion and a half  
3 people?

4           You may have seen a number of reports  
5 recently about the increasing age of China's  
6 population and the growing labor shortage there and  
7 the role of China's one-child policy in leading to  
8 this situation. China is in fact already well into a  
9 period where it is experiencing shortages of qualified  
10 workers and ability to maintain stable and productive  
11 work such that the one-child policy is being  
12 revisited.

13           As a matter of fact, our affiliated Chinese  
14 supplier, Anhui Bujang Metal Product Corporation LTD  
15 has experienced such issue. The lack of labor has  
16 restricted our capacity greatly. These labor  
17 shortages are a very real impediment to the ability to  
18 increase capacity, a situation made worse by the  
19 frequent interruptions in power and water supplies to  
20 many production facilities, including ours. And that  
21 has happened to our Shanghai Bujang plant as well as  
22 Anhui Bujang. And the interruption is not calculated  
23 by hours. It is actually calculated by days and weeks  
24 without production.

25           As a matter of fact, another issue is that

1 even when we have production, allowed to produce  
2 during the summertime, we're only allowed to produce  
3 during the night. And that creates our higher costs.  
4 Moreover, as the Chinese government loosens its  
5 control on the value of the RMB and the currency is  
6 evaluated, Chinese companies are experiencing  
7 increasing materials and labor costs and the scarcity  
8 of available materials for production.

9 Thus, it is not, as Mr. Waite and his  
10 clients have urged you to believe, that China is  
11 chasing after the U.S. market, learning the language,  
12 and dumping its products at their expense. The  
13 favorite market is more and more still at home.

14 I appreciate the opportunity to take a few  
15 of your minutes to address this case. I understand  
16 that there is a remote possibility that you may  
17 conduct a full hearing sometime late this year or  
18 early next. I understand that you can also end this  
19 investigation now. I hope that the Commission's vote  
20 in this preliminary investigation will make it  
21 unnecessary for me to come back and take any more of  
22 your time. Thank you very much.

23 MR. SAILER: And that concludes our  
24 presentation, Mr. Chairman, I guess with the only  
25 caveat, if there is a need for us to move that Mr.

1 Malashevich's exhibits be accepted for the record, we  
2 do so.

3 MR. CORKRAN: Thank you. You anticipated my  
4 next request. It is there accepted for the record. I  
5 would now like to turn to my colleagues to begin the  
6 questioning. Ms. Angela Newell.

7 MR. NEWELL: Good afternoon. Thank you for  
8 appearing here today and answering our questions. I  
9 just have one question. With respect to the domestic  
10 like product, do you agree that it should be  
11 coextensive, like one like product coextensive with  
12 the scope?

13 MR. CAMPBELL: This is Jay Campbell. We do  
14 not intend to make any domestic like product  
15 arguments.

16 MR. SAILER: Frank Sailer for the Chinese  
17 side. The same answer.

18 MR. NEWELL: Okay. Thank you. That's all  
19 the questions I have at this time.

20 MR. CORKRAN: Thank you. Let me turn to Ms.  
21 Warrington.

22 MS. WARRINGTON: Samantha Warrington, Office  
23 of Economics. I have one question. Several of the  
24 industry representatives mentioned a shift in demand  
25 from the galvanized steel wire to the end use

1 products. Why do you think that's the case, and do  
2 you think the economy in the last three years may have  
3 had something to do with that?

4 MR. GUTIERREZ: Basically, in the last three  
5 years, the replacement of the demand of offshores we  
6 complemented what that meant.

7 MR. CAMPBELL: Excuse me. Jay Campbell with  
8 White and Case. Also, I think, you know, the point in  
9 Mr. Gutierrez's testimony was that as far as Deacero's  
10 incentives go, their core business is the downstream  
11 products that are higher value-added, not the  
12 galvanized wire. So at least that was the point in  
13 his testimony, and he was also speaking to, you know,  
14 some of the projects in Mexico for which there will be  
15 greater demand for downstream products.

16 But the focus was their incentives, and that  
17 their core business is downstream products using  
18 galvanized wire, not the sale of galvanized wire on  
19 the merchant market.

20 MS. WARRINGTON: Okay.

21 MR. ZHANG: This is J.J. Zhang. Also,  
22 because the VAT rebate has four different level over  
23 the past several years, Chinese government may  
24 eliminate the VAT rebate, and that made it very hard  
25 for the galvanized wire producer to keep doing

1 business and to shift to the downstream products.

2 MS. WARRINGTON: Okay. Thank you.

3 MR. GUTIERREZ: Just complementing -- this  
4 is Daniel Gutierrez. Complementing Mr. Campbell's  
5 observations, as I mentioned in my testimony, we are  
6 very, very focused on downstream products in Mexico,  
7 where we export into 20 different countries. And our  
8 major goal in our company is to develop new downstream  
9 products every single year. So at the present time,  
10 we are in with new products that are coming onboard,  
11 as I mentioned in my testimony, like the ornamental  
12 fence, the mining fence, the barrier rope barriers,  
13 and some other products that are going to be -- we  
14 believe that they're going to be really good for the  
15 Mexican market and the other markets that we export.

16 MS. WARRINGTON: Thank you. I have no  
17 further questions.

18 MR. CORKRAN: Thank you. Mr. Sultan.

19 MR. SULTAN: Sorry about that. If I  
20 understood you correctly, you explained the increase  
21 in the volume of imports from Mexico in 2010 as being  
22 attributable to a number of factors, including an  
23 increase in shipments to Stay-Tuff, your affiliated  
24 company in the U.S. But I also understood that you  
25 acquired Stay-Tuff in 2006. Why is it that you

1 started sending more or shipping more to Stay-Tuff  
2 several years later in 2010?

3 MS. ZISSIS: Randy Lenz and Daniel may be  
4 able to help you. But Kristina Zissis from White and  
5 Case. But there are several reasons for the increase  
6 in 2010 of sales to Stay-Tuff. One is increasing  
7 demand for Stay-Tuff's product and therefore  
8 increasing demand by Stay-Tuff. Also there was a  
9 phasing in of purchases over a number of years from  
10 Deacero of this product that is used to make the  
11 fencing. It's a class-3 coated product, as Randy  
12 said, and so Deacero had to develop the product  
13 because a product like that is specific to the end  
14 use.

15 MR. SULTAN: Okay. Thank you for that. My  
16 next question is for Mr. Malashevich. When you were  
17 talking about the Bratsk analysis, you said that non-  
18 subjects could replace Chinese subject imports if they  
19 were in order. And you pointed to the fact that the  
20 AUVs in 2010 from India, Venezuela, Ecuador, and  
21 Israel were lower than the Chinese AUVs.

22 But how do we know that nonsubject countries  
23 have the capacity to replace the Chinese in the  
24 market? I mean, if I look at the quantities that came  
25 in in 2010 from those four countries, they were much,

1 much less than the Chinese quantities, notwithstanding  
2 the fact that the AUVs were lower.

3 MR. MALASHEVICH: Certainly the volumes were  
4 less. I think what was impressive to me is that it's  
5 not -- the barriers to entry in this business are not  
6 high. In the case of Ecuador, I believe that they  
7 have, you know, substantial agricultural economy, for  
8 example. So fencing would be in substantial demand  
9 down there as much as it is here.

10 I just think I was impressed by the total  
11 number of countries. If there are 38 countries in a  
12 position to supply anything at all to the United  
13 States, they certainly would be able to at least  
14 collectively do so in the event of an order.

15 MR. SULTAN: Thank you. I have no further  
16 questions.

17 MR. FETZER: Jim Fetzer, Office of  
18 Economics. I'd like to thank this panel for joining  
19 us and sharing your expertise. It seems like a common  
20 theme today is captive consumption by everybody. So I  
21 just wanted to get a sense of how big this is, like  
22 how much of the galvanized wire is sold into the  
23 merchant market and how much is generally -- your  
24 sense of it. I mean, obviously, you only have your  
25 experience, and if you want to answer post-conference,

1 that's fine.

2 But I just want to get some sense. Is most  
3 wire sold in the merchant market, or is maybe a  
4 majority of it actually consumed internally and sold  
5 further downstream, such as fencing products? If you  
6 can give me some rough estimates in public, that would  
7 be great. If not, something confidential in post-  
8 conference would be very helpful.

9 MR. MALASHEVICH: This is Bruce Malashevich.  
10 While our colleagues are consulting, there is -- I'm  
11 not standing by it, but there is an entirely  
12 confidential exhibit in the petition itself which has  
13 Petitioner's estimates of what those relationships  
14 are. And, of course, we'll be compiling -- everybody  
15 will be compiling the questionnaire data which asks  
16 that same question.

17 MR. PARDO: Mark Pardo from Grunfeld. Just  
18 to add to that, I think without delving into the  
19 proprietary -- and I would point that out as well. I  
20 think there is an exhibit within the confidential  
21 version of the petition that addresses that to give  
22 you a very detailed -- but I think as you've seen or  
23 heard from the testimony today, it's widely understood  
24 that it's a non insignificant portion of the market.  
25 But that being said, if this then leads to a

1 discussion or a conversation of what then to do with  
2 captive consumption versus open market sales, and  
3 should that somehow be eliminated, we believe the  
4 record does not show in this particular case that  
5 there is justification for excluding captive  
6 production from the analysis, largely because I don't  
7 believe that there is any indication that within the  
8 domestic industry whatever downstream products are  
9 being produced captively are somehow unique and are  
10 not then subsequently used by wire rod sold in the  
11 open market.

12 As everybody has said, there is a wide  
13 variety of uses for this. It's clearly -- its only  
14 real purpose is as an intermediate input. So I  
15 believe that there is competition then even with the  
16 captive production with the open market sales.

17 MR. FETZER: Thanks, Mr. Pardo. Mr. Sailer.

18 MR. SAILER: Frank Sailer. I guess I would  
19 add that on the other side of the ocean, and again  
20 referring to confidential information, without saying  
21 it, the questionnaire responses from the Chinese  
22 producers, which I think give you -- although there  
23 are only 18, as Mr. Malashevich said, represent more  
24 than 50 percent, it appears, of Chinese production --  
25 give you a good indication of the Chinese market. And

1 those questionnaires demonstrate, I think, a similar  
2 situation in China with respect to captive  
3 consumption. You've got the line in your chart for  
4 captive consumption.

5 MR. FETZER: Okay, thanks. Mr. Gutierrez.

6 MR. GUTIERREZ: This is Daniel Gutierrez on  
7 behalf of Deacero. We consume 60 percent of our total  
8 production of galvanized wire for downstream products.  
9 And as I stated in my testimony, in the other five  
10 producers, Mexican producers, 100 percent of their use  
11 for downstream products as well.

12 MR. FETZER: Thanks. I appreciate that.  
13 Mr. Gutierrez, you testified earlier that imports  
14 focus on more I guess commodity type wire versus  
15 specialty wire, both high and low carbon, on the U.S.  
16 producers' side. And I'm wondering to what extent, to  
17 your knowledge, are they able to switch. Are they  
18 able to make all different kinds of products, I guess?  
19 I mean, even if they are focusing on one particular  
20 segment of the market, to your knowledge, are they  
21 able to switch to these other ones, and are there any  
22 products particularly that they can't supply that  
23 imports, whether it's from China, Mexico, Canada,  
24 anywhere else that you know of at least, different --  
25 it might be a particular gauge or something, or maybe

1 a different particular type of coating that the U.S.  
2 producers can't supply that the importers can only  
3 supply. And I would open that up to the whole panel.

4 MR. GUTIERREZ: We believe that the U.S.  
5 producers do manufacture the whole variety of  
6 galvanized wires and low carbon and high carbon, and  
7 medium carbon as well. Of course, we know by our U.S.  
8 customers that they rather prefer to go into the mid  
9 -- the low carbon specialty sectors or specialty mix  
10 of markets, and the high carbons as well.

11 MR. FETZER: Okay, thanks. I appreciate  
12 that. Any other comments? Petitioners this morning  
13 said that price was the most important factor in  
14 determining a sale. Availability was also important,  
15 I believe they said, and also that quality is a given,  
16 and the quality of imports from China and Mexico are  
17 generally good, and if it isn't, then you're of the  
18 market, and there are plenty of other competitors to  
19 replace you. I believe that's a correct  
20 characterization.

21 Do you agree with that? I assume you don't  
22 totally agree with it. But I wonder if you could  
23 point out, is quality an important factor, and are  
24 there differences between the imports and the subject  
25 imports in particular and the domestic production in

1 terms of quality?

2 MR. ZHANG: This is J.J. Zhang. I disagree  
3 because quality I think is a big factor for end users.  
4 For example, if the wire we supply to our end users  
5 are -- the tensile strength is too hard, it is very  
6 likely to break during the process. And like the  
7 Petitioner said earlier, that if the machine is  
8 running constantly 24/7, it's more efficient. But if  
9 the machine break -- the wire breaks and the machine  
10 shuts down, it's no value added cost. And I think  
11 quality is somewhat very important to our customers.

12 MR. FETZER: Okay. But do you -- I mean, is  
13 there a difference in quality between, let's say, the  
14 Chinese-produced product and the U.S.-produced  
15 product?

16 MR. ZHANG: In some extent, yes. Well,  
17 quality -- there is tensile strength. There is zinc  
18 coating. There is a diameter, the uniformity of the  
19 diameter and zinc coating. Our quality is towards the  
20 high end, and a lot of the U.S. producer also. But  
21 some Chinese producers are towards the low end. So  
22 there is a discrepancy between Chinese and U.S.  
23 producers.

24 MR. FETZER: Any other comments?

25 MR. GUTIERREZ: This is Daniel Gutierrez.

1 We are very reliable on the quality product, depending  
2 to what sector and to what niche is it going. And we  
3 think so, that we believe that the quality issue, it's  
4 a factor that you have to meet to the American  
5 standards industry.

6 MR. FETZER: Mr. Pardo?

7 MR. PARDO: Thank you. Mark Pardo from  
8 Grunfeld again. Just to add a general insight, I  
9 think I recall in the panel's questions, or the  
10 questions to the first panel --

11 MR. FETZER: Yes.

12 MR. PARDO: One of the answers that you  
13 received regarding the number of suppliers, I think  
14 the response was that it's very typical for many U.S.  
15 customers to be relying or depending upon one primary  
16 supplier for their wire needs. And just as a general  
17 insight, I think that that speaks in some way to at  
18 least from the perspective of the buyer, they must be  
19 looking at something beyond simply pricing, that if  
20 they thought of this as just simply being a completely  
21 generic and fungible product, then there wouldn't  
22 necessarily be an incentive to have that sort of  
23 loyalty to one individual supplier.

24 Now, what individual buyers may view as the  
25 significant quality elements may be very, very

1 dependent upon what their ultimate end use is, so that  
2 perhaps some of them are more focused on how uniform  
3 is the zinc coating, the tensile strength, what have  
4 you. But as just a general insight as opposed to  
5 something specific to this industry, I think if you  
6 have that sort of loyalty to individual suppliers, it  
7 has to go beyond pricing. Thank you.

8 MR. FETZER: Yes. Mr. Pardo, I think I  
9 remember it as it varied by business model. So, I  
10 mean, I think -- but there would still be some -- I  
11 guess some purchasers would be relying on a single  
12 supplier, but that that wasn't everyone. But I think  
13 what you're -- are you trying to say that it really  
14 depends on the end use in terms of quality or what  
15 type of quality would be considered?

16 MR. PARDO: I think from the testimony that  
17 we've heard that since there are so many different end  
18 uses in the product, that I would -- and again, it's a  
19 general insight rather than from expert opinion, that  
20 depending on what your ultimate desired end use is,  
21 you're going to be focusing more on one of the  
22 qualities or attributes of the wire than perhaps  
23 somebody else, depending upon again what is the  
24 ultimate product you're making.

25 But that being said, certainly quality has

1 to be coming into their consideration rather than  
2 simply pricing.

3 MR. FETZER: Okay. Any other thoughts on  
4 quality? Okay. One thing mentioned in the  
5 questionnaires was generally the Respondents said that  
6 demand had fallen or maybe fluctuated between 2008 and  
7 2010 within the United States, but outside the United  
8 States that demand had actually -- now, some people  
9 said fluctuated, but some had said increased. So  
10 going back to Mr. Zhang's comment about demand in  
11 China being high, I'm just wondering if demand is  
12 increasing, to the extent it is increasing in other  
13 markets, what other markets are really big for, you  
14 know, particularly the Chinese and Mexican markets.  
15 Are they both increasing? And what would be different  
16 factors that would be different than the U.S. market  
17 that would be driving that?

18 MR. ZHANG: This is J.J. Zhang. Like I  
19 stated in my statement, China has been creating a lot  
20 of new house development that created a lot of jobs  
21 and quite a lot of galvanized wires. And we do see a  
22 lot of domestic market increase, as well as some of  
23 the European countries, that we also export to them,  
24 and they have increased quite a bit, too. Does that  
25 answer your question?

1                   MR. FETZER: Thanks. Any other thoughts,  
2 Mr. Gutierrez?

3                   MR. GUTIERREZ: Daniel Gutierrez. The  
4 amount in Mexico has been -- 2008, 2009, 2010, it has  
5 been pretty much stable, depending on the niche for  
6 the product that you're facing with. And export  
7 markets, with all the downstream products that we're  
8 offering, with new -- as I stated in my testimony,  
9 with new products, the amount is going to -- we think  
10 so, that it is going to be growing, and it has been  
11 growing. Our participation is growing on the  
12 downstream products.

13                   MR. FETZER: Thank you.

14                   MR. GUTIERREZ: As well as in Mexico. I  
15 mean, with new products that we're bringing, that we  
16 brought already, new products that we brought to the  
17 market last year, in the last two years, and as well  
18 all the agricultural greenhouses, which is something  
19 that is transferring from traditional agricultural to  
20 greenhouses in Mexico. So there is a lot of demand  
21 there for galvanized products as well.

22                   MR. FETZER: Thanks. This morning -- or not  
23 this morning, earlier this afternoon -- the time warp  
24 here with an afternoon conference. The Petitioners,  
25 or one of the U.S. producers, one of the Petitioners,

1 said that Deacero was selling product for the same  
2 price, no matter what location it was, and then also  
3 referenced that prices were the same for different  
4 gauges of wire, different diameters of wire, I guess.  
5 To the extent that, you know, you can speak publicly  
6 about that, is that the case, or is there -- I guess  
7 if you comment on that, that would --

8 MR. GUTIERREZ: This is Daniel Gutierrez  
9 again. We will more than welcome support on the brief  
10 with whatever support we need to give. But definitely  
11 it's false. We do have different pricing, depending  
12 on locations, depending on class, coating, class of  
13 wire, or diameter as well.

14 MR. FETZER: Thank you. Mr. Zhang?

15 MR. ZHANG: This is J.J. Zhang. I just want  
16 to add, I disagree also. It is highly impossible to  
17 have the same price with different regional --  
18 geographic regional. I'll just give three example.  
19 From Shanghai to Los Angeles, Long Beach Port, the  
20 average freight, if it costs 1,500, then it will be  
21 3,500 to ship it to Chicago, Illinois. If the  
22 shipping cost is different, then I don't think it's  
23 possible to have the same price with different  
24 location.

25 MR. FETZER: And does the importer typically

1 also sell on a delivered basis? We heard this morning  
2 that many of the producers were -- not in every case,  
3 but were selling on a delivered basis. Do you sell on  
4 like a delivered basis including the inland  
5 transportation on an FOB basis without including the  
6 transportation?

7 MR. ZHANG: Yes. Most of our customers, we  
8 deliver it to their door, so yeah, we do cover the  
9 freight cost in our pricing.

10 MR. FETZER: And you're the importer, right?  
11 So do you take care of -- is the transportation cost  
12 taken care of by you or by the foreign producer or by  
13 the -- by you or the foreign producer, I guess.

14 MR. ZHANG: By us.

15 MR. FETZER: By you, okay.

16 MR. ZHANG: Yeah.

17 MR. FETZER: Thank you. Mr. Gutierrez?

18 MR. GUTIERREZ: Yes. Deacero USA is  
19 importer of record, so we do deliver, and based on --  
20 to our customer. It doesn't have to worry for  
21 freight, neither cost. I mean, we deliver including  
22 freight and including all the cost.

23 MR. FETZER: Thank you.

24 MR. CAMPBELL: And Jay Campbell. Just a  
25 point of clarification. When Mr. Gutierrez mentions

1 that Deacero USA, which is a U.S. affiliate, is the  
2 importer of record, the point of that is Deacero USA  
3 is invoicing the unrelated U.S. customer and --

4 MR. FETZER: Yes.

5 MR. CAMPBELL: -- it's selling on a  
6 delivered basis, if that wasn't clear.

7 MR. FETZER: Okay. Well, thanks. Thanks  
8 for the clarification. Let's see. That's all the  
9 questions I have at the moment, but thanks so much for  
10 your testimony and for responding to these questions.

11 MR. CORKRAN: Thank you. Mr. Wise?

12 MR. WISE: Yes. Thank you. I wanted to  
13 thank the panel for coming and speaking with us today.  
14 I just have a couple questions. Mr. Gutierrez, you  
15 said during your testimony that your production was  
16 constrained by diameter. Could you expound on that or  
17 explain that or did I hear you incorrectly? Do you  
18 produce the full range of GSW that's under scope?

19 MR. GUTIERREZ: Yes, we do have the whole  
20 range of diameter, diameter wires and coatings that we  
21 use for our downstream products and the production  
22 lines, the galvanized that we have, in order to be  
23 much more efficient, I mean, you can't change from one  
24 diameter to another one, so you have to stand by and  
25 do one diameter or one seam coating at the same time.

1           MR. CAMPBELL: Jay Campbell. Just to make  
2 sure that it's clear, the point is that Deacero's  
3 galvanizing lines, each galvanizing line has the  
4 capability to produce a certain range of diameter and  
5 a certain range of zinc coatings, so when Deacero,  
6 they produce the full range of galvanized wire or a  
7 wide range of galvanized wire for their internal  
8 consumption and for their sale to the commercial  
9 market, but when considering their average production  
10 capacity, product mix is important because they have  
11 to factor in product mix and they have to factor in  
12 that each galvanizing line is limited to certain  
13 diameter rangers and certain zinc coatings, so that is  
14 what is meant by how product mix is a constraint in  
15 their overall production capacity.

16           MR. WISE: Thank you for that. I appreciate  
17 it. And, Mr. Zhang, you said that production in China  
18 was constrained by indigenous factors such as labor  
19 and financing and tax rebates. Is that for your  
20 company or that's more local or are you speaking for  
21 the broader Chinese production of galvanized steel?

22           MR. ZHANG: It is for us from my personal  
23 experience, our company has experienced those and as  
24 well as other companies as well in the industry.

25           MR. WISE: Okay.

1           MR. PARDO: Mark Pardo from Grunfeld. Just  
2 a point of clarification there. I believe Mr. Zhang's  
3 discussion about the VAT rebate was more to emphasize  
4 that with the fluctuating rates of that rebate it  
5 becomes much, much more difficult for companies to  
6 project out a business model that's based on exports  
7 because if that's a significant element of what they  
8 expect as a return on their product, if you don't know  
9 what that amount is going to be in the next six  
10 months, then that's just a greater incentive to look  
11 inward to the domestic market particularly in the  
12 situation now and which everyone's familiar with in  
13 China where there is such a greater demand for  
14 galvanized wire and for downstream products within the  
15 domestic market.

16           So it's not necessarily a restriction  
17 capacitywise. The restriction there is definitely  
18 that there is a well-publicized lack of skilled labor  
19 which they're trying to address and then the power  
20 outages that Mr. Zhang mentioned, which, as he said,  
21 are not power outages that perhaps we're familiar that  
22 might be, well, it gets shut down for a couple hours.  
23 He says that it's not uncommon for this to be measured  
24 in days or weeks that they're simply shut down. So  
25 those are the capacity issues, but the VAT rebate is

1 more on why there's now a preference to look  
2 domestically. Thank you.

3 MR. WISE: Thank you for those.

4 MR. SAILER: And those factors, the labor  
5 shortages, the energy shortages, the water problems,  
6 that is something that is across China. That's not  
7 unique to Anhui Province or to the Shanghai area. It  
8 is universal within China.

9 MR. WISE: Thank you for those. I have no  
10 further questions.

11 MR. CORKRAN: Thank you. Again, I'm Doug  
12 Corkran, and I too would like to thank everybody for  
13 coming today. It's been extremely helpful testimony.  
14 I think I'd like to start off because imports  
15 statistics have gotten a lot of play today here, I  
16 certainly find them very helpful and I do look at them  
17 very closely. One of the questions I have, maybe Mr.  
18 Gutierrez, would you refer please to Chart No. 5 in  
19 the Petitioner's handout? It's the red and blue line  
20 graph indicating average unit values of galvanized  
21 steel wire. And there is a marked movement down in  
22 terms of the average unit value of Mexican product  
23 that appears in it looks about the late summer of  
24 2009. Now earlier today we heard that characterized  
25 as, and I hope I'm not mischaracterizing it, but I

1 believe it was characterized as something akin to a  
2 price war between Chinese and Mexican suppliers. That  
3 was one view of it. I was wondering if you had a view  
4 of what was happening during this timeframe of summer  
5 2009 or if for that matter these are consistent with  
6 your experience and your selling in the U.S. market.

7 MR. GUTIERREZ: We will surely investigate  
8 on this and give some support in the brief.

9 MR. CORKRAN: Thank you. I very much  
10 appreciate that. The next question I had in terms of  
11 import related data goes to the argument of cumulation  
12 or rather noncumulation. Exhibit 3 in the  
13 Respondent's, in the ECS presentation, first off, I  
14 want to say I find it very helpful. Each of the HTS  
15 numbers is laid out, and they are in the same size,  
16 but right at the top you give a share of how much each  
17 one of those accounts for and you do it in tabular  
18 form in your next exhibit.

19 But armed with that information, would it be  
20 a fair presentation for me to focus on for example the  
21 graph that appears in the upper left-hand corner which  
22 accounts for approximately 70 percent of the volume of  
23 imports if I was looking at the product mix between  
24 Mexico and China?

25 MR. MALASHEVICH: This is Bruce Malashevich.

1 I think that's a fair place to start, but as we do, I  
2 think you have to take into account all the numbers  
3 covered within the scope in the context of  
4 decumulation. I'd only point that we added the chart  
5 at the top to show those percentages. Our intent was  
6 to make the pies below them proportionate to the size  
7 to the relative import volumes, but we couldn't do  
8 that with the software we have, so that's why we added  
9 the chart on top, to be transparent, which is our  
10 style.

11 MR. CORKRAN: Thank you. I appreciate that.  
12 That does help the reader get a sense of what they  
13 were looking at. I'd like to turn next to Mr. Lenz  
14 and Mr. Gutierrez both. I'd like if you could, can  
15 you give me some more background information on the  
16 timing and the relationship between Stay-Tuff and  
17 Deacero, and also we heard some testimony earlier  
18 today that although the acquisition took place in 2006  
19 that there was a phase-in period I believe for  
20 sourcing Deacero material. From whom were you  
21 sourcing prior to Deacero? And if that's  
22 confidential, I understand, but I'd like to hear it in  
23 a postconference brief then.

24 MR. LENZ: Yes. When Deacero bought us,  
25 they did not have the capability of producing the

1 product that we use in our fence, that we consume, so  
2 it was a phase-in period and we were buying  
3 domestically and we'll produce more information in the  
4 after-conference brief, but it was a phase-in period  
5 and we were buying up until 2009 substantial  
6 quantities domestically.

7 MR. CORKRAN: Thank you. That's very  
8 helpful. And, Mr. Gutierrez, to the extent that you  
9 can discuss this publicly, and I am perfectly  
10 comfortable if you can't discuss any of it publicly,  
11 but what were the goals that you were looking for when  
12 you purchased Stay-Tuff? Was it eventually to get to  
13 the point where you are today where you're largely  
14 supplying the galvanized wire needs of that consumer?

15 MR. GUTIERREZ: We visualized Stay-Tuff as a  
16 niche of market that we wanted to have those items to  
17 be added to our portfolio of products to offer not  
18 only to the U.S. but also to Mexico, which is to us a  
19 new product for Mexico, and as well for the Central  
20 and South America markets. So it was kind of a niche  
21 company that we visualized at the very beginning, and  
22 that's where we wanted to go. Jay is telling me that  
23 definitely, yes, it's a niche related in related to  
24 the fencing product.

25 MR. LENZ: This is Randy Lenz, and just if I

1 could add to that. In terms of the agricultural  
2 fencing market as a whole, Stay-Tuff is a very small  
3 fish in a very large sea, and that's one of the  
4 reasons we show some good growth numbers is because we  
5 do have a lot of room to grow because we are such a  
6 small player in the entire agricultural fencing  
7 market.

8 MR. CORKRAN: Okay. Thank you. That's very  
9 helpful, although I'm starting to get a little bit  
10 confused by the testimony because earlier in the  
11 testimony my takeaway had been that a lot of the  
12 growth we were seeing in U.S. imports for Mexico were  
13 as a result of this acquisition and ramping up of  
14 sales by Deacero U.S.A. to Stay-Tuff. Can you give me  
15 a general idea of what the volumes are that we're  
16 talking here? And again, if it's confidential, I  
17 understand that.

18 MR. LENZ: We would prefer to provide that  
19 information in the after-conference brief.

20 MR. CORKRAN: Thank you. I appreciate that.  
21 My next question involves the industry in China.  
22 Having worked on a number of steel cases, I've  
23 frequently seen instances where we talk about very  
24 large numbers of producers, potential producers, even  
25 large numbers of exporters, but, Mr. Zhang, we heard

1 numbers like several hundred active producers of  
2 galvanized wire in China. Is that consistent with  
3 your experience, that there are a large number of  
4 active producers of galvanized wire in China?

5 MR. ZHANG: Maybe there are a lot of Chinese  
6 wire producing in China, but a lot of them are very,  
7 very small and they're a very small plant. For  
8 example, to get rod, wire rod from another company,  
9 they draw it down to one size and then they downstream  
10 to another company and then they produce to draw into  
11 smaller sizes and then to another company, and each  
12 individual company are considered different companies.  
13 I think that that's why you see that large amount of  
14 galvanized wire companies in China.

15 MR. CORKRAN: Thank you. That's very  
16 helpful.

17 MR. PARDO: Mr. Corkran? I'm sorry. Mark  
18 Pardo. If I may just add briefly to that, I think  
19 also in my experience as well in dealing with a number  
20 of steel nail manufacturers in China it's certainly  
21 not uncommon whatsoever for the wire making to be an  
22 outsourced element of the production process, so  
23 again, while you may have a vast number of producers,  
24 I think that a lot of them already have a dedicated  
25 business plan that has nothing to do whatsoever with

1 importing or exporting galvanized wire. It's simply  
2 done as since this is really an intermediate product  
3 that a lot of it has to do with the further production  
4 of downstream products in China. Thank you.

5 MR. CORKRAN: Okay. I have one final  
6 question, which I believe I know the answer because  
7 your testimony was very clear, but I do want to  
8 establish it for the record. Mr. Lenz, in terms of  
9 your own sales, do you sell galvanized wire into the  
10 market, or are your sales focused on the fence product  
11 that you manufacture?

12 MR. LENZ: Not of the subject product, no,  
13 sir.

14 MR. CORKRAN: Okay. Thank you. Let me turn  
15 to my colleagues to see if there is any more  
16 questions. We have one more question.

17 MR. WISE: Yes. I just wanted to follow up  
18 and ask, were you meaning that wire rod is drawn at  
19 some facilities and then transferred to separate  
20 facilities for the galvanizing, and then sold or  
21 processed further at different facilities? Because my  
22 understanding was that the entire processing, drawing,  
23 treating, galvanizing, was done at one facility.

24 MR. PARDO: I'm sorry. It was not in  
25 response to a comment I made or Mr. --

1           MR. WISE: Both of you made a similar  
2 comment that made me wonder.

3           MR. PARDO: Could you repeat the question?  
4 I just want to make sure that I'm --

5           MR. WISE: I thought I understood in the  
6 description of the multitude of companies that each  
7 company did a different process in the production  
8 stream of galvanized steel wire. Some companies drew,  
9 and then it leaves me to believe that other companies  
10 galvanize. So they would buy wire already at a  
11 certain diameter, perhaps already transferred through  
12 several companies to get to that diameter, and then  
13 galvanized. Is that what I was understanding?  
14 Because before it was companies take rod, draw it,  
15 treat it, galvanize it, sell it as galvanized wire.

16           MR. PARDO: I think Mr. Zhang might be able  
17 to speak more to that. But my experience has been  
18 that it depends largely on the individual company,  
19 that some -- typically companies within this type of  
20 industry, it depends on their model. Some of them  
21 subcontract out these processes. Others are just  
22 completely vertically integrated. But Mr. Zhang I  
23 think could speak more directly to this industry.

24           MR. ZHANG: To answer your question, we buy  
25 wire rod we can draw into our customer's size within

1 one draw. We have to draw it in one machine, and then  
2 another processing to other machine. It's not a  
3 streamline of one process. It's a different -- for  
4 example, if the wire rod is 6.0 millimeter, we first  
5 have to draw into 5.0 or 4.5 millimeter. It's not 6.0  
6 millimeter. We can draw it all the way to 0.8  
7 millimeter. It takes different processing.

8 MR. WISE: So you're not saying 50 companies  
9 draw it to a certain diameter.

10 MR. ZHANG: No.

11 MR. WISE: Another 50 companies take that  
12 certain diameter and galvanize it. You're saying all  
13 companies draw then galvanize.

14 MR. ZHANG: Correct, yes.

15 MR. PARDO: Excuse me. Mark Pardo. Just to  
16 clarify again, I don't know the specifics about all of  
17 these companies certainly, but I would be careful  
18 about giving a generalization. I'm not certain about  
19 all companies. I think that there is probably a mix  
20 that certain companies are subcontracting out parts of  
21 the process, just depending on what their own  
22 facilities are and their own capacity, but that you  
23 could also very easily see a number of companies that  
24 are completely vertically integrated and that just  
25 simply start with wire rod and do the entire process

1 themselves. So I think it just depends on the  
2 individual company.

3 MR. SAILER: Frank Sailer. Oh, I'm sorry.  
4 Go ahead.

5 MR. WISE: And your company does the entire  
6 process, or --

7 MR. ZHANG: Yes. We do the entire process.

8 MR. WISE: Okay, thank you.

9 MR. SAILER: Frank Sailer. In my  
10 experience, there is an additional element to that,  
11 which is that often there may be, as Mr. Pardo was I  
12 think beginning to talk about -- a nail producer or  
13 100 nail producers. And they may not be fully  
14 integrated. They may have captive providers of wire  
15 that has been drawn and galvanized so it is not  
16 captive consumption, but it is a dedicated supplier,  
17 excuse me, a wire producer who is not really selling  
18 wire except to a guy who is using it exclusively as a  
19 subcontractor for the production of nails.

20 MR. WISE: Thank you. I'm done. Thank you.

21 MR. CORKRAN: With that, I would very much  
22 like to express our appreciation to this panel for  
23 your very helpful testimony today, and the panel is  
24 dismissed. We will take a five-minute break, and then  
25 we will reconvene for closing comments.

1 (Whereupon, a short recess was taken.)

2 MR. CORKRAN: We will proceed with the  
3 closing statements. Okay. Mr. Waite and Ms. Young,  
4 the floor is yours. Please continue.

5 MR. WAITE: Thank you, Mr. Corkran. Again  
6 for the record, I'm Fred Waite on behalf of  
7 Petitioners, and with me is Kim Young. I know this  
8 has been a long week for you and for all of us, so let  
9 me just summarize some of the key points that have  
10 come up during the presentations today.

11 First of all, discussing the product  
12 question, galvanized wire is a commodity product sold  
13 primarily on the basis of price. It's sold nationwide  
14 by the U.S. industry and by subject imports, and the  
15 U.S. industry produces the entire spectrum of  
16 products, and imports compete with the domestic  
17 industry across all geographic and end-use markets for  
18 galvanized wire.

19 Furthermore, there are no clear dividing  
20 lines along the continuum of galvanized wire products,  
21 and the Commission should find a single like product  
22 consisting of all galvanized steel wire covered by the  
23 scope. And I think you heard that the Respondents  
24 agreed with that statement.

25 Subject imports. Imports of galvanized wire

1 from the Mexico and China should be cumulated because  
2 they are present throughout the United States and  
3 compete with each other and with the U.S. industry.  
4 As you've heard from our industry witnesses, subject  
5 imports sell to the same customers and through the  
6 same channels as the U.S. industry.

7           Volume and pricing factors. Subject imports  
8 market share rose in both the recession year of 2009  
9 and the recovery year of 2010. Particularly in 2010,  
10 as we've noted, the volume of cumulated imports  
11 increased by 24 percent, more than twice the increase  
12 in U.S. domestic consumption. At the same time,  
13 import pricing by both Mexico and China dropped over  
14 the POI, especially during 2009 and 2010, when the  
15 countries appeared to be in a price war. This is  
16 clearly shown by the import AUVs from the HTS  
17 subheadings that specifically cover all galvanized  
18 steel wire.

19           Impact of imports on the domestic industry.  
20 Subject imports have caused serious harm to the U.S.  
21 industry throughout the period of investigation. Our  
22 witnesses testified about their inability to invest in  
23 their operations due to poor market conditions as the  
24 result of low-priced imports. Companies have had to  
25 shut down galvanizing lines or reduce their operating

1 times, and some companies have imported galvanized  
2 wire themselves in order to compete with the low  
3 prices from Mexico and China, as you heard earlier  
4 today.

5 The average capacity utilization rate of the  
6 U.S. industry was only 62 percent in 2009, a supposed  
7 recovery period, and Petitioners have submitted to the  
8 Commission numerous instances of lost sales and lost  
9 revenues as a result of subject imports. We also note  
10 that the U.S. industry reported operating losses in  
11 both 2009 and 2010.

12 I'd also like to commend the industry  
13 witnesses who appeared before you on the Respondent's  
14 panel for their candor. As Mr. Gutierrez  
15 acknowledged, Deacero has been increasing its  
16 galvanized wire capacity, and it has been selling  
17 increasing amounts of that product into the U.S.  
18 market.

19 Mr. Zhang very candidly admitted that  
20 Chinese companies do rely on subsidies for exports.  
21 He spent a good deal of time talking about the  
22 interplay between the Chinese subsidy programs through  
23 their export rebate programs and imports. And we note  
24 in that regard that in our countervailing duty  
25 petition, we allege more than 30 separate subsidy

1 programs that the government of China or various  
2 subdivisions of the Chinese government appear to be  
3 offering to producers of galvanized steel wire.

4 With regard specifically to Mexican imports  
5 and the testimony of the industry witnesses from  
6 Deacero and Stay-Tuff, I have just a few comments and  
7 one request. Stay-Tuff was asked how or where it  
8 sourced its galvanized wire before the acquisition by  
9 Deacero, and acknowledged that it was from domestic  
10 sources, which indeed was the case. We are aware of  
11 and will provide to you information about where they  
12 did source galvanized wire prior to their acquisition,  
13 and I suppose they have not yet caught up on their  
14 website with their phenomenal growth and success in  
15 marketing their product because their website still  
16 states that Stay-Tuff fencing starts with top quality,  
17 American-made wire, which is clearly no longer the  
18 case.

19 With respect to Chinese imports, we are  
20 concerned that the import data that the Commission has  
21 received so far has largely been from 16 self-selected  
22 Chinese companies, some of whom appear to be only  
23 exporters and not producers. As we pointed out in our  
24 petition and again this morning, we have documented  
25 from public sources imports of galvanized wire from

1 over 279 Chinese companies during the period of  
2 investigation. We have also documented on Chinese web  
3 sites offers of galvanized wire from more than 1,000  
4 Chinese companies. Clearly, there is a great deal of  
5 capacity in China that may escape the Commission's  
6 questionnaires.

7 Mr. Malashevich referred to statements by  
8 two domestic galvanized wire producers, Beckert and  
9 Leggett & Platt, to try to support his argument that  
10 the domestic industry is doing well. I would simply  
11 point out that those statements were not specific to  
12 galvanized steel wire. They were general statements  
13 about the companies' overall performance. And given  
14 the range of products made by both of those countries,  
15 Mr. Malashevich was not only trying to compare apples  
16 with oranges, he was trying to compare apples with  
17 oranges and pears and grapefruit and berries and  
18 melons and kumquats and all of the other products that  
19 these companies make.

20 I wasn't going to say anything further about  
21 Mr. Malashevich's economic arguments because I'm a  
22 lawyer and he's an economist. But he felt free to  
23 discuss the Bratsk case with you, so I think that  
24 gives me an opening to return the favor. And as those  
25 of you on the staff know and the Commission knows, I

1 have a passing knowledge of the Bratsk case and of the  
2 predecessor Gerald Metals case as well. But I don't  
3 want to dwell on that because I think the standards in  
4 those cases are now well established by the Commission  
5 and the courts, and I think, Mr. Corkran, you phrased  
6 it very well indeed. This is not a Bratsk case.  
7 There are no Bratsk issues here.

8           However, there appear to be some economic  
9 issues in this case that I would like to address, and  
10 specifically referring to the exhibits that Mr.  
11 Malashevich presented. Exhibit 3, which lists the pie  
12 charts of imports of each HTS subheading of galvanized  
13 steel wire -- again, Mr. Corkran, I think you put your  
14 finger right on the point. Ninety percent of all  
15 Mexican imports and 70 percent of all Chinese imports  
16 fall into that one pie chart in the upper lefthand  
17 corner on the first row. If we were to have software  
18 that would put this in proper proportion, obviously  
19 that pie chart would cover the whole page, and the  
20 others would just be pimples on pumpkins around the  
21 periphery.

22           I also wanted to point out that the official  
23 import data does show that there is the presence of  
24 Chinese imports throughout the country. And again,  
25 Mr. Malashevich noted that there were imports through

1 Los Angeles and Long Beach, elsewhere on the West  
2 Coast, through Chicago, through the East Coast.  
3 Chinese imports were everywhere; and then asserted  
4 that Mexican imports come only through Laredo, Texas.  
5 Well, that's simply because that's how Mexican imports  
6 enter the United States.

7 Deacero, as we have pointed out in our  
8 petition and during the testimony earlier today has  
9 distribution warehouses throughout the United States.  
10 We also understand that Deacero occasionally uses  
11 public warehouses for sales. And as a result, they  
12 are present throughout the United States, not simply  
13 within a short geographic distance of the United  
14 States-Mexican border. I mean, that analysis would  
15 mean that if you looked at Oklahoma Steel and Wire,  
16 you would limit all of your interest to a geographical  
17 range within 50 miles of Madill, Oklahoma instead of  
18 throughout the country, which is the natural market  
19 for Oklahoma Steel and Wire.

20 I think that concludes my comments. And  
21 again, I appreciate your patience and your  
22 understanding throughout this arduous procedure, which  
23 I know has created challenges for all of us. Thank  
24 you very much. Happy Easter.

25 MR. CORKRAN: Thank you very much. Thank

1 you very much for your presentation. I'd only want to  
2 clarify one item there. I don't believe I  
3 characterized this as not being a Bratsk case, and if  
4 I did, I misspoke, to the extent that I would not  
5 presume to make such a characterization before the --

6 MR. WAITE: If I said, or you interpreted  
7 what I said as characterizing what you said, Mr.  
8 Corkran, please forgive me. I'm not in the business  
9 of characterizing what other people say, even though  
10 that seems to be part and parcel of the lawyer's fare  
11 today. But I apologize if I did that. I didn't mean  
12 to do it. But nevertheless, this is not a Bratsk  
13 case. Thank you.

14 MR. CORKRAN: And now we will hear from Mr.  
15 Pardo and Mr. Campbell.

16 MR. CAMPBELL: Good afternoon again. This  
17 is Jay Campbell of White and Case. I'll just make a  
18 few rebuttal points responding to the Petitioner's  
19 affirmative testimony.

20 First on volume, in terms of absolute basis,  
21 the subject imports were pretty stable over the POI.  
22 From 2008 to 2010, there is no significant increase  
23 there. The Petitioners point to market shares,  
24 arguing that the subject imports' market share  
25 increased markedly during the POI. But what they

1 failed to note is that this came at the expense of  
2 other imports, and the import statistics bear this  
3 out.

4 In terms of price, the Petitioners focus on  
5 average unit values. I'm going to refer to chart 5  
6 from Mr. Magrath's testimony. The average unit values  
7 are not a good source of information in this case.  
8 2008 is a very poor benchmark year for where prices  
9 should be. The main determinants of prices for  
10 galvanized wire are the raw material costs of wire  
11 rod, which in turn is affected by steel. Well, steel  
12 and in turn rod prices were at record highs in 2008.  
13 So the AUV trends you see in chart 5 simply reflect  
14 the trends in the raw material cost of steel and rod  
15 at an historical high in 2008, and then crashing with  
16 the global recession in 2009, and then picking up  
17 again in 2010.

18 Also, in terms of AUVs -- in and of  
19 themselves are a very poor metric of underselling  
20 because the average unit values do not reflect the  
21 prices at which the imports at which the imports are  
22 sold in the market. So they should not be compared  
23 with the U.S. producers' AUVs for their shipments.

24 Second, a couple of other points on price.  
25 The representative -- the gentlemen from Mid-South,

1 his testimony undercuts the notion that the prices of  
2 Mexican and Chinese subject imports are lower than the  
3 U.S. product. As we know from the testimony, in 2010,  
4 Mid-South shut down for six months. This is a long  
5 time. If price is the only relevant consideration in  
6 purchasing galvanized wire, and Mexican and Chinese  
7 product is so much lower than domestic prices, then  
8 the rational business decision, especially if you're  
9 out for six months, would be to purchase from Mexico  
10 and China. They did not. Mid-South did not do that.  
11 They bought domestic.

12 Another point on price. U.S. producers --  
13 Petitioners mentioned that Deacero announced a price  
14 increase right before the filing of the petition.  
15 Actually, it's Deacero's policy to announce price --  
16 always announce -- or periodically announce  
17 significant price increases for their customers to  
18 keep their customers on notice when raw material costs  
19 go up. And this was just the most recent announced  
20 price increase before the filing of the petition.  
21 There were several announced price increases by  
22 Deacero throughout 2010, and we will provide that  
23 documentation for our brief.

24 Lastly, on impact, the Petitioner's case, at  
25 least Mr. Magrath's testimony, relies on evidence from

1 the petition, the conditions in terms of the financial  
2 indicators he is referring to, what the information  
3 reported by the Petitioners in the petition. But as  
4 the ITC is well aware, you know, that information is  
5 not representative of the entire U.S. industry. The  
6 appropriate financial indicator should come from the  
7 questionnaire responses themselves.

8 That concludes my comments. Thank you very  
9 much.

10 MR. PARDO: Thank you. Good afternoon  
11 again. Mark Pardo again from Grunfeld Desiderio. I  
12 also just have a few brief comments, not going in any  
13 particular order. But one I would just like to  
14 address, one of the comments Mr. Waite made in his  
15 closing regarding the discussions that Mr. Zhang had  
16 made with respect to the VAT rebate and his references  
17 or insinuations that this is then some sort of an  
18 admission or acknowledgment or a subsidy or a  
19 countervailable subsidy.

20 In my experience or knowledge, a VAT rebate  
21 or the level of VAT rebate which has been offered has  
22 never been found to be a countervailable subsidy.  
23 Moreover, this industry has, as you know, never been  
24 investigated by the Department of Commerce.  
25 Therefore, on an industry-specific basis, this is

1 certainly not something which it is appropriate to be  
2 assuming is a countervailable subsidy. It's merely a  
3 factor that we brought in with respect to what are the  
4 conditions in terms of incentives to export product as  
5 opposed to looking at the ever-growing need for  
6 domestic consumption of subject merchandise.

7           In addition to that, in general terms, what  
8 we still believe is that the presentation we've seen  
9 by the domestic industry has really provided no  
10 reasonable indication of any material or threat of  
11 injury that is directly attributable to the subject  
12 imports. Their efforts today have largely been to  
13 paint a very, very simplistic picture. But I think  
14 that in viewing the information which we have on the  
15 record, which is quite complete at this point, and in  
16 particular, the import statistics that has been a  
17 large focus of our discussion today, there are certain  
18 contradictions between the story that they would like  
19 to paint and what the data itself shows.

20           First off, the gain in market share which  
21 Petitioners are continually referring to, even if we  
22 do accept the subject merchandise in the aggregate so  
23 that notwithstanding the very, very significant  
24 decline by Chinese imports, if we look at that in  
25 conjunction with the Mexican imports, the record shows

1 that over the three-year period that we're looking at  
2 here, the overall gain was negligible. It was less  
3 than 4 percent by the information that Petitioners  
4 have put in.

5 Now, moreover, Petitioners in their  
6 discussions of this gain were very, very careful to  
7 avoid saying that whatever gain there was was at the  
8 expense of domestic market share. And what we refer  
9 to, and I think will be far, far more evident in the  
10 briefs -- the record clearly shows that that is not  
11 the case.

12 With respect to pricing, again to follow up  
13 on some of the comments that my colleague Mr. Campbell  
14 made, again there is simply a question -- the  
15 information we have on the record simply does not  
16 corroborate the view that pricing is the only and only  
17 determinative of what is being purchased. First off,  
18 the Exhibit 5, which was presented in Mr.  
19 Malashevich's presentation, which shows the breakdowns  
20 in AUVs from all of the various countries, again if  
21 pricing really were the one and only factor that  
22 everyone was considering, why is it that there are  
23 these other countries with lower AUVs than China,  
24 which are not taking greater market share.

25 Conversely, as everybody understands, Canada

1 has been a very, very major player in this market.  
2 And in fact, throughout all three years of the period  
3 that we're reviewing, Canada had a much greater level  
4 of imports than China, notwithstanding the fact that  
5 through all three years, Canada's AUV was higher on  
6 average than China's. Again, it's not -- they wish to  
7 paint a very simplistic picture. It is not that  
8 simple, clearly.

9           With respect to the allegations that  
10 whatever injury there is to the domestic market now is  
11 attributable to any sort of underselling by subject  
12 imports, again the record is very, very sparse under  
13 this. To begin with, as everybody has acknowledged,  
14 this period of investigation cannot be considered a  
15 typical cycle, particularly given the impact of the  
16 2009 recession. And I think a very, very telling  
17 point as well was that since we are dealing with a  
18 product which is nothing but an upstream input for  
19 other products, it's largely dependent -- its recovery  
20 cycle is dependent largely on what is going on for the  
21 ultimate industry for the downstream product, and the  
22 producers that make that to which they're selling.

23           Beyond just the typical recovery which is  
24 necessary for getting back from the recession -- we  
25 heard again significant testimony from Mid-South

1 referring to the flooding, the closings there, and  
2 they noted in particular this is especially  
3 problematic for a company that is producing using the  
4 hot-dipped galvanizing because of the problems that  
5 they then have with the hot-dipped zinc.

6 In addition to that, Mr. Malashevich pointed  
7 to the very, very positive statements of Beckert.  
8 Now, Mr. Waite wants to say, well, we should dismiss  
9 this because Beckert is making all of these other  
10 products, and therefore this is not an apples to  
11 apples comparison. Well, by making this statement, I  
12 think Mr. Waite is also forgetting that the domestic  
13 industry Petitioners in this case also are making a  
14 very significant number of downstream products.  
15 Therefore, I would take that question and put it in  
16 the reverse. If we do assume that there is in fact  
17 injury here, who is to say that this is an injury  
18 which is caused by this subject merchandise as opposed  
19 to the very, very significant portion of downstream  
20 products, which the industry is making as well.

21 Just given the small gain which the subject  
22 imports have, it's very, very difficult to believe  
23 reasonably that that gain is what is a relevant cause  
24 of any sort of alleged injury.

25 MR. CORKRAN: Mr. Pardo, may I ask you to --

1 MR. PARDO: Certainly.

2 MR. CORKRAN: All right. Thank you.

3 MR. PARDO: May I have time for one more  
4 point? Thank you. In closing, the primary reason  
5 which we have preliminary investigations as opposed to  
6 one single final investigation is it's intended to be  
7 a manner in which there is a proper allocation of  
8 resources. It's meant to be a vetting process. And I  
9 think as everybody in this room knows, perhaps in no  
10 other time has it been more important for the  
11 Commission to be allocating its resources properly,  
12 given the unprecedented workload.

13 We would respectfully submit that the record  
14 evidence here indicates that there is no reasonable  
15 indication of injury or either threat of injury.  
16 Thank you very much.

17 MR. CORKRAN: On behalf of the Commission  
18 and the staff, I'd like to thank the witnesses who  
19 came here today as well as counsel for helping us to  
20 gain a better understanding of the product and the  
21 conditions of competition at issue in this proceeding.

22 Before concluding, let me mention a few  
23 dates to keep in mind. The deadline for submission of  
24 corrections to the transcript and for submission of  
25 post-conference briefs is Wednesday, April 27th, at

1 noon. Please note the date and time as they reflect  
2 an extension authorized by the director of  
3 investigations. If briefs contain business  
4 proprietary information, a public version is due on  
5 Thursday, April 28th. The Commission has tentatively  
6 scheduled its vote on these investigations from May  
7 16, and it will report its determinations to the  
8 Secretary of Commerce on May 16 as well.  
9 Commissioner's opinions will be transmitted to  
10 Commerce on May 23.

11 Thank you all for coming. This conference  
12 is adjourned.

13 (Whereupon, at 5:05 p.m., the preliminary  
14 conference in the above-entitled matter was  
15 concluded.)

16 //

17 //

18 //

19 //

20 //

21 //

22 //

23 //

24 //

25 //

**CERTIFICATION OF TRANSCRIPTION**

**TITLE:** Galvanized Steel Wire from China and Mexico

**INVESTIGATION NOS.:** 701-TA-479, 731-TA-1183-1184  
(Preliminary)

**HEARING DATE:** April 21, 2011

**LOCATION:** Washington, D.C.

**NATURE OF HEARING:** Preliminary conference

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:** April 21, 2011

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

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

**SIGNED:** Rebecca McCrary  
Signature of Proofreader

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

**SIGNED:** Gabriel Gheorghiu  
Signature of Court Reporter