

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)

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 GALVANIZED STEEL WIRE) (Preliminary)
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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:

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 ANGELA NEWELL, INVESTIGATOR
 PETER SULTAN, ATTORNEY
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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
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FREDERICK P. WAITE, Esquire

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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
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Washington, D.C.

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

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RANDALL M. LENZ, Sales Manager, Stay-Tuff Fence
Mfg. Inc.
DAVID CLAYTON, Independent Wire & Wire Rod Broker

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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 battling
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.)

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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
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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).

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